



Barn at Fort Steilacoom Park

City of Lakewood, WA

2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED DECEMBER 31, 2013



2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2013

City of Lakewood
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Prepared by the Finance Division

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Assistant City Manager/Finance Director

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2013**

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August 28, 2014

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, 2013 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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 a suburb of the City of Tacoma. Adjacent to Lakewood is Joint Base Lewis McChord (JBLM). JBLM is the largest Army military installation in the western United States and it is the third largest employer in all of the State of Washington. Lakewood has a population of 58,310 and covers an area of 17.17 square miles. Lakewood is known for its lakes, natural beauty, and economic potential. 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.

The City Manager, who serves as the chief executive officer, is responsible for implementing the policies and goals of the City Council and provides leadership, coordination, and development City departments. The City Manager is appointed by, report directly to, and serves at the pleasure of the City Council.

The City Manager is appointed by the City Council and is responsible for administration of municipal affairs. All municipal departments operate under the supervision of the City Manager. Through the City Manager, City staff uses the resources appropriated by the Council in the budget to achieve desired service results in the community, and carries out the policies of the Council.

The City provides the following services to residents and businesses: parks and recreation, police, 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. Residents are provided water by the Lakewood Water District and sewer services through Pierce County. Fire services are provided by the West Pierce Fire and Rescue. Garbage and limited 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.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

While the Great Recession ended in 2010, the United States economy has not yet recovered in full. Employment is still below pre-recession rates and while the housing market is improving, interest rates are still at an all-time low. Meanwhile, inflation has remained low and crude oil prices have continued to increase. Consumer price inflation, as measured by the personal consumption expenditures price index has increased 1.5% since 2012 (Bureau of Labor Statistics) and the stock market, as measured by the Dow Jones Industrial average, S&P 500, and NASDAQ finished 2013 on a positive note with annualized growth rates of 26.6%, 29.7%, and 35.8% respectively.

Nationally, the U.S. Bureau of Economic Analysis (BEA) indicates Gross Domestic Product (GDP) increased 1.9% in 2013 compared to an increase of 2.8% in 2012. This increase was anchored by personal consumer spending, construction, and exports offset, in part, by decreased spending by federal, state, and local governments.

The 2013 Seattle-Tacoma-Bellevue annual unemployment rate is 5.9%, as measured by the Bureau of Labor Statics, is down from the peak of 9.7%. During the 2001 recession, it took six years to return to the same number of jobs that had existed before the recession began. The Puget Sound region was most affected by the 2001 recession which was a combined effort of the “dot.com” collapse and the September 11th terrorist attacks on commercial airplane industry both of which are prominent for the Pacific Northwest. Projections indicate that the Puget Sound jobs will not return to their prerecession level until the fourth quarter of 2014.

A key difference between the Great Recession of 2007 and the previous recessions is the sharp decline in the housing market. Housing development and prices grew steadily through the 2000s, fed by low interest rates and the widespread availability of mortgages to marginally-qualified buyers.

ECONOMIC TRENDS

In 2013, there were 26,620 housing units in Lakewood, an increase of less than 1% over 2012. Of these units, 51% were single family homes, 44% multi-family units, and 5% 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 2013 is estimated at 22,380 (Bureau of Labor Statistics). 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 2013 total \$8.14 million, and is above 2012 by \$243 thousand. The major retailers include Walmart, Lakewood Ford vehicle dealership, Lowe’s home improvement, Target Corporation, Tacoma RV Center, Burlington Coat Factory and Safeway. According to a listing of businesses registered with the City of Lakewood and sorted by the Standard Industrial Classification, the business economy appears to be configured as follows: retail trade 48%; services 23%; construction 13%; information 5%; wholesale trade 4%; finance, insurance and real estate 3%; manufacturing 2%; and all other 2%.

In 2013, new construction assessed value totaled \$9.3 million or approximately 0.2% of the City’s 2013 assessed valuation. The total assessed value of property in Lakewood was \$4.4 billion, which is approximately 9% lower than the 2012 assessed valuation of \$4.9 billion.

Real Estate sales increased from \$124 million in 2012 to \$230 million in 2013, an increase of 85% of \$106 million. Major real estate transactions in 2013 include the sale of the Village at Seeley Lake, Stoney Creek apartment complex, Lakewood Colonial Center North, commercial property in the Lakewood Towne Center, a mobile/manufactured home park, and several major single family residences. A total of 1,927 building permits were issued in Lakewood in 2013 and the estimated market value was \$147 million.

LONG-TERM PLANNING

The City is currently developing a 6-Year Financial Forecast which extends three biennia beyond the current biennial budget period. The projection extends current operations to the future to see if the services are sustainable and the magnitude of, if any, future financing gaps. This focus into the future allows the City to proactively plan and implement corrective measures over time to avoid sudden drastic changes in service levels or revenue.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The City of Lakewood is becoming safer, thanks in large part to the work of its Police Department. Police responded to 59,909 calls for service in 2013, more than 2,500 of which resulted in bookings. More than 17,000 involved traffic stops. Officer use of force (90 in 2013) represented an 18 percent drop from the previous year. There were no complaints of excessive force, and taser use fell almost 70%. Officers used force on a sliver of a percent (0.15%) of its contacts, and 3% of physical arrests required use of force. The number of priority one calls for service has dropped to its lowest level since 2008m and the violent crime rate has dropped to its second-lowest mark since 2005. Police received 39 citizen letters of praise and 27 department awards.

In December 2013, the South Sound Military & Communities Partnership (SSMCP) took a big step in giving more control to locals regarding the region's future. Officials from jurisdictions across the South Sound signed a memorandum of agreement in support of the SSMCP. The agreement continues their commitment to help the region grow and develop effectively, along with its installations. Under the new agreement, the SSMCP will initially be comprised of Joint Base Lewis-McChord (JBLM), the Cities of Lakewood, Lacey, Tacoma, Dupont, and Yelm, Pierce County, Thurston County, Washington State Department of Transportation, Camp Murray, Nisqually Indian Tribe, Tacoma-Pierce County Chamber, Thurston Regional Planning Council, and United Way of Pierce County. Under the new agreement, these local governments and agencies will collectively control the future of the SSMCP, including taking on the bulk of financial support from the Department of Defense. It also calls for the establishment of an executive leadership teams for SSMCP comprised of the Cities of Lakewood and Lacey, as well as Pierce County. Additional members are expected to join throughout 2014.

Fort Steilacoom Park has always been considered one of the crown jewels of Lakewood. At the end of 2013, the Lakewood City Council voted to assume control of the lease from Pierce County. Fort Steilacoom park is owned by the State of Washington, leased by Pierce County and managed and maintained by the City of Lakewood via an interlocal agreement. Pierce County paid \$50,000 annually to the City under the current agreement, which is set to expire December 31, 2014. Assuming control of the lease allows the City to work directly with the State of Washington regarding future land use issues at the park, which generates hundreds of thousands of visits annually and is the venue for regional cross-country meets, events such as the Truck and Tractor Day and the Lakewood SummerFEST Triathlon, a popular dog park and other amenities that draw people from around the region. The official transfer is expected to take place in 2014.

In October 2013, the Town of Steilacoom officially entered into a contract with the City of Lakewood for municipal court services which also provides contracted services to the City of University Place. That means the enhanced services that come with the municipal court – everything from a fully staffed, five-day-a-week front desk to prosecution and public defense to probation and electronic home monitoring – are now available to Washington's oldest town. The contract includes everything but police and jail services.

Kenworth Northwest opened a new full-service truck dealership in the City of Lakewood. This new sales and service center was the company's 8th, reaching from Lakewood to Fairbanks, Alaska. The organization employs 285 people throughout the region including 25 new jobs at the Lakewood location. Kenworth Northwest selected the Lakewood area to honor customer requests for a South Sound facility.

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 2013 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 2013 for the 16th consecutive year. The State Auditor's report on the basic financial statements is included in the financial section of this report.

AWARDS

The City of Lakewood is submitting its 2013 Comprehensive Annual Financial Reports to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR). 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 meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate. The last time the City submitted and received this award was for its 2005 CAFR.

The City of Lakewood also intends to submit the 2015/2016 Biennial Budget to the Government Finance Officers Association's (GFOA) 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. The last time the City submitted and received this award was for its 2007/2008 Biennial Budget.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



John J. Caulfield
City Manager



Tho Kraus
Assistant City Manager/Administrative Services

CITY OFFICIALS



DON ANDERSON
Mayor



JASON WHALEN
Deputy Mayor



MARY MOSS
Councilmember



MARIE BARTH
Councilmember



PAUL BOCCHI
Councilmember



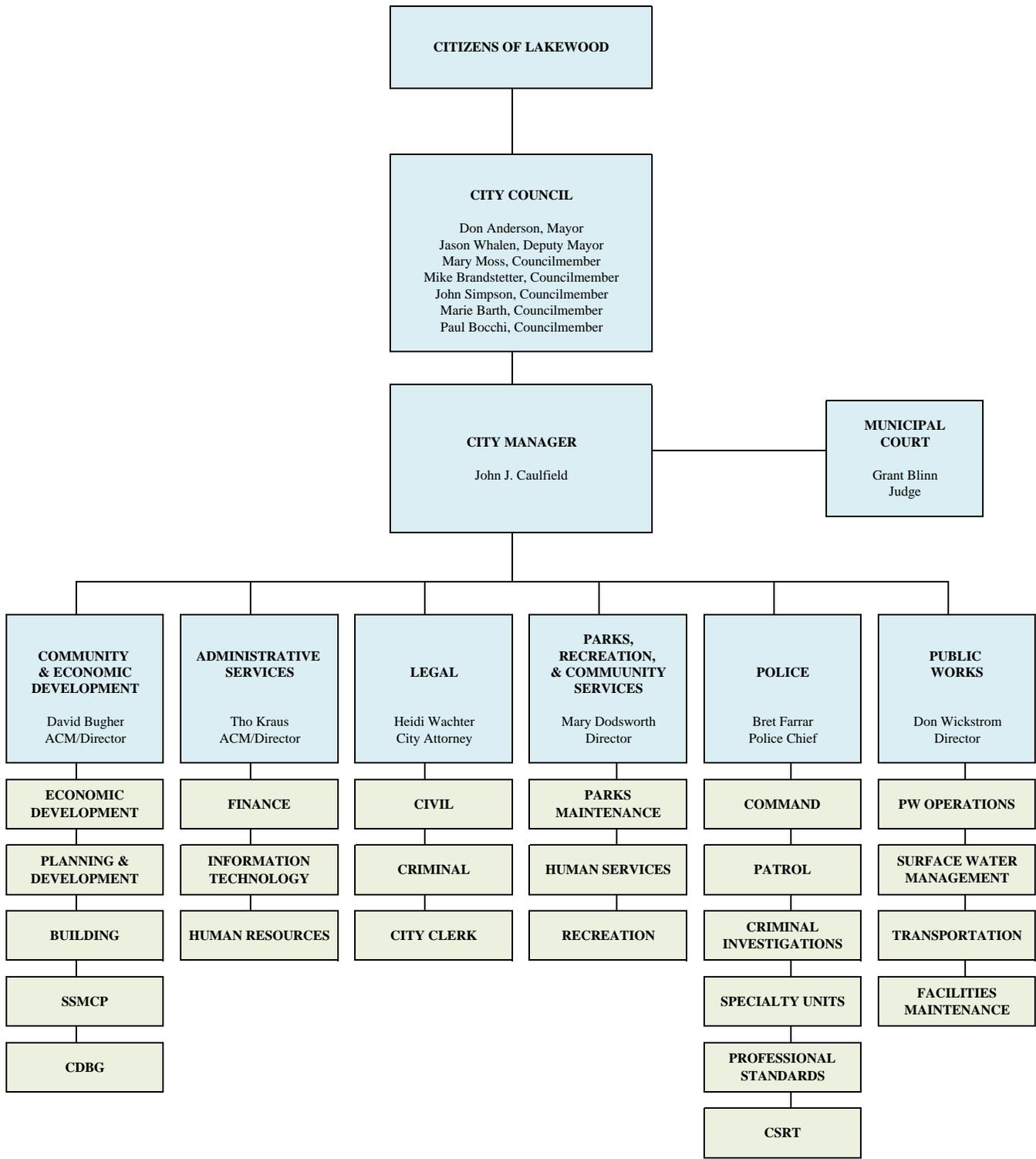
JOHN SIMPSON
Councilmember



**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.....	Bret Farrar
Public Works Director.....	Don Wickstrom
Parks, Recreation, and Community Services Director	Mary Dodsworth
Human Resources Director	Debra Young
City Clerk.....	Alice Bush
Municipal Court Judge.....	Grant Blinn





Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

August 28, 2014

Mayor and City Council
City of Lakewood
Lakewood, Washington

REPORT ON 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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street Capital and Grant 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 2, during the year ended December 31, 2013, the City has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. 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 15 through 26 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 82 through 122 is presented for purposes of additional analysis and is not a required part of the basic financial

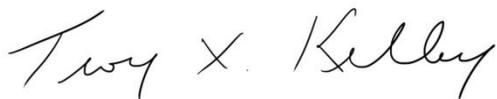
statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements 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 August 28, 2014, 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

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, 2013. 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, 2013 by \$156.9 million. Capital Assets (net of depreciation and related debt) account for 86% of this amount with a value of \$134.5 million. Of the remaining net position of \$22.4 million or 14%, \$17.8 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 \$4.9 million, or 3% compared to 2012. Governmental activities increased by \$3.8 million while business-type activities increased by \$1.1 million.
- Net investment in capital assets for governmental activities increased by \$3.4 million and unrestricted net position decreased by \$637 thousand compared to 2012.
- Restricted net position increased by \$1 million or 28% and is largely for funding of grants and capital projects.
- Governmental fund balances at year-end were \$8.2 million, a \$29 thousand increase over the prior year. Of this amount, a total of \$2.6 million, or 31% of the governmental fund balance is unassigned and available to fund ongoing activities. The remaining \$5.6 million is earmarked for prepaid radio network user fees, arterial street projects, LID related debt, street operations and maintenance, hotel/motel lodging tax, police seizure, HUD economic development loan, operating grants, public works trust fund debt, petty cash, property abatement, public art, capital projects, and future general governmental activities.
- Unassigned fund balance in the general fund was \$2.6 million, which decreased by \$59 thousand or 2% from the prior year.
- The City's debt decreased by \$791 thousand during the current fiscal year. General obligation debt, public works trust fund loans, promissory note, and special assessments debt decreased by \$107 thousand, \$428 thousand, \$50 thousand, and \$206 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, Statement 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 liabilities, with the difference between the two 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-one individual governmental funds. The City's four major governmental funds, the General Fund, Street Capital Projects Fund, Grant Fund, and LID Debt Service 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 each of the General, Street Capital Projects, Grant, and LID Debt Service funds 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 the accumulation of reserves for fleet and equipment and City Hall and Police Station facilities.

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, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 21,206,394	\$ 20,742,768	\$ 6,720,519	\$ 7,143,442	\$ 27,926,913	\$ 27,886,210
Capital assets and CIP, net of accum. depreciation	111,272,188	108,643,244	33,612,887	32,009,378	144,885,075	140,652,622
Total Assets	132,478,582	129,386,012	40,333,406	39,152,820	172,811,988	168,538,832
Current liabilities	4,395,784	4,336,449	356,923	270,754	4,752,707	4,607,203
Long-term liabilities	11,135,417	11,567,151	67,920	63,174	11,203,337	11,630,325
Total Liabilities	15,531,201	15,903,600	424,843	333,928	15,956,044	16,237,528
Net Position:						
Net investment in:						
Capital assets	100,847,804	97,427,390	33,612,887	29,788,246	134,460,691	127,215,636
Restricted	4,642,845	3,617,517	-	-	4,642,845	3,617,517
Unrestricted	11,456,732	12,094,105	6,295,676	9,030,646	17,752,408	21,124,751
Total Net Position	\$ 116,947,381	\$ 113,139,012	\$ 39,908,563	\$ 38,818,892	\$ 156,855,944	\$ 151,957,904

Analysis of Net Position

Total net position of the primary government of \$156.9 million at December 31, 2013 increased \$4.9 million or 3% compared to December 31, 2012. The increase is mainly due to general governmental activities which contributed \$4.3 million or 80% of the increase.

The largest component of the City's net position, 86% or \$134.5 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 18% or \$841 thousand of the City's restricted net position is earmarked for capital improvement projects. Some of the major projects are the John Dower Elementary: Safe Routes to Schools, Madigan Access, Bridgeport Way 83rd-75th, and the Lakewood Station Connection which is constructing a pedestrian bridge to connect the parking garage to the Sounder Station. 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 is divided as follows: \$900 thousand or 19% for debt service payments; \$841 thousand or 18% for Community Development Block Grant, HOME Investment Partnership Act grants and the STOP Violence Against Women grant; \$171 thousand or 4% for the Neighborhood Stabilization Program grant; \$29 thousand or 1% for the Office of Economic Adjustment grant; \$920 thousand for law enforcement operations; \$935 thousand or 20% for tourism and related activities; and \$5 for petty cash. Of the \$17.8 million unrestricted net position, \$6.3 million is earmarked for Surface Water Management and \$11.5 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, and ongoing street 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

Capitals assets and CIP, net of accumulated depreciation increased by \$2.6 million or 2.4% due to an increase in construction in progress for capital improvement projects. The primary components of the increase are as follows: \$761 thousand for the Lakewood Station Connection, \$464 thousand Madigan Access, \$333 thousand for Dower Elementary Streets, \$202 thousand for Bridgeport Way (83rd to 75th), \$85 thousand for South Tacoma Way (SR-512 to 96th), \$76 thousand for the Lakewood Traffic Signal Upgrade, \$76 thousand for Gravelly Lake Drive (100th to Bridgeport Way), \$69 thousand for Steilacoom Boulevard Safety Improvements, and \$52 thousand for City-wide Safety Improvements.

Long-term liabilities decreased by \$791 thousand or 6.1% due to a lower outstanding balance in GO Bond Loans, Special Assessment Bonds, and Public Works Trust Fund loans.

Other liabilities decreased by \$1.4 million or 31.7% due to decrease in accounts payable and accrued expenses primarily in the General Fund and Street Capital Projects Fund due to timing of invoice payments.

Net investments in capital assets increased \$3.4 million or 3.5% primarily due to an increase in transportation capital assets and a decrease in outstanding long-term debt.

Restricted net position for capital projects, amounts that must be used in accordance with external restrictions, decreased \$77 thousand or 1.6% from the prior year primarily due to a decrease in amounts restricted for capital projects from \$1.4 million in 2012 to \$841 thousand in 2013.

Business-Type Activities

Current and other assets decreased by \$423 thousand or 5.9% primarily due expenditures for construction work in progress in the Surface Water Management Fund.

Capital assets and CIP, net of accumulated depreciation increased by \$1.6 million or 5% due to increase in construction in progress including: \$1.0 million for the permanent public works operations and maintenance facility; \$1.0 million for Drywell Replacement; and \$133 thousand for the Zircon Mudslide. These additions to CIP were offset by \$649 thousand and \$43 thousand for depreciation of infrastructure and machinery and equipment respectively.

Long-term liabilities increased by \$5 thousand or 7.5% in 2013 due to an increase in compensated absences considered payable in one year. Other liabilities increased by \$86 thousand or 32% primarily due to an increase in custodial deposits.

Net investments in capital assets increased \$3.8 million or 12.8% primarily due to an increase in Surface Water Management capital assets. The City had no restricted net position for business-type activities, which represents amounts that must be used in accordance with external restrictions. Unrestricted net position decreased by \$2.7 million or 30.3% due primarily to the inclusion of non-depreciable capital assets in the net investment in capital assets in 2013.

CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012

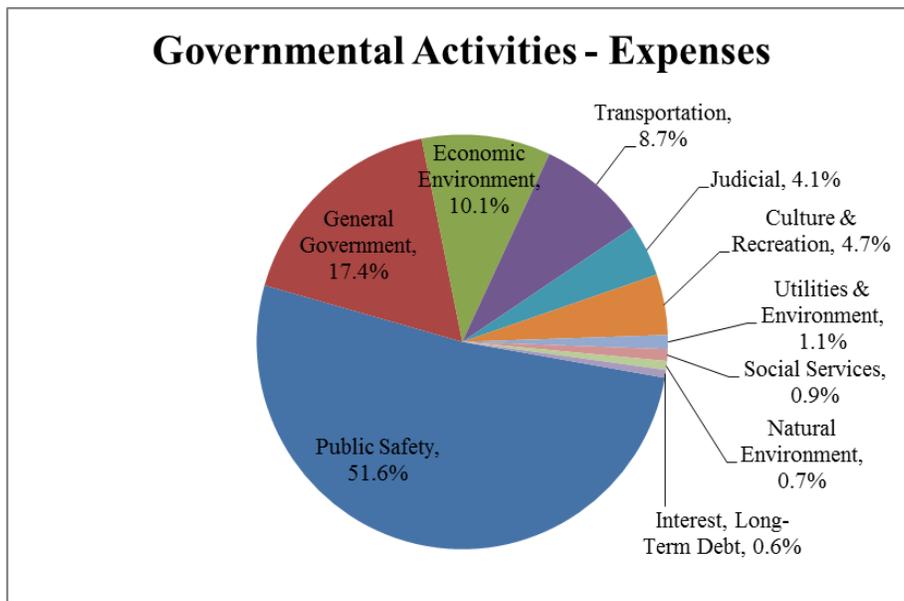
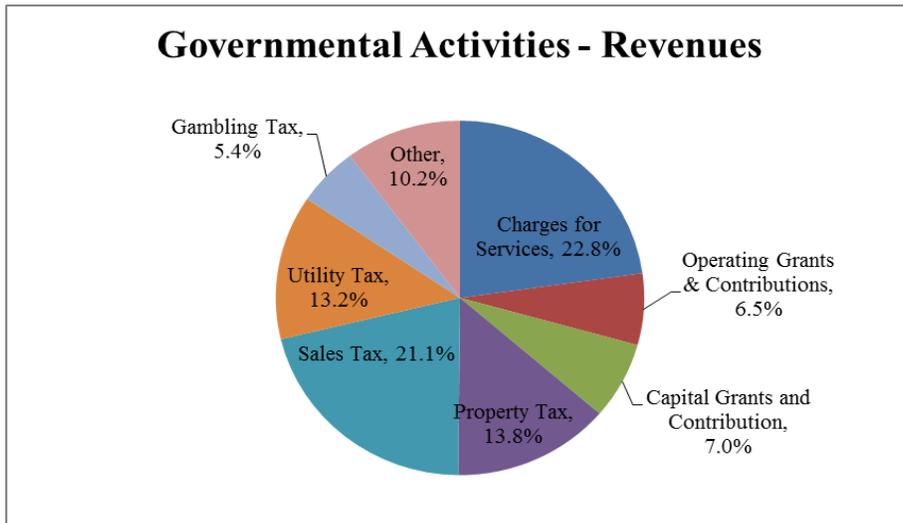
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Programs revenues:						
Charges for services	\$ 10,210,207	\$ 8,638,688	\$ 2,720,766	\$ 2,732,964	\$ 12,930,973	\$ 11,371,652
Operating grants & contrib.	2,912,689	4,290,239	-	143,043	2,912,689	4,433,282
Capital grants & contrib.	3,148,911	6,595,220	913,296	-	4,062,207	6,595,220
General revenues:						
Property tax	6,199,793	6,219,308	-	-	6,199,793	6,219,308
Sales tax	9,452,945	9,564,365	-	-	9,452,945	9,564,365
Utility tax	5,899,855	6,214,044	-	-	5,899,855	6,214,044
Excise tax	1,159,324	3,081,761	-	-	1,159,324	3,081,761
Gambling tax	2,411,104	-	-	-	2,411,104	-
Lodging tax	537,010	-	-	-	537,010	-
Other tax	2,452,031	1,927,122	-	-	2,452,031	1,927,122
Investment earning	103,857	213,054	24,555	24,856	128,412	237,910
Contribution to other gov'ts	-	(3,021,798)	-	-	-	(3,021,798)
Judgments and settlements	99,169	115,938	320	-	99,489	115,938
Gain on disposition of capit.	22,230	13,226	-	-	22,230	13,226
Other/miscellaneous	195,388	2,179	-	-	195,388	2,179
Total Revenue	44,804,513	43,853,346	3,658,937	2,900,863	48,463,450	46,754,209
Expenses:						
General government	7,283,689	7,046,306	-	-	7,283,689	7,046,306
Public safety	21,579,544	20,479,406	-	-	21,579,544	20,479,406
Utilities and environment	452,972	489,412	-	-	452,972	489,412
Transportation	3,623,947	6,220,158	-	-	3,623,947	6,220,158
Health and human services	384,397	237,618	-	-	384,397	237,618
Economic environment	4,238,766	3,548,752	-	-	4,238,766	3,548,752
Culture and recreation	1,978,217	2,056,448	-	-	1,978,217	2,056,448
Judicial	1,717,505	1,757,232	-	-	1,717,505	1,757,232
Natural environment	290,056	-	-	-	290,056	-
Interest on long-term debt	253,555	263,282	-	-	253,555	263,282
Surface water management	-	-	2,491,562	2,667,889	2,491,562	2,667,889
Total Expenses	41,802,648	42,098,614	2,491,562	2,667,889	44,294,210	44,766,503
Change in net position before transfers	3,001,865	1,754,732	1,167,375	232,974	4,169,240	1,987,706
Transfers	77,704	954,008	(77,704)	(954,008)	-	-
Change in net position	3,079,569	2,708,740	1,089,671	(721,034)	4,169,240	1,987,706
Net position - beginning	113,139,012	110,773,672	38,818,892	39,539,926	151,957,904	150,313,598
Prior period adjustment	728,800	(343,400)	-	-	728,800	(343,400)
Adjusted net position - beginning	113,867,812	110,430,272	38,818,892	39,539,926	152,686,704	149,970,198
Net position - ending	\$ 116,947,381	\$ 113,139,012	\$ 39,908,563	\$ 38,818,892	\$ 156,855,944	\$ 151,957,904

Analysis of the Change in Net Position

Total government-wide revenues of the primary government increase \$2.2 million or 3.7% and total expenses decreased \$472 thousand or 1.1% from the prior year. These changes are discussed in more detail below.

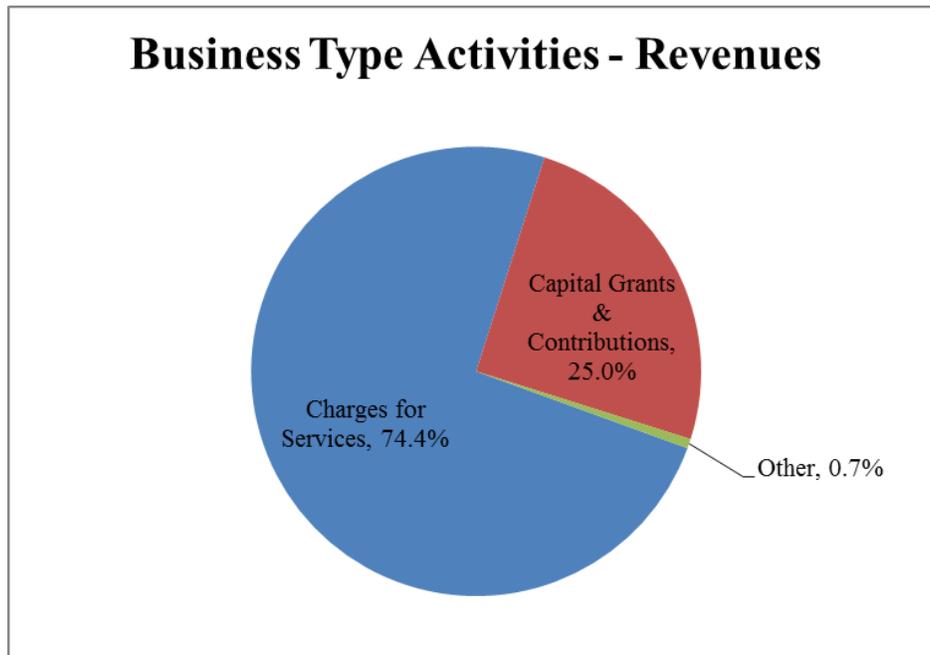
Governmental Activities

Governmental activities contributed \$3.1 million or 74% of the total change in net position of \$4.2 million. Total revenues for governmental activities increased \$1.5 million or 2.2%. The increase is mainly due to: \$1.6 million or 18% increase in charges for services; \$1.1 million increase in tax revenue; \$530 thousand gain on the sale of capital assets. Total expenses for governmental activities decreased \$296 thousand or 0.7%. The decrease is mainly due to the \$2.6 million or 42% decrease in transportation expense offset by \$1.1 million and 1.8 million increases in public safety expense and economic environment expense, respectively.



Business-Type Activities

Business-type activities of the City's Surface Water Management system increased the City's net position by \$1.1 million or 26% of the total increase. Key elements of the increase are as follows: total revenues increased by \$758 thousand or 26.1% from 2012. The increase is primarily due to \$913 thousand of capital grants and contributions received in 2013. Total expenditures decreased \$176 thousand or 6.6% from 2012. The decrease is primarily due to a \$163 thousand or 19.1% reduction in depreciation expense.



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 2013, the City's governmental funds had a combined ending fund balance of \$8.2 million which increased by \$29 thousand or 0.35% from the prior year. Approximately \$2.6 million or 31% 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 nonspendable (\$20 thousand), restricted (\$3.9 million), committed (\$901 thousand), or assigned (\$840 thousand) 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 decreased \$35 thousand or 1.3%. The decrease in fund balance is mainly due to a \$2.4 million or 7.4% increase in expenditures including a \$42 thousand increase in Municipal Court, a \$184 thousand increase in Community and Economic Development, and a \$547 thousand increase in Police Department spending. These expenditures were only partially offset by a \$723 thousand increase in revenue including a \$243

thousand increase in local sales and use tax and a \$215 thousand increase in leasehold tax. Since the General Fund earned less revenue in 2013 than it expended, the City used \$35 thousand of fund balance to support the operations of the fund.

The Street Capital Projects Fund was established to account for capital projects related to street infrastructure. In 2013 the ending fund balance increased \$178 thousand or 27%.

The Grant Fund was established to account for revenues and expenditures associated with Community Development Block Grants (CDBG), HOME Investment Partnership Act grants, and the STOP Violence Against Women grant. Revenue and other resources reported in this fund include direct and indirect federal grants, state grants, and intergovernmental service revenues. The Grant Fund's ending fund balance decreased by \$8.5 thousand in 2013.

The LID Debt Service Fund was created to account for the payment of special assessment bonds as well as the collection of assessments from property owners within the local improvement district (LID). Ending fund balance decreased \$4 thousand dollars due to retirement of principal and the payment of interest on the assessment.

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 \$39.8 million and the total change in net position was an increase of \$1.1 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 2013, the City made two budget adjustments. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure budget increased by \$2.0 million between the original adopted budget and the adjusted budget for 2013 fiscal year. The following are the major changes for the 2013 budget:

- Added \$800 thousand for judgment for back utility taxes paid to the City;
- Added \$26 thousand for iPads and Mobile Device Management Software for City Council;
- Added \$50 thousand for a transfer to the OEA Grant Fund for South Sound Military Communities Partnership;
- Added \$44 thousand to move 0.5 FTE from the Street Capital Fund to the General Fund;
- Added \$24 thousand for a new SQL Server required for a software upgrade;
- Added \$65 thousand for an update of disk storage infrastructure;
- Added \$65 thousand for new computers and software for administrative and development services;
- Added \$450 thousand for a Redflex vendor payment not originally budgeted;
- Added \$26 thousand for allocation of DUI emphasis and traffic safety per Ordinance No. 449;
- Added \$259 thousand for the Lakewood Police Independent Guild;
- Added \$33 thousand for the Lakewood Police Management Guild;
- Added \$100 thousand for South Sound 911 dispatch services; and
- Added \$24 thousand for the purchase of a new gate at the Police Station.

The following are adjustments to the revenues and other sources totaling \$3.3M:

- Increase beginning balance of \$2.6 million;
- Increase of \$317 thousand for ICMA forfeiture funds;
- Add transfer-in of \$398 thousand from the General Government CIP Fund;
- Increase of \$48 thousand increase for streamlined sales tax mitigation;
- Increase of \$26 thousand for DUI reimbursement;
- Increase of \$68 thousand for liquor excise tax;
- Increase of \$148 thousand for criminal justice high crime; and
- Increase of \$60 thousand for criminal justice violent crime.
- Decrease of \$100 thousand in miscellaneous revenue;

- Decrease of \$100 thousand in public funds interest income;
- Decrease of \$180 thousand in red light and school zone camera infractions

The General Fund’s ending fund balance of \$2.6 million is \$843 thousand above the projected \$1.7 million for 2013 year-end. This positive variance consists of \$673 thousand in revenue and other financing sources (uses) over the original budget—a 2% variance—and \$171 thousand less in expenditures than originally budgeted—a 0.5% variance. In 2013 the City received \$585 thousand more in Franchise Fees and \$160 thousand more for Police contracts than anticipated and the Police Department provided cost savings of \$254 thousand, or 1.3% of its budget.

In support of the City’s financial integrity, the excess revenue/expenditures savings of \$843 thousand will be applied toward increasing ending fund balance in the General Fund as part of the proposed financial policies that the City Council will review and adopt in 2014. The proposed ending fund balance reserves target reviewed with the City Council is 12% of the combined General and Street Operations & Maintenance operating revenues as follows:

- *2% General Fund Contingency Reserves:* The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City’s operations which could not have been reasonably anticipated at the time the original budget was prepared. A 2% reserve fund based on the General/Street O&M Funds operating revenues equates to roughly \$700K.
- *5% General Fund Ending Fund Balance Reserves:* The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to roughly \$1.74M.
- *5% Strategic Reserves:* The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to roughly \$1.74M.

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, 2013 amounts to \$144.9 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 9.

CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 20,911,833	\$ 21,321,436	\$ 1,664,017	\$ 1,604,509	\$ 22,575,850	\$ 22,925,945
Construction in progress	5,753,499	7,911,094	2,289,911	616,623	8,043,410	8,527,717
Building	22,777,773	22,419,259	167,008	164,594	22,944,781	22,583,853
Improvements other than buildings	59,046,532	54,347,843	29,298,079	29,420,123	88,344,611	83,767,966
Machinery and equipment	2,782,551	2,643,612	193,872	203,529	2,976,423	2,847,141
Total Capital Assets	\$ 111,272,188	\$ 108,643,244	\$ 33,612,887	\$ 32,009,378	\$ 144,885,075	\$ 140,652,622

Major capital asset events during the current fiscal year included the expansion and improvement of city streets and traffic corridors for a total of \$3.7 million, construction of a new Operations and Maintenance facility for a total of \$1.0 million, and the replacement of surface water infrastructure for a total of \$1.0 million.

Additional information on the City of Lakewood’s capital assets can be found in Note 9.

Long-term debt

At the end of 2013, the City of Lakewood had total bonded debt outstanding of \$2.3 million for future principal and interest 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.

LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
2009 LTGO	\$ 2,220,000	\$ 2,325,000	\$ -	\$ -	\$ 2,220,000	\$ 2,325,000
2009 LTGO premium	35,960	38,360	-	-	35,960	38,360
Public Works Trust Fund Loan	5,715,529	6,143,753	-	-	5,715,529	6,143,753
Promissory note (59th street)	684,129	733,691	-	-	684,129	733,691
Special Assessment w/ governmental commitments	1,768,938	1,975,050	-	-	1,768,938	1,975,050
Compensated absences	2,144,144	1,634,976	97,028	90,248	2,241,172	1,725,224
Total	\$ 12,568,700	\$ 12,850,830	\$ 97,028	\$ 90,248	\$ 12,665,728	\$ 12,941,078

The City's total debt decreased by \$791 thousand due to annual debt service payments.

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 2013 was \$4.42 billion and the total amount of debt the City may issue is \$334.2 million. Remaining legal debt capacities as of December 31, 2013 are:

General government (no vote required)	\$ 64,515,972
General government (3/5 majority vote required)	\$ 44,946,734
Parks and open space (3/5 majority vote required)	\$112,366,835
Utilities (3/5 majority vote required)	<u>\$112,366,835</u>
Total Capacity	\$334,196,376

Additional information on the City of Lakewood's long-term debt can be found in Note 12 and in the Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The United States economy has continued to grow slightly in 2013, but for many Americans life has remained the same. With unemployment rates remaining high at 6.7% in December 2013, a decrease from 7.9% in 2012, many Americans have remained jobless. The United States Real Gross Domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States—increased 1.9% in 2013, but at a decreasing rate. The deceleration of Real GDP growth is due largely to a decrease in both federal and local government spending (Bureau of Economic Analysis). The average selling price of a home in December 2013 was \$321 thousand, an increase of \$22 thousand or 7.4% from December 2012 (United States Census Bureau).

The price of WTI Crude Oil increased 4% in 2013 to \$97.91 per barrel (U.S. Energy Information Administration) due largely to the tensions in the Middle East. In spite of rising oil prices, consumer spending increased over the twelve months ending

June 2013 by 1.5% and the increase was due in part to significant increases in cash contributions (i.e. support of college students or donations to charities and religious organizations) and transportation spending (Bureau of Labor Statistics).

The average income of a consumer was essentially unchanged between 2012 and 2013 and while housing expenses increased by 0.6% (Bureau of Labor Statistics) interest rates are still at a historic low and housing starts across the nation have rebounded.

Like the rest of the nation, the Washington State is still dealing with a severely damaged economy. How quickly the region emerges from this downturn largely depends on how fast the nation recovers. Consequently, Pierce County's economy is improving slowly with a decrease in unemployment from 8.9% in 2012 to 8.1% in 2013. While average household income remained virtually unchanged nationally, Pierce County saw an increase of 3.6% and retail sales in Lakewood increased \$35 million in 2013 or 3.9% over 2012 sales.

In addition, the State of Washington is facing difficulty in maintaining a budget with mandatory increases in expenditures that exceed revenue growth. About one-third of the mandatory cost increases are the result of the State's constitutional obligation to fund basic education. In Lakewood alone, school enrollment has increased 6% over the last five years and the State now expects to have 10,200 more students than originally projected by the end of its biennium (Washington State Office of Financial Management). Other non-mandatory budget increases include \$55 million in general fund spending to meet high priority needs like expanding mental health services for children and addressing the State's prison capacity problem. With the uncertainty of the State's budget and economic recovery, maintaining City services at the current levels can be challenging.

Due to the uncertainty of the State's budget crisis, rising fuel costs, and slow overall economic recovery, the City continues to approach the 2014 budget with caution and restraint so that it is not overly susceptible to and minimizes the local economy slump without unnecessary fluctuations in services to our citizens. The City is monitoring and assessing the economic impacts experienced at the federal, state and local level to anticipate any negative impact on critical City resources.

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.

BASIC FINANCIAL STATEMENTS



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Government-Wide Financial Statements

Statement of 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,185,045	\$ 3,869,124	\$ 11,054,169
Investments	3,590,502	2,491,518	6,082,020
Receivables (net)	9,270,807	1,052	9,271,859
Due from other governments	1,230,421	268,119	1,498,540
Internal balances	(90,706)	90,706	-
Prepaid items	20,325	-	20,325
Total current assets	<u>21,206,394</u>	<u>6,720,519</u>	<u>27,926,913</u>
Noncurrent assets:			
Capital assets not being depreciated	26,665,333	3,953,927	30,619,260
Capital assets, net of accumulated depreciation	84,606,855	29,658,960	114,265,815
Total noncurrent assets	<u>111,272,188</u>	<u>33,612,887</u>	<u>144,885,075</u>
TOTAL ASSETS	<u>132,478,582</u>	<u>40,333,406</u>	<u>172,811,988</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	2,251,296	258,833	2,510,129
Deposits	100,995	60,835	161,830
Unearned revenue	362,442	-	362,442
Due to other governments	247,769	8,147	255,916
Long-term due in one year	1,433,282	29,108	1,462,390
Total current liabilities	<u>4,395,784</u>	<u>356,923</u>	<u>4,752,707</u>
Noncurrent liabilities:			
Long-term due in more than one year	9,564,479	67,920	9,632,399
Special assessment debt, due in more than one year	1,570,938	-	1,570,938
Total noncurrent liabilities	<u>11,135,417</u>	<u>67,920</u>	<u>11,203,337</u>
TOTAL LIABILITIES	<u>15,531,201</u>	<u>424,843</u>	<u>15,956,044</u>
DEFERRED INFLOWS OF RESOURCES			
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>15,531,201</u>	<u>424,843</u>	<u>15,956,044</u>
NET POSITION			
Net investment in capital assets	100,847,804	33,612,887	134,460,691
Restricted for:			
Capital projects	841,124	-	841,124
Debt service	900,257	-	900,257
Grants	1,041,265	-	1,041,265
Law enforcement	920,075	-	920,075
Tourism related activities	935,374	-	935,374
Unrestricted	11,461,482	6,295,676	17,757,158
TOTAL NET POSITION	<u>\$ 116,947,381</u>	<u>\$ 39,908,563</u>	<u>\$ 156,855,944</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Capital	Primary Government		
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 7,283,689	\$ 5,411,083	\$ 368,104	\$ -	\$ (1,504,502)	\$ -	\$ (1,504,502)
Public safety	21,579,544	1,506,007	1,105,252	34,969	(18,933,316)	-	(18,933,316)
Utilities and environment	452,972	916,019	-	-	463,047	-	463,047
Transportation	3,623,947	69,877	12,063	3,113,942	(428,065)	-	(428,065)
Health and human services	384,397	-	80,206	-	(304,191)	-	(304,191)
Economic environment	4,238,766	384,462	1,262,049	-	(2,592,255)	-	(2,592,255)
Culture and recreation	1,978,217	234,348	85,015	-	(1,658,854)	-	(1,658,854)
Judicial	1,717,505	1,654,756	-	-	(62,749)	-	(62,749)
Natural environment	290,056	33,655	-	-	(256,401)	-	(256,401)
Debt interest	253,555	-	-	-	(253,555)	-	(253,555)
TOTAL GOVERNMENTAL ACTIVITIES	41,802,648	10,210,207	2,912,689	3,148,911	(25,530,841)	-	(25,530,841)
Business-type activities:							
Surface water management	2,491,562	2,720,766	-	913,296	-	1,142,500	1,142,500
TOTAL BUSINESS-TYPE ACTIVITIES	2,491,562	2,720,766	-	913,296	-	1,142,500	1,142,500
TOTAL PRIMARY GOVERNMENT	\$ 44,294,210	\$ 12,930,973	\$ 2,912,689	\$ 4,062,207	(25,530,841)	1,142,500	(24,388,341)
General revenues:							
Property taxes					6,199,793	-	6,199,793
Sales taxes					9,452,945	-	9,452,945
Utility taxes					5,899,855	-	5,899,855
Excise taxes					1,159,324	-	1,159,324
Gambling taxes					2,411,104	-	2,411,104
Lodging taxes					537,010	-	537,010
Other taxes					2,452,031	-	2,452,031
Investment earnings					219,028	24,555	243,583
Judgements and settlements					99,169	320	99,489
Gain (loss) on sale/retirement of capital assets					22,230	-	22,230
Miscellaneous					80,217	-	80,217
Transfers					77,704	(77,704)	-
TOTAL GENERAL REVENUES AND TRANSFERS					28,610,410	(52,829)	28,557,581
CHANGE IN NET POSITION					3,079,569	1,089,671	4,169,240
NET POSITION - BEGINNING					113,139,012	38,818,892	151,957,904
Prior period adjustment					728,800	-	728,800
NET POSITION - ENDING					\$ 116,947,381	\$ 39,908,563	\$ 156,855,944

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, 2013

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 ***Street Capital Projects Fund*** accounts for capital projects related to street infrastructure. Revenue and other resources reported for the Street Capital Projects Fund include real estate excise taxes, direct and indirect federal grants, state grants, and motor vehicle fuel taxes.

