



CITY OF LAKEWOOD, WA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2015



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2015

City of Lakewood
6000 Main Street SW
Lakewood, Washington 98499
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www.cityoflakewood.us

**Administrative Services Department
Finance Division**

Tho Kraus
Assistant City Manager/Finance Director

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2015**

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July 22, 2016

People of the City of Lakewood
Honorable Mayor and City Council

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

The Comprehensive Annual Financial Report (CAFR) of the City of Lakewood for the year ended December 31, 2015 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

REPORTING ENTITY

The City of Lakewood is an optional code city and incorporated in 1996. Lakewood is the second largest city in Pierce County and is host community to Joint Base Lewis McChord (JBLM), the largest Army military installation in the western United States and the largest single-site employer in Washington State. Our legacy and commitment to each other dates back almost 100 years to World War 1 and the creation of Camp Lewis that then became Fort Lewis followed by the addition of McChord Air Force Base and now JBLM, the sole "Power Projection Platform" on the West Coast. Lakewood has a population of 58,360 and covers an area of 18.95 square miles, of which 17.17 square miles is land and 1.78 square miles is water. Lakewood is known for its lakes, natural beauty, and economic potential.

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

The City provides the following services to residents and businesses: parks and recreation, police, jail, streets and roads, stormwater collection and treatment, economic development, public improvements, building, planning and zoning, social and senior services, municipal court, and general administrative services. Water is provided by the Lakewood Water District and sewer services are provided through Pierce County. Fire services are provided by the West Pierce Fire and Rescue. Garbage and recycling is provided by Waste Connections under contract with the City. Power is provided by Tacoma Power, Puget Sound Energy, and Lakeview Light and Power. Library services are provided by the Pierce County Library system. K-12 education is provided by Clover Park School District #400 and Steilacoom Historical School District #1. Higher education is provided by Pierce College at Fort Steilacoom Park and Clover Park Technical College. Interstate Highway 5 and State Highway 512 pass through Lakewood. The community is served by Pierce Transit and the Sound Transit (ST) systems, with stations adjacent to the I-5 Corridor

and the Towne Center. The combination of services from these agencies provides excellent public transportation to the greater Tacoma/Seattle area.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

According to the Puget Sound economic forecast report, jobs in the Puget Sound region grew 2.9% in 2015 compared to the national average of 2.1%. But the latest Puget Sound employment data provides evidence of 'changes in the wind', and after a strong recovery, the region is apparently no longer outpacing the nation and will converge with national growth rates. Projected future employment growth for both the Puget Sound region and the nation indicate this change with an estimated job growth of 1.8% in 2016. This convergence implies that if the nation can avoid a recession over the next few years, likely given the slow rate of recovery, so will the Puget Sound region.

The unemployment rate of 9.7% for the Tacoma-Lakewood region compared to the 9.7% national rate were nearly the same in 2010. As of the end of 2015, the rates were 6.2% and 5.9%, respectively. The Puget Sound region did gain 56,600 jobs in 2015 and this strong employment growth and a relatively low unemployment rate have helped regional pocketbooks. In 2015, the average personal income in the Puget Sound increased from \$58 thousand to \$60 thousand.

Retail sales in the region increased 4.2% from 2014 to 2015, indicating consumer confidence. As the economy begins to settle and regional growth converges with the growth of the nation, the Puget Sound economic forecast report expects retail sales growth to increase only 2.2% in 2016 and rebound to 4.7% in 2017.

ECONOMIC TRENDS

In 2015, there were 27,066 housing units in Lakewood, an increase of less than 0.5% over 2014. Of these units, 51% were single family homes, 45% multi-family units, and 4% mobile homes and trailers.

The community is residential and commercial, with the populace employed locally, at Joint Base Lewis-McChord, and in the neighboring cities such as Tacoma, University Place, Steilacoom and unincorporated Pierce County. Employment in Lakewood is highly concentrated in retail and services sectors which respond primarily to the needs of the local market area population. The employment figure for 2015 is estimated at 26,000. Major employers are the Clover Park School District, Western State Hospital, Camp Murray, Pierce College, St. Clare Hospital, Pierce Transit, Aacres WA LLC, McClane Northwest, Clover Park Technical College and Walmart.

Sales tax collected in 2015 total \$8.7 million, and is above 2014 by 435 thousand or 5.3%. The major retailers include Walmart, Lakewood Ford vehicle dealership, Lowe's home improvement, Target Corporation, Tacoma RV Center, Burlington Coat Factory and Safeway.

In 2015, new construction and added improvements assessed value totaled \$27.7 million or approximately 0.56% of the City's 2015 assessed valuation. The total assessed value of property in Lakewood was \$4.9 billion, which is approximately 8.9% higher than the 2014 assessed valuation of \$4.5 billion.

Real Estate sales increased from \$220 million in 2014 to \$298 million in 2015, an increase of 35% or \$77 million. Major real estate transactions in 2015 include Steeple Chase Apartments, Lakewood Village/Towne Center, Lakewood Orthopedic Surgeons, Auto Wrecking, Alpine Estates, Waverly Manor, Chambers Creek Center, Woodlake Estates Apartment Complex, Evergreen Ridge Apartments, Best Night Inn, Walgreens, and several major single family residences and other multifamily residences.

LONG-TERM PLANNING

In 2014, the City began the development of a six-year financial forecast to help provide a more effective delivery of services. Moving into 2015 and 2016, the City will continue the development of the financial forecast that includes facts and assumptions to enable an accurate forecast of the financial future of the city to ensure whether adequate resources will be available to maintain current and projected city service levels with a particular focus on the impact of current economic conditions and, if not, develop strategies to address them. The forecast will also serve as a tool to examine financial trends and identify opportunities, particularly as new services or programs are evaluated. The

financial forecast will serve as the mechanism to ensure these investments, commitments, and contractual obligations “pencil” for at least six years.

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

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

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Embedded Mental Health Professional: The City of Lakewood’s Behavioral Health Contact Team (BHCT) - which gives the Lakewood Police Department a different resource when responding to individuals suffering from mental illness - provided service to 200 individuals in 2015. In 2015, the Lakewood Police Department implemented this innovative partnership in response to the growing population of people suffering from mental illness in the community – a population that draws on police resources either for crisis response or through self-generated calls for service. Often, a police response was not necessarily warranted but was the only option available to individuals. This unique partnership provides a different resource as a first response for people suffering from mental illness and reduces the draw on police resources. Ultimately, the BHCT is intended to help provide those individuals with the help they truly need.

Transportation Budget: The \$16.1 billion package addressed the most pressing need in the eyes of many in Lakewood, on Joint Base Lewis-McChord and the rest of the South Sound region: fixing an aging and outdated infrastructure system along the Interstate 5/JBLM corridor between Lakewood and DuPont. This 7-mile stretch of I-5 continues to be one of the state’s most congested points. This section of I-5 has not been improved or expanded since it was first built in the 1950’s. Its current design is not capable of sustaining the traffic volumes it encounters today. The Legislature authorized \$494.4 million worth of work to the I-5/JBLM corridor to include: addition of a fourth lane - north and south - along the corridor; a local connector road between Gravelly Lake Drive and Thorne Lane, essentially opening up the Tillicum neighborhood to the rest of Lakewood for the first time; and interchanges at Thorne Lane, Berkeley Street and Steilacoom-DuPont Road will be rebuilt

US Open: The City of Lakewood was a key partner in the region’s successful presentation of the 2015 U.S. Open golf championship. By all accounts, the event was a huge success. In addition to some security staffing and preliminary planning work, the city also hosted one of two main public parking areas for the event at Ft. Steilacoom Park. In summary, Ft. Steilacoom Park saw a daily average of 3749 cars and 8068 spectators from U.S. Open spectators. This did not include regular park visitors. There were no reports of crime during the week in the park, crime was down in the general area of the park, vehicle collisions throughout the city were down, and the impact to Western State Hospital was generally mitigated. There was an increase in red light infractions at one nearby intersection, Steilacoom and Phillips Road. The cost to the Police Department was \$63,447. This can all be balanced against a very successful U.S. Open, which brought national attention to the area and 56,000 spectators into and through the city during the week.

New City Website: The City of Lakewood has launched its new website at cityoflakewood.us. The new version provides a completely different experience. Designed and produced in-house, the City’s new website is easy to use and navigate for web users of all abilities. Lakewood’s new website is also intended to make everything the City does even more transparent for the public. In addition to making the City’s contact information easily identifiable, Lakewood has posted hundreds of electronic documents from all of its departments from budgets to planning forms

to public works documents. It all is part of the Lakewood City Council's goal of providing as much information on City operations as possible. For mobile users, the website easily conforms to various smartphone and tablet devices.

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

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

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

- Inspired by its own sense of history and progress;
- Known for its safe and attractive neighborhoods, vibrant downtown, active arts and cultural communities;
- Sustained by robust economic growth and job creation;
- Recognized for the excellence of its public and private schools, and its community and technical colleges;
- Characterized by the beauty of its lakes, parks and natural environment;
- Acknowledged for excellence in the delivery of municipal services;
- Leveraging and embracing of our diversity; and,
- Supportive of Joint Base Lewis McChord (JBLM), Camp Murray, service members and their families.

OUTLOOK FOR THE FUTURE

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

These goals will direct our community toward positive change and will serve as the policy direction for City government as well as the policy guide for developing and implementing the City's 2015-2016 biennial budget. Each adopted goal also includes specific action strategies and a work plan outlining priority projects to be 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.

The City Manager uses the City Council vision and goals to set priorities, direct work activities, and allocate personnel and financial resources.

The Lakewood City Council held a retreat on Saturday, May 10, 2014 as a continuation of a December 14, 2013 retreat to develop goals and priorities for the next three-year period (2014-2016) and beyond. An additional review occurred as part of City Council's June 23, 2014 study session with adoption occurring as part of City Council's July 7, 2014 regular meeting.

The following goals emerged:

1. Our City is Fiscally Responsible
2. Our City Provides First-Rate Public Safety Services
3. Our City Promotes Economic Development
4. Our City is Dedicated to Maintaining and Improving Public Infrastructure and Facilities
5. Our City is Committed to Honest, Open, and Transparent Government

In addition, the City Council identified the following as the key objectives to pursue:

- Infrastructure Improvements
- Fiscal Responsibility
- Focus on "Low Hanging Fruit" (i.e., promote positive image and attributes of Lakewood, continue to move forward with current infrastructure improvements and develop implementation strategy for unfunded infrastructure improvements, CSRT, economic development opportunities, gateway improvements, etc.)

- Public Safety Cost/Benefit Analysis

FINANCIAL INFORMATION

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

Independent Audit

State law requires an annual audit of all City books of account, financial records, and transactions by the State Auditor, an independently elected state official. In addition to meeting the requirements set forth under state law, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133. The 2015 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 2014 for the 17th consecutive year. The State Auditor's report on the basic financial statements is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its comprehensive annual financial report (CAFR) for the year ended December 31, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Lakewood also received the Government Finance Officers Association Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2015 and 2016. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



John J. Caulfield
City Manager



Tho Kraus
Assistant City Manager/Administrative Services Director

CITY OFFICIALS



DON ANDERSON
Mayor



JASON WHALEN
Deputy Mayor



MARY MOSS
Councilmember



MARIE BARTH
Councilmember



PAUL BOCCHI
Councilmember



JOHN SIMPSON
Councilmember

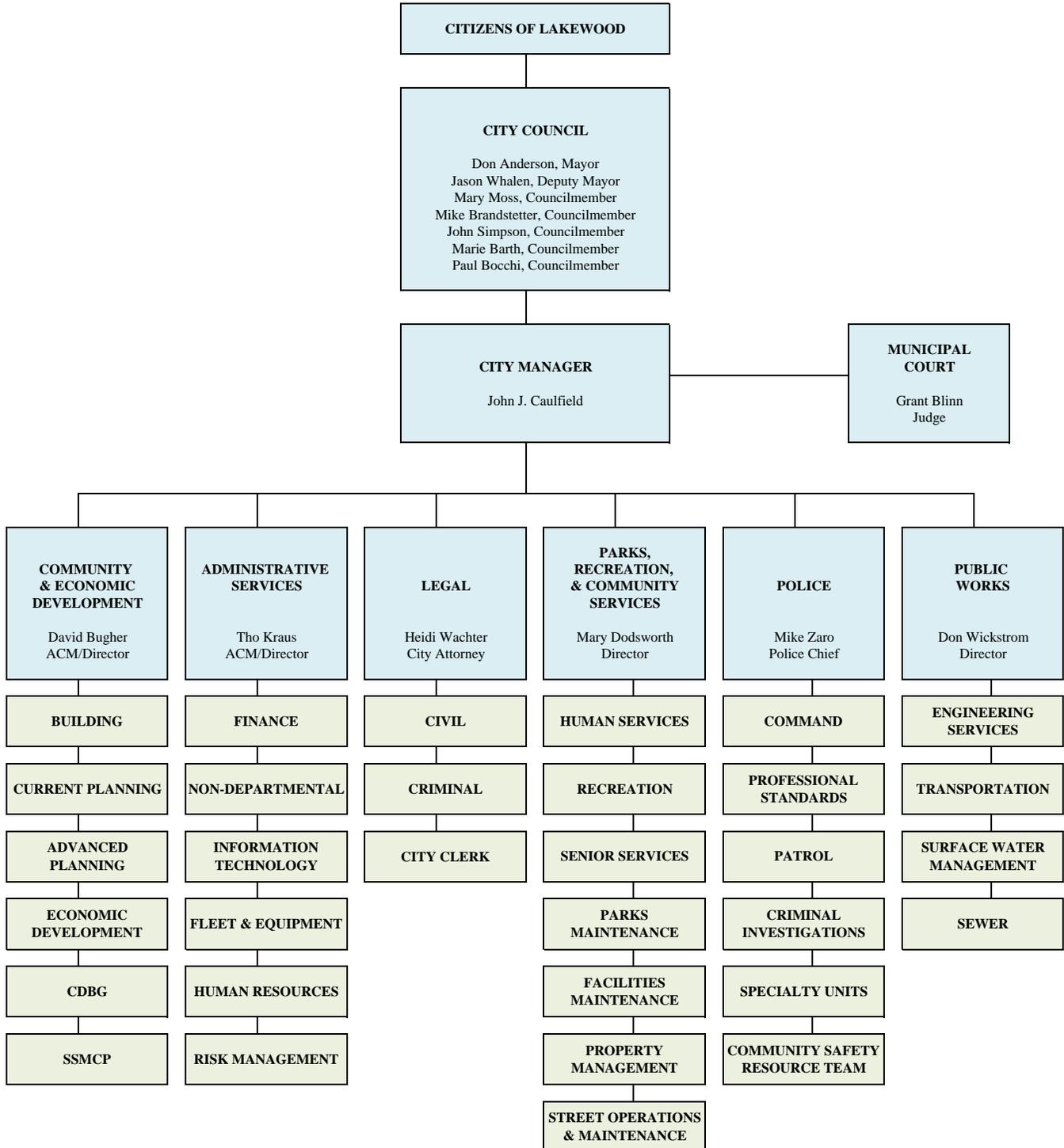


MICHAEL D. BRANDSTETTER
Councilmember

ADMINISTRATIVE STAFF

City Manager	John J. Caulfield
Assistant City Manager, Administrative Services	Tho Kraus
Assistant City Manager, Development Services.....	M. David Bugher
City Attorney	Heidi Wachter
Police Chief	Mike Zaro
Municipal Court Judge	Grant Blinn
Public Works Director	Don Wickstrom
Parks, Recreation, and Community Services Director.....	Mary Dodsworth
Human Resources Director.....	Debra Young
City Clerk	Alice Bush

CITY-WIDE ORGANIZATION CHART





Government Finance Officers Association

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

Presented to

**City of Lakewood
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014.

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Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 21, 2016

Mayor and City Council
City of Lakewood
Lakewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lakewood, Pierce County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lakewood, Pierce County, Washington, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Community Development Block Grant Fund funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 17, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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 on pages 19 through 31 and pension plan information on page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 87 through 126 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 21, 2016, 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,



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Lakewood's annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended December 31, 2015. This information should be read in conjunction with the preceding letter of transmittal, the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The total assets of the City of Lakewood exceeded its liabilities at December 31, 2015 \$171.7 million. Capital assets (net of depreciation and related debt) account for 84% of this amount with a value of \$143.4 million. Of the remaining net position of \$28.3 million or 16%, \$22.5 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net position increased by \$12.3 million, or 8% compared to 2014. Governmental activities increased by \$13.6 million and business-type activities decreased by \$1.3 million.
- Net investment in capital assets for governmental activities increased by \$7.7 million and unrestricted net position increased by \$5.0 million compared to 2014.
- Restricted net position increased by \$1.0 million, or 20% and is largely for funding of grants and capital projects.
- Governmental fund balances at year-end were \$13.1 million, a \$3.5 million increase over the prior year. Of this amount, a total of \$5.8 million, or 44% of the governmental fund balance is unassigned and available to fund ongoing activities. The remaining is earmarked for parks, transportation and sewer capital projects, local improvement district related debt, hotel/motel lodging tax, police seizure, grants, public works trust fund loan debt, petty cash, property abatement, and public art.
- Unassigned fund balance in the general fund was \$5.8 million, which increased by \$1.3 million or 29% from the prior year.
- The City's debt increased by \$1.3 million during the current fiscal year. LOCAL financing debt, public works trust fund loan, and a capital lease were added to long-term debt for an increase of \$1.9 million. This is offset by debt amounts redeemed of \$665 thousand in general obligation debt, public works trust fund loans, promissory note, special assessments debt, and capital lease which decreased by \$130 thousand, \$428 thousand, \$53 thousand, \$50 thousand, and \$3 thousand respectively. These changes reflect the annual debt service payments.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Lakewood's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements.

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

CONDENSED STATEMENT OF NET POSITION As of December 31, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 29,003,642	\$ 21,759,983	\$ 6,191,037	\$ 7,515,212	\$ 35,194,679	\$ 29,275,195
Capital assets and CIP, net of accum. depreciation	121,540,008	112,644,013	32,733,409	33,001,351	154,273,417	145,645,364
Total Assets	150,543,650	134,403,996	38,924,446	40,516,563	189,468,096	174,920,559
Deferred outflows of resources	632,205	-	-	-	632,205	-
Total deferred outflows of resources	632,205	-	-	-	632,205	-
Current liabilities	5,993,711	4,608,966	198,105	472,831	6,191,816	5,081,797
Long-term liabilities	11,108,440	10,392,750	65,551	65,681	11,173,991	10,458,431
Total Liabilities	17,102,151	15,001,716	263,656	538,512	17,365,807	15,540,228
Deferred inflows of resources	1,060,637	-	-	-	1,060,637	-
Total deferred outflows of resources	1,060,637	-	-	-	1,060,637	-
Net Position:						
Net investment in capital assets	110,660,825	103,007,479	32,733,409	33,001,350	143,394,234	136,008,829
Restricted	5,806,134	4,829,728	-	-	5,806,134	4,829,728
Unrestricted	16,546,108	11,565,073	5,927,381	6,976,699	22,473,489	18,541,772
Total Net Position	\$ 133,013,067	\$ 119,402,280	\$ 38,660,790	\$ 39,978,049	\$ 171,673,857	\$ 159,380,329

Analysis of Net Position

Total net position of the primary government of \$171.7 million at December 31, 2015 increased \$12.3 million or 7.7% compared to December 31, 2014. The increase is due to general governmental activities which increased by \$13.6 million, offset by a decrease in business type activities of \$1.3 million.

The largest component of the City's net position, 83.5% or \$143.4 million, is its net investment in capital assets. These capital assets such as land, streets, trails, parks, police vehicles, and parks equipment are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending.

Approximately 35.8% or \$2.1 million of the City's restricted net position is earmarked for capital improvement projects. \$1.6 million is earmarked to the Transportation Capital Fund, and \$477 thousand is earmarked for capital in the Real Estate Excise Tax Fund. Some of the major projects are Bridgeport Way 83rd-75th, Bridgeport Way JBLM – I-5, LED Street Light Retrofit, Steilacoom Boulevard Safety Improvements, South Tacoma Way (Steilacoom Blvd to 88th), and Madigan Access Improvements. The City attempts to fund capital construction projects on a pay-as-you-go basis, aggressively pursuing transportation grant funding and cost sharing with developers to construct large projects in the City that impact the transportation system.

The balance of the City's restricted net position of \$5.8 million is divided as follows: \$1.5 million or 25.8% for debt service payments; \$1.3 million or 21.9% for Hotel/Motel Lodging Tax for tourism and related activities, \$153 thousand or 2.6% for the Neighborhood Stabilization Program grant; \$48 thousand or 0.8% for the Office of Economic Adjustment grant, and \$67 thousand or 1.2% for Community Development Block grants; \$688 thousand or 11.9% for law enforcement operations. Of the \$22.5 million unrestricted net position, \$5.9 million is earmarked for Surface Water Management and \$16.6 million may be used to meet ongoing obligations to citizens and creditors. Examples of other City obligations for which the remaining unrestricted net position may be used are public safety, parks maintenance, capital projects, street operations and maintenance.

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

Governmental Activities

Current and other assets increased by \$7.2 million or 33.3% primarily due to the addition of net pension asset of \$3.5 million for LEOFF GASB 68 pension reporting, \$2.8 million increase in due from other governments for various capital projects (LED streetlight retrofit, transportation projects), \$2.7 million increase in cash and cash equivalents due to increases in tax revenue (sales tax, gambling tax, property tax) and grants, offset by a decrease in investments of \$1.6 million due to investment maturity.

Capitals assets and construction in progress, net of accumulated depreciation increased \$8.9 million or 7.9% primarily due to a net increase in capital improvement projects in the Transportation Construction in Progress (CIP) Fund. CIP net increase of \$10.6 million is primarily due to the increase of \$11.6 million in CIP composed of \$3.3 million for Bridgeport Way (83rd to 75th), \$1.9 million Madigan Access, \$1.5 million for LED Streetlights, \$787 thousand for Steilacoom Boulevard Safety Improvements, \$769 thousand for Lakewood Traffic Signal Upgrade, \$717 thousand for Woodbrook Sewer Extension, and \$3.5 million in multiple projects in the Transportation CIP, Sewer CIP, and Parks CIP funds. This increase is offset by a decrease to CIP primarily due to capitalizing Safe Routes to Schools projects, and Street Rehab projects totaling \$1.0 million. Land increased by \$654 thousand due to the addition of Springbrook Park, Right of Way acquisitions, and donated property. Machinery and equipment increased by \$830 thousand primarily due to adding \$1.3 million in fleet & equipment offset by current year depreciation. Buildings and Improvements other than buildings had a net decrease of \$3.2 million primarily to the current year depreciation on the assets.

Long-term liabilities increased by \$716 thousand or 7% due to the addition of LOCAL Financing debt of \$1.6 million, Public works trust fund loan of \$179 thousand, and capital lease of \$40 thousand, offset by lower outstanding balances in the remaining GO Bond debt, Special Assessment Bonds, and Public Works Trust Fund loans.

Other liabilities increased by \$1.4 million or 30% due to an increase in long-term debt due in one year of \$568 thousand, in accounts payable and accruals of \$640 thousand primarily in the General Fund and Transportation CIP Fund due to timing of invoice payments, and in unearned revenue of \$230 thousand primarily due to an increase of \$204 thousand in the OEA/SSMCP Grant Fund.

Net investments in capital assets increased \$7.7 million or 7% primarily due to an increase in transportation capital assets, offset by an increase in outstanding long-term debt.

Restricted net position for capital projects, amounts that must be used in accordance with external restrictions, increased \$976 thousand or 20.2% from the prior year primarily due to an increase in debt service fund of \$452 thousand, increase in tourism related activities funding of \$245 thousand, increase in amounts restricted for capital projects of \$162 thousand, and increase in law enforcement funding of \$128 thousand.

Business-Type Activities

Current and other assets decreased by \$1.3 million or 18% primarily due to capital project expenditures.

Capital assets and construction in progress, net of accumulated depreciation decreased by \$268 thousand or 1% due to depreciation of \$1.2 million and \$27 thousand for depreciation of infrastructure and machinery and equipment respectively. This decrease was offset by additions to construction in progress and land including: \$77 thousand for the permanent public works operations and maintenance facility; \$208 thousand for Outfall Water Quality Retrofit; \$70 thousand for 2015 capital drainage; and \$11 thousand for the Zircon Mudslide; and \$190 thousand for Wards Lake land acquisition

Current liabilities decreased by \$275 thousand or 51% in 2015 due to a decrease of \$214 thousand in accounts payable and accruals at the end of the year, and a decrease of \$60 thousand in the balance due to other governments.

Net investments in capital assets decreased \$268 thousand or 1% primarily due to depreciation in Surface Water Management capital assets. The City had no restricted net position for business-type activities. Unrestricted net position decreased by \$1.0 million or 15% due primarily to the increase in transfers to parks and transportation capital projects for SWM's share of costs.

