

City of Lacey, Washington  
2009 Comprehensive Annual  
Financial Report  
for the year ended December 31, 2009





*City of Lacey, Washington*  
*Comprehensive Annual Financial Report*  
*For the Year Ended December 31, 2009*



PREPARED BY THE FINANCE DEPARTMENT

**TROY M. WOO**  
FINANCE DIRECTOR

**TIMOTHY F. McGUIRE**  
FINANCIAL SERVICES MANAGER

**PAMELA S. MEREDITH**  
ACCOUNTING MANAGER

**CHUN K. SAUL, CPA**  
SENIOR ACCOUNTANT



This Page Intentionally Left Blank

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF LACEY, WASHINGTON  
FOR THE YEAR ENDING DECEMBER 31, 2009**

**TABLE OF CONTENTS**

<b>I. INTRODUCTORY SECTION</b>	<b>PAGE</b>
Letter of transmittal .....	1-1
City of Lacey organizational chart .....	1-6
List of officials .....	1-7
 <b>II. FINANCIAL SECTION</b>	
Independent auditor's report.....	2-1
 <b>A. MANAGEMENT DISCUSSION AND ANALYSIS .....</b>	<b>3-1</b>
 <b>B. BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Assets .....	4-1
Statement of Activities .....	4-2
 <b>Fund Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet .....	4-4
Reconciliation of the Balance Sheet to the Statement of Net Assets Governmental Funds.....	4-7
Statement of Revenues, Expenditures and Changes in Fund Balances .....	4-8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	4-10
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Assets - Proprietary Funds .....	4-11
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds .....	4-13
Statement of Cash Flows - Proprietary Funds.....	4-14
<b>Fiduciary Fund Statements</b>	
Statement of Fiduciary Net Assets.....	4-16
<b>Notes to Financial Statements .....</b>	<b>4-17</b>
 <b>C. REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MD&amp;A</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	
General Fund.....	5-1
Arterial Street Fund .....	5-2
Note to Required Supplemental Information.....	5-3
 <b>D. COMBINING &amp; INDIVIDUAL FUND STATEMENTS &amp; SCHEDULES</b>	
<b>Non-Major Funds - Other Governmental Funds .....</b>	<b>6-1</b>
Combining Balance Sheet - Other Governmental Funds .....	6-2
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Other Governmental Funds .....	6-4
<b>Budget to Actual Comparison Non-Major - Other Governmental Funds</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	
Street Fund.....	6-6

**D. COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES (CONTINUED)**

Regional Athletic Complex Maintenance and Operations Fund .....	6-7
Lodging Tax Fund .....	6-8
Community Development Block Grant Fund .....	6-9
General Obligation Bond Fund .....	6-10
L.I.D. Redemption Fund.....	6-11
Building Improvement Fund.....	6-12
Capital Expenditure Fund .....	6-13
Parks & Open Space Fund.....	6-14
Regional Athletic Complex Capital.....	6-15
<b>Internal Service Funds</b> .....	6-16
Combining Statement of Net Assets .....	6-17
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets .....	6-18
Combining Statement of Cash Flows .....	6-19
<b>Fiduciary Funds - Agency Funds</b> .....	6-20
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....	6-21
Combining Statement of Fiduciary Net Assets-Agency Funds .....	6-23

**E. SUPPLEMENTAL INFORMATION**

**Budget to Actual Comparison for the Operating Accounts of the Enterprise and Internal Service**

**Funds of the Primary Government**

Schedule of Operations - Water Fund .....	7-1
Schedule of Operations - Wastewater Fund .....	7-2
Schedule of Operations - Stormwater Fund .....	7-3
Schedule of Operations - Reclaimed Water Fund .....	7-4
Schedule of Operations - Equipment Rental Fund .....	7-5
Schedule of Operations - Information Management Services Fund .....	7-6

**Schedules**

Schedule of Expenditures of Federal Awards.....	7-7
Schedule of State and Local Financial Assistance .....	7-9
City of Lacey General Obligation Bond Debt, Unlimited Tax 2002 .....	7-10
City of Lacey General Obligation Bond Debt, Unlimited Tax 2003 .....	7-11
City of Lacey Local Improvement District # 19 Bonds - 2001 .....	7-12
City of Lacey Public Works Trust Fund Loan .....	7-13
City of Lacey Animal Services Revenue Bond.....	7-14
City of Lacey General Obligation Bond Debt, Limited Tax 2006.....	7-15
City of Lacey General Obligation Bond Debt, Unlimited Tax 2006 .....	7-16
City of Lacey General Obligation Bond Debt, Limited Tax 2007 .....	7-17

**STATISTICAL SECTION**

Statistical Section .....	8-1
Table of Contents.....	8-2
Table 1 - Net Assets by Component .....	8-3
Table 2 - Changes in Net Assets.....	8-4
Table 3 - Fund Balances of Governmental Funds .....	8-5
Table 4 - Changes in Fund Balances of Governmental Funds .....	8-6
Table 5 - Governmental Activities Tax Revenues by Source .....	8-7
Table 6 - Assessed Value and Estimated Actual Value of Taxable Property .....	8-8
Table 7 - Property Tax Rates .....	8-9
Table 8 - Principal Property Taxpayers .....	8-10
Table 9 - Property Tax Levies and Collections.....	8-11
Table 10 - Ratio of Outstanding Debt by Type .....	8-12
Table 11 - Ratios of General Bonded Debt Outstanding.....	8-13
Table 12 - Direct and Overlapping Government Activities Debt.....	8-14
Table 13 - Legal Debt Margin Information.....	8-15
Table 14 - Pledged-Revenue Coverage.....	8-16
Table 15 - Demographic and Economic Statistics .....	8-17
Table 16 - Principal Employers .....	8-18
Table 17 - Full-time Equivalent City Government Employees by Function.....	8-19
Table 18 - Operating Indicators by Function .....	8-20
Table 19 - Capital Asset Statistics by Function .....	8-21



# INTRODUCTORY SECTION





## CITY COUNCIL

THOMAS L. NELSON  
*Mayor*  
VIRGIL S. CLARKSON  
*Deputy Mayor*  
MARY DEAN  
JASON HEARN  
RON LAWSON  
CYNTHIA PRATT  
ANDY RYDER

CITY MANAGER  
GREG J. CUOIO

June 30, 2010

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, 2009, 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. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act amendments of 1996 and related Office of Management and Budget Circular A-133. The independent auditor's report is located at the front of the financial section of this report.

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. MD&A complement 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-fourth 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 17 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 2009 population of 39,250.

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, including the position of Mayor, elected for staggered four-year terms. Councilmembers are elected on a non-partisan, at-large basis rather than by district. Policy-making and legislative authority are vested in the City Council. The Council appoints the City Manager 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. Emergency medical, fire suppression and inspection services are provided under contract with Lacey

Fire District 3. At a special election held on April 27, 2010, the qualified voters of the City of Lacey and the qualified voters of Thurston County Fire Protection District No. 3 approved the annexation of the City of Lacey into Thurston County Fire Protection District No. 3. Upon annexation of the City to the Lacey Fire District 3, the District shall be solely responsible for providing fire protection, fire suppression, and emergency medical services within the incorporated boundaries of the City. 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 PFD 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, Fred Meyer, Wal-Mart, Safeway, Weyerhaeuser container factory, 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 Fort Lewis Army Post and McChord Air Force Base 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. Unemployment rates have risen due to the national financial crises. The local unemployment rate is lower than the national rate and there are signals that the rate will begin decrease.

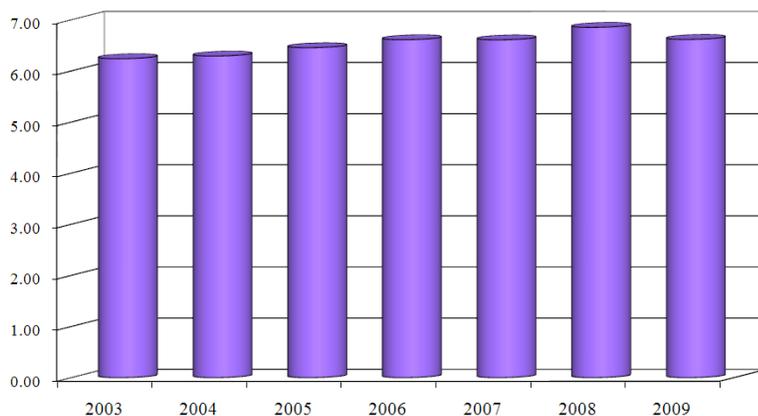
During the past five years, Lacey’s population growth has placed significant demands on services. General government staffing has grown 19.6 percent (171.8 to 205.5 FTE’s) and 9.9 percent (42.3

to 46.5 FTE’s) in the utility or enterprise funds. The growth rate in the utilities is indicative of the fact that the city’s utilities have a significant customer base outside its corporate limits. The 2010 budget does not include any authorized hiring of additional employees, due to economic challenges. In addition, a few positions are being held open or hiring delayed.

Prior to 2009, Lacey had been fortunate to have had new and increasing general fund revenues to match the growing demand for services during the past five years. Beginning late 2008 and throughout 2009, revenue trends began to show

a decline in fees and sales tax receipts. Revenues from sales tax and fees directly related to plan-

Full Time Equivalent Employees  
Per 1000 Population



ning and building activity were on the decline. During early 2009, a pro-active step was taken by the city manager and council to identify reductions in spending to off-set the trend. \$2.1 million in spending reductions were made in the general fund to compensate for anticipated revenue shortfall.

Property tax, the General Fund's largest single source of revenues has experienced strong growth due to high levels of new construction. Although the property levy rate has declined, adjustments for new construction value coupled with allowable 1 percent adjustment have generated a 44.9 percent increase during the past five years. The impact of new construction is typically delayed one year due to the property assessment process, so the impacts of the construction decline will take place with the 2010 property tax levies, which will be collected in 2011.

### Long-term Financial Planning

Unreserved, designated fund balances in the governmental funds are set aside for specific budgetary and capital improvements that are planned and selected by the City Council. Although this amount varies from year to year, it has enabled the Council to reduce and/or eliminate the need for long-term borrowing.

As part of a long-term economic development plan, the City envisions the development of a regional mixed use town center to be located on 250 acres of property north of Interstate 5. This has become known as the Gateway Project.



Hawks Prairie Liftstation  
Gateway Project

The first phase of development included the construction of a Cabela's outdoor sporting goods store. Coordinated efforts between the City, property owner, and retailer have resulted in a successful grant application to assist with the cost of transportation and infrastructure improvements. The grant has been funded by the 2007 State legislature and totals \$9.9 million. Current estimates place the total cost of infrastructure improvements for the Gateway Project in the \$35 to \$50 million range. Of that amount, the City has committed to fund \$5 million for transportation and utility services. Transportation and other improvements identified in the grant are moving forward. The City has a future obligation to develop a civic

center, library, park, or similar public facility as certain milestones in development are reached by the developer. During the 2010 State Legislative session, the Lacey Gateway Project was named a 2010 Local Revitalization Funding program demonstration project. This funding will allow the City use State funding up to \$500,000 per year for 25 years for debt service to build certain infrastructure assets.

In partnership with Thurston County, improvements to a 68 acre award winning Regional Athletic Complex were completed in 2009. Additional property was acquired in 2007 to bring the total project to 98 acres. Funding of the improvement cost has and will come from a special Public Facilities District revenue source taken from the State's portion of the retail sales tax. Other revenues have come from general obligation bonds approved by voters as well as general



Regional Athletic Complex

fund revenues. Once in full operation, this complex will likely incur significant additional operating costs to staff, operate, and maintain. It is anticipated that user fees, excess PFD revenues over debt service needs, dedicated revenues from the City's hotel/motel tax, and operating subsidies in equal amounts from each the City and Thurston County will substantially address these increased costs.

### Relevant Financial Policies

It is the City of Lacey's policy that "onetime" revenue inflows not be used for operating purposes. As a result, Lacey has been able to construct several public buildings and enhance its residential street overlay program. The Council and city administration clearly recognize that significant growth in revenues associated with increased housing starts should be considered "onetime" revenues. Healthy fund balances demonstrate this commitment. In addition to allowing the City 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

The State of Washington has implemented the requirements of the national Streamlined Sales Tax (SST) initiative. In doing so, a change in the method of sales tax distribution has taken place that affects all cities. Formerly, sales tax collection was distributed on the basis of "point of sale." Under SST, sales tax is now distributed based on "point of delivery." Fortunately, Lacey has experienced a positive impact to sales tax collections due to the change.

With approximately 22,100 water accounts, the City's Water Utility serves a population approaching 57,000. In 2007, construction was completed on permanent chlorination facilities at all city well sites. This required a significant capital investment in equipment and facilities in excess of \$4.5 million. Delays in the City's acquisition and approval of additional water rights has required the development of a water treatment facility for the Hawks Prairie well and future new well. This treatment facility is now operational at a cost of approximately \$12 million. Because of these substantial costs, the Water Construction Fund has received short-term cash interfund loan in the amount of \$10 million from the Wastewater Construction Fund to supplement its available resources. An interfund loan was set in place so that the Water Utility can avoid some of the costs associated with the impact of long-term debt. It was anticipated that by the end of 2008 the Water Utility would pursue long-term financing from the bond market. This will be delayed until the City can obtain additional water rights. In the meantime, a principal payment of \$500,000 was made in 2009 and a similar payment is expected in 2010.



Current transportation projects include the Carpenter Road Capacity improvements (right-of-way acquisition stage) and construction of Mullen Road west from Ruddell Road to College Street. A substantial enhancement was made to the residential street overlay program in 2008 for a total of \$1 million and \$850,000 in 2009. The 2010 budget includes \$850,000. The resources to cover these improvements include \$1.1 million in Real Estate Excise Tax revenues, a transfer in of \$850,000 from the General Fund, grants, and miscellaneous revenues from State Fuel tax and collected mitigation fees.

### 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 year ended December 31, 2007. It was the ninth consecutive year

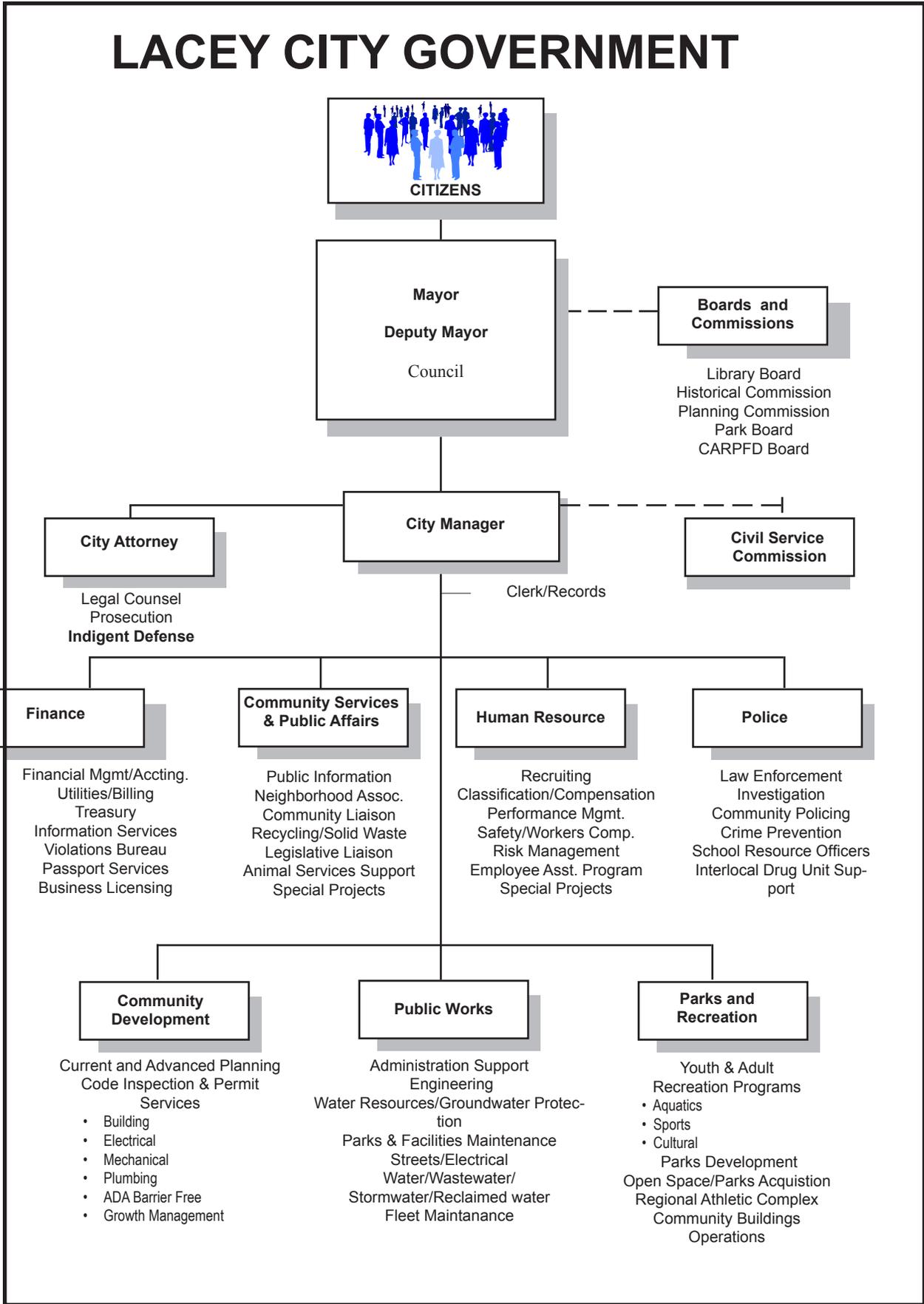
that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both the generally accepted accounting principles and applicable legal requirements.

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. However, the City did not seek this award for 2008 financials as a budget expenditure reduction. We are submitting the 2009 CAFR 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 City Manager and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lacey's finances.

Respectfully submitted,

Troy M. Woo  
Finance Director



**CITY OF LACEY, WASHINGTON**

**Mayor**

Graeme Sackrison      Term - Dec. 2009

**Deputy Mayor**

John Darby      Term - Dec. 2009

**Council**

Ann Burgman	Term - Dec. 2009
Jason Hearn	Term - Dec. 2011
Mary Dean	Term - Dec. 2011
Thomas Nelson	Term - Dec. 2011
Virgil Clarkson	Term - Dec. 2009

**City Manager**

**Greg J. Cuoio**

**ADMINISTRATION**

Scott H. Spence	Assistant City Manager
Kenneth R. Ahlf	City Attorney
Frederick O. Walk	Community Development Director
Troy M. Woo	Finance Director
Merri A. Lannoye	Human Resource Director
Lorraine M. Flemm	Parks & Recreation Director
Dusty D Pierpoint	Police Chief
Scott Egger	Public Works Director



This Page Intentionally Left Blank



# FINANCIAL SECTION





**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 16, 2010

Mayor and City Council  
City of Lacey  
Lacey, Washington

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lacey, Thurston County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 16, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and

should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3.1 through 3.15, budgetary comparison information on pages 5.1 through 5.2 and information on postemployment benefits other than pensions on page 5.3 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed 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 and individual fund statements and schedules on pages 6.1 through 7.17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is written in a cursive, flowing style.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR



# MANAGEMENT DISCUSSION AND ANALYSIS



---

## Management's Discussion and Analysis

Within this section of the City of Lacey, Washington annual financial report, the City's management is pleased to provide this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented herein conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-1 to 1-5 of this report.

### Financial Highlights

- The government's overall financial position improved in 2009 as compared to 2008.
- At the end of the fiscal year the assets of the City exceeded its liabilities by \$592.7 million. Net assets invested in capital assets (net of depreciation and related debt) account for 85.4 percent of the amount (\$506.2 million). Of the remaining assets \$86.6 million, \$1.3 million are subject to external restrictions and \$85.3 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$13.6 million. The governmental net assets increased by \$8.7 million over the previous year. Business-type net assets were increased by \$4.9 million. The business-type increase included net assets for the Water Utility of \$3.6 million, \$1.5 million for the Wastewater Utility, \$464,657 net loss for the Stormwater Utility and \$13,380 net increase for the Reclaimed Water Utility. The balance of the offset is the result of the consolidation of the Internal Service Funds' activities related to the Enterprise Funds.
- At the close of 2009 the City's governmental funds reported a combined ending fund balance of \$49.8 million, an increase of \$2.1 million. Of the major funds, the fund balance of the General Fund increased \$2.5 million and the Arterial Street Fund increased \$1.7 million. The major fund balance increases were offset by a decrease of \$36,393 in the L.I.D. Redemption Fund and a decrease of \$2.1 million in the nonmajor governmental funds. The capital improvement funds combined resulted in a decrease of \$2.5 million which was a result of the city hall expansion and Regional Athletic Complex projects. All other nonmajor fund balances increased moderately \$394,078. Approximately \$48.6 million (97.5 percent) of the combined ending fund balance is unreserved fund balance available to the City for discretionary spending.
- At the end of 2009 the unreserved fund balance for the General Fund was \$25.3 million increase of \$2.5 million over the prior year's amount of \$22.9 million.
- The City's total outstanding bonded debt decreased \$1.59 million (5.9 percent) to \$25.4 million during the current fiscal year.
- Revenues from local tax sources, including property, sales, business excise, and miscellaneous other taxes decreased by \$1.3 million to \$28.6 million, a 4.4 percent decrease compared to 2008.

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 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 contains other supplementary information in addition to the basic financial statements themselves. The intent of this section of the management discussion and analysis is to introduce and explain the basic financial statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United State as proclaimed by the GASB principles.

### Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to that used by the private sector.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as changes to the City's property tax base, changes to the sales tax base, and the condition of the City's infrastructure.

The **Statement of Activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of when the cash is received or paid*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, 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 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. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregate presentation. All of the funds of the City 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 evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

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 maintains twelve 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 seven governmental funds are combined into a singular, 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 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 4-10 of this report.

**Proprietary Funds.** The City 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 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's various functions. The City uses internal service funds to account for its fleet of vehicles and for its management information 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. 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 4-11 to 4-15 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'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 4-16 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to 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 4-17 to 4-50 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.

## 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.

## Government-wide Financial Analysis

### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lacey, assets exceeded liabilities by \$593 million at the close of the most recent fiscal year.

The following table provides a summary of the City's net assets as of December 31, 2009 and December 31, 2008:

	Governmental Activities		Business-Type Activities		Total		Percent Of Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Assets:</b>								
Current assets	\$ 67,594,230	\$ 68,331,561	\$ 5,879,050	\$ 5,522,160	\$ 73,473,280	\$ 73,853,721	11.7%	12.0%
Restricted assets	938,919	90,825	12,601,131	10,691,962	13,540,050	10,782,787	2.2%	1.7%
Investment in joint venture	15,839,828	15,558,491	-	-	15,839,828	15,558,491	2.5%	2.5%
Capital assets	<u>305,697,326</u>	<u>300,842,795</u>	<u>218,450,015</u>	<u>215,423,759</u>	<u>524,147,341</u>	<u>516,266,554</u>	<u>83.6%</u>	<u>83.7%</u>
Total assets	<u>390,070,303</u>	<u>384,823,672</u>	<u>236,930,196</u>	<u>231,637,881</u>	<u>627,000,499</u>	<u>616,461,553</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Liabilities:</b>								
Current liabilities	4,964,894	6,790,542	1,443,116	1,068,716	6,408,010	7,859,258	18.7%	21.0%
Long-term liabilities, restated	<u>27,684,267</u>	<u>29,340,006</u>	<u>175,773</u>	<u>161,785</u>	<u>27,860,040</u>	<u>29,501,791</u>	<u>81.3%</u>	<u>79.0%</u>
Total liabilities	<u>32,649,161</u>	<u>36,130,548</u>	<u>1,618,889</u>	<u>1,230,501</u>	<u>34,268,050</u>	<u>37,361,049</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Net assets:</b>								
Investment in capital assets, net of debt	287,705,043	281,557,492	218,450,014	215,423,759	506,155,057	496,981,251	85.4%	85.8%
Restricted	1,261,334	2,429,879	-	-	1,261,334	2,429,879	0.2%	0.4%
Unrestricted, restated	<u>68,454,765</u>	<u>64,705,753</u>	<u>16,861,293</u>	<u>14,983,621</u>	<u>85,316,058</u>	<u>79,689,374</u>	<u>14.4%</u>	<u>13.8%</u>
Total net assets	<u>\$ 357,421,142</u>	<u>\$ 348,693,124</u>	<u>\$ 235,311,307</u>	<u>\$ 230,407,380</u>	<u>\$ 592,732,449</u>	<u>\$ 579,100,504</u>	<u>100.0%</u>	<u>100.0%</u>

By far the largest portion of the City of Lacey's net assets (85.5 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed 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's net assets (\$1.26 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$85.32 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 is able to report positive balances in all three categories of net assets, 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.

### Changes in Net Assets

The City's total net assets were increased by \$13.6 million in 2009. The increase is explained in the following discussion of governmental and business-type activities.

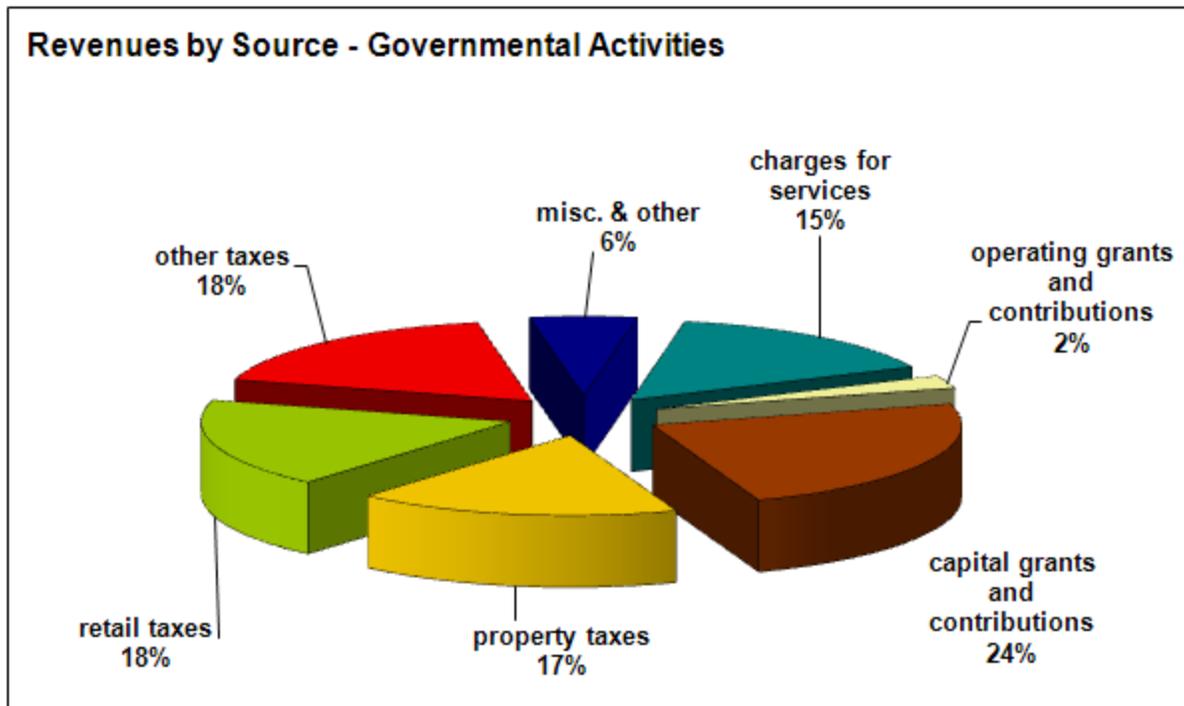
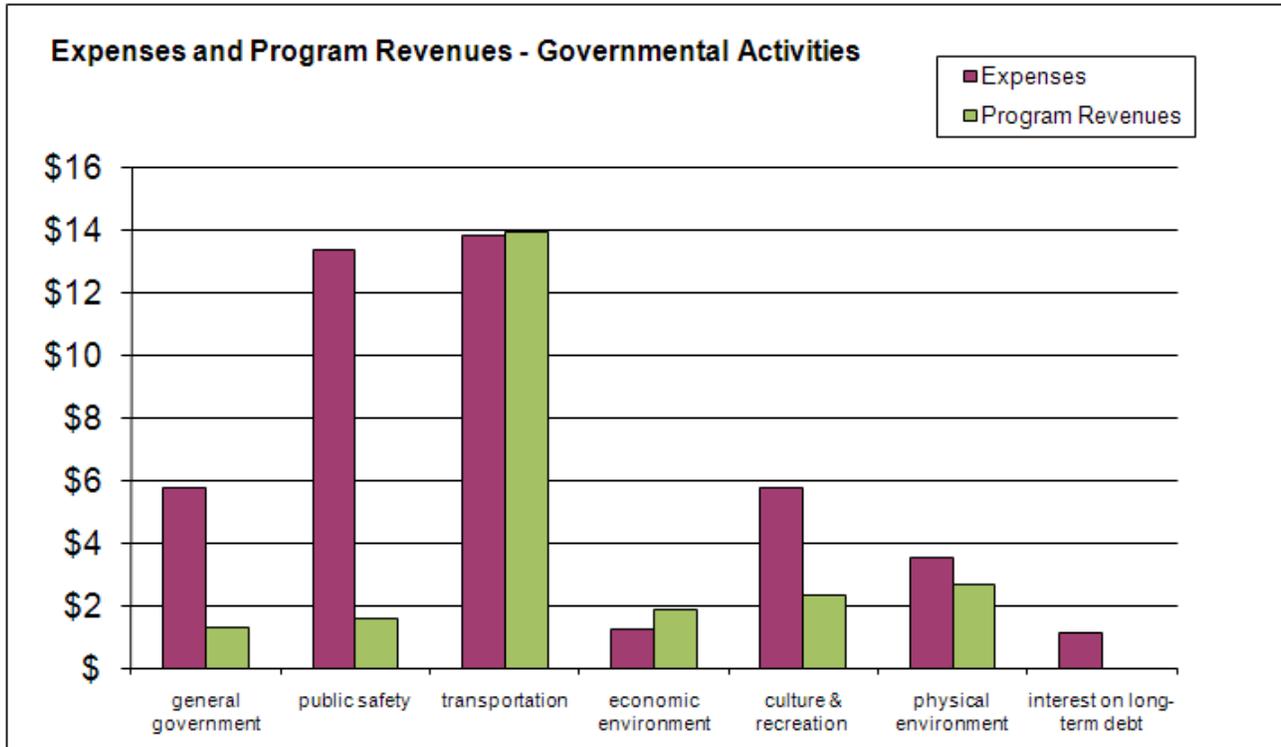
The following table provides a summary of the City's changes in net assets as of December 31, 2009 and December 31, 2008:

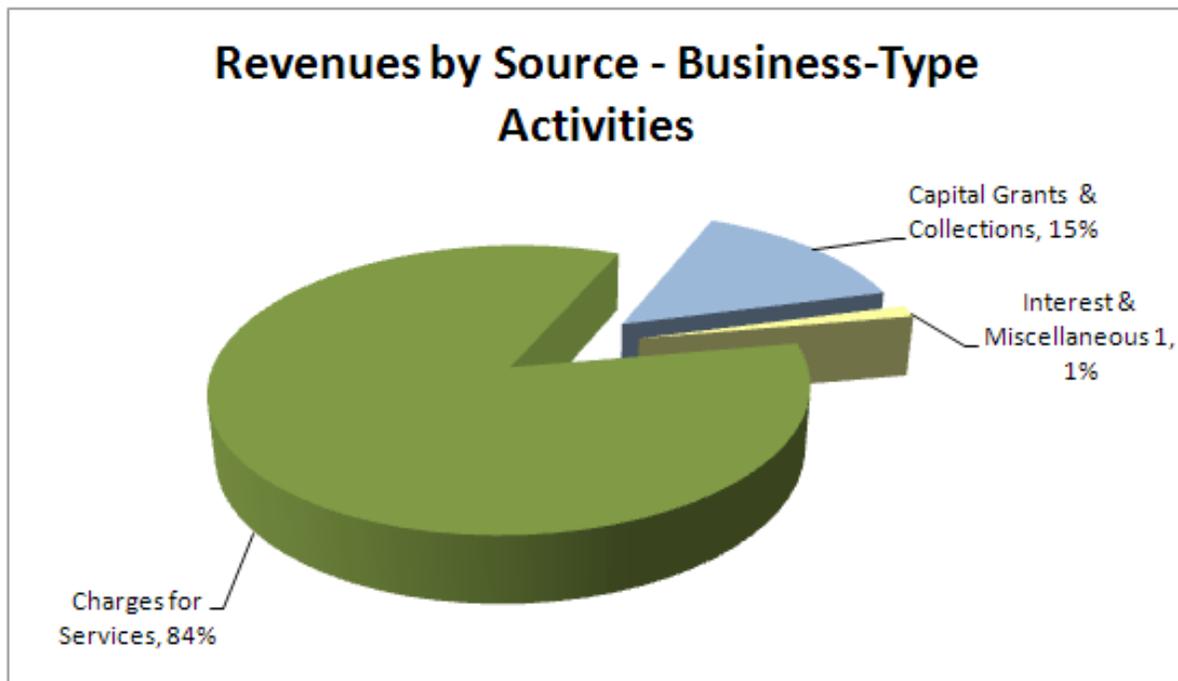
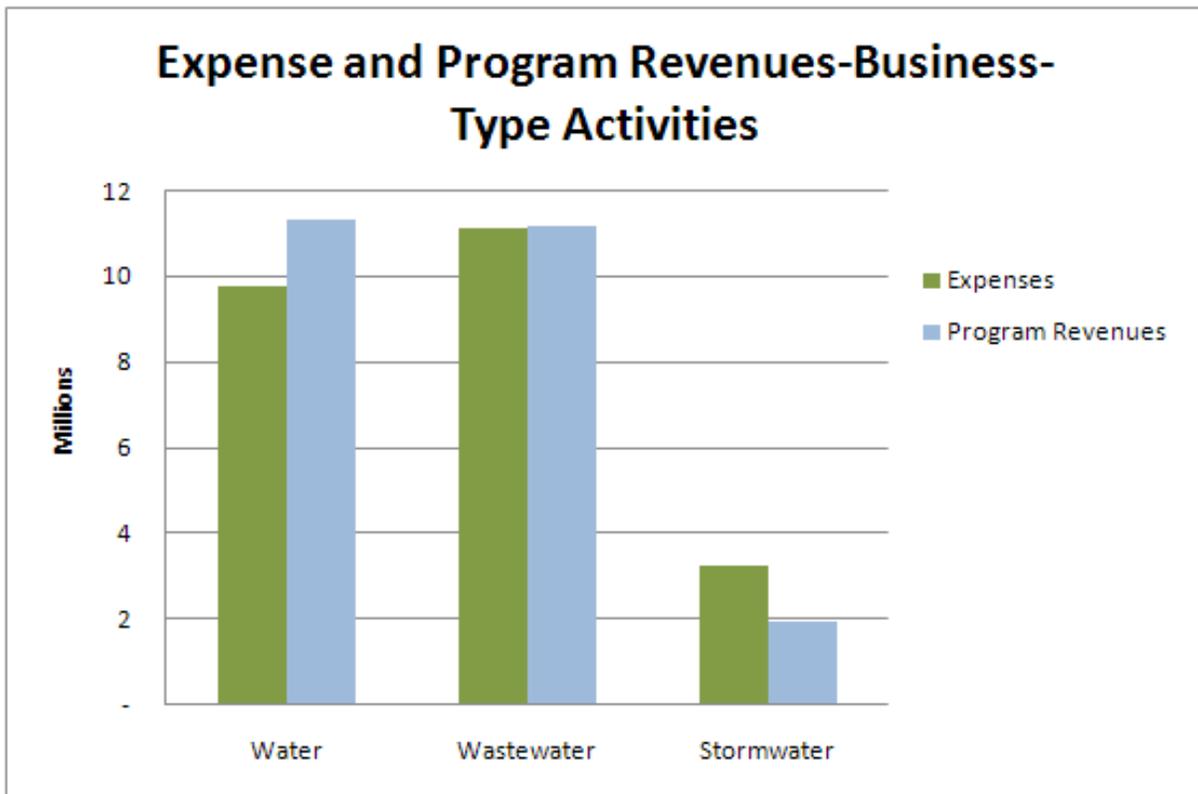
	Summary of Changes in Net Assets							
	Governmental Activities		Business-Type Activities		Total		Percent Of Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues:								
Program:								
Charges for services	\$ 9,102,142	\$ 8,753,610	\$ 24,410,456	\$ 23,569,933	\$ 33,512,598	\$ 32,323,543	41.6%	30.7%
Miscellaneous	1,227,287	1,022,072	221,157	384,288	1,448,444	1,406,360	1.8%	1.3%
Operating Grants	2,006,006	1,464,169	-	-	2,006,006	1,464,169	2.5%	1.4%
Capital Grants	9,779,352	13,469,812	4,218,566	23,931,403	13,997,918	37,401,215	17.4%	35.5%
General:								
Taxes	28,642,551	29,962,331	-	-	28,642,551	29,962,331	35.6%	28.4%
Interest	711,513	2,165,811	199,078	683,677	910,591	2,849,488	1.1%	2.7%
Total revenues	51,468,851	56,837,805	29,049,257	48,569,301	80,518,108	105,407,106	100.0%	100.0%
Program expenses:								
General Government	5,549,521	5,744,499	-	-	5,549,521	5,744,499	8.3%	8.5%
Security of Persons and Property	14,087,614	13,348,263	-	-	14,087,614	13,348,263	21.1%	19.7%
Physical Environment	3,655,963	3,525,971	-	-	3,655,963	3,525,971	5.5%	5.2%
Transportation	10,748,270	13,821,106	-	-	10,748,270	13,821,106	16.1%	20.4%
Economic Environment	1,173,736	1,260,553	-	-	1,173,736	1,260,553	1.8%	1.9%
Mental and Physical Health	11,076	8,429	-	-	11,076	8,429	0.0%	0.0%
Culture & Recreation	6,518,885	5,756,541	-	-	6,518,885	5,756,541	9.7%	8.5%
Interest on Long-Term Debt	1,023,190	1,121,716	-	-	1,023,190	1,121,716	1.5%	1.7%
Water	-	-	9,784,403	9,843,356	9,784,403	9,843,356	14.6%	14.5%
Wastewater	-	-	11,113,695	10,507,062	11,113,695	10,507,062	16.6%	15.5%
Stormwater	-	-	3,219,900	2,825,078	3,219,900	2,825,078	4.8%	4.2%
Reclaimed Water	-	-	-	66,557	-	66,557	0.0%	0.1%
Total expenses	42,768,255	44,587,078	24,117,998	23,242,053	66,886,253	67,829,131	100.0%	100.0%
Increase in net assets before transfers	8,700,596	12,250,727	4,931,259	25,327,248	13,631,855	37,577,975		
Transfers	27,332	(97,769)	(27,332)	97,769	-	-		
Change in net assets	8,727,928	12,152,958	4,903,927	25,425,017	13,631,855	37,577,975		
Beginning net assets, restated	348,693,214	336,540,166	230,407,380	204,982,363	579,100,594	541,522,529		
Ending net assets, restated	\$ 357,421,142	\$ 348,693,124	\$ 235,311,307	\$ 230,407,380	\$ 592,732,449	\$ 579,100,504		

### Governmental Activities

Governmental activities increased the City's net assets by \$8.73 million, thereby accounting for 64.0 percent of the total growth in the net assets of the City of Lacey.

- Operating revenues (charges for services) increased by \$348,532. Program expenses for general government, security of persons, property physical environment and culture and recreation incurred moderate increases in the combined amount of \$1.4 million. Economic environment and transportation experienced a combined decrease of \$3.2 million as a result of a reduction to capital projects within the Arterial Street Fund.





- Operating grants and contributions increased \$541,837 mostly due to increases to culture and recreation program revenues.
- Capital grants and contributions decreased by \$3.7 million. Cultural and recreation reported a decrease of \$466,446 which is due to the completion of the Regional Athletic Complex. Transportation reported a \$3.2 million decrease which is mostly from a \$3.7 million decrease of state Job Development Fund grant and a \$424,896 increase in Developer contributed assets, combined with a \$1.0 million increase in various transportation grants and contributions, including Department of transportation and the Transportation Improvement Board.
- General revenues decreased \$2.4 million. Property, retail sales, business and excise taxes combined decreased by \$1.3 million, mostly due to one-time sales tax on new construction. Interest and investment earnings and miscellaneous revenue decreased \$1.2 million. Interest and investment earnings accounted for the majority of the decrease due to severe interest rate declines.
- Expenses decreased \$1.8 million (4.1 percent), A decrease of \$3.1 million to transportation expenses due to completed road projects (6<sup>th</sup> Avenue Realignment and Mullen Road – East) were partially offset by increases to the cost of labor due to contracted cost of living adjustments and maintenance of medical premiums and dental premiums. Other increases in expenditures paralleled inflation and growth.

### **Business-type Activities**

Business-type activities increased the City's net assets by \$4.9 million, accounting for 36.0 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Water, Wastewater and Stormwater sales increased 3.6 percent (\$840,523). This is a result of rates increases.
- Contributed Capital attributed to 14.5 percent (\$4.2 million) of business-type revenues and interest and investment earnings totaled \$199,078.

### **Governmental Functional Expenses**

Public safety costs make up 32.9 percent of the total governmental expenses. Transportation costs comprise 25.1 percent of the City's total governmental expenses. The culture and recreation expenses make up 15.2 percent and general government services expenses make up 13.0 percent of governmental expenses.

This table presents the cost of each of the City'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's taxpayers by each of these functions.

**Governmental Activities**

	Total Cost Of Services		Net Cost Of Services	
	2009	2008	2009	2008
General Government	\$ 5,549,521	\$ 5,744,499	\$ (4,422,986)	\$ (4,459,059)
Public Safety	14,087,614	13,348,263	(11,906,890)	(11,754,881)
Physical Environment	3,655,963	3,525,971	(797,533)	(848,795)
Transportation	10,748,270	13,821,106	337,677	85,108
Economic Environment	1,173,736	1,260,553	(70,257)	616,488
Culture & Recreation	6,518,885	5,756,541	(3,986,500)	(3,408,203)
Int & Other Debt Service Costs	1,023,190	1,121,716	(1,023,190)	(1,121,716)
Other	11,076	8,429	(11,076)	(8,429)
	<u>\$ 42,768,255</u>	<u>\$ 44,587,078</u>	<u>\$ (21,880,755)</u>	<u>\$ (20,899,487)</u>

**Financial Analysis of City Funds**

As noted earlier, the City 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's governmental funds as of December 31, 2009 and December 31, 2008:

**Revenue, Expenditure, and Fund Balance Summary  
Governmental Funds**

Major Funds	General Fund		Arterial Street Fund		L.I.D. Redemption Fund	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Taxes	\$ 19,792,424	\$ 19,835,164	\$ 1,171,202	\$ 1,920,004	\$ -	\$ -
License and permits	1,367,259	1,743,108	-	-	-	-
Intergovernmental revenues	1,371,647	956,485	5,262,842	8,211,254	-	-
Charges for services	5,908,656	6,099,190	1,422,704	997,808	-	-
Fines & forfeitures, restated	929,978	492,269	-	-	-	-
Other revenue	372,080	700,680	104,727	347,276	515,998	1,145,466
Total revenues	<u>29,742,044</u>	<u>29,826,896</u>	<u>7,961,475</u>	<u>11,476,342</u>	<u>515,998</u>	<u>1,145,466</u>
<b>Expenditures</b>	<u>27,629,423</u>	<u>26,976,679</u>	<u>7,107,523</u>	<u>9,492,662</u>	<u>552,391</u>	<u>1,214,731</u>
<b>Other Financing Sources and Uses</b>						
Transfers	379,836	(2,014,410)	850,000	1,500,000	-	-
Total other financing sources and uses	<u>379,836</u>	<u>(2,014,410)</u>	<u>850,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>						
Reserved	133,089	128,738	120,000	385,000	-	-
Unreserved, designated	15,113,166	8,416,621	-	-	-	-
Unreserved, undesignated, restated	10,081,576	14,290,015	10,867,791	8,898,839	104,247	140,640
Total fund balances, restated	<u>\$ 25,327,831</u>	<u>\$ 22,835,374</u>	<u>\$ 10,987,791</u>	<u>\$ 9,283,839</u>	<u>\$ 104,247</u>	<u>\$ 140,640</u>

**Revenue, Expenditure, and Fund Balance Summary  
Governmental Funds**

Nonmajor Funds	Special Revenue Funds		Debt Service Funds		Capital Projects Funds	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Taxes	\$ 2,192,173	\$ 2,331,741	\$ 1,489,470	\$ 1,486,535	\$ 3,885,866	\$ 4,264,440
License and permits	-	-	-	-	18,636	-
Intergovernmental revenues	980,769	587,349	-	-	727,346	1,191,784
Charges for services	212,470	47,754	-	-	20,000	-
Fines & forfeitures	-	-	-	-	-	-
Other revenue	78,890	186,387	2,839	26,309	110,124	689,633
<b>Total revenues</b>	<b>3,464,302</b>	<b>3,153,231</b>	<b>1,492,309</b>	<b>1,512,844</b>	<b>4,761,972</b>	<b>6,145,857</b>
<b>Expenditures</b>	<b>3,251,745</b>	<b>2,633,571</b>	<b>2,092,950</b>	<b>2,059,103</b>	<b>5,332,246</b>	<b>21,133,604</b>
<b>Other Financing Sources and Uses</b>						
Transfers	202,431	-	579,730	552,402	(1,928,242)	(587,992)
<b>Total other financing sources and uses</b>	<b>202,431</b>	<b>-</b>	<b>579,730</b>	<b>552,402</b>	<b>(1,928,242)</b>	<b>(587,992)</b>
<b>Fund Balances</b>						
Reserved	1,008,246	1,022,256	-	-	-	893,885
Unreserved, designated	435,000	435,000	-	-	3,181,089	3,136,582
Unreserved, undesignated	2,746,156	2,317,158	360,391	381,301	5,675,973	7,325,111
<b>Total fund balances</b>	<b>\$ 4,189,402</b>	<b>\$ 3,774,414</b>	<b>\$ 360,391</b>	<b>\$ 381,301</b>	<b>\$ 8,857,062</b>	<b>\$11,355,578</b>

### Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$49.8 million, an increase of \$2.1 million in comparison with the prior year. Approximately 59.9 percent (\$29.8 million) of this total amount constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The \$20.0 million remaining of the fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed for 1) lodging tax total fund balance (\$958,246), 2) debt service (\$270,000), 3) a variety of other restricted purposes (\$33,089), and 4) a variety of other *fund designated* purposes (\$18.7 million). Additional information on the City's reserved purposes can be found on page 4-38 of this report.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$10.1 million, while the total fund balance reached \$25.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 36.5 percent of the total general fund expenditures, while total fund balance represents 91.7 percent of that same amount.

The fund balance of the City's General Fund was increased by \$2.5 million during the current fiscal year. Key factors in this growth are as follows:

- A \$2,350,000 decrease to one-time transfers out from the Current Expense Fund to the Arterial Street and Building Improvement Funds for capital improvements.

- A decrease to revenues due to the recession. The revenue sources most impacted by the economic downturn were those related to new construction.
- Current expenditures increased by 2.4 percent (\$652,744) primarily due to increases in payroll expenditures due cost of living and market increases as well as contractual increases for benefits.

The **Arterial Street Fund** has a total fund balance of \$11.0 million, of which \$120,000 is reserved for the payment of debt service, and the remaining \$10.9 million is unreserved to indicate that it is available for new spending. Revenues decreased \$3.5 million mostly due to the 2009 collection of state job development fund grant in 2008 for the Gateway project. Expenditures decreased by \$2.4 million. The net increase in the fund balance during the current year was \$1.7 million.

The **Local Improvement District Bond Fund** has a total fund balance of \$104,247 as of the end of current fiscal year. The L.I.D 19 (NE area transportation improvements district) is the only remaining improvement in this fund 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 assets of the Water, Wastewater, Stormwater and Reclaimed Water operations at the end of the year amounted to \$16.0 million. The total growth in net assets for these funds was \$4.7 million. 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

During the year there was a \$977,364 million decrease in appropriations between the original and final amended budget. Following are the components of the 2009 budget amendments:

- Collection of internal services charges for equipment replacement was deferred during 2009. Budget reductions of \$308,000 and \$305,700 worth of internal service charges were implemented for the equipment rental replacement and information systems, respectively.
- Professional services were increased \$64,228. The professional services amendments included decreases due to revenue reductions and increases that were funded through grant awards.
- Salaries, overtime, and benefits decreased \$423,450. Full and part-time salaries decreased \$256,080. Overtime decreased \$84,750. Benefits associated with the salary and overtime decreases amounted to \$82,620.
- Contractual services experienced a net decrease of \$136,758.
- The total decrease was due to reductions to revenue sources impacted by the recession. The reductions included \$166,679 and \$453,349 decreases to sales tax and business and occupation tax, respectively. Revenue sources related to development service including building permits and plan check fees decreased \$690,000.

## Capital Assets and Debt Administration

### Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to \$524.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and infrastructure. The City's investments in capital assets were increased by \$7.9 million or 1.5% (1.6% from governmental activities and 1.4% from business-type activities) from previous year. The following schedule shows the City's investment in capital assets.

	Capital Assets (Amounts Presented in \$1,000's)									
	Governmental Activities		Business-Type Activities		Total		Percent Of Total			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Non-depreciable assets:										
Land	\$ 121,582	\$ 116,612	\$ 9,584	\$ 7,201	\$ 131,166	\$ 123,813	18.7%	18.3%		
Construction in progress	13,172	16,475	5,765	3,554	18,937	20,029	2.7%	3.0%		
Total non-depreciable	<u>134,754</u>	<u>133,087</u>	<u>15,349</u>	<u>10,755</u>	<u>150,103</u>	<u>143,842</u>	<u>21.4%</u>	<u>21.2%</u>		
Depreciable assets:										
Buildings	27,051	16,311	1,521	1,521	28,572	17,832	4.1%	2.6%		
Improvements	11,046	10,778	244,953	240,563	255,999	251,341	36.5%	37.1%		
Infrastructure	254,381	252,288	-	-	254,381	252,288	36.2%	37.2%		
Machinery and equipment	10,732	9,791	2,530	2,540	13,262	12,331	1.9%	1.8%		
Total depreciable assets	<u>303,210</u>	<u>289,168</u>	<u>249,004</u>	<u>244,624</u>	<u>552,214</u>	<u>533,792</u>	<u>78.6%</u>	<u>78.8%</u>		
Total cost of capital assets	437,964	422,255	264,353	255,379	702,317	677,634	100.0%	100.0%		
Less accumulated depreciation	<u>132,267</u>	<u>121,412</u>	<u>45,903</u>	<u>39,955</u>	<u>178,170</u>	<u>161,367</u>				
Book value - capital assets	\$ <u>305,697</u>	\$ <u>300,843</u>	\$ <u>218,450</u>	\$ <u>215,424</u>	\$ <u>524,147</u>	\$ <u>516,267</u>				
Percentage depreciated	<u>30.2%</u>	<u>28.8%</u>	<u>17.4%</u>	<u>15.6%</u>	<u>25.4%</u>	<u>23.8%</u>				

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

- Land and improvement for the governmental activities increased by \$4.9 million which includes \$3.7 million from developer contributed land & rights of way and the remaining \$1.2 million was due to land parcels and right of ways purchases by the City for the City's various projects. Business-type activities had a \$2.4 million increase which includes a \$2.1 million for the acquisition of Old Brewery water rights and \$0.3 million for Woodland trail parcel acquisition.
- Construction in progress for Governmental activities had a net decrease of \$3.3 million. A total of \$9.8 million was added during 2009, which included \$6.9 million from various new and existing street projects and \$2.9 million for completion of the city hall expansion project. A total of \$13.1 million of city projects that began during and/or prior to 2009 were completed during 2009. This includes a \$10.7 million of city hall expansion project and \$2.4 million for various street projects. Business-type activities had a net increase of \$2.2 million. \$5.3 million of various water and wastewater improvement projects were added during 2009, which includes a \$3.9 million in Gateway lift station project, \$1.1 million for waterline replacement projects, and \$0.3 million in various lift station upgrade projects. \$3.1 million in various projects began prior to 2009 were completed during 2009 and transferred out to improvement asset class which included a \$2.1 million in Old Brewery water rights project.
- The increase of \$10.7 million to buildings resulted from transfer from construction-in-progress for the city hall expansion project, which was completed during 2009.

- Infrastructure assets had a net increase of \$2.1 million. The increase was mostly from two street overlay projects completed during 2009. The City also recorded \$0.4 million of developer contributed streets and lights in 2009.
- Improvements include park facilities, water, sewer and wastewater lines and facilities, and other improvements. A city hall parking lot improvement project (\$0.3 million) increased governmental activities. Business-type activities increased \$4.4 million. \$3.0 million was due to the addition of developer contributed lines and pipes. The remaining \$1.4 million consisted of \$1.2 million in various water and wastewater line improvement projects that were completed during 2009 and \$0.2 million for automated meters that were purchased during the year.
- Equipment for governmental activities had a net increase of \$0.9 million. The City purchased about \$0.3 million in furniture for city hall expansion project and the remaining \$0.6 million net increase was from internal services funds activities.

Additional information on the City's capital assets can be found in Note 3-D starting on page 4-30 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 has three types of debt issues outstanding: general obligation, revenue, and special assessment 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's debt position.

Special assessment debt created from the formation of a local improvement district (LID) is another form of debt issued and administered by the City. 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. The City 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.

The City 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 has a revenue bond coverage ratio requirement of 120 percent of maximum annual debt.

The City of Lacey maintained an "AA/Stable" rating from Standard & Poor's for both limited tax general obligation debt and unlimited tax general obligation debt and "Aa3" and "A1" ratings from Moody's Investors Service for limited tax general obligation debt and unlimited tax general obligation debt, respectively in 2009. Previous revenue bonds of the City's water and sewer utilities funds received "A2" from Moody's Investors Service in 2009.

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's credit quality does not result. Lacey's general facilities connection charges for water and wastewater services have minimized the need to issue debt.

**Long-term Debt**

At the end of the current fiscal year, the City of Lacey had total bonded debt outstanding of \$23.2 million and a State of Washington (Public Works projects) loan of \$1.8 million. Of the \$23.7 million bonded debt, \$23.2 million comprises debt backed by the full faith and credit of the government and \$270,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Lacey's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

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

	Governmental Activities		Business-Type Activities		Totals		Percentage Change
	2009	2008	2009	2008	2009	2008	
General obligation bonds	\$ 23,210	\$ 24,320	\$ -	\$ -	\$ 23,210	\$ 24,320	(4.6%)
Special assessment debt	270	535	-	-	270	535	0.0%
Revenue bonds	182	197	-	-	182	197	0.0%
Capital leases	-	-	-	-	-	-	0.0%
PWTF and other loans	1,768	1,964	-	-	1,768	1,964	(10.0%)
<b>Total</b>	<b>\$ 25,430</b>	<b>\$ 27,016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,430</b>	<b>\$ 27,016</b>	<b>(5.9%)</b>

The City's total outstanding debt decreased by \$1.6 million (5.9 percent) during the current fiscal year of which equals to the amount of debt redemption during 2009. The debt per capita was approximately \$647.89, which is substantially below the national average.

Additional information on the City of Lacey's long-term debt can be found in note 3-H on pages 4-34 to 4-38.

**Economic Factors and Next Year's Budgets and Rates**

- The 2009 average unemployment rate for the County was 7.4 percent, which is an increase from a rate of 5.4 percent a year ago. This is lower compared to the state's average unemployment rate of 8.9 percent and the national average rate of 9.3 percent.
- The City's population continues to grow, (39,250 in the current fiscal year) and is placing more demand on services. Prior to the recession, revenue growth to property tax, sales tax, and planning and inspection fees offset the costs associated with growth. In 2009 revenues declined, so the growth no longer offsets rising operating costs. The City's population is growing faster than the State average. The City's population increased 3.2 percent while the State's population only increased by 1.2 percent.

During the current fiscal year, unreserved, undesignated fund balance in the general fund decreased \$4.4 million (30.3 percent) to \$10.1 million. This decrease did not impact the net increase in fund balance in 2009. The decrease was caused by additional designations of unreserved fund balance.

The Water utility rates in the 2009 budget year were increased by 12.5 percent. The City 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 rates increased \$1.75 per month in the 2009 budget. These rates along with general facility charges, fund the current operating expenses, maintenance of the system, replacement, and/or 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's Finance Department, 420 College Street SE, P.O. Box 3400, Lacey, Washington, 98509-3400.



This page intentionally left blank



# BASIC FINANCIAL STATEMENTS



Statement of Net Assets  
December 31, 2009

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 56,250,539	\$ 3,430,024	\$ 59,680,563
Receivables (net)	12,020,035	1,217,754	13,237,789
Internal balances	(872,388)	872,388	-
Inventories	-	183,662	183,662
Prepayments	17,804	175,222	193,026
Deferred charges	178,240	-	178,240
Restricted:			
Cash and cash equivalents	195,466	12,601,131	12,796,597
Investments	743,453	-	743,453
Investment in joint venture	15,839,828	-	15,839,828
Capital assets:			
Non-depreciable	134,754,337	15,348,939	150,103,276
Depreciable, net	170,942,989	203,101,076	374,044,065
<b>Total assets</b>	<b>390,070,303</b>	<b>236,930,196</b>	<b>627,000,499</b>
<b>LIABILITIES</b>			
Accounts payable	1,647,168	1,443,116	3,090,284
Interest payable	109,061	-	109,061
Unearned revenue	3,000,861	-	3,000,861
Unamortized premium	207,804	-	207,804
Long-term liabilities:			
Due within one year	1,745,277	80,313	1,825,590
Due in more than one year	25,668,990	95,460	25,764,450
Special assessment debt with governmental commitment:			
Due within one year	170,000	-	170,000
Due in more than one year	100,000	-	100,000
<b>Total liabilities</b>	<b>32,649,161</b>	<b>1,618,889</b>	<b>34,268,050</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	287,705,043	218,450,014	506,155,057
Restricted for:			
Culture and recreation	958,246	-	958,246
Debt service	270,000	-	270,000
Other purposes	33,088	-	33,088
Unrestricted	68,454,765	16,861,293	85,316,058
<b>Total net assets</b>	<b>\$ 357,421,142</b>	<b>\$ 235,311,307</b>	<b>\$ 592,732,449</b>

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

Statement of Activities  
For the Year Ended December 31, 2009

Functions/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,549,521	\$ 1,004,741	\$ 111,894	\$ 9,900
Security of persons and property	14,087,614	1,384,988	787,653	8,083
Physical environment	3,655,963	2,858,430	-	-
Transportation	10,748,270	1,466,950	598,927	9,020,070
Economic environment	1,173,736	1,083,943	-	19,536
Mental and physical health	11,076	-	-	-
Culture and recreation	6,518,885	1,303,090	507,532	721,763
Interest on long-term debt	1,023,190	-	-	-
<b>Total governmental activities</b>	<b>42,768,255</b>	<b>9,102,142</b>	<b>2,006,006</b>	<b>9,779,352</b>
Business-type activities:				
Water	9,784,403	11,319,761	-	1,574,219
Wastewater	11,113,695	11,161,598	-	1,784,082
Stormwater	3,219,900	1,929,097	-	860,265
<b>Total business-type activities</b>	<b>24,117,998</b>	<b>24,410,456</b>	<b>-</b>	<b>4,218,566</b>
<b>Total primary government</b>	<b>\$ 66,886,253</b>	<b>\$ 33,512,598</b>	<b>\$ 2,006,006</b>	<b>\$ 13,997,918</b>

General revenues:  
 Property taxes  
 Retail taxes  
 Business taxes  
 Excise taxes  
 Penalties & interest  
 Interest and investment earnings  
 Miscellaneous  
 Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning , restated

Net assets - ending

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

Net(Expense)Revenues and Changes in Net Assets Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,422,986)	\$ -	\$ (4,422,986)
(11,906,890)	-	(11,906,890)
(797,533)	-	(797,533)
337,677	-	337,677
(70,257)	-	(70,257)
(11,076)	-	(11,076)
(3,986,500)	-	(3,986,500)
(1,023,190)	-	(1,023,190)
<u>(21,880,755)</u>	<u>-</u>	<u>(21,880,755)</u>
-	3,109,577	3,109,577
-	1,831,985	1,831,985
-	(430,538)	(430,538)
<u>-</u>	<u>4,511,024</u>	<u>4,511,024</u>
<u>(21,880,755)</u>	<u>4,511,024</u>	<u>(17,369,731)</u>
10,095,561	-	10,095,561
9,110,586	-	9,110,586
7,826,528	-	7,826,528
1,609,876	-	1,609,876
925	-	925
710,588	199,078	909,666
1,227,287	221,157	1,448,444
27,332	(27,332)	-
<u>30,608,683</u>	<u>392,903</u>	<u>31,001,586</u>
8,727,928	4,903,927	13,631,855
<u>348,693,214</u>	<u>230,407,380</u>	<u>579,100,594</u>
<u>\$ 357,421,142</u>	<u>\$ 235,311,307</u>	<u>\$ 592,732,449</u>

Balance Sheet  
Governmental Funds  
December 31, 2009

	General	Arterial Street	L.I.D. Redemption
<b>ASSETS</b>			
Current cash & cash equivalents	\$ 22,951,619	\$ 12,405,463	\$ 104,247
Receivables (net of allowances):			
Taxes	2,910,935	163,433	-
Customer accounts	519,803	774,361	-
Interfund loans receivable	-	-	-
Due from other governmental units	33,059	957,719	182,000
Prepayments	17,804	-	-
Restricted assets:			
Cash deposits	191,891	600	-
Investments	-	743,453	-
Special assessments deferred	-	-	4,739,294
<b>Total assets</b>	<b>\$ 26,625,111</b>	<b>\$ 15,045,029</b>	<b>\$ 5,025,541</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	393,982	278,468	-
Due to other governmental units	-	38,057	-
Advance payments	113,228	-	-
Interfund loans payable	-	-	-
Custodial accounts:			
Deposits	191,891	600	-
Deferred revenue	598,179	862,310	4,921,294
Unearned revenue	-	2,877,803	-
<b>Total liabilities</b>	<b>1,297,280</b>	<b>4,057,238</b>	<b>4,921,294</b>
<b>Fund balances</b>			
Reserved for:			
Culture and recreation	-	-	-
Debt service	100,000	120,000	-
Other purposes	15,285	-	-
Prepaid items	17,804	-	-
Unreserved, designated for, reported in:			
Contingency	1,460,940	-	-
Criminal bail	146,660	-	-
Furniture and equipment	217,500	-	-
Property acquisitions	1,500,000	-	-
Insurance	200,000	-	-
Parks	138,066	-	-
Community center	50,000	-	-
Gateway project	5,200,000	-	-
Senior center addition	1,500,000	-	-
City facilities	2,000,000	-	-
Utilities	2,700,000	-	-
Special revenue funds	-	-	-
Capital project funds	-	-	-
Unreserved, undesignated for:			
General fund	10,081,576	-	-
Special revenue funds	-	10,867,791	-
Debt service funds	-	-	104,247
Capital project funds	-	-	-
<b>Total fund balances</b>	<b>25,327,831</b>	<b>10,987,791</b>	<b>104,247</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,625,111</b>	<b>\$ 15,045,029</b>	<b>\$ 5,025,541</b>

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

Other Governmental Funds	Total Governmental Funds
\$ 12,756,291	\$ 48,217,620
885,557	3,959,925
457,659	1,751,823
45,114	45,114
340,229	1,513,007
-	17,804
2,975	195,466
-	743,453
-	4,739,294
<u>\$ 14,487,825</u>	<u>\$ 61,183,506</u>
637,634	1,310,084
-	38,057
9,830	123,058
45,114	45,114
2,975	195,466
385,418	6,767,201
-	2,877,803
<u>1,080,971</u>	<u>11,356,783</u>
958,246	958,246
50,000	270,000
-	15,285
-	17,804
-	1,460,940
-	146,660
-	217,500
-	1,500,000
-	200,000
-	138,066
-	50,000
-	5,200,000
-	1,500,000
-	2,000,000
-	2,700,000
435,000	435,000
3,181,089	3,181,089
-	10,081,576
2,746,156	13,613,947
360,390	464,637
5,675,973	5,675,973
<u>13,406,854</u>	<u>49,826,723</u>
<u>\$ 14,487,825</u>	<u>\$ 61,183,506</u>



This page intentionally left blank

Reconciliation of the Balance Sheet  
To the Statement of Net Assets  
Governmental Funds  
For the Year Ended December 31, 2009

Fund balances - total governmental funds		\$ 49,826,723
Amounts reported for governmental activities in the statement of net assets are different because:		
Certain assets used in governmental activities are not financial resources and therefore are not reported in the fund statement:		
Deferred charges	\$ 178,240	
Investment in joint venture	15,839,828	16,018,068
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Non-depreciable assets	134,754,337	
Depreciable assets (net)	166,845,629	301,599,966
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		
Deferred revenues:		
Grants earned but not available	87,950	
Local court revenue receivable	197,576	
Contractor receivable	774,360	
Property taxes receivable	453,780	
Special assessments receivable	5,253,535	6,767,201
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	(109,061)	
Bonds and loans including unamortized bond premium \$207,803	(25,637,544)	
Capital leases	(26,740)	
Claims and judgments and contracts payable	(1,036,423)	
Compensated absences and OPEB Liabilities	(1,151,964)	(27,961,732)
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 assets.		
	11,170,916	11,170,916
Net assets of government activities.		\$ 357,421,142

*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, 2009

	General	Arterial Street	L.I.D. Redemption
<b>REVENUES</b>			
Taxes	\$ 19,792,424	\$ 1,171,202	\$ -
Licenses and permits	1,367,259	-	-
Intergovernmental revenues	1,371,647	5,262,842	-
Charges for services	5,908,656	1,422,704	-
Fines and forfeitures	929,978	-	-
Other revenues	372,080	104,727	515,998
	<u>29,742,044</u>	<u>7,961,475</u>	<u>515,998</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
General government	4,818,553	-	-
Security of persons and property	13,853,373	-	-
Physical environment	3,665,080	-	-
Transportation	-	-	-
Economic environment	1,082,020	-	-
Mental and physical health	11,076	-	-
Culture and recreation	4,172,581	-	-
Capital outlay	26,740	7,107,523	-
Debt service:			
Principal retirement	-	-	461,416
Interest	-	-	90,975
	<u>27,629,423</u>	<u>7,107,523</u>	<u>552,391</u>
Total expenditures			
Excess (deficiency) of revenue over (under) expenditures	<u>2,112,621</u>	<u>853,952</u>	<u>(36,393)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	-	-	-
Proceeds from capital lease	26,740	-	-
Transfers in	353,096	850,000	-
Transfers out	-	-	-
	<u>379,836</u>	<u>850,000</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	2,492,457	1,703,952	(36,393)
FUND BALANCES - JANUARY 1, restated	<u>22,835,374</u>	<u>9,283,839</u>	<u>140,640</u>
FUND BALANCES - DECEMBER 31	<u>\$ 25,327,831</u>	<u>\$ 10,987,791</u>	<u>\$ 104,247</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 7,567,509 18,636 1,708,115 232,470 - 191,853 <hr/> 9,718,583	\$ 28,531,135 1,385,895 8,342,604 7,563,830 929,978 1,184,658 <hr/> 47,938,100
416,367 39,904 1,626 2,350,537 1,228 - 1,651,110 4,123,219 <hr/> 1,110,000 982,950 <hr/> 10,676,941 <hr/> (958,358)	5,234,920 13,893,277 3,666,706 2,350,537 1,083,248 11,076 5,823,691 11,257,482 <hr/> 1,571,416 1,073,925 <hr/> 45,966,278 <hr/> 1,971,822
57,015 - 907,161 (2,110,257) <hr/> (1,146,081) (2,104,439) <hr/> 15,511,293 <hr/> \$ 13,406,854	57,015 26,740 2,110,257 (2,110,257) <hr/> 83,755 2,055,577 <hr/> 47,771,146 <hr/> \$ 49,826,723

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, 2009

Net changes in total fund balances per fund financial statements \$ 2,055,577

Amounts reported for governmental activities in the statement of activities are different because:

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.