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

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.

City of Lakewood
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Street Capital Projects	Grant Fund
ASSETS			
Cash and cash equivalents	\$ 393,634	\$ 213,320	\$ 800,232
Investments	-	-	-
Receivables	5,243,879	473,299	919,684
Due from other funds	15,278	-	-
Due from other governments	195,988	594,206	149,918
Prepaid items	20,325	-	-
TOTAL ASSETS	\$ 5,869,104	\$ 1,280,825	\$ 1,869,834
LIABILITIES			
Accounts payable	\$ 1,610,059	\$ 209,560	\$ 95,208
Due to other funds	-	-	-
Payable to other governments	224,631	7,552	1,721
Deposits payable	11,200	40,000	15
Unearned revenue	32,587	-	12,056
TOTAL LIABILITIES	1,878,477	257,112	109,000
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	1,409,946	182,591	919,564
TOTAL DEFERRED INFLOWS OF RESOURCES	1,409,946	182,591	919,564
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,288,423	439,703	1,028,564
FUND BALANCES			
Nonspendable	20,325	-	-
Restricted	-	841,122	1,212
Committed	4,750	-	-
Assigned	-	-	840,058
Unassigned	2,555,606	-	-
TOTAL FUND BALANCES	2,580,681	841,122	841,270
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,869,104	\$ 1,280,825	\$ 1,869,834

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

City of Lakewood
Balance Sheet
Governmental Funds
December 31, 2013

	LID Debt Service	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 149	\$ 2,685,555	\$ 4,092,890
Investments	-	1,100,817	1,100,817
Receivables	2,098,666	534,210	9,269,738
Due from other funds	-	-	15,278
Due from other governments	-	290,307	1,230,419
Prepaid items	-	-	20,325
TOTAL ASSETS	<u>\$ 2,098,815</u>	<u>\$ 4,610,889</u>	<u>\$ 15,729,467</u>
LIABILITIES			
Accounts payable	\$ -	\$ 316,385	\$ 2,231,212
Due to other funds	-	15,278	15,278
Payable to other governments	-	13,865	247,769
Deposits payable	-	49,780	100,995
Unearned revenue	-	135,207	179,850
TOTAL LIABILITIES	<u>-</u>	<u>530,515</u>	<u>2,775,104</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	2,098,666	145,382	4,756,149
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,098,666</u>	<u>145,382</u>	<u>4,756,149</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,098,666</u>	<u>675,897</u>	<u>7,531,253</u>
FUND BALANCES			
Nonspendable	-	-	20,325
Restricted	149	3,038,525	3,881,008
Committed	-	896,467	901,217
Assigned	-	-	840,058
Unassigned	-	-	2,555,606
TOTAL FUND BALANCES	<u>149</u>	<u>3,934,992</u>	<u>8,198,214</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,098,815</u>	<u>\$ 4,610,889</u>	<u>\$ 15,729,467</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, 2013

Fund balances of governmental funds		\$8,198,214
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		109,314,532
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:		
	Debt and notes payable	(10,424,556)
	Compensated absences	(2,144,144)
		(12,568,700)
Some revenue reported on the government-wide Statement of Activities is reported as deferred inflows of resources in the governmental funds		4,573,558
Assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position		7,429,777
Net position of governmental activities		\$116,947,381

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



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City of Lakewood
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	Street Capital Projects	Grant Fund
REVENUES			
Taxes	\$ 24,731,848	\$ 1,151,297	\$ -
Special assessments	-	-	-
Licenses and permits	4,123,528	1,600	-
Intergovernmental	1,702,899	3,242,508	841,130
Charges for goods and services	1,901,546	9,144	-
Fines and forfeitures	1,769,273	-	-
Interest	78,307	139	565
Miscellaneous	434,828	15	-
Contributions and donations	39,773	234,253	120
TOTAL REVENUES	34,782,002	4,638,956	841,815
EXPENDITURES			
Current:			
General government	7,549,459	-	13,056
Public safety	19,840,994	4,366	-
Utilities and environment	26,478	-	-
Transportation	148,822	493,736	-
Social services	383,863	-	-
Economic environment	2,316,184	-	837,212
Culture and recreation	1,664,580	-	-
Judicial	1,721,223	-	-
Natural environment	280,929	-	-
Debt service:			
Interest	131,345	-	-
Principal retirement	154,563	-	-
Capital outlay:			
Capital	229,731	3,755,145	-
TOTAL EXPENDITURES	34,448,171	4,253,247	850,268
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	333,831	385,709	(8,453)
OTHER FINANCING SOURCES (USES)			
Transfers in	696,452	146,830	-
Transfers out	(1,072,959)	(356,000)	-
Nonrevenues	8,048	-	-
Insurance recovery	-	-	-
Gain (loss) on disposal of capital assets	-	1,500	-
TOTAL OTHER FINANCING SOURCES (USES)	(368,459)	(207,670)	-
NET CHANGE IN FUND BALANCES	(34,628)	178,039	(8,453)
FUND BALANCES - BEGINNING	2,615,309	663,083	849,723
Prior period adjustment	-	-	-
FUND BALANCES - ENDING	\$ 2,580,681	\$ 841,122	\$ 841,270

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, 2013

	LID Debt Service	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ -	\$ 537,010	\$ 26,420,155
Special assessments	179,171	-	179,171
Licenses and permits	-	60,733	4,185,861
Intergovernmental	-	1,700,242	7,486,779
Charges for goods and services	-	995,489	2,906,179
Fines and forfeitures	-	114,914	1,884,187
Interest	115,204	8,515	202,730
Miscellaneous	-	51,271	486,114
Contributions and donations	-	-	274,146
TOTAL REVENUES	294,375	3,468,174	44,025,322
EXPENDITURES			
Current:			
General government	-	-	7,562,515
Public safety	-	559,492	20,404,852
Utilities and environment	-	44,795	71,273
Transportation	-	2,158,417	2,800,975
Social services	-	-	383,863
Economic environment	-	1,043,424	4,196,820
Culture and recreation	-	-	1,664,580
Judicial	-	-	1,721,223
Natural environment	-	-	280,929
Debt service:			
Interest	92,109	32,502	255,956
Principal retirement	206,112	428,223	788,898
Capital outlay:			
Capital	-	189,653	4,174,529
TOTAL EXPENDITURES	298,221	4,456,506	44,306,413
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,846)	(988,332)	(281,091)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,090,133	1,933,415
Transfers out	-	(426,752)	(1,855,711)
Nonrevenues	-	-	8,048
Insurance recovery	-	28,707	28,707
Gain (loss) on disposal of capital assets	-	579,418	580,918
TOTAL OTHER FINANCING SOURCES (USES)	-	1,271,506	695,377
NET CHANGE IN FUND BALANCES	(3,846)	283,174	414,286
FUND BALANCES - BEGINNING	3,995	4,037,218	8,169,328
Prior period adjustment	-	(385,400)	(385,400)
FUND BALANCES - ENDING	\$ 149	\$ 3,934,992	\$ 8,198,214

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, 2013

Net change in fund balances - total governmental funds \$414,286

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

	(4,807,934)	
Prior year deferred inflows	4,573,558	
Current year deferred inflows	4,573,558	(234,376)

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

Capital asset purchases and construction in process capitalized	4,807,148	
Gain/loss on disposal of capital assets	(601,966)	
Donated capital asset	17,883	
Depreciation expense	(1,527,166)	2,695,899

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.

	1,634,976	
Prior year compensated absences	(2,144,145)	
Current year compensated absences	(2,144,145)	(509,169)

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

	788,898	
Bond principal retired	2,400	
Bond premium amortized	2,400	791,298

Net revenue (loss) of internal service funds 307,031

Effect of a prior period adjustment (385,400)

Change in net position of governmental activities \$3,079,569

The notes to financial statements 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 24,891,900	\$ 24,891,900	\$ 24,731,848	\$ (160,052)
Licenses and permits	3,379,680	3,379,680	4,123,528	743,848
Intergovernmental	1,380,800	1,704,800	1,702,899	(1,901)
Charges for goods and services	1,835,290	1,860,806	1,901,546	40,740
Fines and forfeitures	1,996,660	1,816,660	1,769,273	(47,387)
Interest	136,000	36,000	78,307	42,307
Miscellaneous	125,850	342,723	434,828	92,105
Contributions and donations	35,000	35,000	39,773	4,773
TOTAL REVENUES	<u>33,781,180</u>	<u>34,067,569</u>	<u>34,782,002</u>	<u>714,433</u>
EXPENDITURES				
Current:				
General government	6,451,510	7,475,904	7,549,459	(73,555)
Public safety	19,194,100	20,057,413	19,840,994	216,419
Utilities and environment	27,000	27,000	26,478	522
Transportation	208,930	208,930	148,822	60,108
Social services	397,230	397,230	383,863	13,367
Economic environment	2,446,700	2,446,700	2,316,184	130,516
Culture and recreation	1,556,440	1,556,440	1,664,580	(108,140)
Judicial	1,692,670	1,692,670	1,721,223	(28,553)
Natural environment	315,130	315,130	280,929	34,201
Debt service:				
Interest	138,910	138,910	131,345	7,565
Principal retirement	144,760	144,760	154,563	(9,803)
Capital outlay:				
Capital	134,000	157,775	229,731	(71,956)
TOTAL EXPENDITURES	<u>32,707,380</u>	<u>34,618,862</u>	<u>34,448,171</u>	<u>170,691</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,073,800</u>	<u>(551,293)</u>	<u>333,831</u>	<u>885,124</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	298,060	696,452	696,452	-
Transfers out	(1,066,780)	(1,120,606)	(1,072,959)	47,647
Nonrevenues	97,500	97,500	8,048	(89,452)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(671,220)</u>	<u>(326,654)</u>	<u>(368,459)</u>	<u>(41,805)</u>
NET CHANGE IN FUND BALANCES	402,580	(877,947)	(34,628)	843,319
FUND BALANCES - BEGINNING	-	2,615,306	2,615,309	3
FUND BALANCES - ENDING	<u>\$ 402,580</u>	<u>\$ 1,737,359</u>	<u>\$ 2,580,681</u>	<u>\$ 843,322</u>

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

City of Lakewood
Street Capital Projects
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 600,000	\$ 600,000	\$1,151,297	\$ 551,297
Licenses and permits	-	-	1,600	1,600
Intergovernmental	5,995,800	6,295,800	3,242,508	(3,053,292)
Charges for goods and services	-	-	9,144	9,144
Interest	-	-	139	139
Miscellaneous	100,000	100,000	15	(99,985)
Contributions and donations	-	-	234,253	234,253
TOTAL REVENUES	<u>6,695,800</u>	<u>6,995,800</u>	<u>4,638,956</u>	<u>(2,356,844)</u>
EXPENDITURES				
Current:				
Public safety	5,000	5,000	4,366	634
Transportation	1,803,570	1,799,510	493,736	1,305,774
Capital outlay:				
Capital	<u>5,129,800</u>	<u>5,354,800</u>	<u>3,755,145</u>	<u>1,599,655</u>
TOTAL EXPENDITURES	<u>6,938,370</u>	<u>7,159,310</u>	<u>4,253,247</u>	<u>2,906,063</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(242,570)</u>	<u>(163,510)</u>	<u>385,709</u>	<u>549,219</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	530,000	495,000	146,830	(348,170)
Transfers out	(300,000)	(356,000)	(356,000)	-
Gain (loss) on disposal of capital assets	-	-	1,500	1,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>230,000</u>	<u>139,000</u>	<u>(207,670)</u>	<u>(346,670)</u>
NET CHANGE IN FUND BALANCES	(12,570)	(24,510)	178,039	202,549
FUND BALANCES - BEGINNING	<u>470,000</u>	<u>663,085</u>	<u>663,083</u>	<u>(2)</u>
FUND BALANCES - ENDING	<u>\$ 457,430</u>	<u>\$ 638,575</u>	<u>\$ 841,122</u>	<u>\$ 202,547</u>

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

City of Lakewood
Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$3,637,760	\$3,637,760	\$841,130	\$ (2,796,630)
Interest	-	-	565	565
Contributions and donations	-	-	120	120
TOTAL REVENUES	<u>3,637,760</u>	<u>3,637,760</u>	<u>841,815</u>	<u>(2,795,945)</u>
EXPENDITURES				
Current:				
General government	16,720	16,720	13,056	3,664
Economic environment	1,731,870	1,766,870	837,212	929,658
TOTAL EXPENDITURES	<u>1,748,590</u>	<u>1,783,590</u>	<u>850,268</u>	<u>933,322</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,889,170</u>	<u>1,854,170</u>	<u>(8,453)</u>	<u>(1,862,623)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(35,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,854,170	1,854,170	(8,453)	(1,862,623)
FUND BALANCES - BEGINNING	800,000	849,722	849,723	1
FUND BALANCES - ENDING	<u>\$2,654,170</u>	<u>\$2,703,892</u>	<u>\$841,270</u>	<u>\$ (1,862,622)</u>

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



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**Proprietary Fund's Description
For the Year Ended December 31, 2013**

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, 2013

	Business-type Activities	Governmental Activities
	Surface Water Management	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,869,124	\$ 3,092,154
Investments	2,491,518	2,489,686
Receivables	1,052	1,068
Due from other governments	268,119	-
TOTAL CURRENT ASSETS	6,629,813	5,582,908
Noncurrent assets:		
Land	1,664,018	278
Construction in progress	2,289,909	-
Buildings	177,521	-
Improvements other than buildings	40,902,085	137,278
Machinery and equipment	321,444	5,886,686
Less accumulated depreciation	(11,742,090)	(4,066,587)
TOTAL NONCURRENT ASSETS	33,612,887	1,957,655
TOTAL ASSETS	40,242,700	7,540,563
LIABILITIES		
Current liabilities:		
Accounts payable	258,833	20,082
Payable to other governments	8,147	-
Deposits payable	60,835	-
TOTAL CURRENT LIABILITIES	327,815	20,082
Noncurrent liabilities:		
Compensated absences	97,028	-
TOTAL NONCURRENT LIABILITIES	97,028	-
TOTAL LIABILITIES	424,843	20,082
NET POSITION		
Net investment in capital assets	33,612,887	1,957,655
Unrestricted	6,204,970	5,562,826
TOTAL NET POSITION	\$ 39,817,857	\$ 7,520,481
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds		
	90,706	
NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 39,908,563	

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, 2013

	Business-type Activities	Governmental Activities
	Surface Water Management	Internal Service Funds
OPERATING REVENUES		
Charges for goods and services	\$ 2,720,766	\$ 938,150
TOTAL OPERATING REVENUES	2,720,766	938,150
OPERATING EXPENSES		
Maintenance and administration	1,610,672	28
External and interfund taxes	208,532	-
Depreciation	690,108	686,188
TOTAL OPERATING EXPENSES	2,509,312	686,216
OPERATING INCOME (LOSS)	211,454	251,934
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposal of capital assets	-	56,549
Investment earnings	24,555	16,297
Miscellaneous revenue	320	-
Grants	913,296	-
TOTAL NONOPERATING REVENUES (EXPENSES)	938,171	72,846
INCOME (LOSS) BEFORE TRANSFERS	1,149,625	324,780
Transfers in	300,000	-
Transfers out	(377,704)	-
CHANGE IN NET POSITION	1,071,921	324,780
TOTAL NET POSITION - BEGINNING	38,745,936	7,195,701
TOTAL NET POSITION - ENDING	\$ 39,817,857	\$ 7,520,481
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds	17,750	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 1,089,671	

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, 2013

	Business-type Activities Enterprise Funds	Governmental Activities
	Surface Water Management	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 2,720,766	\$ -
Cash from interfund		938,150
Payments to suppliers	(1,728,289)	(6,838)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	992,477	931,312
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants	826,200	-
Transfers from other funds	300,000	-
Transfers to other funds	(377,704)	-
Nonoperating miscellaneous revenue (expense)	320	56,549
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	748,816	56,549
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases for capital acquisitions	(2,293,617)	(599,153)
NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES	(2,293,617)	(599,153)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of maturities of investments	563,255	-
Purchase of investments	-	(441,394)
Interest income	24,413	15,504
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	587,668	(425,890)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,344	(37,182)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,833,780	3,129,336
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,869,124	\$ 3,092,154
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income	\$ 211,453	\$ 251,934
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	690,108	686,188
Changes in assets and liabilities:		
Accounts Payable - Supplier	75,989	(6,810)
Payable to other governments	8,147	-
Salaries & Benefits Payable	6,780	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 992,477	\$ 931,312

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

Fiduciary Funds' Description
For the Year Ended December 31, 2013

The *Municipal Court Trust Account Fund* accounts for monies received by the Municipal Court as bond deposits, cash deposits, or other payments which may be returned to the person making the deposit or payment to the City or which may be applied to fines, penalties, costs, or expenses involved in cases filed with the Municipal Court.

The *Section 125 Fund* accounts for monies received from the salary deductions of participating employees, and from which reimbursements are paid for the applicable medical and childcare expenses of those employees, in conformity with the provisions of Section 125 of the IRS Code.

City of Lakewood
Statement of Fiduciary Net Position
December 31, 2013

	<u>Agency funds</u>
ASSETS	
Cash and cash equivalents	\$ 65,502
Deposits payable	10,000
TOTAL ASSETS	<u>\$ 75,502</u>
LIABILITIES	
Accounts payable	\$ 12,694
Deposits payable	62,808
TOTAL LIABILITIES	<u>75,502</u>
NET POSITION	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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. Applying these criteria as outlined in GASB Statement 14, the City has no relationships that qualify as component units.

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, proprietary funds, and the City's one fiduciary fund, even though the latter is excluded from the government-wide financial statements. 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; and city hall maintenance. Major sources of revenue reported for the General Fund include property, sales and use, utility, and franchise fees.

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

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

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

Debt Service Funds:

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.

Capital Projects Funds:

The *General Governmental 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

OTHER FUND TYPES

Internal Service Funds:

The City uses internal service funds to accumulate reserves for equipment replacement and maintenance to City-owned property. Beginning with the 2015/2016 Budget these will operate as true internal service funds.

The *Vehicle and Equipment Replacement Fund* was established as a revolving fund to be expended for the replacement and purchase of equipment. It currently accounts for vehicle and equipment replacement reserves and capital purchases funded by the accumulated reserves.

The *City Hall Facility Services Fund* accumulates reserves needed for future major repairs and capital improvements to city-owned facilities.

Fiduciary Funds:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has two agency funds.

The *Municipal Court Trust Account Fund* accounts for monies received by the Municipal Court as bond deposits, cash deposits, or other payments which may be returned to the person making the deposit or payment to the City or which may be applied to fines, penalties, costs, or expenses involved in cases filed with the Municipal Court.

The *Section 125 Fund* accounts for monies received from the salary deductions of participating employees, and from which reimbursements are paid for the applicable medical and childcare expenses of those employees, in conformity with the provisions of Section 125 of the IRS Code.

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 and 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, 2013 should be read in conjunction with the government's financial statements for the year ended December 31, 2012.

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 and major special revenue 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, NET POSITION

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. At December 31, 2013, the City had \$11,054,169 in short-term residual investments of surplus cash. This amount is classified on the balance sheet 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 6)

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, 2013, 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 Advances 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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. See Interfund Transactions Note 12.

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 and 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 or who are members of the Teamsters Union accumulate combination leave and major medical leave. Upon termination or retirement, the employees in these two groups 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 from the City receive 25% of their major medical leave at their current rate of pay, with a maximum of 80 hours to be paid out.

The Lakewood Police Independent Guild members and the City approved a new collective bargaining agreement in September 2013. Prior to September 2013, Guild employees received payment for 100% of their combination leave balance upon termination regardless of years of service; if he or she was of retirement age the employee also received 25% of his/her major medical leave up to an 80 hour maximum at his/her current rate of pay. With the settlement of the bargaining agreement, Guild members now receive one type of leave, Paid Time Off (PTO), and are paid 65% of their leave balance upon separation.

A new bargaining group, the Lakewood Police Management Guild (LPMG), formed in February 2013 and the City approved the collective bargaining agreement with the LPMG in September 2013. The LPMG members also now receive a single leave bank, PTO, and upon separation receive 57.5% of the balance at the current rate of pay.

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 his/her paid time off at the current rate of pay.

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 11.

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 7.

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 an expenditure is incurred for which restricted and unrestricted amounts are available, the City considers restricted amounts to be used first, followed by committed, then assigned, and lastly unassigned amounts.

