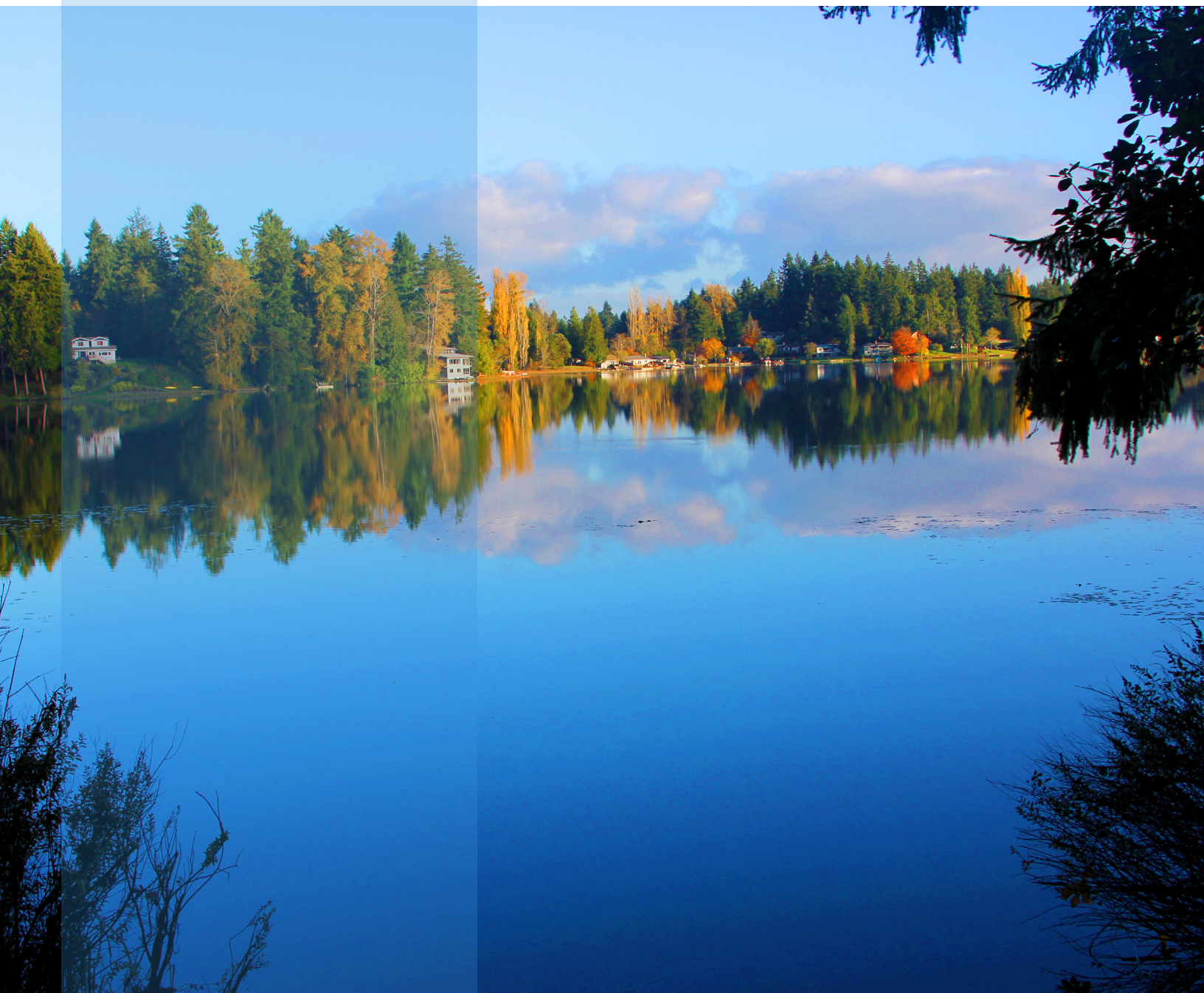


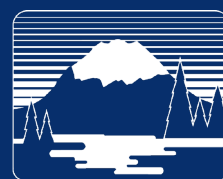
City of Lacey, Washington

2020

ANNUAL FINANCIAL REPORT



For year ending
December 31, 2020



CITY OF **LACEY**



CITY
OF **LACEY**



2020
Annual Financial Report
For the Fiscal Year Ended December 31, 2020



CITY
OF **LACEY**

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



TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Letter of transmittal	1-1
Certificate of Achievement for Excellence in Financial Reporting	1-5
City of Lacey organizational chart	1-6
List of officials	1-7
FINANCIAL SECTION	
Independent Auditor’s Report	2-1
Management Discussion and Analysis	3-1
Financial Highlights	3-1
Overview of Financial Statements.....	3-2
Government-wide Overall Financial Analysis.....	3-4
Financial Analysis of Governmental Funds	3-8
General Fund Budgetary Highlights	3-10
Capital Assets and Debt Administration	3-11
Requests for Information.....	3-14
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	4-1
Statement of Activities	4-2
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds.....	4-4
Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds .	4-5
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Governmental Funds	4-6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities - Governmental Funds ...	4-7
Proprietary Fund Financial Statements	
Statement of Net Position - Proprietary Funds	4-8
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	4-9
Statement of Cash Flows - Proprietary Funds	4-10
Fiduciary Fund Statements	
Statement of Fiduciary Net Position	4-11
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	4-12
Notes to the Financial Statements	4-13
Required Supplementary Information Other Than MD&A	5-1
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	
General Fund	5-2
Schedule of the City’s Proportionate Share of the Net Pension Liability and	
Asset and Related Ratios, as of June 30	5-3
Schedule of the City’s Employer Contributions, as of December 31	5-4
Schedule of Changes in Total OPEB Liability	5-5
Notes to the Required Supplemental Information	5-5
Combining & Individual Fund Statements & Schedules	6-1
Non-Major Funds - Other Governmental Funds	6-3
Combining Balance Sheet - Other Governmental Funds.....	6-4
Combining Statement of Revenues, Expenditures	
and Changes in Fund Balance - Other Governmental Funds	6-6
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	
Arterial Street Fund	6-8
Transportation Benefit District Fund.....	6-9
Lodging Tax Fund.....	6-10
Community Development Block Grant Fund.....	6-11
Hick Lake Management District Fund	6-12
General Obligation Bond Fund.....	6-13



L.I.D. Redemption Fund	6-14
Building Improvement Fund	6-15
Capital Expenditure Fund	6-16
Parks & Open Space Fund	6-17
Regional Athletic Complex Capital	6-18
Internal Service Funds	6-19
Combining Statement of Net Position	6-20
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	6-21
Combining Statement of Cash Flows	6-22
Fiduciary Funds - Agency Funds	6-23
Combining Statement of Fiduciary Net Position-Agency Funds	6-24
Combining Statement of Changes in Assets and Liabilities - Agency Funds	6-25
Other Supplementary Information	7-1
Schedule of Expenditures of Federal Awards	7-2
Notes to the Schedule of Expenditures of Federal Awards	7-3
Schedule of State and Local Financial Assistance	7-4
Debt Service Schedules	
City of Lacey General Obligation Bond Debt, Unlimited Tax 2010 Refunding	7-5
City of Lacey General Obligation Bond Debt, Unlimited Tax 2012 Refunding	7-6
City of Lacey Water and Sewer Revenue Bonds 2013	7-7
City of Lacey General Obligation Bond Debt, Limited Tax 2015 Refunding	7-8
City of Lacey General Obligation Bond Debt, Unlimited Tax 2015 Refunding	7-9
City of Lacey Sewer Revenue Bonds 2017	7-10
STATISTICAL SECTION	
Statistical Section	8-1
Table 1 - Net Position by Component	8-2
Table 2 - Changes in Net Position	8-3
Table 3 - Fund Balances of Governmental Funds	8-4
Table 4 - Changes in Fund Balances of Governmental Funds	8-5
Table 5 - Governmental Activities Tax Revenues by Source	8-6
Table 6 - Sales Tax Revenues by Type, Governmental Funds	8-7
Table 7 - Assessed Value and Estimated Actual Value of Taxable Property	8-8
Table 8 - Property Tax Rates	8-9
Table 9 - Principal Property Taxpayers	8-10
Table 10 - Property Tax Levies and Collections	8-11
Table 11 - Ratio of Outstanding Debt by Type	8-12
Table 12 - Ratios of General Bonded Debt Outstanding	8-13
Table 13 - Direct and Overlapping Government Activities Debt	8-14
Table 14 - Legal Debt Margin Information	8-15
Table 15 - Pledged-Revenue Coverage	8-16
Table 16 - Demographic and Economic Statistics	8-17
Table 17 - Principal Employers	8-18
Table 18 - Full-time Equivalent City Government Employees by Function	8-19
Table 19 - Operating Indicators by Function	8-20
Table 20 - Capital Asset Statistics by Function	8-21



CITY
OF **LACEY**

**CITY COUNCIL**

ANDY RYDER

Mayor

CYNTHIA PRATT

Deputy Mayor

LENNY GREENSTEIN

MICHAEL STEADMAN

CAROLYN COX

ED KUNKEL

MALCOLM MILLER

CITY MANAGER

SCOTT H. SPENCE

May 28, 2021

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, 2020, is submitted herewith. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

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

Profile of the Government

The City of Lacey incorporated in 1966, and is the twenty-fifth largest of 281 cities in the state of Washington. It is located approximately 60 miles south of Seattle on Interstate 5 and encompasses an area of 17.4 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 2020 population of 52,910.

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

The City of Lacey provides a full range of municipal services either directly or through contracts. The City provides police, parks and recreation, planning and zoning, building inspection, street maintenance and construction, engineering and general administrative services. The City also operates enterprise funds for water, wastewater services, storm water management, and reclaimed water. By agreement with Thurston County, Olympia, and Tumwater, Lacey provides administrative support services to Joint Animal Services. The City also entered into an agreement with the Capital Area Regional Public Facilities District to provide administrative support services and distribute public facilities district revenues to the cities of Olympia and Lacey for their agreed upon projects.

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

Local Economy

Lacey's economy remains predominately retail/commercial and service oriented. State government is the single largest employer in the region. Other major employers include, North Thurston Public Schools, Wal-Mart, Safeway, Roo Lan Healthcare, Fred Meyer, Cabelas, Trader Joes, Target Stores import/distribution center, City of Lacey, Home Depot distribution center, Harbor Wholesale, Costco, Uline, Medline, South Sound Behavior Health, Callisons, Shipwreck Beads, Sunset Air, St. Peter's Hospital (regional), and Port of Olympia (regional). Economic influence of nearby Joint Base Lewis-McChord has been present for many years in the Lacey area. Lacey is also the home to Panorama, a large full-service retirement community, and St. Martin's University and abbey/seminary.

It has been Lacey's policy to encourage and facilitate diversification in the region's employment base. The development of Lacey's northeast area has been the major key to success in this goal. Lacey continues to facilitate the development of the northeast area. Recently, Lacey has begun to focus its development efforts on the Lacey Midtown and Depot Districts.

Lacey's population growth continues to place significant demands on services. During the past five years, authorized general government staffing has increased 18.7 percent (197.5 to 234.5 FTE's), and authorized utility or enterprise funds staffing has increased 13.2 percent (45.5 to 51.5 FTE's). Lacey's population increased 15.0 percent during this same period. During the slow recovery following the "Great Recession", Lacey's staffing levels increased at a slower rate than population growth, which is an indication of the City's continued conservative and responsible fiscal approach. Recently, additional positions have been authorized to address long existing service needs.

Sales tax collections exceeded projections during 2020 despite the anticipated significant declines due to the initial Washington State COVID-19 public health emergency "Stay Home, Stay Healthy" order requiring every Washingtonian to stay home unless they were engaged in an essential activity and banning all gatherings for social, spiritual and recreational purposes and ordering all businesses to close unless they were designated as an essential business. General retail and online sales tax activity increased throughout the COVID-19 public health emergency. The safety restrictions and guidance likely kept sales activity local. In-restaurant dining and drinking establishments did experience significant declines due to the COVID-19 safety restrictions. Construction activity decreased. Lacey practices a conservative approach to sales taxes acknowledging the cyclical nature of construction and the volatile nature of overall sales taxes.



Property tax, one of the General Fund's largest single sources of revenues, continues to experience healthy growth due strong construction activity. New construction activity is a critical component of property tax growth because it is exempt from the one percent property tax growth limit.

The City's economic outlook was stronger and more certain prior to the COVID-19 public health emergency. The City declared a state of emergency on March 13, 2020 and is not scheduled to expire until January 1, 2022. Various safety restrictions were in place during 2020 ranging from stay at home orders to limited-capacity business activity. The City's revenue resources were impacted by the restrictions, but not nearly to the extent anticipated. Precautionary COVID-19 measures continue at the date of this letter; however, Washington State is projected to fully open on June 30, 2021. While the COVID-19 virus data is trending positive at the moment, the City is aware of the uncertain nature of the pandemic and prepared to adjust if the environment changes. If the economic indicators reflect worsening conditions, the City of Lacey will act timely and appropriately.

Long-term Financial Planning

The City formally adopts long-term capital improvement plans such as the Capital Facilities Plan, Six-Year Transportation Improvement Plan, and utility fund comprehensive plans. Recognizing the benefits of a financial plan, the City developed a Six-Year Strategic Financial Plan. The purpose of the plan is to provide a six-year outlook on the financial condition of the City's major budget funds. The plan will serve as a tool that will provide information to make short-term budgetary decisions as well as the foresight for long-term policy decision impacts. With the plan in place, Lacey laid the groundwork for actions to be taken during the COVID-19 ongoing public health emergency. Components of the fund reserve portion of the plan were implemented during the early stages of the COVID-19 public health emergency, but due to higher than expected revenues the reserves remain intact.

Relevant Financial Policies

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

Major Initiatives

Current significant transportation projects include the College Street and 22nd Avenue roundabout, the Hawks Prairie Road and Marvin Road Roundabout, and the 2020 Street Overlay. The resources to cover these transportation improvements include the voter-approved transportation benefit district sales tax, real estate excise tax revenues, grant reimbursements, miscellaneous revenues from State Fuel tax, mitigation fees, and reserves. Lacey voters approved a two-tenths of one percent sales tax funding source at a special election in February 2017. One of the primary purposes of the Lacey Transportation Benefit District is to preserve and maintain the City's significant transportation infrastructure investment. The highly effective street overlay program returned during 2018. This community support ensures the street overlay program will continue to be a high priority.



Utility projects include ongoing water rights mitigation, Capital City water and sewer upgrades, Mullen Road watermain, 337 Zone Reservoir, liftstation No. 15 and 21 rehabilitations, onsite liftstation generators, 25th Loop SW stormwater improvements, and comprehensive plan updates for water and stormwater. The resources used to fund these improvements include utility rates and general facility charges.

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 annual financial report (AFR) for the fiscal years ended December 31, 1999-2007 and again for the fiscal years ended December 31, 2009-2019. The City did not seek this award in 2008 due to budget reductions. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized AFR 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 AFR continues to meet the Certificate of Achievement Program's requirements. The 2020 AFR will be submitted to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Troy Woo".

Troy M. Woo
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lacey
Washington**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

LACEY CITY GOVERNMENT



CITIZENS

Boards and Commissions

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

Mayor
Deputy Mayor
Council

City Manager

City Attorney

- Legal Counsel
- Prosecution
- Indigent Defense

Civil Service Commission

Clerk/Records

Finance

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

Public Affairs & Human Resources

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

Police

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

Community & Economic Development

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

Public Works

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

Parks and Recreation

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



City of Lacey Council Members



Andy Ryder - Mayor



Cynthia Pratt - Deputy Mayor



Lenny Greenstein



Michael Steadman



Carolyn Cox



Ed Kunkel



Malcolm Miller

ADMINISTRATION

Scott H. Spence	City Manager
David S. Schneider	City Attorney
Frederick O. Walk	Community Development Director
Troy M. Woo	Finance Director
Mary Ann Hardie	Human Resources Director
Jennifer Burbidge	Parks & Recreation Director
Robert Almada	Interim Police Chief
Scott D. Egger	Public Works Director



CITY
OF **LACEY**



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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Lacey
Lacey, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lacey, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lacey, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note O to the financial statements, in 2020, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note P to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Combining & Individual Fund Statements & Schedules and Other Supplementary Information are presented for the purposes of additional analysis

and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated August 30, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

August 30, 2021



CITY
OF **LACEY**



Management's Discussion and Analysis

As management of the City of Lacey, we offer readers of the City of Lacey's financial statements this narrative overview and analysis of the financial activities of the City of Lacey for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-1 to 1-4 of this report.

Financial Highlights

- Despite the economic disruptions of COVID-19, the City of Lacey's overall financial position improved in 2020 as compared to 2019.
- At the end of the fiscal year, the assets and deferred outflows of resources of the City of Lacey exceeded its liabilities and deferred inflows of resources by \$805.9 million. Net investments in capital assets account for 73.3 percent of the amount (\$590.5 million). Of the remaining net position in the amount of \$215.4 million, \$6.8 million is subject to external restrictions and \$208.6 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Lacey's total net position increased by \$23.3 million. The governmental activity net position increased by \$12.8 million compared to the previous year. The business-type activity net position increased by \$10.4 million. The business-type increase included net position for the Water Utility of \$7.5 million, \$2.6 million for the Wastewater Utility, and \$61,149 for the Stormwater Utility. The Reclaimed Water Utility net position decreased \$350.
- At the close of 2020, the City of Lacey's governmental funds reported a combined ending fund balance of \$114.9 million, an increase of \$8.6 million.

Of the major funds, the ending fund balance of the General Fund increased \$7.0 million and the Arterial Street Fund increased \$3.7 million.

Nonmajor funds combined fund balance increased \$1.5 million. A \$1.8 million increase to fund balanced occurred in the Transportation Benefit District Fund due to higher than expected sales tax collections. The Capital Equipment and Building Improvement Funds experienced decreases of \$315,366 and \$704,373, respectively, due to higher use of reserves for equipment replacement and building improvements during 2020. The Parks and Open Space Fund experienced a \$337,031 decrease to fund balance due to scheduled park and facility improvements. A \$209,479 increase to fund balanced occurred in the Regional Athletic Complex Capital Fund due to higher than expected sales tax collections.

- Approximately \$20.1 million (17.5 percent) of the combined ending fund balance is unassigned and reported in the General Fund, which is an increase of \$1.3 million compared to the prior year's amount of \$18.8 million. Unassigned fund balance is available to the City of Lacey for discretionary spending.
- The City of Lacey's total outstanding debt decreased \$1.9 million (11.9 percent) to \$13.8 million during the current fiscal year. The decrease is equal to the debt redemption during 2020.
- Revenues from local tax sources, including property, sales, business excise, and miscellaneous other taxes decreased by \$117,252 to \$40.3 million, a 0.3 percent decrease compared to 2019. Unexpectedly, retail sales taxes increased due to general retail sales increases, which offset decreasing construction activity. Excise taxes decreased as a result of the certain business interruptions due to the COVID-19 restrictions throughout 2020.
- At the end of 2019 and start to 2020, the City of Lacey's financial position was experiencing strong growth. While the State of Washington's emergency actions to slow the spread of COVID-19 did not

have the expected negative impacts on the overall financial health of the City, certain financial areas of the City were impacted by the cancelling of public events and gatherings and restricting of business operations and non-essential functions. The full impact of the COVID-19 public health emergency is not fully known and might not be for a period after the economy reopens fully.

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

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Lacey that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lacey include general government, public safety, transportation and streets, natural environment, economic development, social services and culture and recreation. The business-type activities of the City of Lacey include Water, Wastewater, Stormwater, and Reclaimed water operations. The internal service funds provide services to other funds within the City of Lacey and the majority of these activities are reported in governmental activities at the government-wide financial reporting level.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial



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

The City of Lacey maintains 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 and arterial street fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Stormwater, and Reclaimed water operations, which are considered to be major funds of the City of Lacey. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

Required Supplementary Information. This report also contains other required supplementary information (RSI) on budgetary comparisons for major governmental funds and trend data on the funding status of other postemployment benefits. The required supplementary information can be found on pages 5-1 to 5-6 of this report.

Combining Statements. The combining statements referred to earlier in connection with the nonmajor funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pages 6-1 to 6-15 of this report.



Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Lacey, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$805.9 million at the close of the most recent fiscal year.

The following table provides a summary of the City of Lacey's net position as of December 31, 2020 and December 31, 2019:

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Of Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets:								
Current assets	\$ 138,598,640	\$ 129,234,786	\$ 94,705,183	\$ 91,327,739	\$ 233,303,823	\$ 220,562,525	27.6%	26.8%
Restricted assets	59,889	23,805	1,043,437	914,222	1,103,326	938,027	0.1%	0.1%
Investment in joint venture	661,576	667,731	-	-	661,576	667,731	0.1%	0.1%
Net pension asset	4,152,524	4,756,967	-	-	4,152,524	4,756,967	0.5%	0.6%
Capital assets	<u>322,685,347</u>	<u>321,701,079</u>	<u>281,882,263</u>	<u>274,790,485</u>	<u>604,567,610</u>	<u>596,491,564</u>	<u>71.6%</u>	<u>72.4%</u>
Total assets	<u>466,157,976</u>	<u>456,384,368</u>	<u>377,630,883</u>	<u>367,032,446</u>	<u>843,788,859</u>	<u>823,416,814</u>	100.0%	100.0%
Deferred outflows of resources								
Deferred charge on refunding	379,435	455,821	-	-	379,435	455,821	10.5%	14.5%
Deferred outflows related to OPEB	66,814	61,740	-	-	66,814	61,740	1.9%	2.0%
Deferred outflows related to pensions	<u>2,596,082</u>	<u>2,133,587</u>	<u>552,936</u>	<u>476,218</u>	<u>3,149,018</u>	<u>2,609,805</u>	<u>87.6%</u>	<u>83.5%</u>
Total deferred outflows of resources	<u>3,042,331</u>	<u>2,651,148</u>	<u>552,936</u>	<u>476,218</u>	<u>3,595,267</u>	<u>3,127,366</u>	100.0%	100.0%
Liabilities:								
Current liabilities	7,061,743	7,046,871	3,345,544	2,431,719	10,407,287	9,478,590	27.0%	24.6%
Long-term liabilities	<u>19,076,652</u>	<u>19,631,502</u>	<u>9,124,757</u>	<u>9,412,956</u>	<u>28,201,409</u>	<u>29,044,458</u>	<u>73.0%</u>	<u>75.4%</u>
Total liabilities	<u>26,138,395</u>	<u>26,678,373</u>	<u>12,470,301</u>	<u>11,844,675</u>	<u>38,608,696</u>	<u>38,523,048</u>	100.0%	100.0%
Deferred inflows of resources								
Deferred inflows related to pensions	<u>2,359,652</u>	<u>4,475,548</u>	<u>486,903</u>	<u>880,081</u>	<u>2,846,555</u>	<u>5,355,629</u>	<u>100.0%</u>	<u>100.0%</u>
Total deferred inflows of resources	<u>2,359,652</u>	<u>4,475,548</u>	<u>486,903</u>	<u>880,081</u>	<u>2,846,555</u>	<u>5,355,629</u>	100.0%	100.0%
Net Position:								
Net investment in capital assets	316,123,345	314,137,823	274,442,747	266,976,119	590,566,092	581,113,942	73.3%	74.2%
Restricted	6,064,748	5,196,976	694,361	694,361	6,759,109	5,891,337	0.8%	0.8%
Unrestricted	<u>118,514,167</u>	<u>108,546,796</u>	<u>90,089,507</u>	<u>87,113,428</u>	<u>208,603,674</u>	<u>195,660,224</u>	<u>25.9%</u>	<u>25.0%</u>
Total net position	<u>\$ 440,702,260</u>	<u>\$ 427,881,595</u>	<u>\$ 365,226,615</u>	<u>\$ 354,783,908</u>	<u>\$ 805,928,875</u>	<u>\$ 782,665,503</u>	100.0%	100.0%

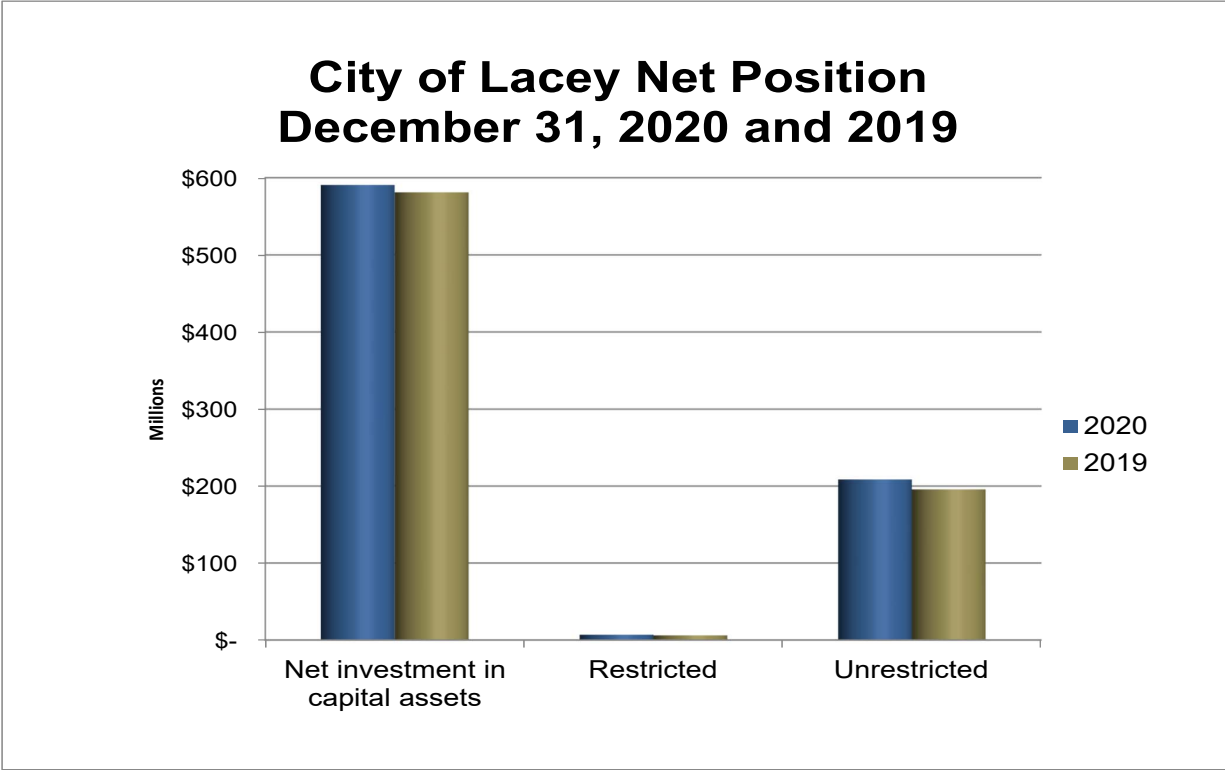
By far, the largest portion of the City of Lacey's net position (73.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City of Lacey uses these capital assets to provide services to citizens. Accordingly, these assets are *not* available for future spending. Although the City of Lacey's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Lacey's net position (\$6.8 million) represents resources that are subject to external restrictions on how they may be used. Reported as unrestricted net position, the governing body has committed and assigned \$92.8 million of the City's net position for specific purposes. The remaining balance of unrestricted net position (\$115.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

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



The City of Lacey’s overall net position increased by \$23.3 million in 2020. The increase is explained in the following discussion of governmental and business-type activities.



Governmental Activities. Governmental activities increased the City of Lacey’s net position by \$12.8 million.

- Operating revenues (charges for services) decreased by \$1.6 million, mainly due to decreases to parks and recreation fees due to the COVID-19 public health emergency, building permit fees, plan review volume, and traffic mitigation fees. Program expenses for public safety activities increased in the amount of \$2.1 million due to inflationary increases and the addition of four positions mid-year 2019 in anticipation of a significant annexation area and seven full-time positions during 2020. Transportation program expenses decreased \$3.1 million due to a smaller street overlay maintenance project following a significantly larger grant funded project in 2019. A significant portion of the City’s Coronavirus Aid, Relief, and Economic Security (CARES) Act funding was distributed to the community as economic environment program expenses resulting in a \$1.6 million increase. Social services program expenses increased \$1.2 million due to the City’s veterans’ services building improvements.
- Transportation capital grant and contribution revenues decreased \$8.6 million due to lower developer contributed assets, traffic mitigation fees, grant reimbursements, and real estate excise taxes.
- General revenues decreased \$738,354. Despite expected declines to sales activity due to COVID-19 safety restrictions, retail sales taxes increased \$528,473 due to general retail sales increases, which offset decreasing construction activity. Excise taxes decreased as a result of the certain business interruptions due to the COVID-19 safety restrictions throughout 2020. Interest and investment earnings revenue decreased \$830,417, due to the falling interest rate environment and market valuation adjustments.

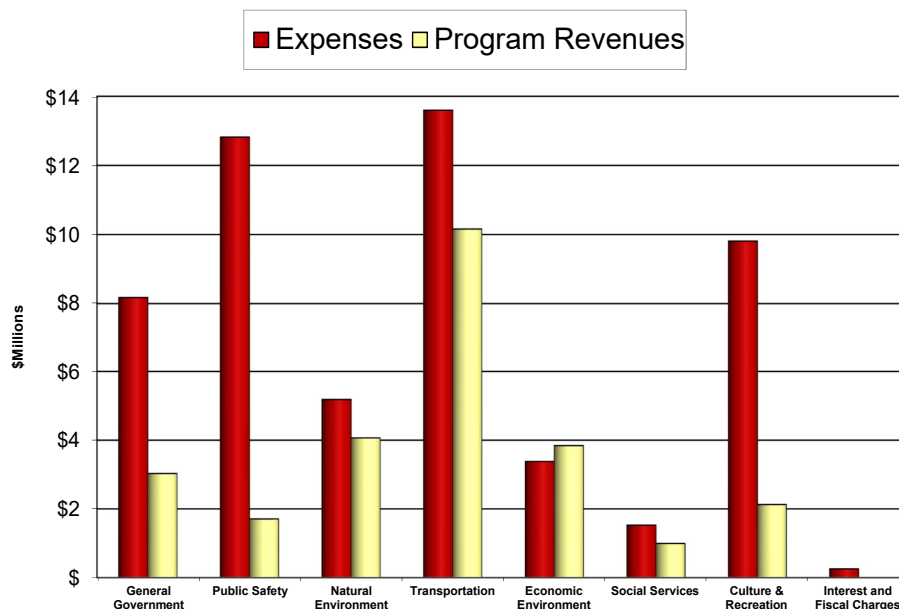
The following table provides a summary of the City’s changes in net position as of December 31, 2020 and December 31, 2019:



Summary of Changes in Net Position

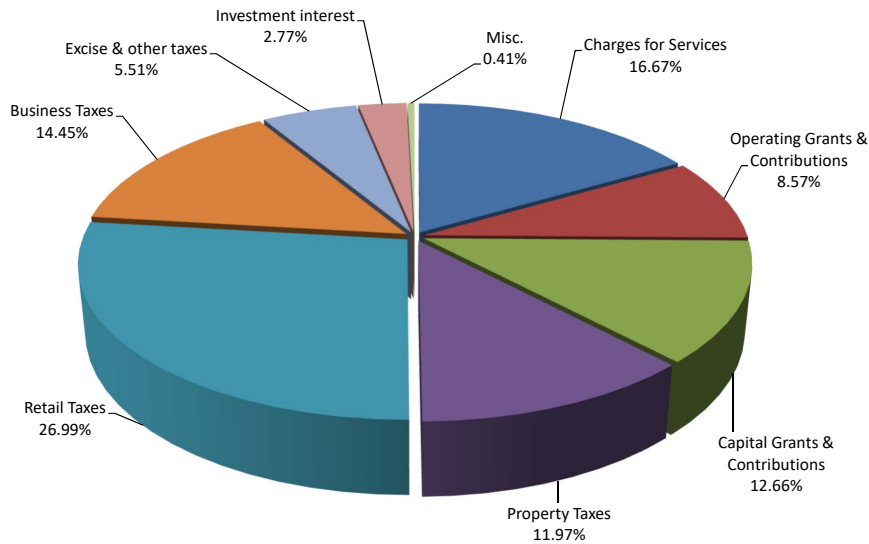
	Governmental		Business-Type		Total		Percentage	
	Activities		Activities				Of Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues:								
Program:								
Charges for services	\$ 11,404,397	\$ 13,033,228	\$ 44,062,517	\$ 44,111,229	\$ 55,466,914	\$ 57,144,457	46.8%	41.8%
Operating Grants	5,859,338	3,895,231	89,024	31,759	5,948,362	3,926,990	5.0%	2.9%
Capital Grants	8,657,177	17,095,752	4,335,003	13,178,692	12,992,180	30,274,444	11.0%	22.2%
General:								
Taxes	40,292,016	40,409,268	-	-	40,292,016	40,409,268	34.0%	29.6%
Interest	1,898,485	2,728,902	1,278,122	1,892,450	3,176,607	4,621,352	2.6%	3.4%
Gain (loss) on disposal of capital assets	130,313	41,071	139,423	932	269,737	42,003	0.2%	0.0%
Miscellaneous	279,274	159,202	170,000	-	449,274	159,202	0.4%	0.1%
Total revenues	68,521,000	77,362,654	50,074,089	59,215,062	118,595,090	136,577,716	100.0%	100.0%
Program expenses:								
General Government	8,175,658	8,200,456	-	-	8,175,658	8,200,456	8.6%	9.2%
Public Safety	12,819,064	10,718,803	-	-	12,819,064	10,718,803	13.5%	12.0%
Natural Environment	5,186,067	4,993,270	-	-	5,186,067	4,993,270	5.4%	5.6%
Transportation	13,595,028	16,678,416	-	-	13,595,028	16,678,416	14.3%	18.7%
Economic Environment	3,380,936	1,829,865	-	-	3,380,936	1,829,865	3.5%	2.1%
Social Services	1,526,572	279,050	-	-	1,526,572	279,050	1.6%	0.3%
Culture & Recreation	9,808,100	9,345,813	-	-	9,808,100	9,345,813	10.3%	10.5%
Interest and fiscal charges	253,197	298,469	-	-	253,197	298,469	0.3%	0.3%
Water	-	-	16,294,219	13,947,884	16,294,219	13,947,884	17.1%	15.7%
Wastewater	-	-	19,738,712	18,586,515	19,738,712	18,586,515	20.7%	20.9%
Stormwater	-	-	4,521,344	4,210,023	4,521,344	4,210,023	4.7%	4.7%
Reclaimed Water	-	-	32,821	32,453	32,821	32,453	0.0%	0.0%
Total expenses	54,744,622	52,344,142	40,587,096	36,776,875	95,331,718	89,121,017	100.0%	100.0%
Excess (deficiency) of revenues over (under) expenses	13,776,378	25,018,512	9,486,993	22,438,187	23,263,371	47,456,699		
Transfers	(955,714)	(218,548)	955,714	218,548	-	-		
Change in net position	12,820,664	24,799,964	10,442,707	22,656,735	23,263,371	47,456,699		
Net position - beginning as previously reported	427,881,595	403,081,631	354,783,908	332,127,173	782,665,503	735,208,804		
Changes in accounting principle	-	-	-	-	-	-		
Net position - beginning, adjusted	427,881,595	403,081,631	354,783,908	332,127,173	782,665,503	735,208,804		
Net position - ending	\$ 440,702,259	\$ 427,881,595	\$ 365,226,615	\$ 354,783,908	\$ 805,928,874	\$ 782,665,503		

Expenses and Program Revenues - Governmental





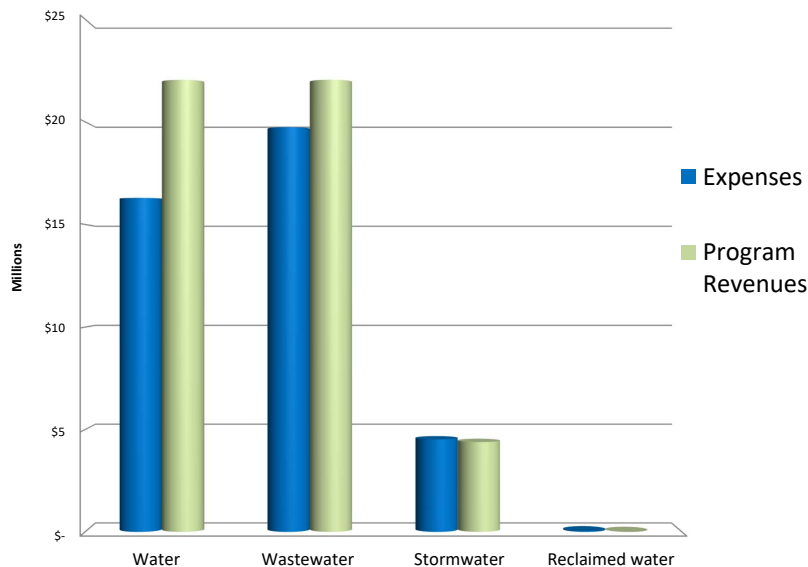
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities increased the City of Lacey’s net position by \$10.4 million. Key elements of this increase are as follows:

- Water, Wastewater, and Stormwater charges for services decreased \$48,712 (0.1 percent) due to significant decreases to water and wastewater general facilities charge collections. These decreases were mostly offset by higher charges for utility services due to adopted utility rate increases.
- Capital grants and contributions attributed to 8.7 percent (\$4.3 million) of business-type revenues. This was a decrease of \$8.8 million compared to the previous year.