Expenditures for capital assets	\$ 11,237,702	
Current year depreciation	<u>(10,625,272)</u>	612,430

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 assets. Also, governmental funds report the effect of issuance costs, 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.

Capital lease financing	(26,740)	
Debt principal repayments	1,586,847	
Amortization of bond premium	13,342	
Amortization of debt issuance costs	<u>(11,065)</u>	1,562,384

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statement.

Deferred revenue - property taxes	112,340	
Deferred revenue - special assessments	(359,074)	
Deferred revenue - grants earned but not available	(655,773)	
Deferred revenue - court local revenue earned but not available	22,190	
Deferred revenue - contract receivable	<u>774,360</u>	(105,957)

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.

Claims and judgments	250,000	
Changes in investment in joint venture	281,337	
Changes in compensated absences and OPEB Liabilities	(200,284)	
Changes in accrued interest payable	<u>37,392</u>	368,445

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.

207,194

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.

(9,402)

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.

4,037,257

Changes in net assets of governmental activities

\$ 8,727,928

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

Statement of Net Assets  
Proprietary Funds  
December 31, 2009

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water	Waste- Water	Storm Water	Reclaimed Water		Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 882,471	\$ 1,709,017	\$ 738,536	\$ 100,000	\$ 3,430,024	\$ 8,032,920
Restricted cash and cash equivalents:						
Customer deposits	175,528	147,177	-	-	322,705	-
Receivables (net of allowances):						
Customer accounts	431,851	545,843	107,538	-	1,085,232	2,131
Accrued interest & penalty	3,380	8,650	-	-	12,030	-
Prepayments	7,009	168,213	-	-	175,222	-
Due from governmental units	66,551	4,538	-	-	71,089	8,738
Inventory	183,662	-	-	-	183,662	-
<b>Total current assets:</b>	<b>1,750,452</b>	<b>2,583,438</b>	<b>846,074</b>	<b>100,000</b>	<b>5,279,964</b>	<b>8,043,789</b>
Non-current assets:						
Restricted cash and cash equivalents:						
Capital acquisition	3,062,862	6,029,196	891,296	2,295,072	12,278,426	-
Special assessments	9,089	13,567	-	-	22,656	-
Special assessments deferred	24,400	2,347	-	-	26,747	-
Interfund loan receivable	-	9,500,000	-	-	9,500,000	-
Capital assets, net of depreciation:						
Land	6,038,327	770,599	2,775,535	-	9,584,461	-
Buildings	482,786	744,169	-	-	1,226,955	170,580
Improvements other than buildings	102,450,547	55,202,110	43,945,700	-	201,598,357	6,720
Equipment	110,023	156,136	9,605	-	275,764	3,920,061
Construction in progress	450,157	5,314,321	-	-	5,764,478	-
<b>Total non-current assets</b>	<b>112,628,191</b>	<b>77,732,445</b>	<b>47,622,136</b>	<b>2,295,072</b>	<b>240,277,844</b>	<b>4,097,361</b>
<b>Total assets</b>	<b>114,378,643</b>	<b>80,315,883</b>	<b>48,468,210</b>	<b>2,395,072</b>	<b>245,557,808</b>	<b>12,141,150</b>

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

Statement of Net Assets  
Proprietary Funds  
December 31, 2009

	Business-type Activities Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 227,001	\$ 838,993	\$ 23,101	\$ -	\$ 1,089,095	\$ 58,448
Due to other governmental units	19,639	9,382	2,295	-	31,316	-
Compensated absences	46,016	25,704	8,593	-	80,313	20,581
Current liabilities payable from restricted assets:						
Customer deposits	175,528	147,177	-	-	322,705	-
<b>Total current liabilities</b>	<u>468,184</u>	<u>1,021,256</u>	<u>33,989</u>	<u>-</u>	<u>1,523,429</u>	<u>79,029</u>
Non-current liabilities:						
Compensated absences	53,107	30,154	12,199	-	95,460	18,817
Interfund loan payable	9,500,000	-	-	-	9,500,000	-
<b>Total non-current liabilities</b>	<u>9,553,107</u>	<u>30,154</u>	<u>12,199</u>	<u>-</u>	<u>9,595,460</u>	<u>18,817</u>
<b>Total liabilities</b>	<u>10,021,291</u>	<u>1,051,410</u>	<u>46,188</u>	<u>-</u>	<u>11,118,889</u>	<u>97,846</u>
<b>NET ASSETS</b>						
Investment in capital assets, net of related debt						
Unrestricted	109,531,840	62,187,335	46,730,840	-	218,450,015	4,097,361
	(5,174,488)	17,077,138	1,691,182	2,395,072	15,988,904	7,945,943
<b>Total net assets</b>	<u>\$ 104,357,352</u>	<u>\$ 79,264,473</u>	<u>\$ 48,422,022</u>	<u>\$ 2,395,072</u>	<u>234,438,919</u>	<u>\$ 12,043,304</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					872,388	
Net assets of business-type activities.					<u>\$ 235,311,307</u>	

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

For the Year Ended December 31, 2009

	Business-Type Activities Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
<b>OPERATING REVENUES</b>						
Charges for services	\$ 11,319,761	\$ 11,161,598	\$ 1,929,097	\$ -	\$ 24,410,456	\$ 2,707,360
Total operating revenue	<u>11,319,761</u>	<u>11,161,598</u>	<u>1,929,097</u>	<u>-</u>	<u>24,410,456</u>	<u>2,707,360</u>
<b>OPERATING EXPENSES</b>						
Operating expense	2,744,268	7,774,356	955,364	-	11,473,988	1,961,894
Maintenance expense	3,711,915	1,710,091	781,859	-	6,203,865	228,637
Depreciation expense	2,996,740	1,554,352	1,496,096	-	6,047,188	925,519
Taxes	421,348	127,277	30,521	-	579,146	-
Total operating expenses	<u>9,874,271</u>	<u>11,166,076</u>	<u>3,263,840</u>	<u>-</u>	<u>24,304,187</u>	<u>3,116,050</u>
OPERATING INCOME (LOSS)	<u>1,445,490</u>	<u>(4,478)</u>	<u>(1,334,743)</u>	<u>-</u>	<u>106,269</u>	<u>(408,690)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenue	-	1,110,594	75,000	-	1,185,594	-
Investment earnings	13,656	162,221	9,821	13,380	199,078	71,949
Miscellaneous non-operating revenues	221,157	-	-	-	221,157	42,802
Interest expense	-	-	-	-	-	(846)
Gain (loss) on sale of capital assets	-	-	-	-	-	43,562
Total non-operating Revenues (expenses)	<u>234,813</u>	<u>1,272,815</u>	<u>84,821</u>	<u>13,380</u>	<u>1,605,829</u>	<u>157,467</u>
Income (loss) before contributions and transfers	<u>1,680,303</u>	<u>1,268,337</u>	<u>(1,249,922)</u>	<u>13,380</u>	<u>1,712,098</u>	<u>(251,223)</u>
Capital contributions	1,574,219	673,488	785,265	-	3,032,972	617,274
Transfers in	1,036,610	295,263	250,000	-	1,581,873	27,332
Transfers out	<u>(656,438)</u>	<u>(702,767)</u>	<u>(250,000)</u>	<u>-</u>	<u>(1,609,205)</u>	<u>-</u>
Changes in net assets	<u>3,634,694</u>	<u>1,534,321</u>	<u>(464,657)</u>	<u>13,380</u>	<u>4,717,738</u>	<u>393,383</u>
NET ASSETS - BEGINNING	<u>100,722,658</u>	<u>77,730,152</u>	<u>48,886,679</u>	<u>2,381,692</u>		<u>11,649,921</u>
NET ASSETS - ENDING	<u>\$ 104,357,352</u>	<u>\$ 79,264,473</u>	<u>\$ 48,422,022</u>	<u>\$ 2,395,072</u>		<u>\$ 12,043,304</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>186,189</u>	
Change in net assets of business-type activities.					<u>\$ 4,903,927</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, 2009

	Business-type Activities Enterprise Funds				Total	Governmental Activities Internal Services Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users	\$ 11,573,467	\$ 11,423,228	\$ 1,963,417	\$ -	\$ 24,960,112	\$ 2,743,193
Payments to suppliers	(3,927,059)	(7,827,941)	(1,121,803)	-	(12,876,803)	(971,629)
Payments to employees	(2,500,770)	(1,491,354)	(631,999)	-	(4,624,123)	(1,179,261)
Payments for taxes	(421,348)	(127,277)	(30,521)	-	(579,146)	-
Net cash provided by operating activities	<u>4,724,290</u>	<u>1,976,656</u>	<u>179,094</u>	<u>-</u>	<u>6,880,040</u>	<u>592,303</u>
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Transfers in from other funds	1,036,610	295,263	250,000	-	1,581,873	-
Transfers out to other funds	(656,438)	(702,767)	(250,000)	-	(1,609,205)	-
Net cash provided by non-capital financing activities	<u>380,172</u>	<u>(407,504)</u>	<u>-</u>	<u>-</u>	<u>(27,332)</u>	<u>-</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(1,601,792)	(4,438,680)	-	-	(6,040,472)	(1,142,416)
Proceeds from sales of capital assets	-	-	-	-	-	46,210
Proceeds (payment) on Interfund loan	(500,000)	500,000	-	-	-	-
Principal paid on capital leases	-	-	-	-	-	(46,113)
Interest paid on capital leases	-	-	-	-	-	(846)
Principal payments received on special assessments	5,706	13,944	-	-	19,650	-
Interest and penalties payments received on special assessments	2,468	1,496	-	-	3,964	-
Subsidy from grant	(66,551)	1,107,697	75,000	390,033	1,506,179	-
Transfer in from other funds for capital acquisitions	-	-	-	-	-	644,606
Net cash used by capital and related financing activities	<u>(2,160,169)</u>	<u>(2,815,543)</u>	<u>75,000</u>	<u>390,033</u>	<u>(4,510,679)</u>	<u>(498,559)</u>

The Accompanying Notes Are an Integral Part Of This Statement

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2009

	Business-type Activities Enterprise Funds				Total	Governmental Activities Internal Services Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Interest received on investments	\$ 11,054	\$ 160,394	\$ 9,821	\$ 13,380	\$ 194,649	\$ 71,949
Net cash provided (used) by investing activities	11,054	160,394	9,821	13,380	194,649	71,949
Net increase (decrease) in cash and cash equivalents	2,955,347	(1,085,997)	263,915	403,413	2,536,678	165,693
Cash and cash equivalents January 1	1,165,514	8,971,387	1,365,917	1,991,659	13,494,477	7,867,227
Cash and cash equivalents December 31 (including restricted cash & cash equivalents)	\$ 4,120,861	\$ 7,885,390	\$ 1,629,832	\$ 2,395,072	\$ 16,031,155	\$ 8,032,920
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Net operating income	\$ 1,445,490	\$ (4,478)	\$ (1,334,743)	\$ -	106,269	\$ (408,690)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>						
Depreciation	2,996,740	1,554,352	1,496,096	-	6,047,188	925,519
(Increase)/decrease in customer receivables	6,391	191,440	34,320	-	232,151	(2,131)
(increase)/decrease in customer deposits	26,158	70,190	-	-	96,348	-
(increase) decrease in intergovernmental receivables	-	-	-	-	-	(4,838)
(increase) decrease in prepaids	(6,679)	(168,213)	-	-	(174,892)	-
(Increase)/decrease in inventories	59,779	-	-	-	59,779	-
Miscellaneous non-operating revenues	221,157	-	-	-	221,157	42,802
Increase/(decrease) in accounts payable	(26,535)	330,485	(22,700)	-	281,250	39,355
Increase/(decrease) in intergovernmental payables	(1,839)	(963)	(396)	-	(3,198)	-
Increase/(decrease) in compensated absences	3,628	3,843	6,517	-	13,988	286
Net cash provided by operating activities	\$ 4,724,290	\$ 1,976,656	\$ 179,094	\$ -	\$ 6,880,040	\$ 592,303
<b>Noncash investing, capital and financing activities:</b>						
Contributions of capital assets from developers	\$ 1,574,219	\$ 673,488	\$ 785,265	\$ -	\$ 3,032,972	\$ -

The Accompanying Notes Are an Integral Part Of This Statement

Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2009

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 2,385,498
Due from other governmental units	49,003
Prepays	1,593
Total assets	<u>\$ 2,436,094</u>
LIABILITIES	
Accounts payable	\$ 152,779
Accrued employee leave payable	74,502
Notes payable	182,000
Due to other governmental units	2,026,813
Total liabilities	<u>\$ 2,436,094</u>

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

**Notes to the Financial Statements  
December 31, 2009**

<b>Basic Financial Statements Notes</b>	<b>page</b>
1. Summary of significant accounting policies	18
A. Reporting entity .....	18
B. Basic financial statements .....	18
C. Measurement focus, basis of accounting and financial presentation	21
D. Assets, liabilities and net assets or equities.....	22
E. Revenues, expenditures and expenses .....	25
2. Stewardship, compliance, and accountability	26
A. Procedures for adopting the original budget .....	26
B. Amending the budget .....	26
3. Detailed notes on all funds	27
A. Deposits and investments .....	27
B. Receivables .....	29
C. Property taxes .....	29
D. Capital assets .....	30
E. Interfund receivables, payables and transfers .....	32
F. Restricted assets .....	33
G. Leases .....	33
H. Long-term liabilities .....	34
I. Fund Equity .....	38
4. Other Information	39
A. Employee retirement systems and pension plans .....	39
B. Deferred compensation.....	42
C. Other postemployment benefits .....	42
D. Contingencies .....	45
E. Risk management .....	46
F. Interlocal agreements and joint ventures .....	47
G. Prior period adjustments and restatement of equity balances .....	49

---

**City of Lacey**  
**Notes to the Financial Statements**  
**December 31, 2009**

**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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The significant accounting policies are described below.

**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 focus of government-wide financial statements is on the overall financial position and activities of the City of Lacey. The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The primary government is further divided into governmental activities and business-type activities. Governmental activities are generally financed through taxes, inter-government revenues, and other nonexchange revenues, while business-type activities are financed to some degree by charging 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. For the most part, the effect of interfund activity has been removed from these statements.

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. Our policy is not to allocate indirect costs to a specific function or segment. 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.

#### 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 City's fund financial statements are divided into three broad categories, namely, (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds. 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.

GASB Statement 34 sets forth the minimum criteria for the determination of a major fund. The following describes each fund as presented in the fund financial statements:

### **Major funds**

#### Governmental funds

*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 Lacey Fire District #3, CAPCOM 911, district court, and jail services.

*Arterial Street Fund* provides funding for street construction and transportation improvement projects. Work accomplished includes right-of-way acquisition, design, and construction of roadways, storm drainage, sidewalks, street lighting, traffic signals, and landscaping.

*Local Improvement District (L.I.D.) Bond 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. There is one remaining improvement in this fund as of the end of the current fiscal year for the NE area transportation improvements.

#### Enterprise funds

*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.

*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.

*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.

*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.

### **Non-major funds**

#### Governmental funds

*City Street Fund.* The public works street division 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.

*Regional Athletic Complex (RAC) Operating Fund* accounts for revenues and expenditures for managing and operating the Regional Athletic Complex. The source of revenues is field use fees, transfers from the Lodging Tax and Parks and Open Space Funds, a portion of the sales tax distributed by the Capital Area Public Facilities District (CARPFD), an intergovernmental payment from Thurston County for their contractual share of ownership in the joint venture.

*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 grant dollars awarded to qualifying agencies serving Lacey citizens.

*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 guarantee to the city property tax revenues, must depend on all sources of general city revenue to retire debt.

*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 taxes are the main sources of revenue.

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

### Other fund types

#### Internal Service 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

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

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

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied:

*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.

*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.

Property taxes, licenses, and interest associated within the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities and net assets or equities**

##### **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 assets 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. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. For purposes of the statement of cash flows, the City considers cash on hand and the state investment pools to be cash equivalents.

##### **2. Receivables and payables (amounts owed/payable to/by the City at year-end.)**

*Taxes receivable* consists of property taxes and *related interest and penalties*. *Accrued interest receivable* consists of amounts earned on investments, notes, and contracts. *Accrued interest payable* consists of amounts owed on notes, loans, 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 assessments receivable consist of current and delinquent assessments and related interest and penalties. *Deferred assessments* consist of 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.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either "*due to/from other funds*" (i.e., the current portion of interfund loans) or "*advances to/from other funds*" (i.e., the non-current portion of interfund loans). All other outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "*internal balances*".

Loans/advances 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.

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 assets.

### 3. Inventories and prepaid items

All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Any material inventories at year-end are included in the balance sheet of the appropriate fund. Inventories are carried at cost on the first in, first out – FIFO basis.

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.

### 4. Restricted assets

Enterprise funds have accounts that contain resources for construction and/or debt services. Certain proceeds of the water and sewer fund's revenue bonds set aside for their repayment, as well as certain resources set aside for capital acquisitions are, classified as restricted assets on the statement of net assets. The current portion of related liabilities are shown as payable from restricted assets. Specific debt service reserve requirements are described in the long-term debt note.

### 5. Capital assets and depreciation

Capital assets include property, plant, equipment, and infrastructure assets (i.e., roads, sidewalks and similar items). 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 one year. 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.

The City has three sculptures capitalized 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 has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable statements.

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).

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

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

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

#### 6. Deferred revenues

This account includes amounts recognized as assets but not revenues in governmental funds because the revenue recognition criterion has not been met. Deferred revenues are further distinguished for amounts that are deferred because they are not available (deferred revenues) from amounts that are deferred because they are unearned (unearned revenues) in the governmental funds statements.

#### 7. Custodial accounts

This account reflects the liability for net monetary assets being held by the City in its agency capacity.

#### 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 December 31 and is payable upon resignation, retirement or death. Sick leave may accumulate up to 960 hours or as provided by contract. Sick leave does not vest until retirement. Upon retiring from employment with the City, each bargaining unit employee 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 forty-five (45) days sick leave (fifteen (15) days pay). 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 (2)

#### 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 designations and reservations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In case where a governmental fund does not have enough available unreserved fund balance, the fund balance reserved for that fund is limited to the extent of the amount available.

### **E. Revenues, expenditures and expenses**

#### 1. Program revenues

Program revenues include 1) charges for services to customers for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

#### 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 transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water, wastewater and stormwater function 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 non-operating 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****A. Procedures for adopting the original budget**

The City's budget procedures are mandated by the Revised Code of Washington 35A.33. 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.

**B. Amending the budget**

The budget, as adopted, constitutes the legal authority for expenditures. Budgets are reported according to Generally Accepted Accounting Principles (GAAP). The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are allowed, but the legislative authority following a hearing must approve supplemental or additional appropriations. The City's budget was amended twice during the fiscal year. The accompanying supplementary information presents both the original and amended budgetary information as approved. All appropriations, except for capital projects, lapse at year-end. Unexpended resources must be re-appropriated in the subsequent period.

Original budgeted inflows as compared to the final budgeted inflows for the year ended December 31, 2009, are as follows:

Fund	Original Budgeted Inflows	Final Budgeted Inflows	Increase (Decrease) Budgeted Inflows
General Fund	\$ 30,184,092	29,074,118	\$ (1,109,974)
City Street Fund	2,432,421	2,269,577	(162,844)
Arterial Fund	12,222,046	12,072,046	(150,000)
Regional Athletic Complex Operating Fund	702,577	786,219	83,642
Lodging Fund	400,500	400,500	-
G.O. Bond Redemption Fund	2,131,555	2,131,555	-
L.I.D. Redemption Fund	822,395	822,395	-
Building Fund	1,039,040	1,015,600	(23,440)
Capital Expenditure Fund	1,904,135	1,661,910	(242,225)
Parks & Open Space Fund	941,911	941,911	-
Regional Athletic ComplexCapital Fund	786,130	1,427,780	641,650
Equipment Rental Fund	2,057,400	1,749,400	(308,000)
Information Services Fund	1,416,343	1,110,643	(305,700)
Water Fund	13,522,840	14,007,675	484,835
Wastewater Fund	12,568,219	12,568,219	-
Stormwater Fund	2,076,880	2,076,880	-
Totals	\$ 85,208,484	\$ 84,116,428	\$ (1,092,056)

The original budgeted outflows as compared to the final budgeted outflows for the year ended December 31, 2009, are as follows:

Fund	Original Budgeted Outflows	Final Budgeted Outflows	Increase (Decrease) Budgeted Outflows
General Fund	\$ 30,279,483	29,302,119	\$ (977,364)
City Street Fund	2,432,421	2,342,295	(90,126)
Arterial Fund	15,027,334	14,877,334	(150,000)
Regional Athletic Complex Operating Fund	702,577	786,219	83,642
Lodging Fund	425,500	425,500	-
G.O. Bond Redemption Fund	2,092,955	2,092,955	-
L.I.D. Redemption Fund	822,395	822,395	-
Building Fund	3,739,040	3,808,600	69,560
Capital Expenditure Fund	2,023,935	1,779,584	(244,351)
Parks & Open Space Fund	496,885	618,527	121,642
Regional Athletic ComplexCapital Fund	1,386,130	2,314,780	928,650
Equipment Rental Fund	2,126,089	2,126,089	-
Information Services Fund	1,759,169	1,827,369	68,200
Water Fund	18,590,400	19,075,235	484,835
Wastewater Fund	20,452,110	20,852,110	400,000
Stormwater Fund	4,345,355	4,345,355	-
Reclaimed Water Fund	1,889,255	1,889,255	-
Totals	\$ 108,591,033	\$ 109,285,721	\$ 694,688

### Note 3. Detailed notes on all 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 FDIC insures 100 percent of the City's deposits in non-interest bearing accounts and up to \$250,000 for interest bearing accounts at year ended December 31, 2009, and the WPDPC covers amounts not covered by FDIC.

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 (RWC 43.250.020). In its management of LGIP the State Treasurer adheres, at all times, to the principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity to meet cash flow demands and attainment of the highest possible yield within the constraints of the first two

goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands. 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. Investments are shown on the government-wide statement of net assets at fair value.

As of December 31, 2009 the City had the following investments:

Investment Type	<u>Fair Value</u>	Average Weighted Maturity (Days)
Washington State Local Government Investment Pool (LGIP)	<u>33,709,580</u>	55
Total	<u>\$ 33,709,580</u>	
Portfolio Weighted Average Maturity		55

*Custodial credit risk- investments.* This is the risk that, in event of a failure of the counterparty to an investment transaction, the City would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. It is the City's policy that if the City enters into a repurchase agreement, the City must have a signed master repurchase agreement approved by the Public Securities Association. Transactions will be conducted with primary dealers or financial institutions qualified by the Washington Public Deposit Protection Commission. As stated beginning of this section, the City's deposits and certificates of deposits are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administrated by the Washington Public Deposit Protection Commission. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, 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 thirty-three (33) percent of total portfolio may be invested with any one commercial bank institution for certificates of deposits and no more than ten (10) percent of total portfolio with any one institution for banker's acceptance.

*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 less than 24 months. The interest rate risks of participants' balances in the LGIP are limited as the weighted average maturity of the portfolio will not exceed 90 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).

Amounts reported in the fund statements for the year ended December 31, 2009 are as follows:

Governmental Funds	
Cash and cash equivalents and investments	\$ 48,217,620
Restricted cash and cash equivalents and investments	<u>938,919</u>
Total governmental funds	<u>\$ 49,156,539</u>
Proprietary Funds	
Cash and cash equivalents	\$ 11,462,944
Restricted cash and cash equivalents (deposits)	
Restricted cash and cash equivalents (capital acquisition)	<u>12,601,131</u>
Total proprietary funds	<u>\$ 24,064,075</u>
Fiduciary Funds	
Cash and cash equivalents	<u>\$ 2,385,498</u>
Total fiduciary funds	<u>\$ 2,385,498</u>
Total all funds	<u>\$ 75,606,112</u>

Cash, deposits, and investments for the year ended December 31, 2009 are as follows:

Cash on hand	\$ 16,400
Checking accounts	22,401,890
Money market accounts	16,028,076
Certificates of deposits	3,450,166
State Investment Pool (LGIP)	<u>33,709,580</u>
Total	<u>\$ 75,606,112</u>

## B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 400,602	\$ -
Local court revenue earned but not available (general fund)	197,576	-
Grants met all eligibility requirements not yet collected (arterial street fund)	87,950	-
Mitigation fees collected but earnings process not yet complete (arterial street fund)		2,877,803
Contract receivable earned but not yet available (arterial street fund)	774,361	-
Special assessments due not yet available (community block grant)	332,240	-
Delinquent property taxes receivable (debt service fund)	53,178	-
Special assessments not yet due (debt service fund)	<u>4,921,294</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 6,767,201</u>	<u>\$ 2,877,803</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 on property values listed as of the prior May 31. 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 plays 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 \$.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) 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 2009 was \$1.84 per \$1,000 on an assessed valuation of \$4,892,602,232 for a total regular levy of \$9,002,704. Additionally, special levies for G.O. bond obligations totaled \$1,180,940.

#### D. Capital assets

Capital asset activity for the year ended December 31, 2009 was as follows:

<u>Governmental Activities</u>	Beginning			Ending
	Balance	Increases	Decreases	Balance
	01/01/2009			12/31/2009
Non-depreciable Capital Assets:				
Land and improvements	\$ 116,611,636	\$ 4,980,370	\$ 9,402	\$ 121,582,604
Construction in progress	16,475,270	9,826,493	13,130,030	13,171,733
Total non-depreciable assets	<u>133,086,906</u>	<u>14,806,863</u>	<u>13,139,432</u>	<u>134,754,337</u>
Depreciable Capital Assets:				
Buildings	16,310,694	10,739,908	-	27,050,602
Improvements	10,778,642	267,041	-	11,045,683
Infrastructure	252,287,684	2,093,148	-	254,380,832
Machinery & equipment	<u>9,791,375</u>	<u>1,640,442</u>	<u>699,295</u>	<u>10,732,522</u>
Total depreciable assets at cost	<u>289,168,395</u>	<u>14,740,539</u>	<u>699,295</u>	<u>303,209,639</u>

	Beginning Balance 01/01/2009	Increases	Decreases	Ending Balance 12/31/2009
<u>Governmental Activities</u>				
Less accumulated depreciation:				
Buildings	7,189,309	538,701	-	7,728,010
Improvements	1,514,438	513,799	-	2,028,237
Infrastructure	106,897,939	9,530,896	-	116,428,835
Machinery & equipment	<u>5,810,820</u>	<u>967,395</u>	<u>696,647</u>	<u>6,081,568</u>
Total accumulated depreciation	<u>121,412,506</u>	<u>11,550,791</u>	<u>696,647</u>	<u>132,266,650</u>
Total Depreciable assets, net	<u>167,755,889</u>	<u>3,189,748</u>	<u>2,648</u>	<u>170,942,989</u>
Governmental activities capital assets, net	<u>\$ 300,842,795</u>	<u>\$ 17,996,611</u>	<u>\$ 13,142,080</u>	<u>\$ 305,697,326</u>
	Beginning Balance 01/01/2009	Increase	Decrease	Ending Balance 12/31/2009
<u>Business-type activities</u>				
Non-depreciable Capital Assets:				
Land and improvements	\$ 7,201,039	\$ 2,383,422	\$ -	\$ 9,584,461
Construction in process	<u>3,553,876</u>	<u>5,290,242</u>	<u>3,079,640</u>	<u>5,764,478</u>
Total non-depreciable assets	<u>10,754,915</u>	<u>7,673,664</u>	<u>3,079,640</u>	<u>15,348,939</u>
Depreciable Capital Assets:				
Buildings	1,520,813	-	-	1,520,813
Improvements	240,563,079	4,456,293	65,912	244,953,460
Machinery & equipment	<u>2,539,867</u>	<u>23,126</u>	<u>32,657</u>	<u>2,530,336</u>
Total depreciable assets at cost	<u>244,623,759</u>	<u>4,479,419</u>	<u>98,569</u>	<u>249,004,609</u>
Less accumulated depreciation:				
Buildings	256,784	37,074	-	293,858
Improvements	37,477,941	5,943,074	65,912	43,355,103
Machinery & equipment	<u>2,220,190</u>	<u>67,039</u>	<u>32,657</u>	<u>2,254,572</u>
Total accumulated depreciation	<u>39,954,915</u>	<u>6,047,187</u>	<u>98,569</u>	<u>45,903,533</u>
Total depreciable assets, net	<u>204,668,844</u>	<u>(1,567,768)</u>	<u>-</u>	<u>203,101,076</u>
Business-type activities capital assets, net	<u>\$ 215,423,759</u>	<u>\$ 6,105,896</u>	<u>\$ 3,079,640</u>	<u>\$ 218,450,015</u>

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

<u>Governmental activities</u>	
General Government	\$ 197,485
Security of persons and property	137,597
Physical environment	-
Transportation	9,547,070
Economic environment	84,177
Culture and recreation	658,943
Internal services funds	<u>925,519</u>
Total governmental-type activities depreciation expense	<u>\$ 11,550,791</u>
<u>Business-type activities</u>	
Water	\$ 2,996,739
Wastewater	1,554,352
Stormwater	<u>1,496,096</u>
Total business-type activities depreciation expense	<u>\$ 6,047,187</u>

Construction in progress included in proprietary fund balance sheets represents expenditures to date on projects for which authorizations total \$11,432,580. Of the committed balance of \$5,668,102 the proprietary funds will not require future financing.

**E. Interfund receivables, payables, and transfers**

Interfund transactions are classified as follows:

1. Due to/from other funds result from goods issued, work performed, or services rendered to or for the benefit of another fund of the same government when cash is not immediately moved between the funds.
2. Transfers in/out include transfers to support the operations of other funds, contributions to the capital of enterprise or internal service funds, transfers of capital assets between proprietary and governmental funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-wide financial statements.
3. Loans/advances - Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds in the fund statements. Loans/advances between funds must be authorized by the City Council.

The composition of interfund balances as of December 31, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental fund	Nonmajor governmental fund	\$ 45,114
Wastewater Fund	Water Fund	<u>9,500,000</u>
Total		<u>\$ 9,545,114</u>

**Loans/advances from/to other funds:**

The outstanding balances between governmental funds relate to loans from Regional Athletic Complex Capital Fund to cover cash deficit in the Regional Athletic Complex Operating Fund. It is expected to repaid in year 2010

The outstanding balances between Water and Wastewater funds are for capital acquisition purposes. The amount loaned shall be repaid from funds becoming available to the Water Capital Fund together with interest at a rate equal to that earned on the City’s investment in the Local Government Investment Pool of the State Treasurer. A payment of \$500,000 was made in 2009 to reduce principal. Another \$500,000 is expected to be repaid in year 2010.

Interfund transfers activities for the year is as follows:

Fund	Purpose	Amounts Transferred In	Amounts Transferred Out
<b>Governmental Funds:</b>			
General Fund	Routine transfer from Parks and Open Space Fund for Rainier Vista Park maintenance.	\$ 353,096	\$ -
Arterial Street Fund	Non-routine transfer from Capital Expenditure Fund for street improvements.	850,000	-

Fund	Purpose	Amounts Transferred In	Amounts Transferred Out
Non-major Governmental Funds:	Non-routine transfers to Regional Athletic Complex Operating Fund from Parks and Open Space Fund \$202,431 and Lodging Tax Fund \$125,000; and \$ 579,730 routine transfer to General Obligations Bond Fund from Regional Athletic Complex Fund.	907,161	-
	Non-routine transfers of \$125,000 from Lodging Tax Fund to Regional Athletic Complex Operating Fund; non-routine transfer of \$850,000 from Capital Improvement Fund to Arterial Street Fund; routine transfer of \$353,096 from Parks and Open Space Fund to General Fund and \$202,431 to Regional Athletic Complex Operating Fund; and routine transfer of \$579,730 to General Obligation Bond Fund from Regional Athletic Complex Capital Fund.	-	2,110,257
Total Governmental Funds		<u>\$ 2,110,257</u>	<u>\$ 2,110,257</u>
Proprietary Funds			
Internal services funds	Non-routine transfers in to Equipment Rental Fund; \$19,828 from Water fund and \$7,504 from Wastewater Fund for capital asset acquisition.	\$ 27,332	\$ -
Enterprise Funds:			
Water fund	Non-routine transfer from Wastewater Fund for working capital	400,000	-
	Non-routine transfer to Equipment Rental Fund for capital asset acquisition	-	19,828
Wastewater fund	Non-routine transfer of \$400,000 to Water fund for working capital and \$7,504 to Equipment Rental Fund for capital asset acquisition.	-	407,504
Total Proprietary Funds		<u>\$ 427,332</u>	<u>\$ 427,332</u>
Total		<u>\$ 2,537,589</u>	<u>\$ 2,537,589</u>

## F. Restricted assets

The balances of the restricted assets of the enterprise funds are composed of the following:

Cash - customer deposit	\$ 322,705
Cash Investments - capital acquisition and replacement	<u>12,278,426</u>
Total restricted assets	<u>\$ 12,601,131</u>

## G. Leases

### Capital Leases

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

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 are as follows:

<u>Assets:</u>	Governmental
Machinery and equipment	<u>Activities</u>
Less: Accumulated depreciation	\$ 26,740
Total	<u>(2,674)</u>
	<u>\$ 24,066</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

<u>Year Ending December 31</u>	Governmental
2010	<u>Activities</u>
2011	\$ 5,750
2012	5,750
2013	5,750
2014	5,750
Total minimum lease payments	<u>28,750</u>
Less: amount representing interest	<u>(2,010)</u>
Present value of minimum lease payments	<u>\$ 26,740</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. Operating lease expenditures for the year ended December 31, 2009 were \$36,583. The future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 18,390
2011	18,390
2012	18,390
2013	<u>6,130</u>
Total	<u>\$ 61,300</u>

**H. Long-term liabilities**

1. Disclosures about each significant debt incurred

The City issues general obligation bonds and revenue bonds to finance the acquisition, construction, and improvements of capital facilities, and major equipment purchases.

