



City of Lacey, Washington
2015 Comprehensive Annual Financial Report
for the year ended December 31, 2015

2015 Comprehensive Annual Financial Report

For the Year Ended December 31, 2015



**CITY
OF LACEY**

Prepared by the City of Lacey
Accounting Division of
the Finance Department
Troy Woo - Finance Director
420 College St. SE, Lacey, WA 98503



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CITY
OF **LACEY**



CITY COUNCIL

ANDY RYDER
Mayor
CYNTHIA PRATT
Deputy Mayor
JASON HEARN
JEFF GADMAN
LENNY GREENSTEIN
MICHAEL R. STEADMAN
VIRGIL S. CLARKSON

CITY MANAGER
SCOTT H. SPENCE

July 21, 2016

Honorable Mayor and City Councilmembers
To the Citizens of Lacey, Washington:

The Annual Financial Report of the City of Lacey for the fiscal year ended December 31, 2015, is submitted herewith. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

State statute requires an annual audit by the Washington State Auditor's Office. The independent auditor's report is located at the front of the financial section of this report.

The management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Lacey incorporated in 1966, and is the twenty-fifth largest of 281 cities in the state of Washington. It is located approximately 60 miles south of Seattle on Interstate 5 and encompasses an area of 16.6 square miles. The cities of Olympia and Tumwater are adjacent to Lacey, and together, the three cities constitute the major population center within Thurston County. Lacey has grown from a population of 7,650 in 1967 to a 2015 population of 46,020.

The City of Lacey is a non-charter code city, operating under Section 35A of the Revised Code of Washington. It has a Council/Manager form of government with the seven-member City Council, elected for staggered four-year terms. Councilmembers are elected on a non-partisan, at-large basis rather than by district. The City Council appoints a mayor from the seven-member Council. Policy-making and legislative authority are vested in the City Council. The Council appoints the City Manager, who acts as the City's chief administrative officer responsible for carrying out the policies and direction set by the Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the city. The City Manager appoints the heads of the various departments.

The City of Lacey provides a full range of municipal services either directly or through contracts. The City provides police, parks and recreation, planning and zoning, building



inspection, street maintenance and construction, engineering and general administrative services. The City also operates enterprise funds for water, wastewater services, storm water management, and reclaimed water. By agreement with Thurston County, Olympia, and Tumwater, Lacey provides administrative support services to Joint Animal Services and the Thurston County Narcotics Task Force. The City also entered into an agreement with the Capital Area Regional Public Facilities District to provide administrative support services and distribute public facilities district revenues to the cities of Olympia and Lacey for their agreed upon projects.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Lacey financial planning and control. The budget is prepared by fund, department (e.g., Police), and program (e.g., protection and enforcement patrol). Periodic amendments to the adopted budget are approved by the City Council.

Local Economy

Lacey's economy remains predominately retail/commercial and service oriented. State government is the single largest employer in the region. Other employers include St. Peter's Hospital (regional), North Thurston Public Schools, Target Stores import/distribution center, Home Depot distribution center, Econet, Costco, Fred Meyer, Wal-Mart, Safeway, Ostrom Mushroom Company, VeriSign, Callisons, Shipwreck Beads, Cabelas, Sunset Air, St. Martin's University, Port of Olympia (regional), State Farm (regional), and Intel (regional). Economic influence of nearby Joint Base Lewis-McChord has been present for many years in the Lacey area. Lacey is also the home to Panorama, a large full-service retirement community, and St. Martin's University and abbey/seminary.

It has been Lacey's policy to encourage and facilitate diversification in the region's employment base. The development of Lacey's northeast area has been the major key to success in this goal. Lacey continues to facilitate the development of the northeast area.

Lacey's population growth continues to place significant demands on services. During the past five years, authorized general government staffing has decreased 4.3 percent (207.0 to 197.5 FTE's), and authorized utility or enterprise funds staffing has increased slightly (45.5 to 46.5 FTE's). Vacant positions are analyzed to ensure workloads are justified and the positions can be sustained long-term. Lacey's population increased 7.4 percent during this same period. The staffing levels have declined, despite population growth, and is an indication of the city's continued conservative and responsible fiscal approach.

Sales tax collections exceeded projections during 2015. New construction activity contributed was the most significant reason for the increase. The City is maintaining its conservative budget approach, because sales tax increases from new construction can be one-time in nature. For example, a significant portion of the construction activity is coming from the school district voter-approved bond capital improvements. These improvements will be substantially complete at the end of 2017. There are no indications that there will be other major construction projects to replace the school district's capital improvements.

Property tax, one of the General Fund's largest single sources of revenues, continues to experience healthy growth due to high levels of new construction. However the growth rate is considerably lower the pre-recessionary levels. New construction activity is a critical component of property tax growth because it is exempt from the one percent property tax growth limit.

Long-term Financial Planning

In addition to adopting long-term capital improvement plans such as the Capital Facilities Plan, Six-Year Transportation Improvement Plan, and utility fund comprehensive plans, the City Council and staff are developing the City of Lacey's first of its kind Six-Year Strategic Financial Plan. The purpose of the plan is to provide a six-year outlook on the financial condition of the City's major budget funds. The plan will serve as tool that will provide information to make short-term budgetary decisions as well as the foresight for long-term policy decision impacts. The Six-Year Strategic Financial Plan is scheduled for completion during 2016, but components of the draft plan have already been implemented.

Relevant Financial Policies

It is the City of Lacey's policy that "one-time" revenue inflows not be used for operating purposes. As a result, Lacey has been able to construct several public buildings and enhance its capital improvement program. In addition to allowing the City to address much needed capital needs, this policy has helped the City weather the economic downturn. By applying "one-time" revenues to capital needs, the operating expenses have been contained to sustainable levels.

Major Initiatives

Current transportation projects include the Hogum Bay Road improvements, College Street and 22nd Avenue roundabout, Marvin Road Safety and Capacity improvements, Smart Corridors Phase II (traffic controllers), and completion of the 2015 overlay program. The resources to cover these improvements include \$1.5 million in Real Estate Excise Tax revenues, grants, miscellaneous revenues from State Fuel tax and collected mitigation fees, and reserves. The highly successful street overlay program continued in 2015. In recent years, transfers from the General Fund to the Arterial Street Fund have funded the annual street overlay program. To reduce the 2013 Budget deficit, the annual transfer was eliminated. The City Council has committed Arterial Street Fund reserves to continue the program. The last remaining committed reserves funded the 2015 street overlay program. During January 2016, the City Council adopted an ordinance establishing the Lacey Transportation Benefit District. One of the primary purposes of the Lacey Transportation Benefit District is to preserve and maintain the City's significant transportation infrastructure investment. A funding source has not been approved, but preservation of the street overlay program is a high priority.

Utility projects include ongoing water rights mitigation, Shoreline monitoring well, Brentwood waterline replacement, Shady Lane watermain replacement, Well Source 15 and 16 replacement, Hoh Street Water transmission line, Steilacoom Regional liftstation, Tanglewilde East Sewer ULID, Brentwood stormwater installation, and vector waste decant facility. The resources used to fund these improvements include utility rates, general facility charges, and bond proceeds.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lacey for its comprehensive annual financial report (CAFR) for the fiscal years ended December 31, 1999-2007 and again for the fiscal years ended December 31, 2009-2014. The City did not seek this award in 2008 due to budget reductions. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both the generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements. The 2015 CAFR will be submitted to the GFOA to determine its eligibility for another certificate.

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Council and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lacey's finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Troy M. Woo".

Troy M. Woo
Finance Director



Government Finance Officers Association

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

Presented to

**City of Lacey
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

A handwritten signature in black ink that reads "Jeffrey R. Emer". The signature is written in a cursive style.

Executive Director/CEO

LACEY CITY GOVERNMENT



CITIZENS

Boards and Commissions

- Library Board
- Historical Commission
- Planning Commission
- Park Board
- LEOFF
- TCTV
- Lodging Tax
- Public Facilities District

Mayor
Deputy Mayor
Council

City Manager

City Attorney

- Legal Counsel
- Prosecution
- Indigent Defense

Civil Service Commission

Clerk/Records

Finance

- Financial Mgmt/Accting.
- Utilities/Billing
- Treasury
- Information Services
- Violations Bureau
- Passport Services
- Business Licensing

Public Affairs and Human Resources

- | | |
|-------------------------|-----------------------------|
| Public Information | Recruiting |
| Neighborhood Assoc. | Classification/Compensation |
| Community Liaison | Performance Mgmt. |
| Recycling/Solid Waste | Safety/Workers Comp. |
| Legislative Liaison | Risk Management |
| Animal Services Support | Employee Asst. Program |
| Special Projects | Special Projects |

Police

- Law Enforcement
- Investigation
- Community Policing
- Crime Prevention
- School Resource Officers
- Interlocal Drug Unit Support

Community Development

- Current and Advanced Planning
- Code Inspection & Permit Services
- Growth Management
 - Building
 - Electrical
 - Mechanical
 - Plumbing
 - ADA Barrier Free

Public Works

- Administration Support
- Engineering
- Water Resources/Groundwater Protection
- Parks & Facilities Maintenance
- Streets/Electrical
- Water/Wastewater/
- Stormwater/Reclaimed Water Utility
- Fleet Maintenance

Parks and Recreation

- Youth & Adult
- Recreation Programs
 - Aquatics/Physical activities
 - Sports/Fitness/Special Events
 - Cultural/Outdoor Activities
- Parks Development
- Open Space/Regional Athletic Complex
- Community Buildings Operations/Events

City of Lacey Council Members



Andy Ryder - Mayor



Cynthia Pratt - Deputy Mayor



Virgil Clarkson



Jeff Gadman



Jason Hearn



Lenny Greenstein



Michael Steadman

ADMINISTRATION

Scott H. Spence	City Manager
David S. Schneider	City Attorney
Frederick O. Walk	Community Development Director
Troy M. Woo	Finance Director
Lorraine M. Flemm	Parks & Recreation Director
Dusty D. Pierpoint	Police Chief
Elizabeth P. Gotelli	Public Affairs/Human Resource Director
Scott D. Egger	Public Works Director



CITY
OF **LACEY**



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 21, 2016

Mayor and City Council
City of Lacey
Lacey, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-1 through 3-13, budgetary comparison information on page 5-2, pension plan information on pages 5-3 through 5-4 and information on postemployment benefits other than pensions on pages 5-5 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 6-1 through 7-20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 20, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA



CITY OF **LACEY**



Management's Discussion and Analysis

As management of the City of Lacey, we offer readers of the City of Lacey's financial statements this narrative overview and analysis of the financial activities of the City of Lacey for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-1 to 1-4 of this report.

Financial Highlights

- The government's overall financial position improved in 2015 as compared to 2014.
- At the end of the fiscal year, the assets and deferred outflows of resources of the City of Lacey exceeded its liabilities and deferred inflows of resources by \$651.4 million. Net investments in capital assets account for 82.5 percent of the amount (\$537.7 million). Of the remaining net position in the amount of \$113.7 million, \$4.1 million is subject to external restrictions and \$109.6 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Lacey's total net position increased by \$11.2 million. This was a combination of \$23.6 million increase from 2015 activities offset by a \$12.5 million negative adjustment to the beginning net position due to GASB Statement No. 68, Accounting and Financial Reporting for Pension, implementation. The governmental activity net position increased by \$720,855 compared to the previous year. The business-type activity net position increased by \$10.5 million. The business-type increase included net position for the Water Utility of \$6.4 million, \$3.8 million for the Wastewater Utility and \$161,088 for the Reclaimed Water Utility and a net decrease of \$129,322 for the Stormwater Utility.
- At the close of 2015, the City of Lacey's governmental funds reported a combined ending fund balance of \$65.5 million, an increase of \$5.0 million.

Of the major funds, the ending fund balance of the General Fund increased \$3.4 million, the Arterial Street Fund increased \$733,546, and the L.I.D. Redemption Fund increased \$747,935.

Nonmajor funds combined fund balance increased \$87,906. The capital project funds combined resulted in an increase of \$205,251, which was a net result of the completion of major capital projects.

Approximately \$15.0 million (22.9 percent) of the combined ending fund balance is unassigned and reported in the General Fund, which is an increase of \$2.3 million compared to the prior year's amount of \$12.7 million. Unassigned fund balance is available to the City of Lacey for discretionary spending.

- The City of Lacey's total outstanding debt decreased \$2.3 million (8.8 percent) to \$23.6 million during the current fiscal year.
- Revenues from local tax sources, including property, sales, business excise, and miscellaneous other taxes increased by \$2.0 million to \$28.8 million, a 7.4 percent increase compared to 2014. Retail taxes experienced the largest increase due to higher new construction activity.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.



Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City of Lacey's basic financial statements. The City of Lacey's basic financial statements comprise of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City of Lacey's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lacey is improving or deteriorating.

The *statement of activities* presents information showing how the City of Lacey'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 related cash flows*. Thus, revenues and expenses are reported 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 Lacey 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 Lacey include general government, public safety, transportation and streets, physical environment, economic development and culture and recreation. The business-type activities of the City of Lacey include Water, Wastewater, Stormwater, and Reclaimed water operations. The internal service funds provide services to other funds within the City of Lacey and the majority of these activities are reported in governmental activities at the government-wide financial reporting level.

The government-wide financial statements can be found on pages 4-1 to 4-3 of this report.

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

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

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



The City of Lacey maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, arterial street fund, and L.I.D. redemption fund which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lacey adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-4 to 4-7 of this report.

Proprietary Funds. The City of Lacey maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lacey uses enterprise funds to account for its Water, Wastewater, Stormwater, and Reclaimed water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Lacey's various functions. The City of Lacey uses internal service funds to account for its fleet of vehicles and for its information management systems. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 Water, Wastewater, Stormwater, and Reclaimed water operations, which are considered to be major funds of the City of Lacey. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 4-8 to 4-10 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Lacey's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 4-11 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 4-13 to 4-52 of this report.

Required Supplementary Information. This report also contains other required supplementary information (RSI) on budgetary comparisons for major governmental funds and trend data on the funding status of other postemployment benefits. The required supplementary information can be found on pages 5-1 to 5-7 of this report.

Combining Statements. The combining statements referred to earlier in connection with the nonmajor funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pages 6-1 to 6-24.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Lacey, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$651.4 million at the close of the most recent fiscal year.



The following table provides a summary of the City of Lacey's net position as of December 31, 2015 and December 31, 2014:

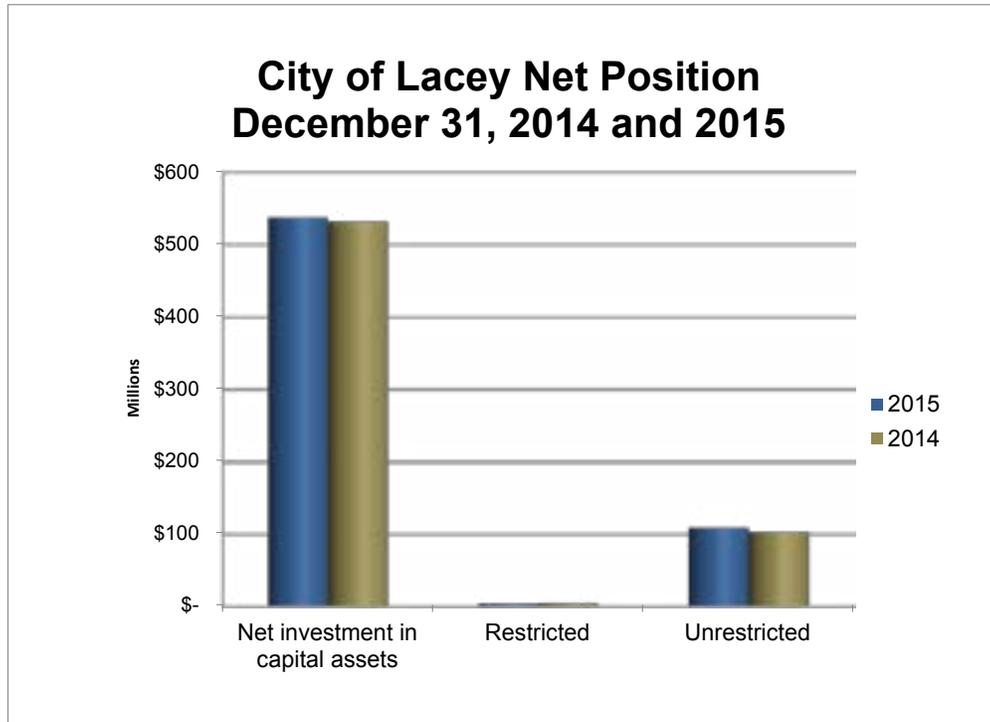
	Summary of Net Position							
	Governmental		Business-Type		Total		Percentage	
	Activities		Activities				Of Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets:								
Current assets	\$ 82,970,751	\$ 77,545,474	\$ 50,112,998	\$ 43,199,179	\$ 133,083,749	\$ 120,744,653	19.1%	17.9%
Restricted assets	140,573	153,319	874,625	981,577	1,015,198	1,134,896	0.1%	0.2%
Investment in joint venture	614,590	707,856	-	-	614,590	707,856	0.1%	0.1%
Net pension asset	2,205,964	-	-	-	2,205,964	-	0.3%	0.0%
Capital assets	317,742,403	315,514,151	242,699,150	236,584,636	560,441,553	552,098,787	80.4%	81.8%
Total assets	403,674,281	393,920,800	293,686,773	280,765,392	697,361,054	674,686,192	100.0%	100.0%
Deferred outflows of resources								
Deferred charge on refunding	761,366	177,801	-	-	761,366	177,801	29.7%	100.0%
Deferred outflows related to pensions	1,473,466	-	331,085	-	1,804,551	-	70.3%	0.0%
Total deferred outflows of resources	2,234,832	177,801	331,085	-	2,565,917	177,801	100.0%	100.0%
Liabilities:								
Current liabilities	3,547,051	3,289,851	1,704,741	2,000,343	5,251,792	5,290,194	11.5%	15.3%
Long-term liabilities	20,121,742	20,761,118	8,242,950	8,559,880	28,364,692	29,320,998	62.2%	84.7%
Net pension liability	9,110,881	-	2,865,549	-	11,976,430	-	26.3%	0.0%
Total liabilities	32,779,674	24,050,969	12,813,240	10,560,223	45,592,914	34,611,192	100.0%	100.0%
Deferred inflows of resources								
Deferred inflows related to pensions	2,360,950	-	544,229	-	2,905,179	-	100.0%	0.0%
Total deferred inflows of resources	2,360,950	-	544,229	-	2,905,179	-	100.0%	0.0%
Net Position:								
Net investment in capital assets	303,126,115	300,936,234	234,591,397	231,073,166	537,717,512	532,009,400	82.6%	83.1%
Restricted	3,486,000	1,192,088	607,425	3,498,498	4,093,425	4,690,586	0.6%	0.7%
Unrestricted	64,156,372	67,919,310	45,461,567	35,633,505	109,617,939	103,552,815	16.8%	16.2%
Total net position	\$ 370,768,487	\$ 370,047,632	\$ 280,660,389	\$ 270,205,169	\$ 651,428,876	\$ 640,252,801	100.0%	100.0%

By far the largest portion of the City of Lacey's net position (82.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City of Lacey uses these capital assets to provide services to citizens. Accordingly, these assets are *not* available for future spending. Although the City of Lacey's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Lacey's net position (\$4.1 million) represents resources that are subject to external restrictions on how they may be used. Reported as unrestricted net position, the governing body has committed and assigned \$48.2 million of the City's net position for specific purposes. The remaining balance of unrestricted *net position* (\$61.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lacey is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of Lacey's overall net position increased by \$11.2 million in 2015. The increase is explained in the following discussion of governmental and business-type activities.



Governmental Activities. Governmental activities increased the City of Lacey’s net position by \$720,855.

- Operating revenues (charges for services) increased by \$306,369. Program expenses for governmental activities decreased in the amount of \$781,362. General Government program expenses increased \$401,507 due to increased costs necessary for the implementation of new indigent defense standards and Information Management Services internal services charges. Transportation program expenses decreased \$975,280, mostly due to a 2014 one-time \$1.0 million capital transfer out for traffic controller upgrades.
- Operating grants and contributions increased by \$484,015. Security of Persons and Property reported an increase of \$261,421, as a result of the \$181,442 for LEOFF pension plan State special funding situation contribution relating to the implementation of GASB Statement No. 68 and \$77,008 in liquor excise tax revenue increase. Operating grants and contributions for culture and recreation increased \$143,787, which attributable to \$55,423 increased contributions to the Activities Coalition for Teens program and other parks programs and \$84,118 increase in the sale tax distributions from the Capital Area Regional Facilities District.
- General revenues increased \$1.7 million. Retail taxes increased by \$1.3 million as a result of a higher level of new construction activity. Excise taxes increased \$295,440 as of a result increasing real estate excise taxes due to higher home sales activity. Miscellaneous revenues decreased \$237,813, mostly due to certain revenues and expenses are now reported in functions/program.

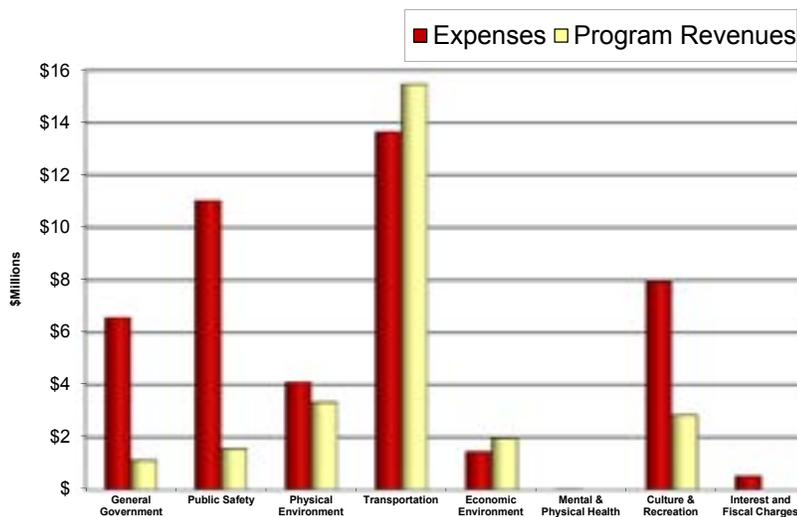
The following table provides a summary of the City’s changes in net position as of December 31, 2015 and December 31, 2014:



Summary of Changes in Net Position

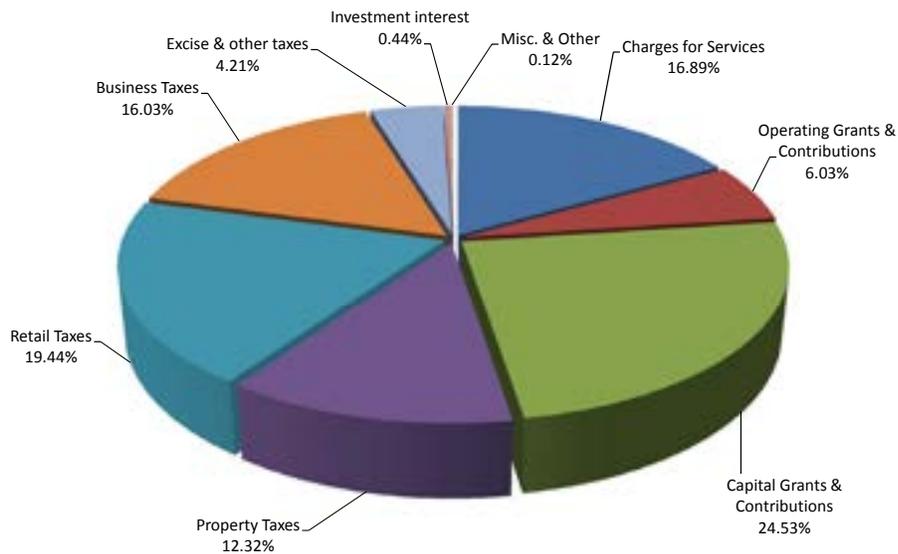
	Governmental Activities		Business-Type Activities		Total		Percentage Of Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues:								
Program:								
Charges for services	\$ 9,361,208	\$ 9,054,839	\$ 34,816,440	\$ 30,890,430	\$ 44,177,648	\$ 39,945,269	44.8%	43.5%
Operating Grants	3,339,913	2,855,898	14,877	27,639	3,354,790	2,883,537	3.4%	3.1%
Capital Grants	13,595,686	13,949,193	8,159,747	7,619,139	21,755,433	21,568,332	22.1%	23.5%
General:								
Taxes	28,821,331	26,834,696	-	-	28,821,331	26,834,696	29.2%	29.2%
Interest	243,777	280,100	118,561	116,595	362,338	396,695	0.4%	0.4%
Gain (loss) on disposal of capital assets	33,235	-	-	-	33,235	-	0.0%	0.0%
Miscellaneous	63,908	301,721	-	-	63,908	301,721	0.1%	0.3%
Total revenues	55,459,058	53,276,448	43,109,625	38,653,803	98,568,683	91,930,251	100.0%	100.0%
Program expenses:								
General Government	6,546,747	6,145,240	-	-	6,546,747	6,145,240	8.8%	8.2%
Security of Persons and Property	11,025,225	11,018,453	-	-	11,025,225	11,018,453	14.7%	14.8%
Physical Environment	4,095,125	4,037,299	-	-	4,095,125	4,037,299	5.5%	5.4%
Transportation	13,633,098	14,608,378	-	-	13,633,098	14,608,378	18.2%	19.6%
Economic Environment	1,448,095	1,283,516	-	-	1,448,095	1,283,516	1.9%	1.7%
Mental and Physical Health	10,951	9,999	-	-	10,951	9,999	0.0%	0.0%
Culture & Recreation	7,936,006	8,200,393	-	-	7,936,006	8,200,393	10.6%	11.0%
Interest and fiscal charges	510,370	683,701	-	-	510,370	683,701	0.7%	0.9%
Water	-	-	10,820,232	10,688,062	10,820,232	10,688,062	14.4%	14.3%
Wastewater	-	-	15,188,845	14,458,126	15,188,845	14,458,126	20.3%	19.4%
Stormwater	-	-	3,687,056	3,482,156	3,687,056	3,482,156	4.9%	4.7%
Reclaimed Water	-	-	28,253	22,921	28,253	22,921	0.0%	0.0%
Total expenses	45,205,617	45,986,979	29,724,386	28,651,265	74,930,003	74,638,244	100.0%	100.0%
Excess (deficiency) of revenues over (under) expenses	10,253,441	7,289,469	13,385,239	10,002,538	23,638,680	17,292,007		
Transfers	(438,506)	(771,655)	438,506	771,655	-	-		
Change in net position	9,814,935	6,517,814	13,823,745	10,774,193	23,638,680	17,292,007		
Net position - beginning as previously reported	370,047,632	363,529,818	270,205,169	259,430,976	640,252,801	622,960,794		
Changes in accounting priciples (see notes)	(9,094,080)	-	(3,368,525)	-	(12,462,605)	-		
Net position - beginning, adjusted	360,953,552	363,529,818	266,836,644	259,430,976	627,790,196	622,960,794		
Net position - ending	\$ 370,768,487	\$ 370,047,632	\$ 280,660,389	\$ 270,205,169	\$ 651,428,876	\$ 640,252,801		

Expenses and Program Revenues - Governmental





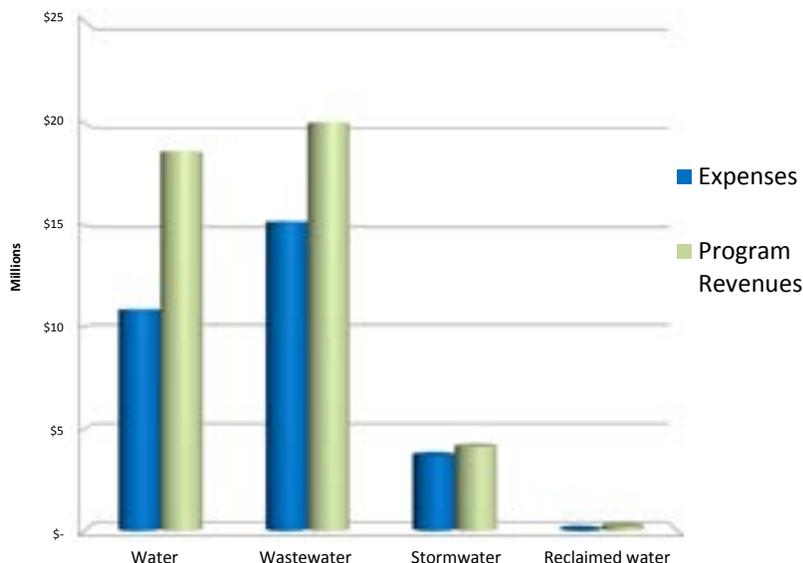
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities increased the City of Lacey’s net position by \$10.5 million. Key elements of this increase are as follows:

- Water, Wastewater and Stormwater sales increased 12.7 percent (\$3.9 million) due to utility rate increases and higher than normal water sales due to a warmer and dryer summer season.
- Capital grants and contributions attributed to 18.9 percent (\$8.2 million) of business-type revenues. This was an increase of \$540,608 compared to the previous year. Department of Ecology Stormwater grants for the Chambers Lake stormwater facility project and Vactor Decant Facility decreased \$969,345 and capital contributions from developers increased \$987,724.

Expense and Program Revenues-Business-Type Activities





Governmental Functional Expenses. Transportation costs make up 30.2 percent of the total governmental expenses. Security of persons and property costs comprise 24.4 percent of the City of Lacey’s total governmental expenses. The culture and recreation expenses make up 17.6 percent and general government services expenses make up 14.5 percent of governmental expenses.

This table presents the cost of each of the City of Lacey’s programs, including net costs (i.e., total costs less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City of Lacey’s taxpayers by each of these functions.

	Governmental Activities			
	Total Cost Of Services		Net Cost Of Services	
	2015	2014	2015	2014
General Government	\$ 6,546,747	\$ 6,145,240	\$ (5,422,695)	\$ (5,094,786)
Security of persons and property	11,025,225	11,018,453	(9,457,649)	(9,378,853)
Physical Environment	4,095,125	4,037,299	(764,795)	(828,427)
Transportation	13,633,098	14,608,378	1,816,215	1,022,742
Economic Environment	1,448,095	1,283,516	526,599	341,733
Culture & Recreation	7,936,006	8,200,393	(5,085,164)	(5,495,758)
Interest and fiscal charges	510,370	683,701	(510,370)	(683,701)
Mental & Physical Health	10,951	9,999	(10,951)	(9,999)
	<u>\$ 45,205,617</u>	<u>\$ 45,986,979</u>	<u>\$ (18,908,810)</u>	<u>\$ (20,127,049)</u>

Financial Analysis of Governmental Funds

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

The following table provides a revenue, expenditure, and fund balance summary for the City of Lacey’s governmental funds as of December 31, 2015 and December 31, 2014:

Major Funds	Revenue, Expenditure, and Fund Balance Summary Governmental Funds					
	General Fund		Arterial Street Fund		L.I.D. Redemption Fund	
	2015	2014	2015	2014	2015	2014
Revenues						
Taxes	\$ 24,994,272	\$ 23,377,972	\$ 1,897,390	\$ 1,578,920	\$ -	\$ -
License and permits	2,074,369	1,844,124	-	-	-	-
Intergovernmental revenues	1,559,981	1,334,425	2,144,758	2,628,373	-	-
Charges for services	6,170,381	5,676,695	858,443	745,120	-	-
Fines & forfeitures	569,044	700,225	-	-	-	-
Other revenue	470,350	450,831	47,965	33,604	747,935	832,221
Total revenues	<u>\$ 35,838,397</u>	<u>\$ 33,384,272</u>	<u>\$ 4,948,556</u>	<u>\$ 4,986,017</u>	<u>\$ 747,935</u>	<u>\$ 832,221</u>
Expenditures	<u>\$ 29,068,480</u>	<u>\$ 27,672,073</u>	<u>\$ 4,215,010</u>	<u>\$ 4,316,190</u>	<u>\$ -</u>	<u>\$ -</u>
Other Financing Sources and Uses						
Proceeds from sale of assets	\$ 2,906	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from capital lease	40,924	94,704	-	-	-	-
Transfers	(3,378,775)	(3,184,979)	-	938,500	-	(338,802)
Total other financing sources and uses	<u>\$ (3,334,945)</u>	<u>\$ (3,090,275)</u>	<u>\$ -</u>	<u>\$ 938,500</u>	<u>\$ -</u>	<u>\$ (338,802)</u>
Fund Balances						
Nonspendable	\$ 924	\$ 5,689	\$ -	\$ -	\$ 502,001	\$ -
Restricted	148,463	133,765	-	-	-	-
Committed	14,294,628	11,818,542	-	850,000	-	-
Assigned	262,901	1,613,537	16,415,736	14,832,190	2,395,524	2,149,590
Unassigned	15,006,922	12,707,333	-	-	-	-
Total fund balances	<u>\$ 29,713,838</u>	<u>\$ 26,278,866</u>	<u>\$ 16,415,736</u>	<u>\$ 15,682,190</u>	<u>\$ 2,897,525</u>	<u>\$ 2,149,590</u>



Revenue, Expenditure, and Fund Balance Summary
Governmental Funds

Nonmajor Funds	Special Revenue Funds		Debt Service Funds		Capital Projects Funds	
	2015	2014	2015	2014	2015	2014
Revenues						
Taxes	\$ 477,897	\$ 408,281	\$ 1,471,599	\$ 1,460,064	\$ -	\$ -
License and permits	-	-	-	-	38,864	37,537
Intergovernmental revenues	681,505	661,970	-	-	919,113	876,476
Charges for services	59,651	26,385	-	-	-	-
Other revenue	43,233	74,260	2,010	2,545	106,550	68,466
Total revenues	\$ 1,262,286	\$ 1,170,896	\$ 1,473,609	\$ 1,462,609	\$ 1,064,527	\$ 982,479
Expenditures	\$ 3,410,831	\$ 3,082,007	\$ 2,116,863	\$ 2,054,055	\$ 1,097,907	\$ 728,681
Other Financing Sources and Uses						
Premium on debt issued	\$ -	\$ -	\$ 1,015,321	\$ -	\$ -	\$ -
Debt issuance-refunding bonds	-	-	7,765,000	-	-	-
Payments to refunded bonds escrow agent	-	-	(8,691,603)	-	-	-
Transfers	2,013,112	1,089,469	572,624	586,330	238,631	31,054
Total other financing sources and uses	\$ 2,013,112	\$ 1,089,469	\$ 661,342	\$ 586,330	\$ 238,631	\$ 31,054
Fund Balances						
Restricted	\$ 957,688	\$ 910,042	\$ -	\$ -	\$ 689,787	\$ 828,163
Committed	1,250,000	1,125,000	-	-	8,131,048	5,550,116
Assigned	972,774	1,280,853	343,065	324,977	4,089,444	6,326,749
Total fund balances	\$ 3,180,462	\$ 3,315,895	\$ 343,065	\$ 324,977	\$ 12,910,279	\$ 12,705,028

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

As of the end of the current fiscal year, the City of Lacey's governmental funds reported combined ending fund balances of \$65.5 million, an increase of \$5.0 million in comparison with the prior year. Approximately 22.9 percent (\$15.0 million) of this total amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The \$50.5 million remaining of the fund balance is *restricted, committed or assigned* to indicate that it is not available for new spending because it has already been designated for 1) \$515,902 restriction for the state loan secured on behalf of Thurston 9-1-1 Communications, 2) lodging tax total fund balance of \$937,001, 3) \$502,925 for nonspendable which includes \$502,001 interfund loan for a wastewater utility local improvement district other purposes, and 4) \$48.5 million is restricted for a variety of other *fund committed or assigned* purposes. Additional information on the City of Lacey's restricted, committed, and assigned purposes can be found in Note 3.1 starting on page 4-35 of this report.

The general fund is the chief operating fund of the City of Lacey. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15.0 million, while the total fund balance reached \$29.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.6 percent of the total general fund expenditures, while total fund balance represents 102.2 percent of that same amount.

The fund balance of the City of Lacey's general fund was increased by \$3.4 million during the current fiscal year. Key factors in this increase are as follows:

- Total tax revenues increased by \$1.6 million. This increase is primarily due to higher retail taxes from higher new construction activity.



- Total expenditure increase was \$1.4 million. An increase of nearly \$1.0 million was a result of higher salaries and benefits costs. Newly implemented indigent defense standards increased contracted services expenditures by \$207,494.
- Net transfers out increased \$229,273 primarily due to utility tax transfer inflationary increases and capital purchases transfers.