Expense and Program Revenues - Business-Type Activities





Governmental Functional Expenses. Transportation costs make up 24.8 percent of the total governmental expenses. Public safety costs comprise 23.4 percent of the City of Lacey's total governmental expenses. The culture and recreation expenses make up 17.9 percent and general government services expenses make up 14.9 percent of governmental expenses.

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

	Governmental Activities			
	Total Cost Of Services		Net Cost Of Services	
	2020	2019	2020	2019
General Government	\$ 8,175,658	\$ 8,200,456	\$ (5,147,808)	\$ (6,506,562)
Public Safety	12,819,064	10,718,803	(11,111,063)	(9,314,882)
Natural Environment	5,186,067	4,993,270	(1,119,169)	(1,402,921)
Transportation	13,595,028	16,678,416	(3,437,726)	3,391,056
Economic Environment	3,380,936	1,829,865	460,892	2,036,252
Social Services	1,526,572	279,050	(533,772)	(248,825)
Culture and Recreation	9,808,100	9,345,813	(7,681,867)	(5,975,580)
Interest and Fiscal Charges	253,197	298,469	(253,197)	(298,469)
	<u>\$ 54,744,622</u>	<u>\$ 52,344,142</u>	<u>\$ (28,823,710)</u>	<u>\$ (18,319,931)</u>

Financial Analysis of Governmental Funds

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

The following table provides a revenue, expenditure, and fund balance summary for the City of Lacey's governmental funds as of December 31, 2020 and December 31, 2019:

Major Funds	Revenue, Expenditure, and Fund Balance Summary Governmental Funds			
	General Fund*		Arterial Street Fund	
	2020	2019	2020	2019
Revenues				
Taxes	\$ 32,005,248	\$ 31,635,309	\$ 3,611,271	\$ 4,005,070
License and permits	2,524,896	3,598,241	-	-
Intergovernmental revenues	3,601,263	2,311,060	3,599,967	2,789,109
Charges for services	7,792,568	8,045,026	722,360	1,843,214
Fines & forfeitures	166,650	252,468	-	-
Other revenue	1,061,581	1,744,333	551,660	747,247
Total revenues	<u>\$ 47,152,206</u>	<u>\$ 47,586,437</u>	<u>\$ 8,485,258</u>	<u>\$ 9,384,640</u>
Expenditures	<u>\$ 41,319,270</u>	<u>\$ 39,359,707</u>	<u>\$ 4,668,529</u>	<u>\$ 4,629,080</u>
Other Financing Sources and Uses				
Initiation of capital leases	-	53,818	-	-
Transfers	(1,629,188)	(2,953,114)	(158,527)	(150,000)
Total other financing sources and uses	<u>\$ (1,629,188)</u>	<u>\$ (2,899,296)</u>	<u>\$ (158,527)</u>	<u>\$ (150,000)</u>
Fund Balances				
Nonspendable	\$ 80,863	\$ 123,959	\$ 750	\$ 750
Restricted	502,896	426,076	-	-
Committed	30,626,402	27,962,116	-	-
Assigned	5,945,000	5,737,136	32,525,867	28,867,665
Unassigned	20,080,666	18,782,792	-	-
Total fund balances	<u>\$ 57,235,827</u>	<u>\$ 53,032,079</u>	<u>\$ 32,526,617</u>	<u>\$ 28,868,415</u>

*Note: in 2020, street activity formerly reported in the Street fund is included in the General fund. For comparison purposes, this table reflects the same for 2019.



Revenue, Expenditure, and Fund Balance Summary
Governmental Funds

Nonmajor Funds	Special Revenue Funds*		Debt Service Funds		Capital Projects Funds	
	2020	2019	2020	2019	2020	2019
Revenues						
Taxes	\$ -	\$ 3,629,801	\$ -	\$ 1,125,322	\$ -	\$ -
License and permits	3,552,027	-	1,117,489	-	-	39,282
Intergovernmental revenues	-	2,837,364	-	-	37,659	1,275,330
Charges for services	243,740	-	-	-	2,782,817	-
Fines & forfeitures	-	-	-	-	-	-
Other revenue	-	141,406	-	121,798	-	356,080
Total revenues	\$ 3,795,767	\$ 6,608,571	\$ 1,117,489	\$ 1,247,120	\$ 2,820,476	\$ 1,670,692
Expenditures	\$ -	\$ 5,795,102	\$ -	\$ 1,695,350	\$ -	\$ 2,603,999
Other Financing Sources and Uses						
Transfers	\$ -	\$ (211,500)	\$ -	\$ 584,625	\$ -	\$ 1,863,659
Total other financing sources and uses	\$ -	\$ (211,500)	\$ -	\$ 584,625	\$ -	\$ 1,863,659
Fund Balances						
Restricted	\$ 1,280,430	\$ 1,185,227	\$ -	\$ -	\$ 108,215	\$ 107,340
Committed	-	-	-	-	6,969,291	6,688,937
Assigned	5,262,220	3,509,873	4,552,030	4,467,677	6,940,215	8,368,735
Total fund balances	\$ 6,542,650	\$ 4,695,100	\$ 4,552,030	\$ 4,467,677	\$ 14,017,721	\$ 15,165,012

*Note: in 2020, the Transportation Benefit District fund is displayed as a non-major special revenue fund. For comparative purposes, this table reflects the same adjustment for 2019. In 2020, street activity formerly reported in the Street fund is included in the General fund. For comparative purposes, this table reflects the same for 2019.

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

As of the end of the current fiscal year, the City of Lacey's governmental funds reported combined ending fund balances of \$114.9 million, an increase of \$8.6 million in comparison with the prior year. Approximately 17.5 percent (\$20.1 million) of this total amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The \$94.8 million remaining of the fund balance is *nonspendable, restricted, committed or assigned* to indicate that it is not available for new spending because it has already been designated for: 1) \$502,896 for restricted fund balance which includes criminal bail, property abatement, and various others, 2) lodging tax total fund balance of \$1.1 million, 3) \$80,863 for nonspendable which includes General Fund prepaid expenses, 4) \$108,215 for restricted capital equipment fund balance which includes building repairs, and 5) \$92.8 million is restricted for a variety of other *fund committed or assigned* purposes. Additional information on the City of Lacey's restricted, committed, and assigned purposes can be found in Note 3-I starting page 4-35 of this report.

The general fund is the chief operating fund of the City of Lacey. At the end of the current fiscal year, unassigned fund balance of the general fund was \$20.1 million, while the total fund balance reached \$57.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48.6 percent of the total general fund expenditures, while total fund balance represents 138.5 percent of that same amount.

The fund balance of the City of Lacey's general fund was increased by \$4.2 million during the current fiscal year. Key factors in this increase are as follows:

- Total tax revenues increased by \$369,939. This increase is primarily due to higher retail taxes from general retail activity and higher property taxes primarily due new construction.



- Intergovernmental revenues increased \$2.0 million due to the CARES Act reimbursements to aid the local economic recovery from the impacts from the COVID-19 public health emergency.
- Licenses and permit revenues decreased by \$1.1 million. Non-business (building) permit fees decreased during 2020 due to slower commercial development.
- Transfers out decreased \$4.3 million as a result of lower capital transfers due to combination of the suspension of select capital projects in anticipation of a public health emergency economic downturn and fewer planned capital projects.
- The total expenditure increase was \$5.7 million. One-time CARES Act distributions of \$2.3 million occurred in 2020. Repairs and maintenance increased \$545,415 due to an unscheduled HVAC system replacement at the City's Community Center. Capital expenditures increased \$1.7 million. The Lacey Veterans Services building improvements, economic development investments, and equipment purchases were the most significant capital expenditures.

The arterial street fund has a total fund balance of \$32.5 million, of which the entire amount is committed or assigned to indicate that it is not available for new spending. Total revenues decreased \$899,382. Traffic mitigation fees decreased \$1.1 million, real estate excise taxes decreased \$393,799, and grant and intergovernmental revenues increased \$810,858 during 2020. Expenditures level changes were minimal and remained below the revenues collected. The net increase in the fund balance during the current year was \$3.7 million.

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

Unrestricted net position of the Water, Wastewater, Stormwater and Reclaimed Water operations at the end of the year amounted to \$87.8 million. The total change in net position for enterprise funds was \$10.4 million, which includes total growth of \$10.1 million from 2020 activities. Other factors regarding the finances of these funds have already been addressed in the discussion of the City of Lacey's business-type activities.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was a \$7.4 million increase in appropriations between the original and final amended budget. Following are the significant components of the 2020 General Fund budget amendments:

- A number of budget amendments were approved related to the \$2.3 million U.S. Department of Treasury CARES Act funding allocated to the City. The City distributed its CARES Act funding to small business, homeless services, senior services, business personal protection equipment, childcare provider assistance, food bank assistance, rental and mortgage assistance, basic utility assistance, internet access for remote learning, and childcare assistance.
- In early April 2020, the budget was amended \$1.0 million to establish the Lacey Small Business Stabilization Fund to help distressed businesses maintain employment levels during the Washington State "Stay Home, Stay Healthy" Order.
- The budget was amended \$750,000 for the unanticipated HVAC system replacement at the Lacey Community Center building.
- In May 2020, the General Fund budget was reduced \$2.6 million in anticipation of significant revenue reductions to business activity-based tax revenue sources due to the Washington State "Stay Home, Stay Healthy" Order.



- A \$421,852 amendment is related to the Community Development Block Grant awarded to the Lacey Veterans Services Hub to enhance the facility.
- Budget amendment for a total of \$350,000 were made related to the Lacey MakerSpace program. \$175,000 was related to a contract amendment for operational funding was executed. The City applied for an U.S. Dept. of Commerce Economic Development Administration (EDA) CARES Act Grant for the Lacey MakerSpace program. An amendment \$175,000 was approved for the required local grant match.
- Amendments in the amount of \$421,461 related to police vehicles, computers, equipment, and security improvements were approved during 2020.

Final budget compared to actual results. In total, actual General Fund revenues exceeded the final budget by \$3.2 million, or a 7.5 percent difference. The total actual expenditures were \$7.0 million less than budget or 14.5 percent below budget.

On the revenue side of the budget, the primary difference between the final budget and the actual amounts relates to sales tax collections, license and permit fees, and intergovernmental revenues. Sales tax experienced higher collection rates due to higher levels of general retail activity than expected during the COVID-19 public health emergency. Non-business (building) permit fees decreased during 2020 due to slower commercial development. Intergovernmental revenues were lower than budget due to the actual revenues being receipted into funds other than the General Fund.

On the expenditure side of the budget, the largest variances between the final budget and the actual amounts occurred in the general government, public safety, social services, and culture and recreation functions.

Capital Assets and Debt Administration

Capital assets. The City of Lacey's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$604.6 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system improvements, machinery and equipment, park facilities, and infrastructure. The City of Lacey's investments in capital assets were increased by \$8.1 million (net additions were \$28.7 million and depreciation expense was \$20.6 million). Governmental activities increased 0.3 percent and business-type activities increased 2.6 percent, a 1.4 percent total increase from previous year. The following schedule shows the City of Lacey's investment in capital assets.

Capital Assets
(Amounts Presented in \$1,000's)

	Governmental Activities		Business-Type Activities		Total		Percentage Of Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-depreciable assets:								
Land & land rights	\$ 156,720	\$ 154,722	\$ 20,561	\$ 19,656	\$ 177,281	\$ 174,378	17.7%	18.0%
Construction in progress	\$ 13,072	\$ 7,925	\$ 13,356	\$ 6,746	\$ 26,427	\$ 14,671	2.6%	1.5%
Total non-depreciable	\$ 169,792	\$ 162,647	\$ 33,917	\$ 26,402	\$ 203,708	\$ 189,049	20.3%	19.5%
Depreciable assets:								
Buildings	\$ 31,039	\$ 31,039	\$ 1,521	\$ 1,521	\$ 32,560	\$ 32,560	3.3%	3.4%
Improvements	\$ 28,175	\$ 27,616	\$ 366,782	\$ 358,675	\$ 394,957	\$ 386,291	39.6%	39.8%
Infrastructure	\$ 349,155	\$ 344,730	\$ -	\$ -	\$ 349,155	\$ 344,730	35.0%	35.6%
Machinery and equipment	\$ 16,653	\$ 15,723	\$ 1,147	\$ 1,122	\$ 17,800	\$ 16,846	1.8%	1.7%
Total depreciable assets	\$ 425,022	\$ 419,108	\$ 369,450	\$ 361,318	\$ 794,471	\$ 780,427	79.7%	80.5%
Total cost of capital assets	\$ 594,813	\$ 581,755	\$ 403,367	\$ 387,720	\$ 998,180	\$ 969,476	100.0%	100.0%
Less accumulated depreciation	\$ 272,128	\$ 260,054	\$ 121,484	\$ 112,930	\$ 393,612	\$ 372,984		
Book value - capital assets	\$ 322,685	\$ 321,701	\$ 281,882	\$ 274,790	\$ 604,568	\$ 596,493		
Percentage depreciated	45.8%	44.7%	30.1%	29.1%	39.4%	38.5%		



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

- Land and land rights for the City increased by \$2.9 million, which was primarily attributed to developer-contributed easements and right of ways for streets and utilities.
- Construction in progress for governmental activities had a net increase of \$5.2 million. A total of \$7.0 million was added during 2020, which included new and existing street projects and various other projects. A total of \$1.8 million of various city street projects that began during and/or prior to 2020 were completed during 2020.
- Construction in progress for business-type activities had a net increase of \$6.6 million. A total of \$11.3 million was added during 2020 for new and existing Water, Wastewater, and Stormwater utilities projects. Various utilities improvement projects were completed during the current fiscal year at a cost of \$4.7 million, which includes the completion of the Meridian Watermain Improvement, Rumac Street STEP, Lift Station 21 Rehab, Lift Station Generators, and 33rd Ct SE and Stikes Stormwater. Construction in progress as of the close of the fiscal year had reached \$13.4 million, which includes \$1,388,323 Capital City Watermain, \$1,436,922 Shady Lane Watermain Replacement, \$1,736,699 Mullen Road Watermain, \$1,291,943 Shady Lane Sewer, \$1,774,276 Capital City Wastewater and other various projects.
- Improvements for business-type activities increased by \$8.1 million, which includes \$4.7 million of projects that were completed and reclassified from construction in progress in 2020 and \$3.4 million in developer contributed utilities.
- For governmental activities, various new equipment for fleet vehicles, parks maintenance, and information technology equipment were purchased at a cost of \$1.8 million; the cost of various obsolete and out of service machinery and equipment that was replaced or removed totaled \$839,709.

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

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

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

In March 2019, Standard & Poor's Global Ratings reviewed the City of Lacey credit rating. The City of Lacey general obligation bond rating was raised to "AAA" with a stable outlook. This is the strongest possible credit rating issued by Standard & Poor's Global Ratings.

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

During September 2019, Standard & Poor's Global Ratings reviewed the City of Lacey Waterworks Utilities credit rating. The City of Lacey Waterworks Utilities revenue bond rating was raised to "AA+" with a stable outlook.



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

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

Long-term Debt. At the end of the current fiscal year, the City of Lacey had total bonded debt outstanding of \$13.8 million. \$6.7 million is comprised of debt backed by the full faith and credit of the government and \$7.0 million is guaranteed by revenues generated by the City’s water, wastewater, and stormwater utilities. The entire outstanding general obligation bonded debt consists of refunded bonds. No new debt was issued during 2020.

Outstanding Debt
(in \$1,000’s)

	Governmental Activities		Business-Type Activities		Totals		Percentage Change
	2020	2019	2020	2019	2020	2019	
General obligation bonds	\$ 6,730	\$ 8,140	\$ -	\$ -	\$ 6,730	\$ 8,140	-17.3%
Revenue bonds	-	-	5,970	6,325	5,970	6,325	-5.6%
Direct Placement			1,068	1,144	1,068	1,144	-6.6%
Capital leases	42	64	-	-	42	64	0.0%
Total	\$ 6,772	\$ 8,204	\$ 7,038	\$ 7,469	\$ 13,810	\$ 15,673	-11.9%

The City of Lacey’s total outstanding debt decreased by \$1.9 million (11.9 percent) during the current fiscal year. The decrease is equal to the amount of debt redemption during the year. The debt per capita was approximately \$261.01, which is considered low.

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

Economic Factors and Next Year’s Budgets and Rates

- 2020 ended and 2021 began under the “Safe Start Washington” phased reopening plan issued by the Governor of the State of Washington. The City’s overall financial condition has not been impacted by COVID-19 to the extent initially expected. The City continues to monitor the changing environment and is prepared to act timely and accordingly if the economic indicators begin to reflect worsening conditions.
- The City’s revenue experienced stronger growth beginning in 2016 primarily due to strong sales tax growth from one-time new construction. New construction activity continued to have a positive impact through 2019. As 2020 began, the City’s economic outlook was positive and was more certain. The COVID-19 public health emergency changed the outlook greatly and included a high degree of uncertainty. Immediately following the onset of the pandemic, the City has developed budget actions to address projected declines to revenues. While certain areas of revenue were significantly impacted

by the COVID-19 safety restrictions, overall revenues from local tax sources, including property, sales, business excise, and miscellaneous other taxes decreased 0.3 percent, which is significantly less than anticipated. At the submittal date of this financial report, Washington State is projected to fully open as of June 30, 2021, schools are expected to open in the fall of 2021, and the American Rescue Plan Act funding has yet to fully impact the local economy. However, it is acknowledged the financial outlook for the City will remain uncertain until the COVID-19 pandemic is fully eradicated.

- The 2020 average unemployment rate for the County was 6.2 percent, which is unchanged from a year ago. This is higher compared to the state and national average unemployment rates of 7.1 and 6.7 percent, respectively.
- The City of Lacey's population continues to grow (52,910 in the current fiscal year) and is placing more demand on services. The City of Lacey's population is growing faster than the State average, 3.2 percent and 1.5 percent, respectively.
- During the current fiscal year, unassigned fund balance in the general fund increased \$1.3 million (6.9 percent) to \$20.1 million compared to the 2019 unassigned fund balance.
- The Water utility rates in the 2020 budget year were increased by 3.0 percent. The City of Lacey has phased in a water rate schedule that places more emphasis on conservation. The conservation rates place greater emphasis on the relationship of water usage to the amount paid by the customer. This change rewards the conservative customer while encouraging, through a higher rate, the high-end consumer to conserve water resources. Wastewater and Stormwater rates increased 3.0 percent and 4.5 percent, respectively, in the 2020 budget. These rates along with general facility charges, fund the current operating expenses, maintenance of the system, replacement, emergency repairs, and needed capital improvements.

Requests for Information

This financial report is designed to provide a general overview of the City of Lacey's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lacey's Finance Department, 420 College Street SE, Lacey, Washington, 98503.



City of Lacey
Statement of Net Position
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 76,728,530	\$ 51,529,355	\$ 128,257,885
Investments	55,399,546	35,348,027	90,747,573
Receivables (net)	8,089,952	5,446,179	13,536,131
Internal balances	(1,907,591)	1,907,591	-
Inventories	100,365	473,759	574,124
Prepaid expenses and deposits	187,838	272	188,110
Restricted:			
Cash and cash equivalents	59,889	1,043,437	1,103,326
Investment in joint venture	661,576	-	661,576
Net pension asset	4,152,524	-	4,152,524
Capital assets:			
Non-depreciable	169,791,517	33,916,981	203,708,498
Depreciable, net	152,893,830	247,965,282	400,859,112
Total assets	<u>466,157,976</u>	<u>377,630,883</u>	<u>843,788,859</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	379,435	-	379,435
Deferred outflows related to OPEB	66,814	-	66,814
Deferred outflows related to pension	2,596,082	552,936	3,149,018
Total deferred outflows of resources	<u>3,042,331</u>	<u>552,936</u>	<u>3,595,267</u>
LIABILITIES			
Accounts payable	2,154,507	3,280,769	5,435,276
Interest payable	20,817	64,775	85,592
Unearned revenues	4,886,419	-	4,886,419
Noncurrent liabilities:			
Due within one year	2,616,295	628,347	3,244,642
Due in more than one year	16,460,357	8,496,410	24,956,767
Total liabilities	<u>26,138,395</u>	<u>12,470,301</u>	<u>38,608,696</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	2,359,652	486,903	2,846,555
Total deferred inflows of resources	<u>2,359,652</u>	<u>486,903</u>	<u>2,846,555</u>
NET POSITION			
Net investment in capital assets	316,123,345	274,442,747	590,566,092
Restricted for:			
Pension related	4,173,207	-	4,173,207
Criminal bail	177,122	-	177,122
Lodging/tourism	1,146,011	-	1,146,011
Other	568,408	-	568,408
Debt Service		694,361	694,361
Unrestricted	118,514,167	90,089,507	208,603,674
Total net position	<u>\$ 440,702,260</u>	<u>\$ 365,226,615</u>	<u>\$ 805,928,875</u>

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



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

Functions/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,175,658	\$ 2,254,054	\$ 773,796	\$ -
Public Safety	12,819,064	564,275	1,143,726	-
Natural environment	5,186,067	4,039,334	27,564	-
Transportation	13,595,028	772,890	910,065	8,474,347
Economic environment	3,380,936	2,272,796	1,386,202	182,830
Social Services	1,526,572	973,100	19,700	-
Culture and recreation	9,808,100	527,948	1,598,285	-
Interest and fiscal charges	253,197	-	-	-
Total governmental activities	54,744,622	11,404,397	5,859,338	8,657,177
Business-type activities:				
Water	16,294,219	19,490,609	9,339	2,545,327
Wastewater	19,738,712	20,437,500	19,361	1,592,780
Stormwater	4,521,344	4,134,408	60,324	196,896
Reclaimed water	32,821	-	-	-
Total business-type activities	40,587,096	44,062,517	89,024	4,335,003
Total primary government	\$ 95,331,718	\$ 55,466,914	\$ 5,948,362	\$ 12,992,180

General revenues:
 Property taxes
 Retail taxes
 Business taxes
 Excise taxes
 Interest and investment earnings
 Gain (loss) related to capital assets
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning
 Net position - ending



Net(Expense)Revenues and
Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (5,147,808)	\$ -	\$ (5,147,808)
(11,111,063)	-	(11,111,063)
(1,119,169)	-	(1,119,169)
(3,437,726)	-	(3,437,726)
460,892	-	460,892
(533,772)	-	(533,772)
(7,681,867)	-	(7,681,867)
(253,197)	-	(253,197)
<u>(28,823,710)</u>	<u>-</u>	<u>(28,823,710)</u>
-	5,751,056	5,751,056
-	2,310,929	2,310,929
-	(129,716)	(129,716)
-	(32,821)	(32,821)
<u>-</u>	<u>7,899,448</u>	<u>7,899,448</u>
<u>(28,823,710)</u>	<u>7,899,448</u>	<u>(20,924,262)</u>
8,184,114	-	8,184,114
18,457,618	-	18,457,618
9,882,292	-	9,882,292
3,767,993	-	3,767,993
1,898,485	1,278,122	3,176,607
130,313	139,423	269,736
279,274	170,000	449,274
(955,714)	955,714	-
<u>41,644,375</u>	<u>2,543,259</u>	<u>44,187,634</u>
<u>12,820,665</u>	<u>10,442,706</u>	<u>23,263,372</u>
<u>427,881,595</u>	<u>354,783,908</u>	<u>782,665,503</u>
<u>\$ 440,702,260</u>	<u>\$ 365,226,615</u>	<u>\$ 805,928,875</u>



City of Lacey
Balance Sheet
Governmental Funds
December 31, 2020

	General	Arterial Street	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current cash & cash equivalents	\$ 30,580,944	\$ 21,383,498	\$ 13,954,815	\$ 65,919,257
Investments	23,039,049	15,624,004	9,973,695	48,636,748
Receivables (net of allowances):				
Taxes	4,018,620	447,413	627,422	5,093,455
Customer accounts	919,437	50,710	273,489	1,243,636
Accrued interest and penalty	99,424	67,425	43,043	209,892
Due from other funds	-	-	5,592	5,592
Due from other governmental units	603,786	366,674	533,716	1,504,176
Prepayments	80,863	750	-	81,613
Interfund loan receivable	-	-	411,455	411,455
Restricted assets:				
Cash & cash equivalents	57,639	-	2,250	59,889
Total assets	59,399,762	37,940,474	25,825,477	123,165,713
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,296,438	261,949	180,852	1,739,239
Due to other governmental units	322,195	11,874	1,430	335,499
Customer deposits	57,639	-	2,250	59,889
Unearned revenue	53,826	4,832,594	-	4,886,420
Total liabilities	1,730,098	5,106,417	184,532	7,021,047
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property tax	65,725	-	10,660	76,385
Unavailable revenues-special assessments	-	-	428	428
Unavailable revenues-violations	191,059	-	-	191,059
Unavailable revenues-grants and loans	177,053	307,440	517,456	1,001,949
Total deferred inflows of resources	433,837	307,440	528,544	1,269,821
Fund balances				
Nonspendable	80,863	750	-	81,613
Restricted	502,896	-	1,388,645	1,891,541
Committed	30,626,402	-	6,969,291	37,595,693
Assigned	5,945,000	32,525,867	16,754,465	55,225,332
Unassigned	20,080,666	-	-	20,080,666
Total fund balances	57,235,827	32,526,617	25,112,401	114,874,845
Total liabilities, deferred inflows of resources and fund balances	\$ 59,399,762	\$ 37,940,474	\$ 25,825,477	\$ 123,165,713

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



City of Lacey
Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Funds
December 31, 2020

Fund balances - total governmental funds		\$ 114,874,845
Amounts reported for governmental activities in the statement of net position are different because:		
Certain assets used in governmental activities are not financial resources and therefore are not reported in the fund statement:		
Inventory - unused supplies on-hand	\$ 100,365	
Investment in joint venture	661,576	
Deferred charges on refunding	379,435	
Net pension asset	4,152,524	5,293,900
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Non-depreciable assets	169,791,517	
Depreciable assets (net)	147,542,463	317,333,980
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds:		
Deferred inflows of resources: unavailable revenues		
Property taxes receivable	76,385	
Special assessments receivable	428	
Local court revenue receivable	191,058	
Grants earned but not available	732,334	
HUD & Other Loan assessments receivable	269,616	1,269,821
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	(20,817)	
Bonds and loans including unamortized debt premiums	(7,335,970)	
Compensated absences	(1,752,594)	(9,109,381)
Total OPEB liability and OPEB related deferred outflows of resources		
Total OPEB Liability	(5,134,868)	
Deferred outflow of resources related to OPEB	66,814	(5,068,054)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported in the statement of net position.		
	20,256,624	20,256,624
Net pension asset, liability and pension related deferred outflows and inflows of resources are not due in the current period, and therefore, are not reported in the funds. These amounts consist of:		
Net pension liability	(4,369,380)	
Deferred outflows of resources	2,457,710	
Deferred inflows of resources	(2,237,805)	(4,149,475)
Net position of government activities.		\$ 440,702,260

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

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



City of Lacey
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Arterial Street	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 32,005,248	\$ 3,611,271	\$ 4,669,516	\$ 40,286,035
Licenses and permits	2,524,896	-	37,659	2,562,555
Intergovernmental revenues	3,601,263	3,599,967	3,026,557	10,227,787
Charges for services	7,792,568	722,360	-	8,514,928
Fines and forfeitures	166,650	-	-	166,650
Other revenues	1,061,581	551,660	620,407	2,233,648
Total revenues	<u>47,152,206</u>	<u>8,485,258</u>	<u>8,354,139</u>	<u>63,991,603</u>
EXPENDITURES				
Current:				
General government	7,330,018	-	-	7,330,018
Public safety	13,126,749	-	-	13,126,749
Natural environment	5,519,778	-	-	5,519,778
Transportation	3,256,949	-	-	3,256,949
Economic environment	2,087,389	-	1,117,635	3,205,024
Social services	1,324,596	-	-	1,324,596
Culture and recreation	6,883,984	-	228,599	7,112,583
Capital outlay	1,761,332	4,668,529	5,386,935	11,816,796
Debt service:				
Principal retirement	22,649	-	1,410,000	1,432,649
Interest	5,826	-	293,350	299,176
Total expenditures	<u>41,319,270</u>	<u>4,668,529</u>	<u>8,436,519</u>	<u>54,424,318</u>
Excess (deficiency) of revenue over (under) expenditures	<u>5,832,936</u>	<u>3,816,729</u>	<u>(82,380)</u>	<u>9,567,285</u>
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	58,100	58,100
Transfers in	916,349	-	2,239,034	3,155,383
Transfers out	<u>(2,545,537)</u>	<u>(158,527)</u>	<u>(1,430,142)</u>	<u>(4,134,206)</u>
Total other financing sources (uses)	<u>(1,629,188)</u>	<u>(158,527)</u>	<u>866,992</u>	<u>(920,723)</u>
Net change in fund balances	4,203,748	3,658,202	784,612	8,646,562
Fund balance - beginning	<u>53,032,079</u>	<u>28,868,415</u>	<u>24,327,789</u>	<u>106,228,283</u>
Fund balance - ending	<u>\$ 57,235,827</u>	<u>\$ 32,526,617</u>	<u>\$ 25,112,401</u>	<u>\$ 114,874,845</u>