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. For the governmental funds, long-term liabilities other than debt (i.e. compensated absences and other postemployment benefits) are generally liquidated by the general fund.

- a. General Obligation Bonds

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, 2009.

General Obligation Bonds outstanding as of December 31, 2009 are as follows:

<u>Description</u>	<u>Balance</u>
2002 Unlimited Tax General Obligation Bonds original issue amount of \$5,990,000; dated February 2002; interest rate of 3.0% to 5.0% with final maturity dated December 2021. Issued to provide for fire safety improvements. Payments are funded by special property tax levies. Interest rates are; 3.875% in 2009; 4.0% in 2010; 4.125% in 2011 & 2012; 4.375% in 2013 & 2014; 4.55% in 2015; 4.625% in 2016; 4.75% in 2017 & 2018; 4.875% in 2019; and 5.0% in 2020 & 2021.	\$ 4,225,000
2003 Unlimited Tax General Obligation Bonds original issue amount of \$5,000,000; dated July 2003; interest rate of 2.50-4.00% with final maturity date of December 2023. Purpose was to provide funds for parks improvements. Payments are funded by special property tax levies. Interest rates are 2.5% in 2009, 2.7% in 2010; 2.9% in 2011; 3% in 2012; 3.1% in 2013; 3.2% in 2014; 3.4% in 2015; 3.5% in 2016; 3.65% in 2017; 3.75% in 2018; 3.875% in 2019; 3.9% in 2020; 4% in 2021-2023.	3,760,000
2006 Limited Tax General Obligation Bonds issued amount of \$3,500,000 dated November 30, 2006; interest rate of 4% with final maturity date of December 1, 2010. Issued to provide funds to construct an addition to City Hall. Payments are funded by sales tax and transfers in from other funds.	3,110,000
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.	4,625,000
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 the Phase 2 of the Regional Athletic Complex construction. Payments are funded by with the sales and use tax levied by the Capital Area Regional Public Facilities, pursuant to RCW 82.14.390. Interest rates are: 4% in 2008-2015, 5% in 2016 & 2017; 3.75-3.90% in 2018-2021, and 4.00% in 2022-2027.	7,490,000
<b>Total</b>	<b>\$ 23,210,000</b>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,150,000	\$ 941,944
2011	1,200,000	898,674
2012	1,255,000	852,688
2013	1,300,000	804,376
2014	1,355,000	753,302
2015-2019	7,755,000	2,878,388
2020-2024	6,765,000	1,208,894
2025-2027	2,430,000	182,000
<b>Total</b>	<b>\$ 23,210,000</b>	<b>\$ 8,520,266</b>

b. 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, 2009 is as follows:

<u>Description</u>	<u>Balance</u>
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 repriced in August 2008 at 4.406% and scheduled to adjust every five years. The next repricing will be in August 2013. 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.	\$ 182,000
<b>Total</b>	<b>\$ 182,000</b>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 16,126	\$ 7,695
2011	16,851	6,970
2012	17,590	6,231
2013	18,399	5,422
2014	19,227	4,594
2015-2019	<u>93,807</u>	<u>9,418</u>
<b>Total</b>	<b><u>\$ 182,000</u></b>	<b><u>\$ 40,330</u></b>

c. Special Assessment Bonds

Special assessments bonds are not a direct responsibility of the City. The government is obligated for special assessment debt to the extent that it is required to establish a guaranty fund. At the end of 2009 the guaranty fund is maintained at approximately 100 percent of the total outstanding bonds under the fund balance of the general fund, street fund, and arterial street fund. The purpose is to guarantee payments of the special assessment bonds in the event there are insufficient funds in the Local Improvement Fund. As of December 31, 2009 the amount of delinquent special assessment receivables was \$448,034.

Special assessment bond outstanding as of December 31, 2009 is as follows:

<u>Description</u>	<u>Balance</u>
Special Assessment Bonds original issue amount of \$6,565,198; dated August 2001. interest rate of 4.00-6.00% with final maturity date October 2016. Purpose was to fund Street/Utility Improvements. Payments funded from the Arterial Street Fund and LID#19. Interest rate is 6% in 2010-2016.	\$ 270,000
<b>Total</b>	<b>\$ 270,000</b>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2010	\$ 170,000	\$ 16,200
2011	20,000	6,000
2012	20,000	4,800
2013	20,000	3,600
2014	20,000	2,400
2015-2016	20,000	1,800
Total	<u>\$ 270,000</u>	<u>\$ 34,800</u>

d. Government Loans and Contracts Payable

Government loans and contract payable outstanding as of December 31, 2009 are as follows:

Description	Balance
Washington State Public Works Trust Fund Loan original draw down amount of \$620,006; dated April 1998; (the final draw down of \$2,948,110 was made in 2001); interest rate 3.00% with final maturity date July 2018. Purpose was to fund Street/Utility Improvements. Payments funded from the Arterial Street Fund and LID#19.	\$ 1,767,742
The City has issued a credit instrument in lieu of cash as a part of agreement with Puget Sound Energy(PSE) pursuant to Schedule 85 of PSE's electric Tariff G. The purpose was to fund Lacey Gateway project duct and vault system constructed in 2007. Payments funded by Arterial Street Fund. A certificate of deposit in the face amount of the agreement is issued and deposited with the First Citizens Bank with the equal to the payment due date. Payable 10/25/2012 without interest.	743,453
Total	<u>\$ 2,511,195</u>

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2010	\$ 196,416	\$ 53,032
2011	196,416	47,140
2012	939,869	41,247
2013	196,416	35,355
2014	196,416	29,462
2015-2019	785,662	58,928
Total	<u>\$ 2,511,195</u>	<u>\$ 265,164</u>

## 2. Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2009:

Type of Debt	Beginning Balance	Additions	Reductions /Adjustments	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
G.O. bonds	\$ 24,320,000	\$ -	\$ 1,110,000	\$ 23,210,000	\$ 1,150,000
Unamortized premiums	221,146	-	13,342	207,804	-
Revenue bonds	197,431	-	15,431	182,000	16,126
Special assessment bonds	535,000	-	265,000	270,000	170,000
Total bonds payable	25,273,577	-	1,403,773	23,869,804	1,336,126
Public Works Trust Loan	1,964,157	-	196,415	1,767,742	196,416
Capital leases	46,113	26,740	46,113	26,740	5,097
Contracts payable	-	743,453	-	743,453	-
Claims and judgments	542,971	-	250,000	292,971	-
Net OPEB Obligation	221,076	366,331	227,259	360,148	-
Compensated absences	769,715	1,043,389	981,891	831,213	377,638
Total governmental activities	\$ 28,817,609	\$ 2,179,913	\$ 3,105,451	\$ 27,892,071	\$ 1,915,277
<b>Business-type Activities:</b>					
Compensated absences	\$ 161,785	\$ 205,014	\$ 191,026	\$ 175,773	\$ 80,313
Total Business-type activities	\$ 161,785	\$ 205,014	\$ 191,026	\$ 175,773	\$ 80,313

## 3. Other disclosure

Bond discounts and premiums:

In 2006 and 2007, the City of Lacey issued general obligation bonds at premium. These bond premiums and the related issuance costs are deferred and are amortized under the straight-line method over the life of the bonds (15-20 years). The deferred amounts are disclosed in the statement of net assets.

Arbitrage:

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

**I. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. As of December 31, 2009, the City's governmental funds reports the following reserved fund balances:

Purpose	Fund Reserved	Amount
Culture and recreation	Lodging Tax Fund	\$ 958,246
LID guarantee	General Fund	100,000
LID guarantee	Arterial Street Fund	120,000
LID guarantee	Street Fund	50,000
Vessel registration	General Fund	15,284
Prepaid items	General Fund	17,804
Total		\$ 1,261,334

**Note 4. Other Information****A. Employee retirement systems and-pension plans**

Substantially all City's full-time and qualifying part-time employees participate in one of the following statewide 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 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, and P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50 *Pension Disclosures, and Amendment of GAS Statement No. 25 and No. 27*.

**Public Employees Retirement System (PERS) plans 1, 2 and 3**Plan description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans, and Plan 3 is a combination of defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to age 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculation at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of services, or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applied; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation data for the plan as of June 30, 2008:

Type of Members	Number of Participants
Retirees and beneficiaries receiving benefits	73,122
Terminated plan members entitled to but not yet receiving benefits	27,267
Active plan members vested	105,212
Active plan members nonvested	56,456
<b>Total</b>	<b>262,057</b>

#### Funding policy

Each biennium the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent and do not vary from year to year. The employer and employee rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contributions rates expressed as a percentage of current-year covered payroll, as of December 31, 2009 were as follows:

Contributor	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%	5.31%	5.31%**
Employee	6.00%	3.90%	***

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$ 44,414	\$ 642,760	\$ 140,113
2008	\$ 59,680	\$ 632,660	\$ 137,683
2007	\$ 43,309	\$ 479,824	\$ 92,291

### **Law Enforcement Officers' and Fire Fighters' retirement system (LEOFF) plans 1 and 2**

#### Plan description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two defined benefit plans. Membership in the system includes all full-time, fully compensated; local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Effective January 1, 2003 firefighter emergency medical technicians (EMT's) may transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for the city, town, county, or district the EMT's job was relocated to a fire department from another city, town, county or district. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

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

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed of the Seattle Consumer Price Index).

Plan 2 members are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at age 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to age 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following

as of the latest actuarial valuation date for the plans of June 30, 2008:

Type of Members	Number of Participants
Retirees and beneficiaries receiving benefits	9,268
Terminated plan members entitled to but not yet receiving benefits	650
Active plan members vested	13,120
Active plan members nonvested	3,927
<b>Total</b>	<b>26,965</b>

#### Funding policy

Starting on July 1, 2000 Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employer and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service cost of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2009 were as follows:

Contributor	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\*The employer rate for ports and universities is 8.80.

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

Year	LEOFF Plan 1	LEOFF Plan 2
2009	\$ 161	\$ 248,420
2008	\$ 154	\$ 235,784
2007	\$ 154	\$ 206,899

#### **B. Deferred compensation**

The City offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans with ICMA (International City Manager's Association), USCM (U.S. Conference of Mayors), and Washington State Deferred are available to all eligible employees and permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

#### **C. Postemployment benefits other than pensions (OPEB)**

In addition to the pension benefits described in Note 4-A, the City of Lacey provides post employ-

ment 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, 2009, the plan has thirteen (13) Police retired members and one (1) Police active member, a total of fourteen (14) plan members. The LEOFF 1 Retiree Health Plan does not issue a publically 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 2007 through 2009 by the City are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
AWC medical premiums	\$ 160,656	\$ 162,428	\$ 159,536
Reimbursement of other eligible costs	61,449	16,642	14,233
Long-term care insurance premiums	5,154	5,868	6,443
Total	<u>\$ 227,259</u>	<u>\$ 184,938</u>	<u>\$ 180,212</u>
Average cost per retiree	\$ 17,481	\$ 14,226	\$ 12,872

**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 calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 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.

	2009
Annual required contribution (ARC):	
Normal cost	\$ 10,847
Amortization of UAAL	366,121
Total ARC	<u>376,968</u>
Interest on net OPEB obligation	9,948
Adjustment to annual required contribution	<u>(20,585)</u>
Annual OPEB cost (expense)	366,331
Contributions made	<u>(227,259)</u>
Increase in net OPEB obligation	139,072
Net OPEB obligation - Beginning of year	<u>221,076</u>
Net OPEB obligation - End of year	<u>\$ 360,148</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2009 and the two preceding fiscal years. Since these benefits have been funded on a "pay as you go" basis, the OPEB liability at transition year (2007) was set to zero, in accordance with GASB 45.

Fiscal year Ended	Annual Required Contributions*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 180,212	\$ 180,212	100%	\$ -
12/31/2008	406,014	184,938	46%	221,076
12/31/2009	366,331	227,259	60%	360,148

\*Annual required contributions are the adjusted amounts.

**Funding Status and Funding Progress.** As of December 31, 2009, the actuarial accrued liability for benefits was \$ 3,931,976, all of which was unfunded. The covered payroll (total annual amount for police department benefits budget) was \$1,384,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 284 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 56.22 was assumed for the one remaining active member for the purpose of determining the actuarial accrued liability. *Termination and mortality rates* were assumed to follow the LEOFF1 termination and mortality rates used in the September 30, 2006 actuarial valuation report issued 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 2007. The medical inflation trend assumption starts at 9 percent in 2007 and decrease to an ultimate rate of 5 percent in 2015. The results were based on grouped data with 4 active groupings and 4 inactive groupings. *Payroll growth rate* was assumed at 4.5 percent per year and is reduced by the payroll each member that leaves active service. *The actuarial cost method* used to determine the actuarial accrued liability was Projected Unit Credit. These assumptions are individually and collectively reasonable for the purposes of this valuation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over 15 years, beginning 2008.

## **2. Association of Washington Cities Employee Benefit Trust ("Trust") – Non-LEOFF I Retiree Medical Plan**

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

**Funding Policy.** The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute \$668.43 per month for non-Medicare enrolled retiree-only coverage, \$1,339.17 for non-Medicare enrolled retiree and spouse coverage, \$1,035.56 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$731.95 for Medicare-enrolled retiree and spouse coverage.

Participating employers are contractually required to contribute at a rate assessed each year by Trust, currently computed at 8.01 percent of annual covered payroll. The City's contributions to the Trust for the year ended December 31, 2009, was \$1,885,051, which equaled the required contributions of that year.

### **D. Contingencies**

#### Litigation

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.

Subsequent to the close of the fiscal year, the City of Lacey and Board of Commissioners of Thurston County Fire District No. 3 proposed annexation of the City of Lacey into the Thurston County Fire Protection District No. 3 for the purposes of fire and emergency medical services. The City has contracted for fire and emergency medical services with Thurston County Fire Protection District

No. 3 since its incorporation in 1966. The present agreement expires on December 31, 2010. Both the City and Fire District believe the best means of providing fire and emergency medical services is through annexation.

#### 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 or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The City's management believes that such disallowances, if any, will be immaterial.

#### Bond indentures

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

#### Construction Commitments

At year end, the City's major construction commitments included:

- 6<sup>th</sup> Avenue Realignment/Sleater-Kinney Rehab
- Carpenter Road Widening
- College Street & 22<sup>nd</sup> Avenue Roundabout
- College Street Corridor Right of Way Acquisition
- Martin Way Interchange Justification Report
- Martin Way Widening (WSDOT)
- Marvin Road Interchange Justification Report
- Mullen Road Extension
- Mullen Road & Carpenter Road Intersection Improvements
- Willamette Drive & 31<sup>st</sup> Avenue Intersection Improvements
- Woodland Trail Improvements – Phase 2
- Residential Street Overlay and Rehabilitation

The 2010 Arterial Street Fund budgeted expenditures are \$17,013,921 which includes the completion of these projects

### **E. 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 136 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 \$500,000, 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. These revenues directly offset portions of the membership's annual assessment.

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.

## **F. Interlocal agreements and joint ventures**

### **Capital Area Regional Public Facilities District (PFD).**

In 2003, the City of Lacey entered into a contract with the Capital Area Regional Public Facilities District (PFD) for the acquisition, development, operation and maintenance of the Lacey Area Athletic, Recreation and Special Events Complex. The PFD 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 moneys collected as sales taxes shall only be used for the purposes permitted under RCW 82.14.390 and RCW 35.57.020. In 2009, the City of Lacey received \$877,936 in sale taxes levied by the PFD 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 assets, as of December 31, 2009 were \$386,689. Assets purchased by or forfeited to the drug unit are owned by the participants. All monies and equipment remain with the drug unit until withdrawal of any permanent participant. Disposition of net equity upon dissolution is not specified in the agreement; and 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, P.O. Box 3400, Lacey, WA 98509-3400.

### **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 City of Lacey (16 percent), the City of Olympia (22 percent), the City of Tumwater (7 percent), and the Thurston County (55 percent). Total Net Assets, as of December 31, 2009 were \$3,435,091. The City of Lacey reports its share of equity interest as investment in joint venture, in the government-wide statement of net assets.

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 2009 the City of Lacey's contribution was \$194,193 and is accounted for within the general fund. The City of Olympia has responsibility to contribute annual assessments for the remaining loan balance until April 2019.

Completed Financial Statements can be obtained from the City of Lacey Finance Department, P.O. Box 3400, Lacey, WA 98509-3400.

### **Regional Athletic Complex**

The Regional Athletic Complex is a joint venture governed by Thurston County and the City of Lacey. In 1998, Thurston County and the City of Lacey entered an agreement to jointly purchase and own recreational lands, cooperatively development such lands, and jointly share the costs of maintaining the recreational facilities. In September 2009, the complex (phase 2) was dedicated and opened for the benefit of the citizens of Thurston County. An ongoing financial interest exists for the City of Lacey and Thurston County for the funding for the second phase of development of the complex. Any excess for maintenance, operation and capital expenditures shall be the joint and equal responsibility of Thurston County and the City of Lacey. The County may, in its sole discretion, transfer its share of ownership to the City of Lacey after 2014. The equity interest in this Complex by City of Lacey and Thurston County as of December 31, 2009 were 82.44% and 17.56%, respectively. The City of Lacey's contribution during year 2009 was \$1,149,874 which is accounted for within the Regional Athletic Complex Operating Fund and Regional Athletic Complex Capital Fund. It is anticipated that user fees, excess PFD revenues over debt service needs, and dedicated revenues from the City's hotel/motel tax, and operating subsidies in equal amounts from each the City and Thurston County will substantially address these increased costs.

Additional financial information may be obtained from City of Lacey Finance Department, P.O. Box 3400, Lacey, Washington 98509.

The following is condensed financial information on joint ventures for which the City has equity interest as of December 31, 2009:

	Joint Animal Services 12/31/2009	Regional Athletic Complex 12/31/2009
Total Assets	\$ 3,700,735	\$ 18,546,247
Total Liabilities	265,644	-
Total Net Assets 12/31/2009	<u>\$ 3,435,091</u>	<u>\$ 18,546,247</u>
Capital assets, net of accumulated depreciation	<u>\$ 1,850,727</u>	<u>\$ 18,546,247</u>
Revenues	\$ 1,933,376	\$ 1,346,760
Expenses	<u>(1,515,752)</u>	<u>(1,337,757)</u>
Net increase (decrease) in net assets	417,624	9,003
Beginning net assets 1/1/2009	<u>3,017,467</u>	<u>18,537,244</u>
Ending net assets 12/31/2009	<u>\$ 3,435,091</u>	<u>\$ 18,546,247</u>

#### G. Prior Period Adjustments and Restatement of Equity Balances

During 2009, it was discovered that a long-term contract cost and obligation incurred for the Arterial Street Fund project in 2007 was not reported in that year. There is no adjustment in the fund balance for the Arterial Street Fund statement, as a long-term liability is not reported in a fund statement. This amount is reported in the long-term liability on the statement of net assets and is also disclosed in the Note 3-H. This adjustment had the following affects on the net assets of the City's government-wide statements:

	Governmental Activities
Net assets at 1/1/2008, as previously reported	\$ 337,283,709
Correct error in reporting @12/31/2007	<u>(743,453)</u>
Net assets at 1/1/2008, restated	336,540,256
Changes in net assets in 2008, as previously reported	<u>12,152,958</u>
Net assets at 12/31/2008, restated	<u>\$ 348,693,214</u>

The City reported local court revenue receivable as revenue in its governmental fund statement in 2008. This is considered a receivable that does not meet the availability requirement under the modified accounting basis, therefore, was reclassified to deferred revenue in 2009. There is no adjustment needed in the government-wide statements; as it was properly reported as revenue under the accrual basis of accounting in that year. This adjustment had the following affects on the City's general fund:

	General Fund
Fund Balance, 12/31/2008, as previously reported	\$ 23,010,760
Correct error in reporting @12/31/2008	<u>(175,386)</u>
Fund balance, 12/31/2008, restated	<u>\$ 22,835,374</u>



This page intentionally left blank



# REQUIRED SUPPLEMENTAL INFORMATION



Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
General Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 20,163,955	\$ 19,463,389	\$ 19,792,424	\$ 329,035
Licenses and permits	1,718,560	1,168,560	1,367,259	198,699
Intergovernmental revenues	763,066	948,316	1,371,647	423,331
Charges for services	5,516,943	5,413,943	5,908,656	494,713
Fines and forfeitures	830,400	830,400	929,978	99,578
Other revenues	838,072	896,414	372,080	(524,334)
<b>Total revenues</b>	<b>29,830,996</b>	<b>28,721,022</b>	<b>29,742,044</b>	<b>1,021,022</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,693,314	5,478,532	4,818,553	659,979
Security of persons and property	14,499,483	14,261,520	13,853,373	408,147
Physical environment	3,963,248	3,813,523	3,665,080	148,443
Economic environment	1,328,766	1,182,797	1,082,020	100,777
Mental and physical health	8,360	8,360	11,076	(2,716)
Culture and recreation	4,786,312	4,557,387	4,172,581	384,806
Capital outlay	-	-	26,740	(26,740)
<b>Total expenditures</b>	<b>30,279,483</b>	<b>29,302,119</b>	<b>27,629,423</b>	<b>1,672,696</b>
Excess of revenue over (under) expenditures	(448,487)	(581,097)	2,112,621	2,693,718
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease	-	-	26,740	26,740
Transfers in	353,096	353,096	353,096	-
<b>Total other financing sources</b>	<b>353,096</b>	<b>353,096</b>	<b>379,836</b>	<b>26,740</b>
<b>Net change in fund balances</b>	<b>(95,391)</b>	<b>(228,001)</b>	<b>2,492,457</b>	<b>2,720,458</b>
<b>FUND BALANCES - JANUARY 1, restated</b>	<b>95,391</b>	<b>228,001</b>	<b>22,835,374</b>	<b>22,607,373</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,327,831</b>	<b>\$ 25,327,831</b>

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

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Arterial Streets  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,785,000	\$ 1,785,000	\$ 1,171,202	\$ (613,798)
Intergovernmental revenues	8,291,069	8,291,069	5,262,842	(3,028,227)
Charges for services	1,145,977	1,145,977	1,422,704	276,727
Other revenues	-	-	104,727	104,727
<b>Total revenues</b>	<b>11,222,046</b>	<b>11,222,046</b>	<b>7,961,475</b>	<b>(3,260,571)</b>
<b>EXPENDITURES</b>				
Current:				
Capital outlay	15,027,334	14,877,334	7,107,523	7,769,811
<b>Total expenditures</b>	<b>15,027,334</b>	<b>14,877,334</b>	<b>7,107,523</b>	<b>7,769,811</b>
Excess of revenue over (under) expenditures	(3,805,288)	(3,655,288)	853,952	4,509,240
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,000,000	850,000	850,000	-
<b>Total other financing sources</b>	<b>1,000,000</b>	<b>850,000</b>	<b>850,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(2,805,288)</b>	<b>(2,805,288)</b>	<b>1,703,952</b>	<b>4,509,240</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>2,805,288</b>	<b>2,805,288</b>	<b>9,283,839</b>	<b>6,478,551</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,987,791</b>	<b>\$ 10,987,791</b>

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

**Notes to the Required Supplemental Information**

**Budgetary information**

The City's annual budget is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for all governmental funds. Thus there is no difference between GAAP and the budgetary basis of accounting. For more detailed information see the Notes to the financial statements (Note 2, pages 4-25 to 4-27)

**Postemployment benefits other than pensions (OPEB)**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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]
12/31/2008*	\$ 0	\$ 4,240,300	\$ 4,240,300	0.0%	\$ 1,319,263	321%
12/31/2009	\$ 0	3,931,976	3,931,976	0.0%	1,384,900	284%

\*2008 information was recalculated including total police department annual benefits budget instead of one active member's annual payroll.



This page intentionally left blank



# COMBINING STATEMENTS



---

**NON-MAJOR 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.

**Regional Athletic Complex Operating Fund** is responsible for the operation and maintenance of the 68 acre facility also known as the RAC. Revenue to run this facility is provided by the Capital Area Public Facilities District, contributions from both the City of Lacey, and Thurston County as well as contributions from the Lodging Tax Fund. The facility will also start collecting fees for field use in 2009.

**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 and Open Space Fund** accounts for the resources accumulated by council action to set aside the revenue generated by a one percent of utility tax rate for acquisition of property for future parks and open space, and/or the maintenance & operations and development of existing parks 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, 2009

	Special Revenue Funds			
	Street Fund	Regional Athletic Complex	Lodging Tax	Community Development Block Grant
<b>ASSETS</b>				
Current cash and cash equivalents	\$ 2,611,564	\$ -	\$ 944,053	\$ 19,282
Receivables (net of allowances):				
Taxes	388,882	-	39,032	-
Customer accounts	93,575	21,468	-	332,240
Interfund Loans Receivable	-	-	-	-
Due from other governmental units	-	180,598	-	-
Restricted assets:				
Cash deposits	-	2,125	-	-
<b>Total assets</b>	<b>\$ 3,094,021</b>	<b>\$ 204,191</b>	<b>\$ 983,085</b>	<b>\$ 351,522</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	25,599	3,670	24,839	-
Advance payments	-	9,830	-	-
Interfund loans payable	-	45,114	-	-
Deposits	-	2,125	-	-
Long-term liabilities:				
Deferred revenue	-	-	-	332,240
<b>Total Liabilities</b>	<b>25,599</b>	<b>60,739</b>	<b>24,839</b>	<b>332,240</b>
<b>Fund balances</b>				
<b>Reserved for:</b>				
Culture and recreation	-	-	958,246	-
Debt service	50,000	-	-	-
<b>Unreserved, designated for, reported in:</b>				
Special revenue funds	435,000	-	-	-
Capital project funds	-	-	-	-
<b>Unreserved, undesignated for:</b>				
Special revenue funds	2,583,422	143,452	-	19,282
Debt service funds	-	-	-	-
Capital project funds	-	-	-	-
<b>Total fund balances</b>	<b>3,068,422</b>	<b>143,452</b>	<b>958,246</b>	<b>19,282</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,094,021</b>	<b>\$ 204,191</b>	<b>\$ 983,085</b>	<b>\$ 351,522</b>

Debt Service Fund	Capital Project Funds				Total
General Obligation Bond Fund	Building Improvement	Capital Expenditure	Parks & Open Space Fund	Regional Athletic Complex Capital	Other Governmental Funds
\$ 356,203	\$ 964,284	\$ 6,604,670	\$ 1,243,179	\$ 13,056	\$ 12,756,291
57,365	-	263,600	136,678	-	885,557
-	-	9,826	550	-	457,659
-	-	-	-	45,114	45,114
-	-	-	-	159,631	340,229
-	-	-	850	-	2,975
<u>\$ 413,568</u>	<u>\$ 964,284</u>	<u>\$ 6,878,096</u>	<u>\$ 1,381,257</u>	<u>\$ 217,801</u>	<u>\$ 14,487,825</u>
-	495,434	46,735	-	41,357	637,634
-	-	-	-	-	9,830
-	-	-	-	-	45,114
-	-	-	850	-	2,975
<u>53,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,418</u>
<u>53,178</u>	<u>495,434</u>	<u>46,735</u>	<u>850</u>	<u>41,357</u>	<u>1,080,971</u>
-	-	-	-	-	958,246
-	-	-	-	-	50,000
-	-	-	-	-	435,000
-	134,589	3,046,500	-	-	3,181,089
-	-	-	-	-	2,746,156
360,390	-	-	-	-	360,390
-	334,261	3,784,861	1,380,407	176,444	5,675,973
<u>360,390</u>	<u>468,850</u>	<u>6,831,361</u>	<u>1,380,407</u>	<u>176,444</u>	<u>13,406,854</u>
<u>\$ 413,568</u>	<u>\$ 964,284</u>	<u>\$ 6,878,096</u>	<u>\$ 1,381,257</u>	<u>\$ 217,801</u>	<u>\$ 14,487,825</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended December 31, 2009

	Special Revenue Funds			
	Street Fund	Regional Athletic Fund	Lodging Tax	Community Development Block Grant
<b>REVENUES</b>				
Taxes	\$ 1,839,900	\$ -	\$ 352,273	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	626,635	340,598	-	13,536
Charges for services	39,843	172,627	-	-
Other revenues	52,031	-	26,859	-
<b>Total revenues</b>	<b>2,558,409</b>	<b>513,225</b>	<b>379,132</b>	<b>13,536</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	-	-	-	-
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	2,286,399	-	-	-
Economic environment	-	-	-	-
Culture and recreation	-	697,204	268,142	-
Capital outlay	-	-	-	-
<b>Debt service:</b>				
Principal retirement	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>2,286,399</b>	<b>697,204</b>	<b>268,142</b>	<b>-</b>
Excess of revenue over (under) expenditures	272,010	(183,979)	110,990	13,536
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	327,431	-	-
Transfers out	-	-	(125,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>327,431</b>	<b>(125,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>272,010</b>	<b>143,452</b>	<b>(14,010)</b>	<b>13,536</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>2,796,412</b>	<b>-</b>	<b>972,256</b>	<b>5,746</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 3,068,422</b>	<b>\$ 143,452</b>	<b>\$ 958,246</b>	<b>\$ 19,282</b>

Debt Service Fund	Capital Project Funds				Total
General Obligation Bond Fund	Building Improvement	Capital Expenditure	Parks & Open Space Fund	Regional Athletic Complex Capital	Other Governmental Funds
\$ 1,489,470	\$ 1,000,000	\$ 1,942,523	\$ 943,343	\$ -	\$ 7,567,509
-	-	18,636	-	-	18,636
-	-	8,083	-	719,263	1,708,115
-	-	-	-	20,000	232,470
2,839	16,092	66,007	16,735	11,290	191,853
<u>1,492,309</u>	<u>1,016,092</u>	<u>2,035,249</u>	<u>960,078</u>	<u>750,553</u>	<u>9,718,583</u>
-	37,500	378,867	-	-	416,367
-	-	39,904	-	-	39,904
-	-	1,626	-	-	1,626
-	-	64,138	-	-	2,350,537
-	-	1,228	-	-	1,228
-	-	97,661	910	587,193	1,651,110
-	3,607,332	-	56,843	459,044	4,123,219
1,110,000	-	-	-	-	1,110,000
982,950	-	-	-	-	982,950
<u>2,092,950</u>	<u>3,644,832</u>	<u>583,424</u>	<u>57,753</u>	<u>1,046,237</u>	<u>10,676,941</u>
(600,641)	(2,628,740)	1,451,825	902,325	(295,684)	(958,358)
-	-	-	57,015	-	57,015
579,730	-	-	-	-	907,161
-	-	(850,000)	(555,527)	(579,730)	(2,110,257)
<u>579,730</u>	<u>-</u>	<u>(850,000)</u>	<u>(498,512)</u>	<u>(579,730)</u>	<u>(1,146,081)</u>
(20,911)	(2,628,740)	601,825	403,813	(875,414)	(2,104,439)
381,301	3,097,590	6,229,536	976,594	1,051,858	15,511,293
<u>\$ 360,390</u>	<u>\$ 468,850</u>	<u>\$ 6,831,361</u>	<u>\$ 1,380,407</u>	<u>\$ 176,444</u>	<u>\$ 13,406,854</u>

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Street Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,731,075	\$ 1,637,049	\$ 1,839,900	\$ 202,851
Intergovernmental revenues	614,456	544,456	626,635	82,179
Charges for services	-	26,182	39,843	13,661
Other revenues	86,890	61,890	52,031	(9,859)
<b>Total revenues</b>	<b>2,432,421</b>	<b>2,269,577</b>	<b>2,558,409</b>	<b>288,832</b>
<b>EXPENDITURES</b>				
Current:				
Transportation	2,432,421	2,342,295	2,286,399	55,896
<b>Total expenditures</b>	<b>2,432,421</b>	<b>2,342,295</b>	<b>2,286,399</b>	<b>55,896</b>
Excess of revenue over (under) expenditures	-	(72,718)	272,010	344,728
Net change in fund balances	-	(72,718)	272,010	344,728
FUND BALANCES - JANUARY 1	-	72,718	2,796,412	2,723,694
FUND BALANCES - DECEMBER 31	\$ -	\$ -	\$ 3,068,422	\$ 3,068,422

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Regional Athletic Complex Maintenance and Operations  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 278,788	\$ 278,788	\$ 340,598	\$ 61,810
Charges for services	180,000	180,000	172,627	(7,373)
Total revenues	<u>458,788</u>	<u>458,788</u>	<u>513,225</u>	<u>54,437</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>702,577</u>	<u>786,219</u>	<u>697,204</u>	<u>89,015</u>
Total expenditures	<u>702,577</u>	<u>786,219</u>	<u>697,204</u>	<u>89,015</u>
Excess of revenue over (under) expenditures	<u>(243,789)</u>	<u>(327,431)</u>	<u>(183,979)</u>	<u>143,452</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>243,789</u>	<u>327,431</u>	<u>327,431</u>	<u>-</u>
Total other financing sources	<u>243,789</u>	<u>327,431</u>	<u>327,431</u>	<u>-</u>
Net change in fund balances	-	-	143,452	143,452
FUND BALANCES - JANUARY 1	-	-	-	-
FUND BALANCES - DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,452</u>	<u>\$ 143,452</u>

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Lodging Tax  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 352,497	\$ 352,497	\$ 352,273	\$ (224)
Other revenues	48,003	48,003	26,859	(21,144)
Total revenues	<u>400,500</u>	<u>400,500</u>	<u>379,132</u>	<u>(21,368)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	300,500	300,500	268,142	32,358
Total expenditures	<u>300,500</u>	<u>300,500</u>	<u>268,142</u>	<u>32,358</u>
Excess of revenue over (under) expenditures	<u>100,000</u>	<u>100,000</u>	<u>110,990</u>	<u>10,990</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(125,000)	(125,000)	(125,000)	-
Total other financing sources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net change in fund balances	(25,000)	(25,000)	(14,010)	10,990
FUND BALANCES - JANUARY 1	<u>25,000</u>	<u>25,000</u>	<u>972,256</u>	<u>947,256</u>
FUND BALANCES - DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958,246</u>	<u>\$ 958,246</u>