Fund Balance Details

2013 FUND BALANCE CLASSIFICATION							
Fund Balance	General Fund	Street Capital Projects Fund	Grant Fund	LID Debt Service Fund	Nonmajor Governmental	Total	
<i>Nonspendable :</i>							20,325
Prepaid Radio Network User Fees	20,325	-	-	-	-		20,325
<i>Restricted for:</i>							3,881,008
Arterial Street Projects	-	841,122	-	-	-		841,122
Local Improvement District related debt	-	-	-	149	391,858		392,007
Street Operations and Maintenance	-	-	-	-	82,969		82,969
Hotel/Motel Lodging Tax	-	-	-	-	935,374		935,374
Police Seizure	-	-	-	-	920,076		920,076
HUD Economic Development Loan	-	-	1,212	-	-		1,212
Neighborhood Stabilization Program Grant	-	-	-	-	171,344		171,344
Office of Economic Adjustment Grant	-	-	-	-	28,654		28,654
Public Works Trust Fund Debt	-	-	-	-	508,250		508,250
<i>Committed to:</i>							901,217
Petty Cash	4,750	-	-	-	-		4,750
Property Abatement	-	-	-	-	238,170		238,170
Public Art	-	-	-	-	12,001		12,001
General Government CIP	-	-	-	-	276		276
Sanitary Sewer CIP	-	-	-	-	646,020		646,020
<i>Assigned to:</i>							840,058
Future General Government Activities	-	-	840,058	-	-		840,058
<i>Unassigned:</i>							2,555,606
General Fund	2,555,606	-	-	-	-		2,555,606
Total Fund Balance:	2,580,681	841,122	841,270	149	3,934,992		8,198,214

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

Effective for financial statements for periods beginning after December 15, 2012, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were reported as assets and liabilities.

NOTE 3 – 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. One element of the reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds.” The details of this \$10,424,555 difference are as follows:

Debt Payable at Beginning of Year	\$2,325,000
Plus: Special Assessment Debt	1,975,050
Plus: Notes Payable	733,691
Plus: Government Loans	6,143,752
Plus: Current Portion of Bond Premium	38,360
Less: Current Year Reduction of Principle Portion of Debt	(791,298)
	<u>\$10,424,555</u>

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. One element of that reconciliation explains that governmental funds report deferred inflows of resources in the funds that are reported as revenue in the Statement of Activities. The details of this \$4,573,558 difference are as follows:

Property Tax	\$ 281,116
Municipal Court	1,128,830
HUD Loans	919,564
Local Improvement Districts	2,098,666
Abatements	53,242
Public Works Trust Fund Loan	92,140
	<u>\$ 4,573,558</u>

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There was one fund, the Hotel/Motel Lodging tax Fund, in which expenditures exceeded the \$497,720 adopted budget by \$42,824. Council had approved the contractual expenditures for 2013 at the December 17, 2012 meeting of the City Council, subsequent to the original 2013 adoption. The 2013 budget adjustments inadvertently did not capture the difference between the original estimate and the final approved City Council allocation.

NOTE 5– SUPPLEMENTAL APPROPRIATIONS

Operating Budget Funds

Appropriations established during 2013 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	2013		
	Original Budget	Supplemental Appropriations	Final Budget
<i>General Fund</i>	\$ 33,774,160	\$ 1,965,309	\$ 35,739,469
<i>Special Revenue Funds:</i>			
Street Operations & Maintenance	2,165,500	56,000	2,221,500
Street Capital Projects	7,238,370	276,940	7,515,310
Hotel/Motel	497,720	-	497,720
Property Abatement	85,000	-	85,000
Public Art	2,000	-	2,000
Narcotics Seizure	390,000	-	390,000
Felony Seizure	58,450	-	58,450
Federal Seizure	70,000	(24,129)	45,871
Grant	1,783,590	-	1,783,590
NSP Grant	299,690	102,926	402,616
OEA Grant	213,860	25,515	239,375
Police ARRA Grant	8,000	-	8,000
Public Safety Grant	366,520	585,812	952,332
<i>Debt Service Funds:</i>			
LID Debt Service	-	298,220	298,220
Sewer Project Debt	-	460,734	460,734
Total:	\$ 46,952,860	\$ 3,747,327	\$ 50,700,187

NOTE 6 – DEPOSITS AND INVESTMENTS

Deposits

At year-end, the City had \$11,054,169 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.

Investments

Investments for the city are reported at fair value based on market prices. The City purchases investments with maturities up to a maximum of 36 months. The City does not have an investment policy that addresses exposure to

various types of investment risk; however, the City applies the prudent-person rule when making investment purchases: In acquiring, retaining, managing, and disposing of investments, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the speculation but for investment, considering the probably income as well as the probably safety of the capital.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Because the City has only a few investments in debt securities, the method use to disclose interest rate risk is the specific identification method, which allows simply disclosing the maturity dates for each investment. The City's investments are not subject to call options.

As of December 31, 2013 the City had the following investments:

INVESTMENT MATURITIES				
Investment	Less than 1 year	1 to 3 years	Greater than 3 years	Total
Federal National Mortgage Association	\$ -	\$ 1,994,672	\$ -	\$ 1,994,672
Federal National Mortgage Association	-	991,724	-	991,724
Federal Farm Credit Bank	-	-	996,270	996,270
Columbia Bank CD	2,099,354	-	-	2,099,354
Total	\$ 2,099,354	\$ 2,986,396	\$ 996,270	\$ 6,082,020

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Federal National Mortgage Association is rated Aaa by Moody's and AA+ by Standard and Poor's (S&P). The Columbia Bank Public Funds is rated N/R by both Moody's and S&P.

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, and commercial paper, which is limited to 3% of the portfolio. No more than 30% of the portfolio may be invested in Bankers' Acceptances and Certificates of Deposit."

Other Information

Below is a schedule of investments by fund type:

SCHEDULE OF INVESTMENTS BY FUND CATEGORY AND INVESTMENT TYPE AS OF DECEMBER 31, 2013				
Fund Type	Federal National Mortgage Association & Farm Credit Bank	Columbia Bank Certificate of Deposit	Total	
Special Revenue Funds	\$ 700,128	\$ -	\$ 700,128	
Capital Projects Funds	200,105	-	200,105	
Debt Service Funds	200,583	-	200,583	
Enterprise Funds	1,441,841	1,049,677	2,491,518	
Internal Service Funds	1,440,009	1,049,677	2,489,686	
Total	\$ 3,982,666	\$ 2,099,354	\$ 6,082,020	

NOTE 7 – RECEIVABLES, DEFERRED INFLOWS, AND 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, 2013, the total balance of property taxes receivable recorded by the City was \$320,835. Of this, \$281,116 is recorded as deferred inflow of resources, since it was not collected within the first 60 days of 2014.

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 2013 was \$1.44 per \$1,000 on an assessed valuation of \$4,420,933,057 for a total regular levy of \$6,269,195.

Deferred Inflows of Resources

The table below provides details of the deferred inflows of resources as reported on the governmental funds balance sheet. Grant reimbursements are receivable within one year of the end of the fiscal period.

DEFERRED INFLOWS OF RESOURCES AS OF DECEMBER 31, 2013						
Deferred Inflows of Resources	General	Grant	LID Debt Service	Nonmajor Governmental	Total General Government	
Property Tax	\$ 281,116	\$ -	\$ -	\$ -	\$ 281,116	
Municipal Court	1,128,830	-	-	-	1,128,830	
HUD Loans	-	919,564	-	-	919,564	
Local Improvement Districts	-	-	2,098,666	-	2,098,666	
Abatements	-	-	-	53,242	53,242	
Public Works Trust Fund Loan - Side Sewer	-	-	-	92,140	92,140	
Total by Fund:	\$ 1,409,946	\$ 919,564	\$ 2,098,666	\$ 145,382	\$ 4,573,558	

Receivables & Due from Other Governments

The receivables for the fiscal year ended December 31, 2013, on the governmental funds balance sheet are detailed in the following schedule.

RECEIVABLES & DUE FROM OTHER GOVERNMENTS AS OF DECEMBER 31, 2013										
Receivable	General	Street Capital Projects	Grant	LID Debt Service	Nonmajor Governmental	Total Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Business Type Activities	Total Primary Government
Property Tax	\$ 281,116	\$ -	\$ -	\$ -	\$ -	\$ 281,116	\$ -	\$ 281,116	\$ -	\$ 281,116
Other Tax	3,291,241	402,874	-	-	202,590	3,896,705	-	3,896,705	-	3,896,705
Municipal Court Receivables	1,572,090	-	-	-	-	1,572,090	-	1,572,090	-	1,572,090
Other Receivables	99,432	70,425	-	-	201,751	371,608	-	371,608	-	371,608
Interest Receivable	-	-	-	105,689	1,037	106,726	1,068	107,794	1,052	108,846
Notes/Loans Receivable	-	-	919,684	-	92,140	1,011,824	-	1,011,824	-	1,011,824
Abatement Assessments	-	-	-	-	36,692	36,692	-	36,692	-	36,692
Special Assessments	-	-	-	1,992,977	-	1,992,977	-	1,992,977	-	1,992,977
Grants	-	-	149,918	-	238,850	388,768	-	388,768	-	388,768
Due From Other Governments :										
Animal Control	8,955	-	-	-	-	8,955	-	8,955	-	8,955
Court Transport & Public Defender	65,840	-	-	-	-	65,840	-	65,840	-	65,840
Criminal Justice Training Commission	16,801	-	-	-	-	16,801	-	16,801	-	16,801
Department of Ecology	-	-	-	-	-	-	-	-	116,658	116,658
FBI Innocence Lost	3,572	-	-	-	-	3,572	-	3,572	-	3,572
FBI Safe Streets Task Force	1,778	-	-	-	-	1,778	-	1,778	-	1,778
Homeland Security Investigations	523	-	-	-	-	523	-	523	-	523
Office of Economic Adjustment	-	241,312	-	-	-	241,312	-	241,312	-	241,312
Pierce County Storm Drainage Fees	-	-	-	-	-	-	-	-	151,461	151,461
Public Works Sewer Surcharge	-	-	-	-	51,408	51,408	-	51,408	-	51,408
Sex Offender Address Verification	13,980	-	-	-	-	13,980	-	13,980	-	13,980
Traffic Improvement Boards	-	143,006	-	-	-	143,006	-	143,006	-	143,006
WA State Dept. of Transportation	-	209,225	-	-	-	209,225	-	209,225	-	209,225
Western State Hospital	66,568	-	-	-	-	66,568	-	66,568	-	66,568
WSP Missing & Exploited Children	14,500	-	-	-	-	14,500	-	14,500	-	14,500
Other	3,471	663	-	-	49	4,183	-	4,183	-	4,183
Total by Fund:	\$5,439,867	\$ 1,067,505	\$ 1,069,602	\$ 2,098,666	\$ 824,517	\$ 10,500,157	\$ 1,068	\$ 10,501,225	\$ 269,171	\$ 10,770,399

NOTE 8 – DUE TO OTHER GOVERNMENTS

At December 31, 2013, the City recorded \$255,916 as due to other governments as follows:

DUE TO OTHER GOVERNMENTS AS OF DECEMBER 31, 2013							
Payable	General	Street Capital Projects	Grant	Nonmajor Governmental	Total General Government	Surface Water Management	Total
Sales and Use Tax	\$ 122	\$ -	\$ -	\$ -	\$ 122	\$ -	\$ 122
Payroll Taxes	224,509	7,552	1,721	13,865	247,647	8,147	255,794
Total by Fund:	\$ 224,631	\$ 7,552	\$ 1,721	\$ 13,865	\$ 247,769	\$ 8,147	\$ 255,916

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013, is as follows:

Governmental Activities	Beginning Balance 01/01/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital assets, not being depreciated:				
Land and land rights	\$ 21,321,157	\$ 205,640	\$ (615,242)	\$ 20,911,555
Construction in progress	7,911,094	2,208,929	(4,366,524)	5,753,499
Total capital assets, not being depreciated	<u>29,232,251</u>	<u>2,414,569</u>	<u>(4,981,766)</u>	<u>26,665,054</u>
Capital assets being depreciated:				
Buildings	26,175,428	40,918	-	26,216,346
Improvements other than buildings	89,411,811	5,656,733	-	95,068,544
Machinery and equipment	2,846,343	406,422	(61,470)	3,191,295
Total capital assets, being depreciated	<u>118,433,582</u>	<u>6,104,073</u>	<u>(61,470)</u>	<u>124,476,185</u>
Less accumulated depreciation for:				
Buildings	(3,756,171)	-	317,598	(3,438,573)
Improvements other than buildings	(35,184,825)	(954,615)	-	(36,139,440)
Machinery and equipment	(2,106,203)	(203,961)	61,470	(2,248,694)
Total accumulated depreciation	<u>(41,047,199)</u>	<u>(1,158,576)</u>	<u>379,068</u>	<u>(41,826,707)</u>
Total capital assets being depreciated, net	77,386,383	4,945,497	317,598	82,649,477
Subtotal Governmental Activities capital assets, net	\$ 106,618,634	\$ 7,360,067	\$ (4,664,168)	\$ 109,314,532
Internal Service Funds				
Capital assets, not being depreciated:				
Land and land rights	\$ 278	\$ -	\$ -	\$ 278
Total capital assets, not being depreciated	<u>278</u>	<u>-</u>	<u>-</u>	<u>278</u>
Capital assets being depreciated:				
Improvements other than buildings	137,279	-	-	137,279
Machinery and equipment	5,853,213	672,917	(639,444)	5,886,686
Total capital assets, being depreciated	<u>5,990,492</u>	<u>672,917</u>	<u>(639,444)</u>	<u>6,023,965</u>
Less accumulated depreciation for:				
Improvements other than buildings	(16,419)	(3,432)	-	(19,851)
Machinery and equipment	(3,949,741)	(682,757)	585,762	(4,046,736)
Total accumulated depreciation	<u>(3,966,160)</u>	<u>(686,189)</u>	<u>585,762</u>	<u>(4,066,587)</u>
Total capital assets, being depreciated, net	2,024,332	(13,272)	(53,682)	1,957,378
Subtotal Internal Service Funds capital assets, net	2,024,610	(13,272)	(53,682)	1,957,656
Governmental Activities capital assets, net	\$ 108,643,244	\$ 7,346,795	\$ (4,717,850)	\$ 111,272,188

Capital asset activity for Business-type activities for the year ended December 31, 2013, was as follows:

Business-Type Activities	Beginning Balance			Ending Balance
	01/01/2013	Increases	Decreases	12/31/2013
Capital assets, not being depreciated:				
Land	\$ 1,604,509	\$ 59,508	\$ -	\$ 1,664,017
Construction in progress	616,623	2,200,344	(527,056)	2,289,911
Total capital assets, not being depreciated	<u>2,221,132</u>	<u>2,259,852</u>	<u>(527,056)</u>	<u>3,953,928</u>
Capital assets being depreciated:				
Buildings	177,520	-	-	177,520
Infrastructure	40,375,028	527,056	-	40,902,084
Machinery and equipment	308,332	33,765	(20,653)	321,444
Total capital assets, being depreciated	<u>40,860,880</u>	<u>560,821</u>	<u>(20,653)</u>	<u>41,401,048</u>
Less accumulated depreciation for:				
Buildings	(12,927)	-	2,415	(10,512)
Infrastructure	(10,954,904)	(649,101)	-	(11,604,005)
Machinery and equipment	(104,803)	(43,423)	20,654	(127,572)
Total accumulated depreciation	<u>(11,072,634)</u>	<u>(692,524)</u>	<u>23,069</u>	<u>(11,742,089)</u>
Total capital assets, being depreciated, net	<u>29,788,246</u>	<u>(131,703)</u>	<u>2,416</u>	<u>29,658,959</u>
Business-type activities capital assets, net	\$ 32,009,378	\$ 2,128,149	\$ (524,640)	\$ 33,612,887

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

Capital Asset Depreciation by Type	
As of December 31, 2013	
Governmental Activities:	
General Government	\$ (261,614)
Judicial	17,409
Public safety (Police)	661,620
Transportation (Highways and Streets)	798,796
Economic Environment	7,622
Utilities and Environment	4,758
Culture and Recreation	298,574
Total Depreciation Expense - Governmental Activities	1,527,166
Business-Type Activities:	
Utilities and Environment (Surface Water Management)	690,109
Total Depreciation Expense - Business-Type Activities	690,109
Total Depreciation Expense	\$ 2,217,275

The City has active construction projects as of December 31, 2013. The City's commitments with contractors are as follows:

Construction Commitments			
Contract Name	Contract	Payments	Balance at 12/31/2013
Construction Contracts			
KBH Construction	\$ 524,485	\$ -	\$ 524,485
Consulting and Engineering Services			
AHBL Inc. - Land Surveyor Services	15,000	2,613	12,387
AHBL Inc. - Land Surveyor Services	45,362	41,508	3,854
AHBL Inc. - Land Surveyor Services	36,218	27,102	9,116
Cascade Right-of-Way Services	57,010	11,585	45,425
Cascade Right-of-Way Services	64,665	63,455	1,210
Cascade Right-of-Way Services	88,260	-	88,260
DKS On-Call Consulting Services	45,000	19,152	25,848
DKS Consulting - Traffic Signal Upgrade Phase 4	81,738	47,783	33,955
KPFF Consulting	265,239	240,872	24,367
KPG	69,691	63,221	6,470
KPG	72,741	45,923	26,818
KPG	38,749	115	38,634
Larson & Associates	6,050	6,013	37
Landau Associates	39,064	7,363	31,701
Pierce County Clover Creek Fish Passage	40,000	10,000	30,000
Totem Electric	774,375	-	774,375
Transpo Group	203,915	106,935	96,980
Transpo Group - Travel Demand Model	40,000	-	40,000
Universal Field Services	4,997	701	4,296
Washington Department of Transportation	100,000	11,102	88,898
	\$ 2,612,559	\$ 705,443	\$ 1,907,116

NOTE 10 – 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, 2013, was \$14,439,535.

2013 Employer Contribution	2013 Employee Contribution
7.62 %	5.08 %
\$690,386	\$456,804

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:

2013 Employer Contribution	2013 Employee Contribution
4.77 %	6.20 %
\$905,314	\$1,176,717

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, 2013, was \$24,862,370.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The Final Average Salary (FAS) is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months). Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may request service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

LEOFF VALUATION AS OF JUNE 30, 2012	
Retirees and beneficiaries receiving benefits	10,189
Terminated plan members entitled to but not yet receiving benefits	689
Active plan members, vested	14,273
Active plan members, non-vested	2,633
Total	27,784

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute 0% as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2013, were:

LEOFF Plan 2	
Employer	5.23%
Employee	8.41%
State	3.36%

Both the City and employees made the required contributions. The City's required contributions for the years ended December 31 were:

LEOFF Plan 2	
2013	\$ 499,098
2012	\$ 483,888
2011	\$ 481,387

NOTE 11 – 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 (Inter-local Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly

purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, 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 sub-limits 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 inter-local agreement, 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 2013.

The following is a summary of coverage in force in 2013:

SCHEDULE OF INSURANCE IN FORCE AS OF DECEMBER 31, 2013			
Company	Policy Period	Details of Coverage	Liability Limits
WCIA	1/31/13 - 12/31/13	Liability Program (Auto, General, Police, Errors or Omissions, Employment Practices, Employee Benefit and Stop Gap)	Per Occurrence: \$4,000,000 on Self-Insured Layer Limit \$1,000,000 Reinsured Layer (G.E.M.I.) \$10,000,000 Reinsured Layer (I.L.I.) \$5,000,000 Reinsured Layer (A.W.A.C.I.) \$20,000,000 subject to aggregates and sub-limits. \$25,000 Deductible.
WCIA	1/31/13 - 12/31/13	Property Program - Manuscript Policy Form	WCIA self-insures first \$750,000 of covered perils other than flood & earthquake. Limits: \$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. Deductible: <u>Earthquake</u> : 2% of Values involved, subject to \$250,000 min. per Occurrence. <u>Flood</u> : \$250,000 per Occurrence except 3% of values involved, subject to a minimum of \$500,000 per Occurrence within Flood Zones A/V. All Other Perils: \$5,000.
WCIA	1/31/13 - 12/31/13	Auto Physical Damage Program	Limits: 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. Deductible: \$1,000
WCIA	1/31/13 - 12/31/13	Broiler and Machinery (Equipment Breakdown) Program - Manuscript Policy Form	Limits: \$100,000,000 Maximum Limit Sub-Limits: \$10,000,000 Business Interruption, Service/Off Premises Power Interruption; \$5,000,000 Demolition, Ordinance of Law/Increased Cost of Construction; \$1,000,000 Extra Expense; \$500,000 Perishable Goods/Spoilage/ Consequential Damage, Expediting Expenses, Hazardous Substances/ Pollutants; \$100,000 Off Premises Property Damage, Contingent Business Income, Data Restoration. Deductible: \$10,000 <u>Combined All Coverage with Exceptions (see policy)</u>
National Union Fire Insurance Company c/o WCIA	1/31/13 - 12/31/13	Crime/Fidelity Program (Blanket coverage for all employees unless excluded under the insurance policy)	Limits: \$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. Deductible: \$10,000
ACE American Insurance Company c/o WCIA	3/16/13 - 3/16/14	Premium: \$1,110 Environmental Liability; Storage Tank Third-Party Liability and Cleanup Policy; claims Made and Reported Coverage with exclusions (Specialized Insurance - Underground Storage Tank)	Notable Limits: \$1,000,000 Per Storage Tank Incident Limit of Liability; \$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. Deductible: \$5,000 per Storage Tank Incident.

NOTE 12 – 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. The bonds and note payable 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, 2013, no amount of special assessment receivables was considered delinquent.

The City also has a series of Washington State Public Works Trust Fund loans to fund construction of a sanitary sewer infrastructure system. That system was donated to Pierce County in 2012.