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



City of Lacey
 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, 2020

Net changes in total fund balances per fund financial statements		\$ 8,646,562
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets are depreciated over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$ 7,011,640	
Current year depreciation	<u>(11,690,880)</u>	(4,679,240)
<p>Contributed /donated capital assets are included in the statement of activities but are not included in the governmental funds as they do not provide current financial resources:</p>		
Contributed from developers and other outside sources	<u>5,266,020</u>	5,266,020
<p>The proceed from the sale of capital assets is reported as revenue in the governmental funds. However, the cost of assets sold offset against the sales proceeds, and only the gain or loss is reported in the statement of activities.</p>		
		(131,238)
<p>Issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Debt principal repayments	1,432,649	
Net amortization of bond premiums and deferral on refunding	<u>42,350</u>	1,474,999
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statement.</p>		
Unavailable revenue - property taxes	5,981	
Unavailable revenue - special assessments	(11,238)	
Unavailable revenue - grants earned but not available	14,051	
Unavailable revenue - court local revenue earned but not available	<u>(26,309)</u>	(17,515)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Increase (decrease) in prepaid supplies on-hand	34,578	
Increase (decrease) in investment in joint venture	(6,155)	
(Increase) decrease in compensated absences	(433,257)	
(Increase) decrease in accrued interest payable	<u>3,629</u>	(401,205)
<p>Internal service funds or activities are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		1,311,965
<p>Changes to total OPEB liability and OPEB related deferred outflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
	<u>(278,292)</u>	(278,292)
<p>Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		1,628,609
Changes in net position of governmental activities		<u>\$ 12,820,665</u>

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

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



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

	Business-type Activities Enterprise Funds				Total	Governmental
	Water	Waste- Water	Storm Water	Reclaimed Water		Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 31,077,185	\$ 14,498,901	\$ 4,707,773	\$ 1,245,496	\$ 51,529,355	\$ 10,809,271
Investments	20,677,869	10,640,498	3,058,512	971,148	35,348,027	6,762,798
Restricted cash and cash equivalents:						
Customer deposits	281,214	61,296	6,566	-	349,076	-
Receivables (net of allowances):						
Customer accounts	1,376,542	2,062,178	441,015	-	3,879,735	4,018
Accrued interest & penalty	94,329	114,041	13,199	4,191	225,760	29,185
Prepayments	272	-	-	-	272	106,225
Due from governmental units	100	5,334	66,107	-	71,541	-
Inventory	473,759	-	-	-	473,759	-
Total current assets:	53,981,270	27,382,248	8,293,172	2,220,835	91,877,525	17,711,497
Noncurrent assets:						
Restricted cash and cash equivalents:						
Revenue bonds covenants	607,425	86,936	-	-	694,361	-
Special assessments	11,093	104,799	-	-	115,892	-
Special assessments - noncurrent	97,060	1,056,190	-	-	1,153,250	-
Capital assets, net of depreciation:						
Land	15,185,525	2,067,202	3,308,394	-	20,561,121	-
Buildings	321,243	497,892	-	-	819,135	69,916
Improvements other than buildings	120,001,878	84,698,172	40,523,278	1,402,165	246,625,493	31,087
Equipment	117,224	391,512	11,918	-	520,654	5,250,364
Construction in progress	7,500,134	5,390,769	464,957	-	13,355,860	-
Total noncurrent assets	143,841,582	94,293,472	44,308,547	1,402,165	283,845,766	5,351,367
Total assets	197,822,852	121,675,720	52,601,719	3,623,000	375,723,291	23,062,864
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pension	319,504	164,107	69,325	-	552,936	138,372
Total deferred outflows of resources	319,504	164,107	69,325	-	552,936	138,372
LIABILITIES						
Current liabilities:						
Accounts payable	751,675	296,893	22,306	-	1,070,874	19,867
Matured interest payable	33,029	25,062	6,683	-	64,774	-
Due to other funds	-	5,592	-	-	5,592	-
Due to other governmental units	141,396	1,705,423	8,408	-	1,855,227	12
Compensated absences	111,385	55,795	19,167	-	186,347	64,139
Current liabilities payable from restricted assets:						
Customer deposits	281,214	61,296	6,566	-	349,076	-
Current portion of interfund loans payable	-	20,396	-	-	20,396	-
Current portion of revenue bonds payable	303,574	77,000	61,426	-	442,000	-
Total current liabilities	1,622,273	2,247,457	124,556	-	3,994,286	84,018
Noncurrent liabilities:						
Compensated absences	115,132	45,554	23,093	-	183,779	57,280
Long-term portion of interfund loan payable	-	391,059	-	-	391,059	-
Bonds payable (net of premium/discount)	4,884,954	991,000	988,435	-	6,864,389	-
Net pension liability	836,841	429,827	181,574	-	1,448,242	362,421
Total noncurrent liabilities	5,836,927	1,857,440	1,193,102	-	8,887,469	419,701
Total liabilities	7,459,200	4,104,897	1,317,658	-	12,881,755	503,719
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pension	281,348	144,509	61,046	-	486,903	121,847
Total deferred inflows of resources	281,348	144,509	61,046	-	486,903	121,847
NET POSITION						
Net investment in capital assets	137,874,237	91,909,592	43,256,753	1,402,165	274,442,747	5,351,366
Restricted for debt service	607,425	86,936	-	-	694,361	-
Unrestricted	51,920,146	25,593,893	8,035,587	2,220,835	87,770,461	17,224,304
Total net position	\$ 190,401,808	\$ 117,590,421	\$ 51,292,340	\$ 3,623,000	\$ 362,907,569	\$ 22,575,670
Adjustment to reflect the consolidation of internal balances and internal service fund activities related to enterprise funds.					2,319,046	
Net position of business-type activities.					\$ 365,226,615	

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



City of Lacey
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-Type Activities Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
OPERATING REVENUES						
Charges for services	\$ 19,243,899	\$ 20,430,508	\$ 4,134,407	\$ -	\$ 43,808,814	\$ 4,731,499
Miscellaneous operating revenues	255,384	10,153	-	-	265,537	118,167
Total operating revenue	<u>19,499,283</u>	<u>20,440,661</u>	<u>4,134,407</u>	<u>-</u>	<u>44,074,351</u>	<u>4,849,666</u>
OPERATING EXPENSES						
Operating expense	4,747,995	13,988,835	1,360,293	-	20,097,123	2,508,548
Maintenance expense	6,687,695	2,994,946	1,167,767	-	10,850,408	345,267
Depreciation expense	4,000,070	2,585,219	1,936,665	32,821	8,554,775	1,222,365
Taxes	778,318	239,838	104,885	-	1,123,041	401
Total operating expenses	<u>16,214,078</u>	<u>19,808,838</u>	<u>4,569,610</u>	<u>32,821</u>	<u>40,625,347</u>	<u>4,076,581</u>
OPERATING INCOME (LOSS)	<u>3,285,205</u>	<u>631,823</u>	<u>(435,203)</u>	<u>(32,821)</u>	<u>3,449,004</u>	<u>773,085</u>
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental revenue	9,339	19,361	60,324	-	89,024	-
Special assessments interest	4,498	46,598	-	-	51,096	-
Investment earnings	720,320	367,019	107,217	32,471	1,227,027	240,030
Miscellaneous non-operating revenues	-	-	170,000	-	170,000	-
Interest expense	(188,219)	(44,910)	(38,085)	-	(271,214)	-
Gain (loss) related to capital assets	139,423	-	-	-	139,423	72,213
Total nonoperating revenues (expenses)	<u>685,361</u>	<u>388,068</u>	<u>299,456</u>	<u>32,471</u>	<u>1,405,356</u>	<u>312,243</u>
Income (loss) before contributions and transfers	3,970,566	1,019,891	(135,747)	(350)	4,854,360	1,085,328
Capital Contributions - grants	-	-	50,000	-	50,000	-
Capital Contributions - private	2,545,327	1,592,780	146,896	-	4,285,003	-
Capital Contributions - interfund	-	-	-	-	-	501,158
Transfers in	999,248	-	-	-	999,248	23,109
Transfers out	(43,534)	-	-	-	(43,534)	-
Changes in net position	<u>7,471,607</u>	<u>2,612,671</u>	<u>61,149</u>	<u>(350)</u>	<u>10,145,077</u>	<u>1,609,595</u>
Net position - beginning	<u>182,930,201</u>	<u>114,977,750</u>	<u>51,231,191</u>	<u>3,623,350</u>		<u>20,966,075</u>
NET POSITION - ENDING	<u>\$ 190,401,808</u>	<u>\$ 117,590,421</u>	<u>\$ 51,292,340</u>	<u>\$ 3,623,000</u>		<u>\$ 22,575,670</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					309,465	
Change in net position of business-type activities.					<u>\$ 10,454,542</u>	

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



City of Lacey
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities Enterprise Funds				Total	Governmental Activities Internal Services Funds
	Water	Waste- Water	Storm Water	Reclaimed Water		
CASH FLOW FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 19,392,282	\$ 20,189,420	\$ 4,243,121	\$ -	\$ 43,824,823	\$ 123,385
Receipts from interfund services	-	-	-	-	-	4,659,144
Payments to suppliers	(7,052,602)	(13,749,827)	(1,185,712)	-	(21,988,141)	(1,358,647)
Payments for interfund services	(617,895)	(561,191)	(403,495)	-	(1,582,581)	(16,133)
Payments for employees	(3,823,884)	(2,327,585)	(1,014,673)	-	(7,166,142)	(1,627,421)
Payments for taxes	(778,318)	(239,838)	(104,885)	-	(1,123,041)	(401)
Net cash provided by operating activities	7,119,583	3,310,979	1,534,356	-	11,964,918	1,779,927
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfers in from other funds	999,248	-	-	-	999,248	-
Receipt of interfund loan interest payment	-	17,674	-	-	17,674	-
Transfers out to other funds	(43,534)	-	-	-	(43,534)	-
Operating grant received	9,339	19,361	43,241	-	71,941	-
Net cash provided by non-capital financing activities	965,053	37,035	43,241	-	1,045,329	-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(5,460,906)	(5,547,833)	(392,389)	-	(11,401,128)	(1,226,825)
Proceeds from sales of capital assets	179,000	-	-	-	179,000	72,213
Proceeds (payment) on Interfund loan	-	(19,593)	-	-	(19,593)	-
Interest paid on interfund loan	-	(17,674)	-	-	(17,674)	-
Principal paid on revenue bonds	(295,256)	(76,000)	(59,743)	-	(430,999)	-
Interest paid on revenue bonds	(207,034)	(29,287)	(41,892)	-	(278,213)	-
Payments received on special assessments	35,207	162,582	-	-	197,789	-
Subsidy from grant	-	-	-	-	-	-
Net cash used by capital and related financing activities	(5,748,989)	(5,527,805)	(494,024)	-	(11,770,818)	(1,154,612)
CASH FLOW FROM INVESTING ACTIVITIES:						
Redemption (purchase) of investments	(986,896)	972,519	(507,041)	532	(520,886)	(236,182)
Interest received on investments	731,134	362,431	106,982	33,217	1,233,764	244,007
Net cash provided (used) by investing activities	(255,762)	1,334,950	(400,059)	33,749	712,878	7,825
Net increase (decrease) in cash and cash equivalents	2,079,885	(844,841)	683,514	33,749	1,952,307	633,140
Cash and cash equivalents January 1	29,885,939	15,491,974	4,030,825	1,211,747	50,620,485	10,176,131
Cash and cash equivalents December 31 (see Note below) (including restricted cash & cash equivalents)	<u>\$ 31,965,824</u>	<u>\$ 14,647,133</u>	<u>\$ 4,714,339</u>	<u>\$ 1,245,496</u>	<u>\$ 52,572,792</u>	<u>\$ 10,809,271</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Net operating income (loss)	\$ 3,285,205	\$ 631,823	\$ (435,203)	\$ (32,821)	\$ 3,449,004	\$ 773,085
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	4,000,070	2,585,219	1,936,665	32,821	8,554,775	1,222,365
Decrease (increase) in:						
Customer receivables	(202,777)	(290,715)	(84,953)	-	(578,445)	(3,268)
Intergovernmental receivables	10,703	(3,276)	22,275	-	29,702	12,890
Prepaid expenses	-	-	-	-	-	(76,759)
Inventories	(271,519)	-	-	-	(271,519)	-
Customer deposits	85,073	42,750	1,392	-	129,215	-
Miscellaneous non-operating revenues	-	-	170,000	-	170,000	-
Increase (decrease) in:						
Accounts payable	278,320	(25,565)	(31,130)	-	221,625	(82,771)
Intergovernmental payables	107,542	461,801	(2,532)	-	566,811	(188)
Compensated absences	35,759	31,987	10,595	-	78,341	33,409
Net pension liability, deferred outflows and inflows of pension related resources	(208,793)	(123,045)	(52,753)	-	(384,591)	(98,836)
Total adjustments	3,834,378	2,679,156	1,969,559	32,821	8,515,914	1,006,842
Net cash provided by operating activities	<u>\$ 7,119,583</u>	<u>\$ 3,310,979</u>	<u>\$ 1,534,356</u>	<u>\$ -</u>	<u>\$ 11,964,918</u>	<u>\$ 1,779,927</u>
Reconciliation of cash and cash equivalents with the amounts on the fund statement of net position:						
Cash and cash equivalents	\$ 31,077,185	\$ 14,498,901	\$ 4,707,773	\$ 1,245,496	\$ 51,529,355	\$ 10,809,271
Restricted cash and cash equivalents	888,639	148,232	6,566	-	1,043,437	-
Cash and cash equivalents for cash flow statements	<u>\$ 31,965,824</u>	<u>\$ 14,647,133</u>	<u>\$ 4,714,339</u>	<u>\$ 1,245,496</u>	<u>\$ 52,572,792</u>	<u>\$ 10,809,271</u>
Schedule of noncash capital and related financing activities:						
Contributions of capital assets from developers	\$ 2,545,327	\$ 1,592,780	\$ 146,896	\$ -	\$ 4,285,003	\$ -
Capital assets transferred from other funds	-	-	-	-	-	524,267

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



City of Lacey
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 1,057,103
Investments	894,605
Receivables (Net of Allowances)	
Customer deposits	500
Accrued Interest & Penalty	3,860
Due from Governmental Units	604,028
Restricted assets:	
Restricted cash and cash equivalent	355,265
Prepayments	10,105
Total assets	2,925,466
LIABILITIES	
Accounts Payable	19,096
Due to Other Governmental Units	446,882
Custodial Accounts	1,000
Total liabilities	466,978
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	2,458,489
Total net position	\$ 2,458,489
Adjustment to reflect the consolidation of equity interest in fiduciary funds.	(430,339)
Net position of fiduciary activities.	\$ 2,028,150

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



City of Lacey
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

	Custodial Funds
ADDITIONS	
Taxes	\$ 2,187,423
Operating revenue	1,467,207
Investment earnings	33,298
Contributions	171,101
Total additions	<u>3,859,029</u>
DEDUCTIONS	
Operating expense	3,938,599
Maintenance expense	33,876
Total deductions	<u>3,972,475</u>
Net increase(decrease) in fiduciary net position	(113,446)
Net position - beginning as previously reported	2,639,774
Prior period correction	(67,839)
Net position - beginning as restated	<u>2,571,935</u>
NET POSITION - ENDING	<u>\$ 2,458,489</u>
Adjustment to reflect the consolidation of equity interest in fiduciary funds.	16,977
Change in net position of fiduciary activities.	<u>\$ (96,469)</u>

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



Notes to the Financial Statements December 31, 2020

Basic Financial Statements Notes	page
1. Summary of significant accounting policies	4-14
A. Reporting entity.....	4-14
B. Basic financial statements	4-14
C. Measurement focus, basis of accounting and financial presentation	4-16
D. Budgetary Information.....	4-17
E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance	4-17
F. Revenues, expenditures and expenses.....	4-21
2. Stewardship, compliance, and accountability	4-22
3. Detailed notes on all activities and funds	4-22
A. Deposits and investments.....	4-22
B. Receivables and unearned and unavailable revenues	4-26
C. Property taxes.....	4-26
D. Capital assets	4-27
E. Interfund loans and transfers	4-28
F. Restricted assets	4-30
G. Leases	4-30
H. Long-term liabilities	4-31
I. Fund balances	4-35
J. Employee pension plans.....	4-37
K. Postemployment benefits other than pensions (OPEB).....	4-45
L. Contingencies	4-49
M. Risk management.....	4-49
N. Interlocal agreements and joint ventures.....	4-50
O. Subsequent events	4-53

City of Lacey
Notes to the Financial Statements
December 31, 2020

Note 1. Summary of significant accounting policies

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

A. Reporting entity

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

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

B. Basic financial statements

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

Government-wide financial statements

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

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

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

Fund financial statements

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

The government reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

The *government-wide* financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds are reported using the accrual basis of accounting; however, they are unlike all other types of funds, reporting only assets and liabilities, and therefore, have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The *governmental fund financial statements* are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, business and licensing taxes, utility taxes, excise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end). Only the portion of special assessment due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period, provided that the amount is received during the period or within the 60-day availability period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

D. Budgetary Information

1. Scope of Budget

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

- (1) Prior to October 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
- (2) A public hearing is conducted at City Hall to obtain taxpayer comments.
- (3) During the month of December, the budget is legally enacted through passage of an ordinance.
- (4) Any revisions that alter the total amount of expenditures/expenses of any fund must be approved by the City Council.

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

2. Amending the budget

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

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

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

1. Cash, deposits, and investments

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

Investments for the City are reported at fair value except for the position in the State Treasurer's Local Government Investment Pool (LGIP).

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

2. Receivables and payables

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

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

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

Special assessments are recorded when levied and are liens against the property benefited. Special assessments receivables consist of current and delinquent assessments. *Noncurrent assessments* on the fund financial statements consist of unbilled special assessments not due within one year.

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

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

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

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

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

4. Inventories and prepaid items

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

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

5. Restricted assets and liabilities

Enterprise funds may have accounts that contain resources for construction and/or debt services, including current and delinquent special assessments receivable. Certain proceeds of the revenue bonds set aside



funds for their repayment. The current portion of related liabilities are shown as payable from restricted assets. Specific debt service reserve requirements, if any, are described in the long-term debt note.

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

Capital assets include property, plant, equipment, and infrastructure assets (i.e., roads, sidewalks and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than the infrastructure assets, are defined by the government as assets with an initial, individual cost of \$5,000 or more (land is capitalized regardless of value), and an estimated useful life in excess of two years. For infrastructure assets, the capitalization threshold is \$50,000 or more. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. There was no capitalized interest in 2020.

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

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

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

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

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

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

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

7. Deferred outflows/inflows of resources

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

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

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

8. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Due to the COVID-19 pandemic, vacation pay may accumulate up to 320 hours at year-end and is payable upon resignation, retirement or death. This is a temporary increase from the historical 240 hours.

Sick leave may accumulate up to 960 hours or as provided by contract. Upon retiring from employment with the City, AFSCME bargaining unit employees shall be paid for all accumulated sick leave beyond 60 days (480 hours) at the rate of 1 day (8 hours) of pay at his/her regular rate for each 3 days (24 hours) accumulated for a maximum payoff of 45 days (360 hours) sick leave for 15 days' (120 hours) pay. Each January, if sick leave exceeds 60 days, the AFSCME bargaining unit employees also have the option to convert sick leave to vacation on a 3:1 ratio or they can trade three (3) days of sick leave for one (1) day of pay at this same time. The Lacey Police Officers Guild, Lacey Police Management Association, and Lacey Police Senior Management Association bargaining units offer a sick leave buy-back program for unused sick leave up to a maximum of 1,000 hours at the rate of 25% per hour for 150 to 300 hours and at a rate of 33.3% for 301 to 1,000 hours. To be eligible for the buy-back program, an employee must have a minimum of 300 hours of sick leave accrued and qualify for LEOFF retirement or LEOFF Disability retirement.

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

9. Long-term liabilities

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

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

10. Fund balance, net position classifications and policies

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

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

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

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Further, when the components of unrestricted fund balance can be used for the same purpose, the committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

11. Pensions

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

F. Revenues, expenditures and expenses

1. Program revenues

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. General revenues

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

3. Interfund transactions and interfund transfers

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

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



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

4. Expenditures/expenses

Expenses in the government-wide statement of activities are reported by function as governmental activities (general government, public safety, natural environment, transportation, economic environment, social services, culture and recreation, or interest on long-term debt) or business-type activities (water, wastewater, stormwater, or reclaimed water). In the fund financial statements, expenditures of governmental funds are classified by functions, debt service principal and interest payments, or purchases of capital items.

5. Operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds and of the City’s internal services funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2. Stewardship, compliance and accountability

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

Note 3. Detailed notes on all activities and funds

A. Deposits and investments

The City’s deposits, including money markets and certificates are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington.

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

As of December 31, 2020, the City held the following investments at amortized cost:

<u>Investment Type</u>	<u>Maturity</u>	<u>Lacey's Own Investments</u>
Washington State Local Government Investment Pool	60 Days	\$ 68,975,846
Total		<u>\$ 68,975,846</u>

The LGIP operates in accordance with appropriate state laws and regulations (RCW 43.250.020). Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. For bank deposits and repurchase agreements, this cost-based measure equals their carrying value amount. Fair value is determined monthly. The reported value of City investment in the LGIP is dollar for dollar equal to the fair value of pool shares.

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer (OST) of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9 a.m. and 10 a.m. at the sole discretion of OST. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. Investments held as deposits in financial institutions are insured by the FDIC and / or collateralized. Collateral protection is administered by the PDPC. The PDPC, created by the Legislature per Chapter 39.58 of the Revised Code of Washington, constitutes a multiple financial institution collateral pool comprised of securities pledged to secure uninsured public deposits. Pledged securities are held by the PDPC's agent in the name of the collateral pool. The LGIP investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement. The City does not have a specific deposit policy for custodial risk.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five (5) years or less from the date of purchase, unless matched to a specific cash flow or bond reserve funds. The interest rate risks of participants' balances in the LGIP are limited as the weighted average maturity of the portfolio will not exceed 60 days. As of December 31, 2020, the LGIP had a weighted average maturity of 49 days. The City does not have a specific interest rate risk policy.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Debt Securities					
U.S. Treasury Obligations	\$ 20,094,931	\$ 11,966,057	\$ 8,128,874	\$ -	\$ -
U.S. Agency Obligations	60,442,963	17,102,342	43,340,621	-	-
Municipal Debt Obligations	7,172,628	-	7,172,628	-	-
Commercial Paper	3,037,050	-	3,037,050	-	-
Total Debt Securities	\$ 90,747,572	\$ 29,068,399	\$ 61,679,173	\$ -	\$ -
Other Securities					
WA State Local Government Investment Pool	\$ 68,975,846	\$ 68,975,846	\$ -	\$ -	\$ -
Total Other Securities	\$ 68,975,846	\$ 68,975,846	\$ -	\$ -	\$ -
Total Investments	\$ 159,723,418	\$ 98,044,245	\$ 61,679,173	\$ -	\$ -



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 LGIP. The credit risk of the LGIP is limited as most investments are either obligations of the US government or state of Washington or its political subdivisions, government-sponsored enterprises, certain limited banker’s acceptances or commercial papers, or insured demand deposit accounts and certificates of deposit. The LGIP is not rated by an outside agency. The City does not have a specific credit risk policy.

As of December 31, 2020, the City of Lacey’s investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	Unrated
U.S. Treasury Obligations	\$ 20,094,931	\$ -	\$ 20,094,931	\$ -	\$ -
U.S. Agency Obligations	60,442,963	-	60,442,963	-	-
Municipal Debt Obligations	7,172,628	994,447	6,178,181	-	-
Commercial Paper	<u>3,037,050</u>	<u>3,037,050</u>	-	-	-
Total	<u>90,747,572</u>	<u>4,031,497</u>	<u>86,716,075</u>	-	-

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 investment policy states, with the exception of US Treasury securities and authorized pools, no more than fifty (50) percent of total portfolio may be invested in a single security or with a single financial institution. The City does not have a formal policy for concentration of credit risk.

Fair Value: The City of Lacey measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

As of December 31, 2020, the City of Lacey had the following investments measured at fair value:

	Fair Value Measurements Using			
	12/31/2020	Quoted Prices in	Significant Other	Significant
		Active Markets for	Observable	Unobservable
	Identical Assets	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Investments by Fair Value Level				
U.S. Treasury Obligations	\$ 20,094,931	\$ 20,094,931	\$ -	\$ -
U.S. Agency Obligations	60,442,963	60,442,963	-	-
Municipal Debt Obligations	7,172,628	-	7,172,628	-
Commercial Paper	<u>3,037,050</u>	-	<u>3,037,050</u>	-
Total Investments Reported at Fair Value	\$ 90,747,572	\$ 80,537,894	\$ 10,209,678	\$ -
Investments Measured at Amortized Cost				
WA State Local Government Investment Pool	<u>\$ 68,975,846</u>			
Total Investments Measured at Amortized Cost	\$ 68,975,846			
Total Investments	<u>\$ 159,723,418</u>			

The cash, deposit and investments amounts reported in the fund statements (including the fiduciary funds) for the year ended December 31, 2020 are as follows:

	<u>Amount</u>
<u>Governmental Funds</u>	
Cash and cash equivalents and investments	\$ 65,919,257
Restricted cash and cash equivalents and investments	59,889
Investments	48,636,748
Total governmental funds	<u>114,615,894</u>
<u>Enterprise Funds</u>	
Cash and cash equivalents	51,529,355
Restricted cash and cash equivalents and investments	1,043,437
Investments	35,348,027
Total proprietary funds	<u>87,920,819</u>
<u>Internal Services Funds</u>	
Cash and cash equivalents	10,809,271
Investments	6,762,798
Total proprietary funds	<u>17,572,069</u>
<u>Fiduciary Funds</u>	
Cash and cash equivalents	1,412,368
Investments	894,605
Total fiduciary funds	<u>2,306,973</u>
Total	\$ 222,415,756

Cash, deposits, and investments for all funds, including fiduciary funds, for the year ended December 31, 2020 are as follows:

	<u>Amount</u>
Cash on hand	\$ 7,575
Checking accounts	31,792,063
Public Funds Interest Checking	13,272,650
Investments less than 90 days	16,045,470
Investments	91,642,177
Washington State Investment Pool (LGIP)	69,655,821 ⁽¹⁾
Total	<u>\$ 222,415,756</u>

⁽¹⁾ Investments measured at amortized cost

B. Receivables and unearned and unavailable revenues

The \$4,018,620 taxes receivable in the general fund includes \$112,195 property taxes, \$2,415,256 sales and use taxes, \$1,233,609 business and utility taxes, and \$257,560 for other taxes. The customer accounts receivable \$833,650 in the general fund includes \$191,059 in fines for violations.

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned (unearned). Below is the detail of the components of unearned revenues reported in the governmental funds.

<u>Description</u>	Unearned Revenues 12/31/2020
Deposits for advance reservations (general fund)	\$ 53,826
Traffic mitigation fees collected but earnings process not yet complete (arterial street fund)	4,832,594
Total unearned revenues for governmental funds	<u>\$ 4,886,420</u>

C. Property taxes

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

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

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

The City is permitted by law to levy up to \$3.60 minus the library rate of \$0.34 and the fire district rate of \$1.43 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

1. **The Levy Limit:** The levy limit calculation applies to a taxing district's budget, and not to increases in the assessed value or tax bill of individual properties. Washington State law (RCW 84.55.010) restricts individual taxing districts from collecting, in any year, more than one percent increase in their regular, non-voted, levy over the highest levy amount since 1985. New construction, annexations, and excess levies approved by the voters are not included in the levy limit calculation. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
2. **The One Percent Constitutional Limit:** **The Washington State Constitution** limits the regular (non-voted) combined property tax rate applied to an individual's property to one percent (\$10 per \$1,000) of the market valuation. Voters may vote special levies that are added to this figure. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one-percent limit.
3. The City may voluntarily levy taxes below the legal limit. Special levies approved by the voters are not subject to the above limitations. The City's regular levy rate for 2020 was \$0.9830 per \$1,000 on an assessed valuation of \$7,268,934,236 for a total regular levy of \$7,145,693. Additionally, special levies for G.O. bond obligations totaled \$1,136,300.

D. Capital assets

Capital asset activities for the year ended December 31, 2020 were as follows:



Governmental Activities	Beginning Balance 1/1/2020	Increases	Decreases	Ending Balance 12/31/2020
Non-depreciable Capital Assets:				
Land and land rights	\$ 154,722,016	\$ 2,129,186	\$ 131,238	\$ 156,719,964
Construction in progress	7,924,984	6,973,180	1,826,611	13,071,553
Total non-depreciable assets	162,647,000	9,102,366	1,957,849	169,791,517
Depreciable Capital Assets:				
Buildings	31,038,883	-	-	31,038,883
Improvements	27,615,662	559,324	-	28,174,986
Infrastructure	344,730,498	4,424,369	-	349,154,867
Machinery & equipment	15,723,177	1,769,303	839,709	16,652,771
Total depreciable assets at cost	419,108,220	6,752,996	839,709	425,021,507
Less accumulated depreciation:				
Buildings	15,043,138	753,062	-	15,796,200
Improvements	15,738,454	1,424,449	-	17,162,903
Infrastructure	219,024,880	9,390,110	-	228,414,990
Machinery & equipment	10,247,669	1,345,624	839,709	10,753,584
Total accumulated depreciation	260,054,141	12,913,245	839,709	272,127,677
Total Depreciable assets, net	159,054,079	(6,160,249)	-	152,893,830
Governmental activities capital assets, net	\$ 321,701,079	\$ 2,942,117	\$ 1,957,849	\$ 322,685,347

Business-type activities	Beginning Balance 1/1/2020	Increase	Decrease	Ending Balance 12/31/2020
Non-depreciable Capital Assets:				
Land and land rights	\$ 19,655,776	\$ 944,920	\$ 39,577	\$ 20,561,119
Construction in process	6,746,058	11,338,272	4,728,468	13,355,862
Total non-depreciable assets	26,401,834	12,283,192	4,768,045	33,916,981
Depreciable Capital Assets:				
Buildings	1,520,813	-	-	1,520,813
Improvements	358,675,093	8,106,891	-	366,781,984
Machinery & equipment	1,122,407	24,517	-	1,146,924
Total depreciable assets at cost	361,318,313	8,131,408	-	369,449,721
Less accumulated depreciation:				
Buildings	664,604	37,075	-	701,679
Improvements	111,710,235	8,446,256	-	120,156,491
Machinery & equipment	554,823	71,446	-	626,269
Total accumulated depreciation	112,929,662	8,554,777	-	121,484,439
Total depreciable assets, net	248,388,651	(423,369)	-	247,965,282
Business-type activities capital assets, net	\$ 274,790,485	\$ 11,859,823	\$ 4,768,045	\$ 281,882,263

2020 Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental activities	Amount
General Government	\$ 516,066
Security of persons and property	6,736
Physical environment	2,133
Transportation	9,386,043
Economic environment	36,930
Culture and recreation	1,742,972
Internal services funds	1,222,365
Total governmental-type activities depreciation expense	<u>\$ 12,913,245</u>



Business-type activities	Amount
Water	\$ 4,000,070
Wastewater	2,585,221
Stormwater	1,936,665
Reclaimed Water	32,821
Total business-type activities depreciation expense	<u>\$ 8,554,777</u>

Construction Commitments

The City has active construction projects in progress as of December 31, 2020. The projects include construction of streets in various areas and the construction of various water, wastewater, and stormwater facilities.

At the end of the fiscal year 2020, the City's commitments with contractors for major active utilities construction projects were as follows:

Project Description	Spent to-Date 12/31/2020	Estimated Remaining Commitment
Capital City Watermain	\$ 1,026,094	\$ 1,578,290
Shady Lane Water	319,043	4,519
Fitzhugh Main Replacement	260,186	167,568
HP Sister Standpipe	-	5,357,267
48th & 51st WA Main Improvements	-	180,837
Shady Lane Sewer	403,146	10,492
Capitol City Wastewater	1,418,900	1,823,246
25th Loop SW Improvement	321,529	4,822
Capitol City Stormwater	40,368	69,052
Total	\$ 3,789,266	\$ 9,196,093

The City's 2020 budget for utilities capital funds includes expenditures for completion of these projects.

The City had the following major active street capital improvement projects in progress as of December 31, 2020:

- Hawks Prairie Road/Marvin Road Roundabout
- Ruddell Road Sidewalk/Retaining Walls

The Arterial Street and Transportation Improvement funds' 2021 capital expenditures budgets of \$2,920,000 includes the funding for these projects.

E. Interfund loans and transfers

Loans/advances from/to other funds:

Interfund loan balances at December 31, 2020 were as follows:

Receivable Fund	Payable Fund	Amount
LID Debt Fund	Wastewater Fund	\$ 411,455
Total		<u>\$ 411,455</u>



The interfund loan between Local Improvement District (LID) debt fund and Wastewater fund was issued by Ordinance No. 1475 in 2016 to provide funding for the College Street and Martin Way Sewer improvement project (ULID No. 23) in the form of revenue bonds, with a maturity date of September 1, 2035 and an interest rate of 4.10%. Annual payment is due September 1 of each year.