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Community Development Block Grant  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 13,536	\$ 13,536
Total revenues	-	-	13,536	13,536
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	-	-	13,536	13,536
Net change in fund balance	-	-	13,536	13,536
FUND BALANCES JANUARY 1	-	-	5,746	5,746
FUND BALANCES DECEMBER 31	\$ -	\$ -	\$ 19,282	\$ 19,282

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
General Obligation Bond Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,527,325	\$ 1,527,325	\$ 1,489,470	\$ (37,855)
Other revenues	24,500	24,500	2,839	(21,661)
Total revenues	<u>1,551,825</u>	<u>1,551,825</u>	<u>1,492,309</u>	<u>(59,516)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	1,110,000	1,110,000	1,110,000	-
Interest	982,955	982,955	982,950	5
Total expenditures	<u>2,092,955</u>	<u>2,092,955</u>	<u>2,092,950</u>	<u>5</u>
Excess of revenue over (under) expenditures	<u>(541,130)</u>	<u>(541,130)</u>	<u>(600,641)</u>	<u>(59,511)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	579,730	579,730	579,730	-
Total other financing sources (uses)	<u>579,730</u>	<u>579,730</u>	<u>579,730</u>	<u>-</u>
Net change in fund balance	38,600	38,600	(20,911)	(59,511)
FUND BALANCES JANUARY 1	<u>(38,600)</u>	<u>(38,600)</u>	<u>381,301</u>	<u>419,901</u>
FUND BALANCES DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,390</u>	<u>\$ 360,390</u>

Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget to Actual  
 L.I.D. Redemption  
 For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other revenues	\$ 822,395	\$ 822,395	\$ 515,998	\$ (306,397)
Total revenues	822,395	822,395	515,998	(306,397)
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	731,420	731,420	461,416	270,004
Interest	90,975	90,975	90,975	-
Total expenditures	822,395	822,395	552,391	270,004
Excess of revenue over (under) expenditures	-	-	(36,393)	(36,393)
Net change in fund balance	-	-	(36,393)	(36,393)
FUND BALANCES JANUARY 1	-	-	140,640	140,640
FUND BALANCES DECEMBER 31	\$ -	\$ -	\$ 104,247	\$ 104,247

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Building Improvement  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,038,040	\$ 1,000,000	\$ 1,000,000	\$ -
Other revenues	1,000	15,600	16,092	492
Total revenues	<u>1,039,040</u>	<u>1,015,600</u>	<u>1,016,092</u>	<u>492</u>
<b>EXPENDITURES</b>				
Current:				
General government	38,040	35,600	37,500	(1,900)
Capital outlay	3,701,000	3,773,000	3,607,332	165,668
Total expenditures	<u>3,739,040</u>	<u>3,808,600</u>	<u>3,644,832</u>	<u>163,768</u>
Excess of revenue over (under) expenditures	<u>(2,700,000)</u>	<u>(2,793,000)</u>	<u>(2,628,740)</u>	<u>164,260</u>
Net change in fund balance	(2,700,000)	(2,793,000)	(2,628,740)	164,260
FUND BALANCES JANUARY 1	<u>2,700,000</u>	<u>2,793,000</u>	<u>3,097,590</u>	<u>304,590</u>
FUND BALANCES DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,850</u>	<u>\$ 468,850</u>

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Capital Expenditure  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,775,155	\$ 1,569,847	\$ 1,942,523	\$ 372,676
Licenses and permits	-	-	18,636	18,636
Intergovernmental revenues	-	8,083	8,083	-
Other revenues	128,980	83,980	66,007	(17,973)
<b>Total revenues</b>	<b>1,904,135</b>	<b>1,661,910</b>	<b>2,035,249</b>	<b>373,339</b>
<b>EXPENDITURES</b>				
Current:				
General government	526,743	589,567	378,867	210,700
Security of persons and property	27,612	40,945	39,904	1,041
Physical environment	-	1,626	1,626	-
Transportation	180,000	84,138	64,138	20,000
Economic environment	45,000	46,228	1,228	45,000
Culture and recreation	244,580	167,080	97,661	69,419
<b>Total expenditures</b>	<b>1,023,935</b>	<b>929,584</b>	<b>583,424</b>	<b>346,160</b>
Excess of revenue over (under) expenditures	880,200	732,326	1,451,825	719,499
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,000,000)	(850,000)	(850,000)	-
<b>Total other financing sources (uses)</b>	<b>(1,000,000)</b>	<b>(850,000)</b>	<b>(850,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(119,800)</b>	<b>(117,674)</b>	<b>601,825</b>	<b>719,499</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>119,800</b>	<b>117,674</b>	<b>6,229,536</b>	<b>6,111,862</b>
<b>FUND BALANCES DECEMBER - 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,831,361</b>	<b>\$ 6,831,361</b>

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Parks & Open Space  
For the Year Ended December 31, 2009

	Budgeted Amounts Original	Actual Final	GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 884,931	\$ 884,931	\$ 943,343	\$ 58,412
Other revenues	56,980	56,980	16,735	(40,245)
Total revenues	941,911	941,911	960,078	18,167
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	25,000	63,000	910	62,090
Capital outlay	-	-	56,843	(56,843)
Total expenditures	25,000	63,000	57,753	5,247
Excess of revenue over (under) expenditures	916,911	878,911	902,325	23,414
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	57,015	57,015
Transfers out	(471,885)	(555,527)	(555,527)	-
Total other financing sources (uses)	(471,885)	(555,527)	(498,512)	57,015
Net change in fund balances	445,026	323,384	403,813	80,429
FUND BALANCES - JANUARY 1	(445,026)	(323,384)	976,594	1,299,978
FUND BALANCES - DECEMBER 31	\$ -	\$ -	\$ 1,380,407	\$ 1,380,407

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget to Actual  
Regional Athletic Complex Capital  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 786,130	\$ 786,130	\$ 719,263	\$ (66,867)
Charges for services	-	-	20,000	20,000
Other revenues	-	4,200	11,290	7,090
Total revenues	<u>786,130</u>	<u>790,330</u>	<u>750,553</u>	<u>(39,777)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	806,400	806,400	587,193	219,207
Capital outlay	-	928,650	459,044	469,606
Total expenditures	<u>806,400</u>	<u>1,735,050</u>	<u>1,046,237</u>	<u>688,813</u>
Excess of revenue over (under) expenditures	<u>(20,270)</u>	<u>(944,720)</u>	<u>(295,684)</u>	<u>649,036</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan	-	637,450	-	(637,450)
Transfers out	(579,730)	(579,730)	(579,730)	-
Total other financing sources (uses)	<u>(579,730)</u>	<u>57,720</u>	<u>(579,730)</u>	<u>(637,450)</u>
Net change in fund balances	(600,000)	(887,000)	(875,414)	11,586
FUND BALANCES - JANUARY 1	<u>600,000</u>	<u>887,000</u>	<u>1,051,858</u>	<u>164,858</u>
FUND BALANCES - DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,444</u>	<u>\$ 176,444</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 ant 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 Assets  
Internal Service Funds  
December 31, 2009

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,997,665	\$ 2,035,255	\$ 8,032,920
Receivables (net of allowances):			
Customer accounts	2,131	-	2,131
Due from governmental units	8,738	-	8,738
Total current assets:	<u>6,008,534</u>	<u>2,035,255</u>	<u>8,043,789</u>
Non-current assets:			
Capital assets, net of depreciation:			
Buildings	170,580	-	170,580
Improvements other than buildings	6,720	-	6,720
Equipment	3,327,140	592,921	3,920,061
Total non-current assets	<u>3,504,440</u>	<u>592,921</u>	<u>4,097,361</u>
Total assets	<u>9,512,974</u>	<u>2,628,176</u>	<u>12,141,150</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	39,501	18,947	58,448
Payable from restricted assets:			
Compensated absences	8,531	12,050	20,581
Total current liabilities	<u>48,032</u>	<u>30,997</u>	<u>79,029</u>
Non-current liabilities:			
Compensated absences	10,243	8,574	18,817
Total non-current liabilities	<u>10,243</u>	<u>8,574</u>	<u>18,817</u>
Total liabilities	<u>58,275</u>	<u>39,571</u>	<u>97,846</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	3,504,440	592,921	4,097,361
Unrestricted	5,950,259	1,995,684	7,945,943
Total net assets	<u>\$ 9,454,699</u>	<u>\$ 2,588,605</u>	<u>\$ 12,043,304</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended December 31, 2009

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,660,592	\$ 1,046,768	\$ 2,707,360
Total operating revenue	1,660,592	1,046,768	2,707,360
<b>OPERATING EXPENSES</b>			
Operating expense	869,899	1,091,995	1,961,894
Maintenance expense	28,575	200,062	228,637
Depreciation expense	663,201	262,318	925,519
Total operating expenses	1,561,675	1,554,375	3,116,050
<b>OPERATING INCOME (LOSS)</b>	<b>98,917</b>	<b>(507,607)</b>	<b>(408,690)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	51,195	20,754	71,949
Miscellaneous non-operating revenues	42,802	-	42,802
Interest expense	-	(846)	(846)
Gain (loss) on sale of capital assets	43,562	-	43,562
Total non-operating revenues (expenses)	137,559	19,908	157,467
Income (loss) before contributions and transfers	236,476	(487,699)	(251,223)
Capital contributions	427,792	189,482	617,274
Transfers in	27,332	-	27,332
Changes in net assets	691,600	(298,217)	393,383
<b>NET ASSETS - BEGINNING</b>	<b>8,763,099</b>	<b>2,886,822</b>	<b>11,649,921</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 9,454,699</b>	<b>\$ 2,588,605</b>	<b>\$ 12,043,304</b>

Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2009

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,696,425	\$ 1,046,768	\$ 2,743,193
Payments to suppliers	(543,877)	(427,752)	(971,629)
Payments to employees	(328,181)	(851,080)	(1,179,261)
Net cash provided by operating activities	<u>824,367</u>	<u>(232,064)</u>	<u>592,303</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(812,593)	(329,823)	(1,142,416)
Proceeds from sales of capital assets	46,210	-	46,210
Principal paid on capital leases	-	(46,113)	(46,113)
Interest paid on capital leases	-	(846)	(846)
Transfers received from other funds for capital acquisition	<u>455,124</u>	<u>189,482</u>	<u>644,606</u>
Net cash used by capital and related financing activities	<u>(311,259)</u>	<u>(187,300)</u>	<u>(498,559)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Interest received on investments	<u>51,195</u>	<u>20,754</u>	<u>71,949</u>
Net cash provided (used) by investing activities	<u>51,195</u>	<u>20,754</u>	<u>71,949</u>
Net increase (decrease) in cash and cash equivalents	564,303	(398,610)	165,693
Cash and cash equivalents January 1	<u>5,433,362</u>	<u>2,433,865</u>	<u>7,867,227</u>
Cash and cash equivalents December 31	<u>\$ 5,997,665</u>	<u>\$ 2,035,255</u>	<u>\$ 8,032,920</u>
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Net operating income	\$ 98,917	\$ (507,607)	\$ (408,690)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Depreciation	663,201	262,318	925,519
(Increase)/decrease in customer receivables	(2,131)	-	(2,131)
(Increase)/decrease in intergovernmental receivables	(4,838)	-	(4,838)
Miscellaneous non-operating revenues	42,802	-	42,802
Increase/(decrease) in accounts payables	26,431	12,924	39,355
Increase/(decrease) in compensated absences payables	<u>(15)</u>	<u>301</u>	<u>286</u>
Net cash provided (used) by operating activities	<u>\$ 824,367</u>	<u>\$ (232,064)</u>	<u>\$ 592,303</u>

## 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 Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended December 31, 2009

	Joint Animal Services			Balance December 31, 2009
	Balance December 31, 2008	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,450,737	\$ 1,882,875	\$ 1,485,198	\$ 1,848,414
Accounts receivables, net of uncollectible accounts	-	831,089	831,089	-
Prepays	849	5,200	4,456	1,593
<b>Total assets</b>	<b>\$ 1,451,586</b>	<b>\$ 2,719,164</b>	<b>\$ 2,320,743</b>	<b>\$ 1,850,007</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 27,807	\$ 504,278	\$ 510,439	\$ 21,646
Accrued employee leave payable	63,967	48,566	50,535	61,998
Notes payable	197,431	-	15,431	182,000
Due to other governmental units	1,162,381	2,038,781	1,616,799	1,584,363
<b>Total liabilities</b>	<b>\$ 1,451,586</b>	<b>\$ 2,591,625</b>	<b>\$ 2,193,204</b>	<b>\$ 1,850,007</b>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended December 31, 2009

	Thurston County Narcotics Task Force			Balance December 31, 2009
	Balance December 31, 2008	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 986,801	\$ 1,270,798	\$ 1,789,716	\$ 467,883
Accounts receivables, net of uncollectible accounts	-	1,388	1,388	-
Due from other governmental units	24,796	49,003	24,796	49,003
<b>Total assets</b>	<b>\$ 1,011,597</b>	<b>\$ 1,321,189</b>	<b>\$ 1,815,900</b>	<b>\$ 516,886</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 46,349	\$ 890,443	\$ 805,659	\$ 131,133
Accrued employee leave payable	12,324	10,649	10,469	12,504
Notes payable				
Due to other governmental units	952,924	714,228	1,293,903	373,249
<b>Total liabilities</b>	<b>\$ 1,011,597</b>	<b>\$ 1,615,320</b>	<b>\$ 2,110,031</b>	<b>\$ 516,886</b>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended December 31, 2009

	Capital Area Public Facilities District			Balance December 31, 2009
	Balance December 31, 2008	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 68,721	\$ 1,229,671	\$ 1,229,191	\$ 69,201
Due from other governmental units	-	1,694	1,694	-
<b>Total assets</b>	<b>\$ 68,721</b>	<b>\$ 1,231,365</b>	<b>\$ 1,230,885</b>	<b>\$ 69,201</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 6,000	\$ 6,000	\$ -
Due to other governmental units	68,721	1,229,671	1,229,191	69,201
<b>Total liabilities</b>	<b>\$ 68,721</b>	<b>\$ 1,235,671</b>	<b>\$ 1,235,191</b>	<b>\$ 69,201</b>

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended December 31, 2009

	Total All Agencies			Balance December 31, 2009
	Balance December 31, 2008	Additions	Deductions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,506,259	\$ 4,383,344	\$ 4,504,105	\$ 2,385,498
Accounts receivables, net of uncollectible accounts	-	832,477	832,477	-
Due from other governmental units	24,796	50,697	26,490	49,003
Prepays	849	5,200	4,456	1,593
<b>Total assets</b>	<b>\$ 2,531,904</b>	<b>\$ 5,271,718</b>	<b>\$ 5,367,528</b>	<b>\$ 2,436,094</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 74,156	\$ 1,400,721	\$ 1,322,098	\$ 152,779
Accrued employee leave payable	76,291	59,215	61,004	74,502
Notes payable	197,431	-	15,431	182,000
Due to other governmental units	2,184,026	3,982,680	4,139,893	2,026,813
<b>Total liabilities</b>	<b>\$ 2,531,904</b>	<b>\$ 5,442,616</b>	<b>\$ 5,538,426</b>	<b>\$ 2,436,094</b>

Combining Statement of Fiduciary Net Assets  
Agency Funds  
December 31, 2009

	Joint Animal Services	Thurston County Narcotics Task Force	Capital Area Public Facilities District	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,848,414	\$ 467,883	\$ 69,201	\$ 2,385,498
Due from other governmental units	-	49,003	-	49,003
Prepays	1,593	-	-	1,593
Total assets	\$ 1,850,007	\$ 516,886	\$ 69,201	\$ 2,436,094
<b>LIABILITIES</b>				
Accounts payable	\$ 21,646	\$ 131,133	\$ -	\$ 152,779
Accrued employee leave payable	61,998	12,504	-	74,502
Notes payable	182,000	-	-	182,000
Due to other governmental units	1,584,363	373,249	69,201	2,026,813
Total liabilities	\$ 1,850,007	\$ 516,886	\$ 69,201	\$ 2,436,094



This page intentionally left blank



# SUPPLEMENTAL INFORMATION



Schedule of Operations - Budget to Actual  
Water Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 10,375,650	\$ 10,460,485	\$ 11,319,761	\$ 859,276
Total operating revenue	<u>10,375,650</u>	<u>10,460,485</u>	<u>11,319,761</u>	<u>859,276</u>
<b>OPERATING EXPENSES</b>				
Operating expense	2,854,586	2,854,586	2,744,268	110,318
Maintenance expense	11,610,359	12,047,859	3,711,915	8,335,944
Depreciation expense	3,100,000	3,100,000	2,996,740	103,260
Taxes	<u>388,845</u>	<u>436,180</u>	<u>421,348</u>	<u>14,832</u>
Total operating expenses	<u>17,953,790</u>	<u>18,438,625</u>	<u>9,874,271</u>	<u>8,564,354</u>
OPERATING INCOME (LOSS)	<u>(7,578,140)</u>	<u>(7,978,140)</u>	<u>1,445,490</u>	<u>9,423,630</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	24,895	24,895	13,656	(11,239)
Miscellaneous non-operating revenues	<u>485,685</u>	<u>485,685</u>	<u>221,157</u>	<u>(264,528)</u>
Total non-operating Revenues (expenses)	<u>510,580</u>	<u>510,580</u>	<u>234,813</u>	<u>(275,767)</u>
Income (loss) before contributions and transfers	(7,067,560)	(7,467,560)	1,680,303	9,147,863
Capital contributions	-	-	1,574,219	1,574,219
Transfers in	2,636,610	3,036,610	1,036,610	(2,000,000)
Transfers out	<u>(636,610)</u>	<u>(636,610)</u>	<u>(656,438)</u>	<u>(19,828)</u>
Changes in net assets	(5,067,560)	(5,067,560)	3,634,694	8,702,254
NET ASSETS - BEGINNING	<u>5,067,560</u>	<u>5,067,560</u>	<u>100,722,658</u>	<u>95,655,098</u>
NET ASSETS - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,357,352</u>	<u>\$ 104,357,352</u>

*This schedule is presented as supplemental information*

Schedule of Operations - Budget to Actual  
Wastewater Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 11,570,046	\$ 11,570,046	\$ 11,161,598	\$ (408,448)
Total operating revenue	11,570,046	11,570,046	11,161,598	(408,448)
<b>OPERATING EXPENSES</b>				
Operating expense	7,724,650	7,724,650	7,774,356	(49,706)
Maintenance expense	10,365,125	10,365,125	1,710,091	8,655,034
Depreciation expense	1,890,000	1,890,000	1,554,352	335,648
Taxes	143,105	143,105	127,277	15,828
Total operating expenses	20,122,880	20,122,880	11,166,076	8,956,804
OPERATING INCOME (LOSS)	(8,552,834)	(8,552,834)	(4,478)	8,548,356
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	-	-	1,110,594	1,110,594
Investment earnings	66,300	66,300	162,221	95,921
Interfund loan	636,610	636,610	-	(636,610)
Total non-operating Revenues (expenses)	702,910	702,910	1,272,815	569,905
Income (loss) before contributions and transfers	(7,849,924)	(7,849,924)	1,268,337	9,118,261
Capital contributions	-	-	673,488	673,488
Transfers in	295,263	295,263	295,263	-
Transfers out	(329,230)	(729,230)	(702,767)	26,463
Changes in net assets	(7,883,891)	(8,283,891)	1,534,321	9,818,212
NET ASSETS - BEGINNING	7,883,891	8,283,891	77,730,152	69,446,261
NET ASSETS - ENDING	\$ -	\$ -	\$ 79,264,473	\$ 79,264,473

*This schedule is presented as supplemental information*

Schedule of Operations - Budget to Actual  
Stormwater Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,811,880	\$ 1,811,880	\$ 1,929,097	\$ 117,217
Charges for services	1,811,880	1,811,880	1,929,097	117,217
<b>OPERATING EXPENSES</b>				
Operating expense	1,018,242	1,018,242	955,364	62,878
Maintenance expense	1,648,108	1,648,108	781,859	866,249
Depreciation expense	1,400,000	1,400,000	1,496,096	(96,096)
Taxes	29,005	29,005	30,521	(1,516)
Total operating expenses	4,095,355	4,095,355	3,263,840	831,515
OPERATING INCOME (LOSS)	(2,283,475)	(2,283,475)	(1,334,743)	948,732
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	-	-	75,000	75,000
Investment earnings	15,000	15,000	9,821	(5,179)
Total non-operating Revenues (expenses)	15,000	15,000	84,821	69,821
Income (loss) before contributions and transfers	(2,268,475)	(2,268,475)	(1,249,922)	1,018,553
Capital contributions	-	-	785,265	785,265
Transfers in	250,000	250,000	250,000	-
Transfers out	(250,000)	(250,000)	(250,000)	-
Changes in net assets	(2,268,475)	(2,268,475)	(464,657)	1,803,818
NET ASSETS - BEGINNING	2,268,475	2,268,475	48,886,679	46,618,204
NET ASSETS - ENDING	\$ -	\$ -	\$ 48,422,022	\$ 48,422,022

*This schedule is presented as supplemental information*

Schedule of Operations - Budget to Actual  
Reclaimed Water  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
<b>OPERATING EXPENSES</b>				
Operating expense	100,000	100,000	-	100,000
Maintenance expense	1,789,255	1,789,255	-	1,789,255
Total operating expenses	1,889,255	1,889,255	-	1,889,255
OPERATING INCOME (LOSS)	(1,889,255)	(1,889,255)	-	1,889,255
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	-	-	13,380	13,380
Total non-operating Revenues (expenses)	-	-	13,380	13,380
Income (loss) before contributions and transfers	(1,889,255)	(1,889,255)	13,380	1,902,635
Changes in net assets	(1,889,255)	(1,889,255)	13,380	1,902,635
NET ASSETS - BEGINNING	1,889,255	1,889,255	2,381,692	492,437
NET ASSETS - ENDING	\$ -	\$ -	\$ 2,395,072	\$ 2,395,072

*This schedule is presented as supplemental information*

Schedule of Operations - Budget to Actual  
Equipment Rental Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,996,900	\$ 1,688,900	\$ 1,660,592	\$ (28,308)
Total operating revenue	1,996,900	1,688,900	1,660,592	(28,308)
<b>OPERATING EXPENSES</b>				
Operating expense	1,488,593	1,488,593	869,899	618,694
Maintenance expense	55,346	55,346	28,575	26,771
Depreciation expense	582,150	582,150	663,201	(81,051)
Total operating expenses	2,126,089	2,126,089	1,561,675	564,414
OPERATING INCOME (LOSS)	(129,189)	(437,189)	98,917	536,106
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	60,500	60,500	51,195	(9,305)
Miscellaneous non-operating revenues	-	-	42,802	42,802
Gain (loss) on sale of fixed assets	-	-	43,562	43,562
Total non-operating Revenues (expenses)	60,500	60,500	137,559	77,059
Income (loss) before contributions and transfers	(68,689)	(376,689)	236,476	613,165
Capital contributions	-	-	427,792	427,792
Transfers in	-	-	27,332	27,332
Changes in net assets	(68,689)	(376,689)	691,600	1,068,289
NET ASSETS - BEGINNING	68,689	376,689	8,763,099	8,386,410
NET ASSETS - ENDING	\$ -	\$ -	\$ 9,454,699	\$ 9,454,699

*This schedule is presented as supplemental information*

Schedule of Operations - Budget to Actual  
Information Management Services Fund  
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,352,468	\$ 1,046,768	\$ 1,046,768	\$ -
Total operating revenue	1,352,468	1,046,768	1,046,768	-
<b>OPERATING EXPENSES</b>				
Operating expense	1,314,645	1,371,845	1,091,995	279,850
Maintenance expense	226,000	237,000	200,062	36,938
Depreciation expense	218,524	218,524	262,318	(43,794)
Total operating expenses	1,759,169	1,827,369	1,554,375	272,994
OPERATING INCOME (LOSS)	(406,701)	(780,601)	(507,607)	272,994
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	63,875	63,875	20,754	(43,121)
Interest expense	-	-	(846)	(846)
Total non-operating Revenues (expenses)	63,875	63,875	19,908	(43,967)
Income (loss) before contributions and transfers	(342,826)	(716,726)	(487,699)	229,027
Capital contributions	-	-	189,482	189,482
Changes in net assets	(342,826)	(716,726)	(298,217)	418,509
NET ASSETS - BEGINNING	342,826	716,726	2,886,822	2,170,096
NET ASSETS - ENDING	\$ -	\$ -	\$ 2,588,605	\$ 2,588,605

*This schedule is presented as supplemental information*

City of Lacey, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2009

MCGA NO. 0748							Expenditures		Foot-
Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass- Through Awards	From Direct Awards	Total		Note Ref.	
Office of National Drug Control Policy / Pass-through From Northwest HIDTA	High Intensity Drug Trafficking (HIDTA)	07.000	18PNWP516Z	\$ 11,543		\$ 11,543		4	
			G09NW0005A	35,917		35,917		4	
			C09724FED	9,882	-	9,882		4	
			Subtotal	<u>57,342</u>	<u>-</u>	<u>57,342</u>			
US Department of Housing and Urban Development (HUD)/ Pass-through From WA State Department of Commerce Department of Agriculture/Pass- through From WA State Superintendent of Public Instruction	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	1-96-745-006	13,536	-	13,536		3	
US Department of Justice/ Pass-through From WA State Department of Commerce Department of Justice/Pass- through From Thurston County Sheriff's Office	Summer Food Service Program for Children ARRA - Violence Against Women Formula Grant	10.559	34-923	62,612		62,612			
US Department of Justice/ Pass-through From WA State Department of Commerce Department of Justice/Pass- through From Thurston County Sheriff's Office	Domestic Cannabis Eradication/Suppression	16.C090954	C090954FED	1,263		1,263		4	
US Department of Justice Bureau of Justice Assistance US Department of Justice/ Pass-through From WA State Department of Commerce	Bulletproof Vest Partnership Program Edward Byrne Memorial Justice Assistance Grant Program	16.607	FY2008 Awards		4,764	4,764			
US Department of Justice/ Pass-through From Washington State Department of Commerce	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.738	F07-66707010	65,783		65,783		4	
US Department of Transportation/ Pass-through from WA State DOT	ARRA - Highway Planning and Construction	16.803	F09-34721-00	63,496		63,496		4, 5	
US Department of Transportation/ Pass-through from WA State DOT	ARRA - Highway Planning and Construction	20.205	Woodland Trail	1,000,000		1,000,000		5	
US Department of Transportation/ Pass-through from Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.205	LA-06446	970,678		970,678			
			LA-05203	125,081		125,081			
			LA-06708	183,221	-	183,221			
			Subtotal	<u>1,278,980</u>	<u>-</u>	<u>1,278,980</u>			
US Department of Transportation/ Pass-through From Washington Traffic Safety Commission	State and Community Highway Safety	20.600	LPD103	987		987			
			LPD102	1,592		1,592			
			LPD097	6,515	-	6,515			
			Subtotal	<u>9,094</u>	<u>-</u>	<u>9,094</u>			
US Department of Transportation/ Pass-through From Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	LPD093	6,502		6,502			
US Department of Transportation/ Pass-through From Washington Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	LPD086	5,350		5,350			
US Department of Energy	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-RW0000226		5,872	5,872		5	
Department of Homeland Security/ Pass-through From WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	067-36745-00	11,115	-	11,115			
	Total Federal Awards Expended			<u>\$2,605,427</u>	<u>\$10,636</u>	<u>\$2,616,063</u>			

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, 2009

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 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. \$13,536 was repaid during 2009. The City has received approval from Department of Commerce (formerly CTED ) to utilize the program revenues to finance cost overruns on the CDBG-funded Child Care and Family Services Center.

Note 4 - Amounts Awarded to Subrecipients

Included in the total amount expended for this program is \$187,884 that was passed through to a subrecipient that administered its own project.

Note 5 - American Recovery and Reinvestment Act (ARRA) of 2009

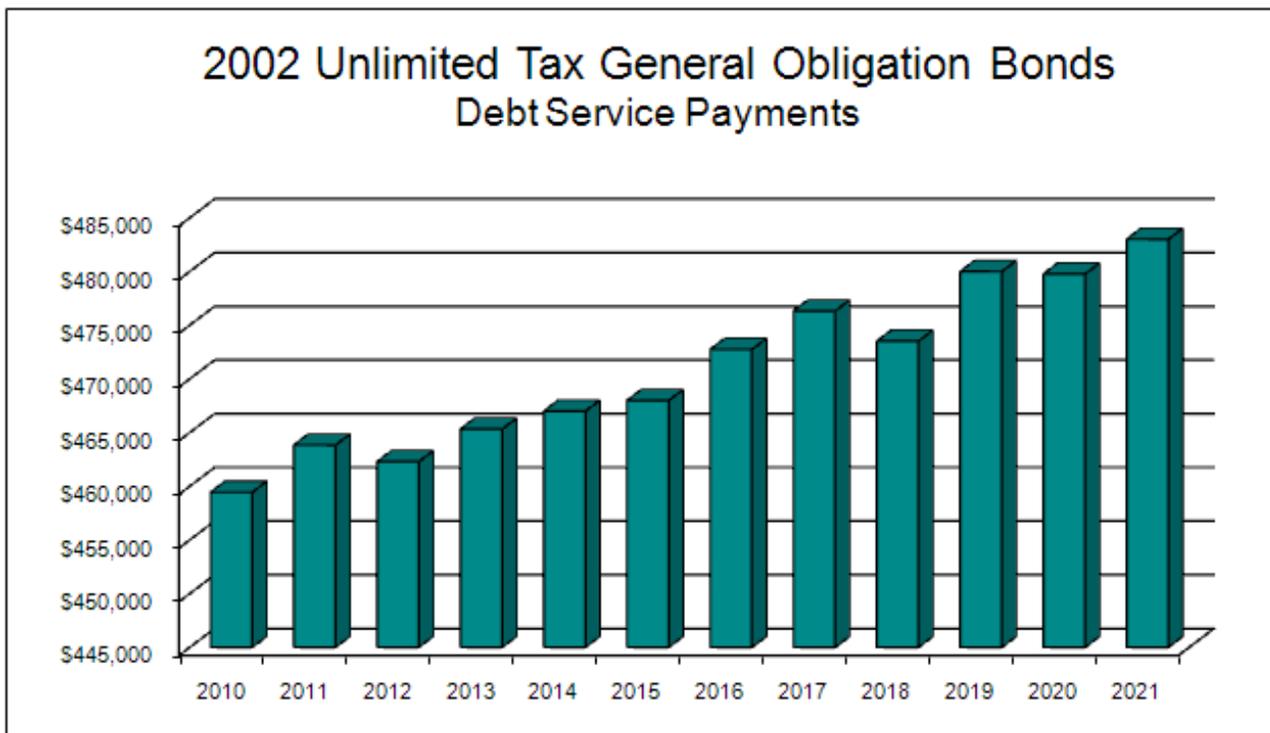
Expenditures for this program were funded by ARRA.