The arterial street fund has a total fund balance of \$16.4 million, of which the entire amount is committed or assigned to indicate that it is not available for new spending. Total revenues decreased \$37,461. Real Estate Excise taxes increased \$318,470 during 2015, which was offset by decreases to grant revenues as grant funded project activity declined. The net increase in the fund balance during the current year was \$733,546.

The local improvement district bond fund has a total fund balance of \$2.9 million as of the end of current fiscal year.

Proprietary Funds. The City of Lacey's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the Water, Wastewater, Stormwater and Reclaimed Water operations at the end of the year amounted to \$44.5 million. The total change in net position for enterprise funds was \$10.2 million, which includes total growth of \$13.6 million from 2015 activities and a negative adjustment to the beginning net position \$3.4 million relating to the GASB Statement No. 68 implementation. Other factors regarding the finances of these funds have already been addressed in the discussion of the City of Lacey's business-type activities.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was a \$197,786 increase in appropriations between the original and final amended budget. Following are the significant components of the 2015 General Fund budget amendments:

- Professional services relating to the development the Woodland District Form-base Code increased the budget \$96,963.
- Contracted services for indigent defense services were amended \$200,000.
- Copier machine capital leases required an amendment in the amount of \$33,727.

Final budget compared to actual results. In total, actual General Fund revenues exceeded the final budget by \$2.5 million or a 7.4 percent difference. The total actual expenditures were \$1.7 million less than budget or 5.5 percent below budget.

On the revenue side of the budget, the primary difference between the final budget and the actual amounts relates to taxes, licenses/permit fees, and intergovernmental revenues. The tax and license/permit fee categories were impacted by an increase to residential new construction. One-time sales tax on new construction was the most significant impact to taxes and building permit fee revenue was the most significant increase to licenses and permits revenue. Intergovernmental revenues exceeded the final budget amounts due to higher liquor excise tax distributions and contribution from the State for LEOFF Plan 2 special funding situation relating to the GASB Statement No. 68 implementation.

On the expenditure side of the budget, the largest variances between the final budget and the actual amounts occurred in the general government, security of persons and property, physical environment, economic environment, and culture and recreation functions.



Capital Assets and Debt Administration

Capital assets. The City of Lacey's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$560.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system improvements, machinery and equipment, park facilities, and infrastructure. The City of Lacey's investments in capital assets were increased by \$8.3 million (net additions were \$27.8 million and depreciation expense was \$20.5 million). Governmental activities increased 0.7 percent and business-type activities increased 2.6 percent, a 1.5 percent total increase from previous year. The following schedule shows the City of Lacey's investment in capital assets.

	Governmental Activities		Business-Type Activities		Total		Percentage Of Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Non-depreciable assets:								
Land & land rights	\$ 142,645	\$ 138,596	\$ 14,901	\$ 14,546	\$ 157,546	\$ 153,142	18.5%	18.6%
Construction in progress	4,010	4,030	7,091	4,905	11,101	8,935	1.3%	1.1%
Total non-depreciable	146,655	142,626	21,992	19,451	168,647	162,077	19.8%	19.7%
Depreciable assets:								
Buildings	30,573	30,471	1,521	1,521	32,094	31,992	3.8%	3.9%
Improvements	26,869	26,833	300,348	290,155	327,217	316,988	38.4%	38.5%
Infrastructure	311,093	300,352	-	-	311,093	300,352	36.5%	36.5%
Machinery and equipment	12,067	11,918	677	675	12,744	12,593	1.5%	1.4%
Total depreciable assets	380,602	369,574	302,546	292,351	683,148	661,925	80.2%	80.3%
Total cost of capital assets	527,257	512,200	324,538	311,802	851,795	824,002	100.0%	100.0%
Less accumulated depreciation	209,515	196,686	81,839	75,217	291,354	271,903		
Book value - capital assets	\$ 317,742	\$ 315,514	\$ 242,699	\$ 236,585	\$ 560,441	\$ 552,099		
Percentage depreciated	39.7%	38.4%	25.2%	24.1%	34.2%	33.0%		

Major capital asset events during the current fiscal year included the following:

- Land and land rights increased by \$4.4 million, which included \$599,890 for land parcels and right of way purchases for streets and utilities and \$3.8 million in developer contributed easements and right of ways for streets.
- Construction in progress for governmental activities had a net decrease of \$20,047. A total of \$2.5 million was added during 2015, which included new and existing street projects and various other projects. A total of \$2.5 million of various city street projects that began during and/or prior to 2015 were completed during 2015.
- A variety of new Water, Stormwater and Wastewater utilities projects began in 2015 with a net increase of about \$2.2 million in construction in progress. Various utilities improvement projects were completed during the current fiscal year at a cost of \$3.1 million, which includes the completion of ATEC Water Treatment Facility Backwash pump Station, Marvin Raw Waterline, Timber Ct/27th 2014 Waterline Replacement, Lift Station #18 and Lakeview Wastewater Main Replacement. Developer contributed utilities were \$7.2 million. Construction in progress as of the close of the fiscal year had reached \$7.1 million, which includes \$1.2 million for Waterline Replacement 2014, \$862,725 for Lift Station #25 and 31 Pump and Electrical, \$399,910 for Regional Lift Station, \$455,501 for ULID #24 and \$2.5 million for Chambers Lake Stormwater Facility projects.
- For governmental activities, there was various new equipment for fleet vehicles, parks maintenance, and information technology equipment were purchased at a cost of \$679,870; the net cost



of various obsolete and out of service machinery and equipment that was replaced or removed totaled \$16,011.

Additional information on the City of Lacey's capital assets can be found in Note 3-D starting on page 4-26 of this report.

Debt Administration. The City of Lacey is authorized to issue debt pursuant to the Acts of the State of Washington. The City of Lacey has two types of debt issues outstanding: general obligation and revenue debt. The City may issue general bonded debt up to 2.5 percent of the assessed value of taxable property. Of this limit, up to 1.5 percent may be non-voter approved debt (Councilmanic bonds). In addition to the aforementioned limits, the City has debt authority of 2.5 percent each for utility and parks purposes. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5 percent of assessed valuation.

The ratios of general obligation debt to assessed valuation and the amount of debt per capita are useful to citizens, management and investors as indicators of the City of Lacey's debt position.

The City of Lacey received a "AA+" rating with a stable outlook from Standard & Poor's for its 2015 unlimited tax refunding general obligation bond and 2015 limited tax general obligation bond issues. This is an upgrade from the previous Standard & Poor's "AA" rating. Standard and Poor's revised its view of the City of Lacey's financial management practices as "strong" from "good" under its Financial Management Assessment methodology after reviewing the City's budgeting practices.

The City of Lacey is authorized to issue revenue bonds to finance capital improvements for its various enterprise activities, requiring only a majority approval vote of the Council. The City of Lacey has a revenue bond coverage ratio requirement of 120 percent of annual debt.

The City of Lacey received an "AA" rating with a stable outlook from Standard & Poor's for its 2013 revenue bond issue. The bond rating was the first issued for the City's utilities in many years, so it was considered a new credit.

As the demand for public sector investment in infrastructure continues to grow, the issuance of debt has become an increasingly important component of state and local government capital programs. While the issuance of debt is frequently an appropriate method of financing capital projects at the local level, it also entails careful monitoring of such obligations to ensure an erosion of the City of Lacey's credit quality does not result. Lacey's general facilities connection charges for water and wastewater services have minimized the need to issue debt.

Special assessment debt created from the formation of a local improvement district (LID) is another form of debt issued and administered by the City of Lacey. LID debt assists property owners in making significant public improvements (streets, sidewalks, street lighting, and some associated water, wastewater, and stormwater improvements) that benefit their property. Upon the formation of the local improvement district, improvements are constructed. When all improvement costs and administrative expenses are determined, a special benefit appraisal is conducted to determine the amount to be assessed each property according to the benefit received. Property owners may finance the cost of these improvements for a period of years through the City of Lacey. The City of Lacey sells LID bonds to recover the cost of constructing the improvements. These bonds are backed by liens on the benefiting property and a guarantee fund established by the City of Lacey.

Long-term Debt. At the end of the current fiscal year, the City of Lacey had total bonded debt outstanding of \$23.6 million including a State of Washington LOCAL Program loan of \$660,681. \$15.1 million is comprised of debt backed by the full faith and credit of the government and \$7.7 million is guaranteed by revenues generated by the City's water, wastewater, and stormwater utilities. The bonded debt includes \$12.4 million of refunding bonds, which includes 2015 refunding bonds in the amount of \$7.6 million.



Outstanding Debt
(in \$1,000's)

Table with 8 columns: Governmental Activities (2015, 2014), Business-Type Activities (2015, 2014), Totals (2015, 2014), and Percentage Change. Rows include General obligation bonds, Special assessment debt, Revenue bonds, Capital leases, LOCAL loans, and Total.

The City of Lacey's total outstanding debt decreased by \$2.3 million (8.8 percent) during the current fiscal year of which equals to the amount of debt redemption during 2015. The debt per capita was approximately \$512.72, which is considered low.

Additional information on the City of Lacey's long-term debt can be found in note 3-H on pages 4-31 to 4-34.

Economic Factors and Next Year's Budgets and Rates

- The 2015 average unemployment rate for the County was 5.8 percent, which is a decrease from a rate of 6.4 percent a year ago. This is higher compared to the state and national average unemployment rates of 5.5 and 5.0 percent, respectively.
• The City of Lacey's population continues to grow, (46,020 in the current fiscal year) and is placing more demand on services. The City of Lacey's population continues to grow faster than the State average. The City's population increased 1.5 percent while the State's population increased by 1.3 percent.
• Prior to the recession, revenue growth to property tax, sales tax, and planning and inspection fees offset the costs associated with growth. Revenues declined during the years 2009 through 2011. 2012 through 2014, revenues increased, but not at a level to offset the rising operating costs. 2015 revenue growth was strong primarily due to strong sales tax growth from one-time new construction. The positive impact from new construction is expected to continue through 2017. The City will continue its conservative approach matching one-time revenues to capital and other one-time expenditures rather than using the potentially temporary revenue growth for ongoing operational expenditures.

During the current fiscal year, unassigned fund balance in the general fund increased \$2.3 million (18.1 percent) to \$15.0 million compared to the 2014 unassigned fund balance.

The Water utility rates in the 2015 budget year were increased by 6.5 percent. The City of Lacey has phased in a water rate schedule that places more emphasis on conservation. The conservation rates place greater emphasis on the relationship of water usage to the amount paid by the customer. This change rewards the conservative customer while encouraging, through a higher rate, the high-end consumer to conserve water resources. Wastewater and Stormwater rates increased 4.25 percent and 9.0 percent, respectively, in the 2015 budget. These rates along with general facility charges, fund the current operating expenses, maintenance of the system, replacement, emergency repairs, and fund needed capital improvements.

Requests for Information

This financial report is designed to provide a general overview of the City of Lacey'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 the City of Lacey's Finance Department, 420 College Street SE, Lacey, Washington, 98503.



CITY
OF **LACEY**



Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 75,937,537	\$ 46,232,428	\$ 122,169,965
Receivables (net)	7,175,826	3,245,026	10,420,852
Internal balances	(470,185)	470,185	-
Inventories	-	163,171	163,171
Prepaid expenses and deposits	327,573	2,188	329,761
Restricted:			
Cash and cash equivalents	140,573	874,625	1,015,198
Investment in joint venture	614,590	-	614,590
Net pension asset	2,205,964	-	2,205,964
Capital assets:			
Non-depreciable	146,654,988	21,991,579	168,646,567
Depreciable, net	171,087,415	220,707,571	391,794,986
Total assets	<u>403,674,281</u>	<u>293,686,773</u>	<u>697,361,054</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	761,366	-	761,366
Deferred outflows related to pension	1,473,466	331,085	1,804,551
Total deferred outflows of resources	<u>2,234,832</u>	<u>331,085</u>	<u>2,565,917</u>
LIABILITIES			
Accounts payable	1,250,946	1,658,203	2,909,149
Interest payable	45,454	46,538	91,992
Unearned revenues	2,250,651	-	2,250,651
Noncurrent liabilities:			
Due within one year	2,244,675	425,274	2,669,949
Due in more than one year	17,877,067	7,817,676	25,694,743
Net pension liability	9,110,881	2,865,549	11,976,430
Total liabilities	<u>32,779,674</u>	<u>12,813,240</u>	<u>45,592,914</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	2,360,950	544,229	2,905,179
Total deferred inflows of resources	<u>2,360,950</u>	<u>544,229</u>	<u>2,905,179</u>
NET POSITION			
Net investment in capital assets	303,126,115	234,591,397	537,717,512
Restricted for:			
Pension related	2,205,964	-	2,205,964
Criminal bail	148,463	-	148,463
Lodging/tourism	937,001	-	937,001
HUD grant	20,687	-	20,687
City facilities	107,433	-	107,433
Public education fees	66,452	-	66,452
Debt Service	-	607,425	607,425
Unrestricted	64,156,372	45,461,567	109,617,939
Total net position	<u>\$ 370,768,487</u>	<u>\$ 280,660,389</u>	<u>\$ 651,428,876</u>

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



Statement of Activities
For the Year Ended December 31, 2015

Functions/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,546,747	\$ 1,027,882	\$ 96,170	\$ -
Security of persons and property	11,025,225	511,963	1,041,300	14,313
Physical environment	4,095,125	3,330,330	-	-
Transportation	13,633,098	923,274	950,666	13,575,373
Economic environment	1,448,095	1,968,694	-	6,000
Mental and physical health	10,951	-	-	-
Culture and recreation	7,936,006	1,599,065	1,251,777	-
Interest and fiscal charges	510,370	-	-	-
Total governmental activities	45,205,617	9,361,208	3,339,913	13,595,686
Business-type activities:				
Water	10,820,232	15,443,750	-	3,195,420
Wastewater	15,188,845	16,663,596	-	3,389,088
Stormwater	3,687,056	2,709,094	14,877	1,389,951
Reclaimed water	28,253	-	-	185,288
Total business-type activities	29,724,386	34,816,440	14,877	8,159,747
Total primary government	\$ 74,930,003	\$ 44,177,648	\$ 3,354,790	\$ 21,755,433

General revenues:
 Property taxes
 Retail taxes
 Business taxes
 Excise taxes
 Penalties & interest
 Interest and investment earnings
 Gain (loss) on disposal of capital assets
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning
 Changes in accounting principle (See Notes)
 Net position - beginning, adjusted
 Net position - ending



Net(Expense)Revenues and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,422,695)	\$ -	\$ (5,422,695)
(9,457,649)	-	(9,457,649)
(764,795)	-	(764,795)
1,816,215	-	1,816,215
526,599	-	526,599
(10,951)	-	(10,951)
(5,085,164)	-	(5,085,164)
(510,370)	-	(510,370)
<u>(18,908,810)</u>	<u>-</u>	<u>(18,908,810)</u>
-	7,818,938	7,818,938
-	4,863,839	4,863,839
-	426,866	426,866
-	157,036	157,036
<u>-</u>	<u>13,266,678</u>	<u>13,266,678</u>
<u>(18,908,810)</u>	<u>13,266,678</u>	<u>(5,642,132)</u>
6,826,150	-	6,826,150
10,777,099	-	10,777,099
8,885,152	-	8,885,152
2,332,930	-	2,332,930
-	-	-
243,777	118,561	362,338
33,235	-	33,235
63,908	-	63,908
(438,506)	438,506	-
<u>28,723,745</u>	<u>557,067</u>	<u>29,280,812</u>
9,814,935	13,823,745	23,638,680
370,047,632	270,205,169	640,252,801
(9,094,080)	(3,368,525)	(12,462,605)
<u>360,953,552</u>	<u>266,836,644</u>	<u>627,790,196</u>
<u>\$ 370,768,487</u>	<u>\$ 280,660,389</u>	<u>\$ 651,428,876</u>



Balance Sheet
Governmental Funds
December 31, 2015

	General	Arterial Street	L.I.D. Redemption	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current cash & cash equivalents	\$ 26,719,248	\$ 18,141,165	\$ 2,360,490	\$ 15,770,682	\$ 62,991,585
Receivables (net of allowances):					
Taxes	3,310,603	129,784	-	82,098	3,522,485
Customer accounts	907,346	-	-	313,581	1,220,927
Due from other funds	-	-	6,372	-	6,372
Due from other governmental units	117,782	522,856	-	299,429	940,067
Special assessments	-	-	886,017	-	886,017
Prepayments	924	250	-	-	1,174
Interfund loan receivable	-	-	502,001	-	502,001
Restricted assets:					
Cash & cash equivalents	139,723	-	-	850	140,573
Long term loan receivable	-	-	72,655	515,902	588,557
Total assets	<u>31,195,626</u>	<u>18,794,055</u>	<u>3,827,535</u>	<u>16,982,542</u>	<u>70,799,758</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	434,333	191,724	-	195,415	821,472
Due to other governmental units	232,972	-	-	26,860	259,832
Customer deposits	139,723	-	-	850	140,573
Unearned revenue	153,994	2,096,657	-	-	2,250,651
Total liabilities	<u>961,022</u>	<u>2,288,381</u>	<u>-</u>	<u>223,125</u>	<u>3,472,528</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues-property tax	107,905	-	-	21,177	129,082
Unavailable revenues-special assessments	-	-	850,983	-	850,983
Unavailable revenues-violations	412,862	-	-	-	412,862
Unavailable revenues-grants and loans	-	89,937	79,027	304,434	473,398
Total deferred inflows of resources	<u>520,767</u>	<u>89,937</u>	<u>930,010</u>	<u>325,611</u>	<u>1,866,325</u>
Fund balances					
Nonspendable	924	-	502,001	-	502,925
Restricted	148,463	-	-	1,647,475	1,795,938
Committed	14,294,628	-	-	9,381,048	23,675,676
Assigned	262,901	16,415,736	2,395,524	5,405,283	24,479,444
Unassigned	15,006,922	-	-	-	15,006,922
Total fund balances	<u>29,713,838</u>	<u>16,415,736</u>	<u>2,897,525</u>	<u>16,433,806</u>	<u>65,460,905</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,195,627</u>	<u>\$ 18,794,054</u>	<u>\$ 3,827,535</u>	<u>\$ 16,982,542</u>	<u>\$ 70,799,758</u>

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

Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Funds
December 31, 2015

Fund balances - total governmental funds		\$ 65,460,905
Amounts reported for governmental activities in the statement of net position are different because:		
Certain assets used in governmental activities are not financial resources and therefore are not reported in the fund statement:		
Prepaid unused supplies on-hand	\$ 326,398	
Investment in joint venture	614,590	
Deferred charges on refunding	761,366	
Net pension asset	2,205,964	3,908,318
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Non-depreciable assets	146,654,988	
Depreciable assets (net)	168,282,368	314,937,356
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds:		
Deferred inflows of resources: unavailable revenues		
Property taxes receivable	129,082	
Special assessments receivable	850,983	
Local court revenue receivable	412,862	
Grants earned but not available	120,159	
HUD & Other Loan assessments receivable	353,239	1,866,325
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:		
Interest payable	(45,454)	
Bonds and loans including unamortized debt premiums	(17,024,157)	
Capital leases	(107,173)	
Compensated absences and OPEB Liabilities	(2,932,320)	(20,109,104)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported in the statement of net position.		
	13,877,456	13,877,456
Net pension asset, liability and pension related deferred outflows and inflows of resources are not due in the current period, and therefore, are not reported in the funds. These amounts consist of:		
Net pension liability	(8,342,445)	
Deferred outflows of resources	1,384,681	
Deferred inflows of resources	(2,215,007)	(9,172,771)
Rounding adjustments		2
Net position of governmental activities.		\$ 370,768,487

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



Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2015

	General	Arterial Street	L.I.D. Redemption	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 24,994,272	\$ 1,897,390	\$ -	\$ 1,949,496	\$ 28,841,158
Licenses and permits	2,074,369	-	-	38,864	2,113,233
Intergovernmental revenues	1,559,981	2,144,758	-	1,600,618	5,305,357
Charges for services	6,170,381	858,443	-	59,651	7,088,475
Fines and forfeitures	569,044	-	-	-	569,044
Other revenues	470,350	47,965	747,935	151,793	1,418,043
Total revenues	<u>35,838,397</u>	<u>4,948,556</u>	<u>747,935</u>	<u>3,800,422</u>	<u>45,335,310</u>
EXPENDITURES					
Current:					
General government	5,786,347	-	-	10,582	5,796,929
Security of persons and property	11,183,896	-	-	-	11,183,896
Physical environment	4,293,358	-	-	-	4,293,358
Transportation	-	-	-	3,184,450	3,184,450
Economic environment	1,360,734	-	-	2,506	1,363,240
Mental and physical health	10,951	-	-	-	10,951
Culture and recreation	6,351,870	-	-	229,084	6,580,954
Capital outlay	40,924	4,215,010	-	908,756	5,164,690
Debt service:					
Principal retirement	26,668	-	-	1,731,870	1,758,538
Interest	13,732	-	-	468,086	481,818
Debt issue costs	-	-	-	90,267	90,267
Total expenditures	<u>29,068,480</u>	<u>4,215,010</u>	<u>-</u>	<u>6,625,601</u>	<u>39,909,091</u>
Excess (deficiency) of revenue over (under) expenditures	<u>6,769,917</u>	<u>733,546</u>	<u>747,935</u>	<u>(2,825,179)</u>	<u>5,426,219</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	2,906	-	-	-	2,906
Premium on debt issued	-	-	-	1,015,321	1,015,321
Proceeds from capital leases	40,924	-	-	-	40,924
Debt issuance-refunding bonds	-	-	-	7,765,000	7,765,000
Payments to refunded bonds escrow agent	-	-	-	(8,691,603)	(8,691,603)
Transfers in	847,323	-	-	4,327,314	5,174,637
Transfers out	(4,226,098)	-	-	(1,502,947)	(5,729,045)
Total other financing sources (uses)	<u>(3,334,945)</u>	<u>-</u>	<u>-</u>	<u>2,913,085</u>	<u>(421,860)</u>
Net change in fund balances	3,434,972	733,546	747,935	87,906	5,004,359
Fund balance - beginning	26,278,866	15,682,190	2,149,590	16,345,900	60,456,546
Fund balance - ending	<u>\$ 29,713,838</u>	<u>\$ 16,415,736</u>	<u>\$ 2,897,525</u>	<u>\$ 16,433,806</u>	<u>\$ 65,460,905</u>

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

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2015

Net changes in total fund balances per fund financial statements		\$ 5,004,359
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets are depreciated over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$ 3,300,546	
Current year depreciation	<u>(12,646,309)</u>	(9,345,763)
<p>Contributed /donated capital assets are included in the statement of activities but are not included in the governmental funds as they do not provide current financial resources:</p>		
Contributed from developers and other outside sources	11,653,946	
Transfer from Stormwater fund	<u>115,902</u>	11,769,848
<p>The proceed from the sale of capital assets is reported as revenue in the governmental funds. However, the cost of assets sold offset against the sales proceeds, and only the gain or loss is reported in the statement of activities.</p>		
		(24,722)
<p>Issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Capital lease financing	(40,924)	
Debt issuance including original premiums and deferral on refunding	(8,780,321)	
Debt principal repayments	1,778,911	
Debt advance refunding payment	8,691,603	
Net amortization of bond premiums and deferral on refunding	<u>53,968</u>	1,703,237
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statement.</p>		
Unavailable revenue - property taxes	(19,827)	
Unavailable revenue - special assessments	(698,133)	
Unavailable revenue - grants earned but not available	120,159	
Unavailable revenue - court local revenue earned but not available	<u>(240,949)</u>	(838,750)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Increase (decrease) in prepaid supplies on-hand	326,399	
Increase (decrease) in investment in joint venture	(93,266)	
(Increase) decrease in compensated absences and OPEB Liabilities	(475,579)	
(Increase) decrease in accrued interest payable	<u>7,747</u>	(234,699)
<p>Internal service funds or activities are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		557,465
<p>Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		1,223,957
Rounding adjustments		3
Changes in net position of governmental activities		<u>\$ 9,814,935</u>

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



Statement of Net Position
Proprietary Funds
December 31, 2015

	Business-type Activities Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 27,125,643	\$ 14,114,274	\$ 2,915,686	\$ 2,076,825	\$ 46,232,428	\$ 12,945,952
Restricted cash and cash equivalents:						
Customer deposits	207,537	56,092	3,571	-	267,200	-
Receivables (net of allowances):						
Customer accounts	802,535	1,390,351	261,436	-	2,454,322	11,400
Accrued interest & penalty	12,311	21,149	-	-	33,460	-
Prepayments	2,187	-	-	-	2,187	-
Current portion of interfund loan receivable	-	5,888,195	-	-	5,888,195	-
Inventory	163,171	-	-	-	163,171	-
Total current assets:	<u>28,313,384</u>	<u>21,470,061</u>	<u>3,180,693</u>	<u>2,076,825</u>	<u>55,040,963</u>	<u>12,957,352</u>
Noncurrent assets:						
Restricted cash and cash equivalents:						
Revenue bonds covenants	607,425	-	-	-	607,425	-
Special assessments	13,166	16,489	-	-	29,655	-
Special assessments - noncurrent	242,077	485,512	-	-	727,589	-
Capital assets, net of depreciation:						
Land	10,226,278	1,366,654	3,308,394	-	14,901,326	-
Buildings	394,671	609,836	-	-	1,004,507	105,543
Improvements other than buildings	107,818,161	68,862,538	41,280,356	1,424,932	219,385,987	45,331
Equipment	64,574	245,762	6,740	-	317,076	2,654,173
Construction in progress	2,308,523	2,019,868	2,761,863	-	7,090,254	-
Total noncurrent assets	<u>121,674,875</u>	<u>73,606,659</u>	<u>47,357,353</u>	<u>1,424,932</u>	<u>244,063,819</u>	<u>2,805,047</u>
Total assets	<u>149,988,259</u>	<u>95,076,720</u>	<u>50,538,046</u>	<u>3,501,757</u>	<u>299,104,782</u>	<u>15,762,399</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pension	194,882	97,926	38,277	-	331,085	88,785
Total deferred outflows of resources	<u>194,882</u>	<u>97,926</u>	<u>38,277</u>	<u>-</u>	<u>331,085</u>	<u>88,785</u>
LIABILITIES						
Current liabilities:						
Accounts payable	207,084	132,934	25,733	-	365,751	29,056
Matured interest payable	38,706	-	7,832	-	46,538	-
Due to other funds	-	6,372	-	-	6,372	-
Due to other governmental units	26	1,018,855	-	-	1,018,881	15
Compensated absences	60,123	31,987	8,164	-	100,274	25,575
Current liabilities payable from restricted assets:						
Customer deposits	207,537	56,092	3,571	-	267,200	-
Current portion of interfund loans payable	5,888,195	37,266	-	-	5,925,461	-
Current portion of revenue bonds payable	270,306	-	54,694	-	325,000	-
Total current liabilities	<u>6,671,977</u>	<u>1,283,506</u>	<u>99,994</u>	<u>-</u>	<u>8,055,477</u>	<u>54,646</u>
Noncurrent liabilities:						
Compensated absences	74,397	19,557	6,105	-	100,059	32,517
Long-term portion of interfund loan payable	-	464,735	-	-	464,735	-
Bonds payable (net of premium/discount)	6,418,816	-	1,298,801	-	7,717,617	-
Net pension liability	1,686,708	847,555	331,286	-	2,865,549	768,436
Total noncurrent liabilities	<u>8,179,921</u>	<u>1,331,847</u>	<u>1,636,192</u>	<u>-</u>	<u>11,147,960</u>	<u>800,953</u>
Total liabilities	<u>14,851,898</u>	<u>2,615,353</u>	<u>1,736,186</u>	<u>-</u>	<u>19,203,437</u>	<u>855,599</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pension	320,342	160,969	62,918	-	544,229	145,943
Total deferred inflows of resources	<u>320,342</u>	<u>160,969</u>	<u>62,918</u>	<u>-</u>	<u>544,229</u>	<u>145,943</u>
NET POSITION						
Net investment in capital assets	114,109,392	73,053,216	46,003,857	1,424,932	234,591,397	2,805,046
Restricted for debt service	607,425	-	-	-	607,425	-
Unrestricted	20,294,084	19,345,108	2,773,362	2,076,825	44,489,379	12,044,596
Total net position	<u>\$ 135,010,901</u>	<u>\$ 92,398,324</u>	<u>\$ 48,777,219</u>	<u>\$ 3,501,757</u>	<u>\$ 279,688,201</u>	<u>\$ 14,849,642</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					972,188	
Net position of business-type activities.					<u>\$ 280,660,389</u>	

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



Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Business-Type Activities Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
OPERATING REVENUES						
Charges for services	\$ 15,218,079	\$ 16,619,705	\$ 2,702,844	\$ -	\$ 34,540,628	\$ 3,846,592
Miscellaneous operating revenues	225,671	43,891	6,250	-	275,812	28,078
Total operating revenue	<u>15,443,750</u>	<u>16,663,596</u>	<u>2,709,094</u>	<u>-</u>	<u>34,816,440</u>	<u>3,874,670</u>
OPERATING EXPENSES						
Operating expense	3,015,121	10,856,703	1,092,910	-	14,964,734	2,132,613
Maintenance expense	3,745,599	2,222,903	879,925	-	6,848,427	316,308
Debt discount amortization	-	-	-	-	-	-
Depreciation expense	3,373,514	1,996,760	1,693,280	28,253	7,091,807	748,220
Taxes	588,810	181,380	50,162	-	820,352	222
Total operating expenses	<u>10,723,044</u>	<u>15,257,746</u>	<u>3,716,277</u>	<u>28,253</u>	<u>29,725,320</u>	<u>3,197,363</u>
OPERATING INCOME (LOSS)	<u>4,720,706</u>	<u>1,405,850</u>	<u>(1,007,183)</u>	<u>(28,253)</u>	<u>5,091,120</u>	<u>677,307</u>
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental revenue	-	-	14,877	-	14,877	-
Special assessments	9,411	523,151	-	-	532,562	-
Debt issuance and service costs	(353)	(5,000)	(72)	-	(5,425)	-
Investment earnings	69,424	38,285	6,799	4,053	118,561	22,734
Interest expense	(204,195)	(6,372)	(28,358)	-	(238,925)	-
Gain (loss) on disposal of capital assets	-	-	(115,902)	-	(115,902)	55,051
Total nonoperating revenues (expenses)	<u>(125,713)</u>	<u>550,064</u>	<u>(122,656)</u>	<u>4,053</u>	<u>305,748</u>	<u>77,785</u>
Income (loss) before contributions and transfers	4,594,993	1,955,914	(1,129,839)	(24,200)	5,396,868	755,092
Capital Contributions - private	3,186,009	2,865,937	1,389,951	185,288	7,627,185	-
Capital Contributions - interfund	-	-	-	-	-	47,657
Transfers in	554,408	-	-	-	554,408	-
Changes in net position	<u>8,335,410</u>	<u>4,821,851</u>	<u>260,112</u>	<u>161,088</u>	<u>13,578,461</u>	<u>802,749</u>
Net position - beginning as previously reported	128,658,259	88,572,796	48,906,541	3,340,669		14,950,209
Changes in accounting principle	<u>(1,982,768)</u>	<u>(996,323)</u>	<u>(389,434)</u>	<u>-</u>		<u>(903,316)</u>
Net position - beginning as restated	<u>126,675,491</u>	<u>87,576,473</u>	<u>48,517,107</u>	<u>3,340,669</u>		<u>14,046,893</u>
NET POSITION - ENDING	<u>\$ 135,010,901</u>	<u>\$ 92,398,324</u>	<u>\$ 48,777,219</u>	<u>\$ 3,501,757</u>		<u>\$ 14,849,642</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>245,284</u>	
Change in net position of business-type activities.					<u>\$ 13,823,745</u>	

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



Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Business-type Activities Enterprise Funds				Total	Governmental Activities Internal Services Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
CASH FLOW FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 15,480,792	\$ 16,506,932	\$ 3,578,783	\$ -	\$ 35,566,507	\$ 110,116
Receipts from interfund services	-	-	-	-	-	3,776,547
Payments to suppliers	(3,636,473)	(10,819,124)	(1,123,260)	-	(15,578,857)	(1,123,472)
Payments for interfund services	(563,359)	(384,934)	(274,055)	-	(1,222,348)	(8,602)
Payments for employees	(2,821,941)	(1,920,683)	(763,998)	-	(5,506,622)	(1,393,619)
Payments for taxes	(588,810)	(181,380)	(50,162)	-	(820,352)	(222)
Net cash provided by operating activities	<u>7,870,209</u>	<u>3,200,811</u>	<u>1,367,308</u>	<u>-</u>	<u>12,438,328</u>	<u>1,360,748</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfers in from other funds	554,408	-	-	-	554,408	-
Receipt (Repayment) of interfund loan	-	602,798	-	-	602,798	-
Receipt of interfund loan interest payment	10,206	-	-	-	10,206	-
Operating grant received	-	-	14,877	-	14,877	-
Net cash provided by non-capital financing activities	<u>564,614</u>	<u>602,798</u>	<u>14,877</u>	<u>-</u>	<u>1,182,289</u>	<u>-</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(2,813,778)	(2,075,332)	(764,563)	-	(5,653,673)	(539,840)
Proceeds from sales of capital assets	-	-	-	-	-	65,438
Payments for debt issue and related costs	(353)	(5,000)	(72)	-	(5,425)	-
Proceeds (payment) on Interfund loan	(602,798)	502,001	-	-	(100,797)	-
Interest paid on interfund loan	(10,206)	-	-	-	(10,206)	-
Principal paid on revenue bonds	(266,147)	-	(53,853)	-	(320,000)	-
Interest paid on revenue bonds	(237,557)	-	(48,068)	-	(285,625)	-
Payments received on special assessments	37,728	3,910	-	-	41,638	-
Net cash used by capital and related financing activities	<u>(3,893,111)</u>	<u>(1,574,421)</u>	<u>(866,556)</u>	<u>-</u>	<u>(6,334,088)</u>	<u>(474,402)</u>
CASH FLOW FROM INVESTING ACTIVITIES:						
Purchase of investments	(6,109)	-	-	-	(6,109)	(214,980)
Interest received on investments	59,218	38,285	6,799	4,053	108,355	22,734
Net cash provided (used) by investing activities	<u>53,109</u>	<u>38,285</u>	<u>6,799</u>	<u>4,053</u>	<u>102,246</u>	<u>(192,246)</u>
Net increase (decrease) in cash and cash equivalents	4,594,821	2,267,473	522,428	4,053	7,388,775	694,100
Cash and cash equivalents January 1	22,725,691	11,902,893	2,396,829	2,072,772	39,098,185	11,824,796
Cash and cash equivalents December 31 (see Note below) (including restricted cash & cash equivalents)	<u>\$ 27,320,512</u>	<u>\$ 14,170,366</u>	<u>\$ 2,919,257</u>	<u>\$ 2,076,825</u>	<u>\$ 46,486,960</u>	<u>\$ 12,518,896</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Net operating income (loss)	\$ 4,720,706	\$ 1,405,850	\$ (1,007,183)	\$ (28,253)	\$ 5,091,120	\$ 677,307
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	3,373,514	1,996,760	1,693,280	28,253	7,091,807	748,220
Decrease (increase) in:						
Customer receivables	3,803	(49,291)	(23,607)	-	(69,095)	5,935
Intergovernmental receivables	20,677	12,447	892,990	-	926,114	6,058
Prepaid expenses	1,687	-	-	-	1,687	-
Inventories	(36,483)	-	-	-	(36,483)	-
Deferred charges	-	-	-	-	-	-
Customer deposits	12,562	(119,820)	306	-	(106,952)	-
Increase (decrease) in:						
Accounts payable	(70,845)	(72,836)	(155,047)	-	(298,728)	(2,577)
Intergovernmental payables	26	104,748	-	-	104,774	(1,189)
Due to other funds	-	-	-	-	-	-
Compensated absences	15,162	8,678	76	-	23,916	4,716
Net pension liability, deferred outflows and inflows of pension related resources	(170,600)	(85,725)	(33,507)	-	(289,832)	(77,722)
Total adjustments	3,149,503	1,794,961	2,374,491	28,253	7,347,208	683,441
Net cash provided by operating activities	<u>\$ 7,870,209</u>	<u>\$ 3,200,811</u>	<u>\$ 1,367,308</u>	<u>\$ -</u>	<u>\$ 12,438,328</u>	<u>\$ 1,360,748</u>
Reconciliation of cash and cash equivalents with the amounts on the fund statement of net position:						
Cash and cash equivalents	\$ 27,125,643	\$ 14,114,274	\$ 2,915,686	\$ 2,076,825	\$ 46,232,428	\$ 12,945,952
Restricted cash and cash equivalents	814,962	56,092	3,571	-	\$ 874,625	-
Less investments with maturity over 3 months	(620,093)	-	-	-	(620,093)	(427,056)
Cash and cash equivalents for cash flow statements	<u>\$ 27,320,512</u>	<u>\$ 14,170,366</u>	<u>\$ 2,919,257</u>	<u>\$ 2,076,825</u>	<u>\$ 46,486,960</u>	<u>\$ 12,518,896</u>
Schedule of noncash capital and related financing activities						
Contributions of capital assets from developers	\$ 3,186,009	\$ 2,865,937	\$ 1,389,951	\$ 185,288	\$ 7,627,185	\$ -
Capital assets transferred from other funds						47,657

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



Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 3,035,030
Restricted cash and cash equivalents	501,808
Prepaid expenses and deposits	219
Accounts receivables, net of uncollectible accounts	533
Due from other governmental units	305,560
Total assets	<u>\$ 3,843,150</u>
LIABILITIES	
Accounts payable	\$ 81,690
Accrued employee leave payable	74,646
Capital lease payable	12,651
Custodial - seizure cases pending	501,808
Notes payable	72,655
Due to other governmental units	3,099,700
Total liabilities	<u>\$ 3,843,150</u>

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



CITY
OF **LACEY**



Notes to the Financial Statements December 31, 2015

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City of Lacey
Notes to the Financial Statements
December 31, 2015

Note 1. Summary of significant accounting policies

The financial statements of the City of Lacey have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), when applicable, and the American Institute of Certified Public Accountants (AICPA) pronouncements that have been made applicable by GASB Statements or Interpretation.