CHANGES IN NET POSITION
For the Years Ended December 31, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Programs revenues:						
Charges for services	\$ 8,896,085	\$ 10,864,250	\$ 2,740,257	\$ 2,723,885	\$ 11,636,342	\$ 13,588,135
Operating grants & contrib.	4,784,823	3,162,494	-	-	4,784,823	3,162,494
Capital grants & contrib.	7,360,847	3,783,553	210,814	276,528	7,571,661	4,060,081
General revenues:						
Property tax	6,652,050	6,424,206	-	-	6,652,050	6,424,206
Sales tax	10,183,652	9,697,424	-	-	10,183,652	9,697,424
Utility tax	5,703,609	5,747,855	-	-	5,703,609	5,747,855
Excise tax	1,509,250	1,106,755	-	-	1,509,250	1,106,755
Gambling tax	2,771,934	2,482,403	-	-	2,771,934	2,482,403
Lodging tax	691,797	559,866	-	-	691,797	559,866
Other tax	1,140,426	2,473,139	-	-	1,140,426	2,473,139
Investment earning	202,330	220,902	14,899	11,807	217,229	232,709
Miscellaneous	1,070,984	373,856	500	-	1,071,484	373,856
Other/miscellaneous	-	-	-	9,435	-	9,435
Total Revenue	<u>50,967,787</u>	<u>46,896,703</u>	<u>2,966,470</u>	<u>3,021,655</u>	<u>53,934,257</u>	<u>49,918,358</u>
Expenses:						
General government	4,359,727	7,481,025	-	-	4,359,727	7,481,025
Public safety	22,000,148	21,485,849	-	-	22,000,148	21,485,849
Utilities and environment	20,035	59,319	-	-	20,035	59,319
Transportation	6,097,346	6,157,222	-	-	6,097,346	6,157,222
Social Services	585,277	589,071	-	-	585,277	589,071
Natural & Economic environment	3,985,837	4,970,852	-	-	3,985,837	4,970,852
Culture and recreation	2,029,567	1,775,854	-	-	2,029,567	1,775,854
Judicial	1,536,681	1,490,816	-	-	1,536,681	1,490,816
Interest on long-term debt	268,910	237,174	-	-	268,910	237,174
Surface water management	-	-	3,243,955	3,141,793	3,243,955	3,141,793
Total Expenses	<u>40,883,528</u>	<u>44,247,182</u>	<u>3,243,955</u>	<u>3,141,793</u>	<u>44,127,483</u>	<u>47,388,975</u>
Change in net position before transfers	10,084,259	2,649,521	(277,485)	(120,138)	9,806,774	2,529,383
Transfers	1,039,772	(189,622)	(1,039,772)	189,622	-	-
Change in net position	11,124,031	2,459,899	(1,317,257)	69,484	9,806,774	2,529,383
Net position - beginning	119,402,278	116,947,381	39,978,047	39,908,563	159,380,325	156,855,944
Net effect - change in accounting for pensions	2,457,415	-	-	-	2,457,415	-
Prior period adjustment	29,343	(5,000)	-	-	29,343	(5,000)
Adjusted net position - beginning	121,889,036	116,942,381	39,978,047	39,908,563	161,867,083	156,850,944
Net position - ending	\$ 133,013,067	\$ 119,402,280	\$ 38,660,790	\$ 39,978,047	\$ 171,673,857	\$ 159,380,327

Analysis of the Change in Net Position

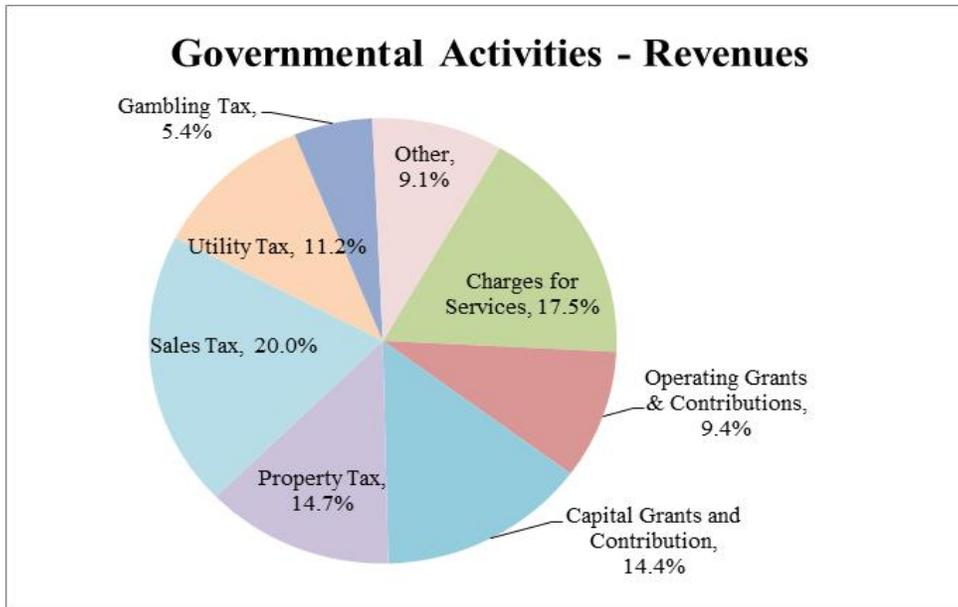
Total government-wide revenues of the primary government increased \$4.0 million or 8% and total expenses decreased \$3.3 or 6.9% from the prior year. These changes are discussed in more detail below.

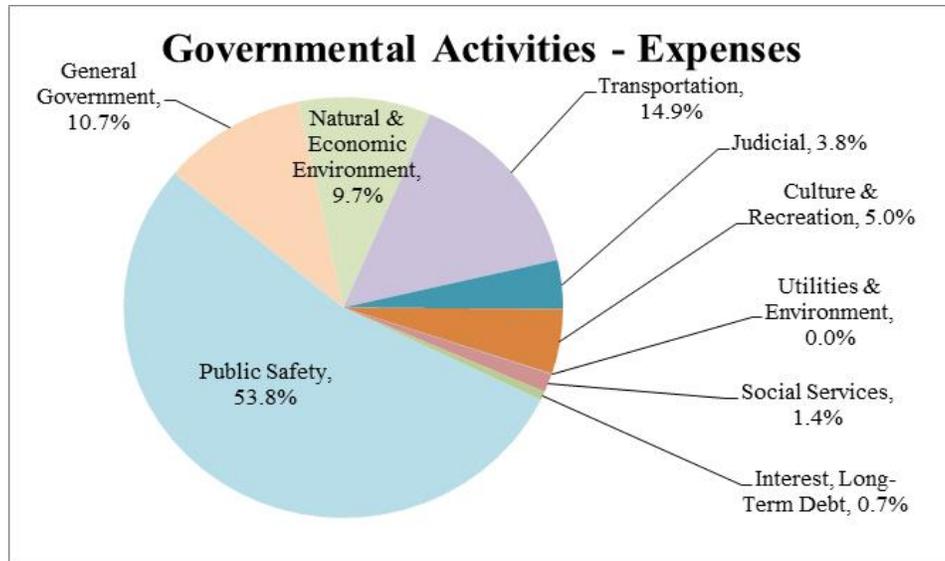
Governmental Activities

Governmental activities increased the City's change in net position by \$8.7 million or 352% of the total change in net position of \$7.3 million. Total revenues for governmental activities from prior year increased \$4.1 million or 8%.

The increase is mainly due to: \$3.6 million or 95% increase in transportation capital grants & contributions; \$1.6 million or 51% increase in operating grants and contributions primarily for a reclassification of motor vehicle fuel tax previously reported as other taxes; \$1.5 million combined increase for property, sales, excise, gambling, and hotel/lodging taxes, offset by a decrease of \$2.0 million in charges for services (decrease in engineering services revenue of \$475 thousand, decrease in mitigation fees of \$300 thousand, decrease in charges for services of \$306 thousand due to net change in deferred inflows of resources for municipal court, abatements, LID, and PWTF, decrease in development services permits and fees of \$123 thousand, a decrease of \$120 thousand in fines and forfeitures, decrease of property abatement charges and settlements of \$65 thousand, decrease of police contract revenue of \$42 thousand, decrease of \$14 thousand for municipal court services); and \$1.3 million in other taxes reclassified as operating grants and contributions).

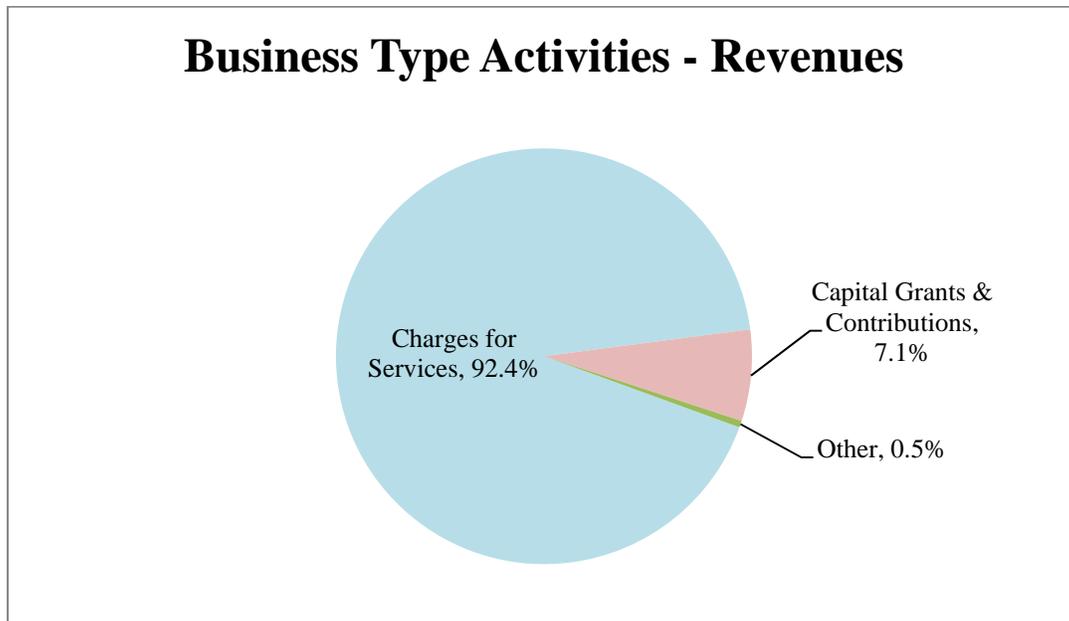
Total expenses for governmental activities decreased \$3.4 million or 8%. The decrease is mainly due to a \$3.1 million or 42% reduction in general government expenses (due to a decrease in \$1.8 million in administrative service for internal service charges, due to a decrease in \$826 thousand in property management, now accounted for under internal service funds) as well as a reduction in natural & economic environment expenses of \$985 thousand or 20% (due to a decrease in CDBG expenditures of \$440 thousand, and due to a decrease of \$232 thousand in Neighborhood Stabilization). These decreases were offset by \$514 thousand or 2% and \$254 thousand increases in public safety expense and culture and recreation, respectively. Transfers had a net increase of \$1.2 million primarily due to the addition of transfers to the Transportation CIP Fund.





Business-Type Activities

Business-type activities of the City’s Surface Water Management system decreased the City’s net position by \$1.4 million. Key elements of the decrease are as follows: total revenues decreased by \$55 thousand or 2% from 2014. The decrease is primarily due to \$66 thousand reduction of capital grants and contributions received in 2015. Total expenditures increased by \$102 thousand or 3.3% from 2014. The increase is primarily due to an increase in operational expenses within the surface water management utility. The remainder of the increase is due to a net increase in transfers of \$1.2 million to parks and transportation capital projects.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of 2015, the City's governmental funds had a combined ending fund balance of \$13.1 million which increased by \$3.5 million or 36.2% from the prior year. Approximately \$5.8 million or 44% of this amount constitutes unassigned General Fund balance, which is available for spending at the City Council's discretion. The remainder of the fund balance is restricted (\$5.8 million) or committed (\$1.5 million) to indicate that it is not available for new spending because it has already been earmarked as previously discussed in the financial highlights.

The General Fund is the chief operating fund of the City. Total fund balance increased \$1.3 million or 29.0%. The increase in fund balance is due to a combination of revenue increases (property tax, sales tax, parks sales tax, criminal justice sales tax, gambling tax, franchise fee) as well as expenditure decrease due to both internal service fund savings and allocation of charges outside of the General Fund. Overall revenues for the General Fund increased by \$781 thousand or 2.2% compared to 2014 and overall expenditures decreased by \$1.7 million or 5.3% compared to 2014.

The CDBG Fund was established to account for revenues and expenditures associated with Community Development Block Grants (CDBG) and HOME Investment Partnership Act grants. Revenue and other resources reported in this fund include direct and indirect federal grants and state grants. The Grant Fund's ending fund balance increased by \$45 thousand in 2015. The increase is due to various revolving loan revenues exceeding expenditures.

The LID Debt Service Fund was created to account for the payment of special assessment bonds as well as the collection of assessments from property owners within the local improvement district (LID). Ending fund balance increased \$483 thousand dollars due to early payoff of debt by a major payer.

The Transportation Capital Projects Fund was established to account for capital projects related to street infrastructure. In 2015 the ending fund balance increased \$1.6 million due to the increase in transfers from General Fund and REET Fund for future spending on various projects.

Proprietary Fund

The City of Lakewood's proprietary funds provide the same type of information found in the government-wide, but in more detail. Unrestricted net position of the Surface Water Management Fund at the end of the year amounted to \$5.8 million and the total change in net position was a decrease of \$1.3 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

GENERAL FUND BUDGETARY AND ACTUAL HIGHLIGHTS

The City of Lakewood budgets on a biennial basis with each budget beginning in an odd numbered year. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. In 2015, the City made three budget adjustments. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure budget increased by \$519 thousand between the original adopted budget and the final adjusted budget for 2015 fiscal year. The following are the major changes for the 2015 budget:

- Added \$201 thousand for Washington Cities Insurance Authority (WCIA) assessment increase
- Added \$207 thousand for public disclosure settlement
- Added \$45 thousand for public defender contract increase and transition cost

The following are adjustments to the revenues and other sources totaling \$309 thousand:

- Added \$270 thousand in various tax revenue collection increases
- Added \$41 thousand in transfer of excess proceeds from sale of asset of fleet/replacement reserves

The General Fund's ending fund balance of \$5.8 million is \$2.1 million above the projected \$3.8 million for 2015 year-end. Compared to budget, revenues and other sources exceeded estimates by \$688 thousand or 2.0% while expenditures were below estimates by \$1.3 million or 4.2%.

- Revenues and other sources exceeding budget estimates include: \$235 thousand in sales tax; \$46 thousand in criminal justice sales tax; \$62 thousand in utility tax; \$265 thousand in gambling tax; \$113 thousand in franchise fees; \$25 thousand in parks sales tax; \$30 thousand in development services permits and fees; and \$73 thousand in grants and other one-time sources.
- Revenues and other sources below budget estimates include \$221 thousand in fines and forfeitures.
- Operating expenditures and other uses were below budget estimates by \$1.4 million thousand due to savings in: personnel costs of \$390 thousand; supplies of \$122 thousand; professional services of \$40 thousand; travel and training of \$40 thousand; and internal service charges (fleet and equipment reserves and fuel) of \$530 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Lakewood's investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$154.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. For more details, please see Note 7.

CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 21,739,802	\$ 21,085,421	\$ 1,854,447	\$ 1,854,447	\$ 23,594,249	\$ 22,939,868
Construction in progress	15,799,355	5,229,858	255,341	1,377,413	16,054,696	6,607,271
Building	21,740,716	22,265,043	1,831,731	163,318	23,572,447	22,428,361
Improvements other than buildings	58,199,662	60,833,632	-	-	58,199,662	60,833,632
Infrastructure	-	-	28,621,863	29,408,858	28,621,863	29,408,858
Machinery and equipment	4,060,475	3,230,059	170,026	197,314	4,230,501	3,427,373
Total Capital Assets	\$ 121,540,010	\$ 112,644,013	\$ 32,733,408	\$ 33,001,350	\$ 154,273,418	\$ 145,645,363

Major capital asset events during the current fiscal year included the expansion and improvement of city streets and traffic corridors for a total of \$10.9 million.

Long-term debt

At the end of 2015, the City of Lakewood had total GO bonded debt outstanding of \$3.7 million for future principal payments which are backed by the full faith and credit of the government. The remainder of the City's debt represents Public Works Trust Fund Loans, Special Assessment Bonds, Notes Payable, Capital Lease, and Compensated Absences.

LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
2009 LTGO	\$ 1,995,000	\$ 2,110,000	\$ -	\$ -	\$ 1,995,000	\$ 2,110,000
2009 LTGO premium	31,160	33,560	-	-	31,160	33,560
LOCAL Financing	1,460,000	-	-	-	1,460,000	-
LOCAL Financing Premium	194,858	-	-	-	194,858	-
Public Works Trust Fund Loan	5,038,375	5,287,303	-	-	5,038,375	5,287,303
Promissory note (59th street)	579,374	632,713	-	-	579,374	632,713
Special Assessment w/ governmental commitments	1,523,121	1,572,959	-	-	1,523,121	1,572,959
Copiers - Capital Lease	57,295	-	-	-	57,295	-
Compensated absences	2,259,726	2,218,820	93,644	93,830	2,353,370	2,312,650
Total	\$ 13,138,910	\$ 11,855,355	\$ 93,644	\$ 93,830	\$ 13,232,553	\$ 11,949,185

The City's total debt amount redeemed was \$3.2 million offset by amount issued of \$4.5 million.

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

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

The City's assessed valuation for 2015 was \$4.75 billion and the total amount of debt the City may issue is \$352 million. Remaining legal debt capacities as of December 31, 2015 are:

Legally Remaining Debt Capacity	
As of December 31, 2015	
General Government (no vote required)	\$ 67,189,100
General Government (3/5 majority vote required)	47,482,316
Parks and open space (3/5 majority vote required)	118,705,790
Utilities (3/5 majority vote required)	118,705,790
Total Capacity	\$ 352,082,997

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2015/2016 budget gradually returns the City to sound financial footing by replenishing General Fund reserves to meet our 12% policy objective over a three year period beginning in 2015 and culminating in 2016. Using reserves and one-time monies to finance ongoing programs as was the case in recent years, only masks and pushes out the financial challenges facing the City. The City currently is at a tipping point where failing to address this issue only further weakens the City's financial position. The 2015/2016 biennial budget ensures operating expenditures are within the constraints of available operating revenues and does not use reserves to balance the budget. As a result, the 2015/2016 biennial budget is compliant with the City's financial policies.

As we move into 2015 and 2016, the following programs will undergo a review to provide for more effective delivery of services coupled with identification of funding for those programs currently not funded.

- Continue the development of a six-year financial forecast (2015-2020) 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. The forecast will also serve as a tool to examine financial trends and identify opportunities, particularly as new services or programs are evaluated. The financial forecast will serve as the mechanism to ensure these investments, commitments and contractual obligations “pencil” for at least six years.
- The Community and Economic Development (CED) Department will undertake a coordinated effort to review the manner in which development services are provided. The focus is to improve processes and services to customers and identify areas for continuous improvement, including, turnaround times, predictability of plan reviews, consistency of inspections and overall client service and satisfaction. It will also include a review of fees and charges, program recovery ratios, and resource needs. The goal is to have a streamlined, coordinated, and predictable development services program that provides efficient review of project applications in a manner that meets the definition of success for both the City and prospective applicants. This approach is consistent with the policies contained in the city’s draft economic development comprehensive plan chapter that will come before City Council later this year.
- The Parks, Recreation and Community Services Department regularly reviews its fee structure for classes, programs and facility use using the cost recovery model included in the Legacy Plan. They will be reviewing the fee structure at the class and program level and develop a cost recovery policy that meets our community’s needs. The adoption of a pricing philosophy is crucial to ensure program affordability for the community while maintaining sustainable financing for the Department.
- The Municipal Court will continue its review for process improvements to include implementation of video arraignment and options to implement a paperless system.
- The Administrative Services Department will take the lead in developing financing options to address our short- and long-term needs in support of information technology and property management programs to include the accumulation of replacement reserves.
- The Police Department has initiated the development of a public safety benefit/cost review that will include a comparison of public safety statistics locally, regionally and in other communities nationwide that host a large military installation. This City Council goal will also focus on a review of our policing programs, community and regional partnerships and community safety resource team (CSRT) programs to determine, identify and report on resource allocation, program efficiencies and successes.

There are a continuing number of challenges facing the City currently and in the near term which impact fiscal stability, most notably the continued impacts of the economic challenges that began in December 2007 followed by a very tepid economic recovery as compared to previous recoveries. The result of this lack of economic recovery is that local governments such as our City will continue to face economic hardship and uncertainty given there is more of a recovery lag for local governments as compared to other sectors of the economy.

We face the uncertainty and unpredictability in financial and credit markets that still seems to have stymied economic growth locally, regionally and nationally. Our nation continues to face unemployment and under-employment numbers that are some of the highest in decades. We are also face legislative challenges particularly from the state as they look to balance their budgetary shortfalls and court ordered mandates, such as the McCleary decision. In recent years, the state has had a dramatic impact on cities from the loss of state shared revenues, increased public defender costs, and the loss of the public works trust fund loan program. Likewise the fiscal challenges and a myriad of domestic and international issues facing our federal government has resulted in reduced funding to cities and impact of the Affordable Care Act.

The impact of technology such as the explosion of social media means that local governments such as ours must adapt to a new way of community engagement and dialogue. It has also provided us the opportunity to increase transparency and accountability in how we conduct business and deliver services. The world today is much different from where we were two, five and ten years ago. It is much more complex and it is imperative that we change and adapt to these ever changing forces.

Despite all of this and much more, the City continues to address many challenges with respect to meeting service demands and the ability in providing them to our citizens. The financial challenges we face has required us to re-evaluate the paradigms that have been governing our City for a number of years. We have charted a course for achieving long-term financial sustainability

by beginning to reinvent the way we deliver services, investing in our employees and making smart infrastructure investments that will create jobs and build our tax base.

We will be looking to economic development, focusing primarily in our commercial areas to generate additional property and sales taxes. Locally, we see nothing but opportunity in our key commercial areas such as the Towne Center, Springbrook, Tillicum, and the Pacific Highway South corridor, which is directly adjacent to I-5 with multiple prime properties ready for redevelopment and revitalization. Areas such as the International District and Woodbrook Industrial Business Park area stand ready and available for new investment to create jobs and opportunity for Lakewood and our region. The generation of new revenues from redevelopment and revitalization in these areas will allow us to meet the growing demand for services. These actions will allow Lakewood to continue to support our community's quality of life while implementing our strategic goals for the future.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lakewood's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tho Kraus, Assistant City Manager/Administrative Services, City of Lakewood, 6000 Main Street SW, Lakewood, Washington 98499, telephone 253-983-7706, or visit the City's website at www.cityoflakewood.us.