Schedule of State and Local Financial Assistance  
For The Year Ended December 31, 2009

Grantor/ Pass-Through Grantor Program Title	Other Identification Number	Current Year Expenditures
<u>WA State Department of Transportation</u>		
Mullen Road East to City Limits	8-5-197 (023)-1	\$ 898,788
Sleater-Kinney	8-5-197 (021)-1	64,987
Mullen Road-College-Ruddell	9-W-197(007)-1	157,761
Carpenter Road - right of way	8-5-197 (6)-1	244,775
Carpenter Road	8-5-197-(020)-1	99,507
Total Department of Transportation		<u>1,465,818</u>
<u>WA State Higher Education Coordinating Board</u>	Work Study	<u>4,512</u>
<u>Washington Traffic Safety Commission (WTSC)</u>		
DUI Task Force, Safe and Sober Driving Program	LPD 087	18,521
School Zone Enforcement Program	LPD098	8,082
Thurston County Target Zero Manager Program	LPD102	19,856
Total WTSC		<u>46,459</u>
<u>WA State Department of Commerce</u>		
Community Economic Revitalization Board Job Development Fund Grant Program	J2008-005	<u>1,361,771</u>
<u>WA State Military Department Emergency Management Division</u>		
Public Assistance Grant	D09-319	<u>1,853</u>
<u>WA State Department of Commerce</u>		
Multi-Jurisdictional Narcotics Task Force	M09-34021-010	<u>64,081</u>
Total Expenditures of State Awards		<u>\$ 2,944,494</u>

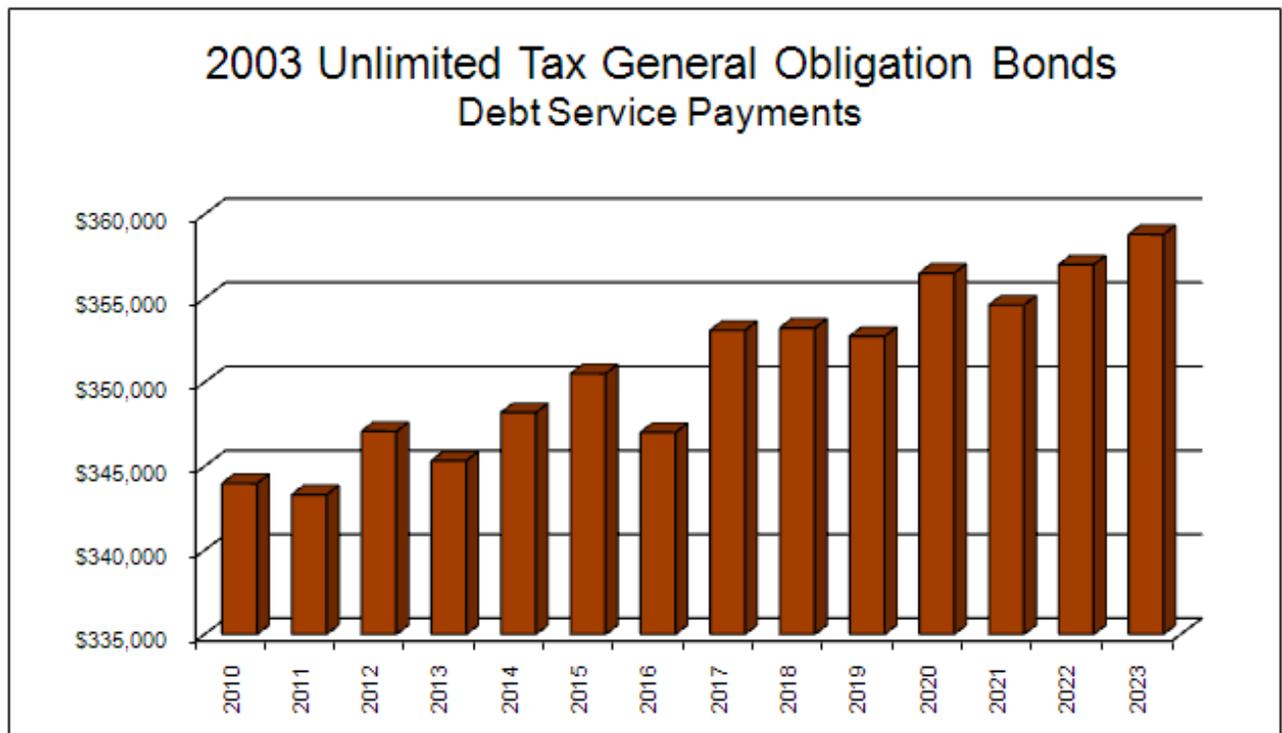
City of Lacey General Obligation Bond Debt  
 2002 Unlimited Tax General Obligated Bonds  
 December 31, 2009

Year Ended 31-Dec	Interest Rate - %	Interest		Principal	Total Debt Service
		Due - 01 Jun	Due - 01 Dec	Due - 01 Dec	
2010	4.000%	97,218	97,218	265,000	459,436
2011	4.125%	91,918	91,918	280,000	463,836
2012	4.125%	86,143	86,143	290,000	462,286
2013	4.375%	80,162	80,162	305,000	465,324
2014	4.375%	73,490	73,490	320,000	466,980
2015	4.550%	66,490	66,490	335,000	467,980
2016	4.625%	58,869	58,869	355,000	472,738
2017	4.750%	50,659	50,660	375,000	476,319
2018	4.750%	41,753	41,753	390,000	473,506
2019	4.875%	32,491	32,490	415,000	479,981
2020	5.000%	22,375	22,375	435,000	479,750
2021	5.000%	11,500	11,500	460,000	483,000
		<u>\$ 713,068</u>	<u>\$ 713,068</u>	<u>\$ 4,225,000</u>	<u>\$ 5,651,136</u>



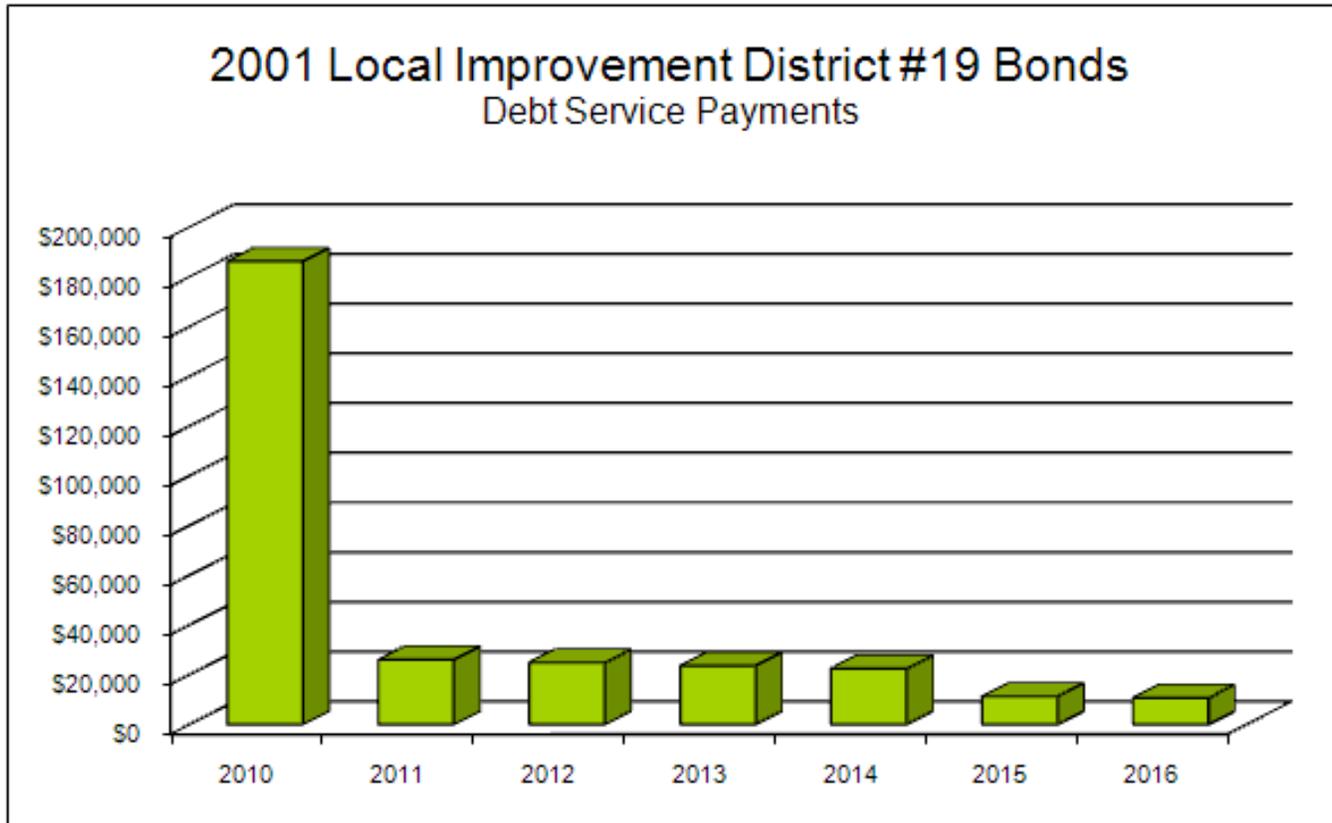
City of Lacey General Obligation Bond Debt  
 2003 Unlimited Tax General Obligated Bonds  
 December 31, 2009

Year Ended 31-Dec	Interest Rate - %	Interest		Principal Due - 01 Dec	Total Debt Service
		Due - 01 Jun	Due - 01 Dec		
2010	2.700%	66,989	66,989	210,000	343,978
2011	2.900%	64,154	64,154	215,000	343,308
2012	3.000%	61,036	61,036	225,000	347,072
2013	3.100%	57,661	57,661	230,000	345,322
2014	3.200%	54,096	54,096	240,000	348,192
2015	3.400%	50,256	50,256	250,000	350,512
2016	3.500%	46,006	46,006	255,000	347,012
2017	3.650%	41,544	41,544	270,000	353,088
2018	3.750%	36,616	36,616	280,000	353,232
2019	3.875%	31,366	31,366	290,000	352,732
2020	3.900%	25,748	25,748	305,000	356,496
2021	4.000%	19,800	19,800	315,000	354,600
2022	4.000%	13,500	13,500	330,000	357,000
2023	4.000%	6,900	6,900	345,000	358,800
		<u>\$ 575,672</u>	<u>\$ 575,672</u>	<u>\$ 3,760,000</u>	<u>\$ 4,911,344</u>



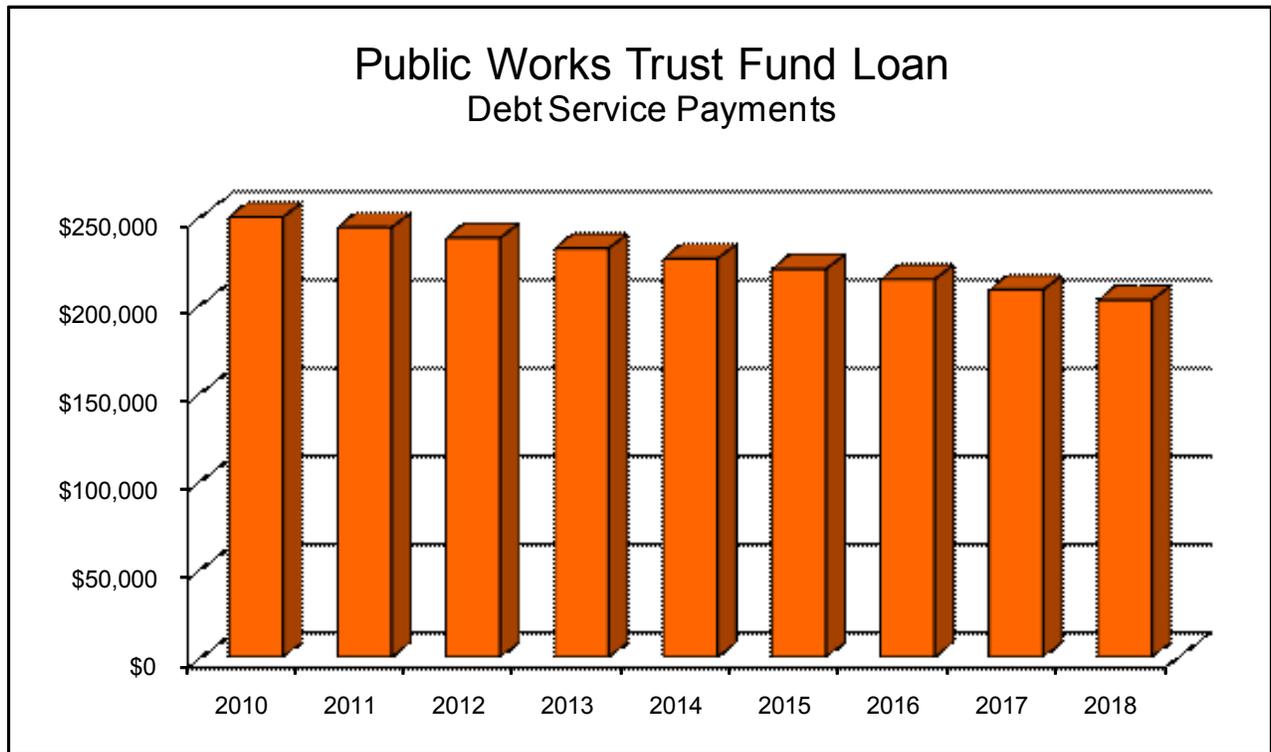
City of Lacey  
 2001 Local Improvement District #19 Bonds  
 December 31, 2009

Year Ended 31-Dec	Interest Range Rate - %		Interest 1-Oct	Principal 1-Oct	Total Debt Service
2010	6.000%	6.000%	16,200	170,000	186,200
2011	6.000%	6.000%	6,000	20,000	26,000
2012	6.000%	6.000%	4,800	20,000	24,800
2013	6.000%	6.000%	3,600	20,000	23,600
2014	6.000%	6.000%	2,400	20,000	22,400
2015	6.000%	6.000%	1,200	10,000	11,200
2016	6.000%	6.000%	600	10,000	10,600
			<u>\$ 34,800</u>	<u>\$ 270,000</u>	<u>\$ 304,800</u>



City of Lacey  
Public Works Trust Fund Loan  
December 31, 2009

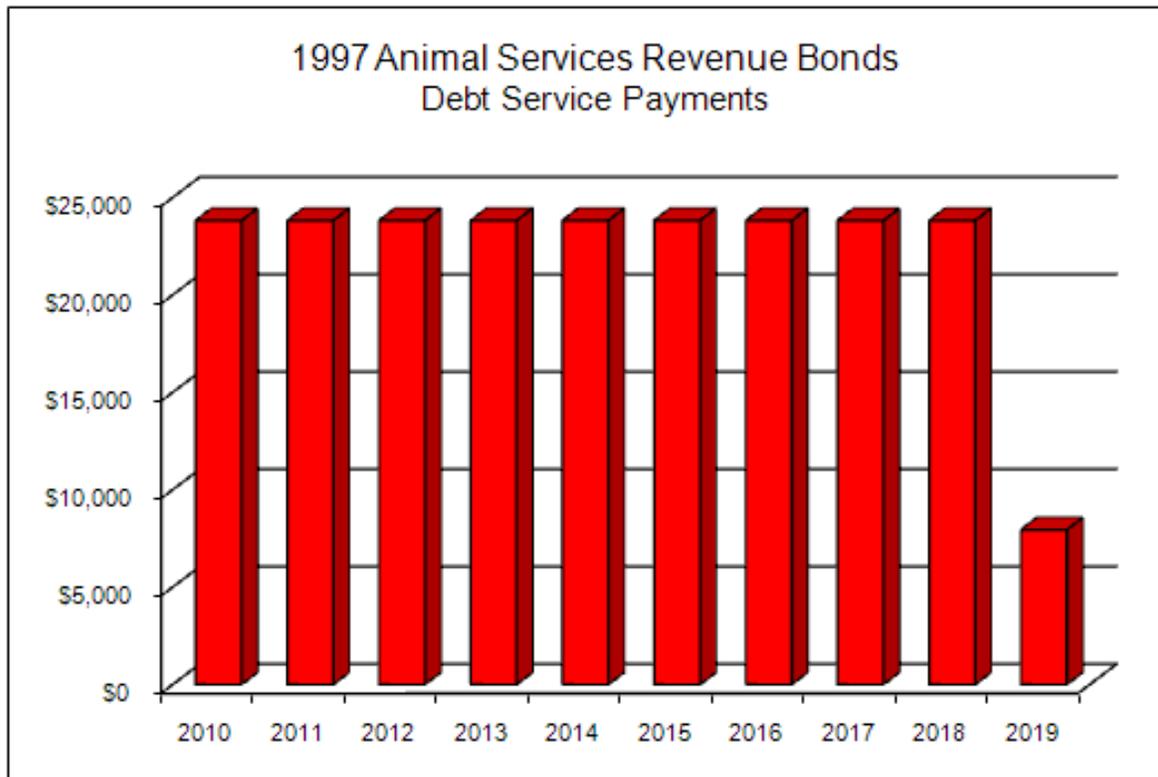
Year Ended 31-Dec	Interest Rate - %	Interest 1-Jul	Principal 1-Jul	Total Debt Service
2010	3.000%	53,032	196,416	249,448
2011	3.000%	47,140	196,416	243,556
2012	3.000%	41,247	196,416	237,663
2013	3.000%	35,355	196,416	231,771
2014	3.000%	29,462	196,416	225,878
2015	3.000%	23,570	196,416	219,986
2016	3.000%	17,677	196,416	214,093
2017	3.000%	11,785	196,416	208,201
2018	3.000%	5,896	196,414	202,310
		<u>\$ 265,164</u>	<u>\$ 1,767,742</u>	<u>\$ 2,032,906</u>



City of Lacey  
1997 Animal Services Revenue Bond  
December 31, 2009

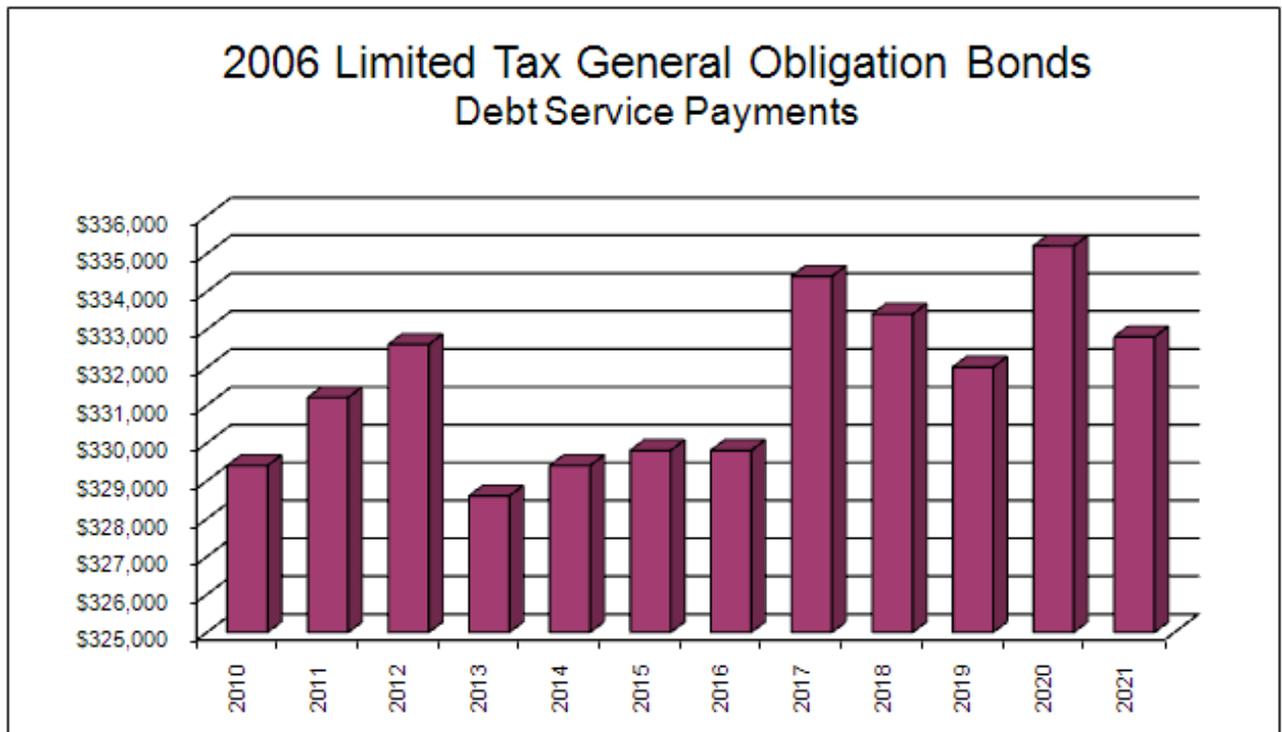
Year Ended 31-Dec	Interest Rate - %	Interest Annual*	Principal Annual*	Total Debt Service
2010	3.978%	7,695	16,126	23,821
2011	3.978%	6,970	16,851	23,821
2012	3.978%	6,231	17,590	23,821
2013	3.978%	5,422	18,399	23,821
2014	3.978%	4,594	19,227	23,821
2015	3.978%	3,730	20,091	23,821
2016	3.978%	2,835	20,985	23,820
2017	3.978%	1,883	21,938	23,821
2018	3.978%	897	22,924	23,821
2019	3.978%	73	7,869	7,942
		\$ 40,330	\$ 182,000	\$ 222,330

\*Actual payments made are equal monthly installments.



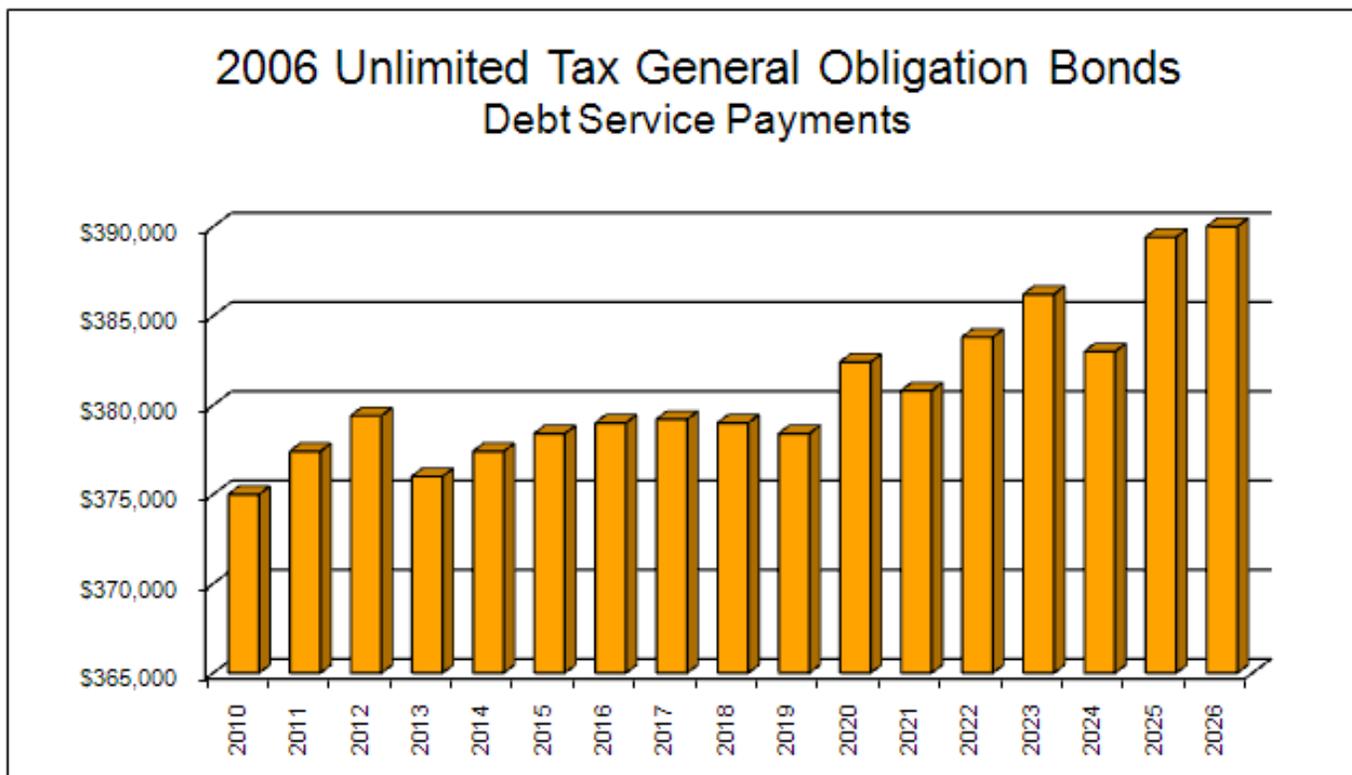
City of Lacey General Obligation Bond Debt  
 2006 Limited Tax General Obligated Bonds  
 December 31, 2009

Year Ended 31-Dec	Interest Rate - %	Interest		Principal Due - 01 Dec	Total Debt Service
		Due - 01 Jun	Due - 01 Dec		
2010	4.000%	62,200	62,200	205,000	329,400
2011	4.000%	58,100	58,100	215,000	331,200
2012	4.000%	53,800	53,800	225,000	332,600
2013	4.000%	49,300	49,300	230,000	328,600
2014	4.000%	44,700	44,700	240,000	329,400
2015	4.000%	39,900	39,900	250,000	329,800
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>\$ 434,300</u>	<u>\$ 434,300</u>	<u>\$ 3,110,000</u>	<u>\$ 3,978,600</u>



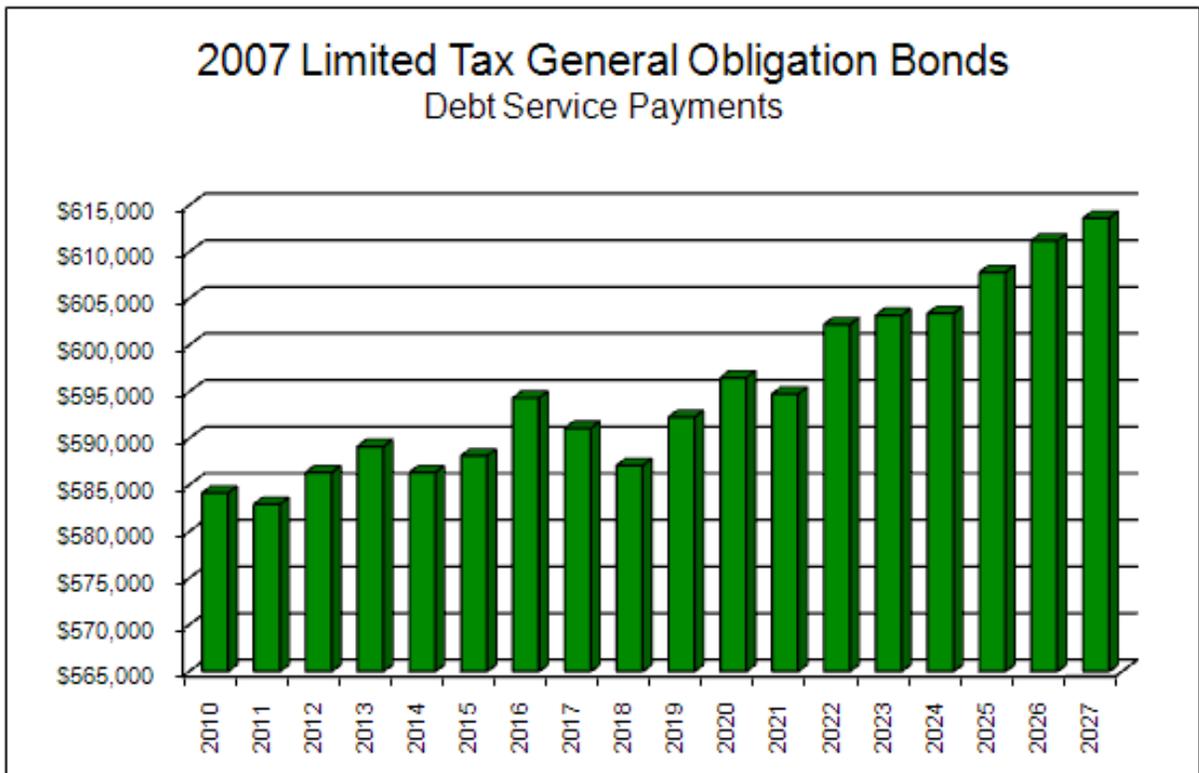
City of Lacey General Obligation Bond Debt  
 2006 Unlimited Tax General Obligated Bonds  
 December 31, 2009

Year Ended 31-Dec	Interest Rate - %	Interest		Principal Due - 01 Dec	Total Debt Service
		Due - 01 Jun	Due - 01 Dec		
2010	4.000%	92,500	92,500	190,000	375,000
2011	4.000%	88,700	88,700	200,000	377,400
2012	4.000%	84,700	84,700	210,000	379,400
2013	4.000%	80,500	80,500	215,000	376,000
2014	4.000%	76,200	76,200	225,000	377,400
2015	4.000%	71,700	71,700	235,000	378,400
2016	4.000%	67,000	67,000	245,000	379,000
2017	4.000%	62,100	62,100	255,000	379,200
2018	4.000%	57,000	57,000	265,000	379,000
2019	4.000%	51,700	51,700	275,000	378,400
2020	4.000%	46,200	46,200	290,000	382,400
2021	4.000%	40,400	40,400	300,000	380,800
2022	4.000%	34,400	34,400	315,000	383,800
2023	4.000%	28,100	28,100	330,000	386,200
2024	4.000%	21,500	21,500	340,000	383,000
2025	4.000%	14,700	14,700	360,000	389,400
2026	4.000%	7,500	7,500	375,000	390,000
		<u>\$ 924,900</u>	<u>\$ 924,900</u>	<u>\$ 4,625,000</u>	<u>\$ 6,474,800</u>



City of Lacey General Obligation Bond Debt  
 2007 Limited Tax General Obligated Bonds  
 December 31, 2009

Year Ended 31-Dec	Interest Rate - %	Interest		Principal Due - 01 Dec	Total Debt Service
		Due - 01 Jun	Due - 01 Dec		
2010	4.000%	152,065	152,065	280,000	584,130
2011	4.000%	146,465	146,465	290,000	582,930
2012	4.000%	140,665	140,665	305,000	586,330
2013	4.000%	134,565	134,565	320,000	589,130
2014	4.000%	128,165	128,165	330,000	586,330
2015	4.000%	121,565	121,565	345,000	588,130
2016	5.000%	114,665	114,665	365,000	594,330
2017	5.000%	105,540	105,540	380,000	591,080
2018	3.750%	96,040	96,040	395,000	587,080
2019	3.800%	88,634	88,634	415,000	592,268
2020	3.850%	80,749	80,749	435,000	596,498
2021	3.900%	72,375	72,375	450,000	594,750
2022	4.000%	63,600	63,600	475,000	602,200
2023	4.000%	54,100	54,100	495,000	603,200
2024	4.000%	44,200	44,200	515,000	603,400
2025	4.000%	33,900	33,900	540,000	607,800
2026	4.000%	23,100	23,100	565,000	611,200
2027	4.000%	11,800	11,800	590,000	613,600
		<u>\$ 1,612,193</u>	<u>\$ 1,612,193</u>	<u>\$ 7,490,000</u>	<u>\$ 10,714,386</u>





This page intentionally left blank



# STATISTICAL SECTION



---



---

 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.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	8-3
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	8-8
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	8-12
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	8-17
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	8-19

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2000; schedules presenting government-wide information include information beginning in that year.

Table of contents  
Statistical Section

Table	Title	Page No.
<b>Financial Trends</b>		
1	Net Assets by Component .....	8-3
2	Changes in Net Assets .....	8-4
3	Fund Balances of Governmental Funds .....	8-5
4	Changes in Fund Balances of Governmental Funds .....	8-6
5	Governmental Activities Tax Revenues by Source .....	8-7
<b>Revenue Capacity</b>		
6	Assessed Value and Estimated Actual Value of Taxable Property .....	8-8
7	Property Tax Rates .....	8-9
8	Principal Property Taxpayers .....	8-10
9	Property Tax Levies and Collections.....	8-11
<b>Debt Capacity</b>		
10	Ratio of Outstanding Debt by Type.....	8-12
11	Ratios of General Bonded Debt Outstanding .....	8-13
12	Direct and Overlapping Government Activities Debt .....	8-14
13	Legal Debt Margin Information .....	8-15
14	Pledged-Revenue Coverage .....	8-16
<b>Demographic and Economic Information</b>		
15	Demographic and Economic Statistics .....	8-17
16	Principal Employers .....	8-18
<b>Operating Information</b>		
17	Full-time Equivalent City Government Employees by Function.....	8-19
18	Operating Indicators by Function.....	8-20
19	Capital Asset Statistics by Function .....	8-21

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

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities Invested in capital assets, net of related debt	\$ 14,203	\$ 21,507	\$ 29,315	\$ 40,590	\$ 184,942	\$ 219,565	\$ 254,410	\$ 269,717	\$ 281,557	\$ 287,705
Restricted	457	453	715	513	1,169	1,289	10,136	16,780	2,430	1,261
Unrestricted	16,014	26,589	43,689	43,980	41,755	44,417	47,198	50,043	* 64,706	* 68,455
Total governmental activities net assets	\$ 30,674	\$ 48,549	\$ 73,719	\$ 85,083	\$ 227,866	\$ 265,271	\$ 311,743	\$ 336,540	* \$ 348,693	* \$ 357,421
Business-type activities										
Invested in capital assets, net of related debt	\$ 42,239	\$ 45,416	\$ 85,983	\$ 93,221	\$ 107,181	\$ 133,961	\$ 155,634	\$ 182,646	\$ 215,424	\$ 218,450
Restricted	-	-	-	-	1,049	1,049	413	-	-	-
Unrestricted	19,548	20,060	19,638	17,565	15,813	18,481	24,625	22,336	14,983	16,861
Total business-type activities net assets	\$ 61,787	\$ 65,476	\$ 105,621	\$ 110,786	\$ 124,043	\$ 153,491	\$ 180,672	\$ 204,982	\$ 230,407	\$ 235,311
Primary government										
Invested in capital assets, net of related debt	\$ 56,442	\$ 66,924	\$ 115,298	\$ 133,811	\$ 292,123	\$ 353,526	\$ 410,044	\$ 452,363	\$ 496,981	\$ 506,155
Restricted	457	453	715	513	2,218	2,337	10,549	16,780	2,430	1,261
Unrestricted	35,562	46,648	63,327	61,545	57,568	62,899	71,823	72,379	* 79,689	* 85,316
Total primary government net assets	\$ 92,461	\$ 114,025	\$ 179,340	\$ 195,869	\$ 351,909	\$ 418,762	\$ 492,416	\$ 541,522	* \$ 579,100	* \$ 592,732