A. Reporting entity

The City of Lacey was incorporated on December 5, 1966. The City operates under a Council-Manager form of government. The City's major operations, as authorized under the laws of the State of Washington applicable to a non-charter code city, includes planning and zoning, public safety, public works, recreation and culture, and utilities.

As required by GAAP the City's financial statements present the City of Lacey – the primary government. There are no component units (either blended or discretely presented) included in these statements.

B. Basic financial statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-wide financial statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds.

Governmental activities, which generally are financed by taxes, inter-government revenues, and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for the goods or services they acquire from the City. Governmental activities include programs/activities such as general government, public safety, streets, physical environment, transportation, culture and recreation, and health and welfare. Business-type activities, an integral part of the City's activities and responsibilities, include the City's Water utilities, Wastewater utilities, Stormwater utilities and Reclaimed Water utilities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment and may include indirect cost elements. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the government's utilities functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.



Fund financial statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The City's fiduciary funds are excluded from the government-wide financial statements, because resources of these funds cannot be used to finance the City's activities. However, the financial statements of fiduciary funds are included in the City's fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund includes police, health and social services, parks and recreation, finance and administration, planning, building inspection, community development, park maintenance, public works and engineering management, and services contracted to other agencies such as, TCOMM 911, district court, and jail services.

The *arterial street fund* provides funding for street construction and transportation improvement projects. Revenues come from state shared fuel taxes, utility taxes, real estate excise taxes, state and federal grants and mitigation impact fees. Work accomplished includes right-of-way acquisition, design, and construction of roadways, storm drainage, sidewalks, street lighting, traffic signals, and landscaping.

The *local improvement district (L.I.D.) bond redemption fund* was created to provide for the retirement of all local improvement district bonds issued for City facilities or equipment. Debt issued or bonds received without the guarantee of City tax revenues must depend on special assessments against property owners.

The City reports the following major enterprise funds:

The *water utility fund* accounts for revenues and reserve dollars to construct or replace the water production and distribution system. The funds provide high quality drinking water in sufficient quantity and pressure to support the citizens of Lacey and service areas outside the City. Water comes primarily from wells that are owned and operated by the Utility. Water is also purchased from the City of Olympia.

The *wastewater utility fund* accounts for revenues and reserve dollars to construct new or replace portions of the wastewater collection and treatment system including sewer lines, lift stations and holding tanks. These facilities serve to collect, initiate treatment and transport wastewater to the LOTT Treatment Facility located in Olympia.

The *stormwater utility fund* accounts for activities for the operations and maintenance of the City-owned storm drainage and flood control systems as well as the activities for the planning, design, property acquisition and construction of capital projects.

The *reclaimed water utility fund* was created to utilize alternative water supply for non-potable water application. The fund accounts for revenues and expenses to construct new or replace reclaimed water lines and maintenance and operations.

Additionally, the government reports the following fund types:

Internal services funds account for fleet management services and information management services provided to other departments within the City on a cost-reimbursement basis and include the following funds:

Equipment rental fund accounts for fleet management services provided to other departments within the City of Lacey, on a cost reimbursement basis. Activities of the fund include the maintenance and replacement of City owned vehicles and equipment. The City's finance department provides administrative and accounting services while the public works department provides maintenance and repair services.

Information management services fund is responsible for keeping all computer and office automation equipment and programs operating and responsive to the City's needs. This is accomplished through researching new computer techniques; correcting and revising programs to meet changing needs; managing computer techniques; and managing computer equipment to achieve maximum performance.

Fiduciary funds account for cash and investments held by the government on behalf of other governments in an agency capacity, which include Joint Animal Services fund, Interlocal Drug Unit fund, and Capital Area Regional Public Facilities District (CARPFD) fund.

C. Measurement focus, basis of accounting and financial statement presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The *government-wide financial statements* are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds are reported using the accrual basis of accounting, however, are unlike all other types of funds, reporting only assets and liabilities; therefore, have no measurement focus. 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.

The *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 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, business and licensing taxes, utility taxes, and excise taxes, and interest associated with the current fiscal 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 90 days of year end). Only the portion of special assessment due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period provided that the amount is received during the period or within the 60-day availability period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

D. New pronouncements

During the year ended December 31, 2015, the City implemented the following Governmental Accounting Standards Board (the “GASB”) Statements:

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB Statement No. 68), which addresses the accounting and financial reporting requirements for pensions. The provisions of GASB Statement No. 68 separate accounting and financial reporting from how pensions are funded and require changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and the pension expense and related deferred outflows/inflows of resources disclosures (see Note 3, J). When the City implemented this statement in fiscal year 2015, the City also implemented GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (GASB Statement No. 71), which resolves transition issues in GASB Statement No. 68.

As of January 1, 2015, the City restated the beginning net position to record the beginning deferred pension contributions and net pension liability as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning, as previously reported	\$ 370,047,632	\$ 270,205,169	\$ 640,252,801
Changes in accounting principle	(9,094,080)	(3,368,525)	(12,462,605)
Net Position - beginning, as restated	\$ 360,953,552	\$ 266,836,644	\$ 627,790,196

E. Budgetary Information

1. Scope of Budget

The City budgets its funds in accordance with the Revised Code of Washington chapter 35A.33. The budget, as adopted, constitutes the legal authority for expenditures. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The City’s budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. The steps in the budget process are as follows:

- (1) Prior to October 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures/expenses and the means of financing them.

- (2) A public hearing is conducted at City Hall to obtain taxpayer comments.
- (3) During the month of December, the budget is legally enacted through passage of an ordinance.
- (4) Any revisions that alter the total amount of expenditures/expenses of any fund must be approved by the City Council.

Appropriation in all budgeted funds lapse at the end of the fiscal year (except for appropriations for capital projects, which may be carried forward, with the City Council's approval, from year to year, until fully expended or the purpose of the appropriation has been accomplished or abandoned) even if they have related encumbrances. Unexpended resources must be re-appropriated in the subsequent period.

2. Amending the budget

Transfers or revisions for budgeted amounts within funds are authorized by the City Manager; however, any revisions that alter the total amount of expenditures/expenses of any fund must be approved by the City Council.

The accompanying supplementary information presents both 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.

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash, deposits, and investments

The City has defined cash and cash equivalents as cash on hand, demand deposits, and all highly liquid short-term investments (including restricted assets) with a maturity of three months or less from the date of acquisition. These amounts are classified on the balance sheet or in the statement of net position within cash and cash equivalents or investments in the various funds. The interest income on these investments is prorated to the applicable funds that report the underlying investments.

Investments for the City are reported at fair value, based on the fair market value at fiscal year end, except for the position in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in accordance with appropriate state laws and regulations (RCW 43.250.020). The LGIP is comparable to a Rule 2a-7 money market fund, as currently recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. As such, investments are reported at amortized cost (which approximates fair value).

For purposes of the statement of cash flows, the City considers the investment in the LGIP to be cash and cash equivalents.

2. Receivables and payables

Taxes receivable consists of property taxes and related interest and penalties.

Accrued interest receivable consists of amounts earned on investments, notes, special assessments, and contracts.

Customer accounts receivable/payable consists of amounts owed from/to private individuals or organizations for goods and services. If the transaction is with another governmental unit, it is accounted for within "due from/to other governments".

Special assessments are recorded when levied and are liens against the property benefited. Special as-



assessments receivable consist of current and delinquent assessments. *Deferred assessments* on the fund financial statements consist of unbilled special assessments not due within one year.

Receivables have been reported net of estimated uncollectible accounts. Because property taxes, special assessments, and utility billings are considered liens on property, no estimated uncollectible amounts are established.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, *long-term liabilities* are reported in applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

3. Amounts due to/from other funds and interfund loans and advances (See Note 3.E. Interfund Loans and Transfers)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either interfund loans receivable/payable or *advances to/from other fund*. All other outstanding balances between funds are reported as *due to/from other funds*. Due to/from other funds result from goods issued, work performed, or services rendered to or for the benefit of another fund within the City when cash is not immediately moved between the funds. All other outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "*internal balances*".

Advances (long-term interfund loan) between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Inventories and prepaid items

Inventories are assets held for internal consumption or for resale. Inventories in governmental funds are reported using purchases methods and expenditures are recognized when they are purchased. Inventories in the enterprise funds are reported using consumption methods where inventories are reported as assets when purchased and then expensed when the item is consumed. Inventories are carried at cost on the first in, first out (FIFO) basis or specific identification basis. Any material inventories at year-end are included in the balance sheet or statement of net position of the appropriate fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund statements using consumption method.

5. Restricted assets and liabilities

Enterprise funds may have accounts that contain resources for construction and/or debt services, including current and delinquent special assessments receivable. Certain proceeds of the revenue bonds set aside funds for their repayment. The current portion of related liabilities are shown as payable from restricted assets. Specific debt service reserve requirements, if any, are described in the long-term debt note.

6. Capital assets (See Note 3.D. Capital Assets)

Capital assets include property, plant, equipment, and infrastructure assets (i.e., roads, sidewalks and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than the infrastructure assets, are defined by the government as assets with an initial, individual cost of \$5,000 or more (land is capitalized regardless of value), and an estimated useful life in excess of two years. For infrastructure assets the capitalization threshold is \$50,000 or more. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or



materially extend assets' lives are not capitalized. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

The City has capitalized certain sculptures as art and historical treasures. Art and historical treasures are expected to be maintained or enhanced over time and thus, are not depreciated.

Capital assets are recorded at historical cost, estimated historical cost if purchased or constructed, or the lower of cost or fair market value when transferred between proprietary and governmental funds. Donated capital assets are recorded at estimated fair value at the date of donation.

The City implemented the general provisions of GASB Statement No. 34 in fiscal year 1999 and the infrastructure acquired prior to fiscal years ended after June 30, 1980, is reported. These assets were reported at estimated historical costs through back-trending method (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

The City implemented the general provisions of GASB Statement No. 51 (Accounting and Financial Reporting for Intangible Assets) in fiscal year 2010. The City opted to not to retroactively report intangible assets that are considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

Governmental capital assets of the City purchased, leased, or constructed are recorded as expenditures in the governmental funds and are capitalized in the government-wide statements. Capital assets of proprietary funds are capitalized in their respective statement of net position.

Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Type of Asset	Number of Years
Building and structures	15 - 40
Other improvements	05 - 50
Machinery and equipment	02 - 15
Infrastructure	20 - 50

7. Deferred outflows/inflows of resources

In addition to assets and liabilities, the statement of financial position reports separate sections for deferred outflows of resources and deferred inflows of resources. The *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time

Deferred resources related to pension expense and unamortized portions of the loss and gain on refunding debit are reported as deferred outflows and deferred inflows of resources, respectively.

In addition to this, when an asset is recorded in governmental funds balance sheet but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

8. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay may accumulate up to 240 hours at year end and is payable upon resignation, retirement or death.



Sick leave may accumulate up to 960 hours or as provided by contract. Upon retiring from employment with the City, AFSCME bargaining unit employees shall be paid for all accumulated sick leave beyond 60 days (480 hours) at the rate of 1 day (8 hours) of pay at his/her regular rate for each 3 days (24 hours) accumulated for a maximum payoff of 45 days (360 hours) sick leave for 15 days' (120 hours) pay. Each January, if sick leave exceeds 60 days, the AFSCME bargaining unit employees also have the option to convert sick leave to vacation on a 3:1 ratio or they can trade three (3) days of sick leave for one (1) day of pay at this same time. Lacey Police Officers Guild bargaining unit offers a sick leave buy-back program for unused sick leave over 300 hours minimum and up to 1,000 hours at the rate of 25% per hour. To be eligible for the buy-back program, an employee must have a minimum of 300 hours of sick leave accrued and qualify for LEOFF retirement or LEOFF Disability retirement.

Accrued sick leave is considered immaterial and is not accrued. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liabilities for compensated absences are considered to be long-term liabilities and are included in Note 3.H. (Long-term liabilities).

9. Long-term liabilities

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities in the government-wide financial statements and in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payables are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on the debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund balance, net position classifications and policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of City Council, by adoption of an ordinance prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City's policy as adopted by the governing body authorizes the City Manager and Finance Director to assign amounts to a specific purpose. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. For financial reporting purposes, amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund are generally considered assigned fund balances for the purposes intended for those funds.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Further, when the components of unrestricted fund balance can

be used for the same purpose, the committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied for government-wide and proprietary fund financial statements.

The City council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at two months of operating revenues in the general, utility, and internal service funds. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur.

11. Pensions

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

G. Revenues, expenditures and expenses

1. Program revenues

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) grants 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.

2. General revenues

Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes and associated penalties and interest and investment earnings.

3. Interfund transactions and interfund transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers.

Charges for direct expenses for interfund services provided and used and indirect expenses (i.e. administration charges and common facilities charges) are accounted for by the related funds as revenues, expenditures, or expense at fund level.

As a general rule, the effect of interfund activity within the same functional categories has been eliminated from the government-wide statement of activities. Our policy is not to eliminate the indirect costs portion of the direct charges for interfund services provided and used between functions (i.e., engineering services provided and used). Exceptions to this general rule are charges between the government's utilities functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

4. Expenditures/expenses

Expenses in the government-wide statement of activities are reported by function as a governmental activities (general government, security of persons and property, physical environment, transportation, economic environment, culture and recreation, or interest on long-term debt) or business-type activities (water, wastewater,



stormwater, or reclaimed water). In the fund financial statements, expenditures of governmental funds are classified by functions, debt service principal and interest payments, or purchases of capital items.

5. Operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 City's enterprise funds and of the City's internal services funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2. Stewardship, compliance and accountability

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

Note 3. Detailed notes on all activities and funds

A. Deposits and investments

The City's deposits, including money markets and certificates are entirely covered by the 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 WPDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington.

The City's investments are in compliance with all applicable state investment laws and City investment policies. As required by state law and the City's investment policies, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Local Government Investment Pool (LGIP), or certificates of deposit with commercial banks and savings and loan associations that are approved by the Washington Public Protection Commission (WPDPC).

The State Treasurer's Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations (RCW 43.250.020). The LGIP is comparable to a Rule 2a-7 money market fund, as currently recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. As such, investments are reported at amortized cost (which approximates fair value). Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The reported value of City investment in the LGIP is dollar for dollar equal to the fair value of pool shares.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five (5) years or less from the date of purchase, unless matched to a specific cash flow or bond reserve funds. The interest rate risks of participants' balances in the LGIP are limited as the weighted average maturity of the portfolio will not exceed 60 days. As of December 31, 2015, the LGIP had a weighted average maturity of 35 days.

Credit risk. As required by state law, it is the City's policy to limit its investments in debt securities to the obligations of U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities and the State Treasurer's Local Government Investment Pool (LGIP). The credit risk of the LGIP is limited as most investments are either obligations of the US government or state of Washington or its political subdivisions, government-sponsored enterprises, certain limited banker's



acceptances or commercial papers, or insured demand deposit accounts and certificates of deposit. The LGIP is not rated by an outside agency.

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy states, within the exception of US Treasury securities and authorized pools, no more than fifty (50) percent of total portfolio may be invested in a single security or with a single financial institution.

Amounts reported in the fund statements for the year ended December 31, 2015 are as follows:

	<u>Amount</u>
<u>Governmental Funds</u>	
Cash and cash equivalents and investments	\$ 62,991,585
Restricted cash and cash equivalents and investments	140,573
Total governmental funds	<u>63,132,158</u>
<u>Enterprise Funds</u>	
Cash and cash equivalents	46,232,428
Restricted cash and cash equivalents	874,625
Total proprietary funds	<u>47,107,053</u>
<u>Internal Services Funds</u>	
Cash and cash equivalents	12,945,952
Restricted cash and cash equivalents (deposits)	-
Total proprietary funds	<u>12,945,952</u>
<u>Fiduciary Funds</u>	
Cash and cash equivalents	3,035,030
Restricted cash and cash equivalents and investments	501,808
Total fiduciary funds	<u>3,536,838</u>
Total	<u>\$ 126,722,001</u>

Cash, deposits, and investments for the year ended December 31, 2015 are as follows:

	<u>Amount</u>
Cash on hand	\$ 32,375
Checking accounts	12,752,157
Public Funds Interest Checking	3,913,037
Certificates of deposits	1,047,149
Washington State Investment Pool (LGIP)	108,977,283
Total	<u>\$ 126,722,001</u>

B. Receivables and unearned and unavailable revenues

The \$3,310,603 taxes receivables in the general fund includes \$113,165 property taxes, \$1,799,011 sales taxes, and \$1,263,976 business and utility taxes, and \$134,450 for other taxes. The customer accounts receivable \$907,346 in the general fund includes \$412,862 in fines for violations.

Based on the special assessment payment schedule, \$886,017 of the special assessment receivable amount in the LID redemption fund is expected to be collected within the next year. As of December 31, 2015, total delinquent assessments (including delinquent interest and penalties) included the special assessment receivable was \$260,407.

Governmental funds defer revenue recognition in connection with resources that have been received, but



not yet earned (unearned). Below is the detail of the components of unearned revenues reported in the governmental funds:

Description	Unearned Revenues
Deposits for advance reservations (general fund)	\$ 153,994
Traffic mitigation fees collected but earnings process not yet complete (arterial street fund)	2,096,657
Total unearned revenues for governmental funds	<u>\$ 2,250,651</u>

C. Property taxes

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Taxes are levied annually on January 1 and become an enforceable lien against the properties. Property assessments are updated annually by the county assessor and are based on fair market value as of January 1. The County Assessor determines current market value of all property in Thurston County for tax purposes. Levy amounts are based on certified budgets submitted by taxing districts. Each year all properties are revalued to fair market value within one-sixth of the county being physically inspected. Appraisers use valid sales data and current replacement costs (based on labor and material, less depreciation) to arrive at fair market value. This ensures that each owner pays a proportional share of property taxes that support public services, such as schools, libraries, roads, fire, police, and emergency services.

Taxes are due in two equal installments on April 30 and October 31. Tax liens are automatic at the point the taxes are levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The county treasurer remits collections monthly to the appropriate district.

The City is permitted by law to levy up to \$3.60 minus library rate of \$0.41 and fire district rate of \$1.50 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

1. The Levy Limit: The levy limit calculation applies to a taxing district’s budget, and not to increases in the assessed value or tax bill of individual properties. Washington State law (RCW 84.55.010) restricts individual taxing districts from collecting, in any year, more than one percent increase in their regular, non-voted, levy over the highest levy amount since 1985. New construction, annexations, and excess levies approved by the voters are not included in the levy limit calculation. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
2. The One Percent Constitutional Limit: The Washington State Constitution limits the regular (non-voted) combined property tax rate applied to an individual’s property to one percent (\$10 per \$1,000) of the market valuation. Voters may vote special levies that are added to this figure. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one-percent limit.
3. The City may voluntarily levy taxes below the legal limit. Special levies approved by the voters are not subject to the above limitations. The City’s regular levy for 2015 was \$1.2382 per \$1,000 on an assessed valuation of \$4,609,370,743 for a total regular levy of \$5,707,368. Additionally, special levies for G.O. bond obligations totaled \$1,142,426.



D. Capital assets

Capital asset activities for the year ended December 31, 2015 were as follows:

Governmental Activities	Beginning			Ending Balance 12/31/2015
	Balance 1/1/2015	Increases	Decreases	
Non-depreciable Capital Assets:				
Land and land rights	\$ 138,595,422	\$ 4,049,323	\$ -	\$ 142,644,745
Construction in progress	4,030,290	2,487,036	2,507,083	4,010,243
Total non-depreciable assets	142,625,712	6,536,359	2,507,083	146,654,988
Depreciable Capital Assets:				
Buildings	30,470,756	115,902	13,493	30,573,165
Improvements	26,833,481	91,926	56,288	26,869,119
Infrastructure	300,352,180	10,740,917	-	311,093,097
Machinery & equipment	11,917,810	679,870	530,806	12,066,874
Total depreciable assets at cost	369,574,227	11,628,615	600,587	380,602,255
Less accumulated depreciation:				
Buildings	11,408,523	722,414	13,493	12,117,444
Improvements	8,890,242	1,371,264	37,190	10,224,316
Infrastructure	168,142,129	10,450,563	-	178,592,692
Machinery & equipment	8,244,894	850,289	514,795	8,580,388
Total accumulated depreciation	196,685,788	13,394,530	565,478	209,514,840
Total Depreciable assets, net	172,888,439	(1,765,915)	35,109	171,087,415
Governmental activities capital assets, net	\$ 315,514,151	\$ 4,770,444	\$ 2,542,192	\$ 317,742,403

Business-type activities	Beginning			Ending Balance 12/31/2015
	Balance 1/1/2015	Increase	Decrease	
Non-depreciable Capital Assets:				
Land and land rights	\$ 14,546,506	\$ 354,820	\$ -	\$ 14,901,326
Construction in process	4,904,627	5,332,570	3,146,944	7,090,253
Total non-depreciable assets	19,451,133	5,687,390	3,146,944	21,991,579
Depreciable Capital Assets:				
Buildings	1,520,813	-	-	1,520,813
Improvements	290,154,932	10,706,775	513,261	300,348,446
Machinery & equipment	675,005	75,000	73,122	676,883
Total depreciable assets at cost	292,350,750	10,781,775	586,383	302,546,142
Less accumulated depreciation:				
Buildings	479,231	37,075	-	516,306
Improvements	74,345,808	7,014,012	397,359	80,962,461
Machinery & equipment	392,208	40,720	73,124	359,804
Total accumulated depreciation	75,217,247	7,091,807	470,483	81,838,571
Total depreciable assets, net	217,133,503	3,689,968	115,900	220,707,571
Business-type activities capital assets, net	\$ 236,584,636	\$ 9,377,358	\$ 3,262,844	\$ 242,699,150

2015 Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental activities	Amount
General Government	\$ 496,291
Security of persons and property	6,128
Physical environment	868
Transportation	10,460,969
Economic environment	36,930
Culture and recreation	1,645,124
Internal services funds	748,220
Total governmental-type activities depreciation expense	<u>\$ 13,394,530</u>



Business-type activities	Amount
Water	\$ 3,373,514
Wastewater	1,996,760
Stormwater	1,693,280
Reclaimed Water	28,253
Total business-type activities depreciation expense	<u>\$ 7,091,807</u>

Capitalized Interest Costs

The City of Lacey issued Water and Sewer revenue bonds in 2013 to provide funds for certain capital improvement projects to the City’s waterworks (water, sewer, and stormwater) utility. The construction of some of these capital improvement projects were in progress at the end of December 31, 2015. The total interest cost for revenue bonds in 2015 as \$263,713, and \$41,366 of the interest cost was capitalized in 2015.

Construction Commitments

The City has active construction projects in progress as of December 31, 2015. The projects include construction of streets in various areas and the construction of various water, wastewater, and stormwater facilities.

The year end 2015, the City’s commitments with contractors for major active utilities construction projects were as follows:

<u>Project description</u>	<u>Spent to-date 12/31/2015</u>	<u>Estimated Remaining Commitment</u>
Chambers Lake Stormwater Facility and Lakeview Sewer Main	\$ 1,996,105	\$ 21,325
Skokomish Waterline Replacement and Tanglewilde East ULID	1,457,383	425,617
Liftstation #25, 31 Pump and Electrical Upgrade	641,305	53,610
Total	\$ 4,094,793	\$ 500,552

The City’s 2016 budget for utilities capital funds include expenditures for completion of these projects.

The City had the following major active arterial street capital improvement projects in progress as of December 31, 2015:

- Willamette Drive/31st Ave Intersection Improvement
- Smart Corridors Phase II
- College St. & 22nd Ave Roundabout Permit Compliance
- Hogum Bay Road Improvements
- Hawks Prairie Road / Marvin road Roundabout Design
- Ruddell Road Sidewalk/Retaining Walls
- Sleater-Kinney/Woodland Trail Pedestrian Crossing
- Marvin Road Safety and Capacity Improvements
- Complete 2015 Street Overlay

The Arterial Street fund’s 2016 capital expenditures budget \$9,237,323 includes the funding for these projects.



E. Interfund loans and transfers

Loans/advances from/to other funds:

Interfund loan balances at December 31, 2015 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Wastewater Fund	Water Fund	\$ 5,888,195
LID Debt Fund	Wastewater Fund	502,001
		<u>\$ 6,390,196</u>

(1) The interfund loans between Water and Wastewater funds were made in 2007 for capital acquisition purposes with interest rate equal to the state investment pool rate. In February 2012, the City's Resolution No. 982 adopted a definitive repayment schedule for the balance owed at that time. The minimum principal repayment shall be not less than \$400,000 annually, together with interest at a rate equal to that earned on the City's investment in the Local Government Investment Pool, and full repayment of the loan balance no later than December 31, 2030. The City's 2016 budget includes a payoff of the remaining loan balance in early 2016. The principal repayment and interest paid amount in 2015 were \$602,798 and \$10,206, respectively.

(2) The interfund loans between Local Improvement District (LID) debt fund and Wastewater fund were issued by Ordinance No. 1475 in 2015 to provide funding for the College Street and Martin Way Sewer improvement project (ULID No. 23) in a form of revenue bonds, with a maturity date of September 1, 2035 and an interest rate of 4.10%. Annual payment is due September 1 of each year. The Wastewater fund incurred an accrued interest expense of \$6,372 in 2015.

Interfund transfers:

Interfund transfers activities for the year were as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Amounts Transferred In</u>	<u>Amounts Transferred Out</u>
<u>Governmental Funds:</u>			
<u>Major Funds</u>			
General Fund	Routine transfers from Parks & Open Space fund for Rainier Vista Park Maintenance \$386,147 and Regional Athletic Complex (RAC) maintenance \$255,676; from Lodging Tax fund for museum operations \$48,500 and RAC promotion and advertisement \$157,000.	\$ 847,323	\$ -
	Routine transfers of fire hydrant flows to Water M&O fund \$554,408 and utility tax collections of \$3,484,640 to Street fund, Capital Equipment fund and Parks & Open Space fund to maintain operations and fund capital replacements. Routine transfers to Building fund and Capital Equipment for facility maintenance and capital equipment acquisition \$187,050.		4,226,098



Nonmajor Governmental Funds:	Routine transfer of \$572,624 from RAC Capital fund in G.O. Debt fund for debt service; utility tax revenues distribution from General fund in Street fund \$2,218,612, Capital Equipment fund \$632,591 and to Parks and Open Space fund \$633,437. Routine transfers from General fund in Building fund \$132,000 for facility improvement. Nonroutine transfers from Capital Equipment fund in Building fund for \$63,000 for child care center and other facility repairs. Nonroutine transfers from General fund in Capital Equipment fund \$55,050 for web study and other equipment acquisition and \$20,000 from Parks and Open Space fund for parks facilities.	4,327,314	-
	Routine transfer from Lodging Tax Fund to Regional Athletic Complex Operating fund \$157,000 for RAC promotion; from Parks and Open Space fund to General Fund \$255,676 for RAC maintenance and \$386,147 for Rainier Vista Parks maintenance. Routine transfer \$572,624 from RAC Capital fund to G.O. Debt Service fund for debt service. Routine transfer of \$48,500 from Lodging Tax fund to RAC Capital fund for museum operations; \$63,000 from Parks & Open Space to Building Improvement fund for facility repairs and \$20,000 to Capital Equipment fund for parks improvements.	-	1,502,947
Total Governmental Funds		5,174,637	5,729,045
<u>Proprietary Funds:</u>			
<u>Enterprise Funds:</u>			
Water Fund	Routine transfer of \$554,408 from General Fund for fire hydrant flow.	554,408	-
Total Proprietary Funds		554,408	-
Total		\$ 5,729,045	\$ 5,729,045

Reconciliation to Statement of Activities

Total net transfers - governmental funds	\$ (554,408)
Capital asset transfer from Stormwater fund	115,902
Total governmental activities, transfers out	<u>\$ (438,506)</u>
Total net transfers - enterprise funds	\$ 554,408
Capital asset transfer to governmental activities	(115,902)
Total business-type activities - transfers in	<u>\$ 438,506</u>

F. Restricted assets

The balances of the restricted assets of the City's fund statements are composed of the following:

<u>Purposes</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Customer deposit	\$ 140,573	\$ 267,200
Revenue bonds covenants	-	607,425
Total	\$ 140,573	\$ 874,625



G. Leases

Capital Leases

The City of Lacey has entered into lease agreements for financing machinery and equipment. Lease items below the capitalization threshold are not capitalized and therefore are non-capital leases.

These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments of the inception date.

The assets acquired through capital lease as of December 31, 2015 are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 135,629
Less: Accumulated depreciation	(38,616)
Total	<u>\$ 97,013</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015 were as follows:

	Governmental Activities
<u>Year Ending December 31</u>	
2016	41,308
2017	41,308
2018	36,111
2019	9,430
Total minimum lease payments	<u>128,157</u>
Less: amount representing interest	(20,984)
Present value of minimum lease payments	<u>\$ 107,173</u>

Operating Leases

The City of Lacey has lease commitments for leases of office machinery and equipment that are non-cancelable with lease terms primarily from month to month with one that extends to 48 months. The total operating lease expenditures for the year ended December 31, 2015 was \$12,864.

H. Long-term liabilities

The City's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

General Obligation Bonds

The City issues general obligation bonds to finance the acquisition, construction, improvements of capital facilities, and major equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Payments on voter approved bonds (unlimited) are funded from property tax levies. Non-voter approved bonds (limited) have been funded by other sources of revenues such as sales tax and transfers in. Variable-rate debt used was the effective interest rate as of December 31, 2015.



General Obligation Bonds outstanding as of December 31, 2015 are as follows:

Description	Balance
2006 Limited Tax General Obligation Bonds issue amount of \$3,500,000; dated November 30, 2006; interest rate of 4% with final maturity date of December 1, 2021. Issued to provide funds to construct an addition to City Hall. Payments are funded by sales tax and transfers in from other funds.	\$ 1,745,000
2006 Unlimited Tax General Obligation Bonds issue amount of \$4,985,000; dated November 30, 2006; interest rate of 4% with final maturity date of December 30, 2026. Issued to provide funds to make improvements to multiple park locations within the City, including improvements to athletic fields, swimming beaches and picnic facilities. Payments are funded by special property tax levies.	245,000
2007 Limited Tax General Obligation Bonds issue amount of \$8,000,000; dated December 20, 2007; interest rate of 3.75-5.00% with final maturity date of December 1, 2027. Issued to provide funds for phase 2 of the Regional Athletic Complex construction. Payments are funded with the sales and use tax levied by the Capital Area Regional Public Facilities District, pursuant to RCW 82.14.390. Interest rates are 4% in 2014-2015, 5% in 2016 & 2017; 3.75-3.90% in 2018-2021 and 4% in 2022-2027.	745,000
2010 Unlimited Tax General Obligation Refunding Bonds issue amount of \$3,790,000; dated December 1, 2010; interest rates of 2.0-4.0% with maturity date of December 1, 2021. Issued to advance refund a portion of the City's outstanding 2002 UTGO Bonds maturing on December 1 of the years 2012 through 2021 and to pay the costs of the refunding issuance. Interest rates are 3% in 2015-2017, 3.25% in 2018, and 4% in 2019-2021.	2,405,000
2012 Unlimited Tax General Obligation Refunding Bonds issue amount of \$2,945,000; dated December 19, 2012; interest rates of 2.0-3.0% with maturity date of December 1, 2023. Issued to advance refund a portion of the City's outstanding 2003 UTGO Bonds maturing on December 1 of the years 2014 through 2023 and to pay the costs of the refunding issuance.	2,315,000
2015 Unlimited Tax General Obligation Refunding Bonds issue amount of \$2,995,000; dated May 20, 2015; interest rates of 2.0-4.0% with maturity date of December 1, 2026. Issued to advance refund a portion of the City's outstanding 2006 UTGO Bonds maturing on December 1 of the years 2017-2026 and to pay the costs of the refunding issuance. Interest rates are 2% in 2015, 3% in 2018-2021 and 4% in 2022-2027.	2,945,000
2015 Limited Tax General Obligation Refunding Bonds issue amount of \$4,770,000; dated May 20, 2015; interest rate of 2.0-4.0% with final maturity date of December 1, 2027. Issued to advance refund a portion of the City's outstanding 2007 LTGO Bonds maturing on December 1 of the years 2018- 2027 and to pay the costs of the refunding issuance. Interest rates are 2% in 2015, 3% in 2018-2021 and 4% in 2022-2027.	4,685,000
Total	\$ 15,085,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	General Obligation Bonds	
	Governmental Activities	
	Principal	Interest
2016	\$ 1,495,000	\$ 530,525
2017	1,560,000	475,925
2018	1,605,000	421,525
2019	1,655,000	372,350
2020	1,720,000	318,550
2021-2025	5,595,000	849,050
2026-2030	1,455,000	80,800
Total	\$ 15,085,000	\$ 3,048,725



Revenue Bonds

Revenue bonds are bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City is in compliance with all significant limitations and restrictions.