Interfund transfers:

Interfund transfers activities for the year were as follows:

Fund	Purpose	Amounts Transferred In	Amounts Transferred Out
Governmental Funds:			
<u>Major Funds:</u>			
General Fund	Routine transfers from Parks & Open Space fund for Rainier Vista Park Maintenance \$510,400 and Regional Athletic Complex (RAC) maintenance \$198,922, from Arterial Street fund for LED Street Light Replacement \$158,527, from Lodging Tax fund for museum operations \$48,500.	\$ 916,349	
	Routine transfers of fire hydrant flows to Water M&O fund \$999,248 and utility tax collections of \$43,071 to the Capital Equipment fund to fund capital replacements.		1,042,319
	Non-routine transfers from General fund to Capital Equipment fund of \$1,110,038, Capital Building Fund of \$45,356, from Street fund to Capital equipment fund of \$63,757 and Parks & Open Space fund of \$284,067.		1,503,218
Arterial Street Fund	Non-routine transfers from Arterial Street Fund of \$158,527 to Street fund for LED Street Light replacement.		158,527
<u>Non-major Governmental Funds:</u>			
	Routine transfer of \$567,050 from RAC Capital fund in G.O. Debt fund for debt service and utility tax collections of \$43,071 from the General fund.	\$ 610,121	
	Non-Routine transfer of \$20,425 from Water debt fund to LID fund, non-routine transfer to RAC capital fund of \$105,270 for equipment.	125,695	
	Non-routine transfers from General fund to Capital Equipment fund of \$1,173,795, Capital Building Fund for Library \$45,356, and \$284,067 from Parks & Open Space fund.	1,503,218	
	Routine transfer from Parks and Open Space fund to General Fund \$198,922 for RAC maintenance. Routine transfer \$567,050 from RAC Capital fund to G.O. Debt Service fund for debt service. Routine transfer of \$48,500 from Lodging Tax fund to RAC Capital fund for museum operations; and \$510,400 from Capital Equipment fund for Rainier Vista Park.		1,324,872
	Non-routine transfer of \$105,270 for RAC from the Parks & Open Space fund.		105,270
Total Governmental Funds		\$ 3,155,383	\$ 4,134,206
<u>Proprietary Funds:</u>			
<u>Internal Services Funds</u>			
	Non-routine capital asset transfers to Equipment Rental Fund; \$23,109	\$ 23,109	
<u>Enterprise Funds:</u>			
Water Fund	Routine transfer from General fund for fire hydrant flow.	999,248	
	Non-routine transfer of \$20,425 from Water debt fund to LID fund		20,425
	Non-routine transfer to Equipment Rental Fund for \$23,109 for capital asset.		23,109
Total Proprietary Funds		\$ 1,022,357	\$ 43,534
Total		\$ 4,177,740	\$ 4,177,740



Reconciliation to Statement of Activities

Total net transfers - governmental funds	\$ (978,823)
Internal Services Fund Non-routine capital asset transfers to Equipment Rental Fund; \$23,109	23,109
Total governmental activities, transfers out	<u>\$ (955,714)</u>
Total net transfers - enterprise funds	\$ 978,823
Capital asset transfer to governmental activities	<u>(23,109)</u>
Total business-type activities - transfers in	<u>\$ 955,714</u>

F. Restricted assets

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

<u>Purposes</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Customer deposit	\$ 59,889	\$ 349,076
Revenue bonds covenants	-	694,361
Total	<u>\$ 59,889</u>	<u>\$ 1,043,437</u>

G. Leases

Capital Leases

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

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

The assets acquired through capital lease as of December 31, 2020 are as follows:

<u>Assets:</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 128,828
Less: Accumulated depreciation	<u>(90,114)</u>
Total	<u>\$ 38,714</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020 were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2021	26,625
2022	17,380
2023	<u>2,897</u>
Total minimum lease payments	46,902
Less: amount representing interest	<u>(5,275)</u>
Present value of minimum lease payments	<u>\$ 41,627</u>

Operating Leases

The City of Lacey has lease commitments for leases of office machinery and equipment that are non-cancelable with lease terms primarily from month to month with one that extends to 48 months. The total operating lease expenditures for the year ended December 31, 2020 was \$6,554.

H. Long-term liabilities

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

General Obligation Bonds

The City issues general obligation bonds to finance the acquisition, construction, improvements of capital facilities, and major equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Payments on voter-approved bonds (unlimited) are funded from property tax levies. Non-voter approved bonds (limited) have been funded by other sources of revenues such as sales tax and transfers in. Variable-rate debt used was the effective interest rate as of December 31, 2020. Pursuant to the bond covenants, in the event that the City fails to redeem the 2010, 2012 UTGO bonds and the 2015 UTGO and LTGO bonds, the City shall be obligated to pay interest on the bond at the same rate provided in the bond from and after its maturity or call date until that bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the bond redemption fund. Furthermore, if the City fails for any reason to comply with the rebate requirements applicable to the 2015 UTGO and LTGO bonds, the City will be obligated to pay a penalty to preserve the tax exemption for interest on the bonds.

General Obligation Bonds outstanding as of December 31, 2020 are as follows:

Description	Balance
2010 Unlimited Tax General Obligation Refunding Bonds issue amount of \$3,790,000; dated December 1, 2010; interest rates of 2.0-4.0% with maturity date of December 1, 2021. Issued to advance refund a portion of the City's outstanding 2002 UTGO Bonds maturing on December 1 of the years 2012 through 2021 and to pay the costs of the refunding issuance. Interest rates are 3% in 2016-2017, 3.25% in 2018, and 4% in 2019-2021.	\$ 445,000
2012 Unlimited Tax General Obligation Refunding Bonds issue amount of \$2,945,000; dated December 19, 2012; interest rates of 2.0-3.0% with maturity date of December 1, 2023. Issued to advance refund a portion of the City's outstanding 2003 UTGO Bonds maturing on December 1 of the years 2014 through 2023 and to pay the costs of the refunding issuance.	920,000
2015 Unlimited Tax General Obligation Refunding Bonds issue amount of \$2,995,000; dated May 20, 2015; interest rates of 2.0-4.0% with maturity date of December 1, 2026. Issued to advance refund a portion of the City's outstanding 2006 UTGO Bonds maturing on December 1 of the years 2017-2026 and to pay the costs of the refunding issuance. Interest rates are 2% in 2016-2017, 3% in 2018-2021 and 4% in 2022-2027.	1,895,000
2015 Limited Tax General Obligation Refunding Bonds issue amount of \$4,770,000; dated May 20, 2015; interest rate of 2.0-4.0% with final maturity date of December 1, 2027. Issued to advance refund a portion of the City's outstanding 2007 LTGO Bonds maturing on December 1 of the years 2018- 2027 and to pay the costs of the refunding issuance. Interest rates are 2% in 2016-2017, 3% in 2018-2021 and 4% in 2022-2027.	3,470,000
Total	\$ 6,730,000



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

Year Ending December 31	General Obligation Bonds	
	Governmental Activities	
	Principal	Interest
2021	\$ 1,465,000	\$ 249,800
2022	1,055,000	204,400
2023	1,095,000	165,250
2024	810,000	124,600
2025	850,000	92,200
2026-2030	1,455,000	80,800
Total	<u>\$ 6,730,000</u>	<u>\$ 917,050</u>

Revenue Bonds

Revenue bonds are bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The City issued \$8,290,000 of Water and Sewer Revenue Bonds in November 2013. The City pledges to pay all of the Gross Revenue of the Waterworks Utility (the combined water, sewer and stormwater systems of the City) into the Revenue Fund as collected and make payments required to be made into the Bond Fund to pay the maturing principal and interest and the required debt service reserves as defined in Ordinance No. 1420. The principal and interest on this Bond are payable solely out of the Water Debt Service, Wastewater Debt Service and Stormwater Debt Service Funds (collectively, the "Bond Fund"). The bond covenants require that in each calendar year, the net revenue of the Waterworks Utility will equal at least 1.20 times the annual debt service for such year and also require a reserve account to secure the payment of the principal and interest on the Bonds. The reserve account is to be an amount equal to the lesser of a) 125% of average annual debt service on the bonds or b) maximum annual debt service on the bonds. A reserve account on the bonds has been established in the Water Debt Service fund. The required minimum debt service reserve is \$607,425. In the unlikely event that the City fails to comply with rate covenants, in order to not be considered an event of default, the City must promptly retain a professional utility consultant or an independent certified public accountant (CPA) to recommend to the City Council adjustments in the rates of the Waterworks Utility necessary to meet the requirements. In addition, the City Council must also adopt the recommended modifications within 180 days of the date the failure became known to the City.

Revenue bond outstanding as of December 31, 2020 is as follows:

Description	Balance
2013 Water and Sewer Revenue Bonds issue amount of \$8,290,000; dated November 19, 2013; original interest rates of 2.0%-4.5% with final maturity date of November 1, 2033. Issue to finance improvements to the Waterworks Utility and to fund a reserve account and pay the costs of issuance and sale of the bonds. Payments are funded by the revenues of the Waterworks Utility.	\$ 5,970,000
Total	\$ 5,970,000



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

Year Ending December 31	Revenue Bonds	
	Business-type Activities	
	Principal	Interest
2021	\$ 365,000	\$ 119,138
2022	380,000	113,662
2023	390,000	107,963
2024	400,000	102,113
2025	415,000	94,112
2026-2030	2,355,000	338,050
2031-2035	1,665,000	76,050
Total	<u>\$ 5,970,000</u>	<u>\$ 951,088</u>

Direct Placement

The City issued \$1,294,000 of Water and Sewer Revenue Bonds in March 2017. The bond provided funding for ULID No. 24 (special assessment). The City pledges to pay all of the Gross Revenue of the Waterworks Utility (the combined water, sewer and stormwater systems of the City) into the Revenue Fund as collected and make payments required to be made into the Bond Fund to pay the maturing principal and interest and the required debt service reserves as defined in Ordinance No. 1504. The principal and interest on this Bond are payable solely out of the Water Debt Service, Wastewater Debt Service and Stormwater Debt Service Funds (collectively, the “Bond Fund”). The bond covenants require that in each calendar year, the net revenue of the Waterworks Utility will equal at least 1.20 times the annual debt service for such year and also require a reserve account to secure the payment of the principal and interest on the Bonds. The reserve account is to be an amount equal to the lesser of a) 125% of average annual debt service on the bonds or b) maximum annual debt service on the bonds. A reserve account on the bonds has been established in the Wastewater Debt Service fund. The required minimum debt service reserve is \$86,936. Upon the occurrence of a default, the interest rate on the Credit Facility shall increase by three percentage points (3.0%) per annum. Such default interest payable shall be subject to the statutory maximum interest rate, if any. Interest after the occurrence of a default shall be payable upon demand.

Direct placement bonds outstanding as of December 31, 2020 is as follows: are as follows:

Description	Balance
2017 Water and Sewer Revenue Bonds - Direct Placement issue amount of \$1,294,000; dated March 17, 2017; original interest rates of 2.56%-2.74% with final maturity date of February 1, 2032. Issue to finance improvements to the Waterworks Utility and to fund a reserve account and pay the costs of issuance and sale of the bonds. Payments are funded by the revenues of the Waterworks Utility.	1,068,000
Total	\$ 1,068,000

Annual debt service requirements to maturity for the direct placement bonds are as follows:

Year Ending December 31	Direct Placement	
	Business-type Activities	
	Principal	Interest
2021	\$ 77,000	\$ 27,341
2022	79,000	25,370
2023	81,000	23,347
2024	83,000	21,273
2025	86,000	19,149
2026-2030	461,000	63,809
2031-2035	201,000	8,302
Total	<u>\$ 1,068,000</u>	<u>\$ 188,591</u>



The City is in compliance with all significant long-term debt limitations and restrictions.

Legal debt margin

The City is subject to a statutory debt limitation that is 7.5 percent of assessed value of taxable property. On December 31, 2020, the statutory debt limitation amount was \$545,170,068. As of December 31, 2020, the total net outstanding debt applicable to this limit was \$7,335,968, which is 1.4 percent of the total debt limit.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2020:

Type of Debt	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
Governmental Activities:					
<u>G.O. Bonds:</u>					
G.O. Bonds, par	\$ 8,140,000	\$ -	\$ 1,410,000	\$ 6,730,000	\$ 1,465,000
Unamortized bonds premiums	683,079	-	118,736	564,343	-
Total G.O. bonds payable:	<u>\$ 8,823,079</u>	<u>\$ -</u>	<u>\$ 1,528,736</u>	<u>\$ 7,294,343</u>	<u>\$ 1,465,000</u>
<u>Other:</u>					
Capital leases payable	\$ 64,275	\$ -	\$ 22,649	\$ 41,627	\$ 22,947
Net pension liability	4,485,298	5,485,264	5,238,760	4,731,802	-
Total OPEB liability	4,851,502	507,308	223,942	5,134,868	166,496
Compensated absences	1,407,347	1,591,526	1,124,860	1,874,013	961,852
Total other	<u>\$ 10,808,422</u>	<u>\$ 7,584,098</u>	<u>\$ 6,610,211</u>	<u>\$ 11,782,310</u>	<u>\$ 1,151,295</u>
Total governmental activities	<u>\$ 19,631,501</u>	<u>\$ 7,584,098</u>	<u>\$ 8,138,947</u>	<u>\$ 19,076,653</u>	<u>\$ 2,616,295</u>
Business-type Activities:					
Revenue Bonds, par	\$ 6,325,000	\$ -	\$ 355,000	\$ 5,970,000	\$ 365,000
Direct Placement	1,144,000	-	76,000	1,068,000	77,000
Unamortized bonds premiums	289,235	-	20,846	268,389	-
Net pension liability	1,362,937	1,678,850	1,593,546	1,448,242	-
Compensated absences	291,785	334,692	256,351	370,126	186,347
Total Business-type activities	<u>\$ 9,412,958</u>	<u>\$ 2,013,542</u>	<u>\$ 2,301,744</u>	<u>\$ 9,124,757</u>	<u>\$ 628,347</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included in the totals for governmental activities. The compensated absences for internal service funds for \$121,419 are included in the total for governmental activities. For the governmental funds, long-term liabilities other than debt (i.e. compensated absences and other postemployment benefits) are generally liquidated in the fund in which the employee reports the time being compensated, which includes the current expense, criminal justice, regional athletic complex, city street, water utility, wastewater utility, stormwater utility, equipment rental, and information management services funds. City of Lacey reports a total OPEB liability therefor there is no associated net position that covers the benefit payment expected to be paid within one year. The expected benefit payment due within one year is \$166,496.

Bond discounts and premiums:

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

Arbitrage:

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

Asset Retirement Obligations:

The City evaluated asset retirement obligations in accordance with GASB Statement No. 83.

The City has identified legally enforceable liabilities associated with the retirement of tangible capital assets due to requirements included in state and local laws. The estimated liability is based on the best estimate of the current value of outlays expected to be incurred. The overall estimate is based on professional judgment, experience, and historical cost data. The types of assets include water source, testing, and monitoring wells. The estimated remaining useful lives of the tangible capital assets range from 1-15 years. The provisions of this Statement do not apply to conditional obligations to perform asset retirement activities, nor does it apply to assets that are in an idle status. The current state and local laws are both based on the condition and use of the wells, and not the remaining estimated useful life. The City will continue to assess the condition and use of the assets that have been identified as having potential asset retirement obligations on an annual basis. Furthermore, the estimated liabilities that were identified in 2020 do not meet the City's Asset Retirement Obligation policy's minimum threshold for recording.

This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the City any new mandatory duties or obligations.

I. Fund Balances

As of December 31, 2020, the City's governmental funds report the following fund balances:

Non-spendable:			
Fund Restricted	Purpose	Authority	Amount
General Fund	Non-spendable (prepaids)	Non-spendable item	\$ 80,863
Arterial Street Fund	Non-spendable (deposits)	Non-spendable item	750
	Total Non-spendable		\$ 81,613
Restricted:			
Fund Restricted	Purpose	Authority	Amount
General Fund	Criminal bail	RCW 69.50.508	\$ 177,122
	Tree Tract in-Lieu	LMC 14.32.064	22,152
	Property Maintenance and Abatement	LMC 14.02.040	82,163
	Crime Prevention Through Environmental Design Prog	LMC 14.02.040	10,225
	Affordable Housing Sales Tax (SHB 1406)	LMC 3.90.010	109,106
	Various	Private donor	102,128
		Subtotal for general fund	
Nonmajor Funds:			
Lodging Tax Fund	Tourism	RCW 67.28.180	\$ 1,146,011
Community Block Grant Fund	HUD approved projects	CDBG Grant	32,452
Hicks Lake Mgmt District Fund	Hicks Lake Management District projects	Ordinance No. 1479	101,967
Capital Equipment Fund	Child care center repairs	Private contract	108,215
	Subtotal for nonmajor funds		\$ 1,388,645
	Total Restricted		\$ 1,891,541



Committed

Fund Committed	Purpose	Authority	Amount
General Fund	Insurance deductibles	Ordinance No. 1575	\$ 200,000
	City hall facilities improvements	Ordinance No. 1575	1,000,000
	Future pension contribution	Ordinance No. 1575	926,042
	Police Station Facility	Ordinance No. 1575	4,100,000
	Police Succession Planning	Ordinance No. 1575	2,000,000
	Public Safety Enhancements	Ordinance No. 1575	1,200,000
	City Hall Security Cameras	Ordinance No. 1575	200,000
	Gateway project	Ordinance No. 1575	8,000,000
	College Street Pedestrian Crossing	Ordinance No. 1575	300,000
	Budget policy implementation	Ordinance No. 1575	3,000,000
	Strategic investment program	Ordinance No. 1575	1,500,000
	Trail System (Bike/Pedestrian Plan)	Ordinance No. 1575	250,000
	Facility Plan for City Hall/Operations	Ordinance No. 1575	250,000
	Water Quality Assurance Fee	Ordinance No. 1575	714,286
	5700 Pacific Property Improvements	Ordinance No. 1575	500,000
	Parks & Recreation Comp Plan Priorities	Ordinance No. 1575	1,300,000
	Carbon Reduction and Resiliency Plan	Ordinance No. 1575	200,000
	Limited-Term Employee Program	Ordinance No. 1575	593,574
	RAC Long-Term Financial Plan	Ordinance No. 1575	800,000
	Future Police Station Expansion	Ordinance No. 1575	1,400,000
	Furniture & equipment replacement	Ordinance No. 1575	67,500
	Community building repair	Ordinance No. 1575	500,000
	RAC field replacement (fund 007)	Ordinance No. 1575	375,000
	Transportation building replacement	Ordinance No. 1575	350,000
	Transportation equipment & replacement	Ordinance No. 1575	400,000
	College Street Pedestrian Crossing	Ordinance No. 1575	500,000
Subtotal for general fund			\$ 30,626,402
Nonmajor Funds:			
Building Improvement Fund	Senior center repairs/replacement	Ordinance No. 1575	\$ 100,000
	City facility replacement	Ordinance No. 1575	1,137,500
	Historic Jacob Smith House	Ordinance No. 1575	300,000
	Public arts	Ordinance No. 1575	226,156
	City facilities plan projects	Ordinance No. 1575	1,500,000
	Subtotal for building improvement fund		
Capital Equipment Fund	Unscheduled equipment replacement	Ordinance No. 1575	\$ 500,000
	Park facilities- replacement/repairs	Ordinance No. 1575	385,000
	IMS fiber & telephone replacement/repairs	Ordinance No. 1575	500,000
	Security cameras in parks (fund 302)	Ordinance No. 1575	150,000
	RAC field replacement (fund 302)	Ordinance No. 1575	1,500,000
Subtotal for capital equipment fund			\$ 3,035,000
Parks and Open Space Fund	Parks property acquisition priority 1	Ordinance No. 1575	\$ 45,635
	Subtotal for parks and open space fund		
RAC Capital Fund	Sports complex lifecycle replacements	Ordinance No. 1575	\$ 500,000
	Parking lot expansion design	Ordinance No. 1575	\$ 125,000
Subtotal for RAC capital fund			\$ 625,000
Total for nonmajor funds:			\$ 6,969,291
Total Committed			\$ 37,595,693

Assigned: *

Fund Assigned	Purpose	Authority	Amount
General Fund	Strategic investment program	Ordinance No. 1575	1,200,000
	Veterans Services	Ordinance No. 1575	70,000
	Mental and Social Services Outreach Team - Police	Ordinance No. 1575	600,000
	Staffing Considerations	Ordinance No. 1575	175,000
	Mental Health and Drug Addiction Services Partnership	Ordinance No. 1575	700,000
	City Council Virtual Meeting Upgrades	Ordinance No. 1575	100,000
	Capital Equipment Replacement	Ordinance No. 1575	500,000
	Succession Planning - Police	Ordinance No. 1575	400,000
	Homeshare Program	Ordinance No. 1575	50,000
	Remote Work/Technological Upgrades	Ordinance No. 1575	250,000
	Oxford House Model	Ordinance No. 1575	650,000
	Criminal justice facility/equipment	Ordinance No. 1575	200,000
	Police Equipment Enhancement	Ordinance No. 1575	50,000
	Transportation Facility Improvements/Expansion	Ordinance No. 1575	1,000,000
	Subtotal for general fund		
Arterial Street Fund	Street capital projects		\$ 32,525,867



Assigned: * Continued

Nonmajor Funds:

Transportation Benefit District Fund	Transportation improvements		\$ 5,262,220
General Obligation Bond Fund	Debt service		\$ 334,813
LID Redemption Fund	Debt service		4,217,217
Building improvement Fund	Capital projects		1,214,431
Capital Expenditure Fund	Capital acquisitions		2,752,754
Capital Expenditure Fund	Credit/Purchasing card implementation	Ordinance No. 1575	15,000
Parks and Open Space Fund	Capital projects		401,181
Regional Athletic Complex Fund	Capital projects		2,556,849
Subtotal for nonmajor funds			\$ 16,754,465
Total Assigned			\$ 55,225,332

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

J. Employee Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2020:

Aggregate Pension Amounts - All Plans	
Pension assets	\$ 4,152,524
Pension Liabilities	\$ 6,180,043
Deferred outflows of resources	\$ 3,149,018
Deferred inflows of resources	\$ 2,846,556
Pension expense/expenditures	\$ 733,726

Of the \$4,152,524 pension asset, \$4,173,207 is reflected as restricted net pension on the government-wide financial statements. This value is the result of starting with the pension asset and adding the related deferred outflows of \$789,490 and subtracting the related deferred inflows of \$768,807.

State Sponsored Pension Plans

Substantially all of the 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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98504-8380

Alternatively, the DRS AFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee’s Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

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

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



PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee
January – August 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.86%	7.90%
September – December 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.97%	7.90%

The City’s actual PERS plan contributions were \$854,693 to PERS Plan 1 and \$1,411,183 to PERS Plan 2/3 for the year ended December 31, 2020.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2020. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – December 2020		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%

The City's actual contributions to the plan were \$364,716 for the year ended December 31, 2020.

The Legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance

with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the State Constitution and could be changed by statute. For the State fiscal year ending June 30, 2020, the State contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$225,145.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 *Experience Study and the 2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

Employer's Net Pension Liability			
Pension Plans	1% Decrease (6.4%)	Current Discount Rate (7.4%)*	1% Increase (8.4%)
PERS 1*	\$ 5,272,033	\$ 4,209,017	\$ 3,281,957
PERS 2/3*	\$ 12,264,255	\$ 1,971,026	\$ (6,505,453)
LEOFF1	\$ (391,435)	\$ (480,909)	\$ (558,319)
LEOFF2	\$ (72,687)	\$ (3,671,615)	\$ (6,618,419)

*Excludes the proportionate share amounts for PERS Plans allocated to and reported in Joint Animal Services, which was \$310,390.

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020, the City reported a total pension asset of \$4,152,524 and net pension liability of \$6,180,043 for its proportionate share of the net pension liabilities (assets) as follows:

Pension Plans	Liability (or Asset)
PERS 1	\$ 4,209,017
PERS 2/3	\$ 1,971,026
LEOFF1	\$ (480,909)
LEOFF2	\$ (3,671,615)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

Description	Asset
LEOFF 2 - Employer's proportionate share	\$ 3,671,615
LEOFF 2 - State's proportionate share of the net pension asset associated with the employer	2,347,725
TOTAL	\$ 6,019,340

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

	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020*	Changes in Proportion
PERS 1*	0.114814%	0.119217%	0.004404%
PERS 2/3*	0.148345%	0.154114%	0.005768%
LEOFF1	0.025584%	0.025465%	-0.000119%
LEOFF2	0.183506%	0.179994%	-0.003512%

*Excludes the proportionate share % allocated for PERS plans to and reported in Joint Animal Services, which was 0.013728%.

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.



In fiscal year 2020, the state of Washington contributed 39.00 percent of LEOFF 2 employer contributions pursuant to **RCW 41.26.725** and all other employers contributed the remaining 61.00 percent of employer contributions.

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

Pension Expense

For the year ended December 31, 2020, the City recognized pension expense as follows:

Pension Plans	Pension Expense
PERS 1	\$ 383,499
PERS 2/3	189,495
LEOFF1	(22,608)
LEOFF2	183,340
TOTAL	\$ 733,726

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 1		
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	23,434
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	433,429	-
TOTAL	\$ 433,429	\$ 23,434

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 2/3		
Difference between expected and actual experiences	\$ 705,599	\$ 247,017
Net difference between projected and actual investment earnings on pension plan investments	-	100,100
Changes of assumptions	28,073	1,346,382
Changes in proportion and differences between contributions and proportionate share of contributions	482,170	360,817
Contributions subsequent to the measurement date	710,257	-
TOTAL	\$ 1,926,099	\$ 2,054,316

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEOFF Plan 1		
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	5,030
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 5,030

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 508,029	\$ 65,119
Net difference between projected and actual investment earnings on pension plan investments	-	40,923
Changes of assumptions	5,319	568,529
Changes in proportion and differences between contributions and proportionate share of contributions	98,236	89,205
Contributions subsequent to the measurement date	177,906	-
TOTAL	\$ 789,490	\$ 763,776

A total of \$1,321,592 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Deferred Outflows (Inflows) of Resources				
	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2	Total
Thereafter	\$ -	\$ (61,105)	\$ -	\$ (10,550)	\$ (71,655)
2025	-	(23,327)	-	(24,820)	(48,147)
2024	53,807	246,435	8,758	122,704	431,704
2023	32,449	27,647	5,105	54,199	119,400
2022	(3,345)	(202,880)	(936)	(36,470)	(243,631)
2021	(106,345)	(825,243)	(17,957)	(257,255)	(1,206,800)
Total Deferred Outflows/(Inflows)	\$ (23,434)	\$ (838,473)	\$ (5,030)	\$ (152,192)	\$ (1,019,129)

K. Postemployment benefits other than pensions (OPEB)

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

1. LEOFF I Retiree Medical Plan

Plan description. The City's LEOFF 1 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. The LEOFF 1 Retiree Health Plan does not issue a publicly available financial report.

These medical benefits are funded on a pay-as-you-go basis through the general fund and paid out of police department budget. There are no assets accumulated in a qualifying trust that meets the criteria in paragraph 4 of Statement 75. 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.



Benefits provided. 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.

Employees covered by benefit terms. At December 31, 2020, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	10.0
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	<u>10.0</u>

Total OPEB liability. The City of Lacey's total OPEB liability of \$5,134,868 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and methods. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Discount Rate	3.50 percent
Healthcare Trend Rate	6.00 percent
Long-Term Care Trend Rate	4.50 percent
Medicare Part B Premiums Trend Rate	5.00 percent
Base Mortality	TableRP-2000
Mortality Age Setback	Blended 50%/50% Healthy/Disabled
Mortality Improvements	100% Scale
Mortality Projection Period	Generational

The discount rate was based on the Bond Buyer General Obligation 20 Bond Municipal Bond Index.

The change in assumptions included healthcare costs that increased below expectations during recent past years.

Changes in the total OPEB Liability. The City has elected to use the alternative measurement method permitted under GASB statement No. 75 for employers in plans with fewer than one hundred total plan members and do not have a dedicated OPEB Trust Fund for LEOFF 1, utilizing the interactive tool developed by the Office of the State Actuary (OSA) for use by local governments. The total OPEB liability represents the present value of projected benefits that will be provided to active and inactive employees. The projections are based on an established pattern of practice.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2019 through June 30, 2020. The changes in the total OPEB liability are as follows:



	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability (Jan. 1, 2020)	\$ 4,851,502
Changes for the year:	
Service Cost	-
Interest Cost	165,917
Changes of benefit terms	-
Changes in experience data and assumptions	341,391
Estimated benefit payments	(223,942)
Other changes	-
Ending Total OPEB Liability (Dec. 31, 2020)	<u>\$ 5,134,868</u>

As of December 31, 2020, the City of Lacey reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions paid subsequent to the measurement date	\$ 66,814	\$ -
Total	\$ 66,814	\$ -

Sensitivity of the total OPEB liability and expense to changes in the discount rate. The following illustrates the total OPEB liability of the City of Lacey, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (2.50 percent) or one-percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 5,760,337	\$ 5,134,868	\$ 4,606,435

Sensitivity of the total OPEB liability and expense to changes in the healthcare cost trend rates. The following illustrates the total OPEB liability of the City of Lacey, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage point lower (5.00 percent) or one-percentage point higher (7.00 percent) than the current discount rate:

	1% Decrease (5.00%)	Current Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	\$ 4,632,888	\$ 5,134,868	\$ 5,714,015

As of December 31, 2020, the City of Lacey recognized OPEB expense of \$278,292.

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

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

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

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Funding policy. Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

HealthFirst® - 1000 Retiree

\$1,050.20 Non-Medicare Enrolled Retiree

\$1,059.36 Non-Medicare Enrolled Spouse

HealthFirst® - 2500 Retiree

\$989.34 Non-Medicare Enrolled Retiree

\$996.54 Non-Medicare Enrolled Spouse

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC

Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

L. 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.

Contingencies under grant provisions

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

M. Risk management

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

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

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

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

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

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

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

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

The settlements have not exceeded coverage for each of the past three fiscal years.

N. Interlocal agreements and joint ventures

Capital Area Regional Public Facilities District (CARPFD).

In 2003, the City of Lacey entered into a contract with the Capital Area Regional Public Facilities District (CARPFD) for the acquisition, development, operation and maintenance of the Lacey Area Athletic, Recreation and Special Events Complex. The CARPFD imposes a sales and use tax pursuant to RCW 82.14.390 to repay financing obtained to fund the design, construction, acquisition, operation and maintenance of the complex project. The monies collected as sales taxes shall only be used for the purposes permitted under RCW 82.14.390 and RCW 35.57.020. In 2020, the City of Lacey received \$1,570,005 in sales taxes levied by the CARPFD and is accounted for within the Regional Athletic Complex Operating Fund and Regional Athletic Complex Capital Fund.

Interlocal Drug Unit

The Thurston County Narcotics Task Force (Interlocal Drug Unit) was created as a result of an interlocal agreement between Thurston County, the City of Olympia, the City of Lacey, the City of Tumwater, and the Washington State Patrol. Interlocal Drug Unit operates as a joint venture and is 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.

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

Financial information related to the Interlocal Drug Unit can be obtained from the Thurston County Sheriff's Office Financial Services Bureau, 2000 Lakeridge Drive SW, Olympia, WA 98502.

Joint Animal Services

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

An equity interest exists and is based on total contributions to-date by the cities of Lacey, Olympia, Tumwater, and the Thurston County. The net position, as of December 31, 2020 was \$3,297,159. The City of Lacey has a 18.06 percent (or \$595,467) share of the equity as of December 31, 2020. The City of Lacey reports its share of equity interest as investment in joint venture, in the government-wide statement of net position.

An ongoing financial interest exists for the City of Lacey, the City of Olympia, the City of Tumwater, and Thurston County. The agreement specifies the funding formula that allocates costs based on serviced animal cases and population per jurisdiction in the prior year. For 2020, the City of Lacey's contribution for the annual agreement was \$255,326 and is accounted for within the general fund.

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

Law Enforcement Records Management System (LERMS)

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

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. Net position as of December 31, 2020, was \$173,972. As of December 31, 2020, the City of Lacey has a 38 percent share (or \$66,109) of the equity. The City of Lacey reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position.

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium). For 2020, the City of Lacey's contributed \$171,077 as its share of the annual assessment. All property is considered to be jointly owned. Parties will be reimbursed based on their contribution upon sale of property upon the dissolution of LERMS. Any member may withdraw from the agreement at the end of any calendar year, providing a notice to the Consortium no less than six months prior to the date of withdrawal. Withdrawal of a party will not terminate the agreement of the remaining parties.

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



The following is condensed financial information on joint ventures for which the City has equity interest as of December 31, 2020:

	Joint Animal Services 12/31/2020	Law Enforcement Regional Record Management System 12/31/2020
Total Assets	\$ 3,698,115	\$ 173,972
Total Deferred Outflows of Resources:	118,506	-
Total Liabilities	415,108	-
Total Deferred inflows of Resources:	104,354	-
Total Net Position 12/31/2019	<u>\$ 3,297,159</u>	<u>\$ 173,972</u>
Total Revenues	\$ 1,661,171	\$ 468,192
Total Expenses	1,796,168	434,670
Net increase (decrease) in net position	(134,997)	33,522
Net position - beginning	3,432,156	140,450
Ending net position 12/31	<u>\$ 3,297,159</u>	<u>\$ 173,972</u>
City of Lacey Equity %	18.06%	38.00%
City of Lacey Equity Interest	\$ 595,467	\$ 66,109

The City of Lacey’s equity interests in joint ventures for the year ended December 31, 2020 were as follows:

	Beginning Balance 1/1/2020	Increase	Decrease	Ending Balance 12/31/2020
<u>Governmental Type Activities</u>				
Joint Animal Services	\$ 614,699	\$ -	\$ 19,232	\$ 595,467
Law Enforcement Regional Record Management System (LERMS)	53,371	12,738	-	66,109
Total Investment in Joint Venture	<u>\$ 668,070</u>	<u>\$ 12,738</u>	<u>\$ 19,232</u>	<u>\$ 661,576</u>

LOTT Clean Water Alliance (“LOTT”)

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

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

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

LOTT owns and operates physical facilities in all four partner jurisdictions. These facilities include the Budd Inlet Treatment Plant, Budd Inlet Reclaimed Water Plant, Martin Way Reclaimed Water Plant, Hawks Prairie

Recharge Basins, several pump stations, and about 23 miles of main sewer interceptor pipelines. As of December 31, 2020, the City had short-term payables of \$1,445,979, which was paid in early 2021.