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BASIC FINANCIAL STATEMENTS



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Government-Wide Financial Statements

Statement of Net Position

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

Statement of Activities

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

City of Lakewood
Statement of Net Position
December 31, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,615,452	\$ 4,873,719	\$ 16,489,171
Investments	210,325	1,000,101	1,210,426
Receivables (net)	8,641,942	17,790	8,659,732
Due from other governments	5,151,343	173,495	5,324,838
Prepaid items	10,000	-	10,000
Internal balances	(125,932)	125,932	-
Total current assets	<u>25,503,130</u>	<u>6,191,037</u>	<u>31,694,167</u>
Noncurrent assets:			
Net pension asset	3,500,512	-	3,500,512
Capital assets not being depreciated	37,539,156	2,109,789	39,648,945
Capital assets, net of accumulated depreciation	<u>84,000,852</u>	<u>30,623,620</u>	<u>114,624,472</u>
Total noncurrent assets	<u>125,040,520</u>	<u>32,733,409</u>	<u>157,773,929</u>
Total assets	<u>150,543,650</u>	<u>38,924,446</u>	<u>189,468,096</u>
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS			
	632,205	-	632,205
Total assets and deferred inflows of resources	<u>151,175,855</u>	<u>38,924,446</u>	<u>190,100,301</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	3,395,174	169,612	3,564,786
Deposits	92,299	400	92,699
Unearned revenue	266,195	-	266,195
Due to other governments	208,534	-	208,534
Contracts Payable	1,040	-	1,040
LT Due in one year	2,030,469	28,093	2,058,562
Total current liabilities	<u>5,993,711</u>	<u>198,105</u>	<u>6,191,816</u>
Noncurrent liabilities:			
LT Due in more than one year	10,206,925	65,551	10,272,476
Special assessment debt, with governmental commitments, due in more than one year	<u>901,515</u>	<u>-</u>	<u>901,515</u>
Total noncurrent liabilities	<u>11,108,440</u>	<u>65,551</u>	<u>11,173,991</u>
Total liabilities	<u>17,102,151</u>	<u>263,656</u>	<u>17,365,807</u>
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS			
	1,060,637	-	1,060,637
Total liabilities and deferred inflows of resources	<u>18,162,788</u>	<u>263,656</u>	<u>18,426,444</u>
NET POSITION			
Net investment in capital assets	110,660,825	32,733,409	143,394,234
Restricted for:			
Capital projects	2,081,083	-	2,081,083
Debt Service	1,495,833	-	1,495,833
Grants	267,647	-	267,647
Law enforcement	688,431	-	688,431
Tourism related activities	1,273,140	-	1,273,140
Unrestricted	<u>16,546,108</u>	<u>5,927,381</u>	<u>22,473,489</u>
Total net position	<u>\$ 133,013,067</u>	<u>\$ 38,660,790</u>	<u>\$ 171,673,857</u>

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

City of Lakewood
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$4,359,727	3,438,609	48,179	28,397	(844,542)	-	(844,542)
Public safety	22,000,148	1,022,674	2,042,607	-	(18,934,867)	-	(18,934,867)
Utilities	20,035	931,476	-	538,515	1,449,956	-	1,449,956
Transportation	6,097,346	56,942	1,565,498	6,522,992	2,048,086	-	2,048,086
Social services	585,277	-	5,840	-	(579,437)	-	(579,437)
Economic environment	3,687,473	1,130,094	-	-	(2,557,379)	-	(2,557,379)
Natural environment	298,364	79,665	1,122,699	-	904,000	-	904,000
Culture and recreation	2,029,567	266,151	-	270,943	(1,492,473)	-	(1,492,473)
Judicial	1,536,681	1,970,474	-	-	433,793	-	433,793
Debt interest	268,910	-	-	-	(268,910)	-	(268,910)
Total governmental activities	<u>40,883,528</u>	<u>8,896,085</u>	<u>4,784,823</u>	<u>7,360,847</u>	<u>(19,841,773)</u>	<u>-</u>	<u>(19,841,773)</u>
Business-type activities:							
Surface Water Management	<u>3,243,955</u>	<u>2,740,257</u>	<u>-</u>	<u>210,814</u>	<u>-</u>	<u>(292,884)</u>	<u>(292,884)</u>
Total business-type activities	<u>3,243,955</u>	<u>2,740,257</u>	<u>-</u>	<u>210,814</u>	<u>-</u>	<u>(292,884)</u>	<u>(292,884)</u>
Total primary government	<u>\$ 44,127,483</u>	<u>\$ 11,636,342</u>	<u>\$ 4,784,823</u>	<u>\$ 7,571,661</u>	<u>(19,841,773)</u>	<u>(292,884)</u>	<u>(20,134,657)</u>
General revenues:							
Property tax					6,652,050	-	6,652,050
Sales tax					10,183,652	-	10,183,652
Utility tax					5,703,609	-	5,703,609
Excise tax					1,509,250	-	1,509,250
Gambling tax					2,771,934	-	2,771,934
Hotel/motel lodging tax					691,797	-	691,797
Other taxes					1,140,426	-	1,140,426
Investment earnings					202,330	14,899	217,229
Miscellaneous					1,070,984	500	1,071,484
Transfers					1,039,772	(1,039,772)	-
Total general revenues, special items, and transfers					<u>30,965,804</u>	<u>(1,024,373)</u>	<u>29,941,431</u>
Change in net position					11,124,031	(1,317,257)	9,806,774
Net position - beginning					119,402,278	39,978,047	159,380,325
Net effect - change in accounting for pensions					2,457,415	-	2,457,415
Prior Period Adjustment					29,343	-	29,343
Adjusted net position - beginning					<u>121,889,036</u>	<u>39,978,047</u>	<u>161,867,083</u>
Net position - ending					<u>\$ 133,013,067</u>	<u>\$ 38,660,790</u>	<u>\$ 171,673,857</u>

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



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Major Governmental Funds Description For the Year Ended December 31, 2015

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

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

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

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

**City of Lakewood
Balance Sheet
Governmental Funds
December 31, 2015**

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	2,064,229	13,611	484,396	-	4,721,715	7,283,951
Investments	-	-	-	210,325	-	210,325
Prepaid Items	10,000	-	-	-	-	10,000
Customer accounts receivable	1,535,442	-	-	-	80,256	1,615,698
Due from other governments	172,636	63,200	-	4,180,659	734,848	5,151,343
Notes/contracts receivable	-	1,154,119	-	-	114,001	1,268,120
Special assessments receivable	-	-	1,372,590	-	159,130	1,531,720
Taxes receivable	3,735,958	-	-	61,565	428,881	4,226,404
Interfund loan receivable	1,782,474	-	-	-	-	1,782,474
Total assets	<u>\$ 9,300,739</u>	<u>\$ 1,230,930</u>	<u>\$ 1,856,986</u>	<u>\$ 4,452,549</u>	<u>\$ 6,238,831</u>	<u>\$ 23,080,035</u>
LIABILITIES						
Accounts payable	497,203	1,490	-	1,032,083	461,198	1,991,974
Payable to other governments	207,300	-	-	-	788	208,088
Custodial deposits	42,729	-	-	-	49,570	92,299
Unearned revenue	41,450	-	-	-	224,745	266,195
Contracts payable	-	-	-	1,040	-	1,040
Other Accrued Liabilities	1,145,837	8,053	-	62,196	55,888	1,271,974
Interfund loan payable	-	-	-	1,752,701	29,774	1,782,475
Other current liabilities	15,500	-	-	-	-	15,500
Total liabilities	<u>1,950,019</u>	<u>9,543</u>	<u>-</u>	<u>2,848,020</u>	<u>821,963</u>	<u>5,629,545</u>
DEFERRED INFLOWS OF RESOURCES						
Total liabilities and deferred inflows of resources	<u>1,501,862</u>	<u>1,154,119</u>	<u>1,372,590</u>	<u>-</u>	<u>273,131</u>	<u>4,301,702</u>
	<u>3,451,881</u>	<u>1,163,662</u>	<u>1,372,590</u>	<u>2,848,020</u>	<u>1,095,094</u>	<u>9,931,247</u>
FUND BALANCES (DEFICITS)						
Restricted	-	67,268	484,396	1,604,529	3,649,941	5,806,134
Committed	7,250	-	-	-	1,493,796	1,501,046
Assigned	-	-	-	-	-	-
Unassigned	5,841,608	-	-	-	-	5,841,608
Total fund balances (deficits)	<u>5,848,858</u>	<u>67,268</u>	<u>484,396</u>	<u>1,604,529</u>	<u>5,143,737</u>	<u>13,148,788</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 9,300,739</u>	<u>\$ 1,230,930</u>	<u>\$ 1,856,986</u>	<u>\$ 4,452,549</u>	<u>\$ 6,238,831</u>	<u>\$ 23,080,035</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, 2015

Fund balances of governmental funds		\$13,148,788
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	110,238,610
	Plus: Capital Assets Additions	13,357,637
	Less: Reclassification of CIP	(1,048,884)
	Less: Depreciation Expense	(4,412,801)
	Less: Disposed Assets	(26,395)
	Plus: Accumulated Depreciation of Disposed Assets	18,494
		118,126,662
Long-term liabilities applicable to the City's activities are not due and payable in the current period and are not reported as fund liabilities:		
	Long Term Liabilities Outstanding Beginning of Year	(11,855,355)
	Plus: Debt Issued	(1,847,144)
	Less Debt Redeemed, including amortization	661,791
	Plus: Compensated Absences Issued	(2,560,192)
	Less: Compensated Absences Redeemed	2,519,286
		(13,081,614)
Some revenue reported on the government-wide Statement of Activities is reported as deferred inflows of resources in the governmental funds:		
	Property Tax	324,812
	Municipal Court	1,177,050
	Property Abatements	159,130
	HUD Loans	1,154,119
	Local Improvement Districts	1,372,590
	Public Works Trust Fund Loans	114,001
		4,301,702
Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position		
	Fleet & Equipment Fund Assets	6,602,767
	Property Management Fund Assets	647,700
	Information Technology Fund Assets	494,380
	Fleet & Equipment Fund Liabilities	(23,468)
	Property Management Fund Liabilities	(35,093)
	Information Technology Fund Liabilities	(137,107)
	Long term compensated absences	22,201
		7,571,380
Long term assets and deferred inflows/outflows of resources related to pensions are included in governmental activities in the Statement of Net Position		
	Net pension asset	3,500,512
	Deferred outflows of resources related to pensions	632,205
	Deferred inflows of resources related to pensions	(1,060,637)
		3,072,080
Interfund revenues and expenditures are reported as internal balances in the government-wide statements to avoid overstating revenues and expenditures		
		(125,932)
		\$133,013,067

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, 2015

	General Fund	CDBG Fund	LID Debt Service	Transportation Capital Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 25,902,342	\$ -	\$ -	\$ -	\$ 2,662,264	\$ 28,564,605
Special assessments	-	-	510,860	-	-	510,860
Licenses and permits	4,524,562	-	-	-	56,942	4,581,504
Intergovernmental	1,805,195	817,013	-	6,751,073	2,211,265	11,584,545
Charges for goods and services	1,759,830	-	-	328,485	1,121,070	3,209,385
Fines and penalties	1,557,435	-	-	-	-	1,557,435
Interest and other earnings	88,716	1,004	96,356	-	13,294	199,370
Miscellaneous	88,541	-	-	-	209,922	298,463
Contributions and donations	52,316	16,250	-	-	49,750	118,316
Total revenues	<u>35,778,937</u>	<u>834,267</u>	<u>607,216</u>	<u>7,079,558</u>	<u>6,324,505</u>	<u>50,624,482</u>
EXPENDITURES						
Current:						
General government	4,170,294	-	-	-	-	4,170,294
Public safety	21,702,072	-	-	222	418,366	22,120,660
Utilities	-	-	-	-	20,036	20,036
Transportation	144,261	-	-	525,200	2,175,846	2,845,307
Social services	585,277	-	-	-	-	585,277
Economic environment	2,073,124	626,266	-	-	988,342	3,687,732
Natural environment	298,364	-	-	-	-	298,364
Culture and recreation	1,737,185	-	-	-	51,150	1,788,335
Judicial	1,549,984	-	-	-	-	1,549,984
Debt service:						
Interest and other debt service costs	-	-	74,033	12,849	197,419	284,301
Principal retirement	-	-	49,838	-	596,562	646,400
Capital outlay:						
Capital	-	-	-	10,855,706	1,357,114	12,212,820
Total expenditures	<u>32,260,561</u>	<u>626,266</u>	<u>123,871</u>	<u>11,393,977</u>	<u>5,804,835</u>	<u>50,209,509</u>
Excess (deficiency) of revenues over expenditures	<u>3,518,376</u>	<u>208,001</u>	<u>483,345</u>	<u>(4,314,419)</u>	<u>519,670</u>	<u>414,972</u>
OTHER FINANCING SOURCES (USES)						
Long term debt proceeds	-	-	-	1,460,000	179,295	1,639,295
Premiums on bonds sold	-	-	-	207,849	-	207,849
Transfers in	325,502	-	-	4,096,874	2,264,090	6,686,466
Transfers out	(2,527,711)	(163,114)	-	-	(2,915,066)	(5,605,891)
Insurance recovery	-	-	-	-	2,288	2,288
Gain (loss) on disposal of capital assets	-	-	-	154,225	-	154,225
Total other financing source (uses)	<u>(2,202,209)</u>	<u>(163,114)</u>	<u>-</u>	<u>5,918,948</u>	<u>(469,393)</u>	<u>3,084,232</u>
Net change in fund balances	1,316,167	44,887	483,345	1,604,529	50,277	3,499,204
Fund balances - beginning	4,532,691	22,381	1,051	-	5,093,460	9,649,583
Fund balances - ending	<u>\$ 5,848,858</u>	<u>\$ 67,268</u>	<u>\$ 484,396</u>	<u>\$ 1,604,529</u>	<u>\$ 5,143,737</u>	<u>\$ 13,148,788</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, 2015

Net change in fund balances - total governmental funds		\$3,499,204
<p>Deferred inflows of resources reported in the funds are reported as revenue in the government-wide financial statements</p>		
	Prior year deferred inflows	(4,530,365)
	Current year deferred inflows	<u>4,301,702</u>
		(228,663)
<p>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 the assets</p>		
	Capital asset purchases and construction in process capitalized	12,212,820
	Gain/loss on disposal of capital assets	(59,178)
	Donated capital asset	147,210
	Depreciation expense	<u>(4,412,801)</u>
		7,888,052
<p>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.</p>		
	Prior year compensated absences	2,218,820
	Current year compensated absences	(2,259,726)
	Current year internal service compensate absences	<u>22,201</u>
		(18,704)
<p>The repayment of long term debt consumes the current financial resources of governmental funds. These transactions have no effect on net position.</p>		
	Bond principal retired	646,400
	Bond premium amortized	15,391
	Long term debt issued and premiums on bonds sold	<u>(1,847,144)</u>
		(1,185,353)
Adjustment for GASB 68 pension reporting		614,665
Net revenue (loss) of internal service funds		572,303
Interfund revenues and expenditures are not reported on the Statement of Activities:		(17,476)
		<u>\$11,124,031</u>

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 25,202,000	\$ 25,281,200	\$ 25,902,342	\$ 621,142
Licenses and permits	4,188,800	4,370,800	4,524,562	153,762
Intergovernmental	1,726,780	1,753,238	1,805,195	51,957
Charges for goods and services	1,892,650	1,878,650	1,759,830	(118,820)
Fines and penalties	1,649,500	1,639,500	1,557,435	(82,065)
Interest and other earnings	78,000	78,000	88,716	10,716
Miscellaneous	42,006	42,003	88,541	46,538
Contributions and donations	43,000	48,000	52,316	4,316
Total revenues	<u>34,822,736</u>	<u>35,091,391</u>	<u>35,778,937</u>	<u>687,546</u>
EXPENDITURES				
Current:				
General government	5,752,780	4,389,396	4,170,294	(219,102)
Public safety	21,067,060	22,216,726	21,702,072	(514,654)
Transportation	391,820	221,524	144,261	(77,263)
Social services	592,510	592,510	585,277	(7,233)
Economic environment	2,001,370	2,371,192	2,073,124	(298,068)
Natural environment	308,360	308,360	298,364	(9,996)
Culture and recreation	1,631,470	1,825,710	1,737,185	(88,525)
Judicial	1,340,740	1,680,098	1,549,984	(130,114)
Debt service:				
Capital outlay:				
Total expenditures	<u>33,086,110</u>	<u>33,605,516</u>	<u>32,260,561</u>	<u>(1,344,955)</u>
Excess (deficiency) of revenues over expenditures	<u>1,736,626</u>	<u>1,485,875</u>	<u>3,518,376</u>	<u>2,032,501</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	284,700	325,502	325,502	-
Transfers out	(1,880,840)	(2,591,656)	(2,527,711)	63,945
Total other financing source (uses)	<u>(1,596,140)</u>	<u>(2,266,154)</u>	<u>(2,202,209)</u>	<u>63,945</u>
Net change in fund balances	140,486	(780,279)	1,316,167	2,096,446
Fund balances - beginning	4,034,368	4,532,692	4,532,691	(1)
Fund balances - ending	<u>\$ 4,174,854</u>	<u>\$ 3,752,413</u>	<u>\$ 5,848,858</u>	<u>\$ 2,096,445</u>

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 500,000	\$ 2,173,052	\$ 817,013	\$ (1,356,040)
Interest and other earnings	-	1,245	1,004	(241)
Contributions and donations	-	10,000	16,250	6,250
Total revenues	<u>500,000</u>	<u>2,184,297</u>	<u>834,267</u>	<u>(1,350,031)</u>
EXPENDITURES				
Current:				
Economic environment	535,000	1,594,828	626,266	(968,562)
Total expenditures	<u>535,000</u>	<u>1,594,828</u>	<u>626,266</u>	<u>(968,562)</u>
Excess (deficiency) of revenues over expenditures	<u>(35,000)</u>	<u>589,469</u>	<u>208,001</u>	<u>(381,469)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	35,000	-	-	-
Transfers out	-	(600,312)	(163,114)	437,198
Total other financing source (uses)	<u>35,000</u>	<u>(600,312)</u>	<u>(163,114)</u>	<u>437,198</u>
Net change in fund balances	-	(10,843)	44,887	55,730
Fund balances - beginning	1,212	22,381	22,381	-
Fund balances - ending	<u>\$ 1,212</u>	<u>\$ 11,538</u>	<u>\$ 67,268</u>	<u>\$ 55,730</u>

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



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**Proprietary Funds Description
For the Year Ended December 31, 2015**

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

City of Lakewood
Statement of Net Position
Proprietary Funds
December 31, 2015

	Business-type Activities	Governmental Activities
	Surface Water Management	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,873,719	\$ 4,331,501
Investments	1,000,101	-
Accounts receivable	-	-
Due from other governments	173,495	-
Taxes Receivable	17,790	-
Total current assets	<u>6,065,105</u>	<u>4,331,501</u>
Noncurrent assets:		
Land	1,854,448	278
Construction in Progress	255,341	55,713
Buildings	1,849,674	-
Infrastructure	42,594,204	-
Improvements other than buildings	-	137,278
Machinery and equipment	332,332	7,051,551
Less accumulated depreciation	(14,152,590)	(3,831,474)
Total noncurrent assets	<u>32,733,409</u>	<u>3,413,346</u>
Total assets	<u>38,798,514</u>	<u>7,744,847</u>
LIABILITIES		
Current liabilities:		
Accounts payable	128,539	85,912
Payable to other governments	-	446
Custodial deposits	400	-
Other Accrued Liabilities	41,073	29,814
Total current liabilities	<u>170,012</u>	<u>116,172</u>
Noncurrent liabilities:		
Compensated absences	93,644	22,201
Capital lease liability	-	57,295
Total noncurrent liabilities	<u>93,644</u>	<u>79,496</u>
Total liabilities	<u>263,656</u>	<u>195,668</u>
NET POSITION		
Net investment in capital assets	32,733,409	3,356,051
Unrestricted	5,801,449	4,193,128
Total net position	<u>\$ 38,534,858</u>	<u>\$ 7,549,179</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	125,932	
Net position of business-type activities	<u>\$ 38,660,790</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, 2015

	Business-type Activities	Governmental Activities
	Surface Water Management	Internal Service Funds
OPERATING REVENUES		
Charges for goods and services	\$ 2,740,257	\$ 4,700,445
Miscellaneous	500	77,437
Total operating revenues	<u>2,740,757</u>	<u>4,777,882</u>
OPERATING EXPENSES		
Personal Services	664,676	586,077
Materials and supplies	41,658	464,995
Services and charges	1,036,895	2,589,108
Intergovernmental	120,032	1,022
Insurance and claims	-	-
External and interfund taxes	176,503	-
Depreciation	1,221,550	603,397
Total operating expenses	<u>3,261,314</u>	<u>4,244,599</u>
Operating income (loss)	<u>(520,557)</u>	<u>533,283</u>
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposal of capital assets	-	64,745
Investment earnings	14,782	3,077
Capital Outlay	-	-
Total nonoperating revenues (expenses)	<u>14,782</u>	<u>67,822</u>
Income (loss) before contributions and transfers	(505,775)	601,105
Capital contributions	210,814	12,000
Transfers in	268,989	110,050
Transfers out	(1,308,761)	(150,852)
Change in net position	(1,334,733)	572,303
Total net position - beginning	39,869,591	6,890,320
Prior period adjustment	-	86,556
Total net position - ending	<u>\$ 38,534,858</u>	<u>\$ 7,549,179</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	17,476	
Changes in net position of business-type activities	<u>\$ (1,317,257)</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, 2015

	Business-type Activities		Governmental	
	Enterprise Funds		Activities	
	Surface Water Management		Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$	2,740,259	\$	-
Cash from interdepartmental services		-		4,700,445
Cash paid to employees		(687,314)		(534,046)
Cash paid to suppliers		(1,450,804)		(3,008,624)
Cash paid for external and interfund taxes		(176,503)		-
Other operating receipts		500		77,437
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>426,138</u>		<u>1,235,212</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds		-		110,050
Transfers to other funds		(1,039,772)		(150,852)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		<u>(1,039,772)</u>		<u>(40,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets		-		64,745
Capital Contributions/Grants		343,674		-
Acquisition and construction of capital assets		(953,610)		(1,512,703)
NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES		<u>(609,936)</u>		<u>(1,447,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments		1,239,606		1,244,883
Purchase of investments		-		-
Interest income		20,667		3,077
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		<u>1,260,273</u>		<u>1,247,960</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		36,703		994,412
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		4,837,016		3,337,089
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	<u>4,873,719</u>	\$	<u>4,331,501</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income	\$	(520,557)	\$	533,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation		1,221,550		603,397
Changes in assets and liabilities:				
Accounts Payable - Supplier		(181,630)		53,148
Payable to other governments		(48,752)		16
Salaries & Benefits Payable		(22,638)		45,368
Custodial Deposits		(21,835)		-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	<u>426,138</u>	\$	<u>1,235,212</u>

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

**NOTES TO THE
BASIC FINANCIAL STATEMENTS**



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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lakewood 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's Comprehensive Annual Financial Report (CAFR) includes the funds, agencies and boards controlled by or dependent upon the City. In conformance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, the primary basis of determining whether outside agencies and organizations should be considered component units of the City is financial accountability. Financial accountability is dependent on the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. The City's Comprehensive Annual Financial Report (CAFR) includes the financial statements for the City of Lakewood and its one blended component unit, the Lakewood Transportation Benefit District. Although legally separate entities, blended component units are, in substance, part of the City's operations. (See Note 14 for further information.)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to specific functions or segments. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grant and contributions that are restricted to meeting the operational or capital requirements, or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, and FINANCIAL STATEMENT PRESENTATION

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Lakewood considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility taxes, licenses, franchise fees, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary Funds:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Surface Water Management Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported to the various functions concerned.

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

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

MAJOR FUNDS

Major Governmental Funds:

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

The *Transportation Capital Projects Fund* accounts for capital projects related to street infrastructure. Revenue and other resources reported for the Transportation Capital Projects Fund include real estate excise taxes, direct and indirect federal

grants, state grants, motor vehicle fuel taxes and transfers in from the Transportation Benefit District \$20 vehicle license fee.

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

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

Major Proprietary Fund:

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

NON-MAJOR FUNDS

Special Revenue Funds:

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

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

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

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

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

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

The **Narcotics Seizure Fund** was established for the purposes of tracking assets seized as a result of involvement with the illegal sale, possession, or distribution of drugs or controlled substances, and for the purchase of controlled substances or

drugs by law enforcement officers or agents, as well as for such other expenses the City determines to be reasonably connected with public safety activity.

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

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

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

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

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

Debt Service Funds:

The ***General Obligation Debt Service Fund*** accounts for General Obligation Bonds for the construction of 59th Street and the Lakewood Police Station. In 2015, the City entered into a Local Agency Financing Contract with the Office of the State Treasurer. Using the State of Washington LOCAL (Local Option Capital Asset Lending) Program, the City secured financing for the LED Streetlight Retrofit program to convert 1,982 streetlights to energy efficient LEDs.

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

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

Capital Projects Funds:

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

The ***Sewer Capital Project Fund*** accounts for the construction of a sewer system, which was donated to Pierce County. Only minor sewer construction-related activity has taken place in the fund for 2014 and 2015.

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

OTHER FUND TYPES

Internal Service Funds:

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

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

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

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

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

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

Basis of Accounting

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

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

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

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

Major revenues recorded on the modified accrual basis are:

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

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

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

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

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

Financial Statement Presentation

In order to obtain an understanding of changes in the City's position and the results of the City's operations, the financial statements for the year ended December 31, 2015 should be read in conjunction with the government's financial statements for the year ended December 31, 2014.

BUDGETARY INFORMATION

Scope of Budget

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

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

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

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

Amending the Budget

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

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

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

ASSETS, LIABILITIES, FUND BALANCE, AND NET POSITION

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. At December 31, 2015, the City had \$16,489,171 in short-term residual investments of surplus cash. This amount is classified on the Statement of Net Position as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds on the basis of the ending cash balance in each participating fund.

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

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

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

Receivables

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

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

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

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

Grants Receivable consists of amounts owed from governmental or other third parties. Special Assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2015, no amount of special assessments receivable were delinquent.

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

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

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

Inventories

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

Capital Assets

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

Land and construction in progress are not depreciated. Infrastructure acquired in fiscal years ending prior to June 30, 2004 is reported.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are recorded in Construction in Progress as they are constructed, and capitalized upon completion.

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

<u>Assets</u>	<u>Years</u>
Buildings & improvements	25 – 75
Improvements other than buildings	10 – 20
Public domain infrastructure	10 – 50
Vehicles	3 – 10
Equipment	3 – 10

Compensated Absences

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

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

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

The Lakewood Police Independent Guild members receive one type of leave, PTO, 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 57.5% 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 57.5% of their PTO (65% if laid off) at their current rate of pay.

Pensions

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

Long-term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Long-term debt outstanding at year-end is outlined in Note 10.

Deferred Outflows/Inflows of Resources

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

Fund Balance Classification

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

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

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

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

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

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

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

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

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

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

In September 2014, the City Council adopted set of financial policies. The fund balance policy requires the General Fund ending fund balance reserves at 12% of the combined General and Street Operations & Maintenance Funds operating revenues. The timeline to achieve the target reserves is no later than December 31, 2016. The 12% ending fund balance reserves equates to \$4.4 million and is achieved at the end of 2015. The 12% fund balance is comprised of:

- *2% General Fund Contingency Reserves:* The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. The City Council will determine how the Contingency Reserves are spent.
- *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.
- *5% Strategic Reserves:* The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events.

Fund Balance Details

2015 Fund Balance Classification						
Fund Balance	General Fund	Grant Fund	LID Debt Service	Transporation CIP	Nonmajor Governmental	Total
Restricted for:						5,806,134
Transportation CIP	-	-	-	1,604,529	-	1,604,529
Real Estate Excise Tax	-	-	-	-	476,554	476,554
Local Improvement District-related debt	-	-	484,396	-	-	484,396
Hotel/Motel Lodging Tax	-	-	-	-	1,273,140	1,273,140
Police Seizure	-	-	-	-	688,431	688,431
Neighborhood Stabilization Program Grant	-	-	-	-	152,875	152,875
Office of Economic Adjustment Grant	-	-	-	-	47,504	47,504
Public Works Trust Fund Debt	-	-	-	-	616,937	616,937
LID Guaranty	-	-	-	-	394,500	394,500
CDBG Fund	-	67,268	-	-	-	67,268
Committed to:						1,501,046
Petty Cash	7,250	-	-	-	-	7,250
Property Abatement	-	-	-	-	149,331	149,331
Public Art	-	-	-	-	34,075	34,075
Parks CIP	-	-	-	-	87,106	87,106
Sanitary Sewer CIP	-	-	-	-	309,802	309,802
Sanitary Sewer Connection	-	-	-	-	913,482	913,482
Unassigned:						5,841,608
General Fund	5,841,608	-	-	-	-	5,841,608
Total Fund Balance:	5,848,858	67,268	484,396	1,604,529	5,143,737	13,148,788

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

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

The governmental funds' balance sheet includes reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. The details of this \$119.9 million difference are as follows.