Revenue bond outstanding as of December 31, 2015 is as follows:

Description	Balance
1997 Animal Services Revenue Bonds original issue amount of \$1,800,000; dated September 1997; original interest rate of 6%; refinanced at interest rate 3.978% in September 2003 with final maturity dated April 2019. Interest rate was re-priced in August 2013 at 3.1348% and is scheduled for repricing in August 2018. Issued to provide funds for the acquisition, remodeling and equipping the joint animal service facility. Remaining payments are funded from the City of Olympia by an interlocal agreement.	\$ 72,656
2013 Water and Sewer Revenue Bonds issue amount of \$8,290,000; dated November 19, 2013; original interest rates of 2.0%-4.5% with final maturity date of November 1, 2033. Issue to finance improvements to the Waterworks Utility and to fund a reserve account and pay the costs of issuance and sale of the bonds. Payments are funded by the revenues of the Waterworks Utility.	7,670,000
Total	\$ 7,742,656

Annual debt service requirements to maturity for revenue bond are as follows:

Year Ending December 31	Revenue Bonds		Revenue Bonds	
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	21,015	1,983	\$ 325,000	\$ 279,225
2017	21,689	1,309	330,000	272,725
2018	22,379	619	340,000	266,125
2019	7,573	48	350,000	255,925
2020	-	-	355,000	248,925
2021-2025	-	-	1,950,000	1,073,975
2026-2030	-	-	2,355,000	676,100
2031-2033	-	-	1,665,000	152,100
Total	\$ 72,656	\$ 3,959	\$ 7,670,000	\$ 3,225,100

Government Loans

Government loans outstanding as of December 31, 2015 are as follows:

Description	Balance
Washington State Treasurer LOCAL Program loan issued amount of \$1,122,033.27; dated March 29, 2012; interest rate of 1.54231%; maturity date June 1, 2019. Issued to provide funding for Simulcast/Narrowband Radio System acquisition for TCOMM 911. Payments are funded by TCOMM 911 by an interlocal agreement.	\$ 660,680
Total	\$ 660,680



Annual debt service requirements to maturity for government loans are as follows:

Year Ending December 31	Government Loans Governmental Activities	
	Principal	Interest
2016	\$ 160,039	\$ 13,321
2017	163,272	10,088
2018	166,571	6,790
2019	170,798	2,562
Total	<u>\$ 660,680</u>	<u>\$ 32,761</u>

Legal debt margin

The City is subject to a statutory debt limitation that is 7.5 percent of assessed value of taxable property. On December 31, 2015 the statutory debt limitation amount was \$345,702,806. As of December 31, 2015 the total net outstanding debt applicable to this limit was \$17,058,674 which is 4.8 percent of the total debt limit.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

Type of Debt	Beginning Balance 1/1/2015	Additions	Reductions/ Adjustments	Ending Balance 12/31/2015	Due Within One Year
Governmental Activities:					
<u>G.O. Bonds:</u>					
G.O. Bonds, par	\$ 16,875,000	\$ 7,765,000	\$ 9,555,000	\$ 15,085,000	\$ 1,495,000
Unamortized bonds premiums	372,506	1,015,321	182,006	1,205,821	-
Total G.O. bonds payable:	17,247,506	8,780,321	9,737,006	16,290,821	1,495,000
<u>Other:</u>					
Revenue bonds-Animal Services	93,029	-	20,373	72,656	21,015
WA LOCAL Program loan	817,550	-	156,870	660,680	160,039
Capital leases payable	92,917	40,924	26,668	107,173	30,244
Net OPEB obligation	1,470,542	524,808	145,159	1,850,191	-
Compensated absences	1,039,574	1,170,758	1,070,111	1,140,221	538,377
Total governmental activities	<u>\$ 20,761,118</u>	<u>\$ 10,516,811</u>	<u>\$ 11,156,187</u>	<u>\$ 20,121,742</u>	<u>\$ 2,244,675</u>
Business-type Activities:					
Revenue Bonds, par	\$ 7,990,000		\$ 320,000	\$ 7,670,000	\$ 325,000
Unamortized bonds premiums	393,463		20,846	372,617	-
Compensated absences	176,417	247,494	223,578	200,333	100,274
Total Business-type activities	<u>\$ 8,559,880</u>	<u>\$ 247,494</u>	<u>\$ 564,424</u>	<u>\$ 8,242,950</u>	<u>\$ 425,274</u>



Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included in the totals for governmental activities. For the governmental funds, long-term liabilities other than debt (i.e. compensated absences and other postemployment benefits) are generally liquidated in the general and other governmental funds. The compensated absences for Internal service funds for \$58,092 is included in the total for governmental activities.

Bond discounts and premiums:

The City issued revenue bonds at premium in 2013. The City also had issued general obligation bonds and refunding bonds at premium in 2006, 2007, 2010, 2012, and 2015. These bond premiums are deferred and are amortized under the straight-line method over the life of the bonds (7-20 years). The unamortized amounts are included in the bonds payable and are reported in the statements of net position.

Bond indentures

The City issued \$8,290,000 of Water and Sewer Revenue Bonds in November 2013. The bond ordinance requires a reserve account to secure the payment of the principal and interest on the bonds. The reserve account is to be an amount equal to the lesser of a) 125% of average annual debt service on the bonds or b) maximum annual debt service on the bonds. The bond covenants require that in each calendar year the net revenue of the Waterworks Utility to equal at least 1.20 times annual debt service for such year. A reserve account on the bonds has been established in the Water Debt Service fund.

The City is in compliance with all significant bond indenture and restrictions.

Advance refunding:

In 2015, the City of Lacey issued \$7,765,000 Refunding Bonds, 2015, which included Unlimited Tax General Obligation Refunding Bonds and Limited Tax General Obligation Bonds in the amount of \$4,770,000 and \$2,995,000, respectively, with interest rates ranging from 2% to 4%.

The proceeds were used to advance refund the City's outstanding callable Unlimited Tax Obligation Bonds, 2006, maturing on December 1 in the years 2017 through 2026 and advance refund the City's outstanding callable Limited Tax Obligation Bonds, 2007, maturing December 1 in the years 2018 through 2027, inclusive (the 'Refunded Bonds') and to pay the administrative costs of the refunding and costs of issuing the Bonds.

The net proceeds of \$8,691,603 (including \$1,015,321 premium and after payment of \$87,473 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. Remaining \$1,245 is reserved in the City's general obligation bond fund for future debt service purposes. As a result, the 2006 series UTGO Bonds and 2007 LTGO Bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The acquisition price exceeded the net carrying amount of the old debt by \$711,603. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$614,564 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$549,308.

Arbitrage:

The City reviewed the applicability of arbitrage regulations on its outstanding tax-exempt bonds and is in compliance with those regulations.



I. Fund Balances

As of December 31, 2015, the City's governmental funds report the following fund balances:

Nonspendable:			
Fund	Purpose	Authority	Amount
General fund	Nonspendable (prepaids)	Nonspendable item	\$ 924
L.I.D. Redemption fund	Long-term interfund loan principal	GASB No. 54	502,001
Total Nonspendable			\$ 502,925
Restricted:			
Fund Restricted	Purpose	Authority	Amount
General fund	Criminal bail (Restricted)	RCW 69.50.508	\$ 148,463
Subtotal for general fund			148,463
Nonmajor funds:			
Lodging Tax fund	Tourism	RCW 67.28.180	937,001
Community bock grant fund	HUD approved projects	CDBG Grant	20,687
Capital equipment fund	Child care center repairs	Private contract	107,433
	PEG Fees - public education	Private contract	66,452
	Long-term loan receivable (TCOMM911)	GASB No. 54	515,902
subtotal for capital equipment fund			689,787
Subtotal for nonmajor funds			1,647,475
Total Restricted			\$ 1,795,938

Fund Committed	Purpose	Authority	Amount
General fund	Insurance deductibles	Ordinance No. 1484	\$ 200,000
	Budget Policy Implementation	Ordinance No. 1484	2,000,000
	Gateway Project	Ordinance No. 1484	6,000,000
	City hall facilities improvements	Ordinance No. 1484	250,000
	Retire 2006 LTGO Bonds	Ordinance No. 1484	1,485,000
	Future pension contribution	Ordinance No. 1484	926,042
	Strategic Investment Program	Ordinance No. 1484	1,500,000
	Limited-Term Economic Dev Position	Ordinance No. 1484	66,086
	Gambling Tax Reduction Transition	Ordinance No. 1484	175,000
	2016 Criminal Justice payroll (003)	Ordinance No. 1484	750,000
	Furniture & equipment replacement (005)	Ordinance No. 1484	67,500
	Community Building Repair (005)	Ordinance No. 1484	500,000
	RAC field replacement (Fund 007)	Ordinance No. 1484	375,000
Subtotal for general fund			14,294,628
Nonmajor funds:			
Street fund	Transportation building replacement	Ordinance No. 1484	350,000
	Strategic Investment Program (101)	Ordinance No. 1484	500,000
	Transportation equipment & replacement	Ordinance No. 1484	400,000
Subtotal for street fund			1,250,000
Building improvement fund	Public arts	Ordinance No. 1484	23,106
	City facility replacement	Ordinance No. 1484	1,500,000
	Historic Jacob Smith House	Ordinance No. 1484	266,816
	City facilities plan projects	Ordinance No. 1484	1,500,000
	Senior center repairs/replacement	Ordinance No. 1484	82,010
Subtotal for building improvement fund			3,371,932
Capital equipment fund	Unscheduled equipment replacement	Ordinance No. 1484	500,000
	Park facilities- replacement/repairs	Ordinance No. 1484	385,000
	Strategic Investment Program (302)	Ordinance No. 1484	560,000
	RAC Field Replacement (Fund 302)	Ordinance No. 1484	750,000
	Security Cameras in Parks (302)	Ordinance No. 1484	150,000
	IMS fiber & telephone replacement/repairs	Ordinance No. 1484	500,000
Subtotal for capital equipment fund			2,845,000
Parks and open space fund	Parks property acquisition priority 1	Ordinance No. 1484	1,000,000
	RAC Field Replacement (Fund 303)	Ordinance No. 1484	500,000
	Woodland Trail RCO Grant Match	Ordinance No. 1484	64,116
Subtotal for Parks and Open Space Fund			1,564,116
RAC Capital fund	Sports Complex Lifecycle Replacements	Ordinance No. 1484	350,000
Subtotal for RAC Capital Fund			350,000
Total for nonmajor funds:			9,381,048
Total committed			\$ 23,675,676



Assigned: *

Fund Assigned	Purpose	Authority	Amount
General fund	Parks reserve	Ordinance No. 1484	\$ 112,901
	Website Upgrade/Public Records	Ordinance No. 1484	150,000
	Subtotal for general fund		262,901
Arterial street fund	Street capital projects		16,415,736
LID Redemption fund	Debt service		2,395,524
Nonmajor funds:			
Street fund	Street maintenance		872,774
Street fund	LED Street Light Conversion (101)	Ordinance No. 1484	100,000
Debt service fund	Debt service		343,065
Building improvement fund	Capital projects		589,072
Capital expenditure fund	Capital acquisitions		1,430,850
Capital expenditure fund	Debt service (TCOMM 911 prepayment)	Ordinance No. 1484	166,385
Parks and open space fund	Regional Athletic Complex	Ordinance No. 1484	794,697
Parks and open space fund	Capital projects		515,466
Regional athletic complex fund	Capital projects		592,974
	Subtotal for nonmajor funds		5,405,283
Total			\$ 24,479,444

* Nonrestricted and noncommitted fund balances of all governmental funds other than general fund are reported as assigned fund balances for the specific purposes intended for those funds.

J. Employee Pension Plans

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

Aggregate Pension Amounts - All Plans	
Pension assets	\$ 2,205,964
Pension Liabilities	\$ 11,976,430
Deferred outflows of resources	\$ 1,804,551
Deferred inflows of resources	\$ 2,905,179
Pension expense/expenditures	\$ (61,368)

State Sponsored Pension Plans

Substantially all City's full-time and qualifying part-time employees participate in one of the following state-wide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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



Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The City’s actual contributions to the plan were \$7,454 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty

and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The City's actual contributions to the plan were \$1,428,959 for the year ended December 31, 2015.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The 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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.



Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

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

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

The City’s actual contributions to the plan were \$285,285 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study*.

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

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

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

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

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

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.



Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)*	1% Increase (8.5%)
PERS 1*	\$ 7,881,541	\$ 6,473,532	\$ 5,262,771
PERS 2/3*	\$ 16,133,051	\$ 5,502,898	\$ (2,635,702)
LEOFF1	\$ (180,216)	\$ (281,696)	\$ (368,189)
LEOFF2	\$ 1,927,029	\$ (1,924,268)	\$ (4,822,515)

*Excludes the proportionate share amounts allocated to and reported in the Joint Animal Service and the Thurston County Narcotics Task Force, which were \$303,505 and \$306,178 for PERS 1 and PERS 2, respectively.

* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2015, the City reported a total pension asset of \$2,205,964 and a total pension liability of \$11,976,430 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 6,473,532
PERS 2/3	\$ 5,502,898
LEOFF1	\$ (281,696)
LEOFF2	\$ (1,924,268)



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

	Asset
LEOFF 2 - Employer's proportionate share	\$ 1,924,268
LEOFF 2 - State's proportionate share of the net pension asset associated with the employer	1,272,329
TOTAL	\$ 3,196,597

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

	Proportionate Share 6/30/2014	Proportionate Share 6/30/2015*	Changes in Proportion
PERS 1*	0.136103%	0.123755%	-0.012348%
PERS 2/3*	0.168049%	0.154231%	-0.013818%
LEOFF1	0.023393%	0.023373%	-0.000020%
LEOFF2	0.208339%	0.187222%	-0.021117%

*Excludes the proportionate share % allocated to and reported in the Joint Animal Services and Thurston County Narcotics Task Force, which are 0.0050509% and 0.008289% for PERS1 and PERS 2/3, respectively.

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

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

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

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



Pension Expense

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

	Pension Expense
PERS 1	\$ (379,498)
PERS 2/3	423,890
LEOFF1	(55,554)
LEOFF2	(50,206)
TOTAL	\$ (61,368)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	354,173
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	347,101	-
TOTAL	\$ 347,101	\$ 354,173

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 587,592	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,474,273
Changes of assumptions	8,907	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	446,134
Contributions subsequent to the measurement date	440,154	-
TOTAL	\$ 1,036,653	\$ 1,920,407

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	47,556
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 47,556



LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 168,502	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	583,043
Changes of assumptions	5,076	-
Changes in proportion and differences between contributions and proportionate share of contributions	110,677	-
Contributions subsequent to the measurement date	136,542	-
TOTAL	\$ 420,797	\$ 583,043

A total of \$923,797 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Deferred Outflows (Inflows) of Resources				
	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2	Total
2016	\$ (137,265)	\$ (531,332)	\$ (18,453)	\$ (173,257)	\$ (860,307)
2017	(137,265)	(531,332)	(18,453)	(173,257)	(860,307)
2018	(137,265)	(531,332)	(18,453)	(173,257)	(860,307)
2019	57,622	270,088	7,803	155,380	490,893
2020	-	-	-	54,663	54,663
Thereafter	-	-	-	10,940	10,940
Total Deferred Outflows/(Inflows)	\$ (354,173)	\$ (1,323,908)	\$ (47,556)	\$ (298,788)	\$ (2,024,425)

K. Postemployment benefits other than pensions (OPEB)

In addition to the pension benefits described in Note 3-J, the City of Lacey provides postemployment health care benefits.

1. LEOFF I Retiree Medical Plan

Plan Description. The City's Disability Board, in conjunction with the City's Human Resources department, administers a single-employer defined benefit healthcare plan (LEOFF 1 Retiree Health Plan). The plan provides lifetime healthcare benefits for retired full-time and fully compensated law enforcement officers who established membership in the LEOFF 1 plan retirement system on or before September 30, 1977 in accordance with Washington Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Act (RCW 41.26.150). The last employer of a retired LEOFF 1 member is responsible for the full cost of any post-retirement medical benefits. The plan covers retirees who are retired on disability as well as are retired after reaching age requirements. As of December 31, 2015, the plan has thirteen (13) retired members and no active members. The LEOFF 1 Retiree Health Plan does not issue a publicly available financial report.

The City provides health coverage for LEOFF I retirees through a medical plan purchased through the Association of Washington Cities (AWC) Employees Benefit Trust. Upon reaching age 65, the retirees are enrolled in Medicare Part B Coverage, with the City reimbursing these Medicare premiums. In addition, the City pays or reimburses eligible retired LEOFF 1 police officers the necessary usual and customary medical expenses, in excess of those covered by the applicable insurance plan. The City also purchases a long-term care insurance plan for eligible LEOFF I members. Dental costs and dependents are not covered.



Funding policy. These medical benefits are funded on a pay-as-you-go basis through the general fund and paid out of police department budget. Health insurance premiums and long-term care insurance premiums are paid monthly. Other medical services are paid as billings are presented for reimbursement. The City reimbursed 100 percent of the amount of validated claims for medical costs incurred by these individuals. Amounts paid from 2013 through 2015 by the City are as follows:

Description	Year 2015	Year 2014	Year 2013
AWC medical insurance premiums	\$ 120,605	\$ 117,526	\$ 160,717
Reimbursement of other medical costs	5,756	4,590	20,684
Long-term care insurance premiums	18,798	18,475	5,375
Total	\$ 145,159	\$ 140,591	\$ 186,776
Number of retirees	13	13	13
Average cost per retiree	\$ 11,166	\$ 10,815	\$ 14,367

Annual OPEB Cost and Net OPEB Obligation. The City’s OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The City has elected to use the alternative measurement method permitted under GASB statement No. 45 for employers in plans with fewer than one hundred total plan members, utilizing the interactive tool developed by the Office of the State Actuary (OSA) for use by local governments. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the LEOFF 1 Retiree Health Plan.

Annual OPEB Cost

	Year 2015
UAAL Amortization	\$ 598,248
Normal cost	-
Total Annual required contribution (ARC):	598,248
Interest on net OPEB obligation	58,822
Adjustment to annual required contribution	(132,262)
Annual OPEB cost (expense)	524,808
Contributions made	(145,159)
Increase in net OPEB obligation	379,649
Net OPEB obligation - Beginning of year	1,470,542
Net OPEB obligation - End of year	\$ 1,850,191

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2015 and the two preceding fiscal years are as follows:

Fiscal year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 524,808	\$ 145,159	28%	\$ 1,850,191
12/31/2014	447,690	140,591	31%	1,470,542
12/31/2013	490,794	186,776	38%	1,163,443

Funding Status and Funding Progress. As of December 31, 2015, the actuarial accrued liability (AAL) for benefits was \$6,651,558 all of which was unfunded. The covered payroll (total annual amount for active LEOFF Plan 1 member) was \$0, as there were no active member, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 0 percent.

The projection of future benefit payments of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A single *retirement age* of 55.3 was assumed for all remaining active members for the purpose of determining the actuarial accrued liability (AAL) and normal cost. *Retirement, disablement, termination and mortality rates* were assumed to follow the LEOFF1 rates used in the June 30, 2014 actuarial valuation report issued by the by the Office of the State Actuary (OSA). *Healthcare costs and trends* were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. *The actuarial cost method* used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The expected *medical inflation trend* assumption, with the federal excise tax, for members over age 65, starts at 6.2 percent in 2014, peaks to 12.9 percent in 2017 and decreases to an ultimate rate of 4.6 percent in 2089. Comparatively, the medical inflation trend assumption, for members under age 65, starts at 6.2 percent in 2014, peaks to 24.7 percent in 2017, and decreases to an ultimate rate of 6.2 percent in 2018. The expected long-term care inflation trend is 4.75 percent for all years. Investment return assumption (discount rate) used was 4.0 percent. The general inflation rate was assumed at 3.0 percent.

2. Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP) –Non-LEOFF I and Non-Medicare Advantage Retiree Medical Plan

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

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



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

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

Funding policy. Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

HealthFirst® - 1000

\$871.51 Non-Medicare Enrolled Retiree

\$879.12 Non-Medicare Enrolled Spouse

HealthFirst® - 2500

\$760.96 Non-Medicare Enrolled Retiree

\$766.49 Non-Medicare Enrolled Spouse

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

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

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

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

L. Contingencies

Litigation

The City has a pending lawsuit involving a public records act at the end of 2015. It is the opinion of the City's legal team that it is not probable that the City would pay a settlement. The City reports in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

Contingencies under grant provisions

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

M. Risk management

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 179 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police professional, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles may apply by type of coverage. Property insurance and auto physical damages 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 reinsurance.

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 assessments cover loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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



A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA. The WCIA's financial statements can be obtained from Washington Cities Insurance Authority Treasurer, P.O. Box 88030, Tukwila, WA 98138.

There were no significant changes in insurance coverage from the previous year. The settlements have not exceeded coverage for each of the past three fiscal years.

N. Interlocal agreements and joint ventures

Capital Area Regional Public Facilities District (CARPFD).

In 2003, the City of Lacey entered into a contract with the Capital Area Regional Public Facilities District (CARPFD) for the acquisition, development, operation and maintenance of the Lacey Area Athletic, Recreation and Special Events Complex. The CARPFD imposes a sales and use tax pursuant to RCW 82.14.390 to repay financing obtained to fund the design, construction, acquisition, operation and maintenance of the complex project. The monies collected as sales taxes shall only be used for the purposes permitted under RCW 82.14.390 and RCW 35.57.020. In 2015, the City of Lacey received \$1,070,995 in sales taxes levied by the CARPFD and is accounted for within the Regional Athletic Complex Operating Fund and Regional Athletic Complex Capital Fund.

Interlocal Drug Unit

The Thurston County Narcotics Task Force (Interlocal Drug Unit) was created as a result of an interlocal agreement between Thurston County, the City of Olympia, the City of Lacey, the City of Tumwater, and the Washington State Patrol. Interlocal Drug Unit operates as a joint venture and responsible for controlling illegal drug trafficking in Thurston County, investigating violations of the Uniform Controlled Substance Act, and providing training and assistance to nine local law enforcement agencies in Thurston County. The Interlocal Drug Unit is funded by grants and seizures of drug funds.

Total net position, as of December 31, 2015 was \$268,888. Any party may withdraw from this Agreement by giving ninety (90) days written notice to the other parties. Monies contributed during the calendar year of a party's withdraws will be returned to that party, on a prorated basis, after determination by the Executive Committee of any purchase commitments made prior to the notification of a party's withdrawal. Money so refunded will be used by the withdrawing party for its use in carrying out drug enforcement activities pursuant to Ch. 69.50 RCW. Property purchased with the drug unit funds or forfeited to the drug unit will remain the property of the non-withdrawing parties and the withdrawing party will have no interest in or claim of title to said property. All monies and equipment remain with the drug unit until the drug unit disbands entirely. Disposition and disbursement of net equity upon dissolution is not specified in the agreement, therefore, is not recorded in the City of Lacey's financial statements. There is no ongoing financial responsibility.

Completed financial statements can be obtained from the City of Lacey Finance Department, 420 College Street SE, Lacey, WA 98503.

Joint Animal Services

Thurston County Joint Animal Services is a joint venture providing services to Lacey, Olympia, Tumwater, and Thurston County. Services include licensing, education, complaint, investigation, and enforcement. A shelter is also operated to hold impounded or lost animals, and/or adoptable animals placed with the shelter. It is governed by the Joint Animal Services Commission comprised of members from the City of Lacey, the City of Olympia, the City of Tumwater, the South Puget Sound Veterinary Medical Association, Thurston County and the Thurston County Humane Society.



An equity interest exists and is based on total contributions to-date by the cities of Lacey, Olympia, Tumwater, and the Thurston County. The net position, as of December 31, 2015 was \$3,395,090. The City of Lacey has a 17.24 percent share of the equity as of December 31, 2015. The City of Lacey reports its share of equity interest as investment in joint venture, in the government-wide statement of net position.

An ongoing financial interest exists for the City of Lacey, the City of Olympia, the City of Tumwater, and Thurston County for loan proceeds borrowed for the purpose of purchasing/constructing the Martin Way animal shelter. The agreement specifies the funding formula that allocates costs based on serviced animal cases and population per jurisdiction in the prior year. For 2015 the City of Lacey's contribution for the annual agreement was \$240,779 and is accounted for within the general fund. The City of Olympia has responsibility to contribute annual assessments for the remaining loan balance until the maturity date April 2019.

Completed Financial Statements can be obtained from the City of Lacey Finance Department, 420 College Street SE, Lacey, WA 98503.

Law Enforcement Records Management System (LERMS)

The Law Enforcement Records Management System (LERMS) is a joint venture providing accurate and timely criminal justice data sharing to the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The goal of this joint venture is to share public safety information, increase operational efficiency via a reduction in data entry, and ease the process of accessing information. These goals will improve officer and citizen safety, facilitate coordination and information sharing to both internal and external agencies, and improve data quality and timeliness of data accessibility. It is governed through an interlocal agreement by the LERMS Consortium, which is a 5 member board composed of each city's Chief of Police (or their designee).

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. Net position as of December 31, 2015, was \$77,041. As of December 31, 2015, the City of Lacey has a 38 percent share of the equity. The City of Lacey reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position.

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium). For 2015, the City of Lacey's contributed \$144,312 as its share of the annual assessment. All property is considered to be jointly owned. Parties will be reimbursed based on their contribution upon sale of property upon the dissolution of LERMS. Any member may withdraw from the agreement at the end of any calendar year, providing a notice to the Consortium no less than six months prior to the date of withdrawal. Withdrawal of a party will not terminate the agreement of the remaining parties.

The City of Olympia accounts for the joint venture in a separate agency fund. Completed Financial Statements can be obtained from the City of Olympia Administrative Services Department, PO Box 1967, Olympia, WA 98507.

The following is condensed financial information on joint ventures for which the City has equity interest as of December 31, 2015:



	Joint Animal Services 12/31/2015	Law Enforcement Regional Record Management System 12/31/2015
Total Assets	\$ 4,191,588	\$ 77,575
Total Deferred Outflows of Resources:	65,125	-
Total Liabilities	754,572	534
Total Deferred inflows of Resources:	107,051	-
Total Net Position 12/31/2011	<u>\$ 3,395,090</u>	<u>\$ 77,041</u>
Revenues	1,702,849	430,594
Expenses	1,630,408	444,996
Net increase (decrease) in net position	72,441	(14,402)
Net position - beginning as previously reported	3,985,247	91,443
Change in accounting principle	(662,598)	-
Net position - beginning as restated	<u>3,322,649</u>	<u>91,443</u>
Ending net position 12/31	<u>3,395,090</u>	<u>77,041</u>
City of Lacey Equity %	17.24%	38.00%
City of Lacey Equity Interest	\$ 585,314	\$ 29,276

The City of Lacey's equity interests in joint ventures for the year ended December 31, 2015 were as follows:

	Beginning Balance 1/1/2015	Increase	Decrease	Ending Balance 12/31/2015
Governmental Type Activities				
Joint Animal Services	\$ 673,108		\$ 87,794	\$ 585,314
Law Enforcement Regional Record Management System (LERMS)	34,748		5,472	29,276
Total Investment in Joint Venture	<u>\$ 707,856</u>	<u>\$ -</u>	<u>\$ 93,266</u>	<u>\$ 614,590</u>

LOTT Clean Water Alliance ("LOTT")

The cities of Lacey, Olympia and Tumwater and Thurston County are partners in the LOTT Clean Water Alliance through the LOTT Interlocal Cooperation Act Agreement for Wastewater Management, which governs the operations of LOTT Wastewater Treatment Facilities. Each of the Alliance partners pays for its respective share of maintenance and operating expenses of the wastewater treatment system (the "Treatment System"), including debt service associated with revenue bonds issued to finance capital improvements of the Treatment System.

Substantially all the LOTT's revenues come from wastewater service charges and connection charges (Capacity Development Charge) collected by the cities of Lacey, Olympia and Tumwater and remitted to the LOTT. Each LOTT partner's pro-rata share of the charges is based on its number of equivalent residential units ("ERUs") that are contributed to the Treatment System. The City's LOTT charges are accounted for as a City cost of maintenance and operation of the Sewer System. The City passes these charges through to users of the Sewer System.

LOTT is governed by a long-range plan to address the region's changing wastewater needs. Also as a result of the long-range planning process, LOTT began a transition from a paperwork partnership to an organization. In 2000, LOTT was incorporated as a public non-profit organization, formed under the State's Interlocal Cooperation Act.



LOTT owns and operates physical facilities in all four partner jurisdictions. These facilities include the Budd Inlet Treatment Plant, Budd Inlet Reclaimed Water Plant, Martin Way Reclaimed Water Plant, Hawks Prairie Recharge Basins, several pump stations, and 23 miles of main sewer interceptor pipelines.

As of December 31, 2015, the City had short-term payables of \$1,018,825 which was paid in early 2016.

Thurston County Regional Health and Human Services Council

The Thurston County Regional Health and Human Services Council (the "Council") is a jointly-governed organization governed by one elective official from each participating jurisdiction. This Council was formed by an interlocal agreement between Thurston County and the cities of Lacey, Olympia and Tumwater, to work together and join resources necessary to address common gaps in meeting basic health and human services needs within this region. The City of Lacey contributed \$40,649 as its share of annual operations in 2015. The annual funding contribution from each jurisdiction is based on the general sales and use tax collected. Thurston County provides administrative staffing for the Council.



**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**



Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 23,171,863	\$ 23,171,863	\$ 24,994,272	\$ 1,822,409
Licenses and permits	1,561,345	\$ 1,561,345	2,074,369	513,024
Intergovernmental revenues	1,053,292	\$ 1,057,292	1,559,981	502,689
Charges for services	6,371,793	\$ 6,351,793	6,170,381	(181,412)
Fines and forfeitures	750,000	\$ 675,000	569,044	(105,956)
Other revenues	517,350	\$ 538,850	470,350	(68,500)
Total revenues	33,425,643	33,356,143	35,838,397	2,482,254
EXPENDITURES				
Current:				
General government	6,207,460	6,436,960	5,786,347	650,613
Security of persons and property	11,592,855	11,689,818	11,183,896	505,922
Physical environment	4,474,877	4,474,877	4,293,358	181,519
Economic environment	1,447,048	1,447,048	1,360,734	86,314
Mental and physical health	8,360	8,360	10,951	(2,591)
Culture and recreation	6,629,081	6,666,677	6,351,870	314,807
Capital outlay	-	33,727	40,924	(7,197)
Debt service:				
Principal retirement	-	-	26,668	(26,668) (1)
Interest	-	-	13,732	(13,732) (1)
Total expenditures	30,359,681	30,757,467	29,068,480	1,688,987
Excess (deficiency) of revenue over (under) expenditures	3,065,962	2,598,676	6,769,917	4,171,241
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	2,906	2,906 (2)
Capital leases	-	33,727	40,924	7,197
Transfers in	847,323	847,323	847,323	-
Transfers out	(4,226,098)	(4,226,098)	(4,226,098)	-
Total other financing sources	(3,378,775)	(3,345,048)	(3,334,945)	10,103
Net change in fund balances	(312,813)	(746,372)	3,434,972	4,181,344
Fund balance - beginning	599,550	833,109	26,278,866	25,445,757
Fund balance - ending	\$ 286,737	\$ 86,737	\$ 29,713,838	\$ 29,627,101

Explanation of differences:

- (1) Certain equipment lease payments are budgeted as current expenditures but are reported as debt service for GAAP
- (2) Proceeds from sale of assets are not formally budgeted transactions.

See accompanying notes to the required supplemental information.



Schedule of the City's Proportionate Share of the Net Pension Liability and Asset and Related Ratios, as of June 30

Public Employees' Retirement System Plan 1 (PERS 1)	
	2015 ⁽¹⁾
Employer's proportion of the net pension liability (asset)	0.123755%
Employer's proportionate share of the net pension liability	\$ 6,473,532
Employer's covered employee payroll	\$ 116,220
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	5570.07%
Plan fiduciary net position as a percentage of the total pension liability	59.10% (2)

Public Employees' Retirement System Plan 2 and 3 (PERS 2/3)	
	2015 ⁽¹⁾
Employer's proportion of the net pension liability	0.154291%
Employer's proportionate share of the net pension liability	\$ 5,502,898
Employer's covered employee payroll	\$ 13,810,508
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	39.85%
Plan fiduciary net position as a percentage of the total pension liability	89.20% (2)

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF 1)	
	2015 ⁽¹⁾
Employer's proportion of the net pension asset	0.023373%
Employer's proportionate share of the net pension liability (asset)	\$ 281,696
Employer's covered employee payroll	\$ - (3)
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36% (2)

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2)	
	2015 ⁽¹⁾
Employer's proportion of the net pension asset	0.187222%
Employer's proportionate share of the net pension asset	\$ 1,924,268
State's proportionate share of the net pension asset associated with the employer	1,272,329
TOTAL	<u>\$ 3,196,597</u>
Employer's covered employee payroll	\$ 5,433,910
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	58.83%
Plan fiduciary net position as a percentage of the total pension liability	111.67% (2)

Notes to Schedule:

(1) Measurement date: June 30, 2015

(2) Source: Note 2. E of the DRS Participating Employer Financial Information report, 6/30/215

*Schedule is intended to show information for 10 years commencing with the fiscal year ended December 31, 2015. Additional years will be displayed as they become available.



Schedule of the City's Employer Contributions, as of December 31

Public Employees' Retirement System Plan 1 (PERS 1)	
	2015 ⁽¹⁾
Statutorily or contractually required contributions	\$ 7,454
Contributions in relation to the statutorily or contractually required contributions	(7,454)
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ 73,111
Contributions as a percentage of covered employee payroll	10.20% (2)

Public Employees' Retirement System Plan 2 and 3 (PERS 2/3)	
	2015 ⁽¹⁾
Statutorily or contractually required contributions	\$ 1,428,959
Contributions in relation to the statutorily or contractually required contributions	(1,428,959)
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ 14,028,008
Contributions as a percentage of covered employee payroll	10.20% (2)

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF 1)	
	2015 ⁽¹⁾
Statutorily or contractually required contributions	\$ -
Contributions in relation to the statutorily or contractually required contributions	-
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ -
Contributions as a percentage of covered employee payroll	N/A (3)

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2)	
	2015 ⁽¹⁾
Statutorily or contractually required contributions	\$ 285,285
Contributions in relation to the statutorily or contractually required contributions	(285,285)
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ 5,454,776
Contributions as a percentage of covered employee payroll	5.23%

Notes to Schedule:

(1) As of December 31

(2) 2015 contribution rates for January through June was 9.21% and July through December was 11.18%.

(3) Starting on July 1, 2000, LEOFF 1 has zero contribution percent, as long as the plan remains fully funded. There were no required contributions for fiscal year 2015.

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry-age Normal cost Method

Inflation: 3% total economic inflation; 3.75% salary inflation
In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity

Salary increases: 7.50%

Investment rate of return RP-2000 Combined Healthy Table and Combined Disabled Table

Mortality

*Schedule is intended to show information for 10 years commencing with the fiscal year ended December 31, 2015. Additional years will be displayed as they become available.



Schedule of Funding Progress
Other Postemployment Benefits (OPEB) Plan
LEOFF 1, Police Officers

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll* ©	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/13/2015	\$ -	\$ 6,651,558	\$ 6,651,558	0.0%	N/A	N/A
12/31/2014	-	5,623,610	5,623,610	0.0%	1,663,098	338%
12/31/2013	-	5,934,055	5,934,055	0.0%	1,792,676	331%

*For valuation dates 12/31/2014 and 12/31/2013, covered payroll represents actual annual fringe benefits for police department. Starting valuation date 12/31/2015, covered payroll is the actual payroll for active LEOFF 1 members for the year. There were no active members in 2015.

Notes to the Required Supplemental Information

1. Budgetary Information

For more detailed information, see the Notes to the financial statements (Note 1, D. Budgetary information).

2. Budgetary Basis of Accounting

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States ("GAAP") basis.

The major differences between the budgetary basis and GAAP basis are as follows:

- Certain loan transactions are recognized as expenditures for the budgetary basis, but not for the GAAP basis. When these loans are made, they are recorded as receivables on a GAAP basis and as expenditures on a budgetary basis. When loan payments are received, they are recorded as reductions to the receivables on a GAAP basis, but are recognized as revenues on a budgetary basis.
- Certain advances and loans to other funds are recognized as expenditure for the budgetary basis, but not for the GAAP basis. When these advances and loans are made, they are recorded as receivables on a GAAP basis and as expenditures as on a budgetary basis. When repayments are received, they are recognized as reductions to advances and loans on a GAAP basis, but are recognized as revenues on a budgetary basis.



CITY
OF **LACEY**

COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES



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NONMAJOR OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Street Fund is responsible for evaluating, maintaining and repairing all roadways, traffic control devices, drainage systems, sidewalks and roadsides. The division is also responsible for street cleaning, snow and ice removal, and removing road debris from traffic lanes. Additionally, the street division performs special projects such as the Christmas tree pickup and hanging the street banners.

Lodging Tax Fund is authorized by state law and must operate under the restrictive provision thereof. Revenue is generated from a use tax based on hotel/motel room rentals. Expenditures of lodging tax dollars are limited to tourist promotion and for the acquisition and/or maintenance of tourism-related facilities.

Community Development Block Grant Fund provides for the accounting of state and federal grants dollars awarded to qualifying agencies serving Lacey citizens.

Debt Service Funds

General Obligation (G.O.) Bond Fund was created to provide for the retirement of all general purpose bonds issued for City facilities or equipment. When capital expenditures are funded by debt authorized by voter approval, the revenues generated to retire this debt come from property taxes. Debt issued or bonds received without guaranteed to the City property tax revenues must depend on all sources of general City revenue to retire debt.

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Building Improvement Fund is only used when there is a need to account for a significant building project or equipment acquisition that is usually funded by a bond sale.

Capital Expenditure Fund accounts for special revenue dedicated to capital and capital equipment purchases that are required for general operation purposes. Utility and real estate taxes are the main sources of revenue.

Parks & Open Space Fund accounts for the resources accumulated by council action to set aside the revenue generated by a one percent utility tax rate for acquisition of property for future parks and open space, and/or the maintenance and operations and development of existing park sites.

Regional Athletic Complex (RAC) Capital Fund accounts for revenues dedicated for debt retirement, the purchase of capital equipment to operate this facility and future development of the RAC. The source of revenue is sales taxes that the City receives from the Capital Area Regional Public Facilities District (CARPFD) per an interlocal agreement.