Debt activity for the year ended December 31, 2013, is recapped in the chart that follows:

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue Amount	Beginning of Year O/S Debt	Amount Issued	Amount Redeemed	End of Year O/S Debt	Due in One Year	Long-Term Portion
Governmental Activities										
<u>General Obligation Bonds</u>										
2009 LTGO	3/31/2009	12/1/2028	2.25% - 5.0%	\$ 2,695,000	\$ 2,325,000	\$ -	\$ 105,000	\$ 2,220,000	\$ 110,000	\$ 2,110,000
2009 LTGO Premium	3/31/2009	12/1/2028	n/a	n/a	38,360	-	2,400	35,960	2,400	33,560
Subtotal GO Bonds				2,695,000	2,363,360	-	107,400	2,255,960	112,400	2,143,560
<u>Special Assessment Bonds (with governmental commitments)</u>										
CLID 1103 debt	12/1/2006	12/1/2026	3.75% - 4.65%	2,824,704	1,405,000	-	150,000	1,255,000	150,000	1,105,000
LID 1108	1/18/2008	12/1/2027	4.22% - 5.30%	880,000	570,050	-	56,112	513,938	48,000	465,938
Subtotal Special Assessment Bonds				3,704,704	1,975,050	-	206,112	1,768,938	198,000	1,570,938
<u>Notes Payable</u>										
59th Street	4/30/2005	4/30/2025	Varies	1,071,000	733,691	-	49,563	684,129	51,416	632,713
Subtotal Notes Payable				1,071,000	733,691	-	49,563	684,129	51,416	632,713
<u>Government Loans</u>										
PWTF - 04-691- PRE-132	7/7/2005	7/7/2024	1.00%	593,864	356,585	-	29,715	326,870	29,715	297,155
PWTF - 06-962- 022	9/18/2006	9/18/2026	0.50%	5,000,000	4,122,749	-	294,482	3,828,267	294,482	3,533,785
PWTF - 08-951- 025	3/1/2008	7/1/2028	0.50%	1,840,000	1,664,418	-	104,026	1,560,392	104,026	1,456,366
Subtotal Government Loans				7,433,864	6,143,752	-	428,223	5,715,529	428,223	5,287,306
<u>Compensated Absences</u>					1,634,976	2,189,357	1,680,189	2,144,144	643,243	1,500,901
Subtotal Governmental Activities					12,850,829	2,189,357	2,471,487	12,568,700	1,433,282	11,135,418
Business-type Activities										
<u>Compensated absences</u>					90,248	64,172	57,392	97,028	29,108	67,920
Subtotal Business-type Activities					90,248	64,172	57,392	97,028	29,108	67,920
Total					\$ 12,941,077	\$ 2,253,529	\$ 2,528,879	\$ 12,665,728	\$ 1,462,390	\$ 11,203,338

Future payment requirements on debt balances are as follows:

Year(s)	Principal	Interest
2014	\$ 800,037	\$ 262,785
2015	806,960	246,036
2016	813,954	228,657
2017	816,024	166,245
2018 - 2022	4,023,968	743,343
2023 - 2027	2,857,024	233,115
2028	306,417	10,520
Totals	\$ 10,424,384	\$ 1,890,701

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, 2013	
General government (no vote required)	\$ 64,515,972
General government (3/5 majority vote required)	44,946,734
Parks and open space (3/5 majority vote required)	112,366,835
Utilities (3/5 majority vote required)	112,366,835
Total Capacity	\$ 334,196,376

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, 2013	
<i>Governmental Activities:</i>	
Current Portion	\$ 643,243
Noncurrent Portion	1,500,901
Subtotal Governmental Activities	2,144,144
<i>Business-Type Activities:</i>	
Current Portion	29,108
Noncurrent Portion	67,920
Subtotal Governmental Activities	97,028
Total Compensated Absences	\$ 2,241,172

Leases

Building Leases: In 2006, the City entered into a cancelable lease agreement with Pierce County to provide facilities for the Senior Center, which was renewed for a 60 month term beginning January 2011. In 2009, the City entered into a 62 month cancelable building lease to provide facilities for Washington Auto Theft Prevention Authority (WATPA) operations—this lease was canceled in June 2013. In July 2013 the City entered into a new building lease to provide facilities for WATPA at a lower monthly lease payment. Building lease payments for 2013 totaled \$83,584. The future minimum lease payments are as follows:

2014	\$64,044
2015	\$59,280

Copier Leases: In 2011, the City entered into 60 month non-cancelable copier leases. Lease payments for 2013 were \$38,608. The future minimum lease payments are as follows:

2014	\$ 38,608
2015	\$ 38,608
2016	\$ 38,608

Equipment Leases: In 2012, the City entered into two, 24 month cancelable vehicle leases in conjunction with the WATPA grant. The Kia lease was canceled in 2013 and the Chevy lease will be cancelled in 2014. Lease payments for 2013 totaled \$8,886.

NOTE 13 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2013, were as follows:

		Transfer From				
		General Fund	Street Capital Fund	Surface Water Management Fund	Non-Major Governmental Funds	Total
Transfer To	General Fund	\$ -	\$ -	\$ 269,700	\$ 426,752	\$ 696,452
	Street Capital Fund	38,826	-	108,004	-	146,830
	Surface Water Management Fund	-	300,000	-	-	300,000
	Non-Major Governmental Funds	1,034,133	56,000	-	-	1,090,133
	Total	\$ 1,072,959	\$ 356,000	\$ 377,704	\$ 426,752	\$ 2,233,415

The following describes the amounts transferred out during 2013:

General Fund:

- \$35,000 to the Street Capital Fund as a contribution for street capital projects;
- \$3,826 to the Street Capital Fund to allocate 15% of the DUI reimbursements to Traffic Safety Requirements per Ordinance No. 449;
- \$1,029,780 to support the operations of the Street Operations and Maintenance Fund;
- \$2,000 to establish a Public Art Fund per Ordinance No. 0556;

- \$2,353 to the Public Safety Grant Fund as part of the 50% match required for the purchase of a voice stress analyzer as part of the JAG Therapeutic Justice Grant;

Street Capital Fund:

- \$300,000 to the Surface Water Management Fund for the Public Works operations and maintenance building;
- \$56,000 to the Street Operations and Maintenance Fund for pavement patching;

Surface Water Management Fund:

- \$269,700 to the General Fund for administrative fees;
- \$108,004 to the Street Capital Projects Fund for drainage work on the Bridgeport Way (83rd to 75th) project and the Fiber and Copper Cabling Documentation project;

Nonmajor Governmental Funds

- \$28,360 from the Street Operations and Maintenance Fund for General Fund administrative fees;
- \$398,392 as a one-time transfer to return unspent General Fund proceeds to the General Fund.

An interfund loan in the amount of \$15,278 was made from the General Fund to the Public Safety Grant Fund to cover negative cash at the end of the year. 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 14 – 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:

Health First – 1000

- \$830.01 for non-Medicare enrolled retiree coverage
- \$837.26 for non-Medicare enrolled spouse coverage
- \$443.30 for Medicare enrolled retiree coverage
- \$456.13 for Medicare enrolled spouse coverage

Health First – 2500

- \$724.72 for non-Medicare enrolled retiree coverage
- \$729.99 for non-Medicare enrolled spouse coverage
- \$388.08 for Medicare enrolled retiree coverage
- \$398.04 for Medicare enrolled spouse coverage

Participating Employers are not contractually required to contribute an assessed rate each year by Trust for the non-LEOFF I retirees. The retiree pays for 100% of the premium.

NOTE 15 – CONTINGENCIES AND LITIGATION

The City participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Other than the instances described above, City management believes that such disallowances, if any, will be immaterial.

The City Attorney estimates that the amount of actual or potential claims against the City as of July 22, 2013, 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. Those cases involve a claim for a tax refund and two cases involving public disclosure requests. In the tax refund case, the plaintiff claims approximately \$87,000 in recovery (exclusive of interest and other sums). In one public disclosure request case, in September 2013, the Washington Court of Appeals held the City liable for attorney fees. Appellate attorney fees are approximately \$40,000, while the total fee request approaches \$100,000. The Washington Supreme Court granted review and heard this case on June 2014 and a decision is pending. In the other public disclosure case, the requestor asserts that the City's liability exceeds \$150,000.00. Trial on this last matter is set for November 2014. Litigation is also pending in one other matter for which the City has also been served with a tort claim relative to a prisoner's medical bills, in the principal amount of approximately \$280,000.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2013 the City recorded two prior period adjustments.

In 2012 the City did a prior period adjustment to account for an interfund loan repayment between the Sewer Project CIP fund and the Surface Water Management fund that was recorded incorrectly in 2011. The adjustment was made to the government-wide financial statements but was inadvertently excluded from the fund financial statements. The first prior period adjustment is a reduction in fund balance of \$385,400 in the Sewer Project CIP fund to complete the prior period adjustment from 2012.

In 2012 a CAFR adjustment was inadvertently posted causing accounts payable to be overstated and cash to be understated in the Sewer Project CIP fund and the Narcotics Seizure fund. The second prior period adjustment reverses the effect of the 2012 adjustment in the amount of \$728,800.

**Combining Statement – Nonmajor Governmental Funds’ Description
For the Year Ended December 31, 2013**

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 Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,738,047	\$ 647,843	\$ 299,665	\$ 2,685,555
Investments	700,129	200,583	200,105	1,100,817
Receivables	293,177	92,414	148,619	534,210
Due from other governments	238,899	51,408	-	290,307
	<u>\$ 2,970,252</u>	<u>\$ 992,248</u>	<u>\$ 648,389</u>	<u>\$ 4,610,889</u>
LIABILITIES				
Accounts payable	\$ 314,610	\$ -	\$ 1,775	\$ 316,385
Due to other funds	15,278	-	-	15,278
Payable to other governments	13,728	-	137	13,865
Deposits payable	49,630	-	150	49,780
Unearned revenue	135,176	-	31	135,207
	<u>528,422</u>	<u>-</u>	<u>2,093</u>	<u>530,515</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow of resources	53,242	92,140	-	145,382
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>53,242</u>	<u>92,140</u>	<u>-</u>	<u>145,382</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>581,664</u>	<u>92,140</u>	<u>2,093</u>	<u>675,897</u>
FUND BALANCES (DEFICITS)				
Restricted	2,138,417	900,108	-	3,038,525
Committed	250,171	-	646,296	896,467
TOTAL FUND BALANCES (DEFECITS)	<u>2,388,588</u>	<u>900,108</u>	<u>646,296</u>	<u>3,934,992</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFECITS)	<u>\$ 2,970,252</u>	<u>\$ 992,248</u>	<u>\$ 648,389</u>	<u>\$ 4,610,889</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 537,010	\$ -	\$ -	\$ 537,010
Licenses and permits	60,733	-	-	60,733
Intergovernmental	1,700,242	-	-	1,700,242
Charges for goods and services	300	616,257	378,932	995,489
Fines and forfeitures	114,914	-	-	114,914
Interest	2,229	5,368	918	8,515
Miscellaneous	27,841	19,234	4,196	51,271
TOTAL REVENUES	2,443,269	640,859	384,046	3,468,174
EXPENDITURES				
Current:				
Public safety	559,492	-	-	559,492
Utilities and environment	-	-	44,795	44,795
Transportation	2,158,417	-	-	2,158,417
Economic environment	979,477	-	63,947	1,043,424
Debt service:				
Interest	-	32,502	-	32,502
Principal retirement	-	428,223	-	428,223
Capital outlay:				
Capital	189,653	-	-	189,653
TOTAL EXPENDITURES	3,887,039	460,725	108,742	4,456,506
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,443,770)	180,134	275,304	(988,332)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,090,133	-	-	1,090,133
Transfers out	(28,360)	-	(398,392)	(426,752)
Insurance recovery	28,707	-	-	28,707
Gain (loss) on disposal of capital assets	579,418	-	-	579,418
TOTAL OTHER FINANCING SOURCES (USES)	1,669,898	-	(398,392)	1,271,506
NET CHANGE IN FUND BALANCES	226,128	180,134	(123,088)	283,174
FUND BALANCES - BEGINNING	2,162,460	719,974	1,154,784	4,037,218
Prior period adjustment	-	-	(385,400)	(385,400)
FUND BALANCES - ENDING	\$ 2,388,588	\$ 900,108	\$ 646,296	\$ 3,934,992



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Combining Statement – Nonmajor Special Revenue Funds’ Description For the Year Ended December 31, 2013

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 ***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 Grant 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, 2013

	Street Operations and Maintenance	Hotel/Motel Lodging Tax	Property Abatement
ASSETS			
Cash and cash equivalents	\$ 112,167	\$ 358,224	\$ 238,170
Investments	-	524,977	-
Receivables	173,849	65,917	39,001
Due from other governments	50	-	-
TOTAL ASSETS	<u>\$ 286,066</u>	<u>\$ 949,118</u>	<u>\$ 277,171</u>
LIABILITIES			
Accounts payable	\$ 193,631	\$ 13,617	\$ -
Due to other funds	-	-	-
Payable to other governments	9,466	127	-
Deposits payable	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	<u>203,097</u>	<u>13,744</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources	-	-	39,001
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>39,001</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>203,097</u>	<u>13,744</u>	<u>39,001</u>
FUND BALANCES (DEFICITS)			
Restricted	82,969	935,374	-
Committed	-	-	238,170
TOTAL FUND BALANCES (DEFECITS)	<u>82,969</u>	<u>935,374</u>	<u>238,170</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFECITS)	<u>\$ 286,066</u>	<u>\$ 949,118</u>	<u>\$ 277,171</u>

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2013

	Public Art	Narcotics Seizure	Felony Seizure
ASSETS			
Cash and cash equivalents	\$ 12,001	\$ 777,914	\$ 36,767
Investments	-	100,292	74,860
Receivables	-	137	33
Due from other governments	-	16,034	-
TOTAL ASSETS	<u>\$ 12,001</u>	<u>\$ 894,377</u>	<u>\$ 111,660</u>
LIABILITIES			
Accounts payable	\$ -	\$ 75,385	\$ 9,998
Due to other funds	-	-	-
Payable to other governments	-	1,188	-
Deposits payable	-	39,630	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>116,203</u>	<u>9,998</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>116,203</u>	<u>9,998</u>
FUND BALANCES (DEFICITS)			
Restricted	-	778,174	101,662
Committed	12,001	-	-
TOTAL FUND BALANCES (DEFECITS)	<u>12,001</u>	<u>778,174</u>	<u>101,662</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFECITS)	<u>\$ 12,001</u>	<u>\$ 894,377</u>	<u>\$ 111,660</u>

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2013

	<u>Federal Seizure</u>	<u>NSP Grant</u>	<u>OEA Grant</u>
ASSETS			
Cash and cash equivalents	\$ 40,240	\$ 140,694	\$ 21,870
Investments	-	-	-
Receivables	-	14,240	-
Due from other governments	-	32,169	146,259
TOTAL ASSETS	<u><u>\$ 40,240</u></u>	<u><u>\$ 187,103</u></u>	<u><u>\$ 168,129</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ 1,249	\$ 15,291
Due to other funds	-	-	-
Payable to other governments	-	269	1,184
Deposits payable	-	-	-
Unearned revenue	-	-	123,000
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>1,518</u></u>	<u><u>139,475</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources	-	14,241	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>-</u></u>	<u><u>14,241</u></u>	<u><u>-</u></u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	<u><u>-</u></u>	<u><u>15,759</u></u>	<u><u>139,475</u></u>
FUND BALANCES (DEFICITS)			
Restricted	40,240	171,344	28,654
Committed	-	-	-
TOTAL FUND BALANCES (DEFECITS)	<u><u>40,240</u></u>	<u><u>171,344</u></u>	<u><u>28,654</u></u>
TOTAL LIABILITIES AND FUND BALANCES (DEFECITS)			
	<u><u>\$ 40,240</u></u>	<u><u>\$ 187,103</u></u>	<u><u>\$ 168,129</u></u>

City of Lakewood
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2013

	Public Safety Grants	Total Nonmajor Special Revenue Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,738,047
Investments	-	700,129
Receivables	-	293,177
Due from other governments	44,387	238,899
TOTAL ASSETS	\$ 44,387	\$ 2,970,252
LIABILITIES		
Accounts payable	\$ 5,439	\$ 314,610
Due to other funds	15,278	15,278
Payable to other governments	1,494	13,728
Deposits payable	10,000	49,630
Unearned revenue	12,176	135,176
TOTAL LIABILITIES	44,387	528,422
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources	-	53,242
TOTAL DEFERRED INFLOWS OF RESOURCES	-	53,242
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	44,387	581,664
FUND BALANCES (DEFICITS)		
Restricted	-	2,138,417
Committed	-	250,171
TOTAL FUND BALANCES (DEFECITS)	-	2,388,588
TOTAL LIABILITIES AND FUND BALANCES (DEFECITS)	\$ 44,387	\$ 2,970,252

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2013

	Street Operations and Maintenance	Hotel/Motel Lodging Tax	Property Abatement
REVENUES			
Taxes	\$ -	\$ 537,010	\$ -
Licenses and permits	60,733	-	-
Intergovernmental	858,750	-	-
Charges for goods and services	300	-	-
Fines and forfeitures	-	-	-
Interest	4	1,093	146
Miscellaneous	14,341	-	-
TOTAL REVENUES	<u>934,128</u>	<u>538,103</u>	<u>146</u>
EXPENDITURES			
Current:			
Public safety	-	-	-
Transportation	2,158,417	-	-
Economic environment	-	540,544	16,902
Capital outlay:			
Capital	-	-	-
TOTAL EXPENDITURES	<u>2,158,417</u>	<u>540,544</u>	<u>16,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,224,289)</u>	<u>(2,441)</u>	<u>(16,756)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,085,782	-	-
Transfers out	(28,360)	-	-
Insurance recovery	28,707	-	-
Gain (loss) on disposal of capital assets	65,237	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,151,366</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(72,923)	(2,441)	(16,756)
FUND BALANCES - BEGINNING	<u>155,892</u>	<u>937,815</u>	<u>254,926</u>
FUND BALANCES - ENDING	<u>\$ 82,969</u>	<u>\$ 935,374</u>	<u>\$ 238,170</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2013

	<u>Public Art</u>	<u>Narcotics Seizure</u>	<u>Felony Seizure</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	30,745	-
Charges for goods and services	-	-	-
Fines and forfeitures	-	110,664	4,250
Interest	1	844	117
Miscellaneous	10,000	3,500	-
TOTAL REVENUES	<u>10,001</u>	<u>145,753</u>	<u>4,367</u>
EXPENDITURES			
Current:			
Public safety	-	149,846	48,891
Transportation	-	-	-
Economic environment	-	-	-
Capital outlay:			
Capital	-	139,712	9,383
TOTAL EXPENDITURES	<u>-</u>	<u>289,558</u>	<u>58,274</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,001</u>	<u>(143,805)</u>	<u>(53,907)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,000	-	-
Transfers out	-	-	-
Insurance recovery	-	-	-
Gain (loss) on disposal of capital assets	-	514,181	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>514,181</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	12,001	370,376	(53,907)
FUND BALANCES - BEGINNING	<u>-</u>	<u>407,798</u>	<u>155,569</u>
FUND BALANCES - ENDING	<u>\$ 12,001</u>	<u>\$ 778,174</u>	<u>\$ 101,662</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2013

	<u>Federal Seizure</u>	<u>NSP Grant</u>	<u>OEA Grant</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	6,260	199,774	219,961
Charges for goods and services	-	-	-
Fines and forfeitures	-	-	-
Interest	24	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	<u>6,284</u>	<u>199,774</u>	<u>219,961</u>
EXPENDITURES			
Current:			
Public safety	3,770	-	-
Transportation	-	-	-
Economic environment	-	198,205	223,826
Capital outlay:			
Capital	8,145	-	-
TOTAL EXPENDITURES	<u>11,915</u>	<u>198,205</u>	<u>223,826</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,631)</u>	<u>1,569</u>	<u>(3,865)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Insurance recovery	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(5,631)	1,569	(3,865)
FUND BALANCES - BEGINNING	<u>45,871</u>	<u>169,775</u>	<u>32,519</u>
FUND BALANCES - ENDING	<u>\$ 40,240</u>	<u>\$ 171,344</u>	<u>\$ 28,654</u>

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2013

	Public Safety Grants	Total Nonmajor Special Revenue Funds
REVENUES		
Taxes	\$ -	\$ 537,010
Licenses and permits	-	60,733
Intergovernmental	384,752	1,700,242
Charges for goods and services	-	300
Fines and forfeitures	-	114,914
Interest	-	2,229
Miscellaneous	-	27,841
TOTAL REVENUES	384,752	2,443,269
EXPENDITURES		
Current:		
Public safety	356,985	559,492
Transportation	-	2,158,417
Economic environment	-	979,477
Capital outlay:		
Capital	32,413	189,653
TOTAL EXPENDITURES	389,398	3,887,039
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,646)	(1,443,770)
OTHER FINANCING SOURCES (USES)		
Transfers in	2,351	1,090,133
Transfers out	-	(28,360)
Insurance recovery	-	28,707
Gain (loss) on disposal of capital assets	-	579,418
TOTAL OTHER FINANCING SOURCES (USES)	2,351	1,669,898
NET CHANGE IN FUND BALANCES	(2,295)	226,128
FUND BALANCES - BEGINNING	2,295	2,162,460
FUND BALANCES - ENDING	\$ -	\$ 2,388,588

City of Lakewood
Street Operations and Maintenance
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 48,500	\$ 48,500	\$ 60,733	\$ 12,233
Intergovernmental	790,000	790,000	858,750	68,750
Charges for goods and services	1,000	1,000	300	(700)
Interest	100	100	4	(96)
Miscellaneous	271,120	271,120	14,341	(256,779)
TOTAL REVENUES	<u>1,110,720</u>	<u>1,110,720</u>	<u>934,128</u>	<u>(176,592)</u>
EXPENDITURES				
Current:				
Transportation	2,122,040	2,178,040	2,158,417	19,623
Capital outlay:				
Capital	15,100	15,100	-	15,100
TOTAL EXPENDITURES	<u>2,137,140</u>	<u>2,193,140</u>	<u>2,158,417</u>	<u>34,723</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,026,420)</u>	<u>(1,082,420)</u>	<u>(1,224,289)</u>	<u>(141,869)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,029,780	1,085,780	1,085,782	2
Transfers out	(28,360)	(28,360)	(28,360)	-
Insurance recovery	25,000	25,000	28,707	3,707
Gain (loss) on disposal of capital assets	-	-	65,237	65,237
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,026,420</u>	<u>1,082,420</u>	<u>1,151,366</u>	<u>68,946</u>
NET CHANGE IN FUND BALANCES	-	-	(72,923)	(72,923)
FUND BALANCES - BEGINNING	100	100	155,892	155,792
FUND BALANCES - ENDING	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 82,969</u>	<u>\$ 82,869</u>