Thurston County Regional Health and Human Services Council

The Thurston County Regional Health and Human Services Council (the "Council") is a jointly governed organization governed by one elective official from each participating jurisdiction. This Council was formed by an interlocal agreement between Thurston County and the cities of Lacey, Olympia and Tumwater, to work together and join resources necessary to address common gaps in meeting basic health and human services needs within this region. The City of Lacey contributed \$63,197 as its share of annual operations in 2020. The annual funding contribution from each jurisdiction is based on the general sales and use tax collected. Thurston County provides administrative staffing for the Council.

O. Accounting and Reporting Changes

During 2020, the City implemented GASB statements 83, 84 and 88, Certain Asset Retirement Obligations, Fiduciary Activities, and Certain Disclosures Related to Debt, respectively.

GASB 83 – Certain Asset Retirement Obligations. This Statement addresses the accounting and financial reporting for certain asset retirement obligations, a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes the criteria to determine the timing and pattern of a liability and corresponding deferred outflow of resources for asset retirement obligations. This Statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported.

GASB 84 – Fiduciary Activities. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement enhance financial reporting by improving consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. As part of implementation, the City recorded a \$67,839 change in accounting principle.

GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve debt related information disclosed in the notes to government financial statements and to help clarify the types of liabilities that should be included in debt note disclosures. The requirements of this Statement include providing additional information related to debt in the notes to the financial statements that have been deemed essential, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant termination events with finance-related consequences, and significant subjective acceleration clauses. Additionally, for debt related notes to the financial statements, there is also the requirement that existing and additional information be provided for direct borrowings, and for direct placements of debt to be reported separately from other debt.

Other Reporting Changes - according to GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, a government should discontinue reporting a special revenue fund if it has determined that a substantial portion of the inflows to the fund will no longer derive from restricted or committed revenue sources. If this determination is made, the government should instead report the fund's remaining resources in the general fund. In 2020, the City determined that the Streets Fund no longer met the definition of a special revenue fund, per GASB 54, and reported the fund's resources with the General Fund.

P. COVID-19

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling



public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Revenues from local tax sources, including property, sales, business excise, and miscellaneous other taxes decreased 0.3 percent, which is significantly less than anticipated. Expenditures have been adjusted accordingly to match revenue projections. As of the submittal date, Washington State is anticipating to fully open on June 30, 2021, schools are expected to open in the fall of 2021, and financial support is still widely available. At the same time, the City acknowledges a degree of uncertainty will remain until the COVID-19 pandemic is eradicated. The City remains ready to act if the economic outlook changes for the worse.

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



City of Lacey
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 30,722,700	\$ 25,988,685	\$ 32,005,248	\$ 6,016,563
Licenses and permits	2,094,997	2,094,997	2,524,896	429,899
Intergovernmental revenues	2,065,642	6,620,585	3,601,263	(3,019,322)
Charges for services	8,865,002	8,014,760	7,792,568	(222,192)
Fines and forfeitures	250,000	250,000	166,650	(83,350)
Other revenues	989,924	911,781	1,061,581	149,800
Total revenues	44,988,265	43,880,808	47,152,206	3,271,398
EXPENDITURES				
Current:				
General government	8,670,232	9,269,163	7,330,018	1,939,145
Public Safety	15,166,274	14,440,828	13,126,749	1,314,079
Natural environment	6,006,137	5,827,025	5,519,778	307,247
Transportation	3,970,683	3,801,080	3,256,949	544,131
Economic environment	2,007,698	2,660,204	2,087,389	572,815
Social services	747,574	738,156	1,324,596	(586,440)
Culture and recreation	8,285,287	8,663,441	6,883,984	1,779,457
Capital outlay		2,928,815	1,761,332	1,167,483
Debt service:				
Principal retirement	-	-	22,649	(22,649) (1)
Interest	-	-	5,826	(5,826) (1)
Total expenditures	44,853,885	48,328,712	41,319,270	7,009,442
Excess (deficiency) of revenue over (under) expenditures	134,380	(4,447,904)	5,832,936	10,280,840
OTHER FINANCING SOURCES (USES)				
Transfers in	3,735,528	4,779,726	916,349	(3,863,377)
Transfers out	(5,228,170)	(7,602,973)	(2,545,537)	5,057,436
Total other financing sources	(1,492,642)	(2,823,247)	(1,629,188)	1,194,059
Net change in fund balances	(1,358,262)	(7,271,151)	4,203,748	11,474,899
Fund balance - beginning	1,358,262	8,776,769	53,032,079	44,255,310
Fund balance - ending	\$ -	\$ 1,505,618	\$ 57,235,827	\$ 55,730,209

Explanation of differences:

(1) Certain equipment lease payments are budgeted as current expenditures but are reported as debt service for GAAP

See accompanying notes to the required supplemental information.

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

Public Employees' Retirement System Plan 1 (PERS 1)						
	2015	2016	2017	2018	2019	2020 ⁽¹⁾⁽³⁾
Employer's proportion of the net pension liability	0.123755%	0.120890%	0.103546%	0.113716%	0.114663%	0.119217%
Employer's proportionate share of the net pension liability	\$ 6,473,532	\$ 6,492,344	\$ 4,913,355	\$ 5,078,609	\$ 4,409,190	\$ 4,209,016
Covered payroll	\$ 13,876,617	\$ 14,218,880	\$ 14,283,872	\$ 15,295,106	\$ 16,180,209	\$ 18,116,174
Employer's proportionate share of the net pension liability as a percentage of covered payroll	46.65%	45.66%	34.40%	33.20%	27.25%	23.23%
Plan fiduciary net position as a percentage of the total pension liability ⁽²⁾	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%
Public Employees' Retirement System Plan 2 and 3 (PERS 2/3)						
	2015	2016	2017	2018	2019	2020 ⁽¹⁾⁽³⁾
Employer's proportion of the net pension liability	0.154291%	0.152128%	0.132835%	0.145236%	0.148151%	0.154114%
Employer's proportionate share of the net pension liability	\$ 5,502,898	\$ 7,659,513	\$ 4,615,367	\$ 2,479,772	\$ 1,439,046	\$ 1,971,027
Covered payroll	\$ 13,759,392	\$ 14,145,039	\$ 14,267,862	\$ 15,295,106	\$ 16,180,209	\$ 18,116,174
Employer's proportionate share of the net pension liability as a percentage of covered payroll	39.99%	54.15%	32.35%	16.21%	8.89%	10.88%
Plan fiduciary net position as a percentage of the total pension liability ⁽²⁾	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF 1)						
	2015	2016	2017	2018	2019	2020 ⁽¹⁾⁽³⁾
Employer's proportion of the net pension asset	0.023373%	0.024910%	0.025264%	0.025530%	0.025584%	0.025465%
Employer's proportionate share of the net pension asset	\$ 281,696	\$ 256,644	\$ 383,310	\$ 463,498	\$ 505,696	\$ 480,909
Covered payroll ⁽⁴⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability ⁽²⁾	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2)						
	2015	2016	2017	2018	2019	2020 ⁽¹⁾⁽³⁾
Employer's proportion of the net pension asset	0.187222%	0.179668%	0.174254%	0.179065%	0.183506%	0.179994%
Employer's proportionate share of the net pension asset	\$ 1,924,268	\$ 1,045,003	\$ 2,418,081	\$ 3,635,410	\$ 4,251,271	\$ 3,671,615
State's proportionate share of the net pension asset associated with the employer	1,272,329	681,266	1,568,567	2,353,855	2,784,009	2,347,725
TOTAL	\$ 3,196,597	\$ 1,726,269	\$ 3,986,648	\$ 5,989,265	\$ 7,035,280	\$ 6,019,340
Covered payroll	\$ 5,433,910	\$ 5,445,937	\$ 5,945,653	\$ 5,811,354	\$ 6,238,604	\$ 6,711,793
Employer's proportionate share of the net pension liability as a percentage of covered payroll	58.83%	31.70%	67.05%	103.06%	112.77%	89.68%
Plan fiduciary net position as a percentage of the total pension liability ⁽²⁾	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%

Notes to Schedule:

- ⁽¹⁾ Measurement date: June 30, 2020
 - ⁽²⁾ DRS Participating Employer Financial Information Report, Note 2. E, Net Pension Liability
 - ⁽³⁾ Actuarial Methods and Assumptions (See Note J. Employee Pension Plans)
 - ⁽⁴⁾ All LEOFF 1 members are retired (no active members during the covered period).
- *Schedule is intended to show information for 10 years commencing with the fiscal year ended December 31, 2015. Additional years will be displayed as they become available.

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

	Public Employees' Retirement System Plan 1 (PERS 1)					Public Employees' Retirement System Plan 2 and 3 (PERS 2/3)				
	2015	2016	2017	2018	2020 ⁽¹⁾	2015	2016	2017	2018	2020 ⁽¹⁾
Statutorily or contractually required contributions	\$ 628,534	\$ 677,848	\$ 721,317	\$ 802,700	\$ 864,752	\$ 792,933	\$ 876,768	\$ 1,010,615	\$ 1,188,973	\$ 1,352,005
Contributions in relation to the statutorily or contractually required contributions	(628,534)	(677,848)	(721,317)	(802,700)	(864,752)	(792,933)	(876,768)	(1,010,615)	(1,188,973)	(1,352,005)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,147,427	\$ 14,127,222	\$ 14,716,527	\$ 15,852,895	\$ 17,502,530	\$ 14,074,316	\$ 14,073,925	\$ 14,716,527	\$ 15,852,895	\$ 17,502,530
Contributions as a percentage of covered payroll	4.44%	4.80%	4.90%	5.06%	4.94%	5.63%	6.23%	6.87%	7.50%	7.72%
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2)										
Statutorily or contractually required contributions	\$ 275,466	\$ 285,892	\$ 312,121	\$ 318,606	\$ 348,046	\$ 275,466	\$ 285,892	\$ 312,121	\$ 318,606	\$ 364,908
Contributions in relation to the statutorily or contractually required contributions	(275,466)	(285,892)	(312,121)	(318,606)	(364,908)	(275,466)	(285,892)	(312,121)	(318,606)	(364,908)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,454,776	\$ 5,664,267	\$ 6,014,936	\$ 5,899,979	\$ 6,756,412	\$ 5,454,776	\$ 5,664,267	\$ 6,014,936	\$ 5,899,979	\$ 6,756,412
Contributions as a percentage of covered payroll	5.05%	5.05%	5.19%	5.40%	5.29%	5.05%	5.05%	5.19%	5.40%	5.40%

Notes to Schedule:

⁽¹⁾ As of December 31

Starting on July 1, 2000, LEOFF 1 has zero contribution percent, as long as the plan remains fully funded. There were no required contributions for fiscal years 2015-2020.

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

City of Lacey
Changes in Total OPEB Liability
As of the Measurement Date June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB Liability			
Interest Cost	\$ 165,917	\$ 239,190	\$ 230,355
Changes in Experience Data and Assumptions	341,391	(1,418,352)	(215,681)
Estimated Benefit Payments	(223,942)	(297,070)	(240,780)
Net Change in Total OPEB Liability	283,366	(1,476,232)	(226,106)
Total OPEB Liability - Beginning	4,851,502	6,327,734	6,553,840
Total OPEB Liability - Ending	<u>\$ 5,134,868</u>	<u>\$ 4,851,502</u>	<u>\$ 6,327,734</u>
Total OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A

Notes to Schedule:

The Law Enforcement Officers and Fire Fighters (LEOFF) Plan 1 does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include; changes to the discount rate and health care trend rates.

*Schedule is intended to show information for 10 years commencing with the fiscal year ended December 31, 2018. Additional years will be displayed as they become available.



CITY
OF **LACEY**



COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES



CITY
OF **LACEY**

NONMAJOR OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

Transportation Benefit District Fund is established to manage revenues and expenditures directly related to the operation of the Transportation Benefit District (TBD).

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.

Hicks Lake Management District fund is established to manage revenues and expenditures directly related to the operation of the Hicks Lake Management District

Debt Service Funds

General Obligation (G.O.) Bond Fund is established 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.

The Local Improvement District (L.I.D.) Bond Fund is established to provide for the retirement of all local improvement district bonds issued for City streets, utilities, and related equipment. Debt issued or bonds received without the guarantee of City tax revenues must depend on these special assessments against property owners.

Capital Project Funds

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

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

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

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

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



City of Lacey
 Combining Balance Sheet
 Other Governmental Funds
 December 31, 2020

	Special Revenue Funds				Debt Service Funds	
	Transportation Benefit District	Lodging Tax	Community Development Block Grant	Hicks Lake Management District	General Obligation Bond Fund	L.I.D. Redemption
ASSETS						
Current cash and cash equivalents	\$ 2,860,045	\$ 627,001	\$ 18,187	\$ 57,166	\$ 209,471	\$ 2,180,450
Investments	1,826,234	489,320	14,203	44,469	117,461	1,618,328
Receivables (net of allowances):						
Taxes	568,060	41,328	-	-	18,034	-
Customer accounts	-	-	264,025	-	-	-
Accrued Interest and penalty	7,881	2,112	61	192	507	6,984
Due from other fund	-	-	-	-	-	5,592
Due from other governmental units	-	-	-	568	-	-
Interfund loans receivable	-	-	-	-	-	411,455
Restricted assets:						
Cash & cash equivalents	-	-	-	-	-	-
Total assets	5,262,220	1,159,761	296,476	102,395	345,473	4,222,809
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	-	13,750	-	-	-	-
Due to other governmental units	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Total Liabilities	-	13,750	-	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues-property tax	-	-	-	-	10,660	-
Unavailable revenues-special assessments	-	-	-	428	-	-
Unavailable revenues-grants and loans	-	-	264,024	-	-	5,592
Total deferred inflows of resources	-	-	264,024	428	10,660	5,592
Fund balances						
Restricted	-	1,146,011	32,452	101,967	-	-
Committed	-	-	-	-	-	-
Assigned	5,262,220	-	-	-	334,813	4,217,217
Total fund balances	5,262,220	1,146,011	32,452	101,967	334,813	4,217,217
Total liabilities, deferred inflows of resources and fund balances	\$ 5,262,220	\$ 1,159,761	\$ 296,476	\$ 102,395	\$ 345,473	\$ 4,222,809

Capital Project Funds				Total Other Governmental Funds
Building Improvement	Capital Expenditure	Parks & Open Space Fund	Regional Athletic Complex Capital	
\$ 2,621,949	\$ 3,309,433	\$ 259,960	\$ 1,811,153	\$ 13,954,815
1,991,196	2,586,076	201,740	1,084,668	9,973,695
-	-	-	-	627,422
-	9,239	225	-	273,489
8,593	11,160	871	4,682	43,043
-	-	-	-	5,592
247,840	-	-	285,308	533,716
-	-	-	-	411,455
-	-	2,250	-	2,250
<u>4,869,578</u>	<u>5,915,908</u>	<u>465,046</u>	<u>3,185,811</u>	<u>25,825,477</u>
143,651	4,939	14,550	3,962	180,852
-	-	1,430	-	1,430
-	-	2,250	-	2,250
<u>143,651</u>	<u>4,939</u>	<u>18,230</u>	<u>3,962</u>	<u>184,532</u>
-	-	-	-	10,660
-	-	-	-	428
247,840	-	-	-	517,456
<u>247,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>528,544</u>
-	108,215	-	-	1,388,645
3,263,656	3,035,000	45,635	625,000	6,969,291
1,214,431	2,767,754	401,181	2,556,849	16,754,465
4,478,087	5,910,969	446,816	3,181,849	25,112,401
<u>\$ 4,869,578</u>	<u>\$ 5,915,908</u>	<u>\$ 465,046</u>	<u>\$ 3,185,811</u>	<u>\$ 25,825,477</u>



City of Lacey
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Other Governmental Funds
 For the Year Ended December 31, 2020

	Special Revenue Funds				Debt Service Funds	
	Transportation Benefit District	Lodging Tax	Community Development Block Grant	Hicks Lake Benefit District	General Obligation Bond Fund	L.I.D. Redemption
REVENUES						
Taxes	\$ 3,216,790	\$ 335,237	\$ -	\$ -	\$ 1,117,489	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	233,553	-	10,187	-	-	-
Other revenues	62,524	16,139	482	46,084	10,495	72,244
Total revenues	3,512,867	351,376	10,669	46,084	1,127,984	72,244
EXPENDITURES						
Current:						
Economic environment	-	-	-	46,366	-	-
Culture and recreation	-	218,060	-	-	-	-
Capital outlay	1,760,520	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	1,410,000	-
Interest	-	-	-	-	293,350	-
Total expenditures	1,760,520	218,060	-	46,366	1,703,350	-
Excess of revenue over (under) expenditures	1,752,347	133,316	10,669	(282)	(575,366)	72,244
OTHER FINANCING SOURCES (USES)						
Insurance recovery	-	-	-	-	-	-
Transfers in	-	-	-	-	567,050	20,425
Transfers out	-	(48,500)	-	-	-	-
Total other financing sources (uses)	-	(48,500)	-	-	567,050	20,425
Net change in fund balances	1,752,347	84,816	10,669	(282)	(8,316)	92,669
Fund balances - beginning	3,509,873	1,061,195	21,783	102,249	343,129	4,124,548
Fund Balance - ending	\$ 5,262,220	\$ 1,146,011	\$ 32,452	\$ 101,967	\$ 334,813	\$ 4,217,217

Capital Project Funds				Total
Building Improvement	Capital Expenditure	Parks & Open Space Fund	Regional Athletic Complex Capital	Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 4,669,516
-	37,659	-	-	37,659
341,121	1,070,000	-	1,371,696	3,026,557
244,253	91,792	38,957	37,437	620,407
<u>585,374</u>	<u>1,199,451</u>	<u>38,957</u>	<u>1,409,133</u>	<u>8,354,139</u>
-	1,071,269	-	-	1,117,635
-	-	5,026	5,513	228,599
1,335,103	1,150,014	350,837	790,461	5,386,935
-	-	-	-	1,410,000
-	-	-	-	293,350
<u>1,335,103</u>	<u>2,221,283</u>	<u>355,863</u>	<u>795,974</u>	<u>8,436,519</u>
<u>(749,729)</u>	<u>(1,021,832)</u>	<u>(316,906)</u>	<u>613,159</u>	<u>(82,380)</u>
-	-	-	58,100	58,100
45,356	1,216,866	284,067	105,270	2,239,034
-	(510,400)	(304,192)	(567,050)	(1,430,142)
<u>45,356</u>	<u>706,466</u>	<u>(20,125)</u>	<u>(403,680)</u>	<u>866,992</u>
<u>(704,373)</u>	<u>(315,366)</u>	<u>(337,031)</u>	<u>209,479</u>	<u>784,612</u>
<u>5,182,460</u>	<u>6,226,335</u>	<u>783,847</u>	<u>2,972,370</u>	<u>24,327,789</u>
<u>\$ 4,478,087</u>	<u>\$ 5,910,969</u>	<u>\$ 446,816</u>	<u>\$ 3,181,849</u>	<u>\$ 25,112,401</u>



City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 Arterial Streets
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 2,000,000	\$ 2,000,000	\$ 3,611,271	\$ 1,611,271
Intergovernmental revenues	4,443,009	4,443,009	3,599,967	(843,042)
Charges for services	1,155,182	1,155,182	722,360	(432,822)
Other revenues	2,430,387	2,430,387	551,660	(1,878,727)
Total revenues	10,028,578	10,028,578	8,485,258	(1,543,320)
EXPENDITURES				
Capital outlay	9,936,027	9,936,027	4,668,529	5,267,498
Total expenditures	9,936,027	9,936,027	4,668,529	5,267,498
Excess of revenue over (under) expenditures	92,551	92,551	3,816,729	3,724,178
OTHER FINANCING SOURCES (USES)				
Transfers out	(200,000)	(200,000)	(158,527)	41,473
Total other financing sources	(200,000)	(200,000)	(158,527)	41,473
Net change in fund balances	(107,449)	(107,449)	3,658,202	3,765,651
Fund balance - beginning	107,449	107,449	28,868,415	28,760,966
Fund balance - ending	\$ -	\$ -	\$ 32,526,617	\$ 32,526,617

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,629,560	\$ 2,629,560	\$ 3,216,790	\$ 587,230
Intergovernmental revenues	319,561	319,561	233,553	(86,008)
Other revenues	40,031	40,031	62,524	22,493
Total revenues	<u>2,989,152</u>	<u>2,989,152</u>	<u>3,512,867</u>	<u>523,715</u>
EXPENDITURES				
Capital outlay	<u>2,717,768</u>	<u>2,717,768</u>	<u>1,760,520</u>	<u>957,248</u>
Total expenditures	<u>2,717,768</u>	<u>2,717,768</u>	<u>1,760,520</u>	<u>957,248</u>
Excess of revenue over (under) expenditures	<u>271,384</u>	<u>271,384</u>	<u>1,752,347</u>	<u>1,480,963</u>
Net change in fund balances	271,384	271,384	1,752,347	1,480,963
Fund balance - beginning	-	-	3,509,873	3,509,873
Fund balance - ending	<u>\$ 271,384</u>	<u>\$ 271,384</u>	<u>\$ 5,262,220</u>	<u>\$ 4,990,836</u>



City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 Lodging Tax
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 495,000	\$ 219,241	\$ 335,237	\$ 115,996
Other revenues	12,000	6,238	16,139	9,901
Total revenues	<u>507,000</u>	<u>225,479</u>	<u>351,376</u>	<u>125,897</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>387,750</u>	<u>191,316</u>	<u>218,060</u>	<u>(26,744)</u>
Total expenditures	<u>387,750</u>	<u>191,316</u>	<u>218,060</u>	<u>(26,744)</u>
Excess of revenue over (under) expenditures	<u>119,250</u>	<u>34,163</u>	<u>133,316</u>	<u>99,153</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(208,500)</u>	<u>(48,500)</u>	<u>(48,500)</u>	<u>-</u>
Total other financing sources	<u>(208,500)</u>	<u>(48,500)</u>	<u>(48,500)</u>	<u>-</u>
Net change in fund balances	<u>(89,250)</u>	<u>(14,337)</u>	<u>84,816</u>	<u>99,153</u>
Fund balance - beginning	<u>89,250</u>	<u>49,333</u>	<u>1,061,195</u>	<u>1,011,862</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 34,996</u>	<u>\$ 1,146,011</u>	<u>\$ 1,111,015</u>

City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 Community Development Block Grant
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 10,187	10,187
Other revenue	267	267	482	215
Total revenues	<u>267</u>	<u>267</u>	<u>10,669</u>	<u>10,402</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	<u>267</u>	<u>267</u>	<u>10,669</u>	<u>10,402</u>
Net change in fund balance	267	267	10,669	10,402
Fund balance - beginning	-	-	21,783	21,783
Fund balance - ending	<u>\$ 267</u>	<u>\$ 267</u>	<u>\$ 32,452</u>	<u>\$ 32,185</u>



City of Lacey
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Hicks Lake Management District
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenue	\$ 47,136	\$ 47,136	\$ 46,084	\$ (1,052)
Total revenues	47,136	47,136	46,084	(1,052)
EXPENDITURES				
Current:				
Economic environment	47,136	47,136	46,366	770
Total expenditures	47,136	47,136	46,366	770
Excess of revenue over (under) expenditures	-	-	(282)	(282)
Net change in fund balance	-	-	(282)	(282)
Fund balance - beginning	-	-	102,249	102,249
Fund balance - ending	\$ -	\$ -	\$ 101,967	\$ 101,967

City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 General Obligation Bond Fund
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,136,300	\$ 1,136,300	\$ 1,117,489	\$ (18,811)
Other revenues	9,289	9,289	10,495	1,206
Total revenues	<u>1,145,589</u>	<u>1,145,589</u>	<u>1,127,984</u>	<u>(17,605)</u>
EXPENDITURES				
Current:				
Debt service:				
Principal retirement	1,410,000	1,410,000	1,410,000	-
Interest	293,350	293,350	293,350	-
Total expenditures	<u>1,703,350</u>	<u>1,703,350</u>	<u>1,703,350</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>(557,761)</u>	<u>(557,761)</u>	<u>(575,366)</u>	<u>(17,605)</u>
OTHER FINANCING SOURCES (USES)				
Intergovernmental loan-TCOMM	-	-	-	-
Transfers in	567,050	567,050	567,050	-
Total other financing sources	<u>567,050</u>	<u>567,050</u>	<u>567,050</u>	<u>-</u>
Net change in fund balance	9,289	9,289	(8,316)	(17,605)
Fund balance - beginning	-	-	343,129	343,129
Fund balance - ending	<u>\$ 9,289</u>	<u>\$ 9,289</u>	<u>\$ 334,813</u>	<u>\$ 325,524</u>



City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 L.I.D. Redemption
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenues	\$ 62,611	\$ 62,611	\$ 72,244	\$ 9,633
Total revenues	62,611	62,611	72,244	9,633
EXPENDITURES				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	62,611	62,611	72,244	9,633
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	19,593	19,593	-	(19,593) (1)
Transfers in	20,425	20,425	20,425	-
Total other financing sources	40,018	40,018	20,425	(19,593)
Net change in fund balance	102,629	102,629	92,669	(9,960)
Fund balance - beginning	-	-	4,124,548	4,124,548
Fund balance - ending	\$ 102,629	\$ 102,629	\$ 4,217,217	\$ 4,114,588

Explanations of differences:

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

City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 Building Improvement
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 800,000	\$ 850,000	\$ 341,121	\$ (508,879)
Other revenues	64,913	64,913	244,253	179,340
Total revenues	<u>864,913</u>	<u>914,913</u>	<u>585,374</u>	<u>(329,539)</u>
EXPENDITURES				
Current:				
General government	25,000	25,000	-	25,000
Capital outlay	1,370,975	1,990,327	1,335,103	655,224
Total expenditures	<u>1,395,975</u>	<u>2,015,327</u>	<u>1,335,103</u>	<u>680,224</u>
Excess of revenue over (under) expenditures	<u>(531,062)</u>	<u>(1,100,414)</u>	<u>(749,729)</u>	<u>350,685</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	69,973	45,356	(24,617)
Total other financing sources	<u>-</u>	<u>69,973</u>	<u>45,356</u>	<u>(24,617)</u>
Net change in fund balance	(531,062)	(1,030,441)	(704,373)	326,068
Fund balance - beginning	595,975	1,095,354	5,182,460	4,087,106
Fund balance - ending	<u>\$ 64,913</u>	<u>\$ 64,913</u>	<u>\$ 4,478,087</u>	<u>\$ 4,413,174</u>



City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 Capital Expenditure
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 35,825	\$ 35,825	\$ 37,659	\$ 1,834
Intergovernmental revenues	-	70,000	1,070,000	1,000,000
Other revenues	72,126	22,604	91,792	69,188 (1)
Total revenues	107,951	128,429	1,199,451	1,071,022
EXPENDITURES				
Current:				
Economic environment	2,500	2,500	1,071,269	(1,068,769)
Capital outlay	1,471,314	3,783,894	1,150,014	2,633,880
Total expenditures	1,473,814	3,786,394	2,221,283	1,565,111
Excess of revenue over (under) expenditures	(1,365,863)	(3,657,965)	(1,021,832)	2,636,133
OTHER FINANCING SOURCES (USES)				
Transfers in	647,316	2,053,397	1,216,866	(836,531)
Transfers out	-	(789,993)	(510,400)	279,593
Total other financing sources	647,316	1,263,404	706,466	(556,938)
Net change in fund balances	(718,547)	(2,394,561)	(315,366)	2,079,195
Fund balance - beginning	718,547	2,394,561	6,226,335	3,831,774
Fund balance - ending	\$ -	\$ -	\$ 5,910,969	\$ 5,910,969

Explanation of differences:

(1) Long-term loan payments received are budgeted as revenues but they are recorded as reduction of the receivables for GAAP.

City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 Parks & Open Space
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other revenues	\$ 26,506	\$ 26,506	\$ 38,957	\$ 12,451
Total revenues	<u>26,506</u>	<u>26,506</u>	<u>38,957</u>	<u>12,451</u>
EXPENDITURES				
Current:				
Culture and recreation	-	-	5,026	(5,026)
Capital outlay	453,500	660,678	350,837	309,841
Total expenditures	<u>453,500</u>	<u>660,678</u>	<u>355,863</u>	<u>304,815</u>
Excess of revenue over (under) expenditures	<u>(426,994)</u>	<u>(634,172)</u>	<u>(316,906)</u>	<u>317,266</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	453,500	301,308	284,067	(17,241)
Transfers out	<u>(304,192)</u>	<u>(304,192)</u>	<u>(304,192)</u>	<u>-</u>
Total other financing sources	<u>149,308</u>	<u>(2,884)</u>	<u>(20,125)</u>	<u>(17,241)</u>
Net change in fund balance	(277,686)	(637,056)	(337,031)	300,025
Fund balance - beginning	304,192	663,562	783,847	120,285
Fund balance - ending	<u>\$ 26,506</u>	<u>\$ 26,506</u>	<u>\$ 446,816</u>	<u>\$ 420,310</u>



City of Lacey
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget to Actual
 Regional Athletic Complex Capital
 For the Year Ended December 31, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 1,161,983	\$ 1,161,983	\$ 1,371,696	\$ 209,713
Other revenues	29,786	29,786	37,437	7,651
Total revenues	1,191,769	1,191,769	1,409,133	217,364
EXPENDITURES				
Current:				
Culture and recreation	8,000	8,000	5,513	2,487
Capital outlay	910,586	1,236,980	790,461	446,519
Total expenditures	918,586	1,244,980	795,974	449,006
Excess of revenue over (under) expenditures	273,183	(53,211)	613,159	666,370
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	58,100	58,100
Transfers in	105,270	105,270	105,270	-
Transfers out	(567,050)	(567,050)	(567,050)	-
Total other financing sources	(461,780)	(461,780)	(403,680)	58,100
Net change in fund balances	(188,597)	(514,991)	209,479	724,470
Fund balance - beginning	805,316	1,131,710	2,972,370	1,840,660
Fund balance - ending	\$ 616,719	\$ 616,719	\$ 3,181,849	\$ 2,565,130

Internal Service Funds

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

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

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



City of Lacey
 Combining Statement of Net Position
 Internal Service Funds
 December 31, 2020

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,756,544	\$ 2,052,727	\$ 10,809,271
Investments	5,246,333	1,516,465	6,762,798
Receivables (net of allowances):			
Customer accounts	4,018	-	4,018
Accrued interest & penalty	22,640	6,545	29,185
Prepayments	-	106,225	106,225
Total current assets:	<u>14,029,535</u>	<u>3,681,962</u>	<u>17,711,497</u>
Noncurrent assets:			
Capital assets, net of depreciation:			
Buildings	69,916	-	69,916
Improvements other than buildings	31,087	-	31,087
Equipment	4,877,337	373,027	5,250,364
Total noncurrent assets	<u>4,978,340</u>	<u>373,027</u>	<u>5,351,367</u>
Total assets	<u>19,007,875</u>	<u>4,054,989</u>	<u>23,062,864</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	39,373	98,999	138,372
Total deferred inflows of resources	<u>39,373</u>	<u>98,999</u>	<u>138,372</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,766	7,101	19,867
Due to other governmental units	12	-	12
Compensated absences	25,438	38,701	64,139
Total current liabilities	<u>38,216</u>	<u>45,802</u>	<u>84,018</u>
Noncurrent liabilities:			
Compensated absences	18,948	38,332	57,280
Net pension liability	103,125	259,296	362,421
Total noncurrent liabilities	<u>122,073</u>	<u>297,628</u>	<u>419,701</u>
Total liabilities	<u>160,289</u>	<u>343,430</u>	<u>503,719</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	34,671	87,176	121,847
Total deferred inflows of resources	<u>34,671</u>	<u>87,176</u>	<u>121,847</u>
NET POSITION			
Net investment in capital assets	4,978,339	373,027	5,351,366
Unrestricted	13,873,949	3,350,355	17,224,304
Total net position	<u>\$ 18,852,288</u>	<u>\$ 3,723,382</u>	<u>\$ 22,575,670</u>

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

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total
OPERATING REVENUES			
Charges for services	\$ 2,898,986	\$ 1,832,513	\$ 4,731,499
Miscellaneous operating revenues	118,167	-	118,167
Total operating revenue	3,017,153	1,832,513	4,849,666
OPERATING EXPENSES			
Operating expense	1,097,415	1,411,133	2,508,548
Maintenance expense	38,069	307,198	345,267
Depreciation expense	1,076,720	145,645	1,222,365
Taxes	401	-	401
Total operating expenses	2,212,605	1,863,976	4,076,581
OPERATING INCOME (LOSS)	804,548	(31,463)	773,085
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	186,977	53,053	240,030
Gain (loss) related to capital assets	72,213	-	72,213
Total nonoperating revenues (expenses)	259,190	53,053	312,243
Income (loss) before contributions and transfers	1,063,738	21,590	1,085,328
Capital Contributions - interfund	472,607	28,551	501,158
Transfers in	23,109	-	23,109
Changes in net position	1,559,454	50,141	1,609,595
Net position - beginning	17,292,834	3,673,241	20,966,075
NET POSITION - ENDING	\$ 18,852,288	\$ 3,723,382	\$ 22,575,670