Combining Balance Sheet
Other Governmental Funds
December 31, 2015

	Special Revenue Funds			Debt Service Fund
	Street Fund	Lodging Tax	Community Development Block Grant	General Obligation Bond Fund
ASSETS				
Current cash and cash equivalents	\$ 2,103,515	\$ 894,688	\$ 20,687	\$ 340,665
Receivables (net of allowances):				
Taxes	-	59,766	-	22,332
Customer accounts	27,671	-	274,212	1,245
Due from other governmental units	107,628	-	-	-
Restricted assets:				
Cash & cash equivalents	-	-	-	-
Long term loan receivable	-	-	-	-
Total assets	<u>2,238,814</u>	<u>954,454</u>	<u>294,899</u>	<u>364,242</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	13,094	17,453	-	-
Due to other governmental units	2,946	-	-	-
Customer deposits	-	-	-	-
Total Liabilities	<u>16,040</u>	<u>17,453</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property tax	-	-	-	21,177
Unavailable revenues-grants and loans	-	-	274,212	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>274,212</u>	<u>21,177</u>
Fund balances				
Restricted	-	937,001	20,687	-
Committed	1,250,000	-	-	-
Assigned	972,774	-	-	343,065
Unassigned	-	-	-	-
Total fund balances	<u>2,222,774</u>	<u>937,001</u>	<u>20,687</u>	<u>343,065</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,238,814</u>	<u>\$ 954,454</u>	<u>\$ 294,899</u>	<u>\$ 364,242</u>

Capital Project Funds				Total
Building Improvement	Capital Expenditure	Parks & Open Space Fund	Regional Athletic Complex Capital	Other Governmental Funds
\$ 4,142,683	\$ 4,613,420	\$ 2,873,629	\$ 781,395	\$ 15,770,682
-	-	-	-	82,098
-	9,803	650	-	313,581
30,222	-	-	161,579	299,429
-	-	850	-	850
-	515,902	-	-	515,902
<u>4,172,905</u>	<u>5,139,125</u>	<u>2,875,129</u>	<u>942,974</u>	<u>16,982,542</u>
157,765	7,103	-	-	195,415
23,914	-	-	-	26,860
-	-	850	-	850
<u>181,679</u>	<u>7,103</u>	<u>850</u>	<u>-</u>	<u>223,125</u>
-	-	-	-	21,177
30,222	-	-	-	304,434
<u>30,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,611</u>
-	689,787	-	-	1,647,475
3,371,932	2,845,000	1,564,116	350,000	9,381,048
589,072	1,597,235	1,310,163	592,974	5,405,283
-	-	-	-	-
<u>3,961,004</u>	<u>5,132,022</u>	<u>2,874,279</u>	<u>942,974</u>	<u>16,433,806</u>
<u>\$ 4,172,905</u>	<u>\$ 5,139,125</u>	<u>\$ 2,875,129</u>	<u>\$ 942,974</u>	<u>\$ 16,982,542</u>



Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Other Governmental Funds
 For the Year Ended December 31, 2015

	Special Revenue Funds			Debt Service Fund
	Street Fund	Lodging Tax	Community Development Block Grant	General Obligation Bond Fund
REVENUES				
Taxes	\$ -	\$ 477,897	\$ -	\$ 1,471,599
Licenses and permits	-	-	-	-
Intergovernmental revenues	681,505	-	-	-
Charges for services	59,651	-	-	-
Other revenues	41,603	1,574	56	2,010
Total revenues	782,759	479,471	56	1,473,609
EXPENDITURES				
Current:				
General government	-	-	-	-
Transportation	3,184,450	-	-	-
Economic environment	-	-	-	-
Culture and recreation	-	226,381	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	1,575,000
Interest	-	-	-	451,596
Debt issue cost	-	-	-	90,267
Total expenditures	3,184,450	226,381	-	2,116,863
Excess of revenue over (under) expenditures	(2,401,691)	253,090	56	(643,254)
OTHER FINANCING SOURCES (USES)				
Premium on debt issued	-	-	-	1,015,321
Debt issuance-refunding bonds	-	-	-	7,765,000
Payments to refunded bonds escrow agent	-	-	-	(8,691,603)
Transfers in	2,218,612	-	-	572,624
Transfers out	-	(205,500)	-	-
Total other financing sources (uses)	2,218,612	(205,500)	-	661,342
Net change in fund balances	(183,079)	47,590	56	18,088
Fund balances - beginning	2,405,853	889,411	20,631	324,977
Fund Balance - ending	\$ 2,222,774	\$ 937,001	\$ 20,687	\$ 343,065

Capital Project Funds				Total
Building Improvement	Capital Expenditure	Parks & Open Space Fund	Regional Athletic Complex Capital	Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,949,496
-	38,864	-	-	38,864
24,979	14,313	8,826	870,995	1,600,618
-	-	-	-	59,651
27,874	56,813	20,227	1,636	151,793
<u>52,853</u>	<u>109,990</u>	<u>29,053</u>	<u>872,631</u>	<u>3,800,422</u>
-	10,582	-	-	10,582
-	-	-	-	3,184,450
-	2,506	-	-	2,506
-	-	807	1,896	229,084
462,165	382,987	8,826	54,778	908,756
-	156,870	-	-	1,731,870
-	16,490	-	-	468,086
-	-	-	-	90,267
<u>462,165</u>	<u>569,435</u>	<u>9,633</u>	<u>56,674</u>	<u>6,625,601</u>
<u>(409,312)</u>	<u>(459,445)</u>	<u>19,420</u>	<u>815,957</u>	<u>(2,825,179)</u>
-	-	-	-	1,015,321
-	-	-	-	7,765,000
-	-	-	-	(8,691,603)
195,000	707,641	633,437	-	4,327,314
-	(63,000)	(661,823)	(572,624)	(1,502,947)
<u>195,000</u>	<u>644,641</u>	<u>(28,386)</u>	<u>(572,624)</u>	<u>2,913,085</u>
(214,312)	185,196	(8,966)	243,333	87,906
4,175,316	4,946,826	2,883,245	699,641	16,345,900
<u>\$ 3,961,004</u>	<u>\$ 5,132,022</u>	<u>\$ 2,874,279</u>	<u>\$ 942,974</u>	<u>\$ 16,433,806</u>



Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Street Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 657,485	\$ 657,485	\$ 681,505	\$ 24,020
Charges for services	5,000	5,000	59,651	54,651
Other revenues	7,000	7,000	41,603	34,603
Total revenues	<u>669,485</u>	<u>669,485</u>	<u>782,759</u>	<u>113,274</u>
EXPENDITURES				
Current:				
Transportation	<u>2,888,097</u>	<u>3,288,097</u>	<u>3,184,450</u>	<u>103,647</u>
Total expenditures	<u>2,888,097</u>	<u>3,288,097</u>	<u>3,184,450</u>	<u>103,647</u>
Excess of revenue over (under) expenditures	<u>(2,218,612)</u>	<u>(2,618,612)</u>	<u>(2,401,691)</u>	<u>216,921</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,218,612</u>	<u>2,218,612</u>	<u>2,218,612</u>	<u>-</u>
Total other financing sources	<u>2,218,612</u>	<u>2,218,612</u>	<u>2,218,612</u>	<u>-</u>
Net change in fund balances	-	(400,000)	(183,079)	216,921
Fund balance - beginning	-	400,000	2,405,853	2,005,853
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,222,774</u>	<u>\$ 2,222,774</u>

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Arterial Streets
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,897,390	\$ 647,390
Intergovernmental revenues	2,404,071	2,404,071	2,144,758	(259,313)
Charges for services	251,395	251,395	858,443	607,048
Other revenues	22,320	22,320	47,965	25,645
Total revenues	<u>3,927,786</u>	<u>3,927,786</u>	<u>4,948,556</u>	<u>1,020,770</u>
EXPENDITURES				
Current:				
Capital outlay	<u>7,209,030</u>	<u>8,256,444</u>	<u>4,215,010</u>	<u>4,041,434</u>
Total expenditures	<u>7,209,030</u>	<u>8,256,444</u>	<u>4,215,010</u>	<u>4,041,434</u>
Excess of revenue over (under) expenditures	<u>(3,281,244)</u>	<u>(4,328,658)</u>	<u>733,546</u>	<u>5,062,204</u>
Net change in fund balances	(3,281,244)	(4,328,658)	733,546	5,062,204
Fund balance - beginning	<u>3,281,244</u>	<u>4,328,658</u>	<u>15,682,190</u>	<u>11,353,532</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,415,736</u>	<u>\$ 16,415,736</u>



Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Lodging Tax
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 404,250	\$ 404,250	\$ 477,897	\$ 73,647
Other revenues	2,000	2,000	1,574	(426)
Total revenues	406,250	406,250	479,471	73,221
EXPENDITURES				
Current:				
Culture and recreation	233,500	233,500	226,381	7,119
Total expenditures	233,500	233,500	226,381	7,119
Excess of revenue over (under) expenditures	172,750	172,750	253,090	80,340
OTHER FINANCING SOURCES (USES)				
Transfers out	(205,500)	(205,500)	(205,500)	-
Total other financing sources	(205,500)	(205,500)	(205,500)	-
Net change in fund balances	(32,750)	(32,750)	47,590	80,340
Fund balance - beginning	32,750	32,750	889,411	856,661
Fund balance - ending	\$ -	\$ -	\$ 937,001	\$ 937,001

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Community Development Block Grant
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenue	\$ 200	\$ 200	\$ 56	\$ (144)
Total revenues	200	200	56	(144)
EXPENDITURES				
Current:				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	200	200	56	(144)
OTHER FINANCING SOURCES (USES)				
Total other financing sources	-	-	-	-
Net change in fund balance	200	200	56	(144)
Fund balance - beginning	-	-	20,631	20,631
Fund balance - ending	\$ 200	\$ 200	\$ 20,687	\$ 20,487



Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
General Obligation Bond Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,472,226	\$ 1,472,226	\$ 1,471,599	\$ (627)
Other revenues	500	500	2,010	1,510
Total revenues	1,472,726	1,472,726	1,473,609	883
EXPENDITURES				
Current:				
Debt service:				
Principal retirement	1,440,000	1,575,000	1,575,000	-
Interest	620,356	451,597	451,596	1
Debt issue costs	-	87,473	90,267	(2,794)
Total expenditures	2,060,356	2,114,070	2,116,863	(2,793)
Excess of revenue over (under) expenditures	(587,630)	(641,344)	(643,254)	(1,910)
OTHER FINANCING SOURCES (USES)				
Premium on refunding bonds issued	-	1,015,321	1,015,321	-
Debt issuance	-	7,765,000	7,765,000	-
Refunding bonds issued	-	(8,692,848)	(8,691,603)	1,245
Transfers in	588,130	588,130	572,624	(15,506)
Total other financing sources	588,130	675,603	661,342	(14,261)
Net change in fund balance	500	34,259	18,088	(16,171)
Fund balance - beginning	-	-	324,977	324,977
Fund balance - ending	\$ 500	\$ 34,259	\$ 343,065	\$ 308,806

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
L.I.D. Redemption
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenues	\$ 697,919	\$ 697,919	\$ 747,935	\$ 50,016
Total revenues	697,919	697,919	747,935	50,016
EXPENDITURES				
Current:				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	697,919	697,919	747,935	50,016
OTHER FINANCING SOURCES (USES)				
Interfund loan distribution	(700,098)	(700,098)	-	700,098 (1)
Total other financing sources	(700,098)	(700,098)	-	700,098
Net change in fund balance	(2,179)	(2,179)	747,935	750,114
Fund balance - beginning	700,098	700,098	2,149,590	1,449,492
Fund balance - ending	\$ 697,919	\$ 697,919	\$ 2,897,525	\$ 2,199,606

Explanations of differences:

(1) Interfund loan to other funds are budgeted as expenditures but it is recorded as a receivable for GAAP.



Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Building Improvement
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 24,979	\$ 24,979
Other revenues	7,000	27,000	27,874	874
Total revenues	7,000	27,000	52,853	25,853
EXPENDITURES				
Current:				
Capital outlay	174,500	614,369	462,165	152,204
Total expenditures	174,500	614,369	462,165	152,204
Excess of revenue over (under) expenditures	(167,500)	(587,369)	(409,312)	178,057
OTHER FINANCING SOURCES (USES)				
Transfers in	170,000	195,000	195,000	-
Total other financing sources	170,000	195,000	195,000	-
Net change in fund balance	2,500	(392,369)	(214,312)	178,057
Fund balance - beginning	4,500	399,369	4,175,316	3,775,947
Fund balance - ending	\$ 7,000	\$ 7,000	\$ 3,961,004	\$ 3,954,004

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Capital Expenditure
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 36,500	\$ 36,500	\$ 38,864	\$ 2,364
Intergovernmental revenues	-	-	14,313	14,313
Other revenues	188,860	209,104	56,813	(152,291) (1)
Total revenues	225,360	245,604	109,990	(135,614)
EXPENDITURES				
Current:				
General government	-	-	10,582	(10,582)
Economic environment	6,601	6,601	2,506	4,095
Capital outlay	883,040	1,103,499	382,987	720,512
Debt service:				
Principal retirement	156,870	156,870	156,870	-
Interest	16,490	16,490	16,490	-
Total expenditures	1,063,001	1,283,460	569,435	714,025
Excess of revenue over (under) expenditures	(837,641)	(1,037,856)	(459,445)	578,411
OTHER FINANCING SOURCES (USES)				
Transfers in	707,641	707,641	707,641	-
Transfers out	(38,000)	(63,000)	(63,000)	-
Total other financing sources	669,641	644,641	644,641	-
Net change in fund balances	(168,000)	(393,215)	185,196	578,411
Fund balance - beginning	168,000	393,215	4,946,826	4,553,611
Fund balance - ending	\$ -	\$ -	\$ 5,132,022	\$ 5,132,022

Explanation of differences:

(1) Loan payments received are budgeted as revenues but they are recorded as reduction of the receivables for GAAP.



Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Parks & Open Space
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ 9,000	\$ 8,826	\$ (174)
Other revenues	28,386	28,386	20,227	(8,159)
Total revenues	28,386	37,386	29,053	(8,333)
EXPENDITURES				
Current:				
Culture and recreation	-	-	807	(807)
Capital outlay	-	9,000	8,826	174
Total expenditures	-	9,000	9,633	(633)
Excess of revenue over (under) expenditures	28,386	28,386	19,420	(8,966)
OTHER FINANCING SOURCES (USES)				
Transfers in	633,437	633,437	633,437	-
Transfers out	(661,823)	(661,823)	(661,823)	-
Total other financing sources	(28,386)	(28,386)	(28,386)	-
Net change in fund balance	-	-	(8,966)	(8,966)
Fund balance - beginning	-	-	2,883,245	2,883,245
Fund balance - ending	\$ -	\$ -	\$ 2,874,279	\$ 2,874,279

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Regional Athletic Complex Capital
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 725,000	\$ 725,000	\$ 870,995	\$ 145,995
Other revenues	1,500	1,500	1,636	136
Total revenues	<u>726,500</u>	<u>726,500</u>	<u>872,631</u>	<u>146,131</u>
EXPENDITURES				
Current:				
Culture and recreation	8,000	8,000	1,896	6,104
Capital outlay	53,312	53,312	54,778	(1,466)
Total expenditures	<u>61,312</u>	<u>61,312</u>	<u>56,674</u>	<u>4,638</u>
Excess of revenue over (under) expenditures	<u>665,188</u>	<u>665,188</u>	<u>815,957</u>	<u>150,769</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(588,130)	(588,130)	(572,624)	15,506
Total other financing sources	<u>(588,130)</u>	<u>(588,130)</u>	<u>(572,624)</u>	<u>15,506</u>
Net change in fund balances	77,058	77,058	243,333	166,275
Fund balance - beginning	-	-	699,641	699,641
Fund balance - ending	<u>\$ 77,058</u>	<u>\$ 77,058</u>	<u>\$ 942,974</u>	<u>\$ 865,916</u>



Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

The Equipment Rental Fund is an internal service fund created to provide for maintenance and replacement of City owned vehicles and equipment. The finance department provides administrative and accounting services while the public works department provides maintenance and repair services.

Information Management Services Fund is responsible for keeping all computer and office automation equipment and programs operating and responsive to the City's needs. This is accomplished through researching new computer techniques; correcting and revising programs to meet changing needs; and managing computer techniques; and managing computer equipment to achieve maximum performance.

Combining Statement of Net Position
Internal Service Funds
December 31, 2015

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,044,504	\$ 2,901,448	\$ 12,945,952
Receivables (net of allowances):			
Customer accounts	11,400	-	11,400
Total current assets:	<u>10,055,904</u>	<u>2,901,448</u>	<u>12,957,352</u>
Noncurrent assets:			
Capital assets, net of depreciation:			
Buildings	105,543	-	105,543
Improvements other than buildings	45,331	-	45,331
Equipment	2,470,861	183,312	2,654,173
Total noncurrent assets	<u>2,621,735</u>	<u>183,312</u>	<u>2,805,047</u>
Total assets	<u>12,677,639</u>	<u>3,084,760</u>	<u>15,762,399</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	22,202	66,583	88,785
Total deferred inflows of resources	<u>22,202</u>	<u>66,583</u>	<u>88,785</u>
LIABILITIES			
Current liabilities:			
Accounts payable	19,242	9,814	29,056
Due to other governmental units	15	-	15
Compensated absences	9,407	16,168	25,575
Total current liabilities	<u>28,664</u>	<u>25,982</u>	<u>54,646</u>
Noncurrent liabilities:			
Compensated absences	13,996	18,521	32,517
Net pension liability	192,157	576,279	768,436
Total noncurrent liabilities	<u>206,153</u>	<u>594,800</u>	<u>800,953</u>
Total liabilities	<u>234,817</u>	<u>620,782</u>	<u>855,599</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	36,495	109,448	145,943
Total deferred inflows of resources	<u>36,495</u>	<u>109,448</u>	<u>145,943</u>
NET POSITION			
Net investment in capital assets	2,621,734	183,312	2,805,046
Unrestricted	9,806,795	2,237,801	12,044,596
Total net position	<u>\$ 12,428,529</u>	<u>\$ 2,421,113</u>	<u>\$ 14,849,642</u>



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

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total
OPERATING REVENUES			
Charges for services	\$ 2,220,059	\$ 1,626,533	\$ 3,846,592
Miscellaneous operating revenues	28,078	-	28,078
Total operating revenue	<u>2,248,137</u>	<u>1,626,533</u>	<u>3,874,670</u>
OPERATING EXPENSES			
Operating expense	967,188	1,165,425	2,132,613
Maintenance expense	52,492	263,816	316,308
Depreciation expense	681,648	66,572	748,220
Taxes	222	-	222
Total operating expenses	<u>1,701,550</u>	<u>1,495,813</u>	<u>3,197,363</u>
OPERATING INCOME (LOSS)	<u>546,587</u>	<u>130,720</u>	<u>677,307</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	18,083	4,651	22,734
Gain (loss) on disposal of capital assets	60,033	(4,982)	55,051
Total nonoperating revenues (expenses)	<u>78,116</u>	<u>(331)</u>	<u>77,785</u>
Income (loss) before contributions and transfers	624,703	130,389	755,092
Capital Contributions - interfund	<u>47,657</u>	<u>-</u>	<u>47,657</u>
Changes in net position	<u>672,360</u>	<u>130,389</u>	<u>802,749</u>
Net position - beginning as previously reported	11,982,054	2,968,155	14,950,209
Changes in accounting principle	<u>(225,885)</u>	<u>(677,431)</u>	<u>(903,316)</u>
Net position - beginning as restated	<u>11,756,169</u>	<u>2,290,724</u>	<u>14,046,893</u>
NET POSITION - ENDING	<u>\$ 12,428,529</u>	<u>\$ 2,421,113</u>	<u>\$ 14,849,642</u>

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

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total Internal Service
CASH FLOW FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 110,116	\$ -	\$ 110,116
Receipts from interfund services	2,150,014	1,626,533	3,776,547
Payments for interfund services	(8,602)	-	(8,602)
Payments to suppliers	(643,264)	(480,208)	(1,123,472)
Payments to employees	(399,036)	(994,583)	(1,393,619)
Payments for taxes	(222)	-	(222)
Net cash provided by operating activities	<u>1,209,006</u>	<u>151,742</u>	<u>1,360,748</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(487,852)	(51,988)	(539,840)
Proceeds from sales of capital assets	65,438	-	65,438
Net cash (used) by capital and related financing activities	<u>(422,414)</u>	<u>(51,988)</u>	<u>(474,402)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of investment	(214,980)	-	(214,980)
Interest received on investments	18,083	4,651	22,734
Net cash provided (used) by investing activities	<u>(196,897)</u>	<u>4,651</u>	<u>(192,246)</u>
Net increase (decrease) in cash and cash equivalents	589,695	104,405	694,100
Cash and cash equivalents January 1	<u>9,027,753</u>	<u>2,797,043</u>	<u>11,824,796</u>
Cash and cash equivalents December 31 (see Note below)	<u>\$ 9,617,448</u>	<u>\$ 2,901,448</u>	<u>\$ 12,518,896</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net operating income	\$ 546,587	\$ 130,720	\$ 677,307
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	681,648	66,572	748,220
Decrease (increase) in:			
Customer receivables	5,935	-	5,935
Intergovernmental receivables	6,058	-	6,058
Increase (decrease) in:			
Accounts payables	(11,760)	9,183	(2,577)
Intergovernmental payables	(10)	(1,179)	(1,189)
Compensated absences payables	(17)	4,733	4,716
Net pension liability, deferred outflows and inflows of pension related resources	(19,435)	(58,287)	(77,722)
Total adjustments	<u>662,419</u>	<u>21,022</u>	<u>683,441</u>
Net cash provided by operating activities	<u>\$ 1,209,006</u>	<u>\$ 151,742</u>	<u>\$ 1,360,748</u>
Reconciliation of Cash and cash equivalents with the amounts on the fund statement of net position:			
Cash and cash equivalents	\$ 10,044,504	\$ 2,901,448	\$ 12,945,952
Restricted cash and cash equivalents	-	-	-
Less investments with maturity over 3 months	(427,056)	-	(427,056)
Cash and cash equivalents for cash flow statements	<u>\$ 9,617,448</u>	<u>\$ 2,901,448</u>	<u>\$ 12,518,896</u>
Schedule of noncash capital and related financing activities:			
Capital assets transferred from other funds	\$ 47,657	\$ -	\$ 47,657



Fiduciary Funds

Agency Funds

Joint Animal Services Fund accounts for cash and investments held by the City of Lacey for Animal Services in an agency capacity.

Interlocal Drug Unit Fund accounts for cash and investments held by the City of Lacey for the Thurston County Narcotics Task Force (Drug Unit) in an agency capacity.

Capital Area Public Facilities District (CARPFD) Fund accounts for cash and investments held by the City of Lacey for the CARPFD in an agency capacity.

Combining Statement of Fiduciary Net Position
Agency Funds
December 31, 2015

	Joint Animal Services	Thurston County Narcotics Task Force	Capital Area Public Facilities District	Total
ASSETS				
Cash and cash equivalents	\$ 2,656,190	\$ 308,256	\$ 70,584	\$ 3,035,030
Restricted cash and cash equivalents	-	501,808	-	501,808
Prepaid expenses and deposits	219	-	-	219
Accounts receivables, net of uncollectible accounts	533	-	-	533
Due from other governmental units	-	33,995	271,565	305,560
Total assets	2,656,942	844,059	342,149	3,843,150
LIABILITIES				
Accounts payable	41,372	40,318	-	81,690
Accrued employee leave payable	67,627	7,019	-	74,646
Custodial - seizure cases pending	-	501,808	-	501,808
Capital lease payable	9,256	3,395	-	12,651
Notes payable	72,655	-	-	72,655
Due to other governmental units	2,466,032	291,519	342,149	3,099,700
Total liabilities	\$ 2,656,942	\$ 844,059	\$ 342,149	\$ 3,843,150



Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2015

	Joint Animal Services			Balance December 31, 2015
	Balance December 31, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 2,584,219	\$ 4,386,665	\$ 4,314,694	\$ 2,656,190
Prepaid expenses and deposits	1,315	590	1,686	219
Accounts receivables, net of uncollectible accounts	-	975,533	975,000	533
Total assets	2,585,534	5,362,788	5,291,380	2,656,942
LIABILITIES				
Accounts payable	15,041	407,094	380,763	41,372
Accrued employee leave payable	71,938	40,502	44,813	67,627
Capital lease payable	11,631	-	2,375	9,256
Notes payable	93,028	-	20,373	72,655
Due to other governmental units	2,393,896	2,891,408	2,819,272	2,466,032
Total liabilities	\$ 2,585,534	\$ 3,339,004	\$ 3,267,596	\$ 2,656,942

	Thurston County Narcotics Task Force			Balance December 31, 2015
	Balance December 31, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 146,013	\$ 1,099,025	\$ 936,782	\$ 308,256
Restricted Cash and cash equivalents	511,272	215,044	224,508	501,808
Prepaid expenses and deposits	452	-	452	-
Due from other governmental units	39,718	33,995	39,718	33,995
Total assets	697,455	1,348,064	1,201,460	844,059
LIABILITIES				
Accounts payable	34,629	418,767	413,078	40,318
Accrued employee leave payable	6,912	5,004	4,897	7,019
Custodial - seizure cases pending	511,272	215,044	224,508	501,808
Capital lease payable	6,097	-	2,702	3,395
Due to other governmental units	138,545	776,299	623,325	291,519
Total liabilities	\$ 697,455	\$ 1,415,114	\$ 1,268,510	\$ 844,059

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2015

	Capital Area Public Facilities District			Balance December 31, 2015
	Balance December 31, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 70,395	\$ 1,537,076	\$ 1,536,887	\$ 70,584
Due from other governmental units	251,459	272,310	252,204	271,565
Total assets	321,854	1,809,386	1,789,091	342,149
LIABILITIES				
Accounts payable	-	418,144	418,144	-
Due to other governmental units	321,854	2,269,498	2,249,203	342,149
Total liabilities	\$ 321,854	\$ 2,687,642	\$ 2,667,347	\$ 342,149

	Total All Agencies			Balance December 31, 2015
	Balance December 31, 2014	Additions	Deductions	
ASSETS				
Cash and cash equivalents	\$ 2,800,627	\$ 7,022,766	\$ 6,788,363	\$ 3,035,030
Restricted Cash and cash equivalents	\$ 511,272	\$ 215,044	\$ 224,508	\$ 501,808
Prepaid expenses and deposits	1,767	590	2,138	219
Accounts receivables, net of uncollectible accounts	-	975,533	975,000	533
Due from other governmental units	291,177	306,305	291,922	305,560
Total assets	3,604,843	8,520,238	8,281,931	3,843,150
LIABILITIES				
Accounts payable	49,670	1,244,005	1,211,985	81,690
Accrued employee leave payable	78,850	45,506	49,710	74,646
Custodial - seizure cases pending	511,272	215,044	224,508	501,808
Capital lease payable	17,728	-	5,077	12,651
Notes payable	93,028	-	20,373	72,655
Due to other governmental units	2,854,295	5,937,205	5,691,800	3,099,700
Total liabilities	\$ 3,604,843	\$ 7,441,760	\$ 7,203,453	\$ 3,843,150



CITY
OF **LACEY**



OTHER SUPPLEMENTARY INFORMATION



Schedule of Operations - Budget to Actual
Water Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 12,443,906	\$ 12,443,906	\$ 15,218,079	\$ 2,774,173
Miscellaneous operating revenues	160,250	160,250	225,671	65,421
Total operating revenue	12,604,156	12,604,156	15,443,750	2,839,594
OPERATING EXPENSES				
Operating expense	3,336,814	3,336,814	3,015,121	321,693
Maintenance expense	11,982,644	12,659,766	3,745,599	8,914,167
Depreciation expense	3,500,000	3,500,000	3,373,514	126,486
Taxes	540,265	540,265	588,810	(48,545)
Total operating expenses	19,359,723	20,036,845	10,723,044	9,313,801
OPERATING INCOME (LOSS)	(6,755,567)	(7,432,689)	4,720,706	12,153,395
NONOPERATING REVENUES (EXPENSES)				
Special assessments	-	-	9,411	9,411
Debt issuance and service cost	-	-	(353)	(353)
Investment earnings	43,367	43,367	69,424	26,057
Interfund loan disbursement	(613,004)	(613,004)	-	613,004 (1)
Revenue bond principal payment	(266,147)	(266,147)	-	266,147 (2)
Miscellaneous non-operating revenues	10,628	10,628	-	(10,628)
Interest expense	(237,557)	(237,557)	(204,195)	33,362
Total nonoperating revenues (expenses)	(1,062,713)	(1,062,713)	(125,713)	937,000
Income (loss) before contributions and transfers	(7,818,280)	(8,495,402)	4,594,993	13,090,395
Capital Contributions	-	-	3,186,009	3,186,009
Transfers in	554,408	554,408	554,408	-
Changes in net position	(7,263,872)	(7,940,994)	8,335,410	16,276,404
NET POSITION - BEGINNING as previously reported	7,263,872	7,940,994	128,658,259	120,717,265
Changes in accounting principle	-	-	(1,982,768)	(1,982,768)
Net position - beginning as restated	7,263,872	7,940,994	126,675,491	118,734,497
NET POSITION - ENDING	\$ -	\$ -	\$ 135,010,901	\$ 135,010,901

Explanation of differences:

- (1) Repayment of interfund loan is budgeted as expense but it is recorded as a reduction of the interfund loan payables for GAAP.
- (2) Debt principal payments made are budgeted as expenses but they are recorded as reduction of bonds payable for GAAP.

This schedule is presented as supplemental information



Schedule of Operations - Budget to Actual
Wastewater Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 15,212,914	\$ 15,512,914	\$ 16,619,705	\$ 1,106,791
Miscellaneous operating revenues	-	-	43,891	43,891
Total operating revenue	<u>15,212,914</u>	<u>15,512,914</u>	<u>16,663,596</u>	<u>1,150,682</u>
OPERATING EXPENSES				
Operating expense	10,875,481	11,175,481	10,856,703	318,778
Maintenance expense	7,131,089	7,899,789	2,222,903	5,676,886
Depreciation expense	2,350,000	2,350,000	1,996,760	353,240
Taxes	177,780	177,780	181,380	(3,600)
Total operating expenses	<u>20,534,350</u>	<u>21,603,050</u>	<u>15,257,746</u>	<u>6,345,304</u>
OPERATING INCOME (LOSS)	<u>(5,321,436)</u>	<u>(6,090,136)</u>	<u>1,405,850</u>	<u>7,495,986</u>
NONOPERATING REVENUES (EXPENSES)				
Special assessments	-	-	523,151	523,151
Debt issuance and service cost	-	-	(5,000)	(5,000)
Investment earnings	18,350	18,350	38,285	19,935
Interfund loan	1,288,102	1,288,102	-	(1,288,102) (1)
Revenue bond proceeds	2,477,654	2,477,654	-	(2,477,654) (2)
Interest expense	-	-	(6,372)	(6,372)
Miscellaneous non-operating revenues	25,000	25,000	-	(25,000)
Total nonoperating revenues (expenses)	<u>3,809,106</u>	<u>3,809,106</u>	<u>550,064</u>	<u>(3,259,042)</u>
Income (loss) before contributions and transfers	(1,512,330)	(2,281,030)	1,955,914	4,236,944
Capital contributions	-	-	2,865,937	2,865,937
Changes in net position	<u>(1,512,330)</u>	<u>(2,281,030)</u>	<u>4,821,851</u>	<u>7,102,881</u>
NET POSITION - BEGINNING as previously reported	2,349,650	3,118,350	88,572,796	85,454,446
Changes in accounting principle	-	-	(996,323)	(996,323)
Net position - beginning as restated	<u>2,349,650</u>	<u>3,118,350</u>	<u>87,576,473</u>	<u>84,458,123</u>
NET POSITION - ENDING	<u>\$ 837,320</u>	<u>\$ 837,320</u>	<u>\$ 92,398,324</u>	<u>\$ 91,561,004</u>

Explanation of differences:

- (1) Interfund loan proceeds received and repayments received are budgeted as revenues but they are recognized as reductions to receivables and increase to payables for GAAP.
- (2) Proceeds from debt issue was budgeted but not actually issued.

This schedule is presented as supplemental information



Schedule of Operations - Budget to Actual
Stormwater Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,633,901	\$ 2,633,901	\$ 2,702,844	\$ 68,943
Miscellaneous operating revenues	-	-	6,250	6,250
Total operating revenue	2,633,901	2,633,901	2,709,094	75,193
OPERATING EXPENSES				
Operating expense	1,178,937	1,178,937	1,092,910	86,027
Maintenance expense	2,567,855	3,144,415	879,925	2,264,490
Depreciation expense	1,650,000	1,650,000	1,693,280	(43,280)
Taxes	48,130	48,130	50,162	(2,032)
Total operating expenses	5,444,922	6,021,482	3,716,277	2,305,205
OPERATING INCOME (LOSS)	(2,811,021)	(3,387,581)	(1,007,183)	2,380,398
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	-	14,877	14,877
Debt issuance and service cost	-	-	(72)	(72)
Investment earnings	5,472	5,472	6,799	1,327
Revenue bond principal payment	(53,853)	(53,853)	-	53,853 (1)
Interest expense	(48,068)	(48,068)	(28,358)	19,710
Gain (loss) on disposal of capital assets	-	-	(115,902)	(115,902) (2)
Total nonoperating revenues (expenses)	(96,449)	(96,449)	(122,656)	(26,207)
Income (loss) before contributions and transfers	(2,907,470)	(3,484,030)	(1,129,839)	2,354,191
Capital contributions	-	352,000	1,389,951	1,037,951
Changes in net position	(2,907,470)	(3,132,030)	260,112	3,392,142
NET POSITION - BEGINNING as previously reported	2,907,470	3,132,030	48,906,541	45,774,511
Changes in accounting principle	-	-	(389,434)	(389,434)
Net position - beginning as restated	2,907,470	3,132,030	48,517,107	45,385,077
NET POSITION - ENDING	\$ -	\$ -	\$ 48,777,219	\$ 48,777,219

Explanation of differences:

- (1) Debt principal payments made are budgeted as expenses but they are recorded as reduction of bonds payable for GAAP.
- (2) Gain or loss in disposal of capital assets are not formally budgeted transactions.

This schedule is presented as supplemental information



Schedule of Operations - Budget to Actual
Reclaimed Water
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total operating revenue	-	-	-	-
OPERATING EXPENSES				
Depreciation expense	-	-	28,253	(28,253)
Total operating expenses	-	-	28,253	(28,253)
OPERATING INCOME (LOSS)	-	-	(28,253)	(28,253)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	3,400	3,400	4,053	653
Total nonoperating revenues (expenses)	3,400	3,400	4,053	653
Income (loss) before contributions and transfers	3,400	3,400	(24,200)	(27,600)
Capital contributions	-	-	185,288	185,288
Changes in net position	3,400	3,400	161,088	157,688
NET POSITION - BEGINNING as previous reported	-	-	3,340,669	3,340,669
Changes in accounting principle	-	-	-	-
Net position - beginning as restated	-	-	3,340,669	3,340,669
NET POSITION - ENDING	\$ 3,400	\$ 3,400	3,501,757	\$ 3,498,357

This schedule is presented as supplemental information



Schedule of Operations - Budget to Actual
Equipment Rental Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,246,801	\$ 2,246,801	\$ 2,220,059	\$ (26,742)
Miscellaneous operating revenues	-	-	28,078	28,078
Total operating revenue	<u>2,246,801</u>	<u>2,246,801</u>	<u>2,248,137</u>	<u>1,336</u>
OPERATING EXPENSES				
Operating expense	1,717,515	1,819,138	967,188	851,950
Maintenance expense	55,346	55,346	52,492	2,854
Depreciation expense	693,512	693,512	681,648	11,864
Taxes	-	-	222	(222)
Total operating expenses	<u>2,466,373</u>	<u>2,567,996</u>	<u>1,701,550</u>	<u>866,446</u>
OPERATING INCOME (LOSS)	<u>(219,572)</u>	<u>(321,195)</u>	<u>546,587</u>	<u>867,782</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	15,335	15,335	18,083	2,748
Gain (loss) on disposal of capital assets	-	-	60,033	60,033 (1)
Total nonoperating revenues (expenses)	<u>15,335</u>	<u>15,335</u>	<u>78,116</u>	<u>62,781</u>
Income (loss) before contributions and transfers	(204,237)	(305,860)	624,703	930,563
Capital contributions	-	-	47,657	47,657
Changes in net position	<u>(204,237)</u>	<u>(305,860)</u>	<u>672,360</u>	<u>978,220</u>
NET POSITION - BEGINNING as previously reported	276,627	378,250	11,982,054	11,603,804
Changes in accounting principle	-	-	(225,885)	(225,885)
Net position - beginning as restated	<u>276,627</u>	<u>378,250</u>	<u>11,756,169</u>	<u>11,377,919</u>
NET POSITION - ENDING	<u>\$ 72,390</u>	<u>\$ 72,390</u>	<u>\$ 12,428,529</u>	<u>\$ 12,356,139</u>

Explanation of differences:

(1) Gain or loss on disposal of capital assets are not formally budgeted transactions.