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

Governmental Capital Assets (Net) Beginning of Year	\$ 110,238,610
Plus: Capital Assets Additions	13,357,637
Less: Reclassification of CIP	(1,048,884)
Less: Depreciation Expense	(4,412,801)
Less: Disposed Assets	(26,395)
Plus: Accumulated Depreciation of Disposed Assets	18,494
	<u>\$ 118,126,662</u>

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

Long Term Liabilities Outstanding Beginning of Year	\$ (11,855,355)
Plus: Debt Issued	(1,847,144)
Less Debt Redeemed, including amortization	661,791
Plus: Compensated Absences Issued	(2,560,192)
Less: Compensated Absences Redeemed	2,519,286
	<u>\$ (13,081,614)</u>

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

Property Tax	\$ 324,812
Municipal Court	1,177,050
Property Abatements	159,130
HUD Loans	1,154,119
Local Improvement Districts	1,372,590
Public Works Trust Fund Loans	114,001
	<u>\$ 4,301,702</u>

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

Fleet & Equipment Fund Assets	\$ 6,602,767
Property Management Fund Assets	647,700
Information Technology Fund Assets	494,380
Fleet & Equipment Fund Liabilities	(23,468)
Property Management Fund Liabilities	(35,093)
Information Technology Fund Liabilities	(137,107)
Long term compensated absences	22,201
	<u>\$ 7,571,380</u>

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

Net pension asset	\$ 3,500,512
Deferred outflows of resources related to pensions	632,205
Deferred inflows of resources related to pensions	(1,060,637)
	<u>\$ 3,072,080</u>

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

Interfund Balances	<u>\$ (125,932)</u>
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Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditure, and changes in fund balances includes reconciliation between *Net Changes in Fund Balances – Total Governmental Funds* and *Changes in Net Position of Governmental Activities* as reported in the Government-wide Statement of Activities. The details of the \$7.6 million difference are as follows.

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

Prior year deferred inflows recognized as revenue	\$ (4,530,365)
Current year deferred inflows recognized as revenue	4,301,702
	<u>\$ (228,663)</u>

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

Capital asset purchases and construction in process capitalized	\$ 12,212,820
Gain/loss on disposal of capital assets	(59,178)
Donated capital asset	147,210
Depreciation expense	(4,412,801)
	<u>\$ 7,888,051</u>

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

Prior year compensated absences	\$ 2,218,820
Current year compensated absences	(2,259,726)
Current year internal service compensate absences	22,201
	<u>\$ (18,705)</u>

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

Bond principal retired	\$ 646,400
Bond premium amortized	15,391
Long term debt issued and premiums on bonds sold	(1,847,144)
	<u>\$ (1,185,353)</u>

Adjustment for GASB 68 pension reporting:

Adjustment for GASB 68 pension reporting	\$ 614,665
	<u>\$ 614,665</u>

Net revenue (loss) of internal service funds:

Net revenue (loss) of internal service funds	\$ 572,303
	<u>\$ 572,303</u>

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

Interfund balances	<u>\$ (17,476)</u>
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NOTE 3– SUPPLEMENTAL APPROPRIATIONS**Operating Budget Funds**

Appropriations established during 2015 are provided below. As explained in Note 1, both original and supplemental appropriations are adopted by the City Council by ordinance. Both original and final budget appropriations are shown on the accompanying financial statements. The final budget values include all adopted adjustments to original budget amounts.

Fund Balance	2015		
	Original Budget	Supplemental Appropriations	Final Budget
<i>General Fund</i>	\$ 34,966,947	\$ 1,230,225	\$ 36,197,172
<i>Special Revenue Funds:</i>			
Street Operations & Maintenance	1,893,850	316,511	2,210,361
Real Estate Excise Tax	2,447,206	(198,524)	2,248,682
Transportation Benefit District	572,000	-	572,000
Hotel/Motel Lodging Tax	500,000	(48,150)	451,850
Property Abatement	100,000	210,471	310,471
Public Art	2,000	-	2,000
Narcotics Seizure	318,550	14,563	333,113
Felony Seizure	-	5,044	5,044
Federal Seizure	10,000	100,000	110,000
Grant	535,000	1,660,140	2,195,140
NSP Grant	-	171,277	171,277
OEA Grant	179,500	257,596	437,096
Public Safety Grant	149,810	95,900	245,710
<i>Debt Service Funds:</i>			
General Government Debt Service	289,183	51,476	340,659
LID Debt Service	279,319	319,541	598,860
Sewer Project Debt	726,146	-	726,146
LID Guaranty	-	-	-
<i>Capital Projects Funds:</i>			
General Government CIP	60,000	582,607	642,607
Transportation CIP	13,772,500	1,074,655	14,847,155
Sewer Project CIP	1,520,000	-	1,520,000
Sanitary Sewer Connection	-	35,000	35,000
Total Fund Balance:	\$ 58,322,011	\$ 5,878,332	\$ 64,200,343

NOTE 4 – DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the City's funds are obligations of the U.S. Government, the Local Government Investment Pool (LGIP), bankers' acceptances, or deposits with Washington State banks and savings and loan institutions. In 2015 the City utilized obligations of the U.S. Government, the Local Government Investment Pool and Washington state banks as legal authorized investment instruments.

Cash and Deposits

At year-end, the City had \$16,489,171 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 (WPDPD), a multiple financial institution collateral pool, for amounts over \$250,000. Under Washington State statutes, members of the WPDPD may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

The State Treasurer's Office administers the Washington State LGIP authorized under Chapter 43.250 RCW. The LGIP operates in a manner consistent with the SEC Rule 2a-7. In its management of LGIP, the State Treasurer adheres to the

principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity and the assurance of sufficient liquidity to meet cash flow demands.

As of December 31, 2015, the City had the following investments and maturities:

Investment Maturities				
Investment	< 1 Year	1 - 3 Years	> 3 Years	Total
Federal National Mortgage Association	\$ 1,000,101	\$ -	\$ -	\$ 1,000,101
Local Government Investment Pool	13,834,803	-	-	13,834,803
Total:	\$ 14,834,904	\$ -	\$ -	\$ 14,834,904

Investments above do not include \$210,325 that is from LOCAL financing.

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, 2015, the City had \$13,834,803 in the LGIP. The LGIP is unrated. LGIP is comparable to Securities Exchange Commission 2a-7 to minimize credit risk.

Concentration of Credit Risk

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

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

Other Information

The following is a schedule of investments by fund type:

Schedule Of Investments By Fund Category And Investment Type			
As Of December 31, 2015			
Fund Type	US Government	Local	Total
	Agency Securities	Government Investment Pool	
General Fund	\$ -	\$ 1,716,738	\$ 1,716,738
Special Revenue Funds	-	2,172,833	2,172,833
Capital Projects Funds	-	1,256,616	1,256,616
Debt Service Funds	-	955,520	955,520
Enterprise Funds	1,000,101	4,094,300	5,094,401
Internal Service Funds	-	3,638,796	3,638,796
Total:	\$ 1,000,101	\$ 13,834,803	\$ 14,834,904

Investments above do not include \$210,325 that is from LOCAL financing.

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

Property Taxes

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

PROPERTY TAX CALENDAR

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

Taxes are levied and become an enforceable lien against properties as of January 1. Annual tax billings may be paid in two equal installments, due April 30 and October 31. At December 31, 2015, the total balance of property taxes receivable recorded by the City was \$467,403. Of this, \$324,812 is recorded as deferred inflow of resources, since it was not collected within the first 60 days of 2015.

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

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

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

The City's regular levy for 2015 was \$1.38 per \$1,000 on an assessed valuation of \$4,748,231,614 for a total regular levy of \$6,536,605.

Deferred Inflows of Resources

The table below provides details of the deferred inflows of resources as reported on the government-wide Statement of Net Position and the governmental funds Balance Sheet. \$1,660,992 of resources reported as Deferred Inflows on the Governmental Funds Balance Sheet are reported as revenue on the Government-Wide Statement of Activities because, while unavailable at December 31, 2015, the amounts were known and due to the City. Grant reimbursements are receivable within one year of the end of the fiscal period.

Deferred Inflows of Resources As of December 31, 2015					
Deferred Inflows of Resources	General	Grant	LID Debt Service	Nonmajor Governmental	Total General Government
HUD Loans	-	1,154,119	-	-	\$ 1,154,119
Local Improvement Districts	-	-	1,372,590	-	\$ 1,372,590
Public Works Trust Fund Loan - Side Sewer	-	-	-	114,001	\$ 114,001
Property Tax	324,812	-	-	-	\$ 324,812
Municipal Court	1,177,050	-	-	-	\$ 1,177,050
Abatements	-	-	-	159,130	\$ 159,130
Total: Deferred Inflows - Governmental Funds	\$ 1,501,862	\$ 1,154,119	\$ 1,372,590	\$ 273,131	\$ 4,301,702

Receivables & Due from Other Governments

The receivables and due from other governmental entities for the fiscal year ended December 31, 2015 are detailed in the following schedule.

Receivables & Due From Other Governments As of December 31, 2015								
Receivable	General	Transportation CIP	Grant	LID Debt Service	Nonmajor Gov't	Total Gov't Activities	Total Business Type Activities	Total Primary Government
Property Tax	\$ 467,403	\$ -	\$ -	\$ -	-	\$ 467,403	\$ -	\$ 467,403
Sales and Use Tax	1,889,943	-	-	-	-	1,889,943	-	1,889,943
Other Tax	1,379,112	61,565	-	-	428,881	1,869,558	17,790	1,887,348
Municipal Court Receivables	1,498,220	-	-	-	-	1,498,220	-	1,498,220
Other Receivables	37,222	-	-	-	80,256	117,478	-	117,478
Notes/Loans Receivable	-	-	1,154,119	-	114,001	1,268,119	-	1,268,119
Abatement Assessments	-	-	-	-	116,815	116,815	-	116,815
Special Assessments	-	-	-	1,372,590	42,315	1,414,905	-	1,414,905
Lakewood Water	-	33,208	-	-	-	33,208	-	33,208
Grants	-	-	63,200	-	-	63,200	-	63,200
Animal Control	9,414	-	-	-	-	9,414	-	9,414
Pierce County	5,000	-	-	-	376,813	381,813	-	381,813
Department of Ecology	-	-	-	-	-	-	70,610	70,610
Criminal Justice Training Comm	23,407	-	-	-	-	23,407	-	23,407
Dept of Commerce	6,684	-	-	-	125,604	132,288	-	132,288
Drug Enforcement Agency	-	-	-	-	7,115	7,115	-	7,115
FBI Innocence Lost	7,228	-	-	-	-	7,228	-	7,228
FBI Safe Streets Task Force	4,353	-	-	-	-	4,353	-	4,353
Western State Hospital / DSHS	71,673	-	-	-	-	71,673	-	71,673
WSH Service Calls	13,962	-	-	-	-	13,962	-	13,962
Pierce County Storm Drainage Fees	-	-	-	-	-	-	102,885	102,885
Police Extra Duty	22,493	-	-	-	-	22,493	-	22,493
Sex Offender Residency Verification	6,343	-	-	-	-	6,343	-	6,343
Traffic Improvement Boards	-	172,386	-	-	-	172,386	-	172,386
LOCAL	-	1,444,675	-	-	-	1,444,675	-	1,444,675
WA State Dept of Transportation	-	1,238,131	-	-	-	1,238,131	-	1,238,131
Office of Economic Adjustment	-	1,292,259	-	-	15,762	1,308,021	-	1,308,021
WA Traffic Safety Commission	1,580	-	-	-	-	1,580	-	1,580
SSMCP Membership	-	-	-	-	145,000	145,000	-	145,000
Dept of Justice	-	-	-	-	38,145	38,145	-	38,145
WA State Emergency Management	-	-	-	-	26,410	26,410	-	26,410
Total by Fund	\$ 5,444,036	\$ 4,242,224	\$ 1,217,318	\$ 1,372,590	\$ 1,517,116	\$ 13,793,285	\$ 191,285	\$ 13,984,570

NOTE 6 – DUE TO OTHER GOVERNMENTS

At December 31, 2015, the City recorded \$208,534 as due to other governments as follows:

Due to Other Governments As of December 31, 2015				
Payable	General	Nonmajor Governmental	General Government	Total
Sales and Use Tax	\$ 1,662	\$ 1,234	\$ 2,896	\$ 2,896
West Pierce Fire & Rescue	205,638	-	205,638	205,638
Pierce County Surface Water Management Annual Increase	-	-	-	-
Total by Fund	\$ 207,300	\$ 1,234	\$ 208,534	\$ 208,534

NOTE 7 – CAPITAL ASSETS

Capital assets activity for governmental funds for the year ended December 31, 2015 is as follows:

Governmental Activities	Beginning Balance 1/1/2015	Prior Period Adjustment	Adjusted Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Capital assets, not being depreciated:						
Land and land rights	\$ 21,085,142	\$ -	\$ 21,085,142	\$ 654,381	\$ -	\$ 21,739,523
Construction in progress	5,229,858	-	5,229,858	11,562,667	(1,048,884)	15,743,642
Total capital assets, being not depreciated	26,315,000	-	26,315,000	12,217,048	(1,048,884)	37,483,165
Capital Assets being depreciated:						
Buildings	26,227,943	-	26,227,943	-	-	26,227,943
Improvements other than buildings	100,331,573	-	100,331,573	1,024,712	-	101,356,285
Machinery and equipment	3,470,410	(57,213)	3,413,197	115,877	(26,395)	3,502,679
Total capital assets, being depreciated	130,029,926	(57,213)	129,972,713	1,140,589	(26,395)	131,086,906
Less accumulated depreciation for:						
Buildings	(3,962,900)	-	(3,962,900)	(524,327)	-	(4,487,227)
Improvements other than buildings	(39,611,936)	-	(39,611,936)	(3,655,250)	-	(43,267,186)
Machinery and equipment	(2,474,266)	-	(2,474,266)	(233,224)	18,494	(2,688,996)
Total accumulated depreciation	(46,049,103)	-	(46,049,103)	(4,412,801)	18,494.00	(50,443,410)
Total capital assets being depreciated, net	83,980,823	(57,213)	83,923,610	(3,272,212)	(7,901)	80,643,497
Subtotal Governmental Activities capital assets, net	\$ 110,295,823	\$ (57,213)	\$ 110,238,610	\$ 8,944,836	\$(1,056,785)	\$ 118,126,662
Internal Service Funds						
Capital assets, not being depreciated:						
Land and land rights	\$ 278	\$ -	\$ 278	\$ -	\$ -	\$ 278
Construction in progress	-	-	-	55,713	-	55,713
Total capital assets, not being depreciated	278	-	278	55,713	-	55,991
Capital assets being depreciated						
Improvements other than buildings	137,279	-	137,279	-	-	137,279
Machinery and equipment	6,346,507	86,556	6,433,063	1,531,325	(912,836)	7,051,551
Total capital assets, being depreciated	6,483,786	86,556	6,570,342	1,531,325	(912,836)	7,188,830
Less accumulated depreciation for:						
Improvements other than buildings	(23,283)	-	(23,283)	(3,432)	-	(26,715)
Machinery and equipment	(4,112,592)	-	(4,112,592)	(599,965)	907,797	(3,804,760)
Total accumulated depreciation	(4,135,875)	-	(4,135,875)	(603,397)	907,797	(3,831,475)
Total capital assets being depreciated, net	2,347,911	86,556	2,434,467	927,928	(5,039)	3,357,356
Subtotal Internal Service Funds capital assets, net	2,348,189	86,556	2,434,745	983,641	(5,039)	3,413,346
Governmental Activities capital assets, net	\$ 112,644,012	\$ 29,343	\$ 112,673,355	\$ 9,928,477	\$(1,061,824)	\$ 121,540,008

The net prior period adjustment of \$29,343 is primarily due to reclassifying General government assets to internal service assets, as well as an addition of prior year assets not previously reported.

Capital asset activity for Business-type activities for the year ended December 31, 2015, was as follows:

Business-Type Activities	Beginning	Prior	Adjusted			Ending
	Balance 1/1/2015	Period Adjustment	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets, not being depreciated:						
Land and land rights	\$ 1,854,448	\$ -	\$ 1,854,448	\$ -	\$ -	\$ 1,854,448
Constuction in progress	1,377,413	-	1,377,413	953,608	(2,075,679)	255,341
Total capital assets, not being depreciated	3,231,860	-	3,231,860	953,608	(2,075,679)	2,109,789
Capital assets being depreciated:						
Buildings	177,521	-	177,521	1,672,153	-	1,849,674
Infrastructure	42,190,678	-	42,190,678	403,526	-	42,594,204
Machinery and equipment	352,174	-	352,174	-	(19,842)	332,332
Total capital assets being depreciated	42,720,372	-	42,720,372	2,075,679	(19,842)	44,776,209
Less accumulated depreciation for:						
Buildings	(14,202)	-	(14,202)	(3,740)	-	(17,942)
Infrastructure	(12,781,818)	-	(12,781,818)	(1,190,522)	-	(13,972,340)
Machinery and equipment	(154,860)	-	(154,860)	(27,288)	19,842	(162,306)
Total accumulated depreciation	(12,950,881)	-	(12,950,881)	(1,221,550)	19,842	(14,152,589)
Total capital assets being depreciated, net	29,769,491	-	29,769,491	854,129	-	30,623,620
Subtotal Business-Type Activities capital assets, net	\$ 33,001,351	\$ -	\$ 33,001,351	\$ 1,807,737	\$(2,075,679)	\$ 32,733,409

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, 2015	
Governmental Activities:	
General Government	\$ 308,572
Judicial	12,137
Public Safety (Police)	862,269
Transportation (Highways and Streets)	3,470,813
Economic Environment	27,524
Utilities and Environment	-
Culture and Recreation	334,882
Total Depreciation Expense - Governmental Activities	5,016,198
Business-Type Activities:	
Utilities and Environment (Surface Water Management)	1,221,550
Total Depreciation Expense - Business-Type Activities	1,221,550
Total Depreciation Expense	\$ 6,237,748

The City has active construction projects as of December 31, 2015. The City's commitments with contractors are as follows:

Construction Commitments			
Contract Name	Contract Amount	Payments	Balance at 12/31/2015
Construction Contracts			
Ameresco	\$ 1,823,337	\$ 1,152,823	\$ 670,514
Ceccanti, Inc.	5,129,721	1,369,190	3,760,532
Elcon Corporation	384,262	222,804	161,458
Prime Electric	686,691	679,869	6,821
Puget Sound Energy	335,010	-	335,010
Tucci and Sons	1,058,207	1,004,198	54,008
Vendors / Suppliers			
Traffic Wrapz	6,043	-	6,043
Consulting and Engineering Services			
AHBL	26,000	16,853	9,147
AHBL	12,000	10,352	1,648
AHBL	33,357	-	33,357
AHBL	11,610	-	11,610
AHBL	-	-	-
Ameresco	483,581	361,424	122,157
Brown and Caldwell	195,409	83,372	112,037
Cascade Right of Way Services	77,580	30,950	46,630
Cascade Right of Way Services	57,010	43,199	13,811
DKS Associates	22,366	4,218	18,148
DKS Associates	53,337	18,562	34,775
DKS Associates	16,680	5,721	10,959
KPG	77,498	73,479	4,019
KPG	72,741	72,642	98
Larson & Associates	169,937	171,051	(1,114)
Larson & Associates	11,000	10,970	30
Tetra Tech	28,078	-	28,078
Transpo Group	60,000	47,057	12,943
Transpo Group	60,000	43,576	16,424
Interlocal Agreements			
WA State Dept of Transportation (Construction Mgmt)	484,135	236,880	247,256
Dept. Of Enterprise Services	62,000	-	62,000
Lakewood Water District	11,464	4,805	6,659
	\$ 11,449,053	\$ 5,663,995	\$ 5,785,058

NOTE 8 – PENSION PLANS

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

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

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

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

The table below shows the percentage contributions that are made bi-monthly by the employer and employee to this qualified money purchase plan. Contributions are made every payroll cycle (on the 5th & 20th of each month). The balance in the trust as of December 31, 2015, was \$15,913,375.

2015 Employer Contribution	2015 Employee Contribution
7.62%	5.08%
\$646,432	\$430,955

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

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

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

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

During the first couple of months of 1995-96 (the City became incorporated February 28, 1996), the City of Lakewood employees, through an election, voted not to join Social Security Retirement Plan (SSI). Instead, the City participates in a Money Purchase qualified plan, a defined money contribution plan - Retirement Trust Section 401 (a), administered through ICMA, which is registered with the Internal Revenue Service section 401. The plan was established under the authority of the City Council, which is responsible for amending the provisions and contribution requirements. The benefit package includes the following: 1) long term disability benefits, 2) survivor benefits for spouse and children, 3) lump sum death benefits and, 4) life benefits. Contributions to the plan are not subject to federal income tax. All full time employees and the City Council members who are under the Omnibus Budget Reconciliation Act of 1990 are required to participate. The contribution percentages are listed as follows:

2015 Employer Contribution	2015 Employee Contribution
4.77%	6.20%
\$891,181	\$1,158,348

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, 2015, was \$28,043,790.

Law Enforcement Officers' LEOFF Plan 2

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts - LEOFF 2	
Pension assets	\$3,500,512
Deferred outflows of resources	\$632,205
Deferred inflows of resources	(\$1,060,637)
Pension expenditures	(\$284,596)

State Sponsored Pension Plans

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

LEOFF Valuation as of June 30, 2015	
Retirees and beneficiaries receiving benefits	\$ 10,840
Terminated plan members entitled to but no yet receiving benefits	751
Active plan members, vested	14,607
Active plan members, non-vested	2,286
Total	\$ 28,484

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

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

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

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

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

The City of Lakewood's actual contributions to the plan were \$516,402 for the year ended December 31, 2015.

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, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. 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*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent 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 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

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, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
	100%	

Sensitivity of Net Pension Asset

The table below presents the City of Lakewood proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Lakewood proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
LEOFF 2	\$ 3,505,536	\$ (3,500,512)	\$ (8,772,829)
Total	\$ 3,505,536	\$ (3,500,512)	\$ (8,772,829)

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, 2015, the City of Lakewood's reported a total pension asset of \$3,500,512 for its proportionate share of the net pension assets as follows:

	Liability (or Asset)
LEOFF 2	\$ (3,500,512)

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

	Liability (or Asset)
LEOFF 2 - Employer's proportionate share	\$ (3,500,512)
LEOFF 2 - State's proportionate share of the net pension liability / (asset) associated with the employer	\$ (2,314,541)
Total	\$ (5,815,053)

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

	Proportionate Share		Change in Proportion
	6/30/2014	6/30/2015	
LEOFF 2	0.35158%	0.34058%	-0.011%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City of Lakewood recognized pension expense as follows:

Pension Expense	
LEOFF 2	\$ (284,596)
	\$ (284,596)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City of Lakewood reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 306,528	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,060,637)
Change of assumptions	\$ 9,233	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 57,652	\$ -
Contributions subsequent to the measurement date	\$ 258,791	\$ -
Total	\$ 632,205	\$ (1,060,637)

NOTE 9 – RISK MANAGEMENT

The City of Lakewood is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

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

There were no settlements in excess of insurance for commercially insured activities for 1996 through 2015.

The following is a summary of coverage in force in 2015:

Schedule of Insurance in Force			
As of December 31, 2015			
Company	Policy Period	Details of Coverage	Limit
WCIA	1/1/15 - 1/1/16	Liability Program (Auto, General, Police, Errors or Omissions, Employment Practices, Employee Benefit and Stop Gap)	\$20,000,000 per Occurrence Subject to Aggregates and Sub-Limits.
WCIA	12/01/14 - 12/01/15	Property Program - Manuscript Policy All Risk Form	\$300,000,000 per occurrence. Sub-Limits: \$150,000,000 Earthquake per Occurrence and Annual Pool Aggregate; \$100,000,000 Flood per Occurrence and Annual Pool Aggregate, except \$50,000,000 Flood Sub-Limit within Flood Zones A and V. Other Sub-Limits may apply
WCIA	12/31/14 - 12/31/15	Auto Physical Damage Program	Actual Cash Value for Scheduled Vehicles Except Optional Replacement Cost Coverage for Vehicles over \$25,000. Deductible Waived for Glass Repair and Damaged Caused by Fire or Lightning.
Hartford Steam Boiler Inspection and Insurance Company	12/1/14 - 12/1/15	Boiler and Machinery (Equipment Breakdown) Insurance	\$100,000,000 Equipment Breakdown subject to other applicable limits.
National Union Fire Insurance Company	12/31/14 - 12/31/15	Crime/Fidelity Insurance Blanket Coverage	\$2,500,000 for: Employee Theft Per Loss Coverage, Forgery or Alteration, Inside Premises – Theft of Money and Securities, Inside Premises – Robbery or Safe Burglary of Other Property, Outside the Premises, Computer Fraud, Funds Transfer Fraud, Money Orders and Counterfeit Money, and Faithful Performance of Duty required by law.
National Union Fire Insurance Company	3/1/15 - 5/1/16	Cyber Insurance including Liability and Regulatory Action, Privacy Event Services and Event management	\$1,000,000 per WCIA Member and \$10,000,000 All members Aggregate, \$100,000 Subject to per Member Sub-Limits of \$1,000,000 Liability, \$100,000 Regulatory, and \$100,000 Event Management and \$75,000 Affected Individuals for Privacy Event Services.
ACE American Insurance Company	3/16/15 - 3/16/16	Environmental Liability for Specified Fuel Storage Tanks	\$1,000,000 Per Storage Tank Incident Limit of Liability and \$2,000,000 Aggregate Limit of Liability for all Storage Tank Incidents; \$1,000,000 Aggregate Limit of Liability for all Legal Defense Expenses for all Storage Tank Incidents; \$3,000,000 Total Policy Aggregate Limit of Liability for all Storage Tank Incidents.