City of Lakewood
Hotel/Motel Lodging Tax
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 430,000	\$ 430,000	\$537,010	\$ 107,010
Interest	-	-	1,093	1,093
TOTAL REVENUES	<u>430,000</u>	<u>430,000</u>	<u>538,103</u>	<u>108,103</u>
EXPENDITURES				
Current:				
Economic environment	497,720	497,720	540,544	(42,824)
TOTAL EXPENDITURES	<u>497,720</u>	<u>497,720</u>	<u>540,544</u>	<u>(42,824)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(67,720)</u>	<u>(67,720)</u>	<u>(2,441)</u>	<u>65,279</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(67,720)	(67,720)	(2,441)	65,279
FUND BALANCES - BEGINNING	859,440	937,817	937,815	(2)
FUND BALANCES - ENDING	<u>\$ 791,720</u>	<u>\$ 870,097</u>	<u>\$935,374</u>	<u>\$ 65,277</u>

City of Lakewood
Property Abatement
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for goods and services	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Interest	-	-	146	146
TOTAL REVENUES	<u>50,000</u>	<u>50,000</u>	<u>146</u>	<u>(49,854)</u>
EXPENDITURES				
Current:				
Economic environment	<u>85,000</u>	<u>85,000</u>	<u>16,902</u>	<u>68,098</u>
TOTAL EXPENDITURES	<u>85,000</u>	<u>85,000</u>	<u>16,902</u>	<u>68,098</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(35,000)</u>	<u>(35,000)</u>	<u>(16,756)</u>	<u>18,244</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(35,000)	(35,000)	(16,756)	18,244
FUND BALANCES - BEGINNING	<u>85,000</u>	<u>254,927</u>	<u>254,926</u>	<u>(1)</u>
FUND BALANCES - ENDING	<u>\$ 50,000</u>	<u>\$219,927</u>	<u>\$238,170</u>	<u>\$ 18,243</u>

City of Lakewood
Public Art
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 1	\$ 1
Miscellaneous	5,000	5,000	10,000	5,000
TOTAL REVENUES	<u>5,000</u>	<u>5,000</u>	<u>10,001</u>	<u>5,001</u>
EXPENDITURES				
Current:				
Economic environment	2,000	2,000	-	2,000
TOTAL EXPENDITURES	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,000</u>	<u>3,000</u>	<u>10,001</u>	<u>7,001</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	2,000	2,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>5,000</u>	<u>5,000</u>	<u>12,001</u>	<u>7,001</u>
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 12,001</u>	<u>\$ 7,001</u>

City of Lakewood
Narcotics Seizure
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 30,745	\$ 15,745
Fines and forfeitures	150,000	150,000	110,664	(39,336)
Interest	1,660	1,660	844	(816)
Miscellaneous	39,000	39,000	3,500	(35,500)
TOTAL REVENUES	<u>205,660</u>	<u>205,660</u>	<u>145,753</u>	<u>(59,907)</u>
EXPENDITURES				
Current:				
Public safety	380,000	380,000	149,846	230,154
Debt service:				
Debt interest	10,000	10,000	-	10,000
Capital outlay:				
Capital	-	-	139,712	(139,712)
TOTAL EXPENDITURES	<u>390,000</u>	<u>390,000</u>	<u>289,558</u>	<u>100,442</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(184,340)</u>	<u>(184,340)</u>	<u>(143,805)</u>	<u>40,535</u>
OTHER FINANCING SOURCES (USES)				
Gain (loss) on disposal of capital assets	-	-	514,181	514,181
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>514,181</u>	<u>514,181</u>
NET CHANGE IN FUND BALANCES	<u>(184,340)</u>	<u>(184,340)</u>	<u>370,376</u>	<u>554,716</u>
FUND BALANCES - BEGINNING	<u>200,000</u>	<u>407,797</u>	<u>407,798</u>	<u>1</u>
FUND BALANCES - ENDING	<u>\$ 15,660</u>	<u>\$ 223,457</u>	<u>\$ 778,174</u>	<u>\$ 554,717</u>

City of Lakewood
Felony Seizure
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 4,250	\$ 4,250
Interest	200	200	117	(83)
TOTAL REVENUES	<u>200</u>	<u>200</u>	<u>4,367</u>	<u>4,167</u>
EXPENDITURES				
Current:				
Public safety	58,450	58,450	48,891	9,559
Capital outlay:				
Capital	-	-	9,383	(9,383)
TOTAL EXPENDITURES	<u>58,450</u>	<u>58,450</u>	<u>58,274</u>	<u>176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(58,250)</u>	<u>(58,250)</u>	<u>(53,907)</u>	<u>4,343</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(58,250)	(58,250)	(53,907)	4,343
FUND BALANCES - BEGINNING	<u>108,250</u>	<u>155,569</u>	<u>155,569</u>	<u>-</u>
FUND BALANCES - ENDING	<u><u>\$ 50,000</u></u>	<u><u>\$ 97,319</u></u>	<u><u>\$ 101,662</u></u>	<u><u>\$ 4,343</u></u>

City of Lakewood
Federal Seizure
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 6,260	\$ 6,260
Interest	-	-	24	24
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>6,284</u>	<u>6,284</u>
EXPENDITURES				
Current:				
Public safety	70,000	45,871	3,770	42,101
Capital outlay:				
Capital	-	-	8,145	(8,145)
TOTAL EXPENDITURES	<u>70,000</u>	<u>45,871</u>	<u>11,915</u>	<u>33,956</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(70,000)</u>	<u>(45,871)</u>	<u>(5,631)</u>	<u>40,240</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(70,000)	(45,871)	(5,631)	40,240
FUND BALANCES - BEGINNING	100,480	45,871	45,871	-
FUND BALANCES - ENDING	<u>\$ 30,480</u>	<u>\$ -</u>	<u>\$ 40,240</u>	<u>\$ 40,240</u>

City of Lakewood
Neighborhood Stabilization Program (NSP)
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 369,898	\$ 199,774	\$ (170,124)
Charges for goods and services	-	32,718	-	(32,718)
Interest	-	1,568	-	(1,568)
TOTAL REVENUES	-	404,184	199,774	(204,410)
EXPENDITURES				
Current:				
Economic environment	299,690	402,616	198,205	204,411
TOTAL EXPENDITURES	299,690	402,616	198,205	204,411
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(299,690)	1,568	1,569	1
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(299,690)	1,568	1,569	1
FUND BALANCES - BEGINNING	453,460	169,776	169,775	(1)
FUND BALANCES - ENDING	\$ 153,770	\$ 171,344	\$ 171,344	\$ -

City of Lakewood
Office of Economic Adjustment (OEA)
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 268,240	\$ 219,375	\$ 219,961	\$ 586
TOTAL REVENUES	<u>268,240</u>	<u>219,375</u>	<u>219,961</u>	<u>586</u>
EXPENDITURES				
Current:				
Economic environment	213,860	239,375	223,826	15,549
TOTAL EXPENDITURES	<u>213,860</u>	<u>239,375</u>	<u>223,826</u>	<u>15,549</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>54,380</u>	<u>(20,000)</u>	<u>(3,865)</u>	<u>16,135</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	54,380	(20,000)	(3,865)	16,135
FUND BALANCES - BEGINNING	-	32,517	32,519	2
FUND BALANCES - ENDING	<u>\$ 54,380</u>	<u>\$ 12,517</u>	<u>\$ 28,654</u>	<u>\$ 16,137</u>

City of Lakewood
Public Safety Grants
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 370,160	\$ 955,972	\$ 384,752	\$ (571,220)
TOTAL REVENUES	<u>370,160</u>	<u>955,972</u>	<u>384,752</u>	<u>(571,220)</u>
EXPENDITURES				
Current:				
Public safety	301,520	887,332	356,985	530,347
Capital	<u>65,000</u>	<u>65,000</u>	<u>32,413</u>	<u>32,587</u>
TOTAL EXPENDITURES	<u>366,520</u>	<u>952,332</u>	<u>389,398</u>	<u>562,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,640</u>	<u>3,640</u>	<u>(4,646)</u>	<u>(8,286)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>2,351</u>	<u>2,351</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,351</u>	<u>2,351</u>
NET CHANGE IN FUND BALANCES	3,640	3,640	(2,295)	(5,935)
FUND BALANCES - BEGINNING	<u>-</u>	<u>2,294</u>	<u>2,295</u>	<u>1</u>
FUND BALANCES - ENDING	<u>\$ 3,640</u>	<u>\$ 5,934</u>	<u>\$ -</u>	<u>\$ (5,934)</u>



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**Combining Statement – Nonmajor Debt Funds’ Description
For the Year Ended December 31, 2013**

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, 2013

	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt Service Funds
ASSETS			
Cash and cash equivalents	\$ 456,841	\$ 191,002	\$ 647,843
Investments	-	200,583	200,583
Receivables	92,141	273	92,414
Due from other governments	51,408	-	51,408
TOTAL ASSETS	\$ 600,390	\$ 391,858	\$ 992,248
LIABILITIES			
TOTAL LIABILITIES	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources	92,140	-	92,140
TOTAL DEFERRED INFLOWS OF RESOURCES	92,140	-	92,140
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	92,140	-	92,140
FUND BALANCES			
Restricted	508,250	391,858	900,108
TOTAL FUND BALANCES	508,250	391,858	900,108
TOTAL LIABILITIES AND FUND BALANCES	\$ 600,390	\$ 391,858	\$ 992,248

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2013

	Sewer Project Debt	LID Guaranty	Total Nonmajor Debt service funds
REVENUES			
Charges for goods and services	\$ 616,257	\$ -	\$ 616,257
Interest	4,293	1,075	5,368
Miscellaneous	19,234	-	19,234
TOTAL REVENUES	639,784	1,075	640,859
EXPENDITURES			
Current:			
Debt service:			
Interest	32,502	-	32,502
Principal retirement	428,223	-	428,223
TOTAL EXPENDITURES	460,725	-	460,725
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	179,059	1,075	180,134
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	179,059	1,075	180,134
FUND BALANCES - BEGINNING	329,191	390,783	719,974
FUND BALANCES - ENDING	\$ 508,250	\$ 391,858	\$ 900,108

City of Lakewood
Sewer Project Debt
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for goods and services	\$ -	\$ 540,000	\$ 616,257	\$ 76,257
Interest	-	-	4,293	4,293
Miscellaneous	-	-	19,234	19,234
TOTAL REVENUES	-	540,000	639,784	99,784
EXPENDITURES				
Debt service:				
Interest	-	32,510	32,502	8
Principal retirement	-	428,224	428,223	1
TOTAL EXPENDITURES	-	460,734	460,725	9
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	79,266	179,059	99,793
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	79,266	179,059	99,793
FUND BALANCES - BEGINNING	-	329,191	329,191	-
FUND BALANCES - ENDING	\$ -	\$ 408,457	\$ 508,250	\$ 99,793

City of Lakewood
Local Improvement District Guaranty
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 1,075	\$ 1,075
TOTAL REVENUES	-	-	1,075	1,075
EXPENDITURES				
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	1,075	1,075
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	1,075	1,075
FUND BALANCES - BEGINNING	-	390,783	390,783	-
FUND BALANCES - ENDING	\$ -	\$ 390,783	\$ 391,858	\$ 1,075

City of Lakewood
LID Debt Service
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Special assessments	\$ -	\$ 206,112	\$ 179,171	\$ (26,941)
Interest	-	92,108	115,204	23,096
TOTAL REVENUES	<u>-</u>	<u>298,220</u>	<u>294,375</u>	<u>(3,845)</u>
EXPENDITURES				
Current:				
Debt service:				
Interest	-	92,108	92,109	(1)
Principal retirement	-	206,112	206,112	-
TOTAL EXPENDITURES	<u>-</u>	<u>298,220</u>	<u>298,221</u>	<u>(1)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(3,846)</u>	<u>(3,846)</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(3,846)</u>	<u>(3,846)</u>
FUND BALANCES - BEGINNING	<u>-</u>	<u>3,995</u>	<u>3,995</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 3,995</u>	<u>\$ 149</u>	<u>\$ (3,846)</u>

**Combining Statement – Nonmajor Capital Project Funds’ Description
For the Year Ended December 31, 2013**

The *General Governmental 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, 2013

	General Government CIP	Sewer Project CIP	Sanitary Sewer Connection CIP	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ 276	\$ 51,790	\$ 247,599	\$ 299,665
Investments	-	74,860	125,245	200,105
Receivables	-	32	148,587	148,619
TOTAL ASSETS	\$ 276	\$ 126,682	\$ 521,431	\$ 648,389
LIABILITIES				
Accounts payable	\$ -	\$ 300	\$ 1,475	\$ 1,775
Payable to other governments	-	24	113	137
Deposits payable	-	150	-	150
Unearned revenue	-	-	31	31
TOTAL LIABILITIES	-	474	1,619	2,093
DEFERRED INFLOWS OF RESOURCES				
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	-	474	1,619	2,093
FUND BALANCES (DEFICITS)				
Committed	276	126,208	519,812	646,296
TOTAL FUND BALANCES (DEFECITS)	276	126,208	519,812	646,296
TOTAL LIABILITIES AND FUND BALANCES (DEFECITS)	\$ 276	\$ 126,682	\$ 521,431	\$ 648,389

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2013

	General Government CIP	Sewer Project CIP	Sanitary Sewer Connection CIP	Total Nonmajor Capital projects funds
REVENUES				
Charges for goods and services	\$ -	\$ -	\$ 378,932	\$ 378,932
Interest	276	153	489	918
Miscellaneous	-	-	4,196	4,196
TOTAL REVENUES	276	153	383,617	384,046
EXPENDITURES				
Current:				
Utilities and environment	-	-	44,795	44,795
Economic environment	-	63,947	-	63,947
TOTAL EXPENDITURES	-	63,947	44,795	108,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	276	(63,794)	338,822	275,304
OTHER FINANCING SOURCES (USES)				
Contributions to/from other funds	-	-	-	-
Transfers out	(398,392)	-	-	(398,392)
TOTAL OTHER FINANCING SOURCES (USES)	(398,392)	-	-	(398,392)
NET CHANGE IN FUND BALANCES	(398,116)	(63,794)	338,822	(123,088)
FUND BALANCES - BEGINNING	398,392	575,402	180,990	1,154,784
Prior period adjustment	-	(385,400)	-	(385,400)
FUND BALANCES - ENDING	\$ 276	\$ 126,208	\$ 519,812	\$ 646,296

City of Lakewood
General Government CIP
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 276	\$ 276
TOTAL REVENUES	-	-	276	276
EXPENDITURES				
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	276	276
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(398,392)	(398,392)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(398,392)	(398,392)	-
NET CHANGE IN FUND BALANCES	-	(398,392)	(398,116)	276
FUND BALANCES - BEGINNING	-	398,392	398,392	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ 276	\$ 276

City of Lakewood
Sewer Project CIP
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 153	\$ 153
Utilities and environment	235,580	235,580	-	(235,580)
TOTAL REVENUES	<u>235,580</u>	<u>235,580</u>	<u>153</u>	<u>(235,427)</u>
EXPENDITURES				
Current:				
Economic environment	34,610	34,610	63,947	(29,337)
Capital outlay:				
Capital	200,000	200,000	-	200,000
TOTAL EXPENDITURES	<u>234,610</u>	<u>234,610</u>	<u>63,947</u>	<u>170,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>970</u>	<u>970</u>	<u>(63,794)</u>	<u>(64,764)</u>
OTHER FINANCING SOURCES (USES)				
Contributions to/from other funds	-	-	(385,400)	(385,400)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(385,400)</u>	<u>(385,400)</u>
NET CHANGE IN FUND BALANCES	<u>970</u>	<u>970</u>	<u>(449,194)</u>	<u>(450,164)</u>
FUND BALANCES - BEGINNING	-	190,002	575,402	385,400
Prior period adjustment	-	-	(385,400)	(385,400)
FUND BALANCES - ENDING	<u>\$ 970</u>	<u>\$ 190,972</u>	<u>\$ 126,208</u>	<u>\$ (64,764)</u>

City of Lakewood
Sanitary Sewer Connection
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for goods and services	\$ 269,900	\$ 269,900	\$ 378,932	\$ 109,032
Interest	-	-	489	489
Miscellaneous	-	-	4,196	4,196
TOTAL REVENUES	<u>269,900</u>	<u>269,900</u>	<u>383,617</u>	<u>113,717</u>
EXPENDITURES				
Current:				
Utilities and environment	89,940	89,940	44,795	45,145
TOTAL EXPENDITURES	<u>89,940</u>	<u>89,940</u>	<u>44,795</u>	<u>45,145</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>179,960</u>	<u>179,960</u>	<u>338,822</u>	<u>158,862</u>
OTHER FINANCING SOURCES (USES)				
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	179,960	179,960	338,822	158,862
FUND BALANCES - BEGINNING	<u>116,640</u>	<u>180,989</u>	<u>180,990</u>	<u>1</u>
FUND BALANCES - ENDING	<u>\$ 296,600</u>	<u>\$ 360,949</u>	<u>\$ 519,812</u>	<u>\$ 158,863</u>

**Combining Statement – Internal Service Fund’s Description
For the Year Ended December 31, 2013**

Internal Service Funds

The City uses internal service funds to accumulate reserves for equipment replacement and maintenance to City-owned property. Beginning with the 2015/2016 Budget these will operate as true internal service funds.

The *Vehicle and Equipment Replacement Fund* was established as a revolving fund to be expended for the replacement and purchase of equipment. It currently accounts for vehicle and equipment replacement reserves and capital purchases funded by the accumulated reserves.

The *City Hall Facility Services Fund* accumulates reserves needed for future major repairs and capital improvements to city-owned facilities.

City of Lakewood
Combining Statement of Net Position
Nonmajor Internal Service Funds
December 31, 2013

	Equipment Replacement	City Hall Service	Total Nonmajor Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,886,020	\$ 206,134	\$ 3,092,154
Investments	2,243,264	246,422	2,489,686
Receivables	782	286	1,068
TOTAL CURRENT ASSETS	5,130,066	452,842	5,582,908
Noncurrent assets:			
Land	-	278	278
Improvements other than buildings	-	137,278	137,278
Machinery and equipment	5,886,686	-	5,886,686
Less accumulated depreciation	(4,046,736)	(19,851)	(4,066,587)
TOTAL NONCURRENT ASSETS	1,839,950	117,705	1,957,655
TOTAL ASSETS	6,970,016	570,547	7,540,563
LIABILITIES			
Current liabilities:			
Accounts payable	20,082	-	20,082
TOTAL CURRENT LIABILITIES	20,082	-	20,082
Noncurrent liabilities:			
TOTAL NONCURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	20,082	-	20,082
NET POSITION			
Net investment in capital assets	1,839,950	117,705	1,957,655
Unrestricted	5,109,984	452,842	5,562,826
TOTAL NET POSITION	\$ 6,949,934	\$ 570,547	\$ 7,520,481

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2013

	<u>Equipment Replacement</u>	<u>City Hall Service</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES			
Charges for goods and services	\$ 938,150	\$ -	\$ 938,150
TOTAL OPERATING REVENUES	<u>938,150</u>	<u>-</u>	<u>938,150</u>
OPERATING EXPENSES			
Maintenance and administration	28	-	28
Depreciation	682,756	3,432	686,188
TOTAL OPERATING EXPENSES	<u>682,784</u>	<u>3,432</u>	<u>686,216</u>
OPERATING INCOME (LOSS)	<u>255,366</u>	<u>(3,432)</u>	<u>251,934</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on disposal of capital assets	56,549	-	56,549
Investment earnings	15,575	722	16,297
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>72,124</u>	<u>722</u>	<u>72,846</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>327,490</u>	<u>(2,710)</u>	<u>324,780</u>
CHANGE IN NET POSITION	327,490	(2,710)	324,780
TOTAL NET POSITION - BEGINNING	<u>6,622,444</u>	<u>573,257</u>	<u>7,195,701</u>
TOTAL NET POSITION - ENDING	<u>\$ 6,949,934</u>	<u>\$ 570,547</u>	<u>\$ 7,520,481</u>

City of Lakewood
Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2013

	Equipment Replacement	City Hall Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from interfund	\$ 938,150	\$ -	\$ 938,150
Cash paid to suppliers	(6,838)	-	(6,838)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	931,312	-	931,312
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating miscellaneous revenue (expense)	56,549	-	56,549
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	56,549	-	56,549
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(599,153)	-	(599,153)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(599,153)	-	(599,153)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(247,391)	(194,003)	(441,394)
Interest income	15,389	115	15,504
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(232,002)	(193,888)	(425,890)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	156,706	(193,888)	(37,182)
BALANCES - BEGINNING OF YEAR	2,729,314	400,022	3,129,336
BALANCES - END OF YEAR	\$ 2,886,020	\$ 206,134	\$ 3,092,154
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income	\$ 255,366	\$ (3,432)	\$ 251,934
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	682,756	3,432	686,188
Changes in assets and liabilities:			
Accounts Payable - Supplier	(6,810)	-	(6,810)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 931,312	\$ -	\$ 931,312

Fiduciary Funds' Description
For the Year Ended December 31, 2013

The *Municipal Court Trust Account Fund* accounts for monies received by the Municipal Court as bond deposits, cash deposits, or other payments which may be returned to the person making the deposit or payment to the City or which may be applied to fines, penalties, costs, or expenses involved in cases filed with the Municipal Court.