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

	Governmental Activities		
	Internal Service Funds		
	Equipment Rental	Information Services	Total Internal Service
CASH FLOW FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 170,189	\$ (46,804)	\$ 123,385
Receipts from interfund services	2,856,586	1,802,558	4,659,144
Payments for interfund services	(16,133)	-	(16,133)
Payments to suppliers	(634,468)	(724,179)	(1,358,647)
Payments to employees	(564,975)	(1,062,446)	(1,627,421)
Payments for taxes	(401)	-	(401)
Net cash provided by operating activities	1,810,798	(30,871)	1,779,927
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(1,111,864)	(114,961)	(1,226,825)
Proceeds related to capital assets	72,213	-	72,213
Net cash (used) by capital and related financing activities	(1,039,651)	(114,961)	(1,154,612)
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of investment	(302,283)	66,101	(236,182)
Interest received on investments	189,457	54,550	244,007
Net cash provided (used) by investing activities	(112,826)	120,651	7,825
Net increase (decrease) in cash and cash equivalents	658,321	(25,181)	633,140
Cash and cash equivalents January 1	8,098,223	2,077,908	10,176,131
Cash and cash equivalents December 31 (see Note below)	\$ 8,756,544	\$ 2,052,727	\$ 10,809,271
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net operating income	\$ 804,548	\$ (31,463)	\$ 773,085
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,076,720	145,645	1,222,365
Decrease (increase) in:			
Customer receivables	(3,268)	-	(3,268)
Intergovernmental receivables	12,890	-	12,890
Interfund loans receivable	-	(76,759)	(76,759)
Increase (decrease) in:			
Accounts payables	(66,073)	(16,698)	(82,771)
Intergovernmental payables	(4)	(184)	(188)
Compensated absences payables	10,270	23,139	33,409
Net pension liability, deferred outflows and inflows of pension related resources	(24,285)	(74,551)	(98,836)
Total adjustments	1,006,250	592	1,006,842
Net cash provided by operating activities	\$ 1,810,798	\$ (30,871)	\$ 1,779,927
Reconciliation of Cash and cash equivalents with the amounts on the fund statement of net position:			
Cash and cash equivalents	\$ 8,756,544	\$ 2,052,727	\$ 10,809,271
Cash and cash equivalents for cash flow statements	\$ 8,756,544	\$ 2,052,727	\$ 10,809,271
Schedule of noncash capital and related financing activities:			
Capital assets transferred from other funds	\$ 495,716	\$ 28,551	\$ 524,267

Fiduciary Funds

Custodial Funds

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

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



City of Lacey
 Combining Statement of Fiduciary Net Position
 Custodial Funds
 December 31, 2020

	Fiduciary Funds		
	Joint Animal Services	Capital Area Regional Public Facilities District	Custodial Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,014,585	\$ 42,518	\$ 1,057,103
Investments	861,606	32,999	894,605
Receivables (Net of Allowances)			
Customer deposits	500	-	500
Accrued Interest & Penalty	3,718	142	3,860
Due from Governmental Units	160,078	443,950	604,028
Restricted assets:			
Restricted cash and cash equivalent	355,265	-	355,265
Prepayments	10,105	-	10,105
Total assets	2,405,857	519,609	2,925,466
LIABILITIES			
Accounts Payable	19,096	-	19,096
Due to Other Governmental Units	2,932	443,950	446,882
Custodial Accounts	1,000	-	1,000
Total liabilities	23,028	443,950	466,978
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	2,382,830	75,659	2,458,489
Total net position	\$ 2,382,830	\$ 75,659	\$ 2,458,489
Adjustment to reflect the consolidation of equity interest in fiduciary funds.	(430,339)		(430,339)
Net position of fiduciary activities.			\$ 2,028,150

City of Lacey
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2020

	Fiduciary Funds		
	Joint Animal Services	Capital Area Regional Public Facilities District	Custodial Funds
ADDITIONS			
Taxes	\$ -	\$ 2,187,423	\$ 2,187,423
Operating revenue	1,467,207	-	1,467,207
Investment earnings	29,644	3,655	33,299
Contributions	163,420	7,681	171,101
Total additions	<u>1,660,271</u>	<u>2,198,759</u>	<u>3,859,030</u>
DEDUCTIONS			
Operating expense	1,741,140	2,197,460	3,938,600
Maintenance expense	33,876	-	33,876
Total deductions	<u>1,775,016</u>	<u>2,197,460</u>	<u>3,972,476</u>
Net increase(decrease) in fiduciary net position	(114,745)	1,299	(113,446)
Net position - beginning as previously reported	2,565,414	74,360	2,639,774
Prior period correction	(67,839)	-	(67,839)
Net position - beginning as restated	<u>2,497,575</u>	<u>74,360</u>	<u>2,571,935</u>
NET POSITION - ENDING	<u>\$ 2,382,830</u>	<u>\$ 75,659</u>	<u>\$ 2,458,489</u>
Adjustment to reflect the consolidation of equity interest in fiduciary funds.	<u>16,977</u>		<u>16,977</u>
Change in net position of fiduciary activities.			<u>\$ (96,469)</u>



CITY
OF **LACEY**

OTHER SUPPLEMENTARY INFORMATION



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

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Note
				From Pass-Through Awards	From Direct Awards	Total	
CDBG - Entitlement Grants Cluster							
US Department of Housing and Urban Development / Pass-through from Thurston County Public Health and Social Services	Community Development Block Grant	14.218	2021-CDBG-PF-LACEY-VETS	126,639		126,639	1,4
	Total CDBG - Entitlement Grants Cluster:			\$ 126,639	\$ -	\$ 126,639	
US Department of Justice	COVID 19 - Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-1003/BJA-2020-18553		15,019	15,019	1,4
	Total COVID 19 - Coronavirus Emergency Supplemental Funding:			\$ -	\$ 15,019	\$ 15,019	
US Department of Justice	Bulletproof Vest Partnership Program	16.607	FY 2019 BVP		8,350	8,350	1,4
	Total Bulletproof Vest Partnership Program:			\$ -	\$ 8,350	\$ 8,350	
Highway Planning and Construction Cluster							
US Department of Transportation / Pass-through from WA State Department of Transportation	Highway Planning and Construction	20.205	NHPP-9934(022)	37,553		37,553	5
	Highway Planning and Construction	20.205	STPUS-5289(004)	2,750,748		2,750,748	1,4
	Highway Planning and Construction	20.205	STPUS-5289(005)	52,744		52,744	1,4
	Highway Planning and Construction	20.205	CM-0643(007)	8,950		8,950	1,4
	Total Highway Planning and Construction Cluster:			\$ 2,849,995	\$ -	\$ 2,849,995	
US Department of the Treasury / Pass-through from WA State Department of Commerce	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-218	1,711,679		1,711,679	1,4
	Total COVID 19 - Coronavirus Relief Fund:			\$ 1,711,679	\$ -	\$ 1,711,679	
Federal Emergency Management Agency, US Department of Homeland Security / Pass-through from WA State Military Department	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-458	45,087		45,087	1,4
	Total COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters):			\$ 45,087	\$ -	\$ 45,087	
	Total Federal Awards Expended:			\$ 4,733,400	\$ 23,369	\$ 4,756,769	

City of Lacey
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

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 - Federal De Minimis Indirect Cost Rate

The City of Lacey has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3 - Revolving Loan - Program Income

The City has a revolving loan program under the Department of Housing & Urban Development. Under this federal program, repayments to the City are considered program revenues (income). No interest is charged on the loans and full payment is due upon sale of the property. The amount of loan principal received in loan repayment for the year 2020 was \$10,187.40. The City has received approval from Washington Department of Commerce (formerly CTED) to utilize the program revenues to finance future CDBG approved projects.

Note 4 - Program Costs

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

Note 5 - Delayed Reimbursement

The amount shown represents expenditures for the year ended December 31, 2019

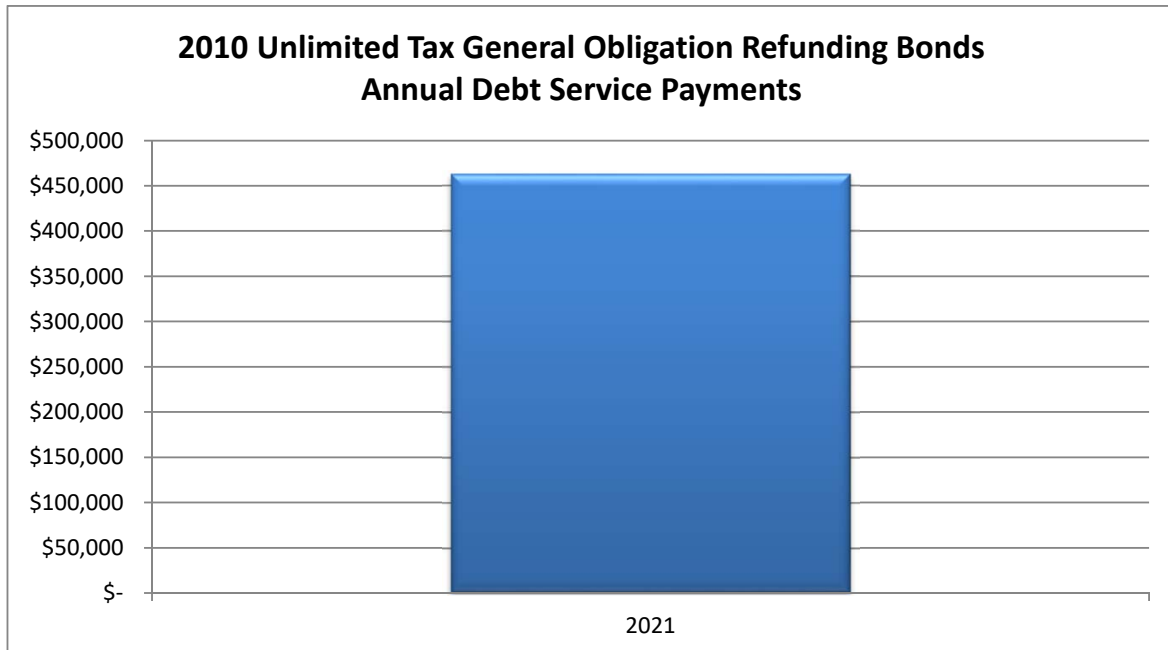


City of Lacey, Washington
Schedule of State Financial Assistance
For The Year Ended December, 31, 2020

Table with 3 columns: Program Title, Identification #, Amount. Rows include WA State Department of Ecology, WA State Department of Transportation, WA State Historical Society, WA State Department of Commerce, Thurston County, and Total State and Local Assistance.

City of Lacey
 General Obligation Bond Debt
 2010 Unlimited Tax General Obligated Refunding Bonds
 December 31, 2020

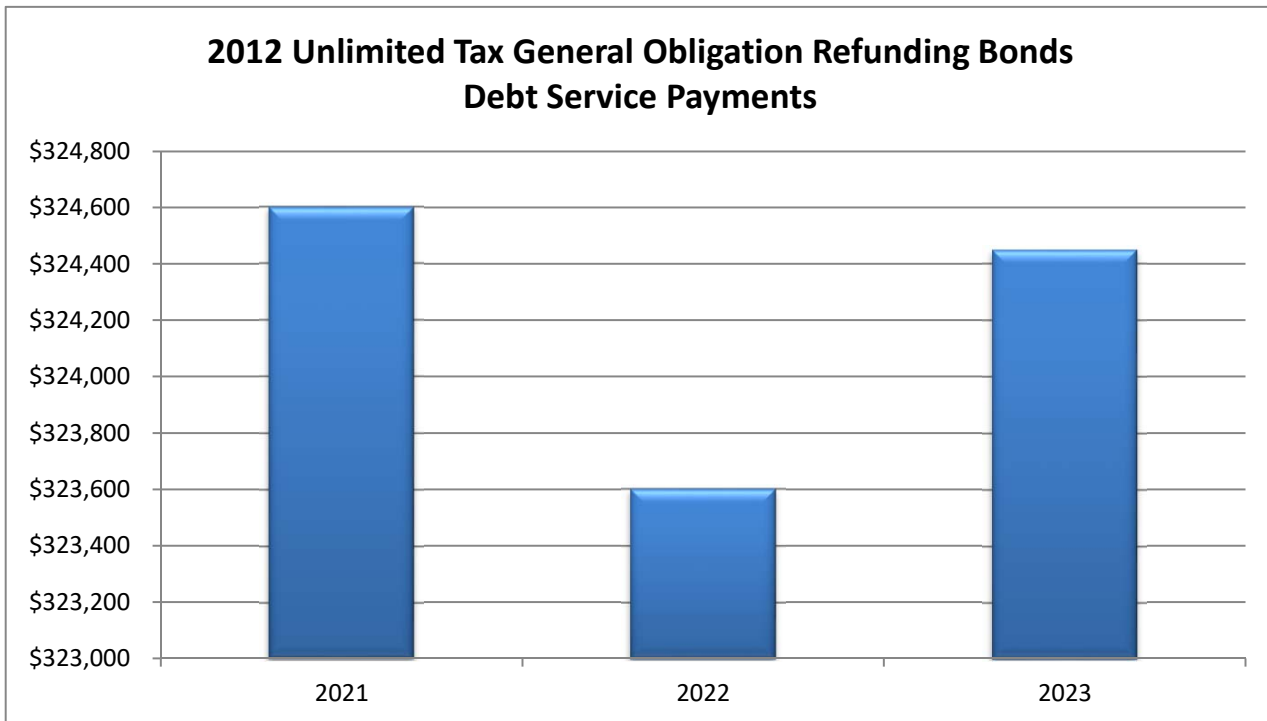
Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Jun	Interest Due - 01 Dec	Principal Due - 01 Dec	Total Debt Service
2021	4.000%	8,900.00	8,900.00	445,000.00	462,800.00
		\$ <u>8,900.00</u>	\$ <u>8,900.00</u>	\$ <u>445,000.00</u>	\$ <u>462,800.00</u>





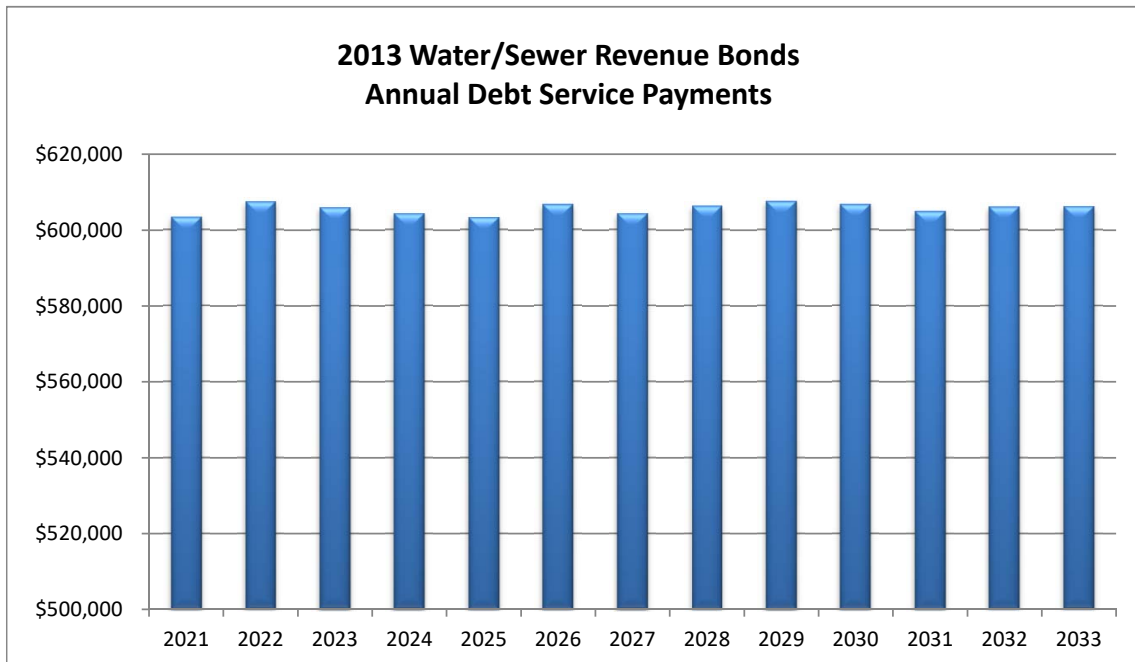
City of Lacey
General Obligation Bond Debt
2012 Unlimited Tax General Obligated Refunding Bonds
December 31, 2020

Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Jun	Due - 01 Dec	Principal Due - 01 Dec	Total Debt Service
2021	3.000%	12,300.00	12,300.00	300,000.00	324,600.00
2022	3.000%	9,300.00	9,300.00	305,000.00	323,600.00
2023	3.000%	4,725.00	4,725.00	315,000.00	324,450.00
		<u>\$ 26,325.00</u>	<u>\$ 26,325.00</u>	<u>\$ 920,000.00</u>	<u>\$ 972,650.00</u>



City of Lacey
 General Obligation Bond Debt
 2013 Revenue Bonds
 December 31, 2020

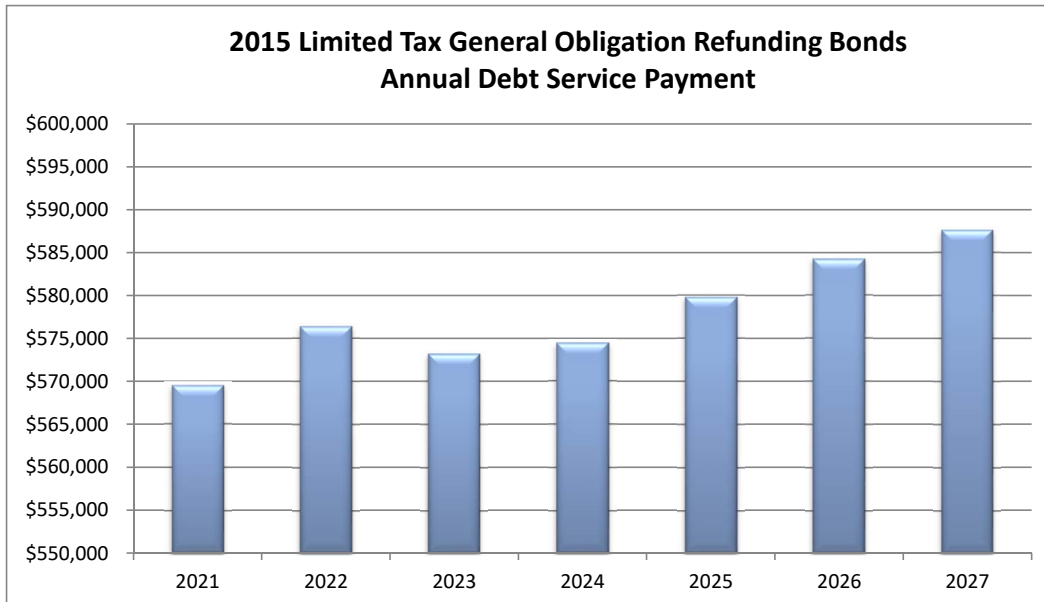
Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 May	Interest Due - 01 Nov	Principal Due - 01 Nov	Total Debt Service
2021	3.000%	119,137.50	119,137.50	365,000.00	603,275.00
2022	3.000%	113,662.50	113,662.50	380,000.00	607,325.00
2023	4.000%	107,962.50	107,962.50	390,000.00	605,925.00
2024	4.000%	102,112.50	102,112.50	400,000.00	604,225.00
2025	4.000%	94,112.50	94,112.50	415,000.00	603,225.00
2026	4.000%	85,812.50	85,812.50	435,000.00	606,625.00
2027	4.000%	77,112.50	77,112.50	450,000.00	606,225.00
2028	4.000%	68,112.50	68,112.50	470,000.00	606,225.00
2029	4.250%	58,712.50	58,712.50	490,000.00	607,425.00
2030	4.250%	48,300.00	48,300.00	510,000.00	606,600.00
2031	4.500%	37,462.50	37,462.50	530,000.00	604,925.00
2032	4.500%	25,537.50	25,537.50	555,000.00	606,075.00
2033	4.500%	13,050.00	13,050.00	580,000.00	606,100.00
		<u>\$ 951,087.50</u>	<u>\$ 951,087.50</u>	<u>\$ 5,970,000.00</u>	<u>\$ 7,872,175.00</u>





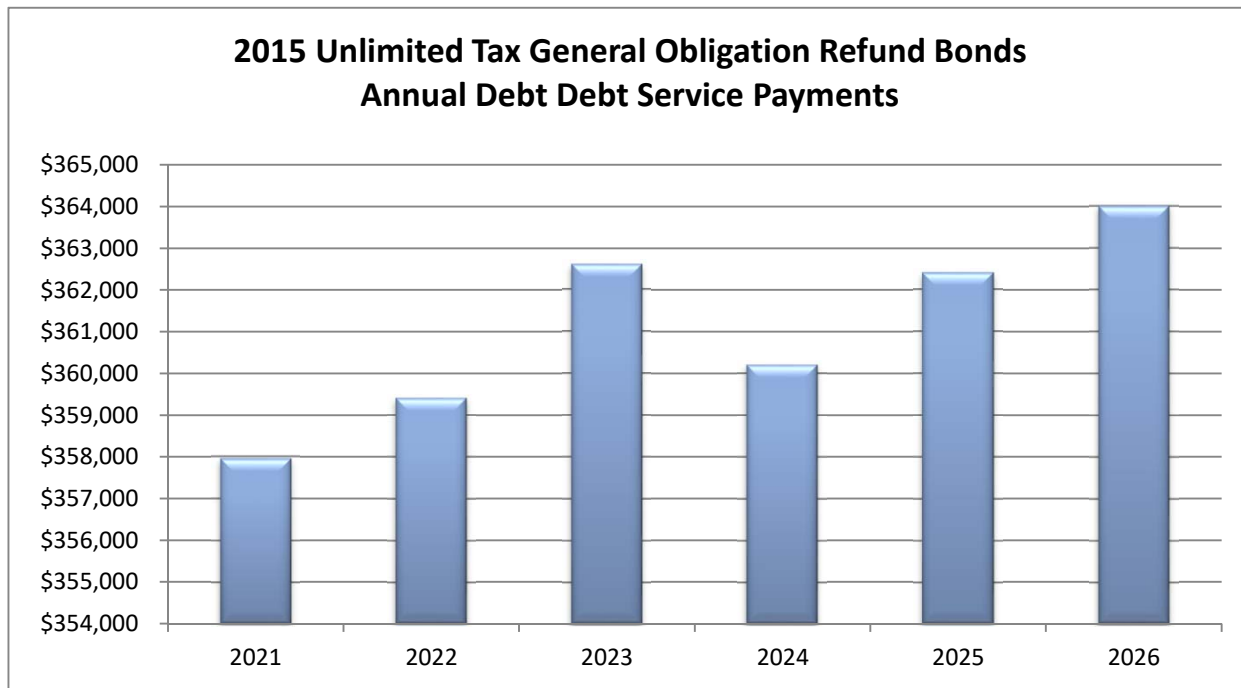
City of Lacey
General Obligation Bond Debt
2015 Limited Tax General Obligated Refunding Bonds
December 31, 2020

Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Jun	Interest Due - 01 Dec	Principal Due - 01 Dec	Total Debt Service
2021	3.000%	67,225.00	67,225.00	435,000.00	569,450.00
2022	4.000%	60,700.00	60,700.00	455,000.00	576,400.00
2023	4.000%	51,600.00	51,600.00	470,000.00	573,200.00
2024	4.000%	42,200.00	42,200.00	490,000.00	574,400.00
2025	4.000%	32,400.00	32,400.00	515,000.00	579,800.00
2026	4.000%	22,100.00	22,100.00	540,000.00	584,200.00
2027	4.000%	11,300.00	11,300.00	565,000.00	587,600.00
		<u>\$ 287,525.00</u>	<u>\$ 287,525.00</u>	<u>\$ 3,470,000.00</u>	<u>\$ 4,045,050.00</u>



City of Lacey
 General Obligation Bond Debt
 2015 Unlimited Tax General Obligated Refunding Bonds
 December 31, 2020

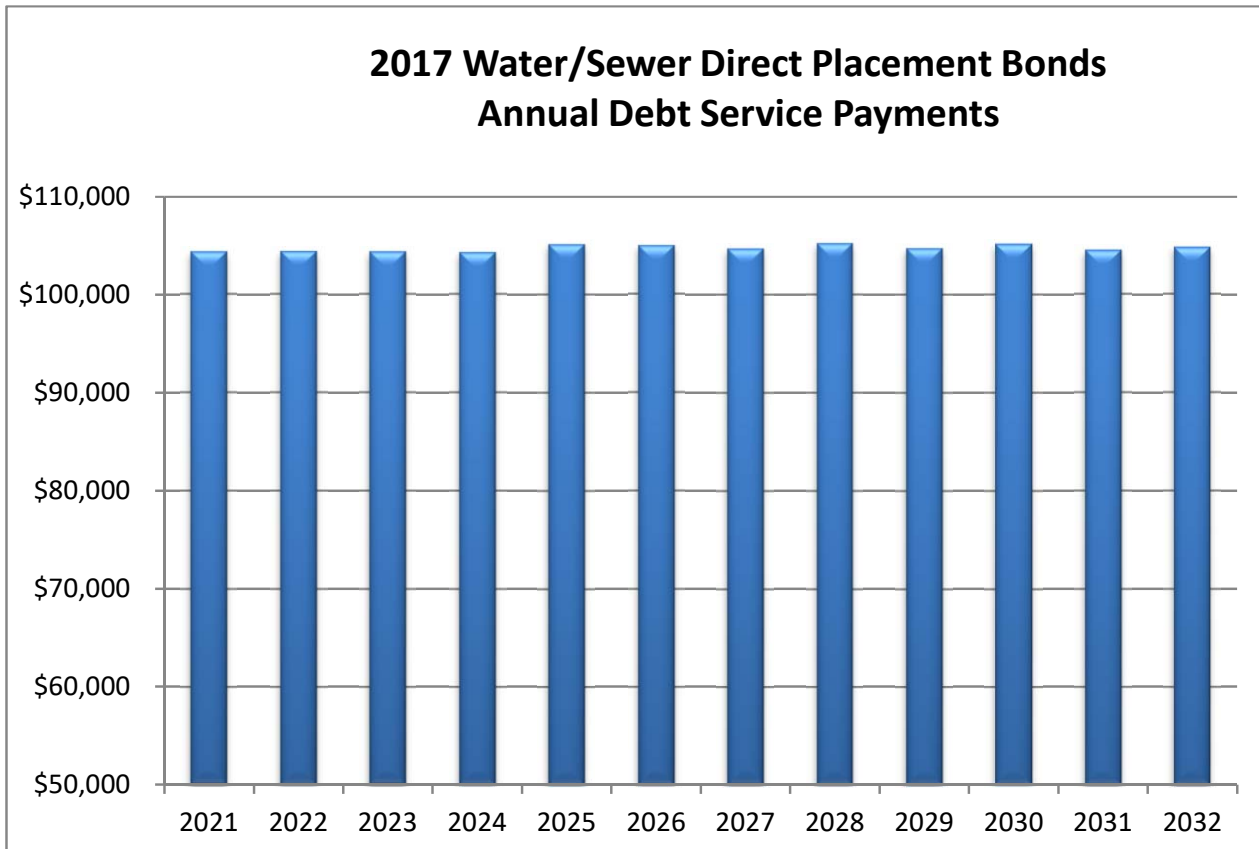
Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Jun	Interest Due - 01 Dec	Principal Due - 01 Dec	Total Debt Service
2021	3.000%	36,475.00	36,475.00	285,000.00	357,950.00
2022	4.000%	32,200.00	32,200.00	295,000.00	359,400.00
2023	4.000%	26,300.00	26,300.00	310,000.00	362,600.00
2024	4.000%	20,100.00	20,100.00	320,000.00	360,200.00
2025	4.000%	13,700.00	13,700.00	335,000.00	362,400.00
2026	4.000%	7,000.00	7,000.00	350,000.00	364,000.00
		<u>\$ 135,775.00</u>	<u>\$ 135,775.00</u>	<u>\$ 1,895,000.00</u>	<u>\$ 2,166,550.00</u>





City of Lacey
 General Obligation Bond Debt
 2017 Direct Placement Bonds
 December 31, 2020

Year Ended 31-Dec	Interest Rate - %	Interest Due - 01 Feb	Principal Due - 01 Feb	Total Debt Service
2021	2.560%	27,340.80	77,000.00	104,340.80
2022	2.560%	25,369.60	79,000.00	104,369.60
2023	2.560%	23,347.20	81,000.00	104,347.20
2024	2.560%	21,273.60	83,000.00	104,273.60
2025	2.560%	19,148.80	86,000.00	105,148.80
2026	2.560%	16,947.20	88,000.00	104,947.20
2027	2.560%	14,694.40	90,000.00	104,694.40
2028	2.740%	13,261.60	92,000.00	105,261.60
2029	2.740%	10,740.80	94,000.00	104,740.80
2030	2.740%	8,165.20	97,000.00	105,165.20
2031	2.740%	5,507.40	99,000.00	104,507.40
2032	2.740%	2,794.80	102,000.00	104,794.80
		<u>\$ 188,591.40</u>	<u>\$ 1,068,000.00</u>	<u>\$ 1,256,591.40</u>





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.