This schedule is presented as supplemental information



Schedule of Operations - Budget to Actual
Information Management Services Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,626,534	\$ 1,626,534	\$ 1,626,533	\$ (1)
Total operating revenue	1,626,534	1,626,534	1,626,533	(1)
OPERATING EXPENSES				
Operating expense	1,485,745	1,485,745	1,165,425	320,320
Maintenance expense	236,663	236,663	263,816	(27,153)
Depreciation expense	163,619	163,619	66,572	97,047
Total operating expenses	1,886,027	1,886,027	1,495,813	390,214
OPERATING INCOME (LOSS)	(259,493)	(259,493)	130,720	390,213
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	4,500	4,500	4,651	151
Gain (loss) on disposal of capital assets	-	-	(4,982)	(4,982) (1)
Total nonoperating revenues (expenses)	4,500	4,500	(331)	(4,831)
Income (loss) before contributions and transfers	(254,993)	(254,993)	130,389	385,382
Changes in net position	(254,993)	(254,993)	130,389	385,382
NET POSITION - BEGINNING as previous reported	254,993	254,993	2,968,155	2,713,162
Changes in accounting principle	-	-	(677,431)	(677,431)
Net position - beginning as restated	254,993	254,993	2,290,724	2,035,731
NET POSITION - ENDING	\$ -	\$ -	\$ 2,421,113	\$ 2,421,113

Explanation of differences:

(1) Gain or loss on disposal of capital assets are not formally budgeted transactions.

This schedule is presented as supplemental information



City of Lacey, Washington
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2015

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Foot-Note Ref.
				From Pass-Through Awards	From Direct Awards	
Child Nutrition Cluster						
Department of Agriculture / Pass-through from WA State Office of Superintendent of Public Instruction	Summer Food Service Program for Children	10.559	SFSP 34923	\$ 60,874	\$ 60,874	1,2,4
	Total Child Nutrition Cluster:			\$ 60,874	\$ 60,874	-
Department of Agriculture / Pass-through from WA State Department of Natural Resources	Urban and Community Forestry Program	10.664	IA-15-164/K244-13-DG-706	\$ 8,826	\$ 8,826	1,2
US Department of Justice / Pass-through from WA State Department of Commerce	Edward Byrne Memorial Justice	16.738	M14-31440-011	74,848	74,848	1,2
		16.738	F15-31440-011	61,778	61,778	1,2
		16.738	2010-DJ-BX-0197	14,313	14,313	1,2
	Subtotal	16.738		136,626	136,626	
US Department of Justice	Equitable Sharing Program	16.922	WA0341800	\$ 21,619	21,619	1,2,4
Highway Planning and Construction Cluster						
US Department of Transportation / Pass-through from WA State Department of Transportation	Highway Planning and Construction	20.205	LA-7792 (HSIP-0000S-304)	25,983	25,983	1,2
		20.205	GCB-1208	174,035	174,035	1,2
		20.205	LA-7580 (STPUS-5291-001)	345,480	345,480	1,2
		20.205	LA-8550 (STPUS-5204-001)	1,277,110	1,277,110	1,2
	Total Highway Planning and Construction Cluster:			1,822,608	1,822,608	
Highway Safety Cluster						
US Department of Transportation / Pass-through from: Washington Traffic Safety Commission Thurston County Prosecuting Attorney's Office	State and Community Highway Safety	20.600	Target Zero, FFY 2015	6,047	6,047	1,2
		20.600	Party intervention, FFY 2015	3,675	3,675	1,2
	Total Highway Safety Cluster:			9,722	9,722	
Executive Office of the President	High Intensity Drug Trafficking Areas Program	95.001	G14NW0005A	31,526	31,526	1,2
		95.001	G15NW0005A	12,922	12,922	1,2
	Subtotal	95.001		44,448	44,448	
	Total Federal Awards Expensed:			\$ 2,038,656	\$ 2,119,036	\$ 202,693

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



**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Note 1 - Basis of Accounting

These schedules are prepared on the same basis of accounting as the City of Lacey's financial statements. The City uses the accrual basis of accounting for all funds except governmental fund types and agency funds, which use the modified accrual basis of accounting.

Note 2 - Program Costs

The amount shown as current year expenditures represents only the City's grant portion of the program costs. Entire program costs, including the City portion, may be more than shown.

Note 3 - Revolving Loan - Program Income

The City has a revolving loan program under the Department of Housing & Urban Development. Under this federal program, repayments to the City are considered program revenues (income). No interest is charged on the loans and full payment is due upon sale of the property. The amount of loan principal received in loan repayment for the year 2015 was zero. The City has received approval from Washington Department of Commerce (formerly CTED) to utilize the program revenues to finance future CDBG approved projects.

Note 4 - Program Income

Summer food service program for children permits the City to earn program income while administering this program and use the income for program purposes in addition to the original grant award. The expenditure amount reported includes a program income of \$106.

Equitable sharing program requires that the interest earned on equitable sharing funds to be added to the equitable sharing revenue account and used for law enforcement purposes. The total expenditure amount reported includes \$13 of interest earned and spent.

Note 5 - Indirect Cost Rate

The amount expensed does not include any indirect cost recovery neither using an approved indirect cost rate, nor the ten percent de Minimis indirect cost rate allowed under the Uniform Guidance.



Schedule of State Financial Assistance
For The Year Ended December, 31, 2015

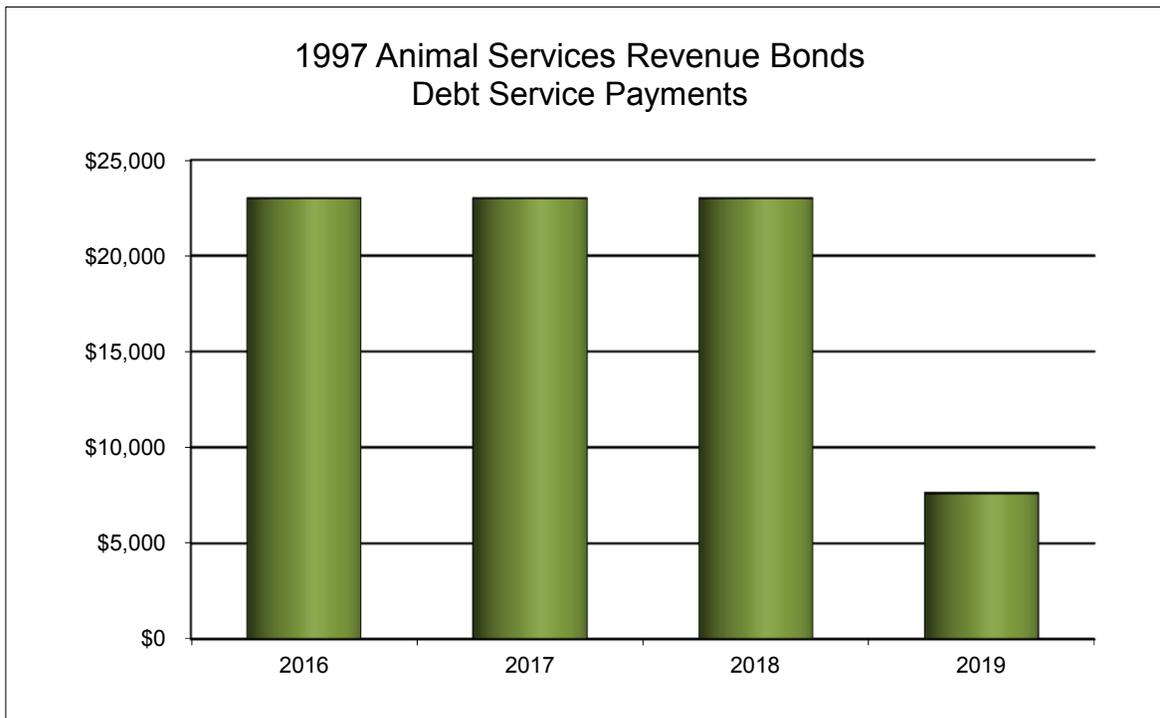
<u>Grantor / Program Title</u>	<u>Identification Number</u>	<u>Current Year Expenditures</u>
<u>WA State Department of Ecology:</u>		
2015-13 Municipal Stormwater Capacity Grant Program	G1400289	\$ 14,877
	Sub-total	<u>14,877</u>
<u>WA State Department of Transportation</u>		
College Street & 22nd Ave Roundabout	LA-7245 (STPUS-5289-004)	<u>102,887</u>
	Sub-total	<u>102,887</u>
<u>WA State Department of Commerce:</u>		
2012 Energy Efficiency Grants for Local Governments	13-93222-049	<u>55,201</u>
	Sub-total	<u>55,201</u>
<u>WA State Office of Superintendent of Public Instruction:</u>		
Summer Food Service Program for Children	SFSP 34923	1,611
Summer Meals for Kids	GR6763274-00	<u>1,197</u>
	Sub-total	<u>2,808</u>
<u>TOTAL STATE ASSISTANCE</u>		<u>\$ 175,773</u>



City of Lacey
 1997 Animal Services Revenue Bond
 December 31, 2015

Year Ended 31-Dec	Interest Rate - %	Interest Annual*	Principal Annual*	Total Debt Service
2016	3.978%	1,983	21,015	22,998
2017	3.978%	1,309	21,689	22,998
2018	3.978%	619	22,379	22,998
2019	3.978%	48	7,573	7,621
		\$ 3,959	\$ 72,656	\$ 76,615

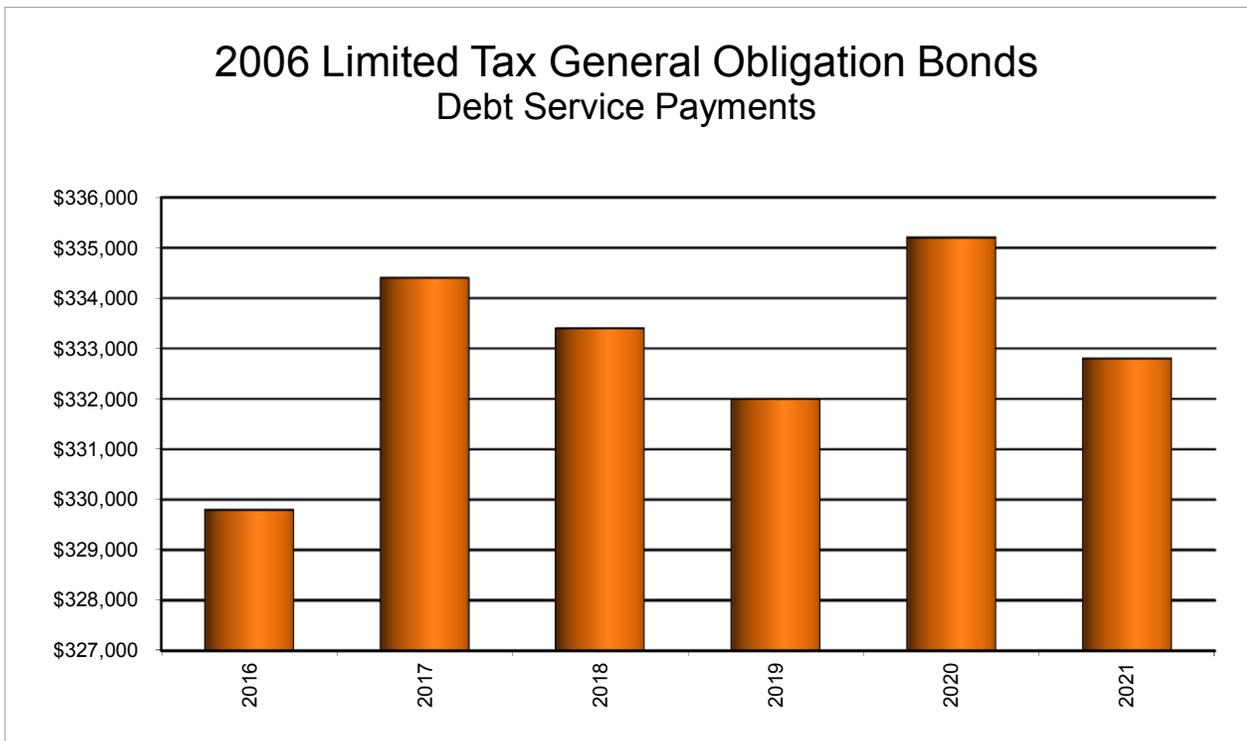
*Actual payments made are equal monthly installments.





City of Lacey General Obligation Bond Debt
2006 Limited Tax General Obligated Bonds
December 31, 2015

<u>Year Ended 31-Dec</u>	<u>Interest Rate - %</u>	<u>Interest Due - 01 Jun</u>	<u>Interest Due - 01 Dec</u>	<u>Principal Due - 01 Dec</u>	<u>Total Debt Service</u>
2016	4.000%	34,900	34,900	260,000	329,800
2017	4.000%	29,700	29,700	275,000	334,400
2018	4.000%	24,200	24,200	285,000	333,400
2019	4.000%	18,500	18,500	295,000	332,000
2020	4.000%	12,600	12,600	310,000	335,200
2021	4.000%	6,400	6,400	320,000	332,800
		\$ <u>126,300</u>	\$ <u>126,300</u>	\$ <u>1,745,000</u>	\$ <u>1,997,600</u>

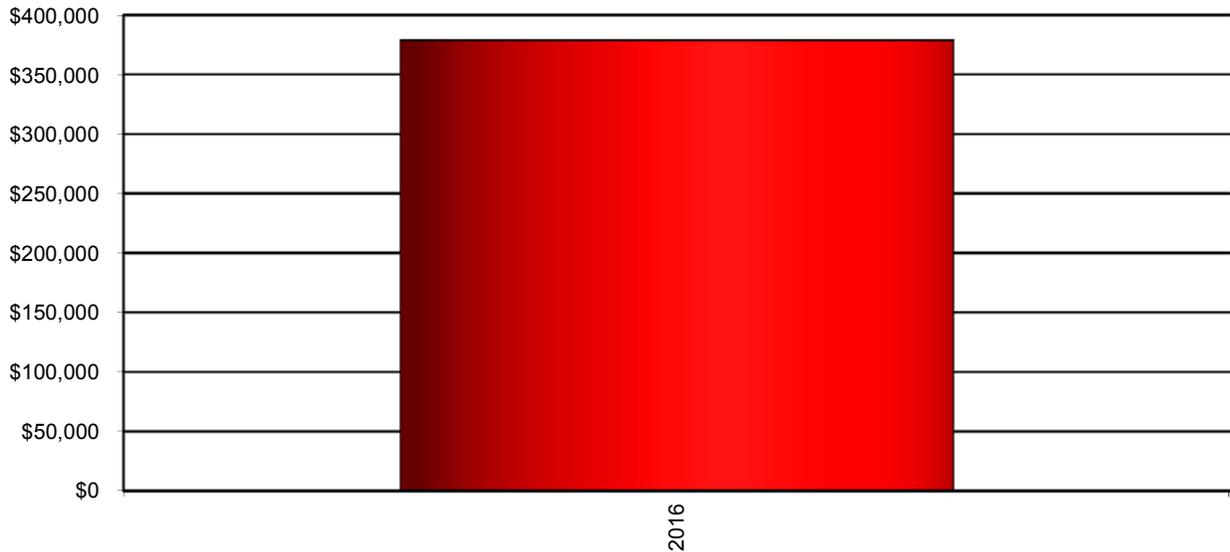




City of Lacey General Obligation Bond Debt
 2006 Unlimited Tax General Obligated Bonds
 December 31, 2015

<u>Year Ended 31-Dec</u>	<u>Interest Rate - %</u>	<u>Interest Due - 01 Jun</u>	<u>Due - 01 Dec</u>	<u>Principal Due - 01 Dec</u>	<u>Total Debt Service</u>
2016	4.000%	67,000	67,000	245,000	379,000
		\$ <u>67,000</u>	\$ <u>67,000</u>	\$ <u>245,000</u>	\$ <u>379,000</u>

2006 Unlimited Tax General Obligation Bonds
 Debt Service Payments

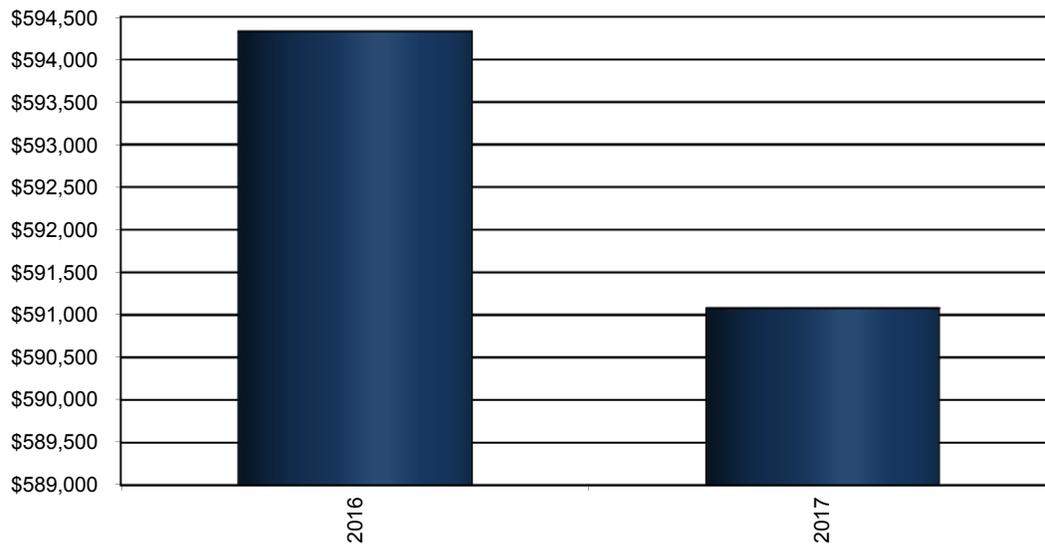




City of Lacey General Obligation Bond Debt
2007 Limited Tax General Obligated Bonds
December 31, 2015

<u>Year Ended</u> <u>31-Dec</u>	<u>Interest</u> <u>Rate - %</u>	<u>Interest</u> <u>Due - 01 Jun</u>	<u>Interest</u> <u>Due - 01 Dec</u>	<u>Principal</u> <u>Due - 01 Dec</u>	<u>Total Debt</u> <u>Service</u>
2016	5.000%	114,665	114,665	365,000	594,330
2017	5.000%	105,540	105,540	380,000	591,080
		\$ <u>220,205</u>	\$ <u>220,205</u>	\$ <u>745,000</u>	\$ <u>1,185,410</u>

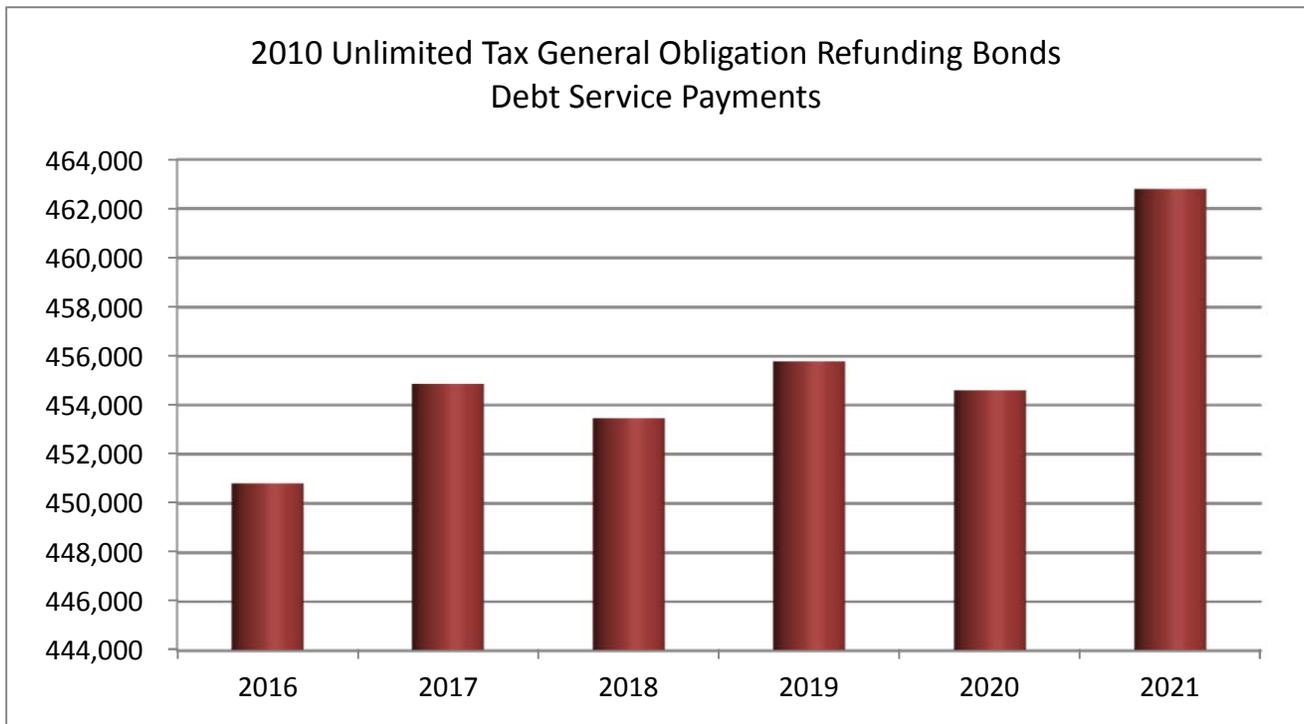
2007 Limited Tax General Obligation Bonds
Debt Service Payments





City of Lacey General Obligation Bond Debt
2010 Unlimited Tax General Obligated Refunding Bonds
December 31, 2015

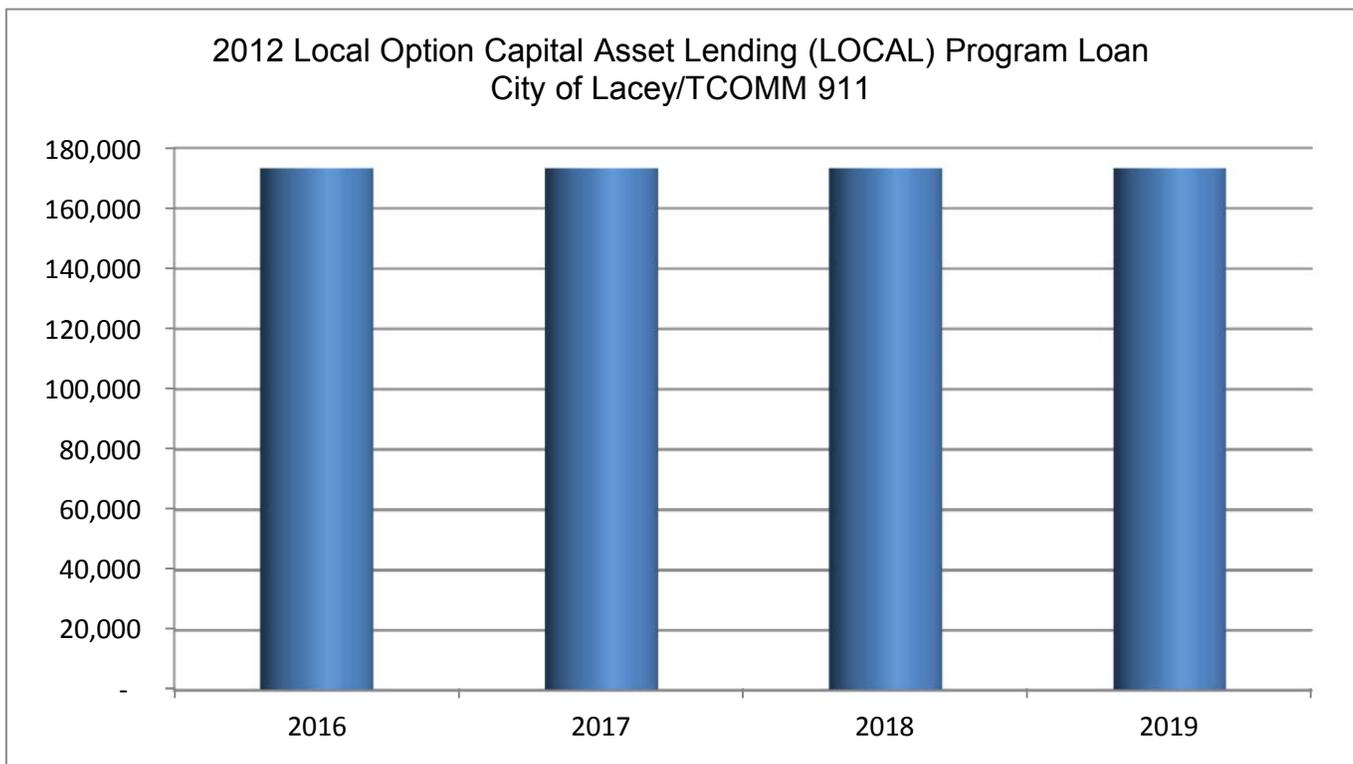
Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Jun	Interest Due - 01 Dec	Principal Due - 01 Dec	Total Debt Service
2016	3.000%	42,913	42,913	365,000	450,825
2017	3.000%	37,438	37,438	380,000	454,875
2018	3.250%	31,738	31,738	390,000	453,475
2019	4.000%	25,400	25,400	405,000	455,800
2020	4.000%	17,300	17,300	420,000	454,600
2021	4.000%	8,900	8,900	445,000	462,800
		\$ 163,688	\$ 163,688	\$ 2,405,000	\$ 2,732,375





City of Lacey/TCOMM 911
2012 Local Option Capital Asset Lending (LOCAL) Program Loan
December 31, 2015

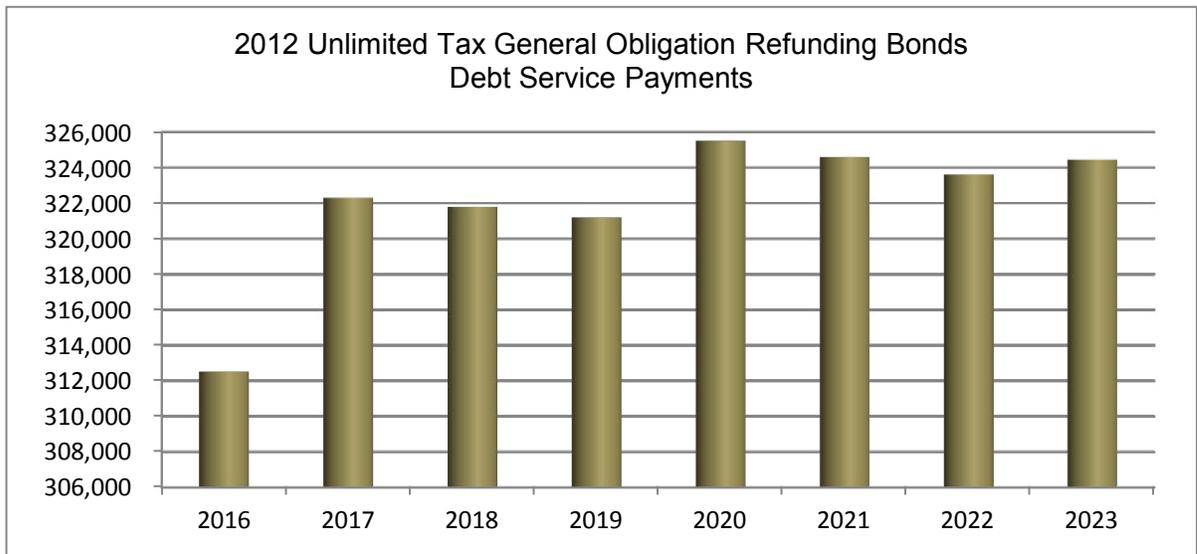
Year Ended 31-Dec	Interest Rate - %	Principal Due - 01 Jun	Interest Due - 01 Jun	Due - 01 Dec	Total Debt Service
2016	1.542%	160,039	7,461	5,860	173,360
2017	1.542%	163,272	5,860	4,228	173,360
2018	1.542%	166,571	4,228	2,562	173,360
2019	1.542%	170,798	2,562	-	173,360
		\$ 660,681	\$ 20,111	\$ 12,650	\$ 693,441





City of Lacey General Obligation Bond Debt
 2012 Unlimited Tax General Obligated Refunding Bonds
 December 31, 2015

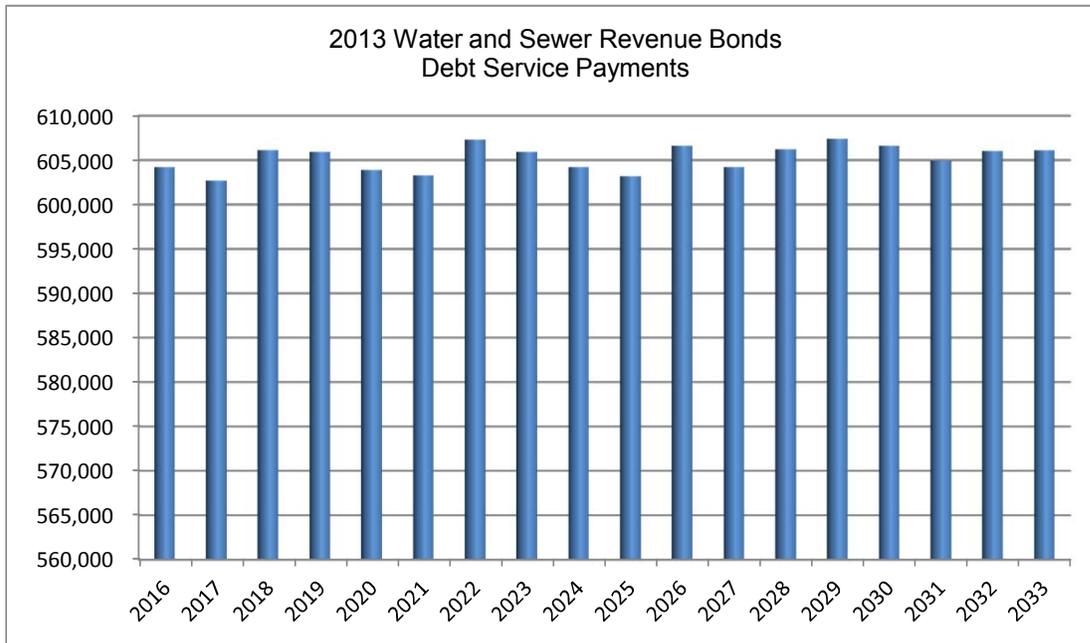
<u>Year Ended 31-Dec</u>	<u>Interest Rate - %</u>	<u>Interest Due - 01 Jun</u>	<u>Interest Due - 01 Dec</u>	<u>Principal Due - 01 Dec</u>	<u>Total Debt Service</u>
2016	1.000%	26,250	26,250	260,000	312,500
2017	1.500%	23,650	23,650	275,000	322,300
2018	1.500%	20,900	20,900	280,000	321,800
2019	2.000%	18,100	18,100	285,000	321,200
2020	3.000%	15,250	15,250	295,000	325,500
2021	3.000%	12,300	12,300	300,000	324,600
2022	3.000%	9,300	9,300	305,000	323,600
2023	3.000%	4,725	4,725	315,000	324,450
		\$ <u>130,475</u>	\$ <u>130,475</u>	\$ <u>2,315,000</u>	\$ <u>2,575,950</u>





City of Lacey Revenue Bond Debt
 2013 Water and Sewer Revenue Bonds
 December 31, 2015

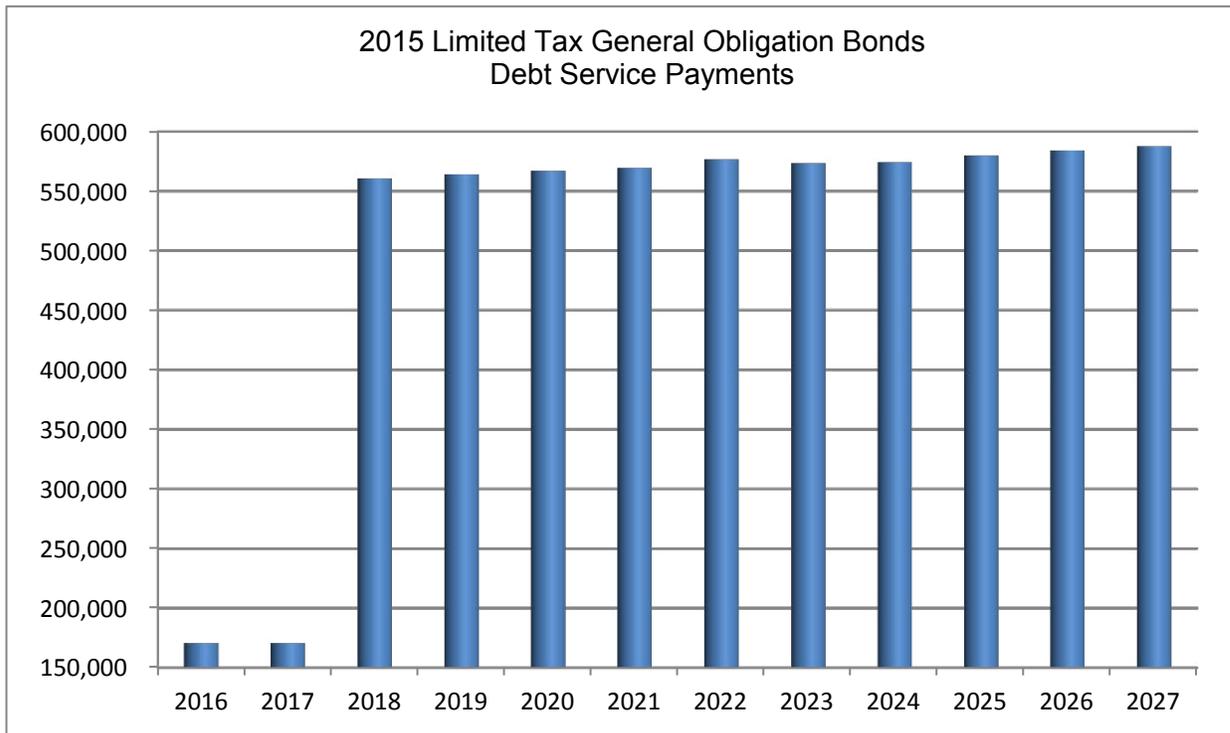
Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 May	Due - 01 Nov	Principal Due - 01 Nov	Total Debt Service
2016	2.000%	139,613	139,613	325,000	604,225
2017	2.000%	136,363	136,363	330,000	602,725
2018	3.000%	133,063	133,063	340,000	606,125
2019	2.000%	127,963	127,963	350,000	605,925
2020	3.000%	124,463	124,463	355,000	603,925
2021	3.000%	119,138	119,138	365,000	603,275
2022	3.000%	113,663	113,663	380,000	607,325
2023	4.000%	107,963	107,963	390,000	605,925
2024	4.000%	102,113	102,113	400,000	604,225
2025	4.000%	94,113	94,113	415,000	603,225
2026	4.000%	85,813	85,813	435,000	606,625
2027	4.000%	77,113	77,113	450,000	604,225
2028	4.000%	68,113	68,113	470,000	606,225
2029	4.250%	58,713	58,713	490,000	607,425
2030	4.250%	48,300	48,300	510,000	606,600
2031	4.500%	37,463	37,463	530,000	604,925
2032	4.500%	25,538	25,538	555,000	606,075
2033	4.500%	13,050	13,050	580,000	606,100
		\$ 1,612,550	\$ 1,612,550	\$ 7,670,000	\$ 10,895,100





City of Lacey General Obligation Bond Debt
 2015 Limited Tax General Obligated Refunding Bonds
 December 31, 2015

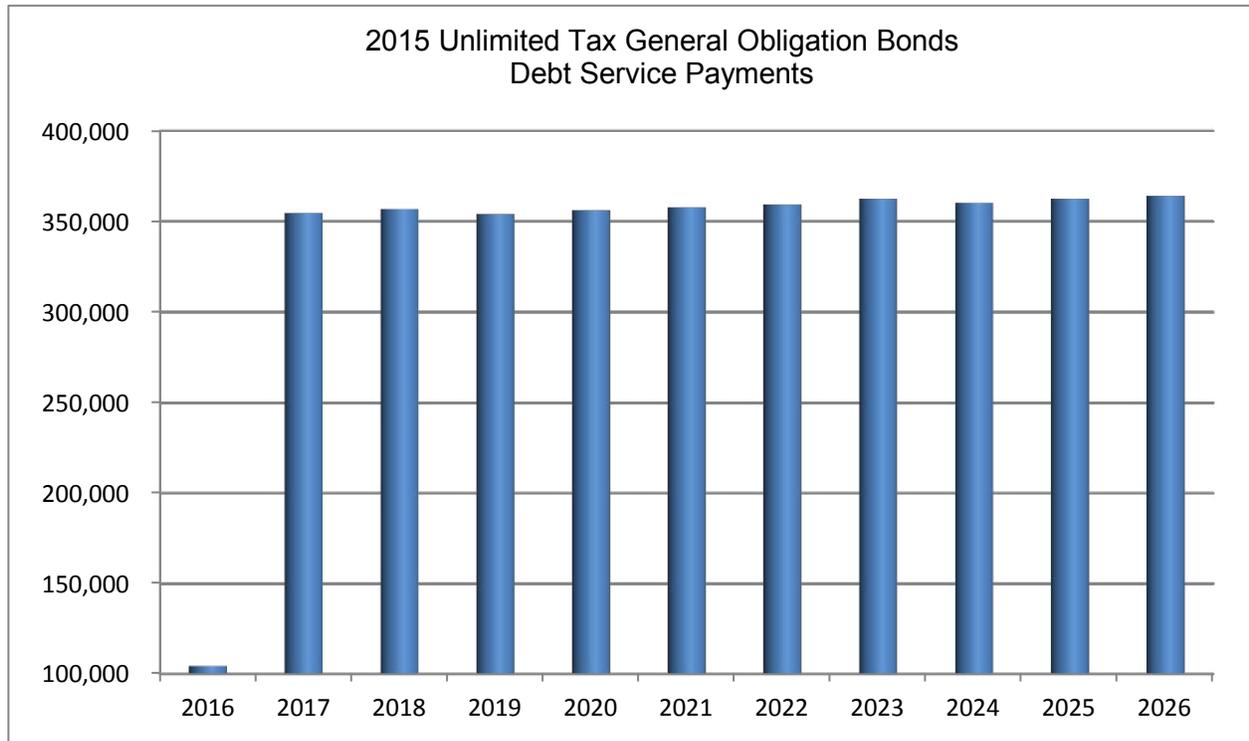
Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Jun	Interest Due - 01 Dec	Principal Due - 01 Dec	Total Debt Service
2016		85,450	85,450	-	170,900
2017		85,450	85,450	-	170,900
2018	3.000%	85,450	85,450	390,000	560,900
2019	3.000%	79,600	79,600	405,000	564,200
2020	3.000%	73,525	73,525	420,000	567,050
2021	3.000%	67,225	67,225	435,000	569,450
2022	4.000%	60,700	60,700	455,000	576,400
2023	4.000%	51,600	51,600	470,000	573,200
2024	4.000%	42,200	42,200	490,000	574,400
2025	4.000%	32,400	32,400	515,000	579,800
2026	4.000%	22,100	22,100	540,000	584,200
2027	4.000%	11,300	11,300	565,000	587,600
		\$ 697,000	\$ 697,000	\$ 4,685,000	\$ 6,079,000





City of Lacey General Obligation Bond Debt
 2015 Unlimited Tax General Obligated Refunding Bonds
 December 31, 2015

Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Jun	Interest Due - 01 Dec	Principal Due - 01 Dec	Total Debt Service
2016		52,225	52,225	-	104,450
2017	3.000%	52,225	52,225	250,000	354,450
2018	3.000%	48,475	48,475	260,000	356,950
2019	3.000%	44,575	44,575	265,000	354,150
2020	3.000%	40,600	40,600	275,000	356,200
2021	3.000%	36,475	36,475	285,000	357,950
2022	4.000%	32,200	32,200	295,000	359,400
2023	4.000%	26,300	26,300	310,000	362,600
2024	4.000%	20,100	20,100	320,000	360,200
2025	4.000%	13,700	13,700	335,000	362,400
2026	4.000%	7,000	7,000	350,000	364,000
		\$ 373,875	\$ 373,875	\$ 2,945,000	\$ 3,692,750





Statistical Section

This part of the City of Lacey’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the city’s overall financial health.