NOTE 10 – LONG-TERM LIABILITIES

The City of Lakewood issued general obligation bonds in 2009 to finance construction of the building that houses the Police Department. A promissory note for the purchase of 59th Street was issued in 2005. In December 2014 the City Council approved an ordinance authorizing the acquisition of personal property and execution of a financing contract and for the City's LED streetlight retrofit program. The Officer of the State Treasurer financed the transaction under its Local Option Capital Asset Lending Program (LOCAL) and certificates of participation (COPs) were sold on March 3, 2015 by competitive sale. The amount financed is \$1,460,000 and nets the City \$1,655,000. Under the provisions of the financing lease, the City is obligated to pay the State fiscal agent on December 1, 2015 and continue semi-annually thereafter through June 1, 2027. The All Inclusive Cost (AIC) of financing is 2.328%. The bonds, note payable, and COPs are considered obligations of the general government and are being repaid with general governmental revenue sources.

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

The City has issued special assessment debt to provide funds for the residential infrastructure improvements. Special assessment bonds were created by ordinance, adopted by Council, and repaid from amounts levied against the property owners benefitted by the construction. A separate guaranty fund is available to cover most outstanding delinquencies at the end of the assessment period. The City's obligation doesn't extend beyond the guaranty fund assets. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service is due, the government must provide the resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The City has an LID Guaranty Fund to finance any uncollectible special assessment debt. As of December 31, 2015, no amount of special assessment receivables was considered delinquent.

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

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

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue Amount	Beginning of Year O/S Debt	Amount Issued	Amount Redeemed	End of Year O/S Debt	Due in One Year	Long-Term Portion
Governmental Activities										
<u>General Obligation Bonds</u>										
2009 LTGO	3/31/2009	12/1/2028	2.25% - 5.0%	\$ 2,695,000	\$ 2,110,000	\$ -	\$ 115,000	\$ 1,995,000	\$ 120,000	\$ 1,875,000
2009 LTGO Premium	3/31/2009	12/1/2028	n/a	47,361	33,560	-	2,400	31,160	2,400	28,760
LOCAL Financing	3/24/2015	12/1/2027	2.33%	-	-	1,460,000	-	1,460,000	90,000	1,370,000
LOCAL Financing Premium	3/24/2015	12/1/2027	n/a	-	-	207,849	12,991	194,858	17,321	177,537
Subtotal GO Bonds				\$ 2,742,361	\$ 2,143,560	\$ 1,667,849	\$ 130,391	\$ 3,681,018	\$ 229,721	\$ 3,451,297
<u>Special Assessment Bonds (with governmental commitments)</u>										
CLID 1103 debt	12/1/2006	12/1/2026	3.75% - 4.65%	2,824,704	1,115,000	-	-	1,115,000	560,000	555,000
LID 1108	1/18/2008	12/1/2027	4.22% - 5.30%	880,000	457,959	-	49,838	408,121	61,606	346,515
Subtotal Special Assessment Bonds				\$ 3,704,704	\$ 1,572,959	\$ -	\$ 49,838	\$ 1,523,121	\$ 621,606	\$ 901,515
<u>Notes Payable</u>										
59th Street	4/30/2005	4/30/2025	Varies	1,071,000	632,713	-	53,339	579,374	55,333	524,041
Subtotal Notes Payable				\$ 1,071,000	\$ 632,713	\$ -	\$ 53,339	\$ 579,374	\$ 55,333	\$ 524,041
<u>Government Loans</u>										
PWTF - 04-691-PRE-132	7/7/2005	7/7/2024	1.00%	593,864	297,152	-	29,715	267,437	29,715	237,722
PWTF - 06-962-022	9/18/2006	9/18/2026	0.50%	5,000,000	3,533,785	-	294,482	3,239,303	294,482	2,944,821
PWTF - 08-951-025	3/1/2008	7/1/2028	0.50%	1,840,000	1,456,366	-	104,026	1,352,340	104,026	1,248,314
PWTF - 12-951-025	6/1/2012	6/1/2031	0.50%	-	-	179,295	-	179,295	313	178,982
Subtotal Government Loans				\$ 7,433,864	\$ 5,287,303	\$ 179,295	\$ 428,223	\$ 5,038,375	\$ 428,536	\$ 4,609,839
<u>Capital Lease</u>										
Copiers	10/1/2015	12/1/2018	-	60,018	-	60,018	2,723	57,295	17,355	39,940
Subtotal Government Loans				\$ 60,018	\$ -	\$ 60,018	\$ 2,723	\$ 57,295	\$ 17,355	\$ 39,940
<u>Compensated Absences</u>										
					2,218,820	2,560,192	2,519,286	2,259,726	677,918	1,581,808
Subtotal Governmental Activities					\$ 11,855,355	\$ 4,467,355	\$ 3,183,801	\$ 13,138,909	\$ 2,030,469	\$ 11,108,440
<u>Business-type Activities</u>										
<u>Compensated absences</u>					93,830	75,604	75,790	93,644	28,093	65,551
Subtotal Business-type Activities					93,830	75,604	75,790	93,644	28,093	65,551
Total					\$ 11,949,185	\$ 4,542,959	\$ 3,259,591	\$ 13,232,553	\$ 2,058,562	\$ 11,173,991

Debt activity for the year ended December 31, 2015, is recapped in the chart that follows:

Future payment requirements on debt balances are as follows:

Year(s)	Principal	Interest
2016	\$ 1,332,518	\$ 281,626
2017	880,518	238,972
2018	902,376	215,639
2019	898,791	192,657
2020-2024	4,349,246	602,160
2025-2029	2,264,103	423,470
2030 - 2031	25,614	192
Totals	\$ 10,653,166	\$ 1,954,719

Computation of Legal Debt Margin

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

Legally Remaining Debt Capacity	
As of December 31, 2015	
General Government (no vote required)	\$ 67,189,100
General Government (3/5 majority vote required)	47,482,316
Parks and open space (3/5 majority vote required)	118,705,790
Utilities (3/5 majority vote required)	118,705,790
Total Capacity	\$ 352,082,997

Compensated Absences

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

Compensated Absences	
For the Year Ended December 31, 2015	
<i>Governmental Activities:</i>	
Current Portion	\$ 677,918
Noncurrent Portion	1,581,808
Subtotal Governmental Activities	2,259,726
<i>Business-Type Activities:</i>	
Current Portion	28,093
Noncurrent Portion	65,551
Subtotal Business-Type Activities	93,644
Total Compensated Absences	\$ 2,353,370

Leases

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

2016 \$59,280

McGavick Center Lease: In 2007, the City entered into an agreement with Clover Park Technical College to contribute 11% of the construction costs for the McGavick Center. The contribution is in equal installments of \$101,850 over 20 years. In return for the contribution, the City of Lakewood has use of the center for 18 days per year for a 30 year period to be used for tourism related activities. Lease payments to Clover Park Technical College for 2015 totaled \$101,850. The future minimum lease payments are as follows:

2016	\$101,850
2017	\$101,850
2018	\$101,850
2019	\$101,850
2020	\$101,850

Copier & Printer Leases: The City previously entered into a twelve 60 month non-cancelable copier lease with Ricoh. Nine of the leases expired in March 2015; one lease expires in July of 2016; and the remaining two leases expire in 2018. Lease payments for existing copiers in 2015 were \$36,668. In October 2015 the City entered into a lease to own agreement with National Cooperative Leasing for 16 printers, lease payments in 2015 were \$3,159. Future minimum lease payments are as follows:

2016	\$8,358
2017	\$8,358
2018	\$8,358

NOTE 11 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2015, were as follows:

Interfund Transactions		Transfer From				
		General Fund	CDBG Grant Fund	Surface Water Management Fund	Non-Major Governmental Funds	Total
Transfer To	General Fund	\$ -	\$ -	\$ 284,700	\$ 40,802	\$ 325,502
	Grant Fund	-	-	-	-	-
	Transportation CIP	689,500	163,114	989,061	2,255,199	4,096,874
	Surface Water Management Fund	-	-	-	268,989	268,989
	Non-Major Governmental Funds	1,838,211	-	35,000	500,928	2,374,139
	Total	\$2,527,711	\$ 163,114	\$ 1,308,761	\$ 3,065,918	\$ 7,065,505

The following describes the amounts transferred out during 2015:

General Fund:

- \$1,266,320 to Street O&M Fund to subsidize street operations and maintenance;
- \$35,000 to the Abatement Fund as a contribution for dangerous property abatements;
- \$50,000 for executive leadership contribution to South Sound Military Communities Partnership;
- \$340,162 to the General Government Debt Service Fund for debt service payments;
- \$146,729 to the Parks CIP Fund to fund various parks capital projects; and
- \$689,500 to the Transportation CIP Fund to fund various transportation capital projects.

CDBG Grant Fund:

- \$163,114 to the Transportation CIP Fund to fund CDBG transportation related capital project.

Surface Water Management Fund:

- \$284,700 to the General Fund for administrative fees;
- \$35,000 to the Parks CIP Fund for SWM’s share of parks capital project;
- \$989,061 to the Transportation CIP for SWM’s share of transportation capital projects.

Nonmajor Governmental Funds:

- \$85,878 from the REET Fund to the Parks CIP Fund for various capital projects;
- \$1,773,638 from the REET Fund to the Transportation CIP Fund for various capital projects;
- \$268,989 from the REET Fund to the SWM Fund for the public works o&m facility construction;
- \$481,565 from the Transportation Benefit District Fund to the Transportation CIP Fund for various capital projects;
- \$35,000 from the Hotel/Motel Lodging Tax Fund to the Parks CIP Fund for various capital projects;
- \$270,000 from the Sewer Project Debt Service Fund to the Sewer Capital Project Fund for the sewer capital project;
- \$40,802 from the Fleet & Equipment Fund excess proceeds/reserves to the General Fund.
- \$110,050 from the Fleet & Equipment Fund to the Information Technology Fund to implement the 6-Year IT Strategic Plan as it relates to year 2015.

The General Fund made the following interfund loans:

- \$8,718 to the Street Operations & Maintenance Fund;
- \$21,056 to the Public Safety Grant Fund; and
- \$1,752,701 to the Transportation CIP Fund.

The loans were made to cover negative cash at the end of the year. In all cases, the negative cash balance was the result of a timing difference between when grant revenues and expenditures are recognized and when cash receipts and payments actually occur.

NOTE 12 – HEALTH AND WELFARE

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

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

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through 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. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past

debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

NOTE 13 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Trust Description

The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust ("Trust"), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and requires supplementary information for Trust. That report, along with a copy of the Trust document, may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

Funding Policy

The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

Plan	2015		2014	
	City	Retiree	City	Retiree
Health First - 1000				
Non-Medicare enrolled retiree coverage	\$ -	\$ 872	\$ -	\$ 830
Non-Medicare enrolled spouse coverage	-	879	-	837
Medicare enrolled retiree coverage	-	324	-	443
Medicare enrolled spouse coverage	-	323	-	456
Health First - 2500				
Non-Medicare enrolled retiree coverage	\$ -	\$ 761	\$ -	\$ 724
Non-Medicare enrolled spouse coverage	-	766	-	730
Medicare enrolled retiree coverage	-	324	-	388
Medicare enrolled spouse coverage	-	323	-	398

NOTE 14 – BLENDED COMPONENT UNITS INCLUDED IN REPORTING ENTITY

There is one blended component unit in the City's reporting entity. During the fiscal year 2012, the City Council passed an ordinance establishing the Lakewood Transportation Benefit District. The Washington State RCW 36.73.020 grants cities the authority to establish a Transportation Benefit District (TBD). The Lakewood TBD governing board is comprised of all

the members of the Lakewood City Council and therefore the management of the City of Lakewood has operational responsibility of the Lakewood TBD. The operations of the Lakewood TBD are so closely related to those of the City that it is reported as if it were part of the primary government.

The transportation benefit district's sole purpose is to acquire, construct, improve, provide, and fund transportation improvements within the City of Lakewood, which is consistent with any existing state, regional and local transportation plan. RCW 36.73.065 gives the Lakewood TBD authorization to impose taxes, fees, charges and tolls. The Lakewood TBD has approved a \$20 vehicle license fee. This fee started April 1, 2015 and is imposed on vehicles registered within the district's boundaries.

The TBD is accounted for in Fund 103, a special revenue fund. Financial reporting for this fund can be found in the combining statements section of this report.

NOTE 15 – CONTINGENCIES AND LITIGATION

The City Attorney estimates that the amount of actual or potential claims against the City as of December 31, 2015 is an amount which should be within the insurance protection the City holds. The City is also involved in litigation where representation is not provided for under insurance coverage. That case involves a public disclosure request. The requestor asserts that the City's liability exceeds \$150,000. Following motions in November 2014, the superior court held the City liable for penalties in the approximate amount of \$3,500. This decision has been appealed to the Court of Appeals by the requestor, argument held in October 2015, and a decision is pending.

NOTE 16 – SUBSEQUENT EVENTS

On April 4, 2016, the City Council approved an ordinance authorizing the refund of the 2009 LTGO Bond. On April 19, 2016, the City issued refunding bonds (2016 LTGO Refunding Bond). The 2009 LTGO bond callable on June 1, 2019 is \$1,630,000. The total 2016 LTGO Refunding Bond issued is \$1,884,032. The net present value savings from refunding is \$131,222 or 8.05%.

NOTE 17 – ACCOUNTING AND REPORTING CHANGES

Fund Additions and Deletions

During the fiscal year 2015, the following funds were added:

- Special Revenue Fund – Transportation Benefit District Fund
- Capital Improvement Project Fund – Transportation Capital Project Fund

During the fiscal year 2015, the following funds were deleted:

- Fiduciary Funds – Municipal Court Trust Account Fund and Section 125 Fund

Adoption of New GASB Statement

The City adopting reporting requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the fiscal year 2015. See note 8 for implementation.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lakewood
Schedule of Proportionate Share of the Net Pension Liability (Asset)
LEOFF 2
 As of June 30, 2015
 Last 10 Fiscal Years*

	2015
Employer's proportion of the net pension liability (asset)	0.3%
Employer's proportionate share of the net pension liability (asset)	\$ (3,500,512)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (2,314,541)
Total	\$ (5,815,053)
Employer's covered employee payroll	\$ 10,067,043
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-34.8%
Plan fiduciary net position as a percentage of the total pension liability	111.7%

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

City of Lakewood
Schedule of Employer Contributions
LEOFF 2
 As of December 31, 2015
 Last 10 Fiscal Years*

	2015
Statutorily or contractually required contributions	\$ 516,402
Contributions in relation to the statutorily or contractually required contributions	\$ (516,402)
Contribution deficiency (excess)	\$ -
Covered Employer Payroll	\$ 9,525,162
Contributions as a percentage of covered employee payroll	5.4%

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

OTHER SUPPLEMENTARY INFORMATION

**City of Lakewood
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Cluster Title/Federal Program	CFDA Number	Other Award Number	Expenditures			Passed Through to Sub-Recipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Economic Adjustment, Department Of Defense	Community Investment	12.600	HQ00051210036	\$ -	\$ 1,533,313	\$ 1,533,313	\$ -	
Office Of Economic Adjustment, Department Of Defense	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	EN1320-13-01	\$ -	\$ 152,568	\$ 152,568	\$ 144,360	4
CDBG - Entitlement Grants Cluster								
Office Of Community Planning And Development Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-53-0016	\$ -	\$ 146,433	\$ 146,433	\$ 94,341	4
			B-14-MC-53-0016	\$ -	\$ 210,288	\$ 210,288	\$ 140,894	4
			B-15-MC-53-0016	\$ -	\$ 25,707	\$ 25,707		
			B-15-MC-53-0016	\$ -	\$ 1,575	\$ 1,575		
			B-15-MC-53-0016	\$ -	\$ 65,593	\$ 65,593	\$ 18,757	4
Total CDBG - Entitlement Grants Cluster:				\$ -	\$ 449,596	\$ 449,596	\$ 253,992	
CDBG - State-Administered CDBG Cluster								
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	08-F6401-012	\$ 18,402	\$ -	\$ 18,402	\$ -	
Total CDBG - State-Administered CDBG Cluster:				\$ 18,402	\$ -	\$ 18,402	\$ -	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Tacoma Community Redevelopment Authority)	Home Investment Partnerships Program	14.239	2015-193	\$ 326,274	\$ -	\$ 326,274	\$ 271,362	4
Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F14-31103-083	\$ 28,397	\$ -	\$ 28,397	\$ -	
JAG Program Cluster								
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0469	\$ -	\$ 8,894	\$ 8,894	\$ -	
			2013-DJ-BX-0212	\$ -	\$ 34,733	\$ 34,733	\$ 31,041	4
			2014-DJ-BX-0200	\$ -	\$ 10,494	\$ 10,494	\$ 10,494	4
Total JAG Program Cluster:				\$ -	\$ 54,121	\$ 54,121	\$ 41,535	
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	WA0272300	\$ -	\$ 83,840	\$ 83,840	\$ -	
US Department of Justice	Federal Bureau of Investigation - Safe Streets Task Force	16.999	281D-SE-88930	\$ -	\$ 17,282	\$ 17,282	\$ -	
	Federal Bureau of Investigation - Pacific Northwest Innocence Lost	16.999		\$ -	\$ 26,998	\$ 26,998	\$ -	
Total CFDA 16.999:				\$ -	\$ 44,280	\$ 44,280	\$ -	
Highway Planning and Construction Cluster								
Federal Highway Administration (FHWA), Department of Transportation (via Washington Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2947(017)	\$ 304,133	\$ -	\$ 304,133	\$ -	
			CM-2885(004)	\$ 92,107	\$ -	\$ 92,107	\$ -	
			CM-0665(004)	\$ 493,067	\$ -	\$ 493,067	\$ -	
			HSIP-3136(005)	\$ 105,052	\$ -	\$ 105,052	\$ -	
			STPUL-2947(016)	\$ 100,135	\$ -	\$ 100,135	\$ -	
			TAP-3082(001)	\$ 37,929	\$ -	\$ 37,929	\$ -	
			STPUL-2947(019)	\$ 195,675	\$ -	\$ 195,675	\$ -	
			STPUL-3136(006)	\$ 545,675	\$ -	\$ 545,675	\$ -	
			CM-9927(059)	\$ 5,506	\$ -	\$ 5,506	\$ -	
			CM-3136(007)	\$ 2,801	\$ -	\$ 2,801	\$ -	
			HSIP-3000(003)	\$ 4,176	\$ -	\$ 4,176	\$ -	
			HSIP-000S(424)	\$ 633	\$ -	\$ 633	\$ -	
			HSIP-000S(324)	\$ 5,000	\$ -	\$ 5,000	\$ -	
Total Highway Planning and Construction Cluster:				\$ 1,891,889	\$ -	\$ 1,891,889	\$ -	
Federal Railroad Administration (FRA), Department Of Transportation (via Washington Department of Transportation)	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319	RRB-1083	\$ 340,641	\$ -	\$ 340,641	\$ -	
Highway Safety Cluster								
National Highway Traffic Safety Administration (NHTSA), Department Of Transportation (via Washingtor Association of Sheriffs and Police Chiefs)	State & Community Highway Safety	20.600		\$ 10,655	\$ -	\$ 10,655	\$ -	
				\$ 2,214	\$ -	\$ 2,214	\$ -	
				\$ 913	\$ -	\$ 913	\$ -	
				\$ 1,574	\$ -	\$ 1,574	\$ -	
				\$ 419	\$ -	\$ 419	\$ -	
Total Highway Safety Cluster:				\$ 15,775	\$ -	\$ 15,775	\$ -	
Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3314FAS140153	\$ 16,037	\$ -	\$ 16,037	\$ -	
Department Of Homeland Security (via Okanagan County)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	15-3300	\$ 6,244	\$ -	\$ 6,244	\$ -	
Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMPG E15-087	\$ 53,856	\$ -	\$ 53,856	\$ 53,856	4
			EMPG E16-123	\$ 26,410	\$ -	\$ 26,410	\$ 26,410	4
Total CFDA 97.042:				\$ 80,266	\$ -	\$ 80,266	\$ 80,266	
Total Federal Awards Expended:				\$ 2,723,925	\$ 2,317,718	\$ 5,041,643	\$ 791,515	

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

City of Lakewood
Notes to the Schedule of Expenditures for Federal Awards
For the Year Ended December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - REVOLVING LOAN FUND - PROGRAM INCOME

The city administers a revolving loan program for CDBG Down -Payment Assistance, Major Home Repairs, and Economic Development loans. Under this federal program, repayments to the city program are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to participants for the year was \$18,767 and is presented in the schedule. The amount of loan repayments for the year was \$95,104.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is a)\$144,360; b)\$94,341; c)\$140,894; d)\$18,757; e)\$271,362; f)\$31,041; g)\$10,494; h)\$53,856; i)\$26,410 that was passed through to a subrecipient.

NOTE 5 - LOAN GUARANTEE

Section 108 Loans approved by the U.S. Department of Housing and Urban Development. CFDA 14.248
1) Curbside Motors Incorporated in the amount of \$700,000 with the loan term from 2014 - 2035.
2) Living Access Support Alliance in the amount of \$310,000 with the loan term from 2015 - 2035.
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 loan. The Bank of New York Mellon serves as the City's custodian under a Custodial Agreement, disbursing the Section 108 funds to the borrower, receiving loan payments from the borrower, and remitting the repayments to HUD.

NOTE 6 - FEMA

Department of Homeland Security - Federal Emergency Management Agency - Okanogan County Fire CFDA - 97.036 - The City of Lakewood participated in a Washington Mutual Aid Event. WEBEOC # WA-2015819956 & WAMAS # WMA-0020. Our expenditures of \$6,243.78 are part of a "large" project, and as of 3/23/16 are awaiting approval at the state level.

NOTE 7 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

NOTE 8 - 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.

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



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COMBINING STATEMENTS



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**Combining Statement – Nonmajor Governmental Funds Description
For the Year Ended December 31, 2015**

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, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,572,858	\$ 1,011,437	\$ 1,137,420	\$ 4,721,715
Investments	-	-	-	-
Customer accounts receivable	80,256	-	-	80,256
Due from other governments	232,431	-	502,417	734,848
Notes/contracts receivable	-	114,001	-	114,001
Special assessments receivable	159,130	-	-	159,130
Taxes Receivable	428,881	-	-	428,881
Total assets	<u>3,473,556</u>	<u>1,125,438</u>	<u>1,639,837</u>	<u>6,238,831</u>
LIABILITIES				
Accounts payable	142,163	-	319,035	461,198
Payable to other governments	788	-	-	788
Custodial deposits	49,570	-	-	49,570
Unearned revenue	219,000	-	5,745	224,745
Contracts payable	-	-	-	-
Other Accrued Liabilities	51,221	-	4,667	55,888
Interfund loan payable	29,774	-	-	29,774
Total liabilities	<u>492,516</u>	<u>-</u>	<u>329,447</u>	<u>821,963</u>
DEFERRED INFLOWS OF RESOURCES	<u>159,130</u>	<u>114,001</u>	<u>-</u>	<u>273,131</u>
Total liabilities and deferred inflows of resources	<u>651,646</u>	<u>114,001</u>	<u>329,447</u>	<u>1,095,094</u>
FUND BALANCES (DEFICITS)				
Restricted	2,638,504	1,011,437	-	3,649,941
Committed	183,406	-	1,310,390	1,493,796
Total fund balances (deficits)	<u>2,821,910</u>	<u>1,011,437</u>	<u>1,310,390</u>	<u>5,143,737</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 3,473,556</u>	<u>\$ 1,125,438</u>	<u>\$ 1,639,837</u>	<u>\$ 6,238,831</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, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 2,662,264	\$ -	\$ -	\$ 2,662,264
Licenses and permits	56,942	-	-	56,942
Intergovernmental	1,401,808	-	809,456	2,211,265
Charges for goods and services	179,915	659,514	281,640	1,121,070
Interest and other earnings	4,595	6,841	1,858	13,294
Miscellaneous	182,546	26,249	1,127	209,922
Contributions and donations	35,750	-	14,000	49,750
Total revenues	<u>4,523,819</u>	<u>692,604</u>	<u>1,108,081</u>	<u>6,324,505</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	414,818	-	3,548	418,366
Utilities and environment	-	-	20,036	20,036
Transportation	2,175,846	-	-	2,175,846
Natural and economic environment	977,851	-	10,491	988,342
Culture and recreation	723	-	50,427	51,150
Debt service:				
Interest and other debt service costs	-	197,419	-	197,419
Principal retirement	-	596,562	-	596,562
Capital outlay:				
Capital	91,774	-	1,265,340	1,357,114
Total expenditures	<u>3,661,012</u>	<u>793,981</u>	<u>1,349,842</u>	<u>5,804,835</u>
Excess (deficiency) of revenues over expenditures	<u>862,807</u>	<u>(101,377)</u>	<u>(241,761)</u>	<u>519,670</u>
OTHER FINANCING SOURCES (USES)				
Long term debt proceeds	-	-	179,295	179,295
Transfers in	1,351,320	340,163	572,607	2,264,090
Transfers out	(2,645,066)	(270,000)	-	(2,915,066)
Insurance recovery	2,288	-	-	2,288
Total other financing source (uses)	<u>(1,291,458)</u>	<u>70,163</u>	<u>751,902</u>	<u>(469,393)</u>
Net change in fund balances	(428,651)	(31,214)	510,141	50,277
Fund balances - beginning	3,250,560	1,042,651	800,249	5,093,460
Fund balances - ending	<u>\$ 2,821,910</u>	<u>\$ 1,011,437</u>	<u>\$ 1,310,390</u>	<u>\$ 5,143,737</u>

Combining Statement – Nonmajor Special Revenue Funds Description For the Year Ended December 31, 2015

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

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

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

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

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

The ***Office of Economic Adjustment Grant 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.