Contents	Page
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.	
1 Net Position by Component.....	8-2
2 Changes in Net Position.....	8-3
3 Fund Balances of Governmental Funds.....	8-4
4 Changes in Fund Balances of Governmental Funds.....	8-5
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the city’s two most significant local revenue sources, the sales/retail tax and property tax.	
5 Governmental Activities Tax Revenues by Source.....	8-6
6 Sales Tax Revenues by Type, Governmental Funds.....	8-7
7 Assessed Value and Estimated Actual Value of Taxable Property.....	8-8
8 Property Tax Rates.....	8-9
9 Principal Property Taxpayers.....	8-10
10 Property Tax Levies and Collections.....	8-11
<u>Debt Capacity</u>	
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.	
11 Ratio of Outstanding Debt by Type.....	8-12
12 Ratios of General Bonded Debt Outstanding.....	8-13
13 Direct and Overlapping Government Activities Debt.....	8-14
14 Legal Debt Margin Information.....	8-15
15 Pledged-Revenue Coverage.....	8-16
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	
16 Demographic and Economic Statistics.....	8-17
17 Principal Employers.....	8-18
<u>Operating Information</u>	
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.	
18 Full-time Equivalent City Government Employees by Function.....	8-19
19 Operating Indicators by Function.....	8-20
20 Capital Asset Statistics by Function.....	8-21

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$304,458	\$304,245	\$298,885	\$300,936	\$303,126	\$301,595	\$306,271	\$306,007	\$314,138	\$316,123
Restricted	7,909	1,182	1,253	1,193	3,486	2,680	4,259	5,630	5,197	6,065
Unrestricted	53,522	61,630	63,392	67,919	64,156	71,291	81,678	91,445	108,547	118,514
Total governmental activities net position	\$365,889	\$367,057	\$363,530	\$370,048	\$370,768	\$375,566	\$392,208	\$403,082	\$427,882	\$440,702
Business-type activities										
Net investment in capital assets	\$224,593	230,039	228,482	231,073	234,592	240,521	245,826	254,791	266,976	274,443
Restricted	-	-	6,091	3,498	607	607	694	694	694	694
Unrestricted	22,355	25,189	24,858	35,634	45,462	55,070	65,144	76,642	87,114	90,090
Total business-type activities net position	\$246,948	\$255,228	\$259,431	\$270,205	\$280,661	\$296,198	\$311,664	\$332,127	\$354,784	\$365,227
Primary government										
Net investment in capital assets	\$529,051	\$534,284	\$527,366	532,009	537,718	542,116	552,097	560,798	581,114	590,566
Restricted	7,909	1,182	7,344	4,691	4,093	3,287	4,953	6,324	5,891	6,759
Unrestricted	75,877	86,819	88,251	103,553	109,618	126,361	146,822	168,087	195,661	208,604
Total primary government net position	\$612,837	\$622,285	\$622,961	\$640,253	\$651,429	\$671,764	\$703,872	\$735,209	\$782,666	\$805,929

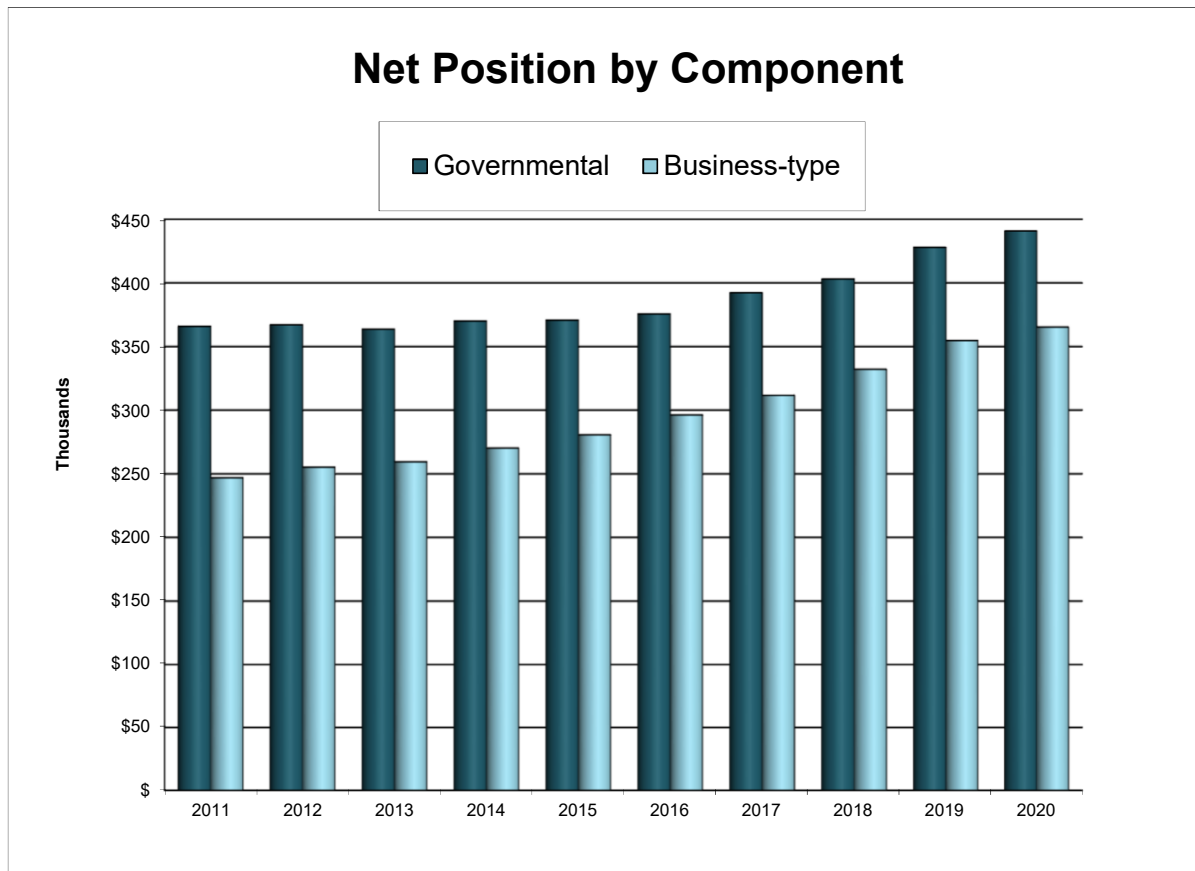




Table 2
City of Lacey
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 6,056	\$ 5,920	\$ 5,863	\$ 6,145	\$ 6,547	\$ 6,527	\$ 7,048	\$ 7,695	\$ 8,202	\$ 8,176
Public Safety	10,599	10,879	11,137	11,019	11,025	11,408	11,555	10,822	10,719	12,819
Natural environment	3,566	3,625	3,724	4,037	4,095	4,275	4,178	4,607	4,993	5,186
Transportation	13,048	12,726	13,734	14,608	13,633	13,622	13,059	13,869	16,678	13,595
Economic environment	1,287	1,211	1,286	1,284	1,448	1,501	1,544	1,725	1,830	3,381
Social Services	10	11	8	10	11	12	103	120	279	1,527
Culture and recreation	7,033	7,640	7,860	8,200	7,936	8,193	8,329	8,460	9,346	9,808
Interest on long-term debt	875	811	752	684	511	464	378	338	298	253
Total governmental activities	42,474	42,823	44,364	45,987	45,206	46,002	46,194	47,636	52,345	54,745
Business-type activities:										
Water	10,088	10,540	10,283	10,688	10,820	11,183	11,418	13,451	13,948	16,294
Wastewater	12,750	13,397	14,109	14,458	15,189	16,084	16,718	17,398	18,587	19,739
Stormwater	3,330	3,334	3,549	3,482	3,687	3,975	3,794	3,877	4,210	4,521
Reclaimed Water		49	20	23	28	30	31	32	32	33
Total business-type activities	26,168	27,320	27,961	28,651	29,724	31,272	31,961	34,758	36,777	40,587
Total primary government expenses	\$ 68,642	\$ 70,143	\$ 72,325	\$ 74,638	\$ 74,930	\$ 77,274	\$ 78,155	\$ 82,394	\$ 89,122	\$ 95,332
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 853	\$ 867	\$ 909	\$ 987	\$ 1,028	\$ 1,119	\$ 1,101	\$ 1,076	\$ 1,558	\$ 2,254
Public Safety	1,210	879	887	860	512	621	710	431	334	564
Natural environment	2,537	2,550	2,994	3,206	3,330	3,678	3,459	4,269	3,590	4,039
Transportation	1,015	1,082	1,062	797	923	960	2,022	603	1,928	773
Economic environment	1,577	1,450	1,178	1,610	1,969	2,874	2,122	3,070	3,860	2,273
Social Services										973
Culture and recreation	1,500	1,554	1,586	1,595	1,599	1,661	1,706	1,735	1,763	528
Operating grants and contributions	2,947	3,011	2,822	2,856	3,340	3,466	3,725	3,650	3,895	5,859
Capital grants and contributions	8,464	6,933	4,264	13,949	13,596	5,534	13,670	7,308	17,096	8,657
Total governmental activities program revenues	20,103	18,326	15,702	25,860	26,297	19,913	28,515	22,142	34,024	25,920
Business-type activities:										
Charges for services:										
Water	11,535	12,140	11,640	13,371	15,444	18,032	17,183	20,208	19,798	19,491
Wastewater	12,817	13,216	13,954	15,097	16,663	18,673	18,063	20,382	20,368	20,438
Stormwater	2,103	2,091	2,186	2,423	2,709	3,051	3,312	3,589	3,945	4,134
Operating grants and contributions	32	48	-	27	15	24	-	-	32	89
Capital grants and contributions	3,684	8,000	3,070	7,619	8,160	6,172	7,657	9,330	13,179	4,335
Total business-type activities program revenue	30,171	35,495	30,850	38,537	42,991	45,952	46,215	53,509	57,322	48,487
Total primary government program revenues	\$ 50,274	\$ 53,821	\$ 46,552	\$ 64,397	\$ 69,288	\$ 65,865	\$ 74,730	\$ 75,651	\$ 91,346	\$ 74,407
Net (expenses)/revenue:										
Governmental activities	\$ (22,371)	\$ (24,497)	\$ (28,662)	\$ (20,127)	\$ (18,909)	\$ (26,089)	\$ (17,679)	\$ (25,494)	\$ (18,321)	\$ (28,824)
Business-type activities	4,004	8,175	2,889	9,886	13,267	14,680	14,254	18,751	20,545	7,900
Total primary government net (expense) revenue	\$ (18,367)	\$ (16,322)	\$ (25,773)	\$ (10,241)	\$ (5,642)	\$ (11,409)	\$ (3,425)	\$ (6,743)	\$ 2,224	\$ (20,924)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 5,929	\$ 6,313	\$ 6,538	\$ 6,642	\$ 6,826	\$ 6,984	\$ 7,263	\$ 7,557	\$ 7,912	\$ 8,184
Timber taxes	-	-	-	-	-	-	-	-	-	-
Retail taxes	8,930	9,139	9,152	9,518	10,777	11,734	13,348	17,036	17,929	18,458
Business taxes	7,823	7,851	8,498	8,637	8,885	9,448	9,833	9,929	10,152	9,882
Excise taxes	1,383	1,548	1,685	2,038	2,333	2,923	3,375	4,104	4,417	3,768
Penalties and interest on taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings*	414	760	375	280	244	386	899	1,836	2,729	1,899
Gain (loss) on disposal of capital assets	-	-	-	-	33	(7)	2	37	41	130
Miscellaneous	203	269	111	302	64	-	197	110	160	279
Special items	-	-	-	-	-	-	-	-	-	-
Transfers	(3,775)	(18)	(1,224)	(772)	(439)	(581)	(596)	(328)	(219)	(956)
Total governmental activities	20,907	25,862	25,135	26,645	28,723	30,887	34,321	40,281	43,121	41,644
Business-type activities:										
Investment earnings*	79	87	90	116	119	277	609	1,240	1,892	1,278
Miscellaneous	190	-	-	-	-	-	6	144	1	309
Transfers	3,775	18	1,224	772	439	581	596	328	219	956
Total business-type activities	4,044	105	1,314	888	558	858	1,211	1,712	2,112	2,543
Total primary government	\$ 24,951	\$ 25,967	\$ 26,449	\$ 27,533	\$ 29,281	\$ 31,745	\$ 35,532	\$ 41,993	\$ 45,233	\$ 44,187
Change in net position										
Governmental activities	\$ (1,464)	\$ 1,365	\$ (3,527)	\$ 6,518	\$ 9,814	\$ 4,798	\$ 16,642	\$ 14,787	\$ 24,800	\$ 12,820
Business-type activities	8,048	8,280	4,203	10,774	13,825	15,538	15,465	20,463	22,657	10,443
Total primary government	\$ 6,584	\$ 9,645	\$ 676	\$ 17,292	\$ 23,639	\$ 20,336	\$ 32,107	\$ 35,250	\$ 47,457	\$ 23,263
*Amount includes special assessment interest and penalties and interfund loan interest revenues.										
Total investment earnings, primary government	\$ 493	\$ 847	\$ 465	\$ 396	\$ 363	\$ 663	\$ 1,508	\$ 3,076	\$ 4,621	\$ 3,177
Less interfund loan interest	15	13	-	7	10	21	20	19	18	18
Less special assessment interests & penalties:										
LID interest & penalties	234	543	197	134	82	37	44	73	-	-
ULID interest & penalties	1	1	11	10	30	76	69	65	56	51
Less special assessment interests & penalties	235	544	208	144	112	113	113	138	56	51
Net investment interest earnings	\$ 243	\$ 290	\$ 257	\$ 245	\$ 241	\$ 529	\$ 1,375	\$ 2,919	\$ 4,547	\$ 3,108

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

	2011 1	2012 2	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Nonspendable	\$ 5	\$ 6	\$ 10	\$ 6	\$ 1	\$ 3	\$ 34	\$ 39	\$ 124	\$ 81
Restricted	6,113	134	124	134	148	169	294	327	426	503
Committed	4,770	4,770	11,895	11,819	14,295	12,966	12,966	19,475	27,212	30,626
Assigned	614	6,113	363	1,613	263	9,046	7,769	9,788	3,683	5,945
Unassigned	10,196	12,245	11,265	12,707	15,007	13,180	18,465	15,411	18,783	20,081
Total general fund	21,698	23,268	23,657	26,279	29,714	35,364	39,528	45,040	50,228	57,236
All other governmental funds										
Nonspendable	-	-	-	-	502	486	-	1	1	1
Restricted	1,791	2,202	1,969	1,738	1,648	1,558	1,497	1,388	1,292	1,389
Committed	12,151	9,579	9,490	7,525	9,381	7,367	7,367	8,528	7,439	6,969
Assigned:										
Special revenue funds	10,753	13,652	1,074	1,281	972	1,100	2,618	4,847	5,564	5,262
Debt service funds	261	758	1,986	2,475	2,739	3,296	4,018	4,331	4,468	4,552
Capital projects funds	3,438	4,681	18,099	21,159	20,505	23,154	25,269	30,492	37,236	39,466
Total assigned	14,452	19,091	21,159	24,915	24,216	27,550	31,905	39,670	47,268	49,280
Unassigned-debt service funds	-	195	-	-	-	-	-	-	-	-
Total all other governmental funds	28,394	31,067	32,618	34,178	35,747	36,961	40,769	49,587	56,000	57,639
Total governmental funds	\$50,092	\$ 54,335	\$56,275	\$60,457	\$65,461	\$72,325	\$80,297	\$94,627	\$106,228	\$114,875

Note:

¹ The City implemented GASB Statement No. 54 in year 2011. Reserved fund balances for prior years are renamed as restricted fund balance and fund balances in excess of reserved for all other governmental funds other than the general fund are reclassified as assigned fund balances.

Increases and decreases in committed, assigned, and unassigned fund balances in 2011 are due to the GASB Statement No. 54 implementation.

² Designation of \$6,000,000 for Gateway civic center & property acquisition was reclassified from restricted to assigned in 2012.

Fund Balance Governmental Funds

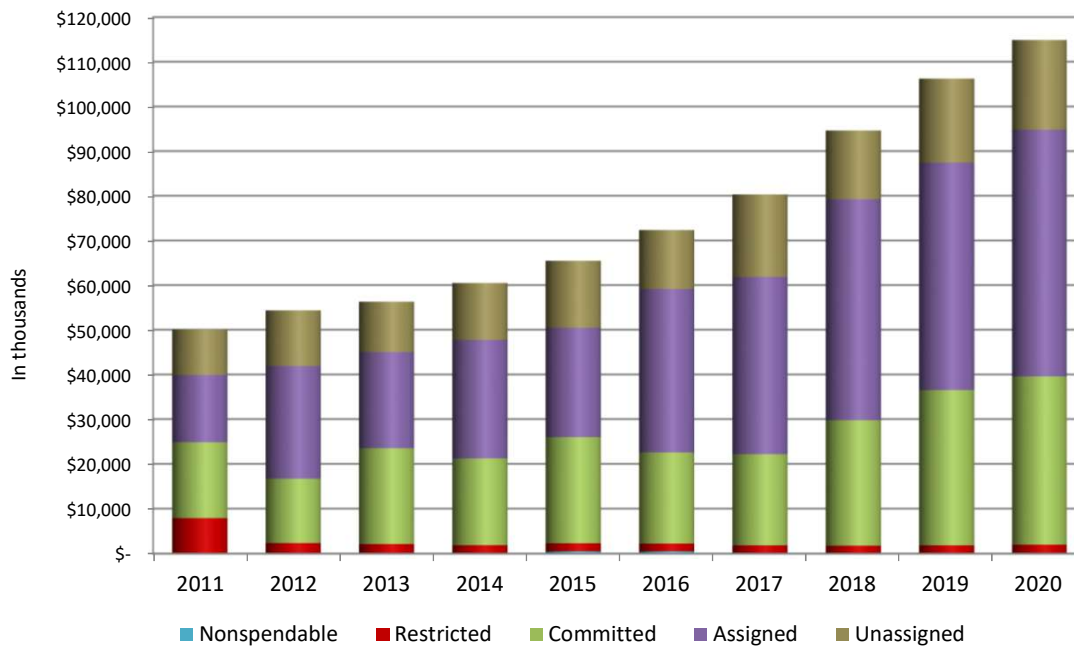


Table 4
City of Lacey
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 24,100	\$ 25,104	\$ 25,946	\$ 26,825	\$ 28,841	\$ 31,125	\$ 33,841	\$ 38,639	\$ 40,396	\$ 40,286
Licenses and permits	1,599	1,701	1,495	1,882	2,113	2,862	2,296	3,225	3,637	2,562
Intergovernmental revenues	7,072	7,764	3,639	5,501	5,305	5,198	8,469	5,942	9,213	10,228
Charges for services	7,803	7,428	7,344	6,448	7,089	7,775	8,856	8,019	9,888	8,515
Fines & forfeitures	728	666	731	700	569	306	276	243	252	167
Other revenue	1,268	2,163	1,423	1,462	1,418	1,429	1,600	2,436	3,111	2,234
Total revenues	42,571	44,826	40,578	42,818	45,335	48,695	55,338	58,504	66,497	63,992
Expenditures										
General government	5,436	5,393	5,449	5,334	5,797	5,836	6,605	6,949	7,682	7,330
Public Safety	10,419	10,689	10,896	10,748	11,184	11,327	11,770	11,764	12,718	13,127
Natural environment	3,757	3,784	3,921	4,080	4,293	4,433	4,588	4,910	5,444	5,520
Transportation	2,646	2,711	2,807	2,793	3,184	3,005	3,363	3,148	3,440	3,257
Economic environment	1,207	1,131	1,214	1,160	1,363	1,468	1,639	1,752	1,834	3,205
Social Services	10	11	8	10	11	12	103	120	255	1,324
Culture and recreation	5,924	6,179	6,373	6,516	6,581	6,728	7,012	7,336	7,909	7,112
Capital outlay	11,851	8,723	3,690	4,948	5,165	4,715	9,683	5,655	12,898	11,817
Debt service										
Principal	1,952	2,182	2,274	1,576	1,759	3,170	1,483	1,531	1,558	1,433
Interest	896	850	755	688	482	555	434	384	345	299
Debt issue costs	47	59	-	-	90	-	-	-	-	-
Total expenditures	44,146	41,712	37,387	37,853	39,909	41,249	46,680	43,549	54,083	54,424
Excess of revenue over (under) expenditures	(1,575)	3,114	3,191	4,965	5,426	7,446	8,658	14,955	12,414	9,568
Other financing sources (uses)										
Capital leases	36	13	-	95	41	-	-	-	54	-
Insurance Recovery	-	-	-	-	7,765	-	-	-	-	58
Debt issued	-	3,967	-	-	-	-	-	-	-	-
Premium on bonds issued	-	233	-	-	1,015	-	-	-	-	-
Payments to refunded bond escrow agent	-	(2,984)	-	-	(8,692)	-	-	-	-	-
Proceeds from sale of capital assets	-	-	3	-	3	-	-	41	-	-
Transfers in	11,471	2,624	2,493	6,030	5,175	7,323	6,352	8,067	7,990	3,155
Transfers out	(15,467)	(2,724)	(3,748)	(6,908)	(5,729)	(7,904)	(7,039)	(8,733)	(8,857)	(4,134)
Total other financing sources (uses)	(3,960)	1,129	(1,252)	(783)	(422)	(581)	(687)	(625)	(813)	(921)
Special item:										
Payment from County for RAC settlement	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (5,535)	\$ 4,243	\$ 1,939	\$ 4,182	\$ 5,004	\$ 6,865	\$ 7,971	\$ 14,330	\$ 11,601	\$ 8,647

Debt services as a percentage of noncapital expenditures¹ 8.2% 9.0% 8.5% 6.4% 6.1% 9.9% 5.1% 4.7% 4.0% 3.6%

¹ Noncapital expenditures consist of total expenditures less: capitalized amount from the Government-Wide Statements 9,510 7,903 1,891 2,512 3,301 3,510 8,752 3,220 6,696 7,012

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

Fiscal Year	Property Tax	Sales Tax	Business Tax	Excise Tax	Penalties & Interest	Total
2011	5,929	8,930	7,823	1,383	-	24,065
2012	6,313	9,139	7,851	1,548	-	24,851
2013	6,538	9,152	8,498	1,685	-	25,873
2014	6,642	9,518	8,637	2,038	-	26,835
2015	6,826	10,777	8,885	2,333	-	28,821
2016	6,984	11,734	9,448	2,923	-	31,089
2017	7,263	13,348	9,833	3,375	-	33,819
2018	7,557	17,036	9,929	4,104	-	38,626
2019	7,912	17,929	10,152	4,417	-	40,410
2020	8,184	18,458	9,882	3,768	-	40,292

Source: City of Lacey Statement of Activities

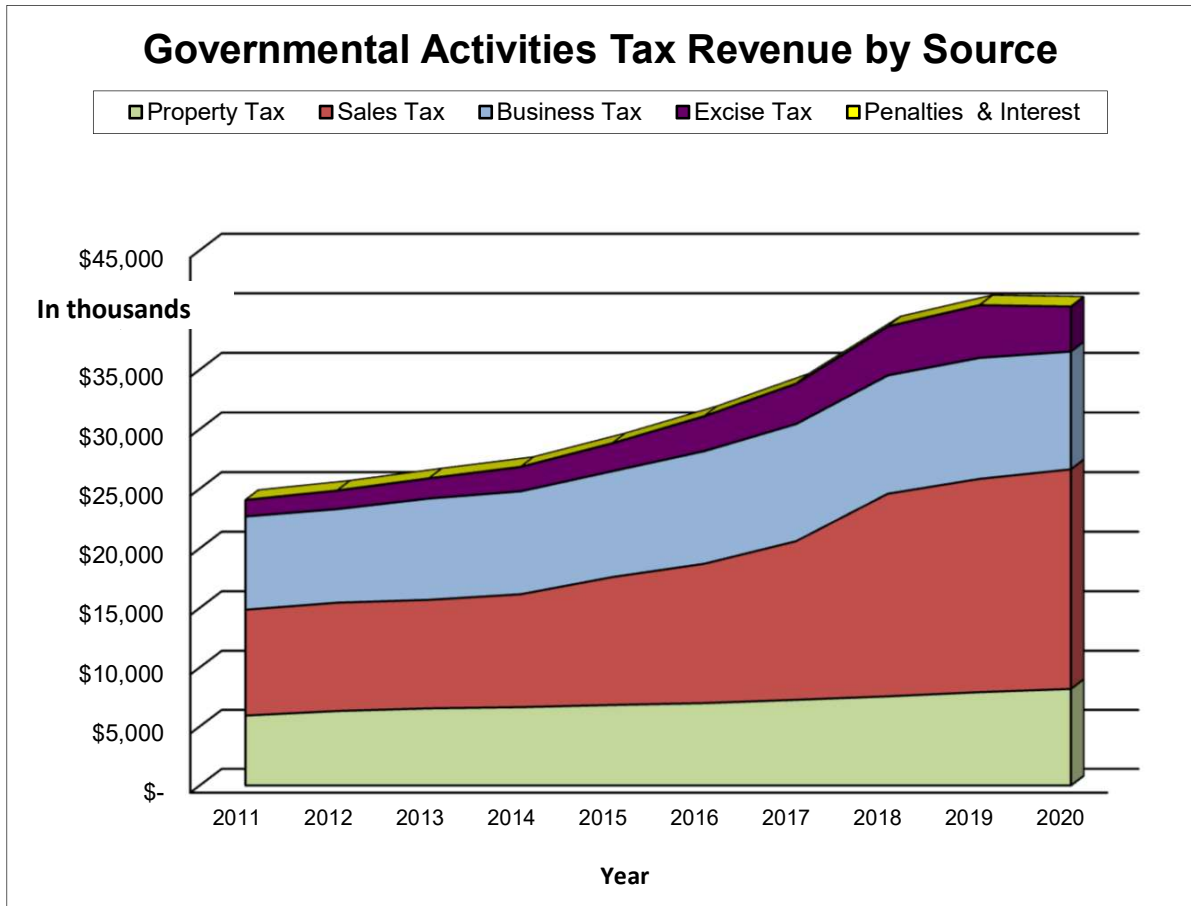


Table 6
City of Lacey
Sales Tax Revenues by Type, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands except for per capita*)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Merchandise Stores	\$1,810	\$1,815	\$1,852	\$1,831	\$1,910	\$ 1,939	\$ 2,016	\$ 2,096	\$ 2,140	\$ 2,236
Construction of Buildings	367	509	338	407	801	880	764	1,842	2,030	1,762
Food Services, Drinking Places	762	795	850	886	947	1,045	1,068	1,171	1,211	1,069
Building Material and Garden	446	473	521	571	642	679	721	776	807	993
Miscellaneous Store Retailers	381	363	400	399	402	420	511	662	765	885
Specialty Trade Contractors	359	407	407	448	535	645	654	688	734	816
Merchant Wholesalers, Durable Goods	212	245	261	279	350	345	396	513	528	619
Motor Vehicle and Parts Dealer	297	337	311	308	317	348	359	447	468	489
Administrative and Support Svc	163	176	139	134	161	169	182	267	316	432
Electronics and Appliances	274	240	244	255	317	273	291	328	333	386
Sporting Goods, Hobby, Books	673	633	637	558	558	549	493	454	388	378
Professional, Scientific, Tech	108	135	102	118	145	233	204	227	279	368
Food and Beverage Stores	249	280	253	254	249	238	233	240	257	293
Repair and Maintenance	183	188	200	216	228	256	257	274	314	283
Clothing and Accessories	170	170	177	189	232	244	260	280	298	270
Health and Personal Care Store				94	122	157	157	305	234	266
Telecommunications	248	244	252	279	297	363	357	368	283	230
Nonstore Retailers	110	113	118	133	154	182	206			219
Rental and Leasing Services	95	86	103	100	107	140		170	191	207
Furniture and Home Furnishings	140	131	125	120	141		184	200	206	197
Heavy and Civil Engineering Construction	53	30	36	73	96	229	280	182	233	
Amusement, Gambling & Recreation	126	123	99							
Subtotal for top (20-22)	7,226	7,493	7,425	7,652	8,711	9,334	9,593	11,490	12,015	12,398
Other (remaining)	729	636	705	790	859	1,121	1,093	1,182	1,260	1,283
Total Sales Tax	\$7,955	\$8,129	\$8,130	\$8,442	\$9,570	\$10,455	\$10,686	\$12,672	\$13,275	\$13,681
Local Tax Rate	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Population	42,830	43,600	44,350	45,320	46,020	47,540	48,700	50,170	51,270	52,910
Per Capita (*expressed in dollar)										
Per Capita Top 20	\$ 169	\$ 172	\$ 167	\$ 169	\$ 189	\$ 196	\$ 197	\$ 229	\$ 234	\$ 234
Per Capita All Sales Tax	\$ 186	\$ 186	\$ 183	\$ 186	\$ 208	\$ 220	\$ 219	\$ 253	\$ 259	\$ 259

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

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

Fiscal Year Ended December 31	Real Property ¹	Personal Property ¹	Total Taxable Assessed Value ¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value ²
2011	4,405,620	173,400	4,579,020	1.34	4,994,203	91.69%
2012	4,151,701	171,080	4,322,781	1.47	4,787,210	90.30%
2013	3,896,774	179,722	4,076,496	1.61	4,432,649	91.97%
2014	4,155,780	183,332	4,339,112	1.54	4,604,217	94.24%
2015	4,423,321	186,050	4,609,371	1.49	4,880,716	94.44%
2016	4,729,482	190,122	4,919,604	1.43	5,224,283	94.17%
2017	5,068,586	198,014	5,266,600	1.39	5,542,916	95.01%
2018	5,543,712	199,731	5,743,443	1.33	6,014,736	95.49%
2019	6,171,516	210,061	6,381,577	1.25	6,749,291	94.55%
2020	7,052,923	216,011	7,268,934	1.14	7,880,130	92.24%

Source: Thurston County Assessor.

Explanation:

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

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

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

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

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

² Ratio set by the Washington Department of Revenue.

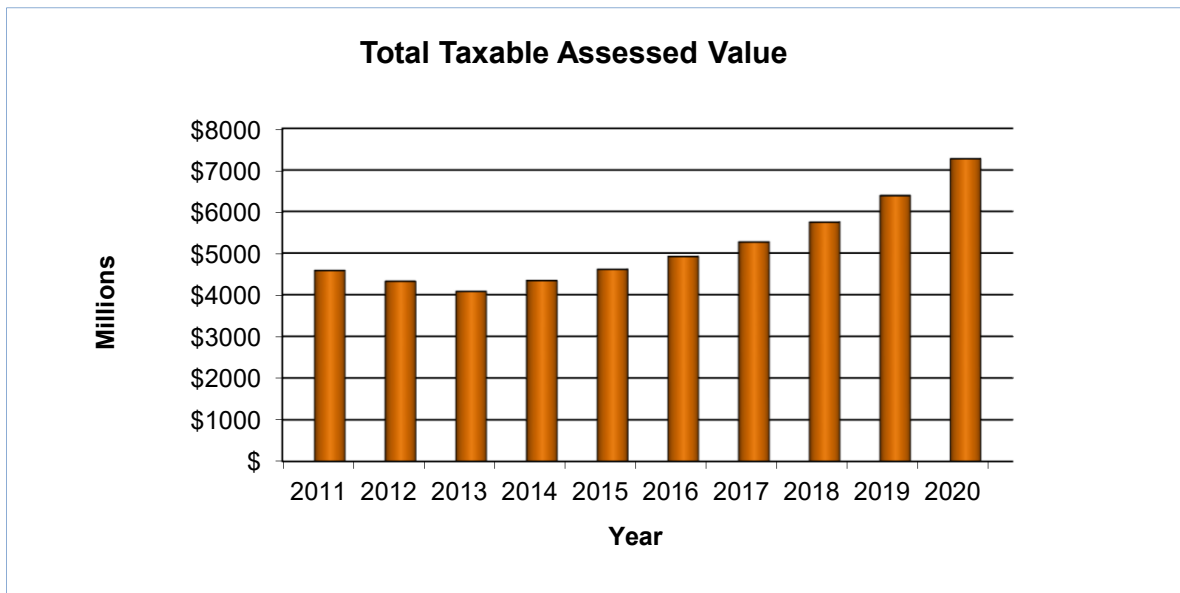


Table 8
City of Lacey
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Lacey			Overlapping Rates ¹								Total Direct & Overlapping Rates
	Regular Rate	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	
2011	1.09	0.25	1.34	2.26	1.26	0.33	0.01	0.36	4.12	1.18	0.17	11.03
2012	1.20	0.27	1.47	2.45	1.32	0.37	0.01	0.38	4.57	1.32	0.18	12.07
2013	1.32	0.29	1.61	2.51	1.50	0.40	0.01	0.41	5.15	1.46	0.20	13.25
2014	1.28	0.26	1.54	2.38	1.39	0.39	0.01	0.42	4.84	1.53	0.20	12.70
2015	1.24	0.25	1.49	2.28	1.39	0.37	0.01	0.41	5.40	1.50	0.19	13.04
2016	1.21	0.22	1.43	2.12	1.37	0.37	0.01	0.41	5.25	1.50	0.18	12.64
2017	1.17	0.22	1.39	1.99	1.31	0.35	0.01	0.40	5.59	1.50	0.17	12.71
2018	1.13	0.20	1.33	2.81	1.29	0.33	0.01	0.38	5.53	1.50	0.19	13.37
2019	1.07	0.18	1.25	2.54	1.26	0.32	0.01	0.36	3.49	1.50	0.18	10.91
2020	0.98	0.16	1.14	2.93	1.20	0.30	0.01	0.34	4.42	1.47	0.18	11.99

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

Explanation

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

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

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

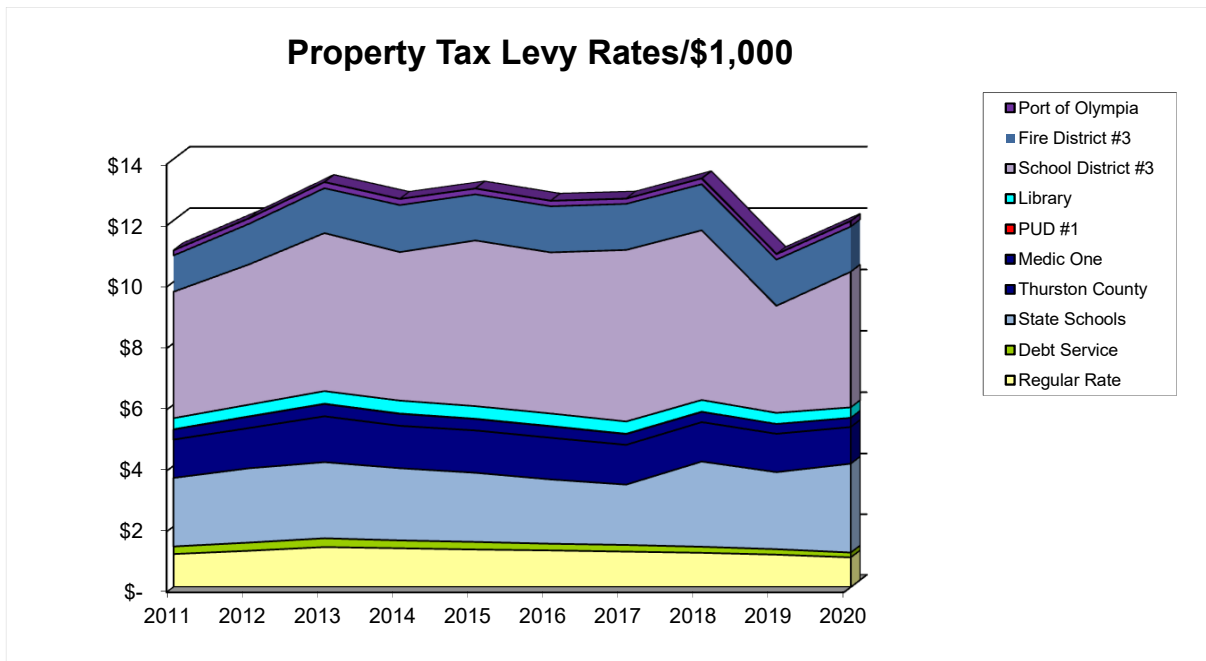


Table 9
City of Lacey
Principal Property Taxpayers
Current Year and Ten Years Ago
December 31, 2020
(amounts expressed in thousands)

Taxpayer	Type of Business	2020			2011		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Target Corporation	Retail/Warehouse	\$ 126,904	1	1.75%	\$ 100,315	1	2.19%
Panorama City Inc	Retirement Community	120,748	2	1.66%	67,090	2	1.47%
Lacey Industrial LLC	Retail/Warehouse	100,453	3	1.38%			
Nisqually Indian Tribe	Real Estate Development	68,307	4	0.94%			
Colfin	Retail/Warehouse	66,283	5	0.91%			
Medline Industries Inc	Retail/Warehouse	54,818	6	0.75%			
Trader Joes Company	Retail/Warehouse	50,565	7	0.70%			
Capital Development Company	Real Estate Development	45,401	8	0.62%	32,989	4	0.72%
Home Depot USA Inc.	Retail/Warehouse	45,293	9	0.62%	35,357	3	0.77%
MARQ Owner LLC	Real Estate Development	40,627	10	0.56%			
FR/CAL Meridian LLC	Real Estate Development				27,477	5	0.60%
Lacey Gateway LLC	Real Estate Development				27,219	6	0.59%
Cabela's Wholesale INC	Wholesale/retail				26,652	7	0.58%
MWSH South Lacey LLC	Real Estate Development				25,330	8	0.55%
Lacey Market Square I and II LLC	Leasing/Land Development				24,573	9	0.54%
VGC Lacey LLC	Leasing/Land Development				24,220	10	0.53%
Totals for Top 10		719,399		9.90%	391,222		8.54%
Balance of Taxpayers		6,549,535		90.10%	4,187,798		91.46%
Total Assessed Values		<u>\$ 7,268,934</u>		<u>100.00%</u>	<u>\$ 4,579,020</u>		<u>100.00%</u>

Source: Thurston County Assessor

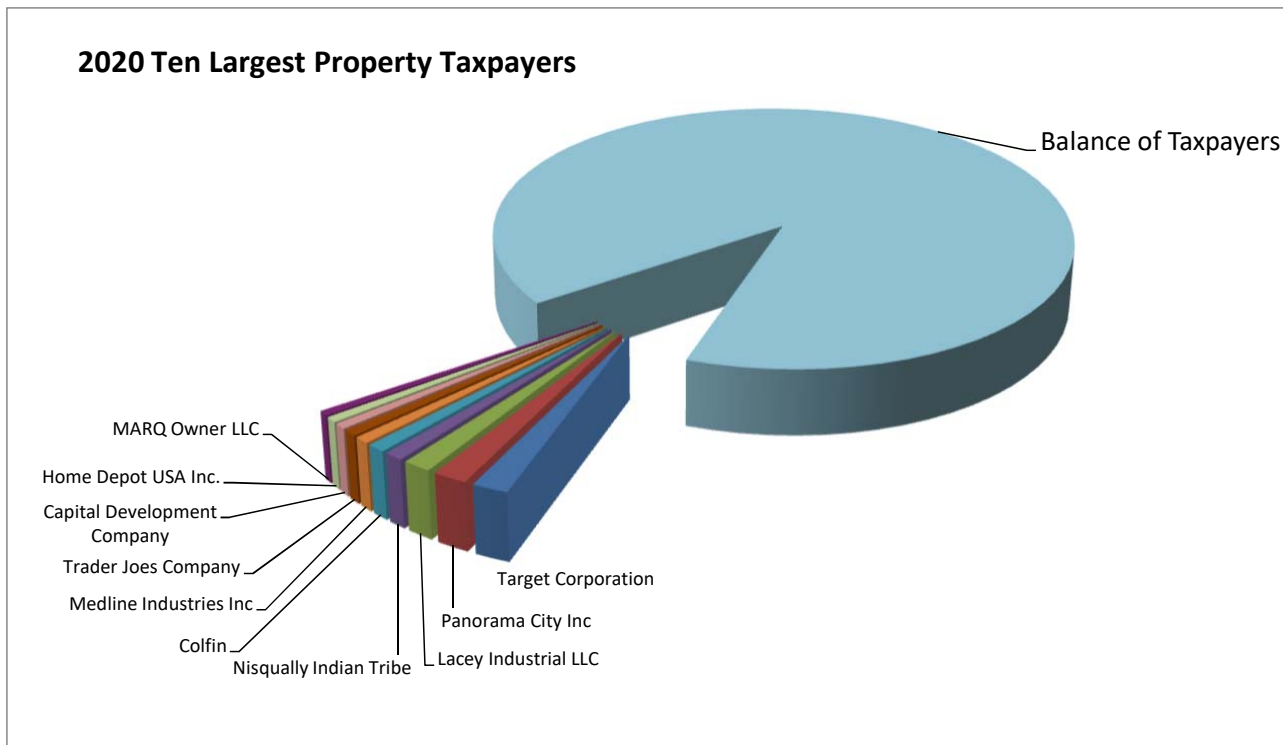


Table 10
City of Lacey
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended December 31	Regular Tax Levy for Fiscal Year ¹	Special Tax Levy for Fiscal Year ¹	Total Tax Levy for Fiscal Year ¹	Collected within the Fiscal Year of the Levy ²		Collections in subsequent Years ²	Total Collections To-Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2011	4,934	1,137	6,071	5,960	98.17%	110	6,070	99.99%
2012	5,157	1,161	6,318	6,226	98.54%	91	6,317	99.99%
2013	5,357	1,162	6,519	6,442	98.82%	77	6,519	100.00%
2014	5,503	1,130	6,633	6,567	99.00%	66	6,633	100.00%
2015	5,682	1,136	6,818	6,789	99.57%	29	6,818	100.00%
2016	5,898	1,094	6,992	6,942	99.28%	50	6,992	100.00%
2017	6,135	1,119	7,254	7,227	99.63%	26	7,253	99.98%
2018	6,438	1,124	7,562	7,528	99.55%	27	7,555	99.91%
2019	6,777	1,126	7,903	7,867	99.54%	22	7,889	99.83%
2020	7,070	1,119	8,189	8,139	99.39%	-	8,139	99.39%

¹ Source: Thurston County Assessor

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

Note: Tax levy for fiscal years 2011 through 2019 have been adjusted for subsequent certification adjustments.