The *Section 125 Fund* accounts for monies received from the salary deductions of participating employees, and from which reimbursements are paid for the applicable medical and childcare expenses of those employees, in conformity with the provisions of Section 125 of the IRS Code.

City of Lakewood
Combining Statement of Fiduciary Net Position
Agency Funds
December 31, 2013

	Municipal Court Agency Fund	Section 125 Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 62,808	\$ 2,694	\$ 65,502
Deposits payable	-	10,000	10,000
TOTAL ASSETS	\$ 62,808	\$ 12,694	\$ 75,502
LIABILITIES			
Accounts payable	\$ -	\$ 12,694	\$ 12,694
Deposits payable	62,808	-	62,808
TOTAL LIABILITIES	62,808	12,694	75,502
NET POSITION	\$ -	\$ -	\$ -

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.

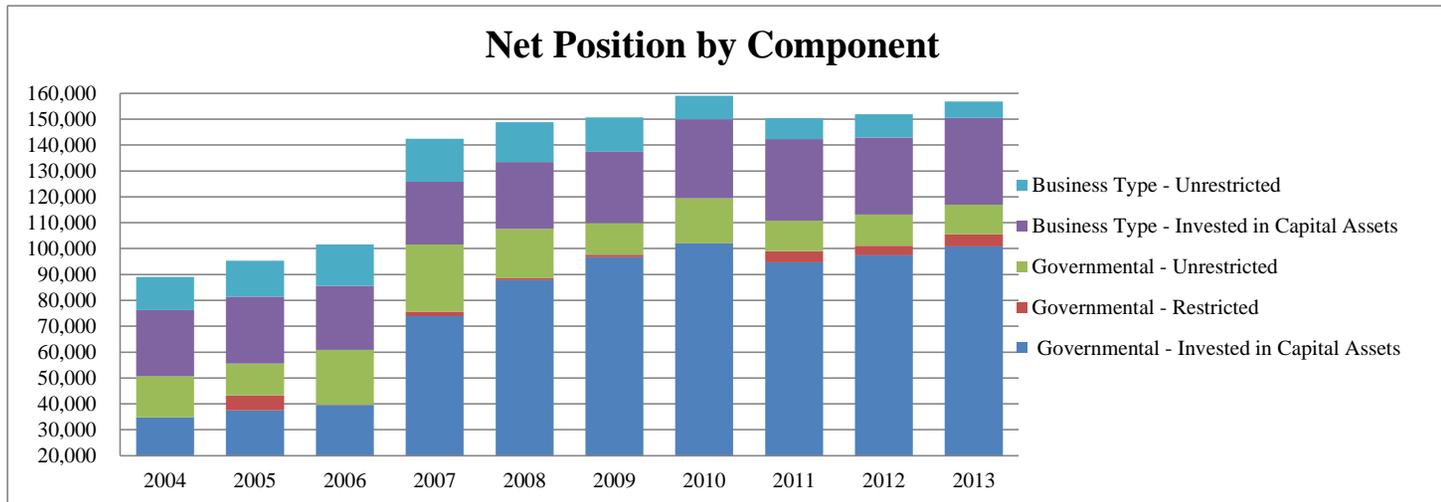
Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 34,801	\$ 37,526	\$ 39,625	\$ 73,933	\$ 87,842	\$ 96,668	\$ 102,080	\$ 94,753	\$ 97,427	\$ 100,848
Restricted	-	5,770	47	1,653	745	1,011	36	4,273	3,618	4,638
Unrestricted	15,887	12,321	21,207	26,051	19,040	12,199	17,301	11,748	12,094	11,461
Total governmental activities net position	\$ 50,688	\$ 55,617	\$ 60,879	\$ 101,637	\$ 107,627	\$ 109,878	\$ 119,417	\$ 110,774	\$ 113,139	\$ 116,947
Business-type activities										
Invested in capital assets, net of related debt	\$ 25,538	\$ 25,752	\$ 24,748	\$ 24,224	\$ 25,796	\$ 27,486	\$ 30,512	\$ 31,490	\$ 29,788	\$ 33,613
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	12,798	13,956	15,920	16,522	15,425	13,329	9,076	8,050	9,031	6,296
Total business-type activities net position	\$ 38,336	\$ 39,708	\$ 40,668	\$ 40,746	\$ 41,221	\$ 40,815	\$ 39,588	\$ 39,540	\$ 38,819	\$ 39,909
Primary government										
Invested in capital assets, net of related debt	\$ 60,339	\$ 63,278	\$ 64,373	\$ 98,157	\$ 113,638	\$ 124,154	\$ 132,592	\$ 126,243	\$ 127,215	\$ 134,461
Restricted	-	5,770	47	1,653	745	1,011	36	4,273	3,618	4,638
Unrestricted	28,685	26,277	37,127	42,573	34,465	25,528	26,377	19,798	21,125	17,757
Total primary government net position	\$ 89,024	\$ 95,325	\$ 101,547	\$ 142,383	\$ 148,848	\$ 150,693	\$ 159,005	\$ 150,314	\$ 151,958	\$ 156,856



Source:
 (1) City of Lakewood Finance Department.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 3,755	\$ 4,424	\$ 7,483	\$ 7,123	\$ 8,209	\$ 8,187	\$ 8,042	\$ 8,674	\$ 7,046	\$ 7,284
Public safety	17,179	15,367	17,026	17,904	19,379	19,672	20,038	20,914	20,480	21,580
Utilities and environment	249	469	272	355	539	348	341	320	489	453
Transportation	2,288	1,783	3,857	7,902	3,907	7,122	7,103	5,597	6,220	3,624
Health and human services	480	439	432	468	486	478	539	524	238	384
Economic environment	3,009	2,574	2,695	3,247	3,037	3,588	3,834	4,232	3,549	4,239
Culture and recreation	862	1,341	1,553	1,763	1,706	1,846	1,940	2,055	2,057	1,978
Judicial	1,694	1,791	-	-	-	-	-	-	1,757	1,718
Natural environment	-	-	-	-	-	-	-	-	-	290
Interest on long-term debt	-	-	123	160	231	299	291	278	263	254
Total governmental activities expenses	29,516	28,188	33,441	38,922	37,494	41,540	42,128	42,594	42,099	41,803
Business-type activities:										
Surface water management	2,670	1,819	2,166	2,824	2,714	2,539	2,179	2,610	2,668	2,492
Total business-type activities net position	2,670	1,819	2,166	2,824	2,714	2,539	2,179	2,610	2,668	2,492
Total primary government expenses	\$ 32,186	\$ 30,007	\$ 35,607	\$ 41,746	\$ 40,208	\$ 44,079	\$ 44,307	\$ 45,204	\$ 44,767	\$ 44,294
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,147	\$ 140	\$ 3,394	\$ 3,278	\$ 2,780	\$ 3,282	\$ 5,394	\$ 1,767	\$ 3,066	\$ 5,411
Public safety	250	435	1,343	249	2,390	3,635	3,361	3,992	1,376	1,506
Utilities and environment	8	707	76	422	532	628	781	492	1,022	916
Transportation	30	6	73	3	42	70	73	49	99	70
Health and human services	-	-	62	125	77	-	-	(510)	-	-
Economic environment	1,081	1,926	664	1,299	1,506	1,177	1,427	1,860	1,027	384
Culture and recreation	17	47	71	108	107	227	210	216	237	234
Judicial	825	860	-	-	-	-	-	-	1,812	1,655
Natural environment	-	-	-	-	-	-	-	-	-	34
Operating grants and contributions	3,867	1,840	3,688	7,404	5,397	5,524	9,976	7,291	4,290	2,913
Capital grants and contributions	419	282	3,764	3,419	1,825	2,588	2,228	1,266	6,595	3,149
Total governmental activities program revenues	8,644	6,243	13,135	16,307	14,656	17,131	23,450	16,423	19,524	16,272
Business-type activities:										
Charges for services:										
Surface water management	2,879	3,013	3,188	2,624	2,686	2,847	2,650	2,719	2,733	2,721
Operating grants and contributions	7	19	8	65	71	89	45	425	143	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	913
Total business-type activities program revenues	2,886	3,032	3,196	2,689	2,757	2,936	2,695	3,144	2,876	3,634
Total primary government program revenues	\$ 11,530	\$ 9,275	\$ 16,331	\$ 18,996	\$ 17,413	\$ 20,067	\$ 26,145	\$ 19,567	\$ 22,400	\$ 19,906

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

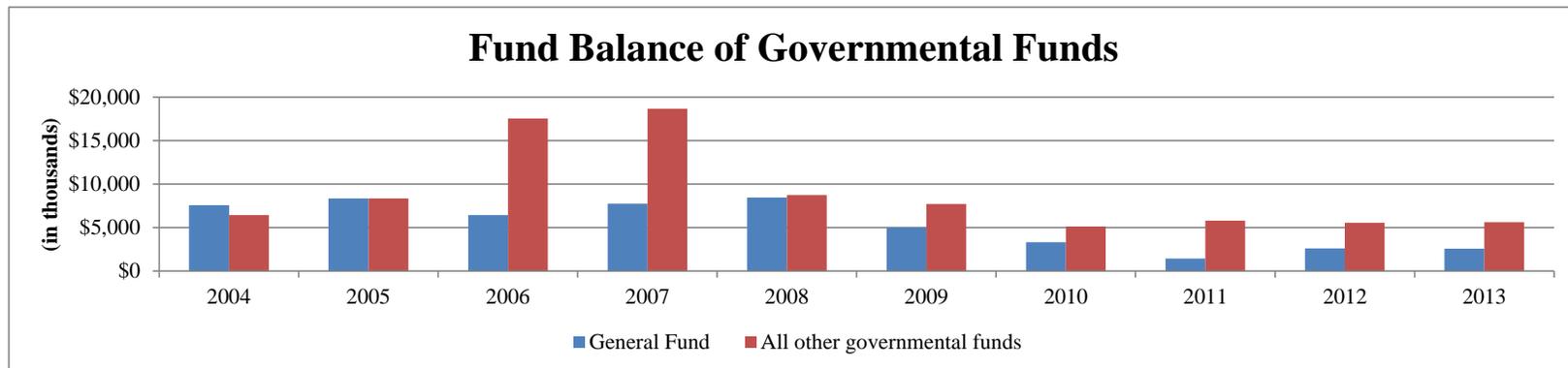
	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense) Revenue										
Governmental activities	\$ (20,872)	\$ (21,945)	\$ (20,306)	\$ (22,615)	\$ (22,838)	\$ (24,409)	\$ (18,678)	\$ (26,171)	\$ (22,575)	\$ (25,531)
Business-type activities	216	1,213	1,030	(135)	43	397	516	534	208	1,143
Total primary government net expense	(20,656)	(20,732)	(19,276)	(22,750)	(22,795)	(24,012)	(18,162)	(25,637)	(22,367)	(24,388)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	5,556	5,285	5,719	5,626	5,632	5,657	6,195	5,972	6,219	6,200
Sales taxes	7,501	8,378	8,916	9,649	9,795	8,935	9,304	9,145	9,565	9,453
Business taxes	5,195	5,648	5,891	6,277	6,447	6,250	5,675	6,564	6,214	8,311
Excise taxes	-	-	4,268	4,911	3,973	4,051	3,268	3,011	3,082	1,159
Other taxes	6,446	6,729	15	40	692	433	1,660	1,563	1,927	2,989
Investment earnings	230	454	988	1,521	1,000	313	266	265	213	219
Gain (loss) on sale/retirement of capital assets	(129)	-	285	112	4	(73)	(54)	9	13	22
Contributions to other governments	-	-	-	-	-	-	-	(9,734)	(3,022)	-
Judgements and settlements	-	-	-	32	56	129	2	74	116	99
Miscellaneous	-	105	6	12	(1)	50	90	(5)	2	80
Transfers	193	274	571	593	725	902	1,812	663	954	78
Total governmental activities	24,992	26,873	26,659	28,773	28,323	26,647	28,218	17,527	25,283	28,610
Business-type activities:										
Investment earnings	188	433	732	807	480	90	68	78	25	24,555
Gain (loss) on sale/retirement of capital assets	-	-	-	-	-	-	-	3	-	-
Disposition of capital assets	-	-	-	-	-	4	-	-	-	-
Judgements and settlements	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	2	-	-	4	1	-	-	-
Transfers	(393)	(274)	(571)	(593)	(725)	(902)	(1,812)	(663)	(954)	(78)
Total business-type activities	(205)	159	163	214	(245)	(804)	(1,743)	(582)	(929)	(53)
Total primary government	\$ 24,787	\$ 27,032	\$ 26,822	\$ 28,987	\$ 28,078	\$ 25,843	\$ 26,475	\$ 16,945	\$ 24,354	\$ 28,557
Change in Net Position										
Governmental activities	\$ 4,120	\$ 4,928	\$ 6,353	\$ 6,158	\$ 5,485	\$ 2,238	\$ 9,540	\$ (8,644)	\$ 2,708	\$ 3,080
Business-type activities	11	1,372	1,193	79	(202)	(407)	(1,227)	(48)	(721)	1,089
Total primary government	\$ 4,131	\$ 6,300	\$ 7,546	\$ 6,237	\$ 5,283	\$ 1,831	\$ 8,313	\$ (8,692)	\$ 1,987	\$ 4,169

Source:

(1) City of Lakewood Finance Department.

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

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,565	8,333	6,439	7,742	8,450	5,015	3,297	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	20
Spendable:										
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	5
Assigned	-	-	-	-	-	-	-	95	-	-
Unassigned	-	-	-	-	-	-	-	1,334	2,615	2,556
Total	\$ 7,565	\$ 8,333	\$ 6,439	\$ 7,742	\$ 8,450	\$ 5,015	\$ 3,297	\$ 1,429	\$ 2,615	\$ 2,581
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 282	\$ -	\$ 851	\$ 1,431	\$ 1,307	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	3,871	7,080	8,372	9,886	6,614	4,208	3,493	-	-	-
Debt Service Funds	-	-	-	598	-	-	-	-	-	-
Capital Projects Funds	2,550	1,277	8,873	8,179	1,276	2,061	316	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	1	-
Spendable:										
Restricted	-	-	-	-	-	-	-	4,237	4,720	3,881
Committed	-	-	-	-	-	-	-	1,569	833	896
Assigned	-	-	-	-	-	-	-	-	-	840
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 6,421	\$ 8,357	\$ 17,527	\$ 18,663	\$ 8,741	\$ 7,700	\$ 5,116	\$ 5,806	\$ 5,554	\$ 5,618



Source:

(1) City of Lakewood Finance Department.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 22,641	\$ 23,939	\$ 24,832	\$ 26,584	\$ 26,327	\$ 25,905	\$ 26,325	\$ 26,736	\$ 26,814	\$ 26,420
Licenses and permits	2,379	2,331	2,897	3,205	3,305	3,207	3,097	3,444	4,016	4,186
Intergovernmental	5,868	5,065	6,667	8,944	5,967	6,798	11,389	7,663	10,611	7,487
Charges for services	798	943	1,289	1,559	1,567	1,987	1,971	2,173	2,651	2,906
Fines and forfeitures	825	707	1,375	1,767	2,746	2,725	1,438	1,803	2,084	1,884
Special assessments	-	-	-	-	-	603	179	179	-	179
Investment earnings	230	454	879	1,377	206	293	232	214	195	203
Rents and leases	22	6	5	-	904	-	-	-	-	-
Contributions	-	-	-	-	-	248	12	44	21	274
Miscellaneous	595	419	233	667	495	714	658	603	709	486
Total revenues	33,358	33,864	38,177	44,103	41,517	42,480	45,301	42,859	47,101	44,025
Expenditures										
Judicial	1,666	1,775	-	-	-	-	-	-	1,679	1,721
General government	3,340	4,072	7,100	8,107	8,606	8,519	8,281	8,998	6,754	7,562
Public safety	17,065	15,355	16,565	16,810	18,301	19,273	19,193	19,953	19,538	20,405
Utilities and environment	217	1,549	3,541	5,767	383	336	333	304	482	71
Transportation	2,070	379	261	347	2,380	4,894	4,728	3,370	3,543	2,801
Health and human services	474	439	400	501	554	489	540	524	460	384
Economic environment	3,008	2,573	2,687	3,144	2,969	3,549	3,803	4,122	3,334	4,197
Culture and recreation	757	1,287	1,413	1,501	1,572	1,577	1,574	1,692	1,723	1,664
Natural Environment	-	-	-	-	-	-	-	-	-	281
Capital outlay	6,475	3,844	5,321	5,523	16,642	13,171	13,849	6,233	8,639	4,175
Debt service:										
Principal	-	66	39	299	633	908	786	755	782	789
Interest and debt issue costs	-	11	112	169	233	301	293	281	273	256
Total expenditures	35,072	31,350	37,439	42,168	52,273	53,017	53,380	46,232	47,207	44,306
Excess of revenues over (under) expenditures	(1,714)	2,514	738	1,935	(10,756)	(10,537)	(8,079)	(3,373)	(106)	(281)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Transfers in	1,661	1,429	4,779	3,879	2,167	4,736	3,078	2,259	2,955	1,933
Transfers out	(2,734)	(1,240)	(4,458)	(3,311)	(1,647)	(3,936)	(1,381)	(1,711)	(2,009)	(1,856)
Debt proceeds	-	-	3,825	-	1,278	5,195	2,078	1,262	-	-
Insurance proceeds	-	-	-	-	-	-	-	-	53	29
Bond premium	-	-	-	-	-	47	-	-	-	-
Proceeds from sale of assets	-	-	2,405	102	1	6	1	-	-	581
Intergovernmental payment	-	-	(12)	-	-	-	-	-	-	-
Nonrevenues	-	-	-	-	-	-	-	-	-	8
Total other financing sources (uses)	(1,073)	189	6,539	670	1,799	6,048	3,776	1,810	999	695
Net change in fund balance	\$ (2,787)	\$ 2,703	\$ 7,277	\$ 2,605	\$ (8,957)	\$ (4,489)	\$ (4,303)	\$ (1,563)	\$ 893	\$ 414
Debt service as a percentage of noncapital expenditures	-	0.28%	0.47%	1.28%	2.43%	3.03%	2.73%	2.59%	2.74%	2.60%

Source:

(1) City of Lakewood Finance Department.

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

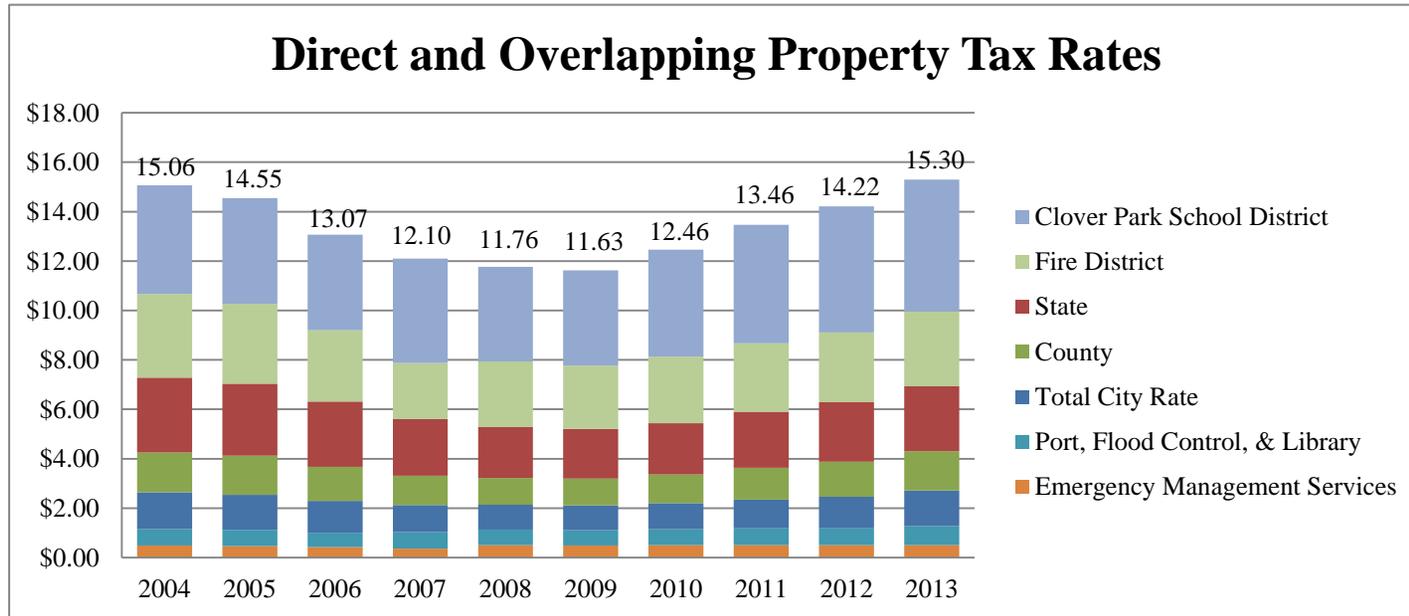
<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
2004	\$ 3,356,471,540	\$ 180,145,948	\$ 3,536,617,488	1.48
2005	\$ 3,593,516,407	\$ 181,376,183	\$ 3,774,892,590	1.42
2006	\$ 4,147,232,190	\$ 186,012,659	\$ 4,333,244,849	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



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	Clover Park School District	Library	Lakewood Fire District		
2004	1.48	3.03	1.61	0.19	-	0.49	4.39	0.48	3.39	15.06	
2005	1.42	2.91	1.58	0.19	-	0.47	4.28	0.46	3.24	14.55	
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	



Source:

(1) Pierce County Assessor Treasurer.