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These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



Table 1
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$254,410	\$269,717	\$281,557	\$287,705	\$302,167	\$304,458	\$304,245	\$298,885	\$300,936	\$303,126
Restricted	10,136	16,780	2,430	1,261	995	7,909	1,182	1,253	1,193	3,486
Unrestricted	47,198	50,043	64,706	68,455	63,256	53,522	61,630	63,392	67,919	64,156
Total governmental activities net position	\$311,743	\$336,540	\$348,693	\$357,421	\$366,418	\$365,889	\$367,057	\$363,530	\$370,048	\$370,768
Business-type activities										
Net investment in capital assets	\$155,634	\$182,646	\$215,424	\$218,450	\$221,544	224,593	230,039	228,482	231,073	234,592
Restricted	413	-	-	-	-	-	-	6,091	3,498	607
Unrestricted	24,625	22,336	14,983	16,861	18,139	22,355	25,189	24,858	35,634	45,462
Total business-type activities net position	\$180,672	\$204,982	\$230,407	\$235,311	\$239,683	\$246,948	\$255,228	\$259,431	\$270,205	\$280,661
Primary government										
Net investment in capital assets	\$410,044	\$452,363	\$496,981	\$506,155	\$523,711	\$529,051	\$534,284	527,366	532,009	537,718
Restricted	10,549	16,780	2,430	1,261	995	7,909	1,182	7,344	4,691	4,093
Unrestricted	71,823	72,379	79,689	85,316	81,395	75,877	86,819	88,251	103,553	109,618
Total primary government net position	\$492,416	\$541,522	\$579,100	\$592,732	\$606,101	\$612,837	\$622,285	\$622,961	\$640,253	\$651,429

*Restatement reduced the balance by \$743,453 (see 2009 Note 4.G)

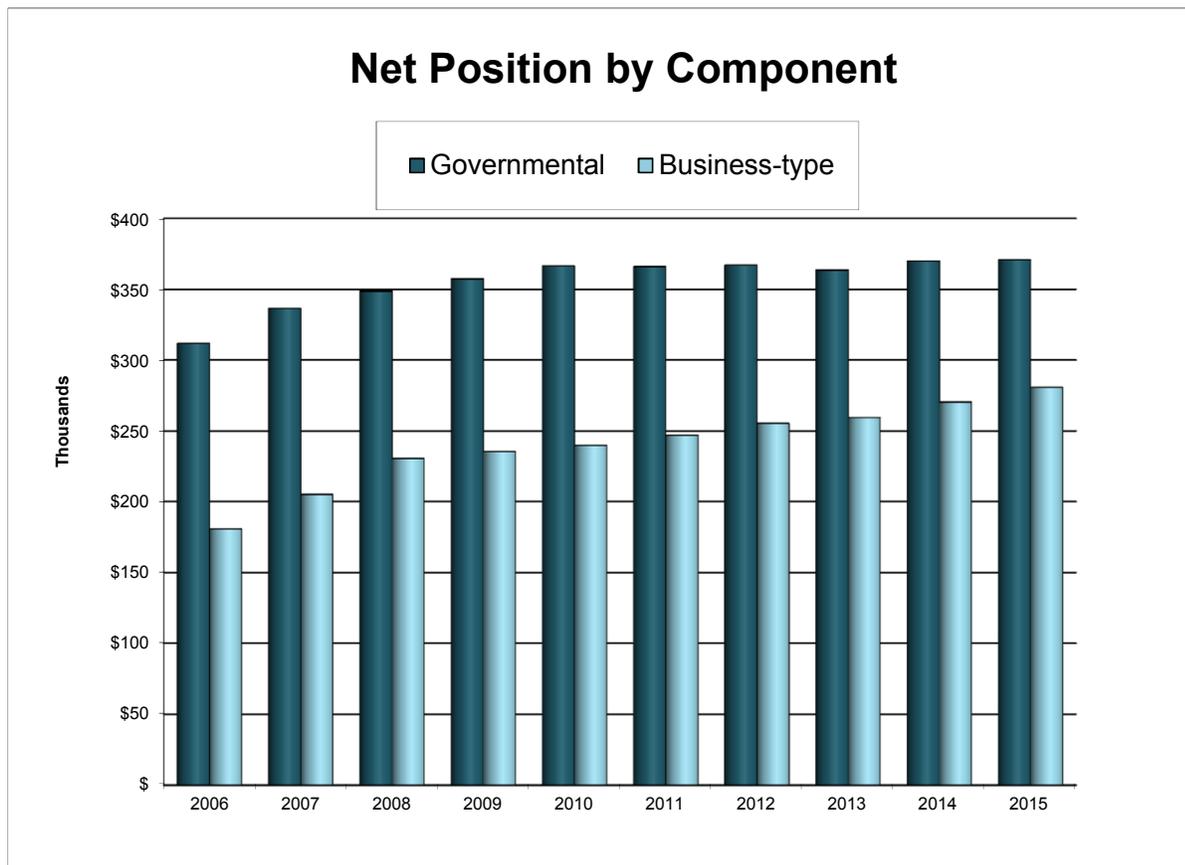




Table 2
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 4,849	\$ 5,459	\$ 5,745	\$ 5,550	\$ 5,210	\$ 6,056	\$ 5,920	\$ 5,863	\$ 6,145	\$ 6,547
Security of persons and property	11,914	12,337	13,348	14,088	15,284	10,599	10,879	11,137	11,019	11,025
Physical environment	2,827	3,139	3,526	3,656	3,605	3,566	3,625	3,724	4,037	4,095
Transportation	10,116	11,086	13,821	10,748	12,402	13,048	12,726	13,734	14,608	13,633
Economic development	1,138	1,271	1,260	1,173	1,492	1,287	1,211	1,286	1,284	1,448
Mental and physical health	5	10	8	11	8	10	11	8	10	11
Culture and recreation	4,819	4,429	5,757	6,519	7,388	7,033	7,640	7,860	8,200	7,936
Interest on long-term debt	722	924	1,122	1,023	977	875	811	752	684	511
Total governmental activities	36,390	38,655	44,587	42,768	46,366	42,474	42,823	44,364	45,987	45,206
Business-type activities:										
Water	7,493	8,468	9,843	9,784	10,030	10,088	10,540	10,283	10,688	10,820
Wastewater	8,802	9,513	10,507	11,114	11,821	12,750	13,397	14,109	14,458	15,189
Stormwater	1,959	2,343	2,825	3,220	3,166	3,330	3,334	3,549	3,482	3,687
Reclaimed Water	-	332	67	-	-	-	49	20	23	28
Total business-type activities	18,254	20,656	23,242	24,118	25,017	26,168	27,320	27,961	28,651	29,724
Total primary government expenses	\$ 54,644	\$ 59,311	\$ 67,829	\$ 66,886	\$ 71,383	\$ 68,642	\$ 70,143	\$ 72,325	\$ 74,638	\$ 74,930
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 476	\$ 812	\$ 1,235	\$ 1,005	\$ 561	\$ 853	\$ 867	\$ 909	\$ 987	\$ 1,028
Security of persons and property	190	337	849	1,385	1,624	1,210	879	887	860	512
Physical environment	23	2,285	2,677	2,858	2,827	2,537	2,550	2,994	3,206	3,330
Transportation	1,328	1,097	1,065	1,467	2,319	1,015	1,082	1,062	797	923
Economic development	3,811	3,328	1,863	1,084	1,117	1,577	1,450	1,178	1,610	1,969
Culture and recreation	923	988	1,065	1,303	1,451	1,500	1,554	1,586	1,595	1,599
Operating grants and contributions	3,785	1,478	1,464	2,006	3,221	2,947	3,011	2,822	2,856	3,340
Capital grants and contributions	38,117	19,499	13,470	9,780	7,920	8,464	6,933	4,264	13,949	13,596
Total governmental activities program revenues	48,653	29,824	23,688	20,888	21,040	20,103	18,326	15,702	25,860	26,297
Business type activities:										
Charges for services:										
Water	10,734	10,556	10,632	11,320	10,436	11,535	12,140	11,640	13,371	15,444
Wastewater	11,499	10,651	11,112	11,161	11,873	12,817	13,216	13,954	15,097	16,663
Stormwater	1,533	1,685	1,826	1,929	1,992	2,103	2,091	2,186	2,423	2,709
Operating grants and contributions	-	51	-	-	9	32	48	-	27	15
Capital grants and contributions	20,314	18,675	23,931	4,219	4,994	3,684	8,000	3,070	7,619	8,160
Total business-type activities program revenue	44,081	41,618	47,501	28,629	29,304	30,171	35,495	30,850	38,537	42,991
Total primary government program revenues	\$ 92,733	\$ 71,442	\$ 71,189	\$ 49,517	\$ 50,344	\$ 50,274	\$ 53,821	\$ 46,552	\$ 64,397	\$ 69,288
Net (expenses)/revenue:										
Governmental activities	\$ 12,262	\$ (8,831)	\$ (20,899)	\$ (21,880)	\$ (25,326)	\$ (22,371)	\$ (24,497)	\$ (28,662)	\$ (20,127)	\$ (18,909)
Business-type activities	25,828	20,962	24,259	4,511	4,287	4,004	\$ 8,175	\$ 2,889	\$ 9,886	\$ 13,267
Total primary government net (expense) revenue	\$ 38,090	\$ 12,131	\$ 3,360	\$ (17,369)	\$ (21,039)	\$ (18,367)	\$ (16,322)	\$ (25,773)	\$ (10,241)	\$ (5,642)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 7,393	\$ 8,524	\$ 9,594	\$ 10,096	\$ 10,447	\$ 5,929	\$ 6,313	\$ 6,538	\$ 6,642	\$ 6,826
Retail taxes	8,812	10,506	10,230	9,111	9,064	8,930	9,139	9,152	9,518	10,777
Business taxes	6,580	7,400	7,748	7,827	7,642	7,823	7,851	8,498	8,637	8,885
Excise taxes	3,448	3,300	2,390	1,610	1,298	1,383	1,548	1,685	2,038	2,333
Penalties and interest	8	7	2	-	-	-	-	-	-	-
Investment earnings**	2,463	3,579	2,164	711	374	414	760	375	280	244
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	-	33
Miscellaneous	5,110	1,648	1,022	1,226	871	203	269	111	302	64
Special items	-	-	-	-	4,703	-	-	-	-	-
Transfers	396	(1,336)	(98)	27	(77)	(3,775)	(18)	(1,224)	(772)	(439)
Total governmental activities	34,210	33,628	33,052	30,608	34,322	20,907	25,862	25,135	26,645	28,723
Business-type activities:										
Investment earnings**	1,094	1,238	684	199	74	79	87	90	116	119
Miscellaneous	656	774	384	221	(66)	190	-	-	-	-
Transfers	(396)	1,336	98	(27)	77	3,775	18	1,224	772	439
Total business-type activities	1,354	3,348	1,166	393	85	4,044	105	1,314	888	558
Total primary government	\$ 35,564	\$ 36,976	\$ 34,218	\$ 31,001	\$ 34,407	\$ 24,951	\$ 25,967	\$ 26,449	\$ 27,533	\$ 29,281
Change in net position										
Governmental activities	\$ 46,472	\$ 24,797	\$ 12,153	\$ 8,728	\$ 8,996	\$ (1,464)	\$ 1,365	\$ (3,527)	\$ 6,518	\$ 9,814
Business-type activities	27,181	24,310	25,425	4,904	4,372	8,048	8,280	4,203	10,774	13,825
Total primary government	\$ 73,653	\$ 49,107	\$ 37,578	\$ 13,632	\$ 13,368	\$ 6,584	\$ 9,645	\$ 676	\$ 17,292	\$ 23,639
*Restatement increased expenses by \$743,453 and reduced changes in net position by \$743,453 (see 2009 Note 4. G.)										
**Amount includes special assessment interest and penalties and interfund loan interest revenues.										
Total investment earnings, primary government	\$ 3,558	\$ 4,816	\$ 2,848	\$ 910	\$ 448	\$ 493	\$ 847	\$ 465	\$ 396	\$ 363
Less interfund loan interest	9	-	184	69	24	15	13	-	7	10
Less special assessment interests & penalties	485	465	374	189	148	235	544	208	134	92
Net investment interest earnings	\$ 3,064	\$ 4,351	\$ 2,290	\$ 652	\$ 276	\$ 243	\$ 290	\$ 257	\$ 255	\$ 261



Table 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2006 ¹	2007 ²	2008	2009	2010	2011 ³	2012 ⁴	2013	2014	2015
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 6	\$ 10	\$ 6	\$ 1
Restricted	129	137	129	133	11	6,113	134	124	134	148
Committed	-	-	-	-	-	4,770	4,770	11,895	11,819	14,295
Assigned	-	-	-	-	-	614	6,113	363	1,613	263
Unassigned	18,324	21,863	22,706	25,195	27,066	10,196	12,245	11,265	12,707	15,007
Total general fund	18,453	22,000	22,835	25,328	27,077	21,698	23,268	23,657	26,279	29,714
All other governmental funds										
Nonspendable	-	-	-	-	-	-	-	-	-	502
Restricted	1,214	1,352	2,301	1,128	995	1,791	2,202	1,969	1,738	1,648
Committed	-	-	-	-	-	12,151	9,579	9,490	7,525	9,381
Assigned:										
Special revenue funds	9,961	7,703	11,651	14,183	16,274	10,753	13,652	1,074	1,281	972
Debt service funds	1,061	585	522	465	478	261	758	1,986	2,475	2,739
Capital projects funds	18,272	26,931	10,462	8,723	11,250	3,438	4,681	18,099	21,159	20,505
Total assigned	29,294	35,219	22,635	23,371	28,002	14,452	19,091	21,159	24,915	24,216
Unassigned-debt service funds	-	-	-	-	-	-	195	-	-	-
Total all other governmental funds	30,508	36,571	24,936	24,499	28,997	28,394	31,067	32,618	34,178	35,747
Total governmental funds	\$48,961	\$58,571	\$47,771	\$49,827	\$56,074	\$50,092	\$54,335	\$56,275	\$60,457	\$65,461

Note:

- ¹ The City issued G.O. bonds in the amount of \$8.49 million late in 2006. The increase in unreserved fund balance in capital project funds is due to the unspent bonds proceeds at the end of the year.
- ² The spike in capital project funds assigned fund balance was mainly contributable to the \$8 million G.O bond issued in December 2007 and remian spent at the year end.
- ³ The City implemented GASB Statement No. 54 in year 2011. Reserved fund balances for prior years are renamed as restricted fund balance and fund balances in excess of reserved for all other governmental funds other than the general fund are reclassified as assigned fund balances. Increases and decreases in committed, assigned, and unassigned fund balances in 2011 are due to the GASB Statement No. 54 implementation.
- ⁴ Designation of \$6,000,000 for Gateway civic center & property acquisition was reclassified from restricted to assigned in 2012.

Fund Balance Governmental Funds

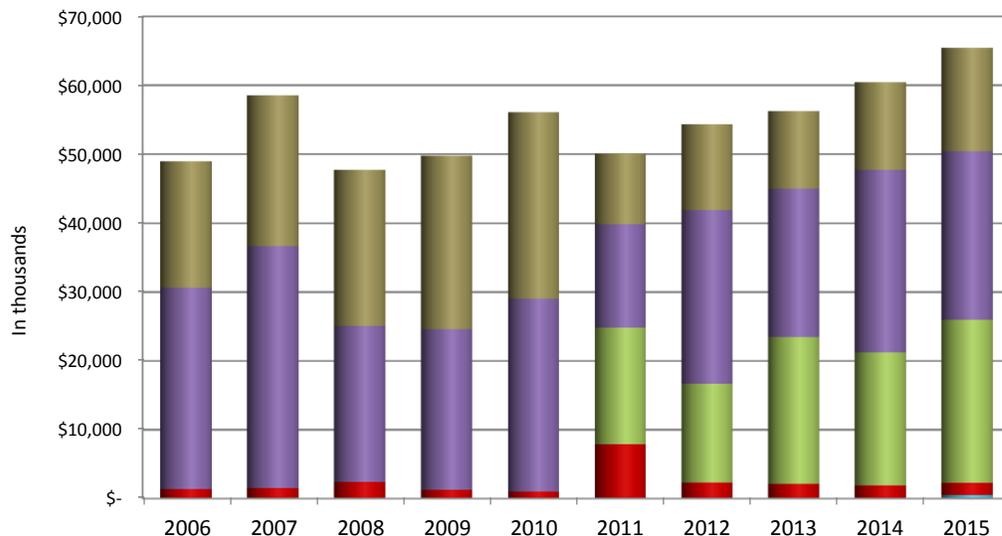




Table 4
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 26,225	\$ 29,718	\$ 29,838	\$ 28,531	\$ 28,404	\$ 24,100	\$ 25,104	\$ 25,946	\$ 26,825	\$ 28,841
Licenses and permits	3,229	2,849	1,743	1,386	1,431	1,599	1,701	1,495	1,882	2,113
Intergovernmental revenues	6,234	4,138	10,947	8,342	6,181	7,072	7,764	3,639	5,501	5,305
Charges for services	6,627	6,978	7,145	7,564	8,530	7,803	7,428	7,344	6,448	7,089
Fines & forfeitures	334	444	492	930	747	728	666	731	700	569
Other revenue	3,396	4,410	3,096	1,185	1,899	1,268	2,163	1,423	1,462	1,418
Total revenues	46,045	48,537	53,261	47,938	47,192	42,571	44,826	40,578	42,818	45,335
Expenditures										
General government	3,877	4,216	4,540	5,235	5,110	5,436	5,393	5,449	5,334	5,797
Securities of persons and property	10,875	12,295	13,342	13,893	14,964	10,419	10,689	10,896	10,748	11,184
Physical environment	2,875	3,169	3,560	3,668	3,620	3,757	3,784	3,921	4,080	4,293
Transportation	2,020	2,281	2,397	2,350	2,579	2,646	2,711	2,807	2,793	3,184
Economic environment	1,011	1,196	1,187	1,083	1,406	1,207	1,131	1,214	1,160	1,363
Mental and physical health	6	10	9	11	8	10	11	8	10	11
Culture and recreation	4,387	4,157	4,561	5,824	5,584	5,924	6,179	6,373	6,516	6,581
Capital outlay	8,180	14,951	30,641	11,257	6,292	11,851	8,723	3,690	4,948	5,165
Debt service										
Principal	2,006	2,216	2,121	1,571	1,624	1,952	2,182	2,274	1,576	1,759
Interest	705	933	1,152	1,074	1,013	896	850	755	688	482
Debt issue costs	-	135	-	-	51	47	59	-	-	90
Total expenditures	35,942	45,559	63,510	45,966	42,251	44,146	41,712	37,387	37,853	39,909
Excess of revenue over (under) expenditures	10,103	2,978	(10,249)	1,972	4,941	(1,575)	3,114	3,191	4,965	5,426
Other financing sources (uses)										
Capital leases	-	-	-	27	35	36	13	-	95	41
Debt issued	8,485	8,000	-	-	3,790	-	3,967	-	-	7,765
Premium on bonds issued	120	128	-	-	104	-	233	-	-	1,015
Payments to refunded bond escrow agent	-	-	-	-	(3,843)	-	(2,984)	-	-	(8,692)
Proceeds from sale of capital assets	2	4	-	57	-	-	-	3	-	3
Transfers in	2,393	3,624	16,516	2,110	2,160	11,471	2,624	2,493	6,030	5,175
Transfers out	(2,393)	(5,124)	(17,066)	(2,110)	(2,260)	(15,467)	(2,724)	(3,748)	(6,908)	(5,729)
Total other financing sources (uses)	8,607	6,632	(550)	84	(14)	(3,960)	1,129	(1,252)	(783)	(422)
Special item:										
Payment from County for RAC settlement	-	-	-	-	1,321	-	-	-	-	-
Net change in fund balances	\$ 18,710	\$ 9,610	\$ (10,799)	\$ 2,056	\$ 6,248	\$ (5,535)	\$ 4,243	\$ 1,939	\$ 4,182	\$ 5,004
Debt services as a percentage of noncapital expenditures										
	9.1%	9.9%	6.6%	7.6%	7.1%	8.2%	9.0%	8.5%	6.4%	6.1%

Table 5
 Governmental Activities Tax Revenues By Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal Year	Property Tax	Timber Tax	Sales Tax	Business Tax	Excise Tax	Penalties & Interest	Total
2006	7,393	-	8,812	6,580	3,448	8	26,242
2007	8,524	-	10,507	7,400	3,301	7	29,739
2008	9,594	-	10,230	7,748	2,390	2	29,964
2009	10,096	-	9,111	7,827	1,610	1	28,645
2010	10,447	-	9,064	7,642	1,298	1	28,452
2011 ¹	5,929	-	8,930	7,823	1,383	-	24,065
2012	6,313	-	9,139	7,851	1,548	-	24,851
2013	6,538	-	9,152	8,498	1,685	-	25,873
2014	6,642	-	9,518	8,637	2,038	-	26,835
2015	6,826	-	10,777	8,885	2,333	-	28,821

¹ Decreased tax from previous year is due to the voter approved annexation to a fire district.

Source: City of Lacey Statement of Activities

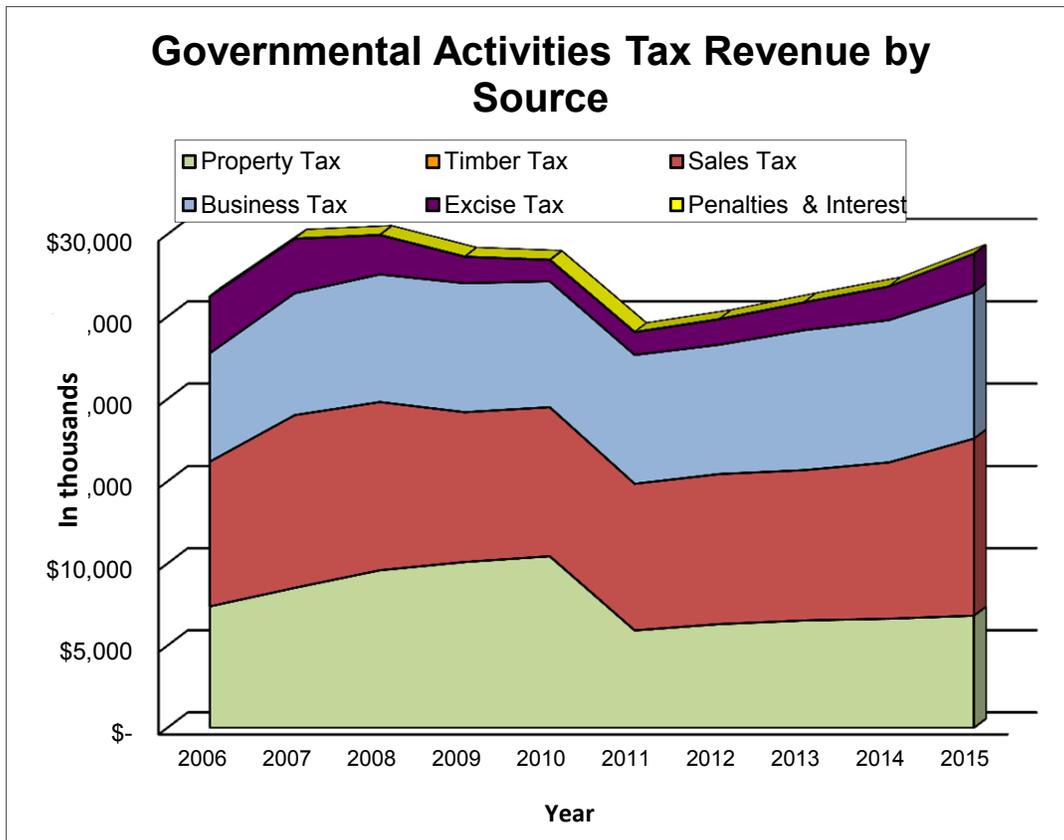




Table 6
Sales Tax Revenues by Type, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands except for per capita*)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Merchandise Stores	\$1,760	\$1,977	\$1,883	\$1,911	\$1,952	\$1,810	\$1,815	\$1,852	\$ 1,831	\$ 1,910
Food Services, Drinking Places	612	654	697	734	748	762	795	850	886	947
Construction of Buildings	919	1,331	1,182	628	330	367	509	338	407	801
Building Material and Garden	316	394	461	437	458	446	473	521	571	642
Sporting Goods, Hobby, Books	169	326	630	706	690	673	633	637	558	558
Specialty Trade Contractors	722	815	514	368	348	359	407	407	448	535
Miscellaneous Store Retailers	320	341	360	350	375	381	363	400	399	402
Wholesale Trade, Durable Goods	272	424	312	219	264	212	245	261	279	350
Electronics and Appliances	182	255	264	296	285	274	240	244	255	317
Motor Vehicle and Parts Dealer	431	470	434	372	351	297	337	311	308	317
Telecommunications	186	234	257	254	242	248	244	252	279	297
Food and Beverage Stores	246	283	294	290	328	249	280	253	254	249
Clothing and Accessories	45	120	162	162	172	170	170	177	189	232
Repair and Maintenance	149	167	169	181	190	183	188	200	216	228
Administrative and Support Svc	124	159	154	149	162	163	176	139	134	161
Nonstore Retailers	112	137	165	110	113	110	113	118	133	154
Professional, Scientific, Tech	45	60	57	63	70	108	135	102	118	145
Furniture and Home Furnishings	195	237	180	134	137	140	131	125	120	141
Health and Personal Care Store									94	122
Rental and Leasing Services	118	145	141	122	99	95	86	103	100	107
Amusement, Gambling & Recreation	119	83	119	118	121	126	123	99		
Subtotal for top 20	7,042	8,612	8,435	7,604	7,435	7,173	7,463	7,389	7,579	8,615
Other (remaining)	975	1,007	858	618	730	782	666	741	863	955
Total Sales Tax	\$8,017	\$9,619	\$9,293	\$8,222	\$8,165	\$7,955	\$8,129	\$8,130	\$ 8,442	\$ 9,570
Local Tax Rate	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Population	34,060	35,870	38,040	39,250	42,393	42,830	43,600	44,350	45,320	46,020
Per Capita (*expressed in dollar)										
Per Capita Top 20	\$ 207	\$ 240	\$ 222	\$ 194	\$ 175	\$ 167	\$ 171	\$ 167	\$ 167	\$ 187
Per Capita All Sales Tax	\$ 235	\$ 268	\$ 244	\$ 209	\$ 193	\$ 186	\$ 186	\$ 183	\$ 186	\$ 208

Note: The total sales tax amounts reported in this table do not equal to the sales tax amounts reported in the financial section. The amounts for criminal justice and hotel/motel taxes are excluded from this table but are included in the financial section.

Table 7
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended December 31	Real Property ¹	Personal Property ¹	Total Taxable Assessed Value ¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value ²
2006	2,753,153	133,598	2,886,751	2.58	3,187,531	90.56%
2007	3,385,318	145,554	3,530,872	2.43	4,095,492	86.21%
2008	4,320,765	164,624	4,485,389	2.15	4,974,321	90.17%
2009	4,706,716	185,887	4,892,603	2.08	5,386,885	90.82%
2010	4,749,994	175,333	4,925,327	2.14	5,453,794	90.31%
2011 ³	4,405,620	173,400	4,579,020	1.34	4,994,203	91.69%
2012	4,151,701	171,080	4,322,781	1.47	4,787,210	90.30%
2013	3,896,774	179,722	4,076,496	1.61	4,432,649	91.97%
2014	4,155,780	183,332	4,339,112	1.54	4,604,217	94.24%
2015	4,423,321	186,050	4,609,371	1.49	4,880,716	94.44%

Source: Thurston County Assessor.

Explanation:

Property in the county is revalued each year to Fair Market Value with one-sixth of the county being physically inspected.

Taxable assessed values have been adjusted for all tax-exempt real property.

Tax rates are per \$1,000 of assessed value.

¹ Includes the regular values of property subject to regular (non-voter approved) levies.

Values have been adjusted for all exemptions including senior citizens/disabled persons.

² Ratio set by the Washington Department of Revenue.

³ Decreased taxable value from previous year is due to the voter approved annexation to a fire district.

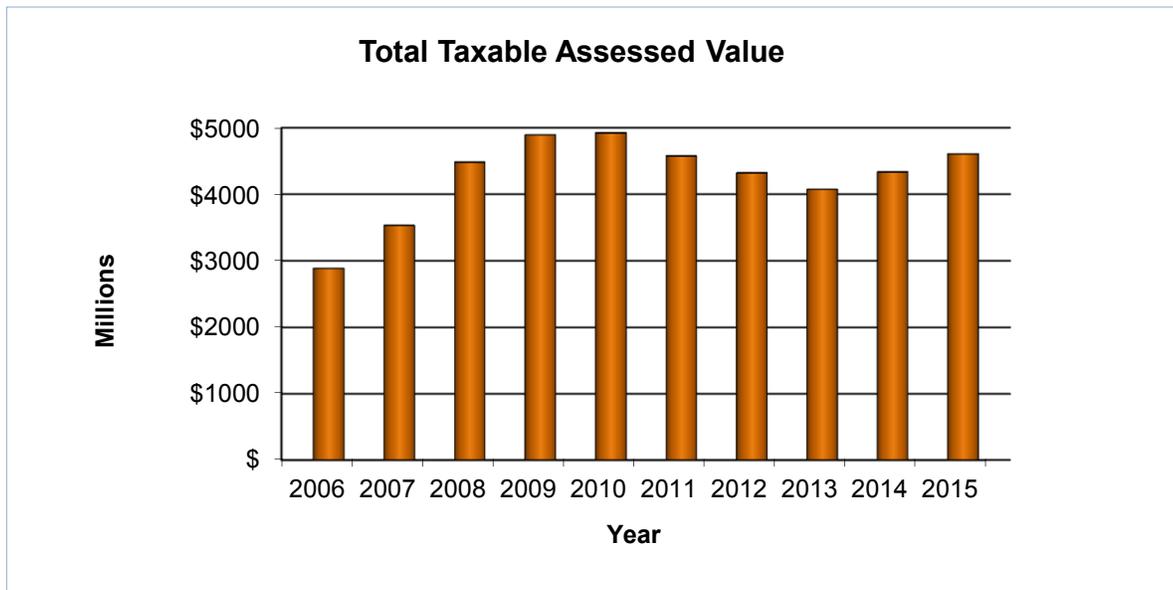




Table 8
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Lacey			Overlapping Rates ¹									Total Direct & Overlapping Rates
	Regular Rate	Debt Service	General Obligation Direct Rates	State Schools	Thurston County	Medic One	PUD #1	Library	North Thurston School District #3	Fire District #3	Port of Olympia		
2006	2.30	0.28	2.58	2.56	1.40	0.37	0.01	0.43	3.89	0.12	0.21	11.57	
2007	2.14	0.29	2.43	2.33	1.26	0.34	0.01	0.39	4.21	0.23	0.19	11.39	
2008	1.88	0.26	2.15	2.01	1.08	0.29	0.01	0.34	3.61	0.15	0.15	9.79	
2009	1.84	0.24	2.08	1.92	1.08	0.29	0.01	0.33	3.90	0.11	0.15	9.87	
2010	1.90	0.24	2.14	2.06	1.14	0.31	0.01	0.34	3.76	0.12	0.16	10.04	
2011 ²	1.09	0.25	1.34	2.26	1.26	0.33	0.01	0.36	4.12	1.18	0.17	11.03	
2012	1.20	0.27	1.47	2.45	1.32	0.37	0.01	0.38	4.57	1.32	0.18	12.07	
2013	1.32	0.29	1.61	2.51	1.50	0.40	0.01	0.41	5.15	1.46	0.20	13.25	
2014	1.28	0.26	1.54	2.38	1.39	0.39	0.01	0.42	4.84	1.53	0.20	12.70	
2015	1.24	0.25	1.49	2.28	1.39	0.37	0.01	0.41	5.40	1.50	0.19	13.04	

Source: Thurston County Assessor, Statistical Report of Assessments for Taxes Payable in fiscal year.

Explanation

¹ Overlapping rates are those of local and county governments that apply to property owners within the City of Lacey. Not all overlapping rates apply to all Lacey property owners; for example, although the county property tax rates apply to all city property owners, the Fire District rates apply only to the approximately one-third of city property owners whose property is located within that district's geographic boundaries.

² Decreased tax rates from previous year is due to the voter approved annexation to a fire district.

Note: The levy limit calculation applies to a taxing district's budget, and not to increases in the assessed value or tax bill of individual properties. Washington State Law (RCW 84.55) restricts individual taxing districts from collecting, in any year, more than one percent increase in their regular, non-voted, levy over the highest levy amount since 1985. To increase the basic rate to the maximum of 3.60 would require a vote.