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, 2015

	Street Operations & Maintenance	Real Estate Excise Tax	Transportation Benefit District	Hotel/ Motel Lodging Tax	Property Abatement	Public Art
ASSETS						
Cash and cash equivalents	-	270,967	-	1,187,459	131,589	34,075
Investments	-	-	-	-	-	-
Customer accounts receivable	-	-	-	-	23,756	-
Due from other governments	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	116,815	-
Taxes Receivable	137,042	205,587	-	86,252	-	-
Total assets	<u>\$ 137,042</u>	<u>\$ 476,554</u>	<u>\$ -</u>	<u>\$ 1,273,711</u>	<u>\$ 272,160</u>	<u>\$ 34,075</u>
LIABILITIES						
Accounts payable	75,335	-	-	-	3,048	-
Payable to other governments	29	-	-	571	-	-
Custodial deposits	9,940	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Other Accrued Liabilities	43,020	-	-	-	2,966	-
Interfund loan payable	8,718	-	-	-	-	-
Total liabilities	<u>137,042</u>	<u>-</u>	<u>-</u>	<u>571</u>	<u>6,014</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,815</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>137,042</u>	<u>-</u>	<u>-</u>	<u>571</u>	<u>122,829</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Restricted	-	476,554	-	1,273,140	-	-
Committed	-	-	-	-	149,331	34,075
Total fund balances (deficits)	<u>-</u>	<u>476,554</u>	<u>-</u>	<u>1,273,140</u>	<u>149,331</u>	<u>34,075</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 137,042</u>	<u>\$ 476,554</u>	<u>\$ -</u>	<u>\$ 1,273,711</u>	<u>\$ 272,160</u>	<u>\$ 34,075</u>

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2015

	Narcotics Seizure	Felony Seizure	Federal Seizure	NSP Grant	OEA Grant	Public Safety Grants	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	535,415	-	206,847	153,270	53,236	-	2,572,858
Investments	-	-	-	-	-	-	-
Customer accounts receivable	-	-	-	-	56,500	-	80,256
Due from other governments	7,114	-	-	-	160,762	64,555	232,431
Special assessments receivable	-	-	-	42,315	-	-	159,130
Taxes Receivable	-	-	-	-	-	-	428,881
Total assets	<u>\$ 542,529</u>	<u>\$ -</u>	<u>\$ 206,847</u>	<u>\$ 195,585</u>	<u>\$ 270,498</u>	<u>\$ 64,555</u>	<u>\$ 3,473,556</u>
LIABILITIES							
Accounts payable	19,879	-	-	162	240	43,499	142,163
Payable to other governments	-	-	-	-	188	-	788
Custodial deposits	39,630	-	-	-	-	-	49,570
Unearned revenue	-	-	-	-	219,000	-	219,000
Contracts payable	-	-	-	-	-	-	-
Other Accrued Liabilities	1,436	-	-	233	3,566	-	51,221
Interfund loan payable	-	-	-	-	-	21,056	29,774
Total liabilities	<u>60,945</u>	<u>-</u>	<u>-</u>	<u>395</u>	<u>222,994</u>	<u>64,555</u>	<u>492,516</u>
DEFERRED INFLOWS OF RESOURCES							
	-	-	-	42,315	-	-	159,130
Total liabilities and deferred inflows of resources	<u>60,945</u>	<u>-</u>	<u>-</u>	<u>42,710</u>	<u>222,994</u>	<u>64,555</u>	<u>651,646</u>
FUND BALANCES (DEFICITS)							
Restricted	481,584	-	206,847	152,875	47,504	-	2,638,504
Committed	-	-	-	-	-	-	183,406
Total fund balances (deficits)	<u>481,584</u>	<u>-</u>	<u>206,847</u>	<u>152,875</u>	<u>47,504</u>	<u>-</u>	<u>2,821,910</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ 542,529</u>	<u>\$ -</u>	<u>\$ 206,847</u>	<u>\$ 195,585</u>	<u>\$ 270,498</u>	<u>\$ 64,555</u>	<u>\$ 3,473,556</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2015

	Street Operations and Maintenance	Real Estate Excise Tax	Transportation Benefit District	Hotel/Motel Lodging Tax	Property Abatement	Public Art	Narcotics Seizure
REVENUES							
Taxes	\$ -	\$ 1,486,450	\$ 484,016	\$ 691,798	\$ -	\$ -	\$ -
Licenses and permits	56,942	-	-	-	-	-	-
Intergovernmental	861,723	-	-	-	-	-	-
Charges for goods and services	1,050	-	-	-	2,526	-	23,280
Interest and other earnings	-	77	49	2,920	34	10	1,443
Miscellaneous	7,203	-	-	-	-	9,000	166,343
Contributions and donations	9,780	-	-	-	-	400	-
Total revenues	<u>936,698</u>	<u>1,486,527</u>	<u>484,065</u>	<u>694,718</u>	<u>2,560</u>	<u>9,410</u>	<u>191,066</u>
EXPENDITURES							
Current:							
Public safety	1,153	-	-	-	-	-	192,753
Transportation	2,173,346	-	2,500	-	-	-	-
Economic environment	-	-	-	415,135	150,000	-	-
Culture and recreation	-	-	-	-	-	723	-
Capital outlay:							
Capital	30,807	-	-	-	-	-	-
Total expenditures	<u>2,205,306</u>	<u>-</u>	<u>2,500</u>	<u>415,135</u>	<u>150,000</u>	<u>723</u>	<u>192,753</u>
Excess (deficiency) of revenues over expenditures	<u>(1,268,608)</u>	<u>1,486,527</u>	<u>481,565</u>	<u>279,583</u>	<u>(147,440)</u>	<u>8,687</u>	<u>(1,687)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,266,320	-	-	-	35,000	-	-
Transfers out	-	(2,128,501)	(481,565)	(35,000)	-	-	-
Insurance recovery	2,288	-	-	-	-	-	-
Total other financing source (uses)	<u>1,268,608</u>	<u>(2,128,501)</u>	<u>(481,565)</u>	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(641,974)	-	244,583	(112,440)	8,687	(1,687)
Fund balances - beginning	-	1,118,528	-	1,028,557	261,771	25,388	483,271
Fund balances - ending	<u>\$ -</u>	<u>\$ 476,554</u>	<u>\$ -</u>	<u>\$ 1,273,140</u>	<u>\$ 149,331</u>	<u>\$ 34,075</u>	<u>\$ 481,584</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2015

	Felony Seizure	Federal Seizure	NSP Grant	OEA Grant	Public Safety Grants	Total Nonmajor Special Revenue Funds
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,662,264
Licenses and permits	-	-	-	-	-	56,942
Intergovernmental	-	218,837	-	153,469	167,779	1,401,808
Charges for goods and services	-	-	-	153,059	-	179,915
Interest and other earnings	-	62	-	-	-	4,595
Miscellaneous	-	-	-	-	-	182,546
Contributions and donations	-	-	-	570	25,000	35,750
Total revenues	-	218,899	-	307,098	192,779	4,523,819
EXPENDITURES						
Current:						
Public safety	5,044	28,974	-	-	186,894	414,818
Transportation	-	-	-	-	-	2,175,846
Natural and economic environment	-	-	18,403	394,313	-	977,851
Culture and recreation	-	-	-	-	-	723
Capital outlay:						
Capital	-	54,865	-	-	6,102	91,774
Total expenditures	5,044	83,839	18,403	394,313	192,996	3,661,012
Excess (deficiency) of revenues over expenditures	(5,044)	135,060	(18,403)	(87,215)	(217)	862,807
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	50,000	-	1,351,320
Transfers out	-	-	-	-	-	(2,645,066)
Insurance recovery	-	-	-	-	-	2,288
Total other financing source (uses)	-	-	-	50,000	-	(1,291,458)
Net change in fund balances	(5,044)	135,060	(18,403)	(37,215)	(217)	(428,651)
Fund balances - beginning	5,044	71,787	171,278	84,719	217	3,250,560
Fund balances - ending	\$ -	\$ 206,847	\$ 152,875	\$ 47,504	\$ -	\$ 2,821,910

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 28,000	\$ 28,000	\$ 56,942	\$ 28,942
Intergovernmental	837,900	852,300	861,723	9,423
Charges for goods and services	300	300	1,050	750
Miscellaneous	11,000	-	16,983	16,983
Total revenues	<u>877,200</u>	<u>880,600</u>	<u>936,698</u>	<u>56,098</u>
EXPENDITURES				
Current:				
Public safety	-	-	1,153	1,153
Transportation	1,878,850	2,180,361	2,173,346	(7,015)
Capital outlay:				
Capital	15,000	30,000	30,807	807
Total expenditures	<u>1,893,850</u>	<u>2,210,361</u>	<u>2,205,306</u>	<u>(5,055)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,016,650)</u>	<u>(1,329,761)</u>	<u>(1,268,608)</u>	<u>61,153</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,006,650	1,329,761	1,266,320	(63,441)
Insurance recovery	10,000	-	2,288	2,288
Total other financing source (uses)	<u>1,016,650</u>	<u>1,329,761</u>	<u>1,268,608</u>	<u>(61,153)</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 800,000	\$ 1,200,000	\$ 1,486,450	\$ 286,450
Interest and other earnings	-	-	77	77
Total revenues	<u>800,000</u>	<u>1,200,000</u>	<u>1,486,527</u>	<u>286,527</u>
EXPENDITURES				
Current:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>800,000</u>	<u>1,200,000</u>	<u>1,486,527</u>	<u>286,527</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,447,210)</u>	<u>(2,248,686)</u>	<u>(2,128,501)</u>	<u>120,185</u>
Total other financing source (uses)	<u>(2,447,210)</u>	<u>(2,248,686)</u>	<u>(2,128,501)</u>	<u>120,185</u>
Net change in fund balances	<u>(1,647,210)</u>	<u>(1,048,686)</u>	<u>(641,974)</u>	<u>406,712</u>
Fund balances - beginning	<u>1,647,210</u>	<u>1,118,529</u>	<u>1,118,528</u>	<u>(1)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 69,843</u>	<u>\$ 476,554</u>	<u>\$ 406,711</u>

City of Lakewood
Transportation Benefit District
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 572,000	\$ 572,000	\$ 484,016	\$ (87,984)
Interest and other earnings	-	-	49	49
Total revenues	<u>572,000</u>	<u>572,000</u>	<u>484,065</u>	<u>(87,935)</u>
EXPENDITURES				
Current:				
Transportation	2,500	2,500	2,500	-
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>569,500</u>	<u>569,500</u>	<u>481,565</u>	<u>(87,935)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(569,500)	(569,500)	(481,565)	87,935
Total other financing source (uses)	<u>(569,500)</u>	<u>(569,500)</u>	<u>(481,565)</u>	<u>87,935</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 500,000	\$ 675,000	\$ 691,798	\$ 16,798
Interest and other earnings	-	-	2,920	2,920
Total revenues	<u>500,000</u>	<u>675,000</u>	<u>694,718</u>	<u>19,718</u>
EXPENDITURES				
Current:				
Economic environment	500,000	416,850	415,135	(1,715)
Total expenditures	<u>500,000</u>	<u>416,850</u>	<u>415,135</u>	<u>(1,715)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>258,150</u>	<u>279,583</u>	<u>21,433</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(35,000)	(35,000)	-
Total other financing source (uses)	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balances	-	223,150	244,583	21,433
Fund balances - beginning	937,524	1,028,557	1,028,557	-
Fund balances - ending	<u>\$ 937,524</u>	<u>\$ 1,251,707</u>	<u>\$ 1,273,140</u>	<u>\$ 21,433</u>

City of Lakewood
Property Abatement
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for goods and services	\$ -	\$ 13,700	\$ 2,526	\$ (11,174)
Interest and other earnings	-	-	34	34
Total revenues	-	13,700	2,560	(11,140)
EXPENDITURES				
Current:				
Economic environment	100,000	310,471	150,000	(160,471)
Total expenditures	100,000	310,471	150,000	(160,471)
Excess (deficiency) of revenues over expenditures	(100,000)	(296,771)	(147,440)	149,331
OTHER FINANCING SOURCES (USES)				
Transfers in	-	35,000	35,000	-
Total other financing source (uses)	-	35,000	35,000	-
Net change in fund balances	(100,000)	(261,771)	(112,440)	149,331
Fund balances - beginning	200,000	261,771	261,771	-
Fund balances - ending	\$ 100,000	\$ -	\$ 149,331	\$ 149,331

City of Lakewood
Public Art
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 10	\$ 10
Miscellaneous	10,000	10,000	9,000	(1,000)
Contributions and donations	-	-	400	400
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>9,410</u>	<u>(591)</u>
EXPENDITURES				
Current:				
Culture and recreation	2,000	2,000	723	(1,277)
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>723</u>	<u>(1,277)</u>
Excess (deficiency) of revenues over expenditures	<u>8,000</u>	<u>8,000</u>	<u>8,687</u>	<u>687</u>
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,000	8,000	8,687	687
Fund balances - beginning	15,000	25,389	25,388	(1)
Fund balances - ending	<u>\$ 23,000</u>	<u>\$ 33,389</u>	<u>\$ 34,075</u>	<u>\$ 686</u>

City of Lakewood
Narcotics Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 14,563	\$ -	\$ (14,563)
Charges for goods and services	-	-	23,280	23,280
Interest and other earnings	-	-	1,443	1,443
Miscellaneous	110,000	110,000	166,343	56,343
Total revenues	<u>110,000</u>	<u>124,563</u>	<u>191,066</u>	<u>66,503</u>
EXPENDITURES				
Current:				
Public safety	318,550	333,113	192,753	(140,360)
Total expenditures	<u>318,550</u>	<u>333,113</u>	<u>192,753</u>	<u>(140,360)</u>
Excess (deficiency) of revenues over expenditures	<u>(208,550)</u>	<u>(208,550)</u>	<u>(1,687)</u>	<u>206,863</u>
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(208,550)	(208,550)	(1,687)	206,863
Fund balances - beginning	801,701	483,271	483,271	-
Fund balances - ending	<u>\$ 593,151</u>	<u>\$ 274,721</u>	<u>\$ 481,584</u>	<u>\$ 206,863</u>

City of Lakewood
Felony Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
Public safety	-	5,044	5,044	-
Total expenditures	-	5,044	5,044	-
Excess (deficiency) of revenues over expenditures	-	(5,044)	(5,044)	-
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(5,044)	(5,044)	-
Fund balances - beginning	11,958	5,044	5,044	-
Fund balances - ending	\$ 11,958	\$ -	\$ -	\$ -

City of Lakewood
Federal Seizure
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 210,000	\$ 218,837	\$ 8,837
Interest and other earnings	-	-	62	62
Total revenues	-	210,000	218,899	8,899
EXPENDITURES				
Current:				
Public safety	10,000	110,000	28,974	(81,026)
Capital outlay:				
Capital	-	-	54,865	54,865
Total expenditures	10,000	110,000	83,839	(26,161)
Excess (deficiency) of revenues over expenditures	(10,000)	100,000	135,060	35,060
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	(10,000)	100,000	135,060	35,060
Fund balances - beginning	40,240	71,787	71,787	-
Fund balances - ending	\$ 30,240	\$ 171,787	\$ 206,847	\$ 35,060

City of Lakewood
NSP Grant
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
Economic environment	-	171,278	18,403	(152,875)
Total expenditures	-	171,278	18,403	(152,875)
Excess (deficiency) of revenues over expenditures	-	(171,278)	(18,403)	152,875
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(171,278)	(18,403)	152,875
Fund balances - beginning	171,345	171,278	171,278	-
Fund balances - ending	\$ 171,345	\$ -	\$ 152,875	\$ 152,875

City of Lakewood
OEA Grant/SSMCP
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 129,500	\$ 344,496	\$ 153,469	\$ (191,027)
Charges for goods and services	-	-	153,059	153,059
Contributions and donations	-	570	570	-
Total revenues	<u>129,500</u>	<u>345,066</u>	<u>307,098</u>	<u>(37,968)</u>
EXPENDITURES				
Current:				
Economic environment	<u>179,500</u>	<u>437,096</u>	<u>394,313</u>	<u>(42,783)</u>
Total expenditures	<u>179,500</u>	<u>437,096</u>	<u>394,313</u>	<u>(42,783)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(92,030)</u>	<u>(87,215)</u>	<u>4,815</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing source (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	-	(42,030)	(37,215)	4,815
Fund balances - beginning	<u>5,393</u>	<u>84,719</u>	<u>84,719</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,393</u>	<u>\$ 42,689</u>	<u>\$ 47,504</u>	<u>\$ 4,815</u>

City of Lakewood
Public Safety Grants
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 149,810	\$ 220,494	\$ 167,779	\$ (52,715)
Contributions and donations	-	25,000	25,000	-
Total revenues	<u>149,810</u>	<u>245,494</u>	<u>192,779</u>	<u>(52,715)</u>
EXPENDITURES				
Current:				
Public safety	149,810	226,858	186,894	(39,964)
Capital outlay:				
Capital	-	18,853	6,102	(12,751)
Total expenditures	<u>149,810</u>	<u>245,711</u>	<u>192,996</u>	<u>(52,715)</u>
Excess (deficiency) of revenues over expenditures	-	(217)	(217)	-
OTHER FINANCING SOURCES (USES)				
Total other financing source (uses)	-	-	-	-
Net change in fund balances	-	(217)	(217)	-
Fund balances - beginning	-	217	217	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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**Combining Statement – Nonmajor Debt Service Funds Description
For the Year Ended December 31, 2015**

The *General Obligation Debt Service* Fund accounts for General Obligation Bonds for the construction of 59th Street and the Lakewood Police Station.

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

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

City of Lakewood
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2015

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
ASSETS				
Cash and cash equivalents	-	616,937	394,500	1,011,437
Investments	-	-	-	-
Notes/contracts receivable	-	114,001	-	114,001
Total assets	<u>\$ -</u>	<u>\$ 730,938</u>	<u>\$ 394,500</u>	<u>\$ 1,125,438</u>
LIABILITIES				
Unearned Revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>114,001</u>	<u>-</u>	<u>114,001</u>
Total liabilities and deferred inflows of resources	<u>-</u>	<u>114,001</u>	<u>-</u>	<u>114,001</u>
FUND BALANCES (DEFICITS)				
Restricted	-	616,937	394,500	1,011,437
Total fund balances (deficits)	<u>-</u>	<u>616,937</u>	<u>394,500</u>	<u>1,011,437</u>
Total liabilities, deferred inflows, and fund balances (deficits)	<u>\$ -</u>	<u>\$ 730,938</u>	<u>\$ 394,500</u>	<u>\$ 1,125,438</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds

For the Year Ended December 31, 2015

	General Obligation Debt Service	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for goods and services	-	659,514	-	659,514
Interest and other earnings	-	4,138	2,703	6,841
Miscellaneous	-	26,249	-	26,249
Total revenues	<u>-</u>	<u>689,901</u>	<u>2,703</u>	<u>692,604</u>
EXPENDITURES				
Current:				
Debt service:				
Interest and other debt service costs	171,824	25,595	-	197,419
Principal	168,339	428,223	-	596,562
Capital outlay:				
Total expenditures	<u>340,163</u>	<u>453,818</u>	<u>-</u>	<u>793,981</u>
Excess (deficiency) of revenues over expenditures	<u>(340,163)</u>	<u>236,083</u>	<u>2,703</u>	<u>(101,377)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	340,163	-	-	340,163
Transfers Out	-	(270,000)	-	(270,000)
Total other financing source (uses)	<u>340,163</u>	<u>(270,000)</u>	<u>-</u>	<u>70,163</u>
Net change in fund balances	-	(33,917)	2,703	(31,214)
Fund balances - beginning	-	650,854	391,797	1,042,651
Fund balances - ending	<u>\$ -</u>	<u>\$ 616,937</u>	<u>\$ 394,500</u>	<u>\$ 1,011,437</u>



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**Combining Statement – Nonmajor Capital Project Funds Description
For the Year Ended December 31, 2015**

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, which was donated to Pierce County. Only minor sewer construction-related activity has taken place in the fund for 2013.

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

City of Lakewood
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2015

	Parks CIP	Sewer Project CIP	Sanitary Sewer Connection CIP	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	116,238	101,040	920,142	1,137,420
Investments	-	-	-	-
Customer accounts receivable	-	-	-	-
Due from other governments	-	502,417	-	502,417
Total assets	<u>\$ 116,238</u>	<u>\$ 603,457</u>	<u>\$ 920,142</u>	<u>\$ 1,639,837</u>
LIABILITIES				
Accounts payable	29,133	289,869	33	319,035
Custodial deposits	-	-	-	-
Unearned revenue	-	-	5,745	5,745
Other Accrued Liabilities	-	3,786	881	4,667
Total liabilities	<u>29,133</u>	<u>293,655</u>	<u>6,659</u>	<u>329,447</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>29,133</u>	<u>293,655</u>	<u>6,659</u>	<u>329,447</u>
FUND BALANCES (DEFICITS)				
Committed	87,105	309,802	913,483	1,310,390
Total fund balances (deficits)	<u>87,105</u>	<u>309,802</u>	<u>913,483</u>	<u>1,310,390</u>
Total liabilities, deferred liabilities and fund balances (deficits)	<u>\$ 116,238</u>	<u>\$ 603,457</u>	<u>\$ 920,142</u>	<u>\$ 1,639,837</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2015

	Parks CIP	Sewer Project CIP	Sanitary Sewer Connection	Total Nonmajor Capital Projects Funds
REVENUES				
Intergovernmental	\$ 270,942	\$ 538,514	\$ -	\$ 809,456
Charges for goods and services	35,000	-	246,640	281,640
Interest and other earnings	5	4	1,849	1,858
Miscellaneous	-	-	1,127	1,127
Contributions and donations	14,000	-	-	14,000
Total revenues	<u>319,947</u>	<u>538,518</u>	<u>249,616</u>	<u>1,108,081</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public Safety	3,548	-	-	3,548
Utilities and environment	-	-	20,036	20,036
Natural and economic environment	-	10,491	-	10,491
Culture and recreation	50,427	-	-	50,427
Capital outlay:				
Capital	491,750	773,590	-	1,265,340
Total expenditures	<u>545,725</u>	<u>784,081</u>	<u>20,036</u>	<u>1,349,842</u>
Excess (deficiency) of revenues over expenditures:	<u>(225,778)</u>	<u>(245,563)</u>	<u>229,580</u>	<u>(241,761)</u>
OTHER FINANCING SOURCES (USES)				
Long term debt proceeds	-	179,295	-	179,295
Transfers in	302,607	270,000	-	572,607
Transfers Out	-	-	-	-
Total other financing source (uses)	<u>302,607</u>	<u>449,295</u>	<u>-</u>	<u>751,902</u>
Net change in fund balances	76,829	203,732	229,580	510,141
Fund balances - beginning	10,276	106,070	683,903	800,249
Fund balances - ending	<u>\$ 87,105</u>	<u>\$ 309,802</u>	<u>\$ 913,483</u>	<u>\$ 1,310,390</u>



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**Combining Statement – Internal Service Funds Description
For the Year Ended December 31, 2015**

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, 2015

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Nonmajor Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	3,708,404	482,338	140,759	-	4,331,501
Investments	-	-	-	-	-
Total current assets	<u>3,708,404</u>	<u>482,338</u>	<u>140,759</u>	-	<u>4,331,501</u>
Noncurrent assets:					
Land	-	278	-	-	278
Construction in Progress	-	54,521	1,192	-	55,713
Improvements other than buildings	-	137,278	-	-	137,278
Machinery and equipment	6,693,601	-	357,950	-	7,051,551
Less accumulated depreciation	(3,799,238)	(26,715)	(5,521)	-	(3,831,474)
Total noncurrent assets	<u>2,894,363</u>	<u>165,362</u>	<u>353,621</u>	-	<u>3,413,346</u>
Total assets	<u>6,602,767</u>	<u>647,700</u>	<u>494,380</u>	-	<u>7,744,847</u>
LIABILITIES					
Current liabilities:					
Accounts payable	23,038	27,356	35,518	-	85,912
Payable to other governments	430	-	16	-	446
Other accrued liabilities	-	6,647	23,167	-	29,814
Total current liabilities	<u>23,468</u>	<u>34,003</u>	<u>58,701</u>	-	<u>116,172</u>
Noncurrent liabilities:					
Compensated Absences	-	1,090	21,111	-	22,201
Capital Lease Liability	-	-	57,295	-	57,295
Total noncurrent liabilities	-	<u>1,090</u>	<u>78,406</u>	-	<u>79,496</u>
Total liabilities	<u>23,468</u>	<u>35,093</u>	<u>137,107</u>	-	<u>195,668</u>
NET POSITION					
Net investment in capital assets	2,894,363	165,362	296,326	-	3,356,051
Unrestricted	3,684,936	447,245	60,947	-	4,193,128
Total net position	<u>\$ 6,579,299</u>	<u>\$ 612,607</u>	<u>\$ 357,273</u>	-	<u>\$ 7,549,179</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2015