Schedule 7
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Northwest Building LLC	\$ 87,275,434	1	1.97%	\$ 72,904,369	2	2.06%
ERP Operating LP	\$ 55,434,000	2	1.25%	\$ 36,566,700	3	1.03%
Inland Western Lakewood LLC	\$ 46,994,000	3	1.06%			
Lakha Properties-Lakewood TC LLC	\$ 21,164,800	4	0.48%			
Netflix Inc	\$ 21,150,763	5	0.48%			
Beaumont Lakewood Associates LLC	\$ 20,218,900	6	0.46%			
Wal-Mart Stores Inc #2403	\$ 19,641,000	7	0.44%			
Puget Sound Energy/Gas	\$ 19,335,555	8	0.44%	\$ 23,683,730	5	0.67%
Wig Properties LLC-LKPL	\$ 17,301,500	9	0.39%	\$ 10,878,500	9	0.31%
Lowes of Lakewood #1081	\$ 15,197,498	10	0.34%	\$ 16,295,740	6	0.46%
MBK Northwest				\$ 73,804,306	1	2.09%
Qwest Corporation Inc				\$ 25,395,531	4	0.72%
Lakewood Colonial				\$ 15,948,200	7	0.45%
UDR Beaumont LLC				\$ 14,573,200	8	0.41%
Morningtree Park LLC				\$ 10,296,100	10	0.29%
TOTAL	\$ 323,713,450		7.32%	\$ 300,346,376		8.49%

Source:

(1) City of Lakewood Public Works Department - Geographic Information Systems

Schedule 8
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal	Taxes Levied for the Fiscal Year*	Collected within the fiscal year of the levy		Collections in Subsequent Years	Total Collections to Date		Total Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Amount	Percentage of Levy		Amount	Percentage of Levy		
2004	5,228,389	5,073,031	97.03%	155,324	5,228,355	100.00%	34	0.00%
2005	5,362,991	5,203,297	97.02%	159,606	5,362,903	100.00%	88	0.00%
2006	5,555,358	5,384,011	96.92%	171,243	5,555,253	100.00%	105	0.00%
2007	5,666,366	5,483,779	96.78%	182,183	5,665,963	99.99%	404	0.01%
2008	5,840,949	5,581,202	95.55%	258,837	5,840,039	99.98%	910	0.02%
2009	5,968,471	5,681,367	95.19%	283,574	5,964,941	99.94%	3,531	0.06%
2010	6,178,690	5,806,803	93.98%	340,651	6,147,454	99.49%	31,236	0.51%
2011	6,088,878	5,898,256	96.87%	149,270	6,047,526	99.32%	41,353	0.68%
2012	6,218,464	6,031,790	97.00%	108,142	6,139,932	98.74%	78,532	1.26%
2013	6,319,956	6,135,401	97.08%	-	6,135,401	97.08%	184,555	2.92%

* Amounts include certification adjustments.

Source:

(1) Pierce County Assessor Treasurer.

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

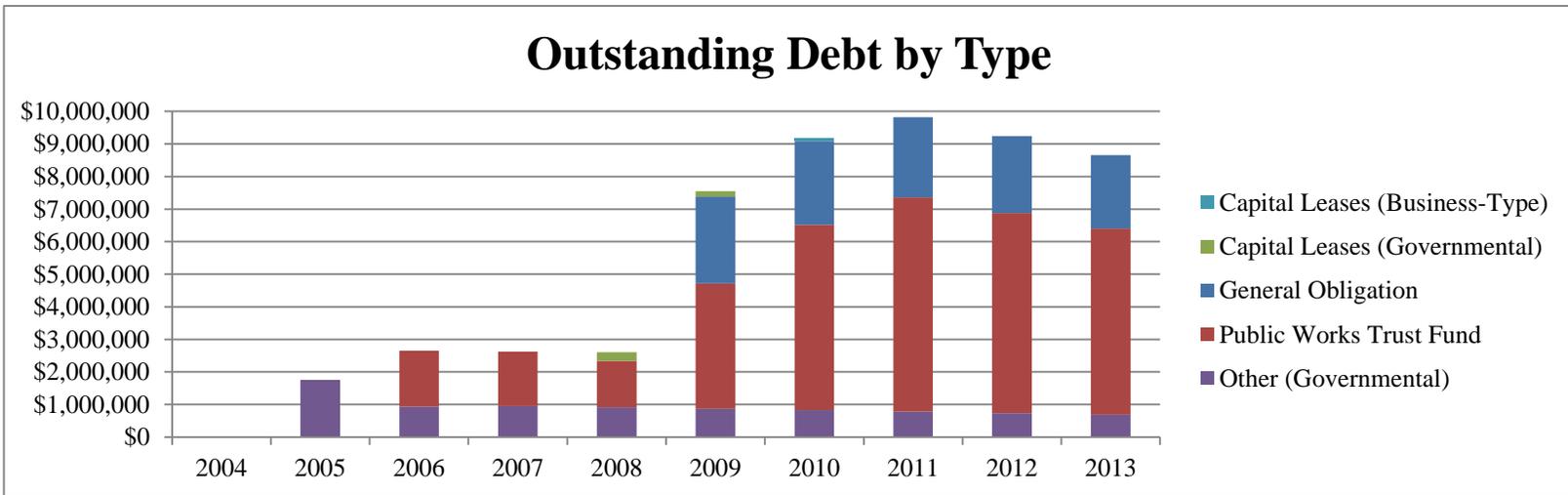
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, Forestry, & Fishing	2	2	2	2	2	5	2	2	2	2
Mining	(0)	1	1	-	0	0	0	1	0	0
Utilities	3	6	3	2	1	2	2	2	2	1
Construction	802	740	915	954	1,162	1,076	963	714	903	1,030
Manufacturing	159	147	158	184	143	104	113	136	132	136
Wholesale Trade	364	419	361	359	435	291	382	312	317	342
Retail Trade	2,948	3,168	3,480	3,803	3,660	3,473	3,586	3,719	4,016	3,938
Transportation & Warehousing	34	32	32	42	44	34	31	40	36	43
Information	248	319	307	320	329	324	364	364	364	387
Finance and Insurance	54	47	57	58	37	32	28	34	25	41
Real Estate, Rental, Leasing	145	199	223	256	231	201	206	196	214	236
Professional, Scientific, & Technical	32	44	46	61	54	85	55	66	68	88
Company Management	2	4	3	1	0	0	0	4	0	0
Administrative Services	116	101	116	122	132	130	131	135	125	143
Educational Services	53	50	53	57	53	57	54	48	43	46
Health Care & Social Assistance	19	14	28	32	25	30	60	27	29	45
Arts, Entertainment, & Recreation	71	84	99	106	101	95	95	92	88	91
Accommodation & Food Services	821	883	868	939	994	968	981	989	1,050	1,088
Public Administration	105	121	101	107	82	65	57	55	66	59
Other Services	456	448	481	469	441	404	454	511	416	423
Total	\$ 6,434	\$ 6,828	\$ 7,334	\$ 7,875	\$ 7,927	\$ 7,375	\$ 7,562	\$ 7,445	\$ 7,897	\$ 8,140

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			
2004	-	-	-	-	-	-	-	0.00%	-
2005	-	-	-	-	1,755,000	-	1,755,000	0.08%	30
2006	-	2,824,704	1,710,526	-	939,000	-	5,474,230	0.25%	93
2007	-	2,605,000	1,671,052	-	955,958	-	5,232,010	0.22%	89
2008	-	3,268,195	1,422,811	271,693	914,707	-	5,877,406	0.24%	101
2009	2,675,560	2,657,095	3,840,465	165,134	871,914	-	10,210,168	0.43%	175
2010	2,573,160	2,411,334	5,689,060	-	827,521	71,660	11,572,735	0.48%	199
2011	2,470,760	2,181,334	6,571,974	-	781,467	-	12,005,535	0.49%	206
2012	2,363,360	1,975,050	6,143,752	-	733,691	-	11,215,853	0.44%	193
2013	2,255,960	1,768,766	5,715,529	-	684,129	-	10,424,384	n/a	179



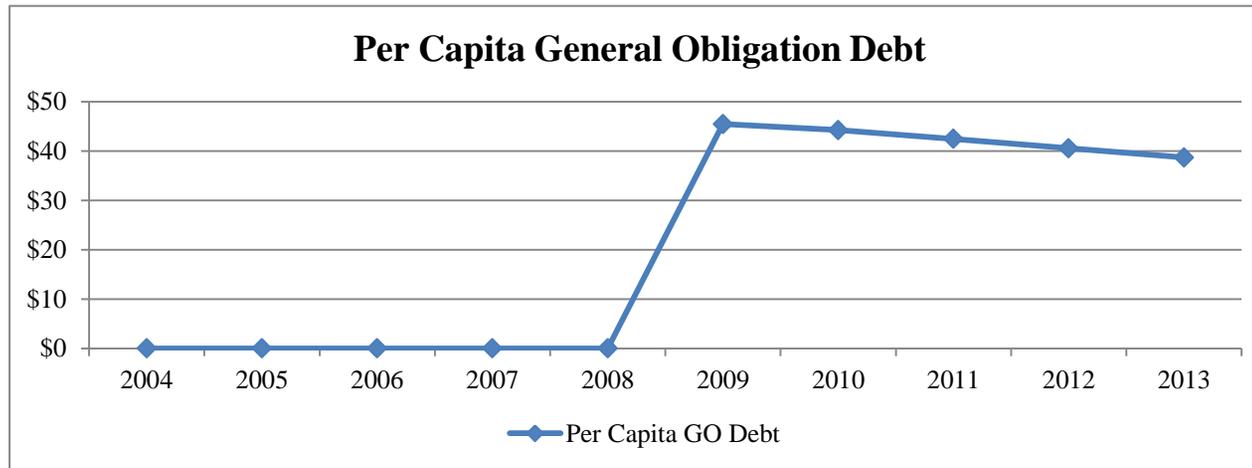
(A) Personal income is calculated based on Pierce County Per Capita Personal Income applied to Lakewood population. 2013 data is not yet available.

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
2004	-	0.00%	-
2005	-	0.00%	-
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



Source:

(1) City of Lakewood Finance Department.

Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2013

	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Pierce County	\$ 183,068,506	6.3%	\$ 11,500,476
Port of Tacoma	189,110,000	6.3%	11,880,006
Clover Park School District	143,839,000	94.7%	136,275,866
Steilacoom Historical School District	58,065,000	4.5%	2,639,716
Tacoma School District	306,285,000	0.4%	1,346,255
West Pierce Fire District	10,665,000	60.3%	6,432,859
Total Overlapping Debt	891,032,506		170,075,180
Direct Debt: City of Lakewood	2,255,960	100%	2,255,960
Total Direct and Overlapping Debt	\$ 893,288,466		\$ 172,331,140

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, 2013

Description	General Purpose		Excess Levy Open Space & Park	Excess Levy	Total
	Councilmanic (Limited GO)	Excess Levy (with a vote)	Park (voted)	Utility Purposes (voted)	Debt Capacity
Statutory debt limit:					
AV = \$4,494,673,400 (A)					
1.50%	\$ 67,420,101	\$ (67,420,101)	\$ -	\$ -	\$ -
2.50%		112,366,835	112,366,835	112,366,835	337,100,505
Add: Cash on Hand for Redemption (B)	-	-	-	-	-
Less: Bonds Outstanding	(2,904,129)	-	-	-	(2,904,129)
Remaining Debt Capacity	\$64,515,972	\$44,946,734	\$112,366,835	\$112,366,835	\$334,196,376
General Capacity (C)	\$109,462,706				

Fiscal year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Applicable to Limit as a Percentage of Debt
2004	283,116,944	-	283,116,944	0.00%
2005	324,993,364	(1,034,052)	323,959,312	0.32%
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%

Sources:

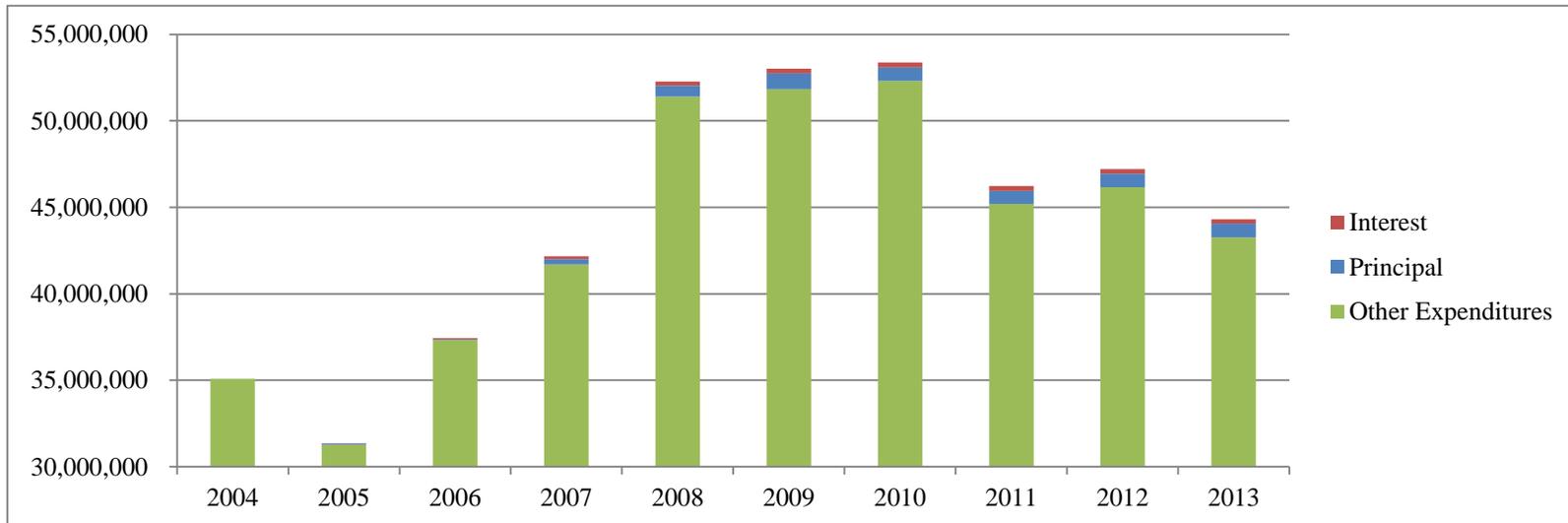
- (1) City of Lakewood Finance Department
- (2) Pierce County Assessor Treasurer

Footnotes:

- (A) Final 2013 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
2004	-	-	-	35,071,870	0.00%
2005	66,000	11,000	77,000	31,349,767	0.25%
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%



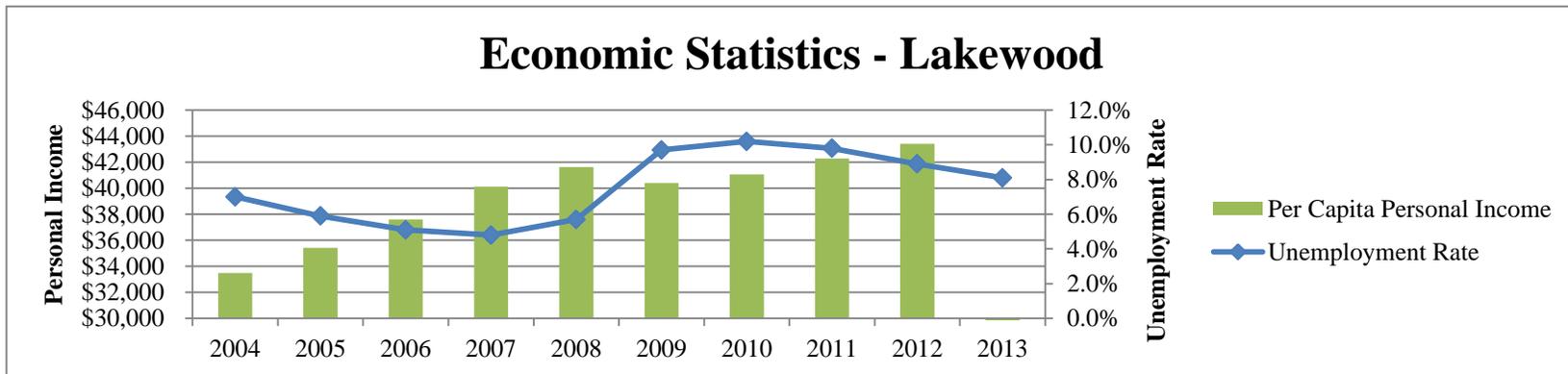
Source:

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⁾
2004	59,010	\$ 1,975,065	\$ 33,470	\$ 11,770	\$ 49,151	7.0%
2005	58,850	\$ 2,083,879	\$ 35,410	\$ 11,392	\$ 50,678	5.9%
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	n/a	n/a	\$ 11,602	\$ 59,231	8.1%

- (1) State of Washington, Office of Financial Management.
- (2) Pierce County Per Capita Personal Income applied to Lakewood population. 2013 data is not yet available.
- (3) Pierce County Per Capita Personal Income as provided by Bureau of Economic Analysis. 2013 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). 2012 is a preliminary estimate and 2013 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 Nine Years Ago

Taxpayer	Type of Business	2013			2004		
		Number of Employees	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Clover Park School District	Public Sector - Education	1,833	1	8.0%	1,696	2	7.6%
Western State Hospital	Public Sector - Mental Health Facility	1,750	2	7.7%	2,200	1	9.9%
Camp Murray	Military - National Guard	1,000	3	4.4%			
Pierce College	Public Sector - Education	887	4	3.9%	1,150	3	5.2%
St. Clare Hospital	Health Care	848	5	3.7%	400	5	1.8%
Pierce Transit	Public Sector - Transportation	827	6	3.6%	768	4	3.4%
Aacres WA LLC	Private Social Services Network	436	7	1.9%			
McClane Northwest	Transportation/Warehousing	425	8	1.9%			
Clover Park Technical College	Public Sector - Education	400	9	1.8%			
Wal-Mart	Retail	372	10	1.6%			
Netversant Washington, Inc	Communications				350	6	1.6%
Personal Design Concepts	Retail				340	7	1.5%
Qwest Communications	Communications				334	8	1.5%
YMCA of Tacoma-Pierce County	Nonprofit				328	9	1.5%
Greater Lakes Mental Health	Mental Health				267	10	1.2%
		8,778		38.50%	7,833		35.13%

Source:

(1) City of Lakewood Community and Economic Development Department

Schedule 17
Capital Assets by Function
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	174	174	184	184	194	194	204	204	214	614
Street lights City-owned and TPU maintained	428	428	428	428	428	428	420	420	420	420
Street lights City-owned and Lakeview maintained	1,058	1,058	1,068	1,068	1,078	1,078	1,088	1,088	1,098	698
Street lights PSE-owned and maintained	971	971	971	971	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	24	30	77	77	77	77	77	77	77	80
Developed parks - number of parks	9	9	10	11	11	12	12	12	12	12
Undeveloped parks - acreage	30	45	456	456	456	456	456	461	461	465
Playgrounds	7	8	9	10	10	11	11	11	11	11
Skateparks	1	1	2	2	2	2	2	2	2	22
Tennis courts - public	3	3	1	1	1	1	1	1	1	1
Baseball fields	4	4	9	9	9	9	9	9	9	9
Soccer fields	1	1	9	9	9	9	9	9	9	9
Picnic shelters	3	4	6	7	8	8	8	8	9	9
Community gardens	-	-	-	-	-	-	-	-	2	3
Senior Center	1	1	1	1	1	1	1	1	1	1
Total:	3,263	3,286	3,780	3,783	3,904	3,906	3,918	3,923	3,946	3,974

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SECURITY OF PERSONS & PROPERTY										
Police Information										
Offenses:										
Forcible Rape (including attempts)	47	61	54	41	59	47	39	45	38	30
Robbery	137	124	147	134	147	171	137	114	109	90
Criminal Homicide	3	3	7	3	5	2	-	2	3	2
Aggravated Assault	318	303	304	305	330	341	316	343	319	278
Vehicle Theft	525	558	536	566	400	255	272	308	233	205
Burglary (commercial & residential)	943	872	785	866	700	585	584	604	725	642
Larceny	2,568	2,488	2,409	2,102	2,367	2,195	1,882	1,943	2,089	1,832
Arson	35	27	15	19	26	16	10	3	13	14
Citations:										
Traffic	3,244	4,478	6,007	4,592	5,185	5,339	5,461	8,608	6,633	5,753
Red Light Photo	3,680	3,686	4,214	3,648	2,956	10,399	8,310	8,039	8,225	8,586
ECONOMIC ENVIRONMENT										
Building Related Permits & Values										
Building Permits	1,581	1,530	1,791	1,673	1,430	1,360	1,379	1,666	1,392	1,927
Estimated Value (in millions)	\$ 60	\$ 71	\$ 81	\$ 68	\$ 129	\$ 61	\$ 39	\$ 62	\$ 46	\$ 147

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Municipal Court	14.00	13.50	15.50	13.75	14.75	14.75	15.75	16.00	17.00	17.00
City Manager	3.25	5.25	5.00	5.10	3.60	3.60	4.00	4.00	3.00	3.00
Finance & Information Systems	19.00	19.00	19.20	17.70	17.70	17.70	18.30	19.60	15.85	15.85
Legal & City Clerk	15.52	18.37	19.07	16.85	20.15	12.74	14.00	12.75	11.98	11.98
Human Resources	6.00	6.00	6.00	6.20	6.20	6.00	6.00	4.90	5.00	5.00
Community & Economic Development	26.00	24.30	24.30	24.29	22.50	22.50	24.50	25.00	23.00	23.00
Culture & Recreation	6.67	10.00	14.75	14.95	12.95	12.95	13.10	12.75	15.50	15.50
Security	4.10	121.75	123.75	133.50	131.00	129.00	123.00	123.00	117.00	117.00
Public Works	19.45	17.70	21.25	22.75	22.75	22.75	22.71	35.50	34.00	34.00
Total	113.99	235.87	248.82	255.09	251.60	241.99	241.36	253.50	242.33	242.33

Source:

(1) City of Lakewood Finance Department.