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

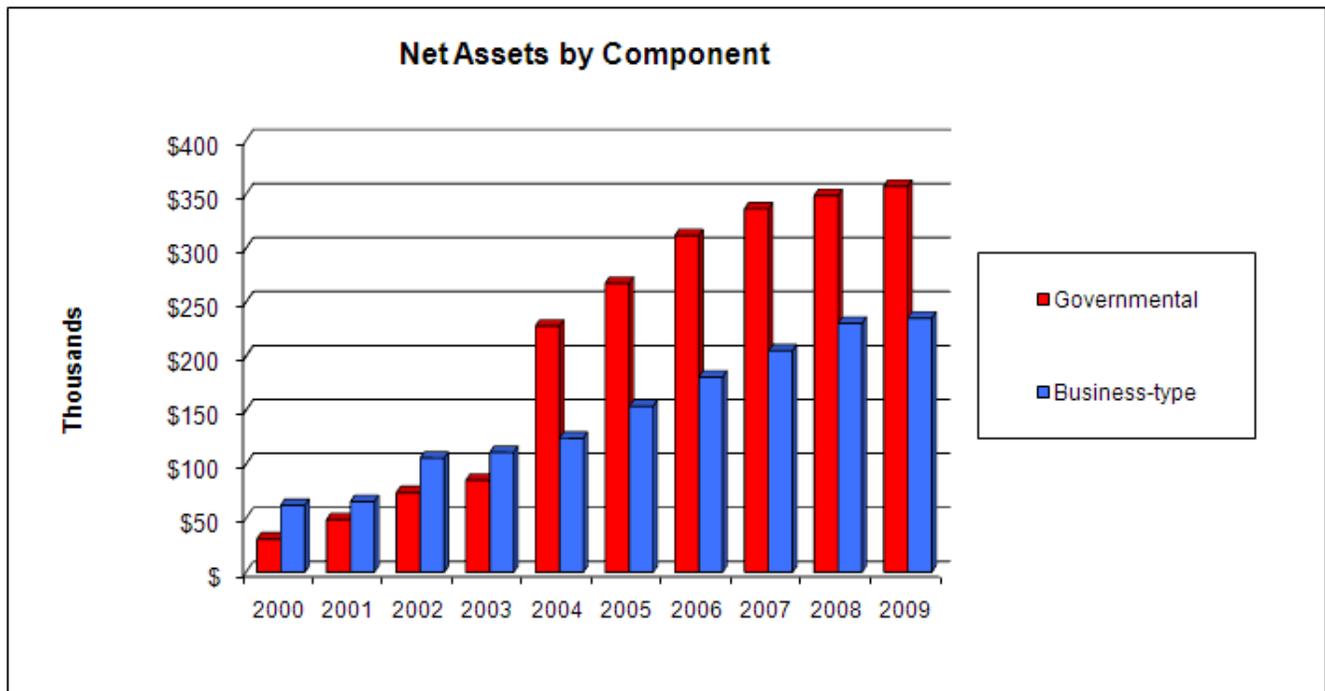


Table 2  
Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

Expenses	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities:</b>										
General government	\$ 1,861	\$ 4,493	\$ 3,522	\$ 3,666	\$ 3,730	\$ 4,174	\$ 4,849	\$ 5,459	\$ 5,745	\$ 5,550
Security of persons and property	7,399	8,203	9,564	9,157	12,043	10,487	11,914	12,337	13,348	14,088
Physical environment	1,941	2,042	2,132	2,259	2,380	2,805	2,827	3,139	3,526	3,656
Transportation	4,950	1,243	2,916	3,705	7,967	8,865	10,116	11,086	13,821	10,748
Economic development	756	816	1,271	963	1,015	1,076	1,138	1,271	1,260	1,173
Mental and physical health	5	5	216	6	7	8	5	10	8	11
Culture and recreation	2,608	2,686	1,636	3,054	3,266	3,570	4,819	4,429	5,757	6,519
Interest on long-term debt	428	471	996	958	925	829	722	924	1,122	1,023
<b>Total governmental activities</b>	<b>19,948</b>	<b>19,959</b>	<b>22,253</b>	<b>23,768</b>	<b>31,333</b>	<b>31,814</b>	<b>36,390</b>	<b>38,655</b>	<b>44,587</b>	<b>42,768</b>
<b>Business-type activities:</b>										
Water	3,426	3,714	5,381	5,364	6,399	6,500	7,493	8,468	9,843	9,784
Wastewater	6,247	6,310	7,353	7,154	7,445	7,862	8,802	9,513	10,507	11,114
Stormwater	675	687	1,566	1,850	1,442	1,507	1,959	2,343	2,825	3,220
Reclaimed Water	-	-	-	-	-	-	-	332	67	-
<b>Total business-type activities</b>	<b>10,348</b>	<b>10,711</b>	<b>14,300</b>	<b>14,368</b>	<b>15,286</b>	<b>15,869</b>	<b>18,254</b>	<b>20,656</b>	<b>23,242</b>	<b>24,118</b>
<b>Total primary government expenses</b>	<b>\$ 30,296</b>	<b>\$ 30,670</b>	<b>\$ 36,553</b>	<b>\$ 38,136</b>	<b>\$ 46,619</b>	<b>\$ 47,683</b>	<b>\$ 54,644</b>	<b>\$ 59,311</b>	<b>\$ 67,829</b>	<b>\$ 66,886</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 283	\$ 2,119	\$ 327	\$ 264	\$ 365	\$ 406	\$ 476	\$ 812	\$ 1,235	\$ 1,005
Transportation	869	589	1,367	528	954	1,492	1,328	1,097	1,065	1,467
Economic development	747	1,250	894	1,158	1,518	3,196	3,811	3,328	1,863	1,084
Culture and recreation	638	674	603	723	760	880	923	988	1,065	1,303
Other activities	358	403	432	388	298	338	213	2,622	3,526	4,243
Operating grants and contributions	1,044	1,150	2,149	1,487	1,952	1,731	3,785	1,478	1,464	2,006
Capital grants and contributions	4,162	12,366	94	5,061	11,532	32,405	38,117	19,499	13,470	9,780
<b>Total governmental activities program revenues</b>	<b>8,101</b>	<b>18,551</b>	<b>5,866</b>	<b>9,609</b>	<b>17,379</b>	<b>40,448</b>	<b>48,653</b>	<b>29,824</b>	<b>23,688</b>	<b>20,888</b>
<b>Business type activities:</b>										
<b>Charges for services:</b>										
Water	4,767	5,041	5,648	6,337	6,782	7,649	10,734	10,556	10,632	11,320
Wastewater	6,537	7,069	6,815	7,469	8,248	9,357	11,499	10,651	11,112	11,161
Stormwater	1,283	1,498	1,270	1,270	1,380	1,421	1,533	1,685	1,826	1,929
Operating grants and contributions	-	-	-	-	-	-	-	51	-	-
Capital grants and contributions	1,430	2	6,036	3,648	11,999	26,212	20,314	18,675	23,931	4,219
<b>Total business-type activities program revenue</b>	<b>14,017</b>	<b>13,610</b>	<b>19,769</b>	<b>18,724</b>	<b>28,409</b>	<b>44,639</b>	<b>44,081</b>	<b>41,618</b>	<b>47,501</b>	<b>28,629</b>
<b>Total primary government program revenues</b>	<b>\$ 22,118</b>	<b>\$ 32,161</b>	<b>\$ 25,635</b>	<b>\$ 28,333</b>	<b>\$ 45,788</b>	<b>\$ 85,087</b>	<b>\$ 92,733</b>	<b>\$ 71,442</b>	<b>\$ 71,189</b>	<b>\$ 49,517</b>
<b>Net (expenses)/revenue:</b>										
Governmental activities	\$ (11,847)	\$ (1,408)	\$ (16,387)	\$ (14,159)	\$ (13,954)	\$ 8,634	\$ 12,262	\$ (8,831)	\$ (20,899)	\$ (21,880)
Business-type activities	3,669	2,899	5,469	4,356	13,123	28,770	25,828	20,962	24,259	4,511
<b>Total primary government net (expense) revenue</b>	<b>\$ (8,178)</b>	<b>\$ 1,491</b>	<b>\$ (10,918)</b>	<b>\$ (9,803)</b>	<b>\$ (831)</b>	<b>\$ 37,404</b>	<b>\$ 38,090</b>	<b>\$ 12,131</b>	<b>*\$ 3,360</b>	<b>\$ (17,369)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Property taxes	\$ 5,224	\$ 5,226	\$ 5,975	\$ 6,428	\$ 6,372	\$ 6,910	\$ 7,393	\$ 8,524	\$ 9,594	\$ 10,096
Retail taxes	4,649	4,937	5,937	5,843	6,610	8,031	8,812	10,506	10,230	9,111
Business taxes	3,620	4,034	4,376	4,412	5,015	5,331	6,580	7,400	7,748	7,827
Excise taxes	768	1,141	1,422	1,941	2,674	3,211	3,448	3,300	2,390	1,610
Penalties and interest	6	5	7	5	10	6	8	7	2	-
Investment earnings	1,247	1,328	1,320	1,300	1,189	1,463	2,463	3,579	2,164	711
Miscellaneous	1,271	2,542	4,959	5,096	3,841	5,827	5,110	1,648	1,022	1,226
Transfers	(50)	68	93	45	402	225	396	(1,336)	(98)	27
<b>Total governmental activities</b>	<b>16,735</b>	<b>19,281</b>	<b>24,089</b>	<b>25,070</b>	<b>26,113</b>	<b>31,004</b>	<b>34,210</b>	<b>33,628</b>	<b>33,052</b>	<b>30,608</b>
<b>Business-type activities:</b>										
Investment earnings	1,127	818	538	319	318	559	1,094	1,238	684	199
Miscellaneous	231	58	164	536	264	343	656	774	384	221
Transfers	50	(68)	(93)	(45)	(402)	(225)	(396)	1,336	98	(27)
<b>Total business-type activities</b>	<b>1,408</b>	<b>808</b>	<b>609</b>	<b>810</b>	<b>180</b>	<b>677</b>	<b>1,354</b>	<b>3,348</b>	<b>1,166</b>	<b>393</b>
<b>Total primary government</b>	<b>\$ 18,143</b>	<b>\$ 20,089</b>	<b>\$ 24,698</b>	<b>\$ 25,880</b>	<b>\$ 26,293</b>	<b>\$ 31,681</b>	<b>\$ 35,564</b>	<b>\$ 36,976</b>	<b>\$ 34,218</b>	<b>\$ 31,001</b>
<b>Change in Net Assets</b>										
Governmental activities	\$ 4,888	\$ 17,873	\$ 7,702	\$ 10,911	\$ 12,159	\$ 39,638	\$ 46,472	\$ 24,797	*\$ 12,153	\$ 8,728
Business-type activities	5,077	3,707	6,078	5,166	13,303	29,447	27,181	24,310	25,425	4,904
<b>Total primary government</b>	<b>\$ 9,965</b>	<b>\$ 21,580</b>	<b>\$ 13,780</b>	<b>\$ 16,077</b>	<b>\$ 25,462</b>	<b>\$ 69,085</b>	<b>\$ 73,654</b>	<b>\$ 49,107</b>	<b>*\$ 37,578</b>	<b>\$ 13,632</b>

\* Restatement increased expenses by \$743,453 and reduced the changes in net assets by \$743,453. (see 2009 Note 4. G)

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

	Fiscal Year									
	2000	2001 <sup>1</sup>	2002 <sup>2</sup>	2003	2004	2005	2006 <sup>3</sup>	2007 <sup>4</sup>	2008	2009
General fund										
Reserved	\$ 575	\$ 453	\$ 338	\$ 186	\$ 184	\$ 302	\$ 129	\$ 137	\$ 129	\$ 133
Unreserved	7,575	10,045	9,523	11,101	12,987	14,553	18,324	21,863	22,706	* 25,195
Total general fund	<u>8,150</u>	<u>10,498</u>	<u>9,861</u>	<u>11,287</u>	<u>13,171</u>	<u>14,855</u>	<u>18,453</u>	<u>22,000</u>	<u>22,835</u>	<u>* 25,328</u>
All other governmental funds										
Reserved	-	-	-	-	-	1,101	1,214	1,352	2,301	1,128
Unreserved, reported in:										
Special revenue funds	(3,232)	5,137	6,855	3,354	5,108	5,984	9,961	7,703	11,651	14,183
Debt service funds	1,190	1,441	1,415	1,835	1,099	1,648	1,061	585	522	465
Capital projects funds	2,166	2,314	8,446	11,591	7,426	6,664	18,272	26,931	10,462	8,723
Total all other governmental funds	<u>124</u>	<u>8,892</u>	<u>16,716</u>	<u>16,780</u>	<u>13,633</u>	<u>15,397</u>	<u>30,508</u>	<u>36,571</u>	<u>24,936</u>	<u>24,499</u>
Total governmental funds	<u>\$ 8,274</u>	<u>\$ 19,390</u>	<u>\$ 26,577</u>	<u>\$ 28,067</u>	<u>\$ 26,804</u>	<u>\$ 30,252</u>	<u>\$ 48,961</u>	<u>\$ 58,571</u>	<u>\$ 47,771</u>	<u>* \$ 49,827</u>

Note:

<sup>1</sup>The City issued debt (L.I.D. bonds and a long-term loan) in the amount of \$9.5 million. The increase in unreserved fund balance is due to the unspent bond proceeds remaining in special revenue funds.

<sup>2</sup>The increase in unreserved fund balance in Capital project funds was due to unspent bond proceeds from an issuance during the period for capital projects.

<sup>3</sup>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.

<sup>4</sup>The increase in capital project funds unreserved fund balance is mainly contributable to the \$8 G.O bond issued in December 2007 and remain unspent at the year end.

\*Restatement reduced the balance by \$175,386. (See 2009 Note 4.G)

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	\$ 14,178	\$ 15,548	\$ 17,742	\$ 18,816	\$ 21,127	\$ 23,498	\$ 26,225	\$ 29,718	\$ 29,838	\$ 28,531
Licenses and permits	727	1,046	899	961	1,245	2,589	3,229	2,849	1,743	1,386
Intergovernmental revenues	5,203	3,519	3,299	4,371	2,822	3,812	6,234	4,138	10,947	8,342
Charges for services	3,426	4,689	4,184	5,047	5,029	6,307	6,627	6,978	7,145	7,564
Fines & forfeitures	248	275	377	537	454	294	334	444	492	* 930
Other revenue	2,342	2,130	2,397	3,113	2,137	3,375	3,396	4,410	3,096	1,185
Total revenues	26,124	27,207	28,898	32,845	32,814	39,875	46,045	48,537	53,261	47,938
<b>Expenditures</b>										
General government	2,641	2,959	3,296	3,321	3,483	3,660	3,877	4,216	4,540	5,235
Securities of persons and property	7,236	8,106	8,948	9,162	9,332	10,153	10,875	12,295	13,342	13,893
Physical environment	1,934	2,058	2,160	2,312	2,421	2,829	2,875	3,169	3,560	3,668
Transportation	1,023	1,446	1,290	1,574	1,503	1,678	2,020	2,281	2,397	2,350
Economic environment	714	760	760	840	904	993	1,011	1,196	1,187	1,083
Mental and physical health	5	5	6	6	7	8	6	10	9	11
Culture and recreation	2,410	2,547	2,567	2,786	3,069	3,389	4,387	4,157	4,561	5,824
Capital outlay	9,966	5,969	6,008	13,247	9,801	9,483	8,180	14,951	30,641	11,257
Debt service										
Principal	1,328	1,381	1,893	2,186	2,481	3,371	2,006	2,216	2,121	1,571
Interest	471	371	1,016	988	985	869	705	933	1,152	1,074
Debt issue costs	-	-	-	-	-	-	-	135	-	-
Total expenditures	27,728	25,602	27,944	36,422	33,986	36,433	35,942	45,559	63,510	45,966
Excess of revenue over (under) expenditures	(1,604)	1,605	954	(3,577)	(1,172)	3,442	10,103	2,978	(10,249)	* 1,972
<b>Other financing sources (uses)</b>										
Transfers in	1,099	518	3,115	1,418	2,716	3,655	2,393	3,624	16,516	2,110
Transfers out	(1,384)	(518)	(3,115)	(1,418)	(2,381)	(3,655)	(2,393)	(5,124)	(17,066)	(2,110)
Proceeds from capital lease	-	-	-	-	-	-	-	-	-	27
Special assessment debt proceeds	-	6,565	-	-	-	-	-	-	-	-
Public works trust fund loan	-	2,948	-	-	-	-	-	-	-	-
Bonds issued	-	-	6,232	5,000	-	-	8,485	8,000	-	-
Premium on bonds issued	-	-	-	2	-	-	120	128	-	-
Proceeds from sale of capital assets	-	-	-	69	5	9	2	4	-	57
Total other financing sources (uses)	(285)	9,513	6,232	5,071	340	9	8,607	6,632	(550)	84
Net change in fund balances	\$ (1,889)	\$ 11,118	\$ 7,186	\$ 1,494	\$ (832)	\$ 3,451	\$ 18,710	\$ 9,610	\$ (10,799)	*\$ 2,056
<b>Debt services as a percentage of noncapital expenditures</b>										
	8.2%	8.6%	12.7%	12.8%	12.6%	15.2%	9.1%	10.3%	6.6%	7.6%

\* Restatement reduced the revenue and the changes in fund balance by \$175,386 .(see 2009 Note 4.G)

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

Fiscal Year	Property Tax	Timber Tax	Sales Tax	Business Tax	Excise Tax	Penalties & Interest	Total
2000	5,224	0.2	4,649	3,620	768	6	14,267
2001	5,226	0.2	4,937	4,034	1,141	5	15,343
2002	5,975	0.3	5,937	4,376	1,422	7	17,717
2003	6,428	0.2	5,843	4,412	1,941	5	18,629
2004	6,372	0.1	6,610	5,015	2,674	10	20,681
2005	6,910	0.2	8,031	5,331	3,211	6	23,489
2006	7,393	0.2	8,812	6,580	3,448	8	26,241
2007	8,524	0.2	10,507	7,400	3,301	7	29,739
2008	9,594	0.1	10,230	7,748	2,390	2	29,964
2009	10,096	-	9,111	7,827	1,610	1	28,645

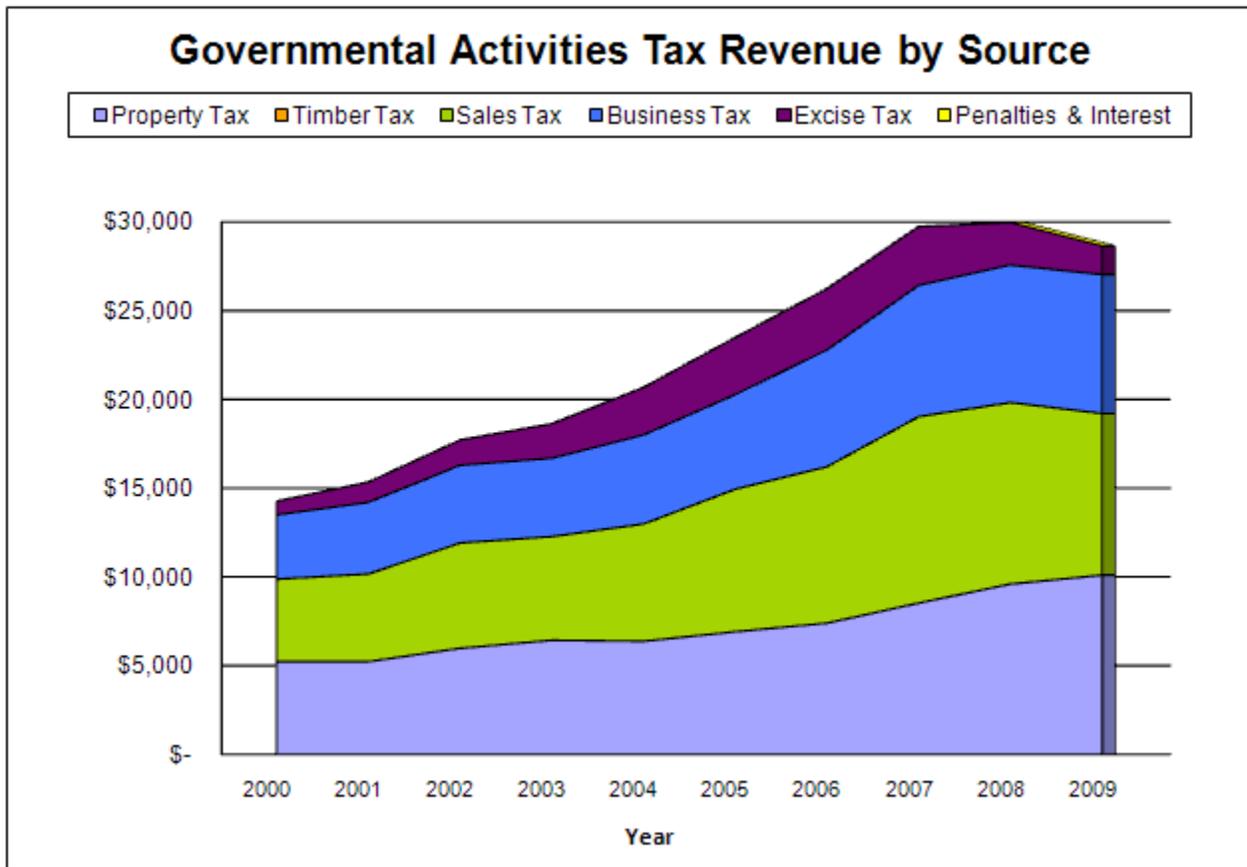


Table 6  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

Fiscal Year Ended December 31	Real Property*	Personal Property*	Total Taxable Assessed Value*	Total Direct Regular Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value <sup>1</sup>
2000	1,493,700	84,679	1,578,379	3.10	1,724,439	91.53%
2001	1,598,738	100,610	1,699,348	3.03	1,856,603	91.53%
2002	1,753,082	106,976	1,860,058	2.88	2,032,184	91.53%
2003	1,912,156	127,810	2,039,966	2.76	2,223,042	91.76%
2004	2,058,894	130,907	2,189,801	2.68	2,355,362	92.97%
2005	2,369,109	133,050	2,502,159	2.48	2,754,785	90.83%
2006	2,753,153	133,598	2,886,751	2.30	3,187,531	90.56%
2007	3,385,318	145,554	3,530,872	2.14	4,095,492	86.21%
2008	4,320,765	164,624	4,485,389	1.88	4,974,321	90.17%
2009	4,706,716	185,887	4,892,603	1.84	5,386,885	90.82%

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.

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

<sup>1</sup> Ratio set by the Washington Department of Revenue. Actual ratios for years 2000 to 2002 are not available. The five-year average from years 2003 to 2007 are used.

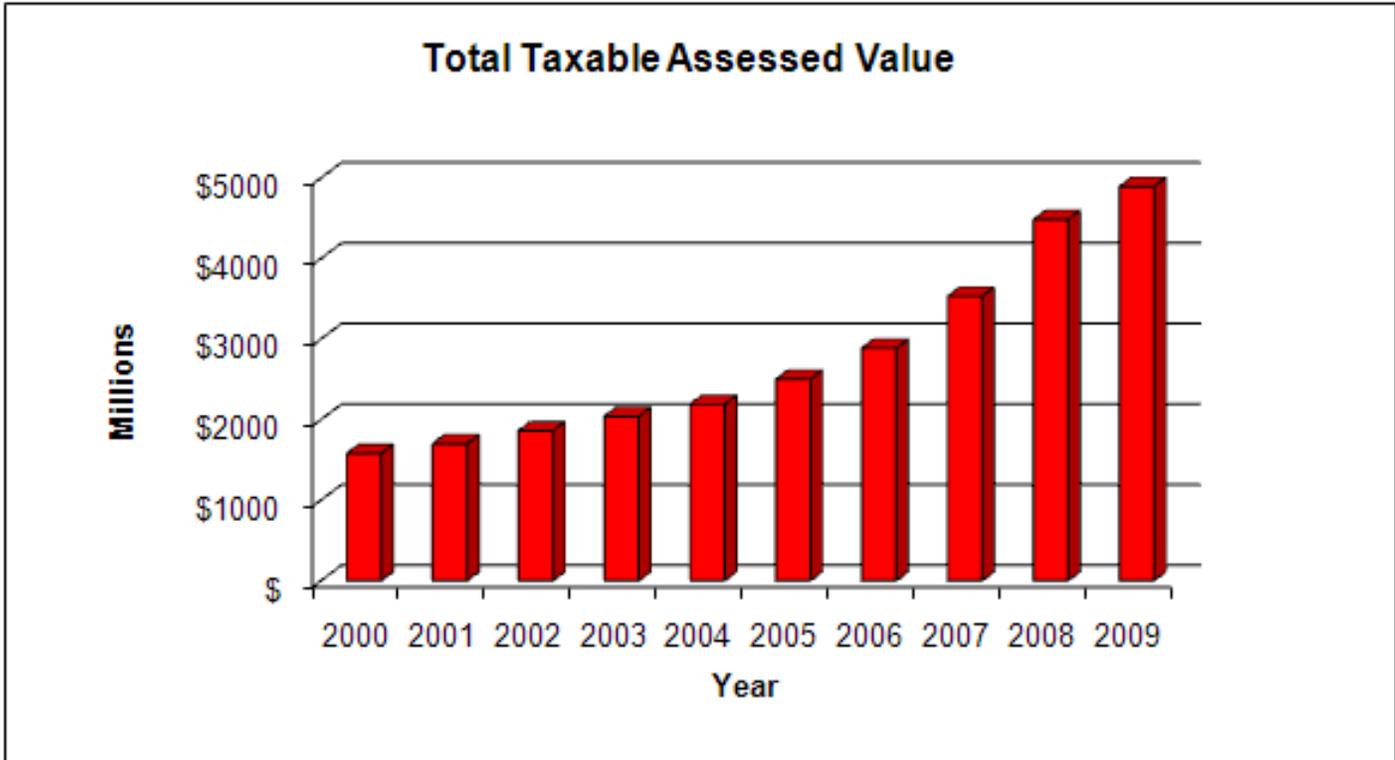


Table 7  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	City of Lacey			Overlapping Rates <sup>1</sup>									Total Direct & Overlapping Rates
	Regular Rate	General Obligation Debt Service	Total Direct Rates	State Schools	Thurston County	Medic One	PUD #1	Library	North Thurston School District #3	Fire District #3	Port of Olympia		
2000	3.10	0.19	3.29	3.38	1.86	0.50	0.01	0.50	6.04	0.20	0.19	15.97	
2001	3.03	0.16	3.19	3.13	1.84	0.47	-	0.50	5.67	0.20	0.28	15.28	
2002	2.88	0.44	3.32	3.03	1.78	0.46	-	0.49	5.35	0.20	0.28	14.91	
2003	2.76	0.47	3.23	2.88	1.71	0.44	0.01	0.48	5.09	0.17	0.27	14.28	
2004	2.68	0.44	3.12	2.78	1.65	0.44	0.01	0.47	4.97	0.16	0.25	13.85	
2005	2.48	0.32	2.80	2.79	1.53	0.41	0.01	0.45	4.25	0.13	0.22	12.59	
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	

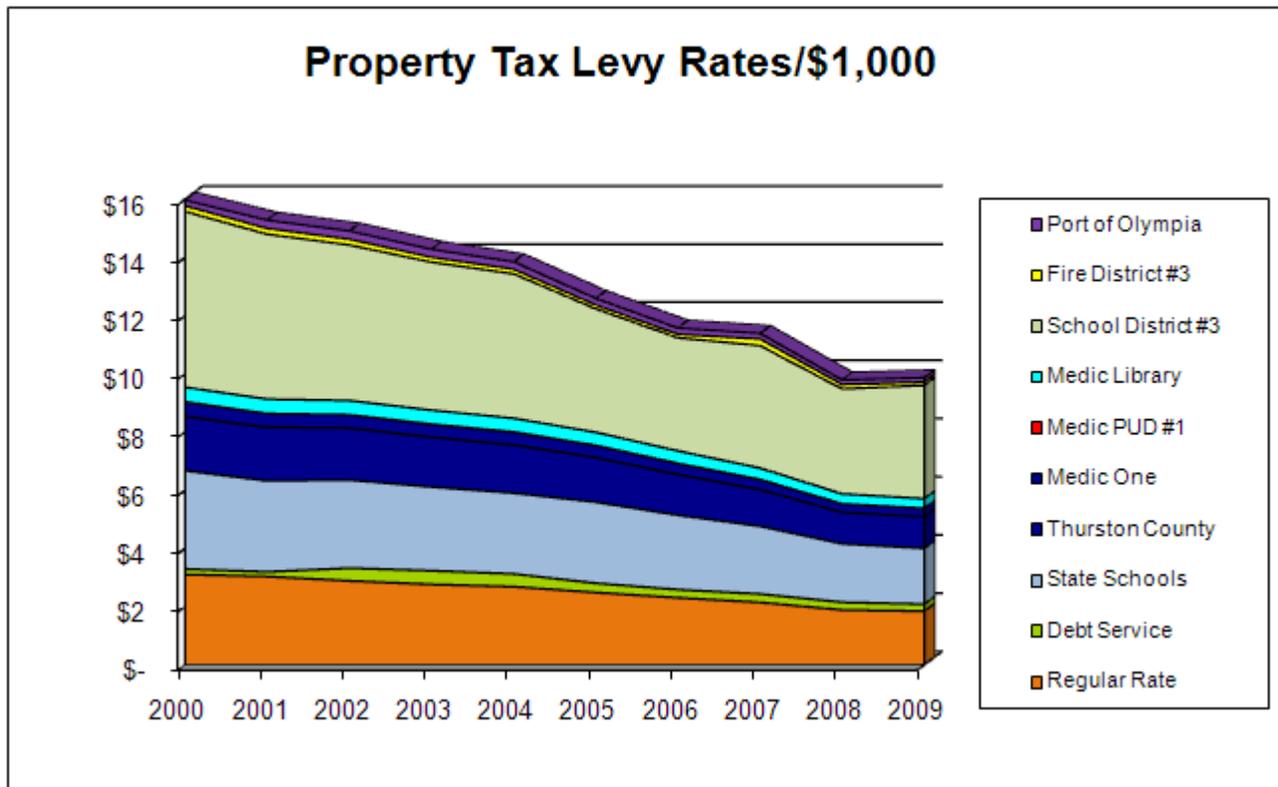
Source: Thurston County Assessor, Statistical Report of 2008 Assessments for Taxes Payable in 2009.

Explanation

<sup>1</sup> 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.

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. Initiative 747 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 8**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
**December 31, 2009**  
 (amounts expressed in thousands)

Taxpayer	Type of Business	2009			2000		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Target Corporation	Retail/Warehouse	\$ 114,888	1	2.35%	\$ -		
Panorama City Inc	Retirement Community	78,532	2	1.61%	44,022	1	2.79%
CDC Properties II LLC	Leasing/Land Development	55,364	3	1.13%	-		-
Home Depot USA Inc	Retail/Warehouse	45,537	4	0.93%	-		-
Hawks Praire Investment LLC	Real Estate Development	37,270	5	0.76%			
Capital Development Company	Real Estate Development	35,002	6	0.72%	34,634	2	2.19%
Cobela's Wholesale Inc	Retail/Wholesale	32,353	7	0.66%			
Cox, Walter W.	Real Estate Development	28,665	8	0.59%	10,765	8	0.68%
Lacey Market Square I and II LLC	Leasing/Land Development	27,936	9	0.57%	-		-
Hawks Praire Land Association LLC	Leasing/Land Development	27,883	10	0.57%			
Rainier General, Inc	Real Estate Development	-		-	26,710	3	1.69%
Weyerhaeuser Vicwood Partnership	Real Estate Development	-		-	19,536	4	1.24%
Puget Sound Energy, Inc	Electrical Utility	-		-	13,874	5	0.88%
U.S. West Communications	Utility	-		-	12,603	6	0.80%
API/Pichon VIII LLC	Real Estate Development	-		-	11,996	7	0.76%
Mastro, Michael	Real Estate Development	-		-	9,908	9	0.63%
Black Office Park LLC	Real Estate Development	-		-	9,681	10	0.61%
<b>Totals</b>		<b>483,430</b>		<b>9.88%</b>	<b>193,729</b>		<b>12.26%</b>
Balance of Taxpayers		4,409,173		90.12%	1,384,649		87.74%
<b>Total Assessed Values</b>		<b>\$ 4,892,603</b>		<b>100.00%</b>	<b>\$ 1,578,379</b>		<b>100.00%</b>

Source: Thurston County Assessor

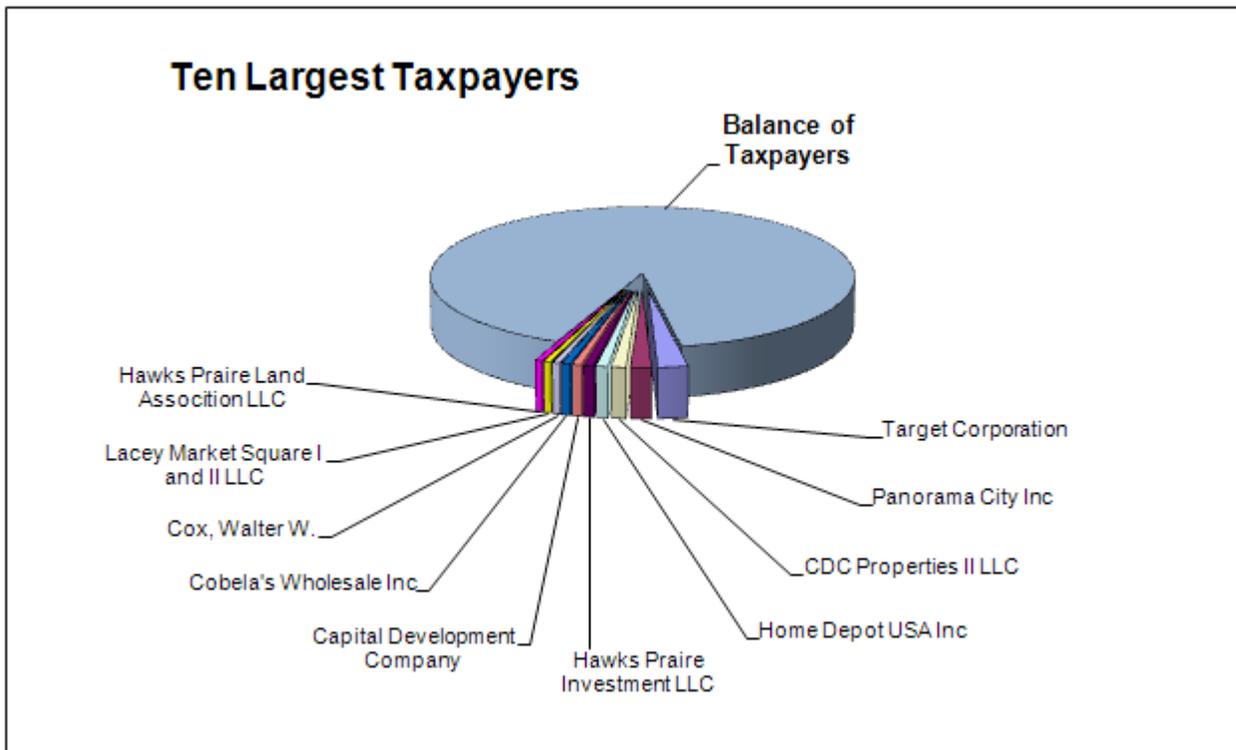


Table 9  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
(amounts expressed in thousands)

Fiscal Year Ended December 31	Regular Tax Levy for Fiscal Year	Special Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy**		Collections in subsequent Years**	Total Collections To-Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2000	4,893	292	5,185	5,038	97.16%	96	5,134	99.01%
2001	5,158	272	5,430	5,207	95.89%	148	5,355	98.62%
2002	5,363	807	6,170	5,928	96.08%	72	6,000	97.24%
2003	5,630	953	6,583	6,432	97.71%	201	6,633	100.76%
2004	5,889	958	6,847	6,708	97.97%	110	6,818	99.58%
2005	6,214	797	7,011	6,860	97.85%	87	6,947	99.09%
2006	6,654	797	7,451	7,283	97.75%	97	7,380	99.05%
2007	7,554	1,003	8,557	8,389	98.04%	143	8,532	99.71%
2008	8,438	1,177	9,615	9,372	97.47%	93	9,465	98.44%
2009	9,003	1,181	10,184	9,813	96.36%	172	9,985	98.05%

\*Source: Thurston County Assessor

\*\*Source: City of Lacey Finance Department

### Property Tax Levies & Collections

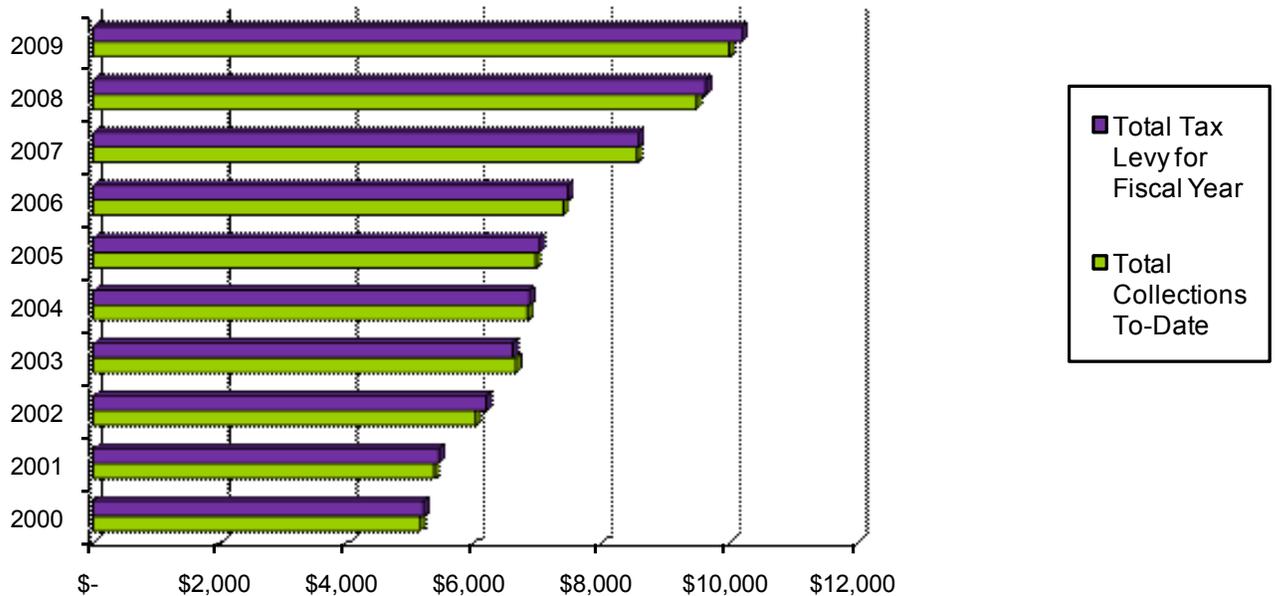


Table 10  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capital amount)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita <sup>3</sup>
	General Obligation Bonds	Special Assessment Bonds	PWTF Loan	Revenue Bond <sup>1</sup> Animal Services	Water Bonds	Wastewater Bonds	DOE Loan			
2000	\$ 3,605	\$ 3,055	\$ 587	\$ -	\$ 4,270	\$ 3,720	\$ 355	\$ 15,592	1.71%	\$ 499
2001	3,195	8,845	3,339	-	3,901	3,139	266	22,685	2.35%	718
2002	8,595	7,980	3,143	1,374	3,405	2,645	177	27,319	2.79%	857
2003	12,855	6,730	2,946	1,312	2,884	1,691	89	28,507	2.82%	884
2004	12,110	5,190	2,750	1,248	1,104	1,156	-	23,558	2.20%	724
2005	10,235	3,890	2,553	241	718	597	-	18,234	1.59%	550
2006	18,190	2,610	2,357	227	135	195	-	23,714	1.91%	696
2007	25,375	1,405	2,161	213	-	-	-	29,154	2.13%	813
2008	24,320	535	1,964	197	-	-	-	27,016	1.86%	710*
2009	23,210	270	1,768	182	-	-	-	25,430	1.69%	648*

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

<sup>1</sup> The City of Lacey administers the Animal Services financials. The balance at fiscal year-end 2009 represents the amount of debt due from the City of Olympia.