The Washington State Constitution limits the regular (non-voted) combined property tax rate applied to an individual's property to one percent of the market valuation. Voters may vote special levies that are added to this figure. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one-percent limit.

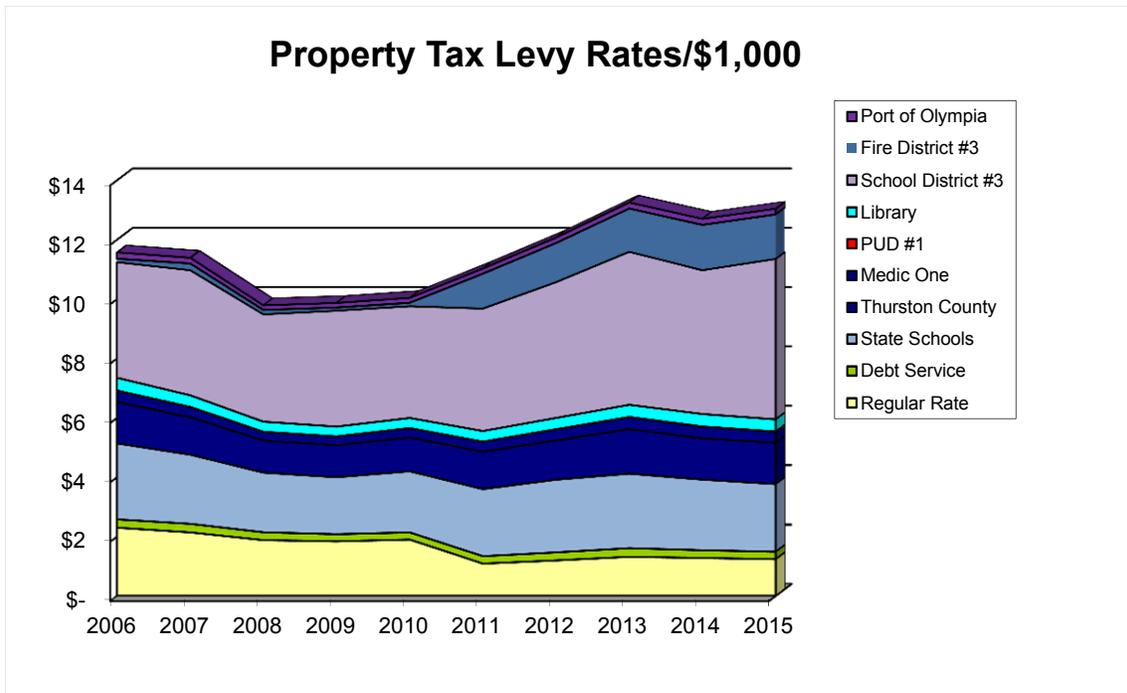


Table 9
Principal Property Taxpayers
Current Year and Nine Years Ago
December 31, 2015
(amounts expressed in thousands)

Taxpayer	Type of Business	2015			2006		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Target Corporation	Retail/Warehouse	\$ 90,041	1	1.96%	\$ 73,111	1	2.53%
Panorama City Inc.	Retirement Community	66,853	2	1.45%	53,621	2	1.86%
WIG Properties LLC - Nisqually	Real Estate Development	34,812	3	0.76%			
Capital Development Company	Real Estate Development	32,989	4	0.72%	21,834	6	0.76%
Home Depot USA Inc.	Retail/Warehouse	30,852	5	0.67%	30,405	4	1.05%
Cabela's Wholesale INC	Wholesale/retail	26,217	6	0.57%			
MWSH South Lacey LLC	Real Estate Development	24,851	7	0.54%			
Trader Joes Company	Retail	22,766	8	0.49%			
5400 Martin Way Holdings LLC	Leasing/Land Development	22,630	9	0.49%			
LR Lacey Market Square LLC	Leasing/Land Development	22,433	10	0.49%			
CDC Properties II LLC	Leasing/Land Development				47,361	3	1.64%
Lacey Market Square I and II LLC	Leasing/Land Development				23,194	5	0.80%
Cox, Walt	Leasing/Land Development				21,740	7	0.75%
VCG-Lacey LLC	Leasing/Land Development				18,276	8	0.63%
Weyerhaeuser Vicwood Partner	Leasing/Land Development				17,520	9	0.61%
	Retail				16,891	10	0.59%
Totals for Top 10		374,444		8.12%	323,953		11.22%
Balance of Taxpayers		4,234,927		91.88%	2,562,798		88.78%
Total Assessed Values		\$ 4,609,371		100.00%	\$ 2,886,751		100.00%

Source: Thurston County Assessor

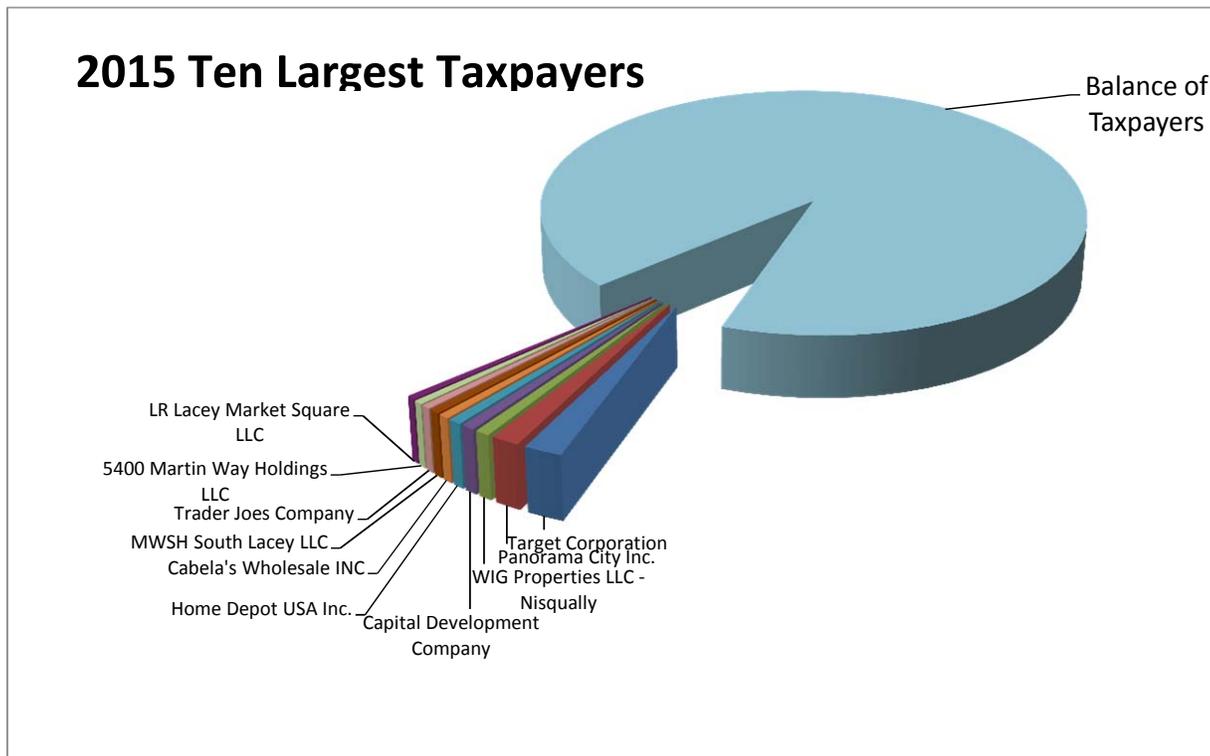




Table 10
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended December 31	Regular Tax Levy for Fiscal Year ¹	Special Tax Levy for Fiscal Year ¹	Total Tax Levy for Fiscal Year ¹	Collected within the Fiscal Year of the Levy ²		Collections in subsequent Years ²	Total Collections To-Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2006	6,654	797	7,451	7,269	97.56%	115	7,384	99.10%
2007	7,532	1,003	8,535	8,334	97.64%	201	8,535	100.00%
2008	8,401	1,173	9,574	9,357	97.73%	217	9,574	100.00%
2009	8,917	1,172	10,089	9,802	97.16%	283	10,085	99.96%
2010	9,229	1,162	10,391	10,180	97.97%	201	10,381	99.90%
2011 ³	4,934	1,136	6,070	5,960	98.19%	106	6,066	99.93%
2012	5,156	1,161	6,317	6,226	98.55%	87	6,313	99.94%
2013	5,355	1,162	6,517	6,442	98.80%	61	6,503	99.79%
2014	5,506	1,132	6,638	6,567	98.69%	46	6,613	99.62%
2015	5,699	1,140	6,839	6,789	98.69%	-	6,789	99.27%

¹ Source: Thurston County Assessor

² Source: City of Lacey Finance Department and Thurston County Assessor

³ Decreased tax levy from previous year is due to the voter approved annexation to a fire district.

Note: Tax levy for fiscal years 2007 through 2015 have been adjusted for subsequent certification adjustments.

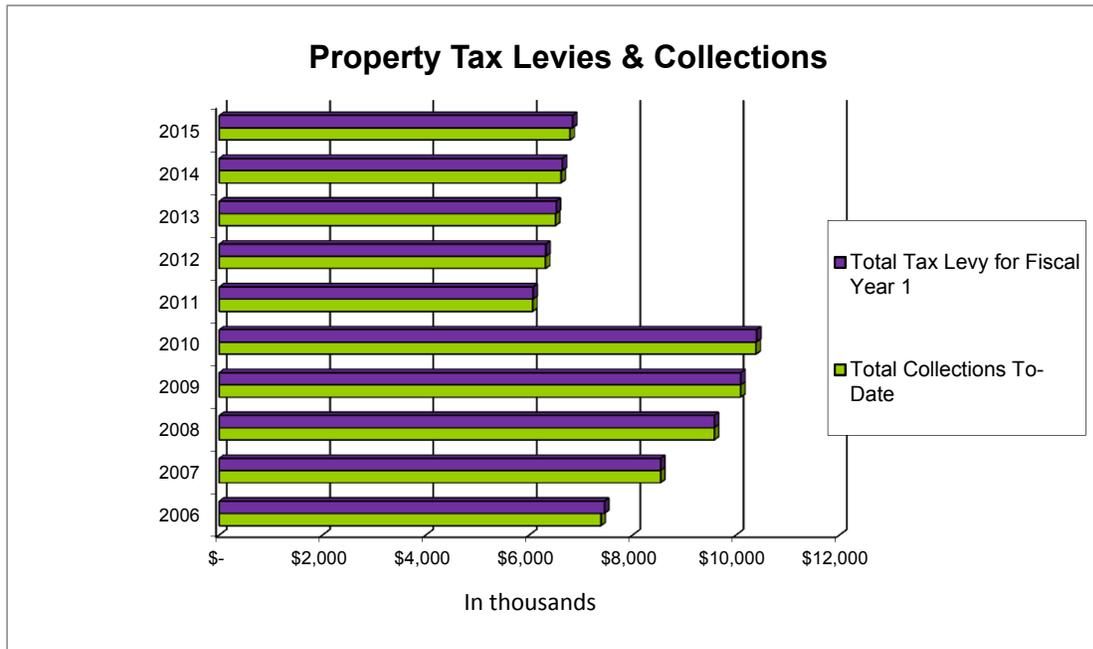


Table 11
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capital amount)

Fiscal Year	Governmental Activities							Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita ⁵
	General Obligation Bonds ¹	Special Assessment Bonds	PWTF Loan ²	LOCAL Loan ³	Revenue Bond Animal Services ⁴	Capital Leases	Contracts Payable	Revenue Bonds ¹ Water Fund	Wastewater Fund	Stormwater Fund			
2006	18,309	2,610	2,357	-	227	-	-	316	17	-	23,836	1.78%	700
2007	25,609	1,405	2,161	-	213	99	-	-	-	-	29,487	1.96%	822
2008	24,541	535	1,964	-	197	46	-	-	-	-	27,283	1.66%	717
2009	23,418	270	1,768	-	182	27	743	-	-	-	26,408	1.60%	673
2010	22,459	-	1,571	-	166	54	743	-	-	-	24,993	1.40%	590
2011	21,201	-	875	-	149	69	743	-	-	-	23,037	1.25%	538
2012	20,067	-	750	1,122	131	59	-	-	-	-	22,129	1.15%	508
2013	18,680	-	-	971	113	30	-	7,240	-	1,464	28,498	1.44%	643
2014	17,248	-	-	818	93	93	-	6,972	-	1,411	26,635	1.32%	588
2015	16,291	-	-	661	73	107	-	6,689	-	1,353	25,174	1.23%	547

Note: Detail regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Presented net of original premiums

² Washington State Public Trust Fund Loan for Local Improvement District Special Assessment. Payments are funded by special assessments.

³ Loan issued to provide funding to TCOMM 911 for a capital asset acquisition. Payments are funded by TCOMM 911.

⁴ The City of Lacey administers the Animal Services financials. The balance at fiscal year-end 2012 represents the amount of debt due from the City of Olympia.

⁵ See Table 16 - Demographic and Economics Statistics for personal income and population data.

* Information represents estimated information, as actual data is not available.

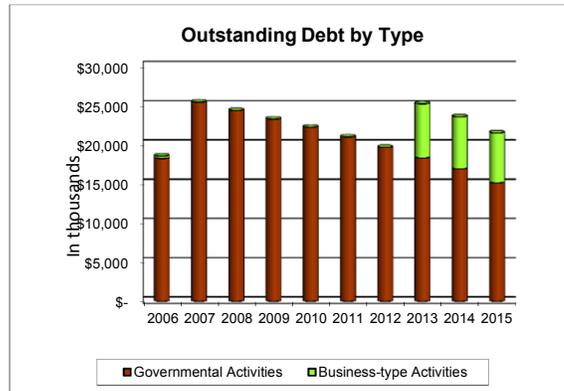
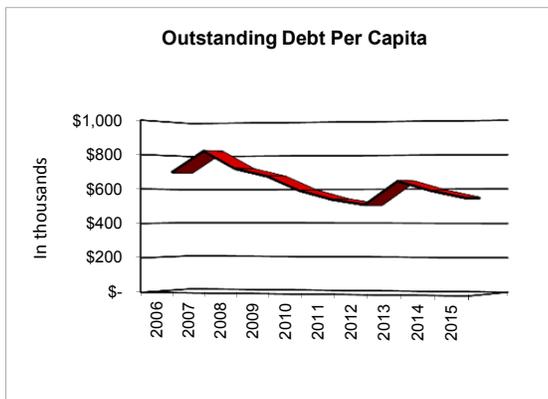




Table 12
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 (amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds ¹	Less: Amounts Restricted to Repaying Principal	Total	Percentage of Estimated Actual Taxable Value of Property ²	Per Capita ³
2006	18,309	-	18,309	0.57%	226
2007	25,609	-	25,609	0.63%	263
2008	24,541	-	24,541	0.49%	213
2009	23,418	-	23,418	0.43%	183
2010	22,459	-	22,459	0.41%	173
2011	21,201	-	21,201	0.42%	182
2012	20,067	-	20,067	0.42%	185
2013	18,680	-	18,680	0.42%	187
2014	17,248	-	17,248	0.37%	167
2015	16,291	-	16,291	0.33%	148

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Explanation

¹ Presented net of original premiums.

² See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 8-7 for property value data.

³ Per capital data can be found in the Demographic and Economic Statistics on page 8-18.

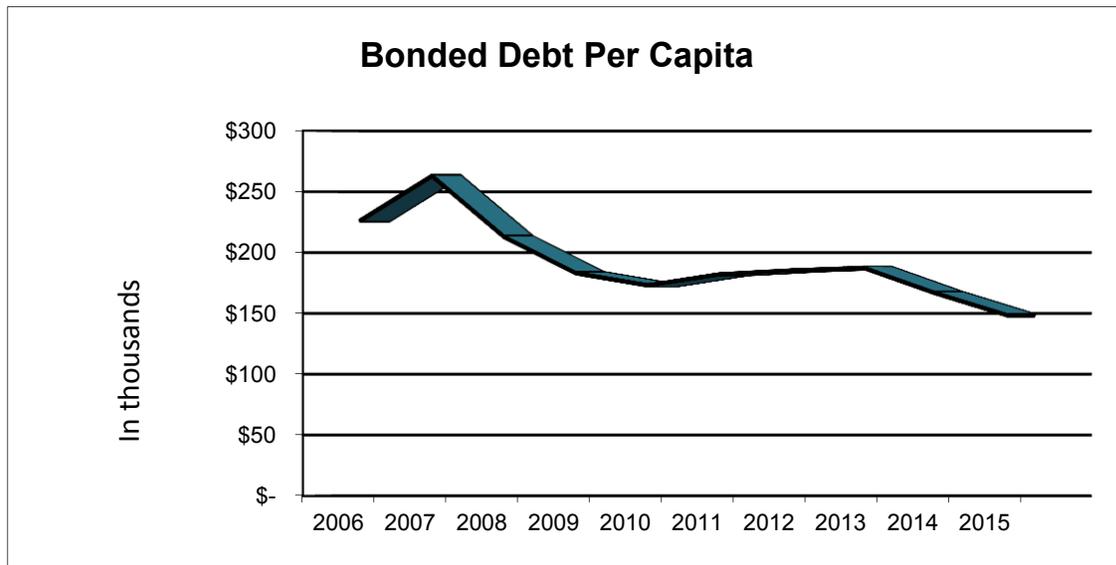




Table 13
 Direct and Overlapping Government Activities Debt
 As of December 31, 2015
 (amounts expressed in thousands)

Governmental Unit	General Obligation Debt Outstanding	Estimated Percent Overlapping with City ¹	Direct and Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Thurston County	\$ 75,785	17.17%	\$ 13,013
Port of Olympia	35,305	17.17%	6,062
Public Utility District 1	2,160	17.17%	371
North Thurston School District #3	189,324	48.42%	91,671
Fire District No. 3	3,190	55.50%	1,771
	305,764		112,888
City of Lacey's direct debt ²			17,132
Total direct and overlapping debt			\$ 130,020

Source: Assessed value data used to estimate applicable percentages provided by the Thurston County Assessor. Debt outstanding information is provided by the Thurston County Treasurer (County and District Debt Outstanding)

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lacey. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Explanation

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value as well as the other governmental units.

² Presented net of original premiums.



Table 14
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 216,506	\$ 264,815	\$ 336,404	\$ 366,945	\$ 369,400	\$ 343,427	\$ 324,209	\$ 305,737	\$ 325,433	\$ 345,703
Total net debt applicable to limit	17,587	25,340	24,214	23,089	22,169	21,011	20,968	19,362	17,840	16,718
Legal debt margin	<u>\$ 198,919</u>	<u>\$ 239,475</u>	<u>\$ 312,190</u>	<u>\$ 343,856</u>	<u>\$ 347,231</u>	<u>\$ 322,416</u>	<u>\$ 303,241</u>	<u>\$ 286,375</u>	<u>\$ 307,593</u>	<u>\$ 328,985</u>
Total net debt applicable to the limit as a percentage of debt limit	8.1%	9.6%	7.2%	6.3%	6.0%	6.1%	6.5%	6.3%	5.5%	4.8%

Legal Debt Margin Calculations:

Total Assessed Valuation of Taxable Real & Personal Property	<u>\$ 4,609,371</u>
Legal Debt limit (7.5% of total assessed value)	<u>\$ 345,703</u>
Outstanding General Obligation Indebtness as of December 31, 2015	
Governmental Activities - general obligation bonds, net of premium	\$ 16,291
Governmental Activities - LOCAL program loan	661
Governmental Activities - capital leases	107
Total Indebtness subject to debt limit	<u>17,059</u>
Less: Amount set aside for repayment of general obligation debt	<u>(341)</u>
Net Indebtness subject to debt limit	<u>\$ 16,718</u>
Legal debt margin	<u>\$ 328,985</u>

Note: Under the Revised Code of Washington (RWC), the City of Lacey's outstanding obligation debt should not exceed 7.5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.



Table 15
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Sewer/Water Revenue Bonds						Special Assessment Bonds			
	Total Operating Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
2006	22,888	12,936	9,952	985	57	9.55	1,244	1,476	302	0.70
2007	22,027	14,148	7,880	330	11	23.11	1,453	1,401	224	0.89
2008	22,124	16,022	6,102	-	-	-	1,130	1,066	148	0.93
2009	22,703	16,489	6,213	-	-	-	515	461	91	0.93
2010	22,525	17,194	5,331	-	-	-	557	466	69	1.04
2011	24,541	18,026	6,515	-	-	-	777	696	47	1.05
2012	25,356	19,055	6,301	-	-	-	1,513	125	31	9.70
2013*	27,780	21,450	6,330	-	-	-	928	750	25	1.20
2014*	30,890	21,777	9,113	300	277	15.79	827	-	-	n/a
2015	34,816	22,633	12,183	320	286	20.10	742	-	-	n/a

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Operating revenues do not include investment earnings and other non-operating revenues.

Operating expenses do not include interest or depreciation expenses.

Debt Service amounts are only for cash payments (excluding amortization of bonds premiums)

Public trust fund loan is included for special assessment bonds.

The City's minimum required debt coverage is 1.20 per bond ordinance, only for Sewer/Water Revenue Bonds.

Amounts for 2004 through 2012 did not include stormwater fund revenues and expenses

*Includes revenues and expense of the City's Waterworks Utility which includes water, wastewater, and stormwater funds.



Table 16
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income ¹	North Thurston Public School Enrollment ²	Unemployment Rate ³
2006	34,060	1,340,329	39,352	13,370	5.0%
2007	35,870	1,507,508	42,027	13,601	4.9%
2008	38,040	1,641,502	43,152	13,843	5.4%
2009	39,250	1,651,993	42,089	14,025	7.9%
2010	42,393	1,780,718	42,005	13,952	9.0%
2011	42,830	1,837,193	42,895	14,177	9.0%
2012	43,600	1,927,076	44,199	13,872	8.4%
2013	44,350	1,972,732	44,481	14,407	7.6%
2014	45,320	2,015,879	44,481 ⁴	14,804	6.4%
2015	46,020	2,047,016	44,481 ⁴	14,848	5.9%

Data Sources:

^{1,2} Thurston Regional Planning Council, The Profile (www.trpc.org)

³ Thurston Regional Planning Council. The Profile (www.trpc.org)

U.S. Bureau of Labor Statistics: Local Area Unemployment Statistics

<http://www.bls.gov/lau/home.htm>

Explanation:

¹ The per capita personal income for Lacey is not available and therefore used is the data for Thurston County. The amount is presented in "nominal" dollars, which represent the actual dollar value at the point in time for which the income as measured and do not include the effects of inflation.

³ Unemployment Rate for Thurston County (Annual Average)

⁴ Current year data is not available. Used 2013 data.

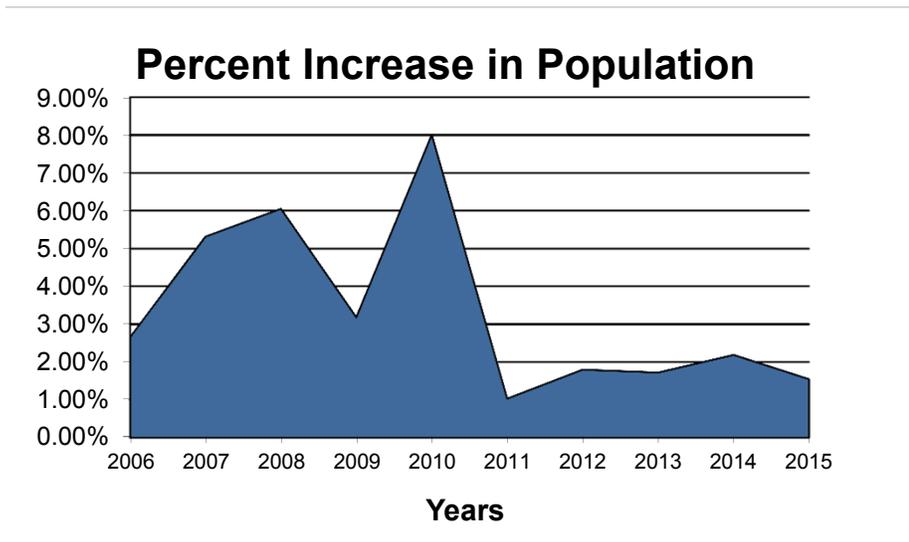


Table 17
Principal Employers
Current Year and Nine Years Ago

Employer	Business type	2015		2006	
		Approx. Number of Employees	Percentage of Total City Employment ⁶	Approx. Number of Employees ⁹	Percentage of Total City Employment ⁶
State of Washington ¹	Government	2,590	10%	3,545 ⁸	19%
North Thurston Public Schools ²	Education	1,800	7%	1,710	9%
Xerox ³	Retail	650	3%		
Panorama City ⁴	Retirement Community	450	2%	360	2%
Costco Corporation ⁴	Retail	100-500	1%		
Safeway Corporation ⁴	Retail	100-500	1%		
St. Martin's College ⁴	Education	100-500	1%	350	2%
Target Corporation ⁴	Retail	100-500	1%	300-500	2%
Wal-Mart Corporation ⁴	Retail	100-500	1%	400-500	2%
Cabelas ³	Retail	300	1%		
City of Lacey ⁵	Government	244	1%	450	2%
Ostrom Mushroom Company	Other			305	2%
Fred Meyer	Retail			240	1%
Illuminet (as of 2002, Verisign)	Retail			250	1%
Total		6,534 - 8,534	30%	7,910 - 8,210	42%
Total estimated jobs in City ⁷		25,245		19,000	

Source

- ¹ State of Washington
- ² North Thurston Public Schools
- ³ Thurston Economic Development Council (EDC)
- ⁴ Thurston Regional Planning Council (TRPC)
- ⁵ City of Lacey, full-time equivalent
- ⁶ Thurston Regional Planning Council (TRPC), the Profile
- ⁹ Human resources offices of the employers

Explanation:

- ⁵ 2015 number of employee is full-time equivalents. 2015 number of employees included fulltime and part-time employees.
- ⁷ Percentage of total city employment for 2015 is based on 2014 total estimated jobs 25,245. 2006 percentage was based 2003 total estimated jobs 19,000.
- ⁸ Includes Lacey and Urban Growth Area. Actual statistical data not available for 2006, and 2005 data was used for 2006. Numbers include both full-time and part-time employees.

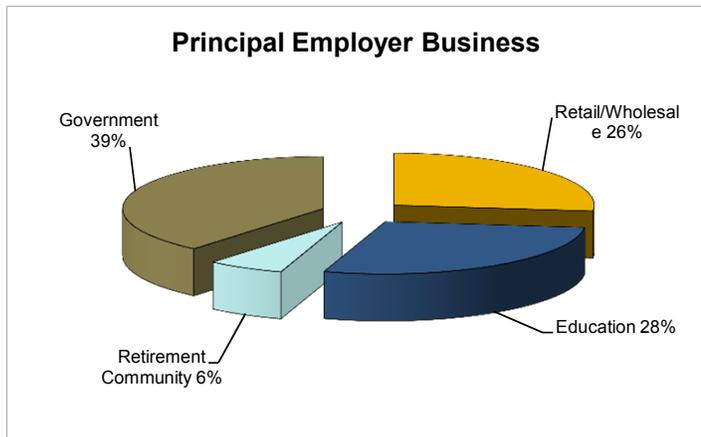


Table 18
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	27.00	27.00	30.00	30.00	30.00	30.00	31.00	31.00	31.00	31.00
Security of persons and property										
Police Officers	49.00	51.00	54.00	56.00	56.00	55.00	55.00	53.00	53.00	53.00
Civilians	12.41	14.28	14.28	14.28	14.28	14.28	14.28	11.64	11.64	11.00
Transportation										
Engineering	36.00	37.00	38.00	38.00	38.00	38.00	38.00	35.00	36.00	36.00
Maintenance	28.68	30.68	30.50	33.50	33.50	34.50	34.50	34.50	34.50	35.50
Economic development	16.75	17.75	17.75	17.75	17.75	17.75	17.75	15.00	15.00	16.00
Culture and recreation	13.00	14.00	14.88	16.00	16.00	16.00	16.00	15.00	15.00	15.00
Water	21.95	23.95	25.45	24.45	25.45	25.00	24.45	23.45	23.45	23.45
Wastewater	15.05	16.05	14.55	14.55	14.55	14.00	14.55	15.55	15.55	15.55
Stormwater	5.32	5.32	6.50	6.50	6.50	6.50	6.50	6.50	6.50	7.50
Total	225.16	237.03	245.91	251.03	252.03	251.03	252.03	240.64	241.64	244.00

Source: City of Lacey Budget Records

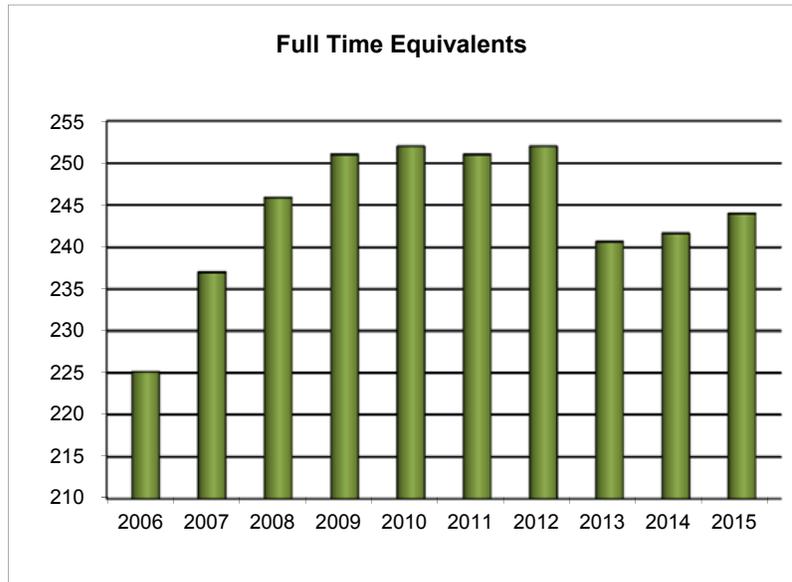




Table 19
Operating Indicators by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Total Arrests	3,333	4,006	4,331	4,084	4,169	3,795	3,136	3,380	3,109	2,792
Total citations issued	4,713	4,997	6,180	7,571	5,736	5,824	4,455	6,121	4,557	4,197
Incidents	34,203	36,744	38,049	39,161	36,557	34,014	32,510	39,242	40,712	41,784
Overall crime rate per thousand population	50.0	51.4	48.2	41.1	41.1	34.8	35.4	34.4	30.2	Not available
Highways and streets										
State of the street (% of Very Good or Good Condition)	90.0%	91.0%	95.0%	93.0%	94.0%	96.0%	95.9%	96.3%	96.5%	95.9%
St Ft of sidewalk replaced	-	4,311	4,726	1,035	202	3,007	2,028	2,625	2,600	3,530
Yards of sweeper debris collected	1,124	1,772	904	1,682	1,438	1,156	1,339	1,517	1,307	1,856
Economic Development										
Number of new building permits issued	1,604	1,157	494	402	362	325	283	225	333	311
Number of building inspections	20,589	17,002	9,467	7,351	6,586	6,915	7,132	7,587	7,587	7,587
Number of complaints processed	127	154	129	127	93	98	84	83	92	107
Commercial site plan reviews	27	29	32	10	12	9	12	10	12	16
Culture and recreation										
Community center bookings	951	911	921	724	765	760	778	788	756	719
Regional Athletic Complex (RAC) fields bookings	-	-	-	1,235	1,872	1,955	2,194	2,247	2,281	2,496
RAC Number of participants - leagues, tournaments	-	-	-	-	42,785	47,685	50,243	50,315	74,910	75,150
Average number of programs offered per year	1,061	1,026	985	1,074	1,044	1,176	1,255	1,340	1,219	2,964
Program registrations	11,687	12,350	13,582	13,181	13,740	12,108	13,538	9,001	11,860	12,105
Community-wide special events	32	38	40	40	41	41	31	31	31	31
Water										
Gallons of water pumped (millions)	3,083	2,774	2,666	2,595	2,199	2,243	2,396	2,416	2,483	2,633
Gallons of water sold (millions)	2,350	2,259	2,249	2,336	2,061	2,188	2,186	2,165	2,216	2,329
Percentage of water sold	76%	81%	84%	90%	94%	98%	91%	90%	89%	88%
Average daily consumption (millions of gallons)	6	6	6	6	6	6	7	7	6	6
Number of valves exercised	5,794	1,184	1,924	3,617	1,653	1,456	2,230	3,186	2,578	1,715
Number of hydrants exercised	335	2,879	3,060	3,334	3,432	3,492	2,510	1,073	3,258	3,933
Number of water mains breaks	201	220	173	198	168	130	104	93	84	121
Number of customers served	19,267	20,295	20,863	21,362	21,812	22,840	23,237	22,813	23,185	23,571
Number of irrigation customers	635	651	693	709	724	692	702	713	723	739
Wastewater										
Number of lift station incident responses	317	333	288	231	324	363	390	376	362	363
Number of STEP system connections	2,779	2,814	2,837	2,861	3,656	3,882	3,901	4,058	4,093	4,175
Number of STEP system incident responses	258	236	247	278	188	201	186	221	150	180
Lines cleaned (in feet)	212,633	130,511	104,219	390,555	390,644	323,671	373,410	331,763	403,906	262,153
Lines televised (in feet)	94,470	181,212	290,829	263,451	346,117	267,686	328,911	285,785	155,367	161,233
Odor complaints	8	7	11	1	1	3	-	3	1	1
Stormwater										
City responses to spills	56	56	57	54	109	137	106	134	136	129

Sources: Various departments of the City and the "Statistical Measurements" reports from City Manager's Office.

Notes:

Indicators are not available for the general government and physical environment function.

Statistical data for certain year(s) and certain items are either not applicable or not readily available, therefore are not presented.



Table 20
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Security of persons and property										
Police station	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	16	16	18	21	22	22	22	22	22	22
Highways and streets										
Miles of street ¹	122 CL	132 CL	148 CL	345 LM	351 LM	352 LM	358 LM	360 LM	368 LM	375 LM
Miles of sidewalk							191 CL	191 CL	200 CL	200 CL
Number of streetlights	2,973	3,246	3,653	3,796	3,842	4,015	4,136	4,311	4,311	4,448
Number of street signs	5,983	6,674	7,027	7,400	7,528	7,606	7,674	7,726	7,942	8,126
Number of traffic signals	40	40	40	42	42	55	56	56	56	56
Culture and recreation										
Number of parks	24	24	25	25	25	25	25	25	25	25
Parks acreage including outside city limits	501	501	531	579	501	568	568	568	506	506
Developed parks acres	162	186	237	265	297	335	335	335	340	340
Total open space acres with outside city limits	-	-	-	-	163	561	648	648	637	637
Soccer fields	8	8	8	10	10	10	10	10	10	10
Tennis courts	9	9	9	9	9	9	9	9	9	9
Baseball, softball fields	7	7	7	12	12	12	12	12	12	12
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Community buildings	3	3	3	3	3	3	3	3	3	3
Water										
Number of production wells	19	19	19	19	19	19	19	20	20	20
Miles of water lines	342	353	348	357	360	370	385	393	392	402
Number of reservoirs	8	8	8	7	7	8	7	7	7	7
Number of booster stations	8	8	8	6	6	10	6	6	6	6
Number of valves ²	9,597	10,023	10,187	10,002	10,174	10,219	10,211	10,399	10,512	12,214
Number of Hydrants ²	2,928	3,037	4,216	3,424	3,469	3,479	3,500	3,572	3,653	3,685
Wastewater										
Miles of sewer transmission lines	132	136	145	147	151	154	156	157	162	147
Number of lift stations	39	46	44	44	45	48	47	48	48	50
Miles of STEP transmission lines	49	49	51	52	52	52	55	55	55	55
Odor control facilities	11	11	11	13	14	14	15	14	13	13
Stormwater										
Number of catch basins	3,300	3,580	3,741	4,010	4,419	4,716	4,971	5,198	5,235	5,245
Number of city storm ponds	37	38	38	43	49	49	56	62	63	47
Acres of storm ponds ³	625	681	1,037	1,027	1,235	1,768	105	109	115	110

Sources: Various city departments and the "Statistical Measurements" reports from City Manager's Office.

Note: No capital asset indicators are available for the general government or physical environment.

Note:

¹. CL = Center Line Miles; LM = Lane Miles

². Decline in numbers in 2009 were due to editing the map and some waterlines that were replacement had fewer valves.

³. 2012 data is express as acres of storm ponds, whereas the data for 2011 through 2005 are expressed as "acres maintained" calculated by multiplying the number of maintenance visits by the actual acre total.

Certain statistical data for certain year(s) are either not applicable or not readily available, therefore are not presented.



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