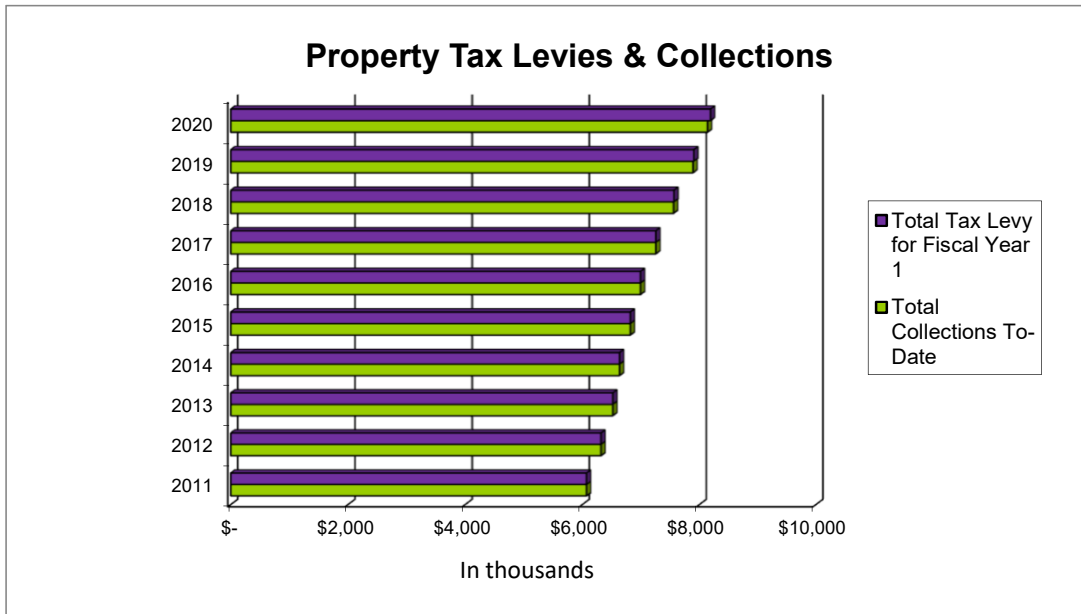


Table 11
 City of Lacey
 Ratio of Outstanding Debt by Type
 Last Ten Fiscal Years
 (amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita ⁵
	General Obligation Bonds ¹	PWTF Loan ²	LOCAL Loan ³	Revenue Bond		Contracts Payable	Revenue/Direct Placement Bonds ¹					
				Animal Services ⁴	Capital Leases		Water Fund	Wastewater Fund	Stormwater Fund			
2011	21,201	875	-	149	69	743	-	-	-	23,037	1.25%	538
2012	20,067	750	1,122	131	59	-	-	-	-	22,129	1.17%	508
2013	18,680	-	971	113	30	-	7,240	-	1,464	28,498	1.51%	643
2014	17,248	-	818	93	93	-	6,972	-	1,411	26,635	1.33%	588
2015	16,291	-	661	73	107	-	6,689	-	1,353	25,174	1.19%	547
2016	13,153	-	501	-	77	-	6,403	-	1,294	21,428	0.95%	451
2017	11,741	-	337	-	43	-	6,110	1,294	1,236	20,761	0.87%	426
2018	10,302	-	171	-	39	-	5,810	1,218	1,175	18,715	0.72%	373
2019	8,823	-	-	-	64	-	5,502	1,144	1,113	16,646	0.61%	325
2020	7,294	-	-	-	42	-	5,189	1,068	1,049	14,642	0.52%	277

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

¹ Presented net of original premiums

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

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

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

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

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

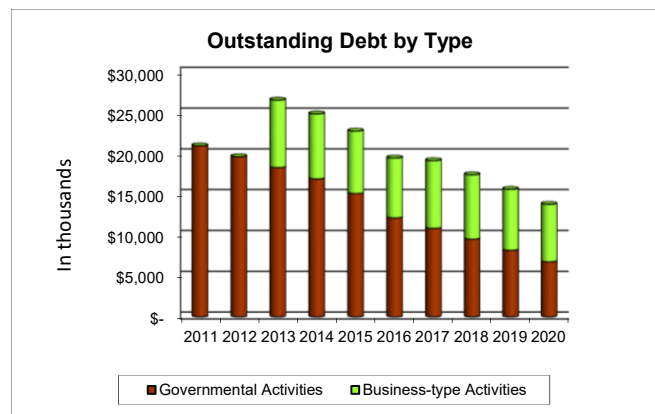
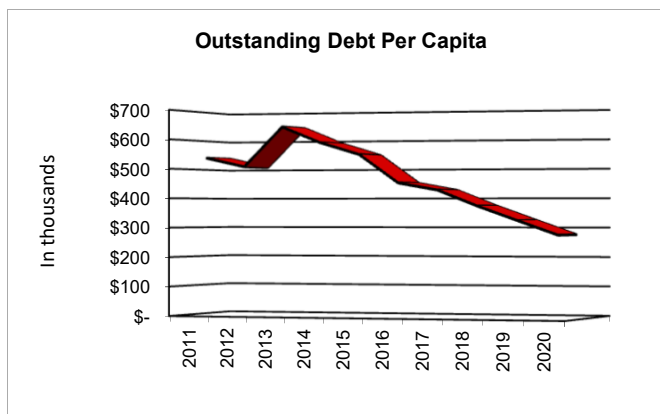


Table 12
City of Lacey
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
 (amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds ¹	Less: Amounts Restricted to Repaying Principal	Total	Percentage of Estimated Actual Taxable Value of Property ²	Per Capita ³
2011	21,201	-	21,201	0.42%	182
2012	20,067	-	20,067	0.42%	182
2013	18,680	-	18,680	0.42%	180
2014	17,248	-	17,248	0.37%	166
2015	16,291	-	16,291	0.33%	153
2016	13,153	-	13,153	0.25%	119
2017	11,741	-	11,741	0.21%	103
2018	10,302	-	10,302	0.17%	89
2019	8,823	-	8,823	0.13%	69
2020	7,294	-	7,294	0.09%	49

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

Explanation

¹ Presented net of original premiums.

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

³ Per capita data can be found in the Demographic and Economic Statistics on page 8-16.

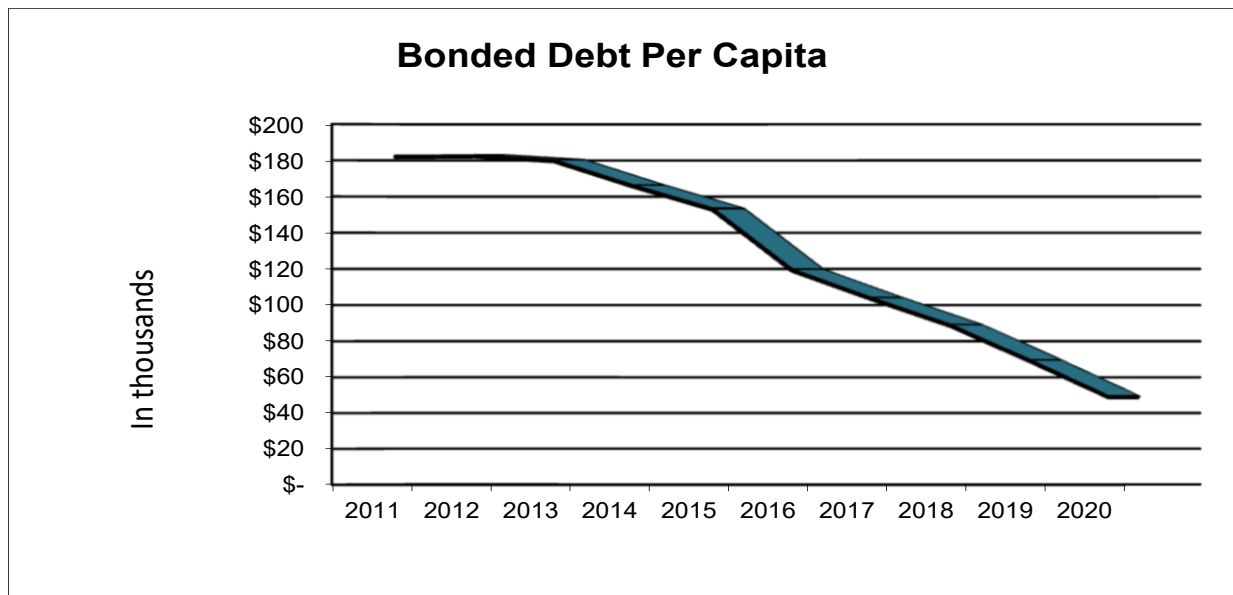


Table 13
 City of Lacey
 Direct and Overlapping Government Activities Debt
 As of December 31, 2020
 (amounts expressed in thousands)

Governmental Unit	General Obligation Debt Outstanding	Estimated Percent Overlapping with City ¹	Direct and Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Thurston County	47,385	19.13%	\$ 9,065
Port of Olympia	39,565	19.13%	7,569
Public Utility District 1	20,414	19.13%	3,905
North Thurston School District #3	276,690	51.19%	141,638
Fire District No. 3	19,145	57.64%	11,035
	403,199		173,212
City of Lacey's direct debt ²			7,336
Total direct and overlapping debt			\$ 180,548

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

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

Explanation

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

² Presented net of original premiums.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 343,427	\$ 324,209	\$ 305,737	\$ 325,433	\$ 345,703	\$ 368,970	\$ 394,995	\$ 430,758	\$ 478,618	\$ 545,170
Total net debt applicable to limit	21,011	20,968	19,362	17,840	16,718	13,421	11,806	10,189	8,547	7,009
Legal debt margin	<u>\$ 322,416</u>	<u>\$ 303,241</u>	<u>\$ 286,375</u>	<u>\$ 307,593</u>	<u>\$ 328,985</u>	<u>\$ 355,549</u>	<u>\$ 383,189</u>	<u>\$ 420,569</u>	<u>\$ 470,071</u>	<u>\$ 538,161</u>
Total net debt applicable to the limit as a percentage of debt limit	6.1%	6.5%	6.3%	5.5%	4.8%	3.6%	3.0%	2.4%	1.8%	1.3%
Legal Debt Margin Calculations:										
Total Assessed Valuation of Taxable Real & Personal Property						<u>\$ 4,919,604</u>	<u>\$ 5,266,600</u>	<u>\$ 5,743,443</u>	<u>\$ 6,381,577</u>	<u>\$ 7,268,934</u>
Legal Debt limit (7.5% of total assessed value)						<u>\$ 368,970</u>	<u>\$ 394,995</u>	<u>\$ 430,758</u>	<u>\$ 478,618</u>	<u>\$ 545,170</u>
Outstanding General Obligation Ineptness as of December 31, 2018										
Governmental Activities - general obligation bonds, net of premium	\$ 13,153	\$ 11,741	\$ 10,302	\$ 8,823	\$ 7,294					
Governmental Activities - LOCAL program loan	501	337	171	-	-					
Governmental Activities - capital leases	77	43	39	64	42					
Total Ineptness subject to debt limit	13,731	12,121	10,512	8,887	7,336					
Less: Amount set aside for repayment of general obligation debt	(310)	(315)	(323)	(340)	(327)					
Net Ineptness subject to debt limit	<u>\$ 13,421</u>	<u>\$ 11,806</u>	<u>\$ 10,189</u>	<u>\$ 8,547</u>	<u>\$ 7,009</u>					
Legal debt margin	<u>\$ 355,549</u>	<u>\$ 383,189</u>	<u>\$ 420,569</u>	<u>\$ 470,071</u>	<u>\$ 538,161</u>					

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



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

Fiscal Year	Sewer/Water Revenue Bonds						Special Assessment Bonds			
	Total	Less	Net	Debt Service			Special	Debt Service		
	Operating Revenues	Operating Expenses	Available Revenue	Principal	Interest	Coverage	Assessment Collections	Principal	Interest	Coverage
2011	24,541	18,026	6,515	-	-	-	777	696	47	1.05
2012	25,356	19,055	6,301	-	-	-	1,513	125	31	9.70
2013*	27,780	21,450	6,330	-	-	-	928	750	25	1.20
2014*	30,890	21,777	9,113	300	277	15.79	742	-	-	n/a
2015*	34,816	22,633	12,183	320	286	20.10	742	-	-	n/a
2016*	39,755	23,953	15,802	325	279	26.16	516	-	-	n/a
2017*	38,559	24,280	14,279	330	273	23.68	166	-	-	n/a
2018*	44,179	26,776	17,403	416	295	24.48	208	-	-	n/a
2019*	44,111	28,509	15,602	424	287	21.94	-	-	-	n/a
2020*	44,074	32,071	12,003	431	278	16.93	-	-	-	n/a

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 Operating revenues do not include investment earnings and other non-operating revenues.
 Operating expenses do not include interest or depreciation expenses.
 Debt Service amounts are only for cash payments (excluding amortization of bonds premiums)
 Public trust fund loan is included for special assessment bonds.
 The City's minimum required debt coverage is 1.20 per bond ordinance, only for Sewer/Water Revenue Bonds.
 Amounts for 2004 through 2012 did not include stormwater fund revenues and expenses
 *Includes revenues and expense of the City's Waterworks Utility which includes water, wastewater, and stormwater funds.

Table 16
City of Lacey
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income ¹	North Thurston Public School Enrollment ¹	Unemployment Rate ^{1,2}
2011	42,830	1,835,822	42,863	13,872	9.0%
2012	43,600	1,895,466	43,474	14,407	8.4%
2013	44,350	1,890,197	42,620	14,804	7.6%
2014	45,320	2,003,507	44,208	14,848	6.5%
2015	46,020	2,106,888	45,782	15,048	5.9%
2016	47,540	2,249,973	47,328	15,065	5.8%
2017	48,700	2,377,534	48,820	15,177	5.0%
2018	50,170	2,592,986	51,684	15,293	4.9%
2019	51,270	2,708,492	52,828	15,724	4.8%
2020	52,910	2,795,129	52,828 ³	14,767	6.2%

Data Sources:

¹ Thurston Regional Planning Council, *The Profile* (www.trpc.org)

² U.S. Bureau of Labor Statistics: Local Area Unemployment Statistics
<http://www.bls.gov/lau/home.htm>

Explanation:

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

² Unemployment Rate for Thurston County (Annual Average)

³ Current year data is not available. Used 2019 data.

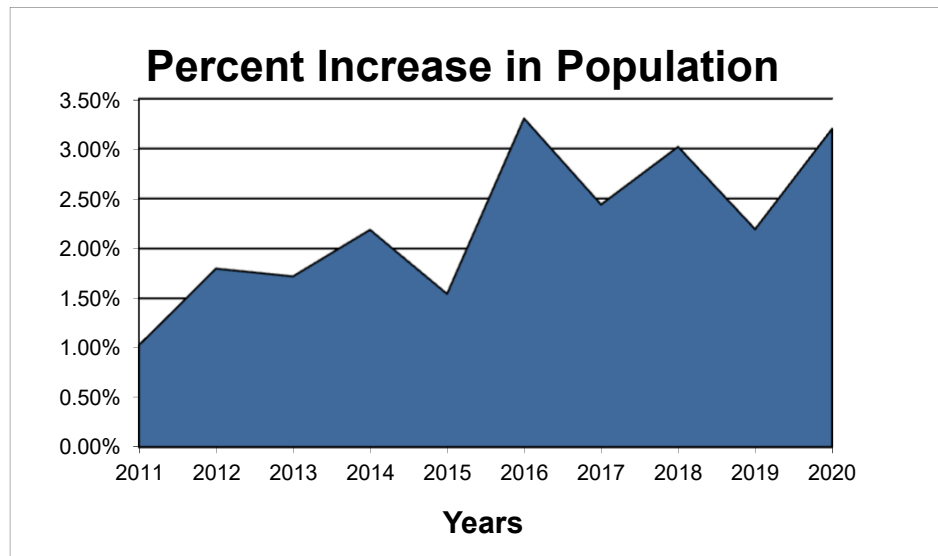


Table 17
City of Lacey
Principal Employers
Current Year and Ten Years Ago

Employer	Business type	2020		2011	
		Approx. Number of Employees	Percentage of Total City Employment ⁵	Approx. Number of Employees ³	Percentage of Total City Employment ³
State of Washington ¹	Government	3,139	9.2%	2,450	13%
North Thurston Public Schools ¹	Education	2,100	6.1%	1,700	9%
St. Martin's University ¹	Education	500	1.5%	100-500	2%
Wal-Mart Corporation ¹	Retail	470	1.4%	100-500	2%
Harbor Wholesale	Retail	420	1.2%		
Panorama City ¹	Retirement Community	400	1.2%	300	2%
Fred Meyer ¹	Retail	390	1.1%	100-500	2%
Target Corporation ¹	Retail	345	0.9%	100-500	2%
South Sound Behavior Health	Healthcare	345	1.0%		
Trader Joes	Retail	300	0.9%	-	
Medline	Retail	300	0.9%		
Costco Corporation ¹	Retail	280	0.8%	100-500	2%
City of Lacey ²	Government	279	0.8%	252	1%
Safeway Corporation ¹	Retail	250	0.7%	100-500	2%
Home Depot ¹	Retail	250	0.7%	-	
Uline	Retail	230	0.7%		
Cabelas ¹	Retail	220	0.6%	100-500	2%
Roo Lan Healthcare ¹	Healthcare	110	0.3%	-	
Total		10,328	30.0%	5,402 - 8,202	38%
Total estimated jobs in City ⁴		34,160		19,000 ⁵	

Source

- 1: Thurston Economic Development Council (EDC)
- 2: City of Lacey, full-time equivalent
- 3: City of Lacey, 2011 AFR
- 4: Thurston Regional Planning Council (TRPC), Lacey 2020 Statistical Profile

Explanation:

- ⁵ Percentage of total city employment for 2020 is based on 2017 total estimated jobs 34,160. 2011 percentage was based 2003 total estimated jobs 19,000.

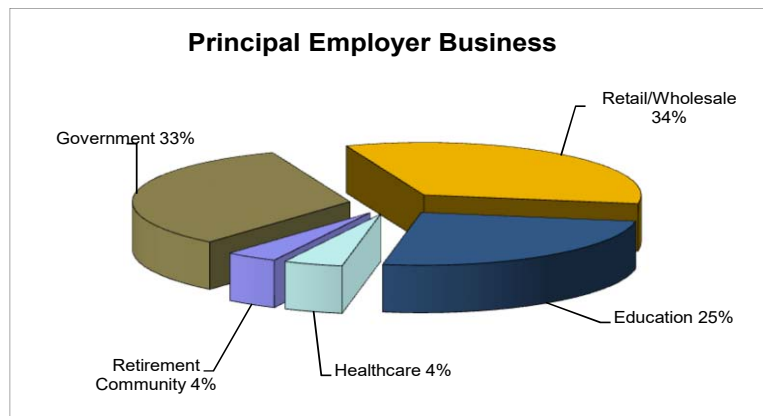


Table 18
 City of Lacey
 Full-time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	30.00	31.00	31.00	31.00	31.00	31.00	35.00	36.00	38.00	38.00
Security of persons and property										
Police Officers	55.00	55.00	53.00	53.00	53.00	53.00	53.00	54.00	60.00	65.00
Civilians	14.28	14.28	11.64	11.64	11.00	11.00	11.00	11.00	11.00	12.00
Transportation										
Engineering	38.00	38.00	35.00	36.00	36.00	36.00	37.00	39.00	41.00	40.00
Maintenance	34.50	34.50	35.00	35.00	35.50	35.50	37.50	38.00	42.00	45.50
Economic development	17.75	17.75	15.00	16.00	16.00	16.00	18.00	18.00	18.00	18.00
Culture and recreation	16.00	16.00	15.00	15.00	15.00	15.00	15.00	16.50	16.50	16.00
Water	25.00	24.45	23.45	23.45	23.45	23.45	23.45	24.95	26.95	28.45
Wastewater	14.00	14.55	15.55	15.55	15.55	15.55	16.55	17.05	18.05	15.55
Stormwater	6.50	6.50	6.50	6.50	6.50	7.50	7.50	6.50	7.50	7.50
Total	251.03	252.03	241.14	243.14	243.00	244.00	254.00	261.00	279.00	286.00

Source: City of Lacey Budget Records

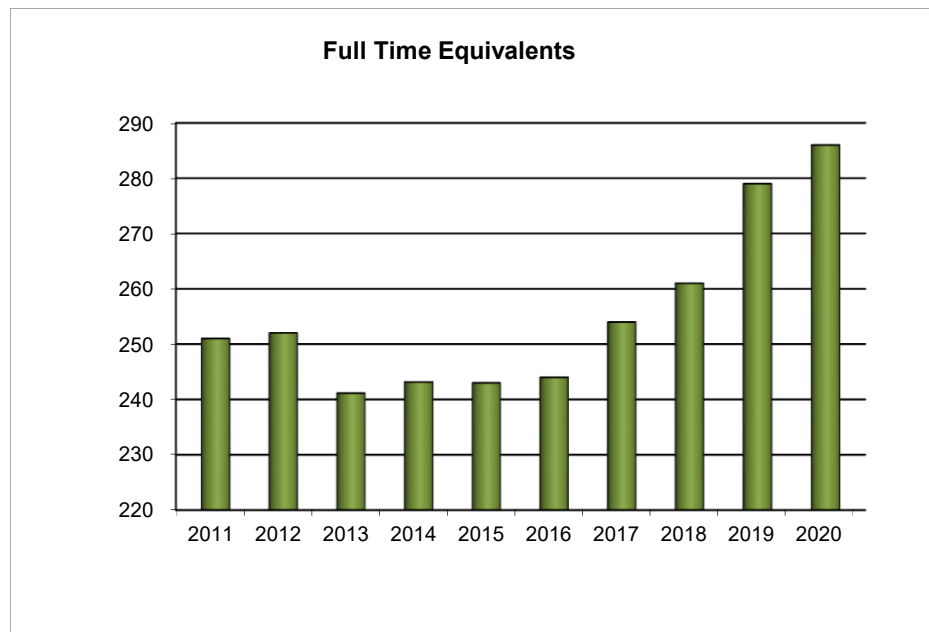




Table 19
City of Lacey
Operating Indicators by Function
Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 ⁴
Police										
Total Arrests	3,795	3,136	3,380	3,109	2,792	2,292	2,083	1,871	1,973	1,514
Total citations issued	5,824	4,455	6,121	4,557	4,197	2,203	2,546	1,842	2,314	1,202
Incidents	34,014	32,510	39,242	40,712	41,784	38,240	44,317	41,956	46,576	38,786
Overall crime rate per thousand population ¹	34.8	35.4	34.4	30.2	74.2	70.3	65.0	59.0	59.6	49.2 ³
Highways and streets										
State of the street (% of Very Good or Good Condition)	96.0%	95.9%	96.3%	96.5%	95.9%	97.0%	97.0%	97.6%	96.5%	96.2%
St Ft of sidewalk replaced	3,007	2,028	2,625	2,600	3,530	4,530	7,717	8,790	10,030	8,494
Yards of sweeper debris collected	1,156	1,339	1,517	1,307	1,856	1,515	1,769	1,861	2,458	3,100
Economic Development										
Number of new building permits issued	325	283	225	333	311	378	199	207	234	178
Number of building inspections	6,915	7,132	7,587	7,587	7,587	11,145	9,169	9,208	9,346	7,934
Number of complaints processed	98	84	83	92	107	449	105	90	175	Unavailable
Commercial site plan reviews ²	9	12	10	12	16	42	65	60	57	11
Culture and recreation										
Community center bookings	760	778	788	756	719	730	733	777	763	92
Regional Athletic Complex (RAC) fields bookings	1,955	2,194	2,247	2,281	2,496	2,548	2,575	2,441	1,316	2,158
RAC Number of participants - leagues, tournaments	47,685	50,243	50,315	74,910	75,150	76,349	77,119	76,420	78,251	40,600
Program registrations	12,108	13,538	9,001	11,860	12,105	16,644	16,385	11,868	10,524	2,452
Community-wide special events	41	31	31	31	31	33	29	26	28	7
Water										
Gallons of water pumped (millions)	2,243	2,396	2,416	2,483	2,633	2,698	2,650	2,746	2,778	2,749
Gallons of water sold (millions)	2,188	2,186	2,165	2,216	2,329	2,470	2,399	2,477	2,458	2,501
Percentage of water sold	98%	91%	90%	89%	88%	92%	91%	90%	88%	91%
Average daily consumption (millions of gallons)	6	7	7	6	6	7	7	8	8	8
Number of valves exercised	1,456	2,230	3,186	2,578	1,715	2,226	3,027	1,874	2,634	3,751
Number of hydrants exercised	3,492	2,510	1,073	3,258	3,933	3,577	3,789	3,848	4,014	3,985
Number of water mains breaks	130	104	93	84	121	181	95	82	16	19
Number of customers served	22,840	23,237	22,813	23,185	23,571	23,984	25,112	25,638	26,097	26,286
Number of irrigation customers	692	702	713	723	739	751	803	806	818	836
Wastewater										
Number of lift station incident responses	363	390	376	362	363	303	355	460	706	625
Number of STEP system connections	3,882	3,901	4,058	4,093	4,175	4,250	4,350	4,476	4,606	4,734
Number of STEP system incident responses	201	186	221	150	180	191	213	242	241	268
Lines cleaned (in feet)	323,671	373,410	331,763	403,906	262,153	277,756	328,224	228,979	141,173	189,116
Lines televised (in feet)	267,686	328,911	285,785	155,367	161,233	121,261	155,525	173,756	106,025	197,635
Odor complaints	3	-	3	1	1	3	2	2	1	-
Stormwater										
City responses to spills	137	106	134	136	129	159	123	136	141	95

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

Notes:

¹ In 2015, the Federal crime collection data standard changed to the National Incident-Based Reporting System (NIBRS), which is a more comprehensive crime data collection system than the previous system, the Uniform Crime Reporting (UCR) program. The result is higher crime rates are being reported as more categories of crimes are reported and not necessarily more incidents (quantity) of crimes.

² 2016-2019 numbers include both commercial and residential site plan reviews (separate data not available)

³ Current year data is an estimate.

Table 20
City of Lacey
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Security of persons and property										
Police station	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	22	22	22	22	22	23	23	21	19	19
Highways and streets										
Miles of street ¹	352 LM	358 LM	360 LM	368 LM	375 LM	379 LM	383 LM	384 LM	387 LM	388 LM
Miles of sidewalk		191 CL	191 CL	200 CL	200 CL	202 CL	206 CL	208 CL	220 CL	225 CL
Number of streetlights	4,015	4,136	4,311	4,311	4,448	4,910	4,953	5,077	5,107	5,237
Number of street signs	7,606	7,674	7,726	7,942	8,126	8,344	8,515	8,632	8,822	8,835
Number of traffic signals	55	56	56	56	56	56	57	78	78	78
Culture and recreation										
Number of parks	25	25	25	25	25	25	25	25	26	26
Parks acreage including outside city limits	568	568	568	568	568	568	568	568	568	568
Developed parks acres	335	335	335	340	340	340	340	340	340	340
Total open space acres with outside city limits	561	648	648	637	637	637	637	637	637	637
Soccer fields	10	10	10	10	10	10	10	10	10	10
Tennis courts	9	9	9	9	9	9	9	9	9	9
Baseball, softball fields	12	12	12	12	12	12	12	12	12	12
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Community buildings	3	3	3	3	3	3	3	3	3	3
Water										
Number of production wells	19	19	20	20	20	20	20	20	20	20
Miles of water lines	370	385	393	392	402	386	386	391	398	416
Number of reservoirs	8	7	7	7	7	7	7	7	7	7
Number of booster stations	10	6	6	6	6	6	6	6	6	6
Number of valves	10,219	10,211	10,399	10,512	12,214	11,283	11,020	11,412	11,749	11,832
Number of Hydrants	3,479	3,500	3,572	3,653	3,685	3,720	3,786	3,904	4,014	4,058
Wastewater										
Miles of sewer transmission lines	154	156	157	162	147	167	171	175	178	180
Number of lift stations	48	47	48	48	50	51	52	48	48	48
Miles of STEP transmission lines	52	55	55	55	55	56	59	62	63	63
Odor control facilities	14	15	14	13	13	13	13	11	11	11
Stormwater										
Number of catch basins	4,716	4,971	5,198	5,235	5,245	5,810	6,010	6,010	6,410	6,480
Number of city storm ponds	49	56	62	63	47	47	47	47	47	47
Acres of storm ponds ³	1,768	105	109	115	110	110	110	110	110	110

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

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

Note:

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

². 2012 data is expressed as acres of storm ponds, whereas the data for 2011 through 2005 are expressed as "acres maintained" calculated by multiplying the number of maintenance visits by the actual acre total.

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



CITY
OF **LACEY**