<sup>2</sup> Approximately 35.1% of the City of Lacey's utility customers reside outside the corporate city limit.

<sup>3</sup> See the Schedule of Demographic and Economics for personal income and population data.

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

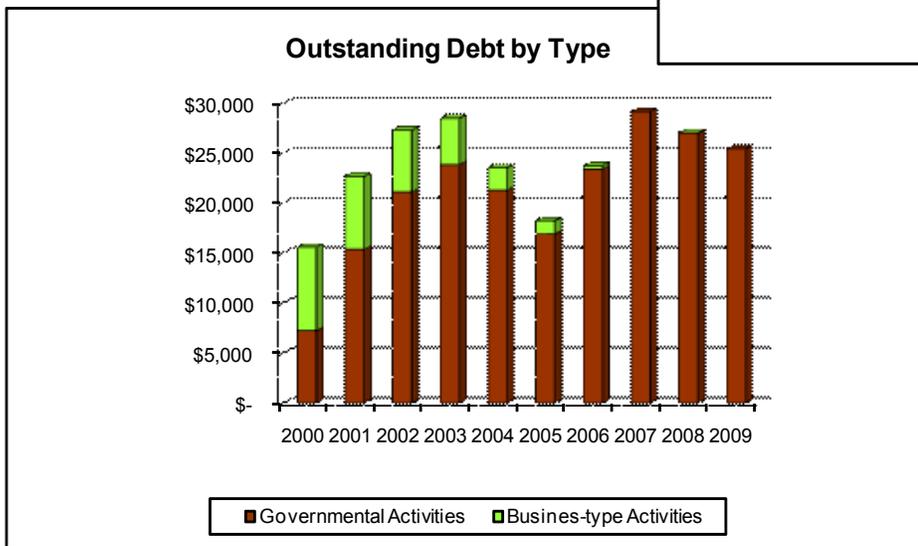
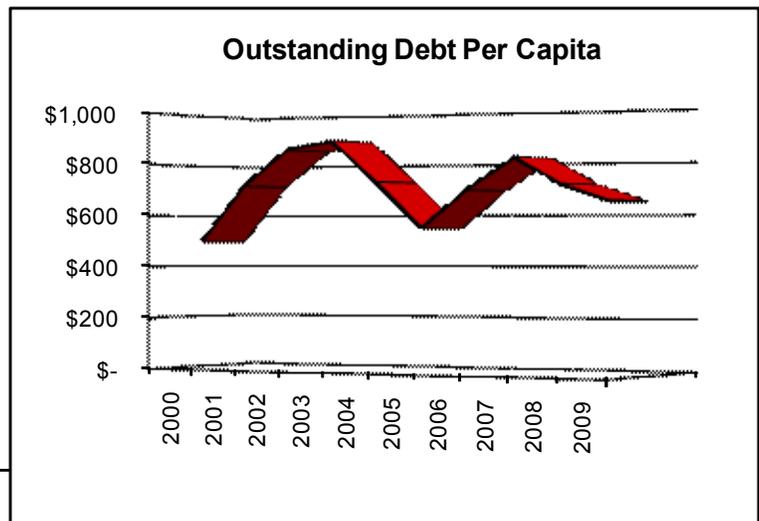


Table 11  
 Ratios of General Bonded Debt Outstanding  
 Last Ten Fiscal Years  
 (amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value <sup>1</sup> of Property	Per Capita <sup>2</sup>
2000	\$ 3,605	\$ 232	\$ 3,373	0.20%	\$ 57
2001	3,195	236	2,959	0.16%	49
2002	8,595	376	8,219	0.40%	124
2003	12,855	438	12,417	0.56%	175
2004	12,110	428	11,682	0.50%	164
2005	10,235	820	9,415	0.34%	118
2006	18,190	728	17,462	0.55%	200
2007	25,375	375	25,000	0.61%	233
2008	24,320	381	23,939	0.48%	184*
2009	23,210	360	22,850	0.42%	162*

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

Explanation:

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 8-8 for property value data.

<sup>2</sup> Per capita data can be found in the Schedule of Demographic and Economic Statistics on page 8-17.

\* Per capita personal income for the year not yet available. Calculation is based on 2007 income.

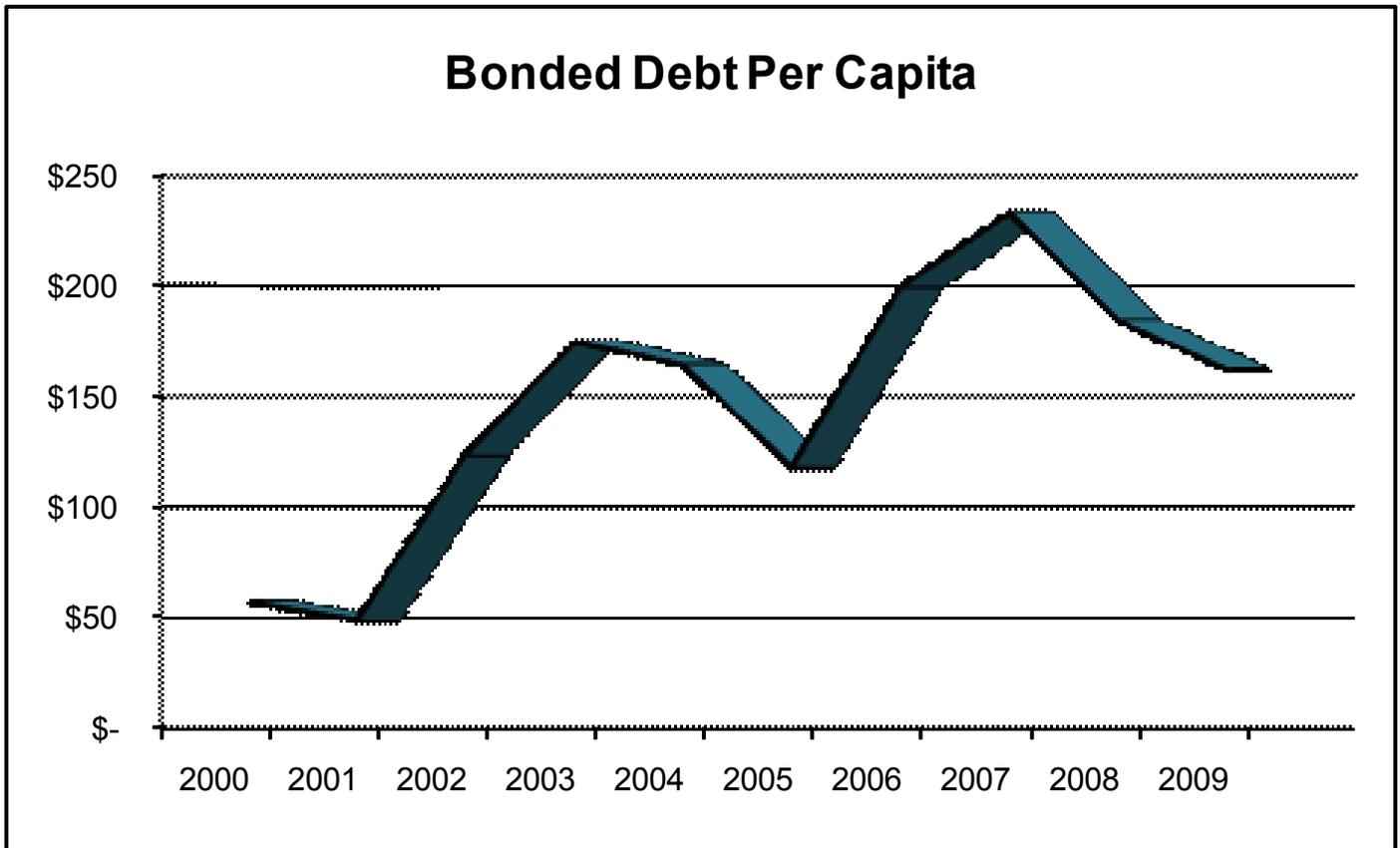


Table 12  
 Direct and Overlapping Government Activities Debt  
 As of December 31, 2009  
 (amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Thurston County	\$ 90,742	16.24%	\$ 14,741
Port of Olympia	32,310	16.24%	5,249
North Thurston School District	140,901	47.02%	66,247
Fire Districts	5,575	70.89%	3,952
Subtotal, overlapping debt			<u>90,190</u>
City of Lacey's direct debt			<u>25,248</u>
Total direct and overlapping debt			<u>\$ 115,438</u>

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.

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:

<sup>1</sup> 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.

Table 13  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 118,378	\$ 127,451	\$ 139,504	\$ 152,997	\$ 164,235	\$ 187,662	\$ 216,506	\$ 264,815	\$ 336,404	\$ 366,945
Total net debt applicable to limit	3,373	2,959	8,219	12,417	11,682	9,415	17,462	25,000	23,939	22,850
Legal debt margin	\$ 115,004	\$ 124,492	\$ 131,285	\$ 140,580	\$ 152,553	\$ 178,247	\$ 199,044	\$ 239,815	\$ 312,465	\$ 344,095
Total net debt applicable to the limit as a percentage of debt limit	2.85%	2.32%	5.89%	8.12%	7.11%	5.02%	8.07%	9.44%	7.12%	6.23%

Legal Debt Margin Calculations:

Assessed Value	\$ 4,892,603
Add back: exempt real property	-
Total assessed value	\$ 4,892,603
Debt limit (7.5% of total assessed value)	\$ 366,945
Debt applicable to limit:	
General obligation bonds	23,210
Less: Amount set aside for repayment of general obligation debt	(360)
Total net debt applicable to limit	\$ 22,850
Legal debt margin	\$ 344,095

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 14  
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							
2000	11,408	8,557	2,851	860	454	2.17	929	800	223	0.91
2001	12,110	8,980	3,130	950	408	2.31	1,180	775	179	1.24
2002	12,464	9,524	2,940	990	311	2.26	1,517	1,062	640	0.89
2003	13,805	9,923	3,882	1,035	261	3.00	2,329	1,446	536	1.18
2004	15,098	11,231	3,867	2,315	201	1.54	1,464	1,736	467	0.66
2005	17,007	11,464	5,543	945	98	5.31	2,005	1,496	377	1.07
2006	22,233	12,936	9,297	985	57	8.92	1,244	1,476	302	0.70
2007	21,207	14,148	7,059	330	11	20.70	1,453	1,401	224	0.89
2008	21,744	16,022	5,722	-	-	-	1,130	1,066	148	0.93
2009	22,481	16,489	5,992	-	-	-	515	461	91	0.93

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.  
 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.

Table 15  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Thurston County Per Capita Personal Income <sup>1</sup>	North Thurston Public School Enrollment	Thurston County Unemployment Rate
2000	31,226	913,454	29,253	12,231	5.0%
2001	31,600	964,811	30,532	12,188	5.7%
2002	31,860	978,293	30,706	12,887	5.8%
2003	32,240	1,011,788	31,383	13,089	5.7%
2004	32,530	1,072,612	32,973	13,079	5.2%
2005	33,180	1,145,075	34,511	13,119	5.0%
2006	34,060	1,240,567	36,423	13,370	4.6%
2007	35,870	1,371,741	38,242	13,601	4.5%
2008	38,040	1,454,726 *	38,242 *	13,843	5.0%
2009	39,250	1,500,999 *	38,242 *	14,025	7.2%

Data Sources:  
Thurston Regional Planning Council, The Profile (www.trpc.org)  
Washington State Employment Security

Explanation:  
<sup>1</sup> Represents per capita personal income without compensation for the effects of inflation.

\*The information presented is based on the most recent available statistical data (2007).

2009 county unemployment rate is September 2009 average unemployment rate.

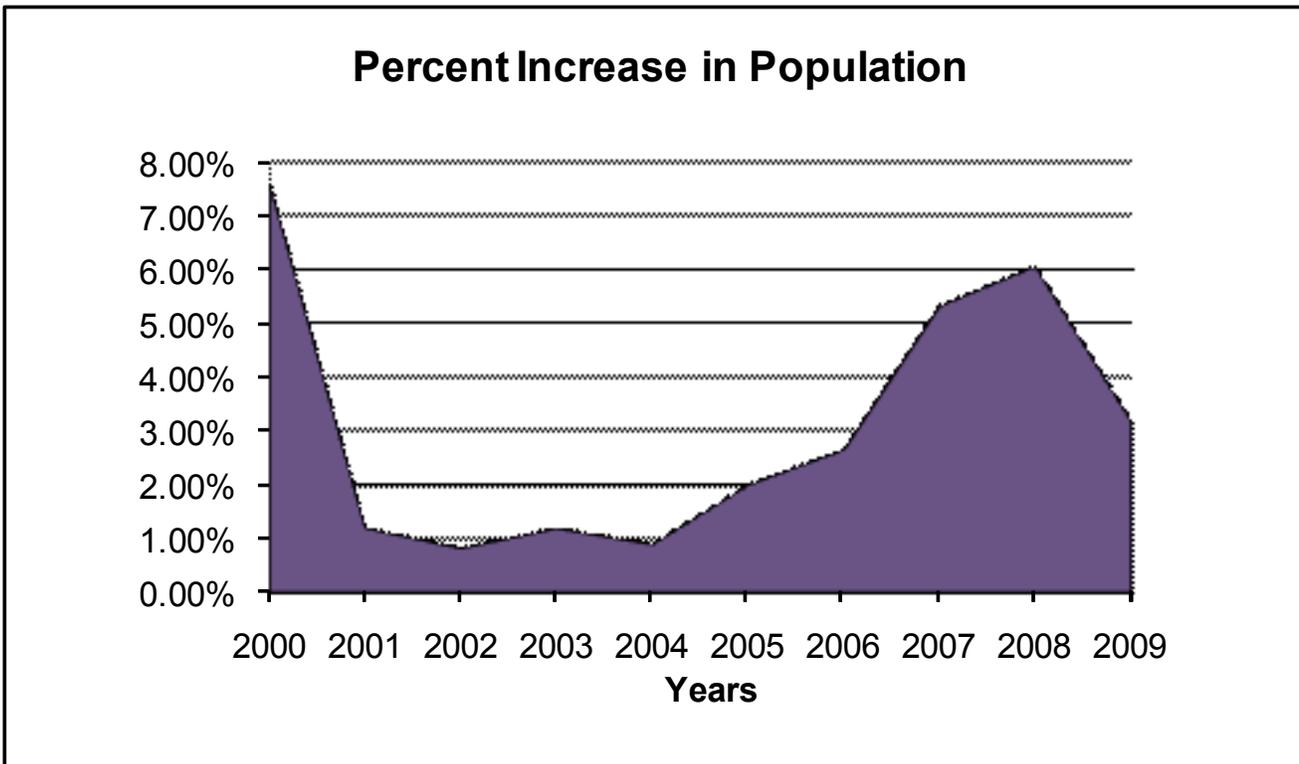


Table 16  
Principal Employers  
Current Year and Nine Years Ago

Employer	Business type	2009		2000 <sup>5</sup>	
		Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
State of Washington <sup>1</sup>	Government	3,150	17%	2,570*	16%
North Thurston Public Schools <sup>2</sup>	Education	1,590	8%	1,500*	9%
Panorama City <sup>3</sup>	Retirement Community	360	2%	250-499	2%
Cabelas <sup>1</sup>	Retail	100-500	2%		
Costco Corporation <sup>1</sup>	Retail	100-500	2%		
Safeway Corporation <sup>1</sup>	Retail	100-500	2%		
St. Martin's College <sup>1</sup>	Education	100-500	2%	250-499	2%
Target Corporation	Retail	100-500	2%		
Wal-Mart Corporation	Retail	100-500	2%		
City of Lacey <sup>4</sup>	Government	260	1%	184	1%
Illuminet (as of 2002, Verisign)	Retail			100-249	1%
Fred Meyers	Retail			250-499	2%
Sears Roebuck & Co.	Retail			100-249	1%
Shopko	Retail			100-249	1%
Roo-Lan Healthcare	Retirement Community			100-249	1%
Alarm Center, Inc.	Retail			100-249	1%
<b>Total</b>		<u>5,960 - 8,360</u>	<u>38%</u>	<u>5,494 - 6,996</u>	<u>40%</u>

Source

<sup>1</sup> Thurston Regional Planning Council (TRPC), 2009 Profile

<sup>2</sup> North Thurston Public Schools

<sup>3</sup> Panorama Corporation

<sup>4</sup> City of Lacey

<sup>5</sup> City of Lacey 2000 Comprehensive Annual Financial Report

Notes: Percentage of total employment is based on the midpoints in the ranges given.

Total city employment data are based on 2009 TRPC Profile (2003 total jobs 19,000) and 2000 TRPC Profile (1998 total jobs 15,808)

\*Actual number of employee for 2000 not available. Used 1998 information.

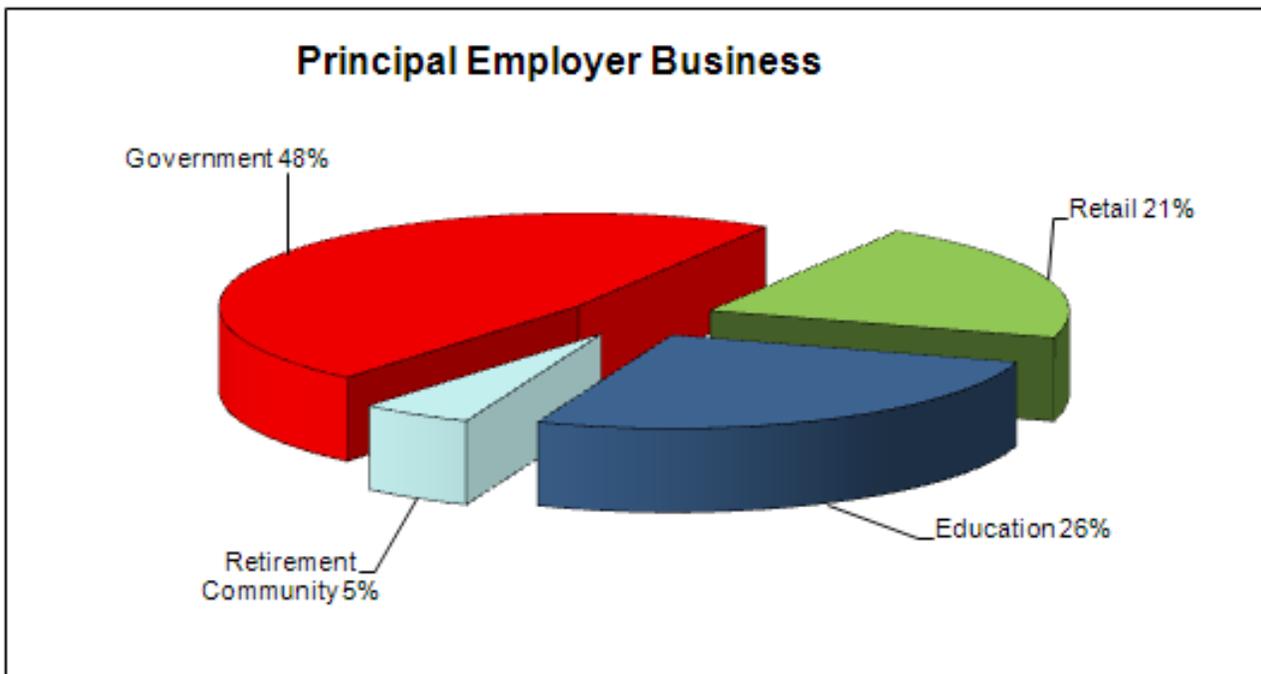


Table 17  
Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of December 31									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	23.75	23.75	23.75	24.00	24.00	24.00	27.00	27.00	30.00	30.00
Security of persons and property										
Police Officers	42.00	45.00	46.00	47.00	47.00	47.00	49.00	51.00	54.00	56.00
Civilians	10.50	12.91	12.41	12.41	12.41	12.41	12.41	14.28	14.28	14.28
Transportation										
Engineering	30.50	30.50	31.50	31.50	31.00	32.00	36.00	37.00	38.00	38.00
Maintenance	21.70	22.70	23.68	24.68	26.68	27.68	28.68	30.68	30.50	33.50
Economic development	13.50	13.50	13.50	13.50	13.50	15.75	16.75	17.75	17.75	17.75
Culture and recreation	10.50	10.75	11.75	11.75	11.75	13.00	13.00	14.00	14.88	16.00
Water	15.70	17.70	15.53	17.41	19.41	22.95	21.95	23.95	25.45	25.45
Wastewater	11.30	11.30	13.47	13.59	13.59	14.05	15.05	16.05	14.55	14.55
Stormwater	5.30	5.30	5.32	5.32	5.32	5.32	5.32	5.32	6.50	6.50
<b>Total</b>	<u>184.75</u>	<u>193.41</u>	<u>196.91</u>	<u>201.16</u>	<u>204.66</u>	<u>214.16</u>	<u>225.16</u>	<u>237.03</u>	<u>245.91</u>	<u>252.03</u>

Source: City of Lacey Budget Records

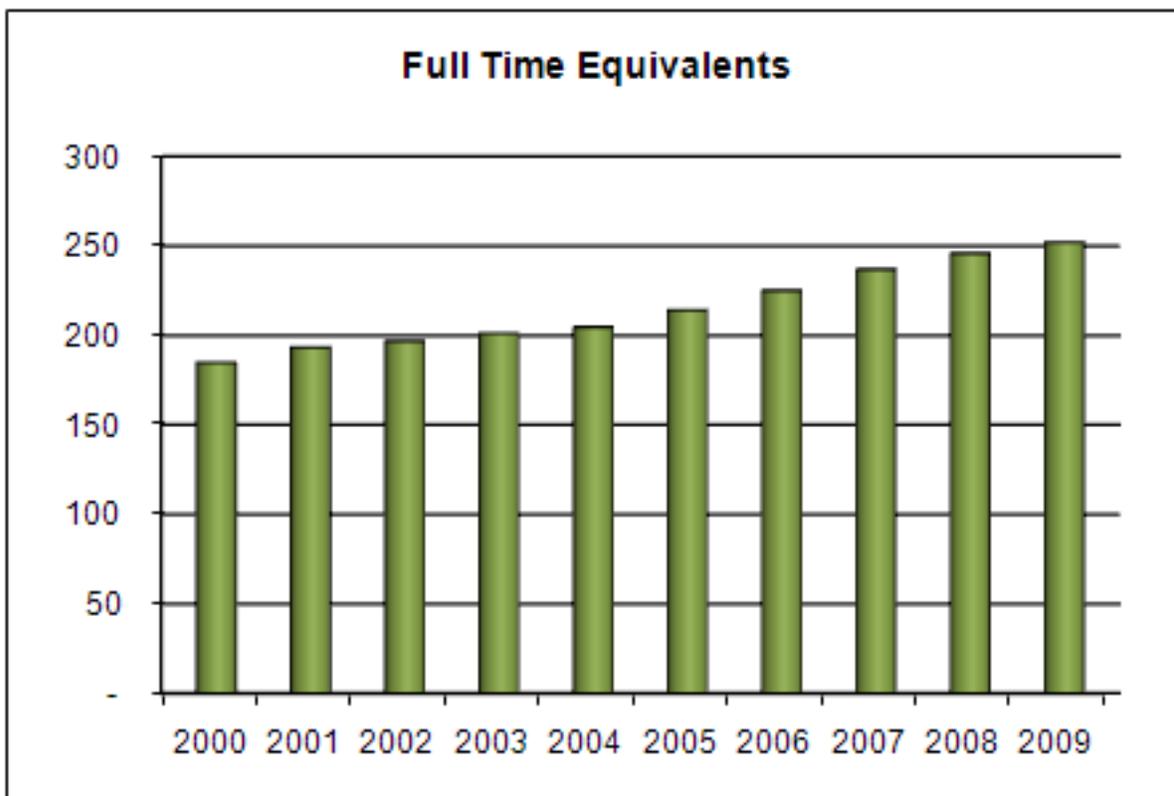


Table 18  
Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Police</b>										
Arrests	2,715	2,515	2,533	2,598	2,463	2,473	3,333	4,006	4,331	4,084
Total citations issued	4,655	4,702	6,876	6,718	6,331	4,977	4,713	4,997	6,180	7,571
Incidents	37,592	38,253	40,002	42,779	35,895	32,783	34,203	36,744	38,049	39,161
Crime rate calls per thousand population	49.9	50.0	48.2	49.7	51.3	56.0	50.0	51.4	48	41
<b>Highways and streets</b>										
Miles of street swept	3,807	3,991	4,153	4,529	5,030	4,038	3,640	4,000	3,900	4,223
Miles of edge of road line maintained	N/A	38	38	-	27	18	18	18	25	19
State of the street (% of Very Good or Good Condition)	61%	57%	52%	63%	65%	87%	90%	91%	95%	93%
<b>Economic Development</b>										
Number of building permits issued	250	327	321	364	494	1,025	1,604	1,157	494	402
Number of building inspections	4,666	4,977	4,444	5,225	8,977	15,819	20,589	17,002	9,467	7,351
Number of complaints processed	188	157	123	99	106	135	127	154	129	127
Commercial site plan reviews	29	22	24	28	23	25	27	29	32	10
<b>Culture and recreation</b>										
Community center bookings	824	575	572	733	925	900	951	911	921	724
Regional Athletic Complex bookings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,235
Average number of programs offered per quarter	305	268	215	218	276	323	265	257	246	269
Program registrations	11,454	11,832	15,368	13,272	13,829	8,206	11,687	12,350	13,582	13,181
Community-wide special events	61	56	60	29	34	35	32	38	40	40
Number of street trees maintained	1,580	1,866	1,866	1,918	2,195	2,195	2,346	2,469	2,990	3,357
<b>Water</b>										
Gallons of water pumped (millions)	2,029	1,935	2,228	2,299	2,435	2,490	3,083	2,774	2,666	2,595
Gallons of water sold (millions)	1,960	1,877	1,999	2,100	2,097	2,009	2,350	2,259	2,249	2,336
Percentage of water sold	97%	97%	90%	91%	86%	81%	76%	81%	84%	90%
Average daily consumption (millions of gallons)	5.37	5.14	5.48	5.75	5.75	5.50	6.44	6.19	6.16	6.40
Number of valves exercised	1,315	739	2,016	1,720	3,703	3,132	5,794	1,184	1,924	3,617
Number of hydrants exercised	1,315	N/A	226	448	449	662	335	2,879	3,060	3,334
Number of water mains breaks	N/A	N/A	190	134	160	243	201	220	173	198
Number of customers served	15,664	16,300	16,346	16,346	17,172	17,916	19,267	20,295	20,863	21,362
Number of irrigation customers	457	464	487	516	549	593	635	651	693	709
<b>Wastewater</b>										
Number of lift station incident responses	254	203	411	292	522	588	317	333	288	231
Number of STEP system connections	1,700	1,980	2,270	2,493	2,666	2,835	2,779	2,814	2,837	2,861
Number of STEP system incident responses	248	270	206	316	591	659	258	236	247	278
Lines cleaned (in feet)	133,815	144,658	143,708	102,147	151,274	180,517	212,633	130,511	104,219	390,555
Lines televised (in feet)	103,353	120,186	33,916	91,645	78,202	208,976	94,470	181,212	290,829	263,451
Odor complaints	N/A	N/A	N/A	N/A	20	18	8	7	11	1
<b>Stormwater</b>										
Percentage of catch basins cleaned	100%	100%	100%	100%	100%	62%	60%	42%	100%	100%
Acres of storm ponds maintained	31	36	36	39	39	494	625	681	1037	1,027
City responses to spills	32	31	44	57	43	49	56	56	57	54

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

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

Table 19  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Security of persons and property</b>										
Police station	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	N/A	14	14	14	14	16	16	16	18	21
<b>Highways and streets</b>										
Miles of street <sup>1</sup>	111	111	115	116	117	128	122	132	148	149
Number of streetlights	1,900	1,900	2,300	2,375	2,433	2,852	2,973	3,246	3,653	3,796
Number of street signs	3,807	3,991	4,153	4,529	5,030	5,636	5,983	6,674	7,027	7,400
Number of traffic signals	27	25	25	26	27	28	30	40	40	42
<b>Culture and recreation</b>										
Number of parks	25	25	26	25	25	25	24	24	25	25
Parks acreage including outside city limits	444	462	501	501	501	501	501	501	661	661
Developed parks acres	108	70	72	82	122	122	162	187	187	241
Soccer fields	5	5	5	5	8	8	8	8	8	10
Tennis courts	4	4	4	4	8	9	9	9	9	9
Baseball, softball fields	3	3	3	3	7	7	7	7	7	12
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	-	-	-	1	1	1	1	1	1	1
Community buildings	2	2	3	3	3	3	3	3	3	3
<b>Water</b>										
Number of production wells	19	19	19	19	19	20	19	19	19	19
Miles of water lines	315	286	301	304	310	334	342	353	348	357
Number of reservoirs	7	7	8	8	8	8	8	8	8	7
Number of booster stations	6	7	8	8	8	8	8	8	8	6
Number of valves <sup>2</sup>	6,658	6,466	6,466	6,835	7,437	8,516	9,597	10,023	10,187	10,002
Number of Hydrants <sup>2</sup>	2,200	2,374	2,375	2,479	2,666	2,848	2,928	3,037	4,216	3,424
<b>Wastewater</b>										
Miles of sewer transmission lines	98	103	92	94	113	125	132	136	145	147
Number of lift stations	23	25	25	32	36	38	39	46	44	44
Miles of STEP transmission lines	34	38	41	43	46	47	49	49	51	52
Odor control facilities	13	10	10	10	11	11	11	11	11	13
<b>Stormwater</b>										
Number of catch basins	2,504	3,217	3,217	3,217	3,073	3,665	3,300	3,580	3,741	4,010
Number of city storm ponds	N/A	N/A	N/A	N/A	N/A	36	37	38	38	43
Number of private storm ponds	197	244	244	244	350	381	403	403	470	482

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.

<sup>1</sup>Data show centerline miles.

<sup>2</sup>Decline in numbers in 2009 were due to editing the map and some waterlines that were replaced had fewer valves.



This Page Intentionally Left Blank