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Internal Service Funds
OPERATING REVENUES					
Charges for goods and services	\$ 1,512,890	\$ 727,437	\$ 1,209,773	\$ 1,250,345	\$ 4,700,445
Miscellaneous	\$ -	\$ -	\$ 1,781	\$ 75,656	77,437
Total operating revenues	<u>1,512,890</u>	<u>727,437</u>	<u>1,211,554</u>	<u>1,326,001</u>	<u>4,777,882</u>
OPERATING EXPENSES					
Personal Services	-	105,158	480,919	-	586,077
Materials and supplies	309,337	47,941	106,740	977	464,995
Services and charges	321,948	520,340	421,796	1,325,024	2,589,108
Intergovernmental	-	1,022	-	-	1,022
Insurance and claims	-	-	-	-	-
Depreciation	594,444	3,432	5,521	-	603,397
Total operating expenses	<u>1,225,729</u>	<u>677,893</u>	<u>1,014,976</u>	<u>1,326,001</u>	<u>4,244,599</u>
Operating income (loss)	<u>287,161</u>	<u>49,544</u>	<u>196,578</u>	<u>-</u>	<u>533,283</u>
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	63,658	1,087	-	-	64,745
Investment earnings	1,530	1,547	-	-	3,077
Total nonoperating revenues (expenses)	<u>65,188</u>	<u>2,634</u>	<u>-</u>	<u>-</u>	<u>67,822</u>
Income (loss) before contributions and transfers	<u>352,349</u>	<u>52,178</u>	<u>196,578</u>	<u>-</u>	<u>601,105</u>
Capital Contribution	-	-	12,000	-	12,000
Transfers in	-	-	110,050	-	110,050
Transfers out	(150,852)	-	-	-	(150,852)
Change in net position	<u>201,497</u>	<u>52,178</u>	<u>318,628</u>	<u>-</u>	<u>572,303</u>
Total net position - beginning	6,329,891	560,429	-	-	6,890,320
Prior period adjustment	47,911	-	38,645	-	86,556
Total net position - ending	<u>\$ 6,579,299</u>	<u>\$ 612,607</u>	<u>\$ 357,273</u>	<u>\$ -</u>	<u>\$ 7,549,179</u>

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2015

	Fleet & Equipment	Property Management	Information Technology	Risk Management	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash from interdepartmental services	\$ 1,512,890	\$ 727,437	\$ 1,209,773	\$ 1,250,345	\$ 4,700,445
Cash paid to employees	-	(97,421)	(436,625)	-	(534,046)
Cash paid to suppliers	(647,658)	(541,947)	(493,018)	(1,326,001)	(3,008,624)
Other operating receipts	-	-	1,781	75,656	77,437
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>865,232</u>	<u>88,069</u>	<u>281,911</u>	<u>-</u>	<u>1,235,212</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	110,050	-	110,050
Transfers to other funds	(150,852)	-	-	-	(150,852)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(150,852)</u>	<u>-</u>	<u>110,050</u>	<u>-</u>	<u>(40,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	63,658	1,087	-	-	64,745
	(1,206,981)	(54,520)	(251,202)	-	(1,512,703)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,143,323)</u>	<u>(53,433)</u>	<u>(251,202)</u>	<u>-</u>	<u>(1,447,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturity of investments	998,395	246,488	-	-	1,244,883
Purchase of investments	-	-	-	-	-
Interest income	1,530	1,547	-	-	3,077
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>999,925</u>	<u>248,035</u>	<u>-</u>	<u>-</u>	<u>1,247,960</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	570,982	282,671	140,759	-	994,412
BALANCES - BEGINNING OF YEAR	3,137,422	199,667	-	-	3,337,089
BALANCES - END OF YEAR	<u>\$ 3,708,404</u>	<u>\$ 482,338</u>	<u>\$ 140,759</u>	<u>\$ -</u>	<u>\$ 4,331,501</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income	\$ 287,161	\$ 49,544	\$ 196,578	\$ -	\$ 533,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	594,444	3,432	5,521	-	603,397
Changes in assets and liabilities:					
Accounts Payable - Supplier	(16,373)	34,003	35,518	-	53,148
Payable to other governments	-	-	16	-	16
Salaries & Benefits Payable	-	1,090	44,278	-	45,368
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 865,232</u>	<u>\$ 88,069</u>	<u>\$ 281,911</u>	<u>\$ -</u>	<u>\$ 1,235,212</u>

STATISTICAL SECTION



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Statistical Section

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

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

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

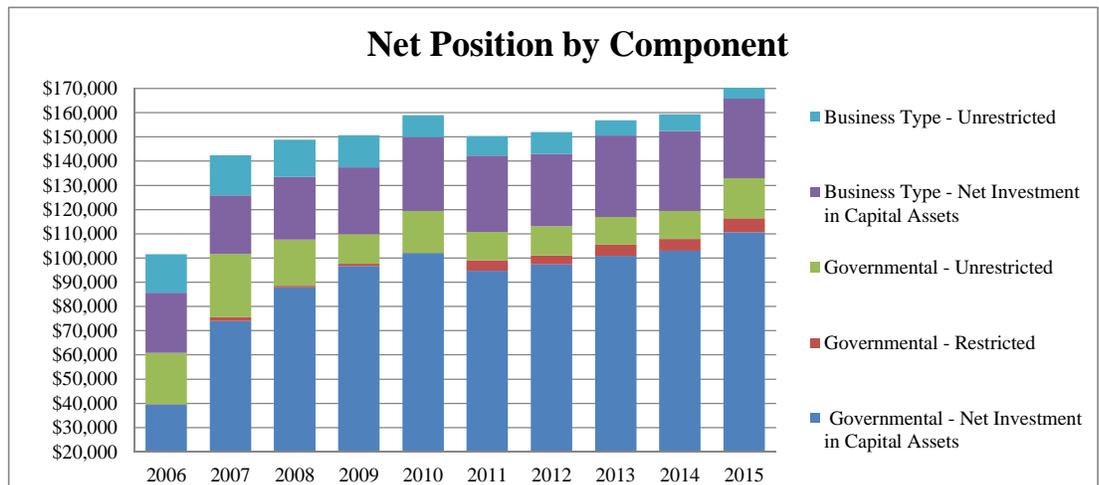
Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 39,625	\$ 73,933	\$ 87,842	\$ 96,668	\$ 102,080	\$ 94,753	\$ 97,427	\$ 100,848	\$ 103,007	\$ 110,661
Restricted	47	1,653	745	1,011	36	4,273	3,618	4,638	4,830	5,806
Unrestricted	21,207	26,051	19,040	12,199	17,301	11,748	12,094	11,461	11,565	16,546
Total governmental activities net position	\$ 60,879	\$ 101,637	\$ 107,627	\$ 109,878	\$ 119,417	\$ 110,774	\$ 113,139	\$ 116,947	\$ 119,402	\$ 133,013
Business-type activities										
Net investment in capital assets	\$ 24,748	\$ 24,224	\$ 25,796	\$ 27,486	\$ 30,512	\$ 31,490	\$ 29,788	\$ 33,613	\$ 33,001	\$ 32,733
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	15,920	16,522	15,425	13,329	9,076	8,050	9,031	6,296	6,976	5,927
Total business-type activities net position	\$ 40,668	\$ 40,746	\$ 41,221	\$ 40,815	\$ 39,588	\$ 39,540	\$ 38,819	\$ 39,909	\$ 39,977	\$ 38,661
Primary government										
Net investment in capital assets	\$ 64,373	\$ 98,157	\$ 113,638	\$ 124,154	\$ 132,592	\$ 126,243	\$ 127,215	\$ 134,461	\$ 136,009	\$ 143,394
Restricted	47	1,653	745	1,011	36	4,273	3,618	4,638	4,830	5,806
Unrestricted	37,127	42,573	34,465	25,528	26,377	19,798	21,125	17,757	18,541	22,473
Total primary government net position	\$ 101,547	\$ 142,383	\$ 148,848	\$ 150,693	\$ 159,005	\$ 150,314	\$ 151,958	\$ 156,856	\$ 159,380	\$ 171,674



Source:
 (1) City of Lakewood Finance Department.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 7,483	\$ 7,123	\$ 8,209	\$ 8,187	\$ 8,042	\$ 8,674	\$ 7,046	\$ 7,284	\$ 7,481	\$ 4,360
Public safety	17,026	17,904	19,379	19,672	20,038	20,914	20,480	21,580	21,486	22,000
Utilities and environment	272	355	539	348	341	320	489	453	59	20
Transportation	3,857	7,902	3,907	7,122	7,103	5,597	6,220	3,624	6,157	6,097
Social services	432	468	486	478	539	524	238	384	589	585
Economic environment	2,695	3,247	3,037	3,588	3,834	4,232	3,549	4,239	4,971	3,687
Culture and recreation	1,553	1,763	1,706	1,846	1,940	2,055	2,057	1,978	1,776	2,030
Judicial	-	-	-	-	-	-	1,757	1,718	1,491	1,537
Natural environment	-	-	-	-	-	-	-	290	-	298
Interest on long-term debt	123	160	231	299	291	278	263	254	237	269
Total governmental activities expenses	33,441	38,922	37,494	41,540	42,128	42,594	42,099	41,803	44,247	40,884
Business-type activities:										
Surface water management	2,166	2,824	2,714	2,539	2,179	2,610	2,668	2,492	3,142	3,244
Total business-type activities net position	2,166	2,824	2,714	2,539	2,179	2,610	2,668	2,492	3,142	3,244
Total primary government expenses	\$ 35,607	\$ 41,746	\$ 40,208	\$ 44,079	\$ 44,307	\$ 45,204	\$ 44,767	\$ 44,295	\$ 47,389	\$ 44,127
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,394	\$ 3,278	\$ 2,780	\$ 3,282	\$ 5,394	\$ 1,767	\$ 3,066	5,411	5,211	3,439
Public safety	1,343	249	2,390	3,635	3,361	3,992	1,376	1,506	1,252	1,023
Utilities and environment	76	422	532	628	781	492	1,022	916	781	931
Transportation	73	3	42	70	73	49	99	70	560	57
Social services	62	125	77	-	-	(510)	-	-	-	-
Economic environment	664	1,299	1,506	1,177	1,427	1,860	1,027	384	1,060	1,130
Culture and recreation	71	108	107	227	210	216	237	234	247	266
Judicial	-	-	-	-	-	-	1,812	1,655	1,754	1,970
Natural environment	-	-	-	-	-	-	-	34	-	80
Operating grants and contributions	3,688	7,404	5,397	5,524	9,976	7,291	4,290	2,913	3,162	4,785
Capital grants and contributions	3,764	3,419	1,825	2,588	2,228	1,266	6,595	3,149	3,784	7,361
Total governmental activities program revenues	13,135	16,307	14,656	17,131	23,450	16,423	19,524	16,272	17,810	21,042
Business-type activities:										
Charges for services:										
Surface water management	3,188	2,624	2,686	2,847	2,650	2,719	2,733	2,721	2,724	2,740
Operating grants and contributions	8	65	71	89	45	425	143	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	913	277	211
Total business-type activities program revenues	3,196	2,689	2,757	2,936	2,695	3,144	2,876	3,634	3,000	2,951
Total primary government program revenues	\$ 16,331	\$ 18,996	\$ 17,413	\$ 20,067	\$ 26,145	\$ 19,567	\$ 22,400	\$ 19,906	\$ 20,811	\$ 23,993

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

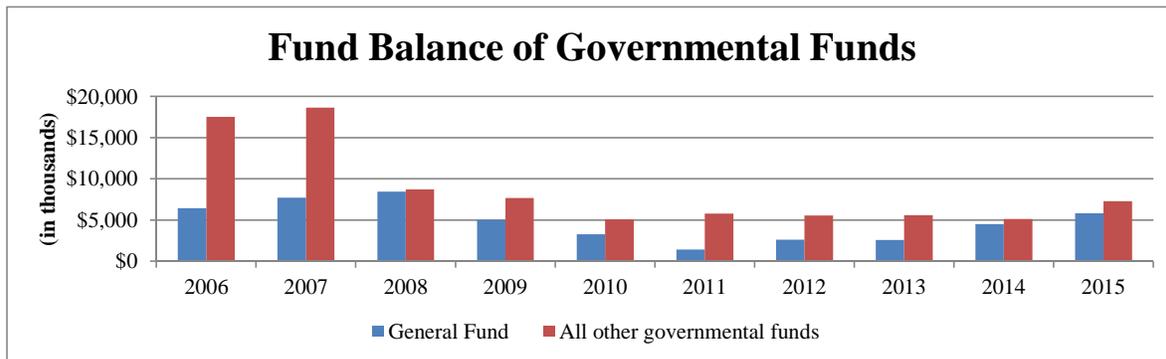
	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense) Revenue										
Governmental activities	\$ (20,306)	\$ (22,615)	\$ (22,838)	\$ (24,409)	\$ (18,678)	\$ (26,171)	\$ (22,575)	\$ (25,531)	\$ (26,437)	\$ (19,842)
Business-type activities	1,030	(135)	43	397	516	534	208	1,142	(141)	(293)
Total primary government net expense	(19,276)	(22,750)	(22,795)	(24,012)	(18,162)	(25,637)	(22,367)	(24,389)	(26,578)	(20,135)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	5,719	5,626	5,632	5,657	6,195	5,972	6,219	6,200	6,424	6,652
Sales taxes	8,916	9,649	9,795	8,935	9,304	9,145	9,565	9,453	9,697	10,184
Business taxes	5,891	6,277	6,447	6,250	5,675	6,564	6,214	8,311	5,748	5,704
Excise taxes	4,268	4,911	3,973	4,051	3,268	3,011	3,082	1,159	1,107	1,509
Other taxes	15	40	692	433	1,660	1,563	1,927	2,989	5,515	4,604
Investment earnings	988	1,521	1,000	313	266	265	213	219	221	202
Gain (loss) on sale/retirement of capital assets	285	112	4	(73)	(54)	9	13	22	91	-
Contributions to other governments	-	-	-	-	-	(9,734)	(3,022)	-	-	-
Judgements and settlements	-	32	56	129	2	74	116	99	81	-
Donations of capital assets	-	-	-	-	-	-	-	-	11	-
Miscellaneous	6	12	(1)	50	90	(5)	2	80	191	1,071
Transfers	571	593	725	902	1,812	663	954	78	(190)	1,040
Total governmental activities	26,659	28,773	28,323	26,647	28,218	17,527	25,283	28,610	28,897	30,966
Business-type activities:										
Investment earnings	732	807	480	90	68	78	25	25	12	15
Gain (loss) on sale/retirement of capital assets	-	-	-	-	-	3	-	-	-	-
Disposition of capital assets	-	-	-	4	-	-	-	-	-	-
Judgements and settlements	-	-	-	-	-	-	-	-	-	-
Miscellaneous	2	-	-	4	1	-	-	-	9	1
Transfers	(571)	(593)	(725)	(902)	(1,812)	(663)	(954)	(78)	190	(1,040)
Total business-type activities	163	214	(245)	(804)	(1,743)	(582)	(929)	(53)	211	(1,024)
Total primary government	\$ 26,822	\$ 28,987	\$ 28,078	\$ 25,843	\$ 26,475	\$ 16,945	\$ 24,354	\$ 28,557	\$ 29,108	\$ 29,941
Change in Net Position										
Governmental activities	\$ 6,353	\$ 6,158	\$ 5,485	\$ 2,238	\$ 9,540	\$ (8,644)	\$ 2,708	\$ 3,080	\$ 2,460	\$ 11,124
Business-type activities	1,193	79	(202)	(407)	(1,227)	(48)	(721)	1,089	69	(1,317)
Total primary government	\$ 7,546	\$ 6,237	\$ 5,283	\$ 1,831	\$ 8,313	\$ (8,692)	\$ 1,987	\$ 4,169	\$ 2,530	\$ 9,807

Source:

(1) City of Lakewood Finance Department.

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

	Fiscal year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,439	7,742	8,450	5,015	3,297	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	20	-	-
Spendable:										
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	5	6	7
Assigned	-	-	-	-	-	95	-	-	-	-
Unassigned	-	-	-	-	-	1,334	2,615	2,556	4,527	5,842
Total	\$ 6,439	\$ 7,742	\$ 8,450	\$ 5,015	\$ 3,297	\$ 1,429	\$ 2,615	\$ 2,581	\$ 4,533	\$ 5,849
All Other Governmental Funds										
Reserved	\$ 282	\$ -	\$ 851	\$ 1,431	\$ 1,307	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	8,372	9,886	6,614	4,208	3,493	-	-	-	-	-
Debt Service Funds	-	598	-	-	-	-	-	-	-	-
Capital Projects Funds	8,873	8,179	1,276	2,061	316	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	1	-	-	-
Spendable:										
Restricted	-	-	-	-	-	4,237	4,720	3,881	4,029	5,806
Committed	-	-	-	-	-	1,569	833	896	1,087	1,494
Assigned	-	-	-	-	-	-	-	840	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 17,527	\$ 18,663	\$ 8,741	\$ 7,700	\$ 5,116	\$ 5,806	\$ 5,554	\$ 5,618	\$ 5,117	\$ 7,300



Source:

(1) City of Lakewood Finance Department.

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

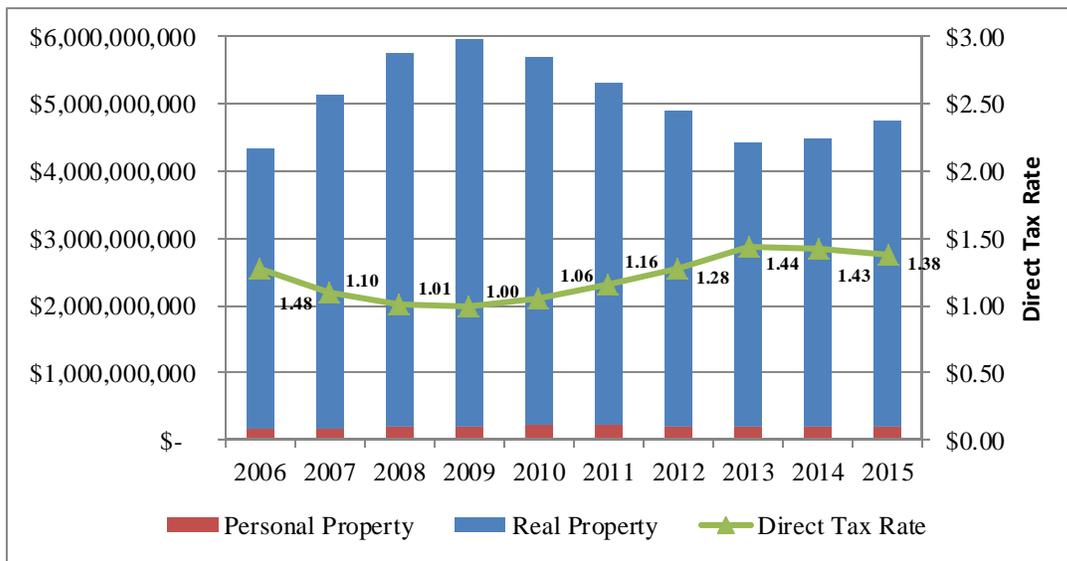
	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 24,832	\$ 26,584	\$ 26,327	\$ 25,905	\$ 26,325	\$ 26,736	\$ 26,814	\$ 26,420	\$ 26,717	\$ 28,565
Licenses and permits	2,897	3,205	3,305	3,207	3,097	3,444	4,016	4,186	4,459	4,582
Intergovernmental	6,667	8,944	5,967	6,798	11,389	7,663	10,611	7,487	8,590	11,585
Charges for services	1,289	1,559	1,567	1,987	1,971	2,173	2,651	2,906	3,824	3,209
Fines and forfeitures	1,375	1,767	2,746	2,725	1,438	1,803	2,084	1,884	1,614	1,557
Special assessments	-	-	-	603	179	179	-	179	179	511
Investment earnings	879	1,377	206	293	232	214	195	203	212	199
Rents and leases	5	-	904	-	-	-	-	-	-	-
Contributions	-	-	-	248	12	44	21	274	87	118
Miscellaneous	233	667	495	714	658	603	709	486	210	298
Total revenues	38,177	44,103	41,517	42,480	45,301	42,859	47,101	44,025	45,892	50,624
Expenditures										
Judicial	-	-	-	-	-	-	1,679	1,721	1,468	1,550
General government	7,100	8,107	8,606	8,519	8,281	8,998	6,754	7,562	7,152	4,170
Public safety	16,565	16,810	18,301	19,273	19,193	19,953	19,538	20,405	20,548	22,121
Utilities and environment	3,541	5,767	383	336	333	304	482	71	58	20
Transportation	261	347	2,380	4,894	4,728	3,370	3,543	2,801	2,897	2,845
Health and human services	400	501	554	489	540	524	460	384	588	585
Natural & Economic environment	2,687	3,144	2,969	3,549	3,803	4,122	3,334	4,478	5,008	3,986
Culture and recreation	1,413	1,501	1,572	1,577	1,574	1,692	1,723	1,664	1,431	1,788
Capital outlay	5,321	5,523	16,642	13,171	13,849	6,233	8,639	4,175	5,193	12,213
Debt service:										
Principal	39	299	633	908	786	755	782	789	791	646
Interest and debt issue costs	112	169	233	301	293	281	273	256	240	284
Total expenditures	37,439	42,168	52,273	53,017	53,380	46,232	47,207	44,306	45,374	50,210
Excess of revenues over (under) expenditures	738	1,935	(10,756)	(10,537)	(8,079)	(3,373)	(106)	(281)	518	415
Other Financing Sources (Uses)										
Transfers in	4,779	3,879	2,167	4,736	3,078	2,259	2,955	1,933	3,795	6,686
Transfers out	(4,458)	(3,311)	(1,647)	(3,936)	(1,381)	(1,711)	(2,009)	(1,856)	(2,879)	(5,606)
Debt proceeds	3,825	-	1,278	5,195	2,078	1,262	-	-	-	1,639
Insurance proceeds	-	-	-	-	-	-	53	29	16	2
Bond premium	-	-	-	47	-	-	-	-	-	208
Proceeds from sale of assets	2,405	102	1	6	1	-	-	581	-	154
Intergovernmental payment	(12)	-	-	-	-	-	-	-	-	-
Nonrevenues	-	-	-	-	-	-	-	8	-	-
Total other financing sources (uses)	6,539	670	1,799	6,048	3,776	1,810	999	695	933	3,084
Net change in fund balance	\$ 7,277	\$ 2,605	\$ (8,957)	\$ (4,489)	\$ (4,303)	\$ (1,563)	\$ 893	\$ 414	\$ 1,451	\$ 3,499
Debt service as a percentage of noncapital expenditures	0.47%	1.28%	2.43%	3.03%	2.73%	2.59%	2.74%	2.60%	2.56%	2.45%

Source:

(1) City of Lakewood Finance Department.

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
2006	\$ 4,147,232,190	\$ 186,012,659	\$ 4,333,244,849	1.28
2007	\$ 4,963,338,960	\$ 184,001,821	\$ 5,147,340,781	1.10
2008	\$ 5,555,791,256	\$ 193,145,977	\$ 5,748,937,233	1.01
2009	\$ 5,741,332,115	\$ 207,649,289	\$ 5,948,981,404	1.00
2010	\$ 5,465,345,337	\$ 227,825,096	\$ 5,693,170,433	1.06
2011	\$ 5,091,367,019	\$ 225,403,490	\$ 5,316,770,509	1.16
2012	\$ 4,679,612,726	\$ 204,704,287	\$ 4,884,317,013	1.28
2013	\$ 4,212,809,774	\$ 208,123,283	\$ 4,420,933,057	1.44
2014	\$ 4,296,330,425	\$ 198,348,975	\$ 4,494,679,400	1.43
2015	\$ 4,546,242,514	\$ 201,989,100	\$ 4,748,231,614	1.38

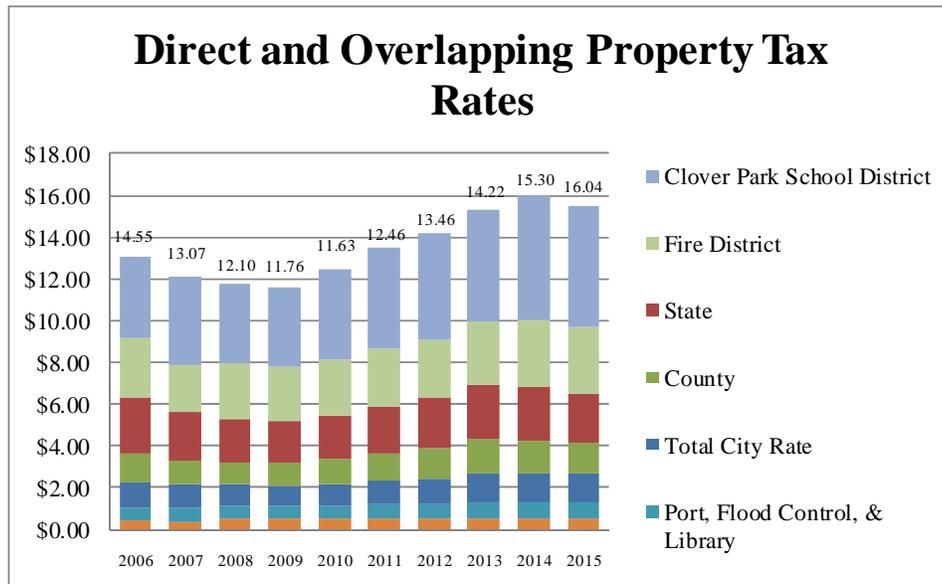


Source:

(1) 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	Emergency Management Services	Park School District	Lakewood Fire District	Library	
2006	1.28	2.64	1.38	0.19	-	0.42	3.87	0.40	2.89	13.07
2007	1.10	2.29	1.18	0.19	-	0.36	4.22	0.48	2.28	12.10
2008	1.01	2.07	1.08	0.19	-	0.50	3.82	0.44	2.65	11.76
2009	1.00	2.02	1.08	0.18	-	0.49	3.86	0.44	2.56	11.63
2010	1.06	2.07	1.16	0.18	-	0.50	4.33	0.47	2.69	12.46
2011	1.16	2.27	1.29	0.18	-	0.50	4.79	0.50	2.77	13.46
2012	1.28	2.41	1.42	0.18	-	0.50	5.11	0.50	2.82	14.22
2013	1.44	2.63	1.58	0.18	0.10	0.50	5.34	0.50	3.03	15.30
2014	1.43	2.53	1.56	0.18	0.10	0.50	5.98	0.50	3.26	16.04
2015	1.38	2.39	1.48	0.18	0.10	0.50	5.77	0.50	3.17	15.47



Source:

(1) Pierce County Assessor Treasurer.

Schedule 7
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Northwest Building LLC	\$ 106,192,162	1	2.24%	\$ 83,352,838	1	1.92%
RPAI Lakewood LLC	\$ 44,969,200	2	0.95%	\$ -		0.00%
Inland Western Lakewood LLC	\$ -		0.00%	\$ 83,187,500	2	1.92%
Roc II WA Village at Seeley Lake LLC	\$ 42,043,700	3	0.89%			0.00%
Puget Sound Energy/Gas	\$ 28,352,008	4	0.60%	\$ 19,601,493	5	0.45%
NetFlix Inc	\$ 22,004,300	6	0.46%			
Lakha Lakewood Properties	\$ 20,939,600	7	0.44%	\$ 28,308,000	4	0.65%
Beaumont Lakewood Associates LLC	\$ 22,139,300	5	0.47%			0.00%
Lakewood Cinema Plaza			0.00%			0.00%
Wal-Mart Stores Inc #2403	\$ 17,642,300	8	0.37%			0.00%
Morningtree Park LLC	\$ 16,990,000	10	0.36%			0.00%
Green Leaf Lakewood LLC	\$ 17,330,000	9	0.36%			0.00%
ERP Operating LP			0.00%	\$ 48,436,700	3	1.12%
Qwest Corporation Inc			0.00%	\$ 17,099,088	9	0.39%
Lowe's of Lakewood #1081			0.00%	\$ 19,604,493	6	0.45%
Prizm Lakewood Bldgs LLC	\$ -		0.00%	\$ 18,601,100	7	0.43%
UDR Beaumont LLC			0.00%	\$ 17,415,300	8	0.40%
Wig Properties LLC-LKPL	\$ -		0.00%	\$ 16,075,500	10	0.37%
TOTAL	\$ 338,602,570		7.13%	\$ 351,682,012		8.12%

Source:

(1) 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
		Amount	Percentage of Levy		Amount	Percentage of Levy		
2006	5,555,259	5,384,011	96.92%	171,243	5,555,253	100.00%	5	0.00%
2007	5,666,244	5,483,779	96.78%	182,456	5,666,235	100.00%	9	0.00%
2008	5,840,794	5,581,202	95.56%	259,369	5,840,571	100.00%	223	0.00%
2009	5,967,915	5,681,367	95.20%	285,568	5,966,935	99.98%	981	0.02%
2010	6,178,061	5,806,803	93.99%	353,484	6,160,287	99.71%	17,774	0.29%
2011	6,098,559	5,898,256	96.72%	186,733	6,084,988	99.78%	13,571	0.22%
2012	6,225,489	6,031,790	96.89%	178,908	6,210,698	99.76%	14,791	0.24%
2013	6,327,331	6,135,401	96.97%	161,540	6,296,942	99.52%	30,389	0.48%
2014	6,440,805	6,248,259	97.01%	108,382	6,356,642	98.69%	84,164	1.31%
2015	6,496,625	6,413,233	98.72%	20,472	6,433,704	99.03%	62,921	0.97%

* Amounts include certification adjustments.

Source:

(1) Pierce County Assessor Treasurer.

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

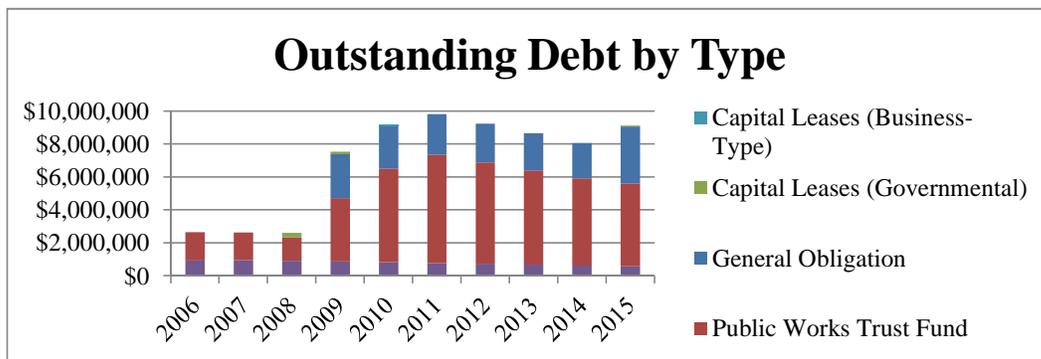
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agriculture, Forestry, & Fishing	2	2	2	5	2	2	2	2	2	1
Mining	1	-	0	0	0	1	0	0	0	1
Utilities	3	2	1	2	2	2	2	1	2	2
Construction	915	954	1,162	1,076	963	714	903	1,030	884	884
Manufacturing	158	184	143	104	113	136	132	136	157	158
Wholesale Trade	361	359	435	291	382	312	317	342	466	398
Retail Trade	3,480	3,803	3,660	3,473	3,586	3,719	4,016	3,938	3,925	4,209
Transportation & Warehousing	32	42	44	34	31	40	36	43	64	57
Information	307	320	329	324	364	364	364	387	424	449
Finance and Insurance	57	58	37	32	28	34	25	41	41	56
Real Estate, Rental, Leasing	223	256	231	201	206	196	214	236	239	288
Professional, Scientific, & Technical	46	61	54	85	55	66	68	88	95	95
Management of Companies & Enterprises	3	1	0	0	0	4	0	0	0	0
Administrative Services	116	122	132	130	131	135	125	143	139	155
Educational Services	53	57	53	57	54	48	43	46	35	37
Health Care & Social Assistance	28	32	25	30	60	27	29	45	39	46
Arts, Entertainment, & Recreation	99	106	101	95	95	92	88	91	96	106
Accommodation & Food Services	868	939	994	968	981	989	1,050	1,088	1,127	1,211
Public Administration	101	107	82	65	57	55	66	59	71	59
Other Services	481	469	441	404	454	511	416	423	467	497
Total	\$7,334	\$7,875	\$7,927	\$7,375	\$7,562	\$7,445	\$7,897	\$8,140	\$8,273	\$8,708

Source:

(1) City of Lakewood Finance Department.

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

Fiscal Year	Governmental Activities					Business-Type Activities	Total Primary Government	Percentage of Personal Income _(A)	Debt Per Capita
	General Obligation Bonds	Special Assessment Bonds	Public Works Trust Fund Loans	Capital Leases	Other Government Loan	Capital Leases			
2006	-	2,824,704	1,710,526	-	939,000	-	5,474,230	14.55%	94
2007	-	2,605,000	1,671,052	-	955,958	-	5,232,010	13.04%	89
2008	-	3,268,195	1,422,811	271,693	914,707	-	5,877,406	14.12%	100
2009	2,675,560	2,657,095	3,840,465	165,134	871,914	-	10,210,168	25.27%	175
2010	2,573,160	2,411,334	5,689,060	-	827,521	71,660	11,572,735	28.18%	199
2011	2,470,760	2,181,334	6,571,974	-	781,467	-	12,005,535	28.39%	206
2012	2,363,360	1,975,050	6,143,752	-	733,691	-	11,215,853	25.84%	193
2013	2,255,960	1,768,766	5,715,529	-	684,129	-	10,424,384	23.70%	179
2014	2,143,560	1,572,959	5,287,303	-	632,713	-	9,636,535	na	165
2015	3,455,000	1,523,121	5,038,375	57,295	579,374	-	10,653,165	na	182



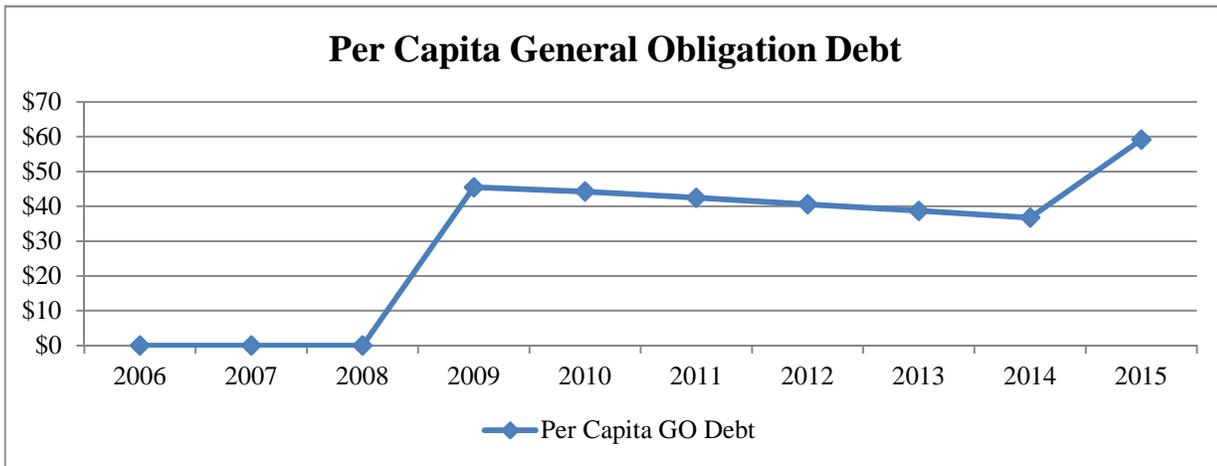
(A) Personal income is calculated based on Pierce County Per Capita Personal Income applied to Lakewood population. 2014 and 2015 data was not available at time of publication of this document.

Source:

(1) City of Lakewood Finance Department.

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
2006	-	0.00%	-
2007	-	0.00%	-
2008	-	0.00%	-
2009	2,675,560	0.04%	45.47
2010	2,573,160	0.05%	44.24
2011	2,470,760	0.05%	42.46
2012	2,363,360	0.05%	40.57
2013	2,255,960	0.05%	38.69
2014	2,143,560	0.05%	36.73
2015	3,455,000	0.07%	59.16



Source:

(1) City of Lakewood Finance Department.

Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2015

	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
Pierce County	\$ 153,559,930	6.0%	\$ 9,236,871
Port of Tacoma	179,575,000	6.0%	10,801,718
Clover Park School District	137,830,000	95.4%	131,488,155
Steilacoom Historical School District	51,090,000	4.7%	2,402,621
Tacoma School District	574,370,000	0.4%	2,283,645
West Pierce Fire District	<u>1,235,000</u>	59.5%	<u>734,437</u>
Total Overlapping Debt	1,097,659,930		156,947,447
Direct Debt: City of Lakewood	<u>10,684,325</u>	100%	<u>10,684,325</u>
Total Direct and Overlapping Debt	<u>\$ 1,108,344,255</u>		<u>\$ 167,631,772</u>

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

Source:

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

Schedule 13

Computation of Limitation of Indebtedness
As of December 31, 2015

Description	General Purpose		Excess Levy Open Space & Park (voted)	Excess Levy Utility Purposes (voted)	Total Debt Capacity
	Councilmanic (Limited GO)	Excess Levy (with a vote)			
Statutory debt limit:					
AV= \$4,748,231,614 (A)					
1.50%	\$ 71,223,474	\$ (71,223,474)	\$ -	\$ -	\$ -
2.50%		118,705,790	118,705,790	118,705,790	356,117,371
Cash on Hand for Redemption (B)	-	-	-	-	-
Less: Bonds Outstanding	(4,034,374)	-	-	-	(4,034,374)
Remaining Debt Capacity	\$67,189,100	\$47,482,316	\$118,705,790	\$118,705,790	\$352,082,997
General Capacity (C)	\$114,671,416				

Fiscal year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Applicable to Limit as a Percentage of Debt Limit
2006	386,050,559	(995,722)	385,054,837	0.26%
2007	431,170,292	(955,958)	430,214,335	0.22%
2008	446,173,605	(914,707)	445,258,898	0.21%
2009	426,987,782	(3,501,914)	423,485,868	0.82%
2010	398,757,788	(3,357,521)	395,400,267	0.84%
2011	366,323,776	(3,211,467)	363,112,309	0.88%
2012	331,569,979	(3,058,691)	328,511,288	0.92%
2013	337,100,505	(2,904,129)	334,196,376	0.86%
2014	337,100,505	(2,742,713)	334,357,792	0.81%
2015	356,117,371	(4,034,374)	352,082,997	1.13%

Sources:

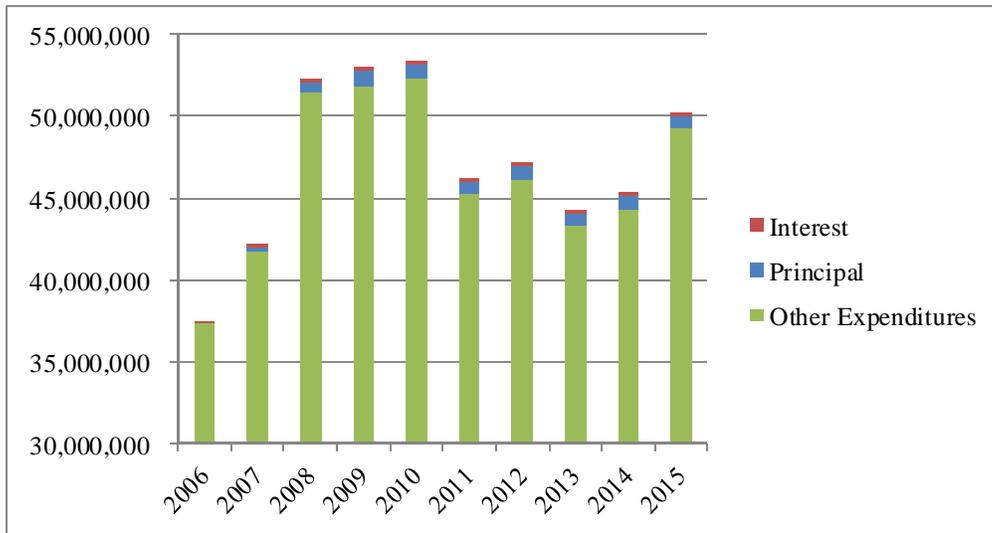
- (1) City of Lakewood Finance Department
- (2) Pierce County Assessor Treasurer

Footnotes:

- (A) Final 2015 Assessed Valuation
- (B) Debt Service Prefunding (the City currently does not prefund debt service)
- (C) Combined Total for Councilmanic and Excess Levy Capacities

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2006	39,474	71,485	110,959	37,438,707	0.30%
2007	298,942	168,560	467,502	42,167,838	1.11%
2008	632,535	232,718	865,253	52,272,845	1.66%
2009	907,799	277,301	1,185,100	53,016,982	2.24%
2010	785,986	293,278	1,079,264	53,379,702	2.02%
2011	755,140	280,814	1,035,954	46,231,974	2.24%
2012	782,283	273,019	1,055,302	47,207,030	2.24%
2013	788,898	255,956	1,044,854	44,306,413	2.36%
2014	790,618	239,574	1,030,192	45,363,695	2.27%
2015	646,400	271,452	917,852	50,196,660	1.83%



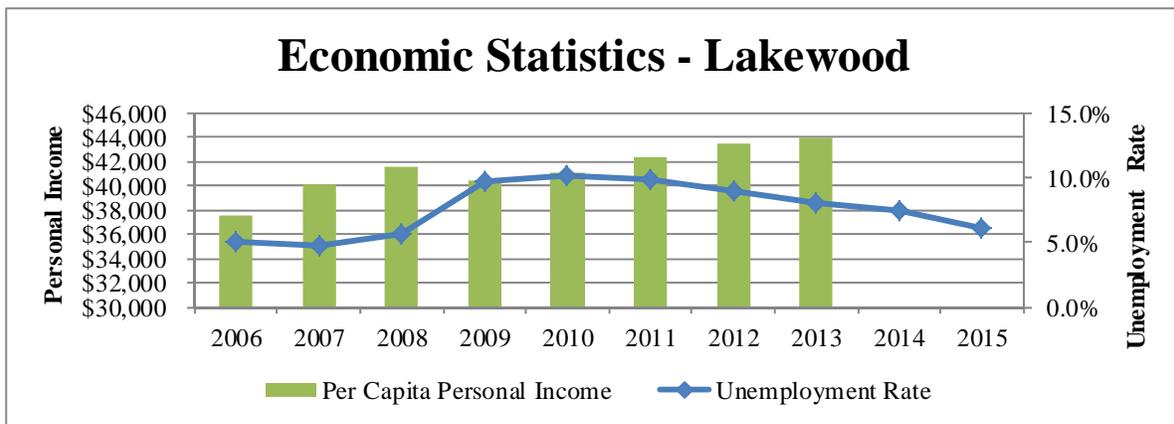
Source:

1) City of Lakewood Finance Department.

Schedule 15
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Lakewood Population ⁽¹⁾	Lakewood Personal Income (in thousands) ⁽²⁾	Pierce County Per Capita Personal Income ⁽³⁾	School Enrollment ⁽⁴⁾	Median Household Income ⁽⁵⁾ (Pierce County)	Unemployment Rate ⁽⁶⁾
2006	59,000	\$ 2,219,049	\$ 37,611	\$ 11,501	\$ 55,506	5.1%
2007	58,950	\$ 2,365,074	\$ 40,120	\$ 10,919	\$ 56,426	4.8%
2008	58,780	\$ 2,447,070	\$ 41,631	\$ 10,964	\$ 57,674	5.7%
2009	58,840	\$ 2,377,195	\$ 40,401	\$ 11,245	\$ 56,555	9.7%
2010	58,163	\$ 2,388,405	\$ 41,064	\$ 11,172	\$ 55,531	10.2%
2011	58,190	\$ 2,460,971	\$ 42,292	\$ 11,160	\$ 56,114	9.8%
2012	58,260	\$ 2,528,892	\$ 43,407	\$ 11,383	\$ 57,162	8.9%
2013	58,310	\$ 2,564,590	\$ 43,982	\$ 11,602	\$ 57,238	8.1%
2014	58,360	\$ -	\$ -	\$ 12,254	\$ 59,998	7.5%
2015	58,400	\$ -	\$ -	\$ 12,285	\$ 61,485	6.1%

- (1) State of Washington, Office of Financial Management.
- (2) Pierce County Per Capita Personal Income applied to Lakewood population. 2014 and 2015 data is not yet available.
- (3) Pierce County Per Capita Personal Income as provided by Bureau of Economic Analysis. 2014 and 2015 data is not yet available.
- (4) Clover Park School District which is the largest in Lakewood.
- (5) Median household income from the Washington State Office of Financial Management (OFM). 2014 is a preliminary estimate and 2015 is a projection made by OFM.
- (6) Pierce County Unemployment Rate as provided by the Bureau of Labor Statistics.



Schedule 16
Principal Employers
Current Year and Ten Years Ago

Taxpayer	Type of Business	2015			2006*		
		Number of Employees	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Western State Hospital	Public Sector - Mental Health Facility	1,966	1	7.6%	1,947	1	8.7%
Clover Park School District	Public Sector - Education	1,318	2	5.1%	1,696	2	7.6%
Pierce College	Public Sector - Education	1,213	3	4.7%	787	4	3.5%
Pierce Transit	Public Sector - Transportation	896	4	3.4%	911	3	4.1%
Camp Murray	Military - National Guard	840	5	3.2%	884		
St. Clare Hospital	Health Care	819	6	3.2%	700	5	3.1%
Aacres WA LLC	Private Social Services Network	450	7	1.7%			
Wal-Mart	Retail	355	8	1.4%			
Clover Park Technical College	Public Sector - Education	322	9	1.2%	260	9	1.2%
McClane Northwest	Transportation/Warehousing	270	10	1.0%	370	6	1.7%
Personal Design Concepts	Retail				340	7	1.5%
Interstate Brands	Baked Goods				314	8	1.4%
Greater Lakes Mental Health	Mental Health				250	10	1.1%
		<u>8,449</u>		<u>32.50%</u>	<u>8,459</u>		<u>33.97%</u>

Source:

(1) City of Lakewood Community and Economic Development Department

*2006 Figures unavailable, used 2005 Figures

Schedule 17
Capital Assets by Function
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transportation										
Street (center line miles)	180	180	180	180	180	180	180	180	180	180
Signals WSDOT-owned and maintained	9	9	9	9	9	9	9	9	9	9
Signals West Pierce Fire -owned and maintained	3	3	3	3	3	3	3	3	3	3
Signals City-owned and WSDOT-maintained	3	3	3	3	3	3	3	3	3	3
Signals - City -owned and Tacoma Maintained	1	1	1	1	1	1	1	1	1	1
Street lights City-owned and maintained	184	184	194	194	204	204	214	614	614	614
Street lights City-owned and TPU maintained	428	428	428	428	420	420	420	420	420	420
Street lights City-owned and Lakeview maintained	1,068	1,068	1,078	1,078	1,088	1,088	1,098	698	698	698
Street lights PSE-owned and maintained	971	971	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071
Street lights TPU-owned and maintained	353	353	353	353	353	353	353	353	353	353
Culture & Recreation										
Developed parks - acreage	77	77	77	77	77	77	77	80	80	80
Developed parks - number of parks	10	11	11	12	12	12	12	12	12	12
Undeveloped parks - acreage	456	456	456	456	456	461	461	465	467	467
Playgrounds	9	10	10	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	6	7	8	8	8	8	10	10	10	10
Community gardens	-	-	-	-	-	-	2	2	2	2
Senior Center	1	1	1	1	1	1	1	1	1	1
Total:	3,778	3,781	3,902	3,904	3,916	3,921	3,945	3,952	3,954	3,954

Source:

(1) City of Lakewood Public Works Department;

(2) City of Lakewood Parks, Recreation, and Community Services Department.

Schedule 18
Operating Indicators by Function
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
SECURITY OF PERSONS & PROPERTY										
Police Information										
Offenses:										
Forcible Rape (including attempts)	54	41	59	47	39	45	38	30	34	58
Robbery	147	134	147	171	137	114	109	90	89	93
Criminal Homicide	7	3	5	2	-	2	3	2	1	2
Aggravated Assault	304	305	330	341	316	343	319	278	247	339
Vehicle Theft	536	566	400	255	272	308	233	205	215	260
Burglary (commercial & residential)	785	866	700	585	584	604	725	642	644	566
Larceny	2,409	2,102	2,367	2,195	1,882	1,943	2,089	1,832	1,681	1,991
Arson	15	19	26	16	10	3	13	14	15	13
Citations:										
Traffic	6,007	4,592	5,185	5,339	5,461	8,608	6,633	5,753	8,980	8,202
Red Light Photo	4,214	3,648	2,956	10,399	8,310	8,039	8,225	8,586	8,827	10,586
Fixed Speed Photo	4,751	14,352	11,878	12,041	5,842	6,062	5,814	5,744	4,669	3,384
ECONOMIC ENVIRONMENT										
Building Related Permits & Values										
Building Permits	1,791	1,673	1,430	1,360	1,379	1,666	1,392	1,927	1,339	1,336
Estimated Value (in millions)	\$ 81	\$ 68	\$ 129	\$ 61	\$ 39	\$ 62	\$ 46	\$ 147	\$ 52	\$ 56

Source

- (1) City of Lakewood Police Department
(2) City of Lakewood Community and Economic Environment Department

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Municipal Court	15.50	13.75	14.75	14.75	15.75	16.00	16.75	16.75	17.00	12.50
City Manager	5.00	5.10	3.60	3.60	4.00	4.00	3.00	3.00	3.00	3.00
Administrative Services	19.20	17.70	17.70	17.70	18.30	19.60	15.85	15.85	15.85	12.00
Legal & City Clerk	19.07	16.85	20.15	12.74	14.00	12.75	11.98	11.98	11.98	12.50
Human Resources	6.00	6.20	6.20	6.00	6.00	4.90	5.00	5.00	5.00	4.00
Community & Economic Development										
	24.30	24.29	22.50	22.50	24.50	25.00	23.00	22.00	22.00	16.00
Culture & Recreation										
	14.75	14.95	12.95	12.95	13.10	12.75	15.50	15.50	15.50	14.75
Security										
	123.75	133.50	131.00	129.00	123.00	123.00	118.00	118.00	118.00	116.00
Public Works										
	21.25	22.75	22.75	22.75	22.71	35.50	34.00	34.00	33.00	29.50
Total	248.82	255.09	251.60	241.99	241.36	253.50	243.08	242.08	241.33	220.25

Source:

(1) City of Lakewood Finance Department.



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