

City of Lake Stevens
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 General	101 Street	111 Drug Seizure & Forfeiture
Beginning Cash and Investments					
30810	Reserved	12,217,228	5,345	-	42,897
30880	Unreserved	16,021,493	9,838,909	2,412,187	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	12,623,469	9,257,951	1,296,398	-
320	Licenses and Permits	2,056,914	2,024,114	32,800	-
330	Intergovernmental Revenues	1,915,701	850,752	739,659	-
340	Charges for Goods and Services	4,623,882	611,541	895	-
350	Fines and Penalties	261,100	261,100	-	-
360	Miscellaneous Revenues	679,404	307,956	51,898	796
Total Revenues:		22,160,470	13,313,414	2,121,650	796
Expenditures					
510	General Government	3,323,826	3,069,153	1,597	-
520	Public Safety	7,133,983	7,133,983	-	-
530	Utilities	2,011,228	-	-	-
540	Transportation	2,747,891	-	2,298,119	-
550	Natural and Economic Environment	1,347,911	1,347,911	-	-
560	Social Services	15,308	15,308	-	-
570	Culture and Recreation	741,731	736,658	-	-
Total Expenditures:		17,321,878	12,303,013	2,299,716	-
Excess (Deficiency) Revenues over Expenditures:		4,838,592	1,010,401	(178,066)	796
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	954,987	-	30,069	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,055,163	5,492	-	-
381, 395, 398	Other Resources	98,301	21,384	5,624	-
Total Other Increases in Fund Resources:		2,108,451	26,876	35,693	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,645,799	908,362	5,621	-
591-593, 599	Debt Service	1,427,411	-	881	-
597	Transfers-Out	954,987	76,960	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	38,100	25,706	-	-
581	Other Uses	25,000	25,000	-	-
Total Other Decreases in Fund Resources:		7,091,297	1,036,028	6,502	-
Increase (Decrease) in Cash and Investments:		(144,254)	1,249	(148,875)	796
Ending Cash and Investments					
5081000	Reserved	12,634,169	-	-	43,694
5088000	Unreserved	15,460,290	9,845,499	2,263,313	-
Total Ending Cash and Investments		28,094,459	9,845,499	2,263,313	43,694

The accompanying notes are an integral part of this statement.

City of Lake Stevens
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

	<u>112 Municipal Arts</u>	<u>210 LTGO 2008A Bond</u>	<u>212 LTGO 2010 Bond</u>	<u>213 2015 LTGO Bond (Ref)</u>
Beginning Cash and Investments				
30810	Reserved	8,850	-	-
30880	Unreserved	11,498	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	367	-	-
Total Revenues:		367	-	-
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		-	-	-
Excess (Deficiency) Revenues over Expenditures:		367	-	-
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	210,505	37,082
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	210,505	37,082
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	-	210,505	37,082
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		-	210,505	37,082
Increase (Decrease) in Cash and Investments:		367	-	-
Ending Cash and Investments				
5081000	Reserved	8,850	-	-
5088000	Unreserved	11,866	-	-
Total Ending Cash and Investments		20,716	-	-

City of Lake Stevens
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>301 Cap Proj- Dev Contrib- Traffic</u>	<u>302 Park Mitigation Fund</u>	<u>303 Real Estate Excise Tax I</u>	<u>304 Real Estate Excise Tax II</u>
Beginning Cash and Investments					
30810	Reserved	3,436,666	2,574,206	2,364,410	3,691,065
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	1,051,272	1,017,848
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	318,399	-	-	-
340	Charges for Goods and Services	1,031,617	700,608	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	63,842	48,891	51,772	75,680
Total Revenues:		<u>1,413,858</u>	<u>749,499</u>	<u>1,103,044</u>	<u>1,093,528</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	434,950	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	5,073	-	-
Total Expenditures:		<u>434,950</u>	<u>5,073</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		978,908	744,426	1,103,044	1,093,528
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	812,807	1,722,971	-	339,399
591-593, 599	Debt Service	-	-	22,618	-
597	Transfers-Out	202,858	331,627	306,460	37,082
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	12,394	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>1,028,059</u>	<u>2,054,598</u>	<u>329,078</u>	<u>376,481</u>
Increase (Decrease) in Cash and Investments:		(49,151)	(1,310,172)	773,966	717,047
Ending Cash and Investments					
5081000	Reserved	3,387,514	1,264,033	3,138,376	4,408,111
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		<u>3,387,514</u>	<u>1,264,033</u>	<u>3,138,376</u>	<u>4,408,111</u>

City of Lake Stevens
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>305 Downtown Redevelopment</u>	<u>309 Sidewalk Capital Project</u>	<u>310 20th Street SE Corridor CP</u>	<u>401 Sewer</u>
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	1,123,128	-	281,466
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	17,917
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	654	19,732	20	6,170
Total Revenues:		<u>654</u>	<u>19,732</u>	<u>20</u>	<u>24,087</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	40,526
540	Transportation	-	-	14,822	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>-</u>	<u>-</u>	<u>14,822</u>	<u>40,526</u>
Excess (Deficiency) Revenues over Expenditures:		<u>654</u>	<u>19,732</u>	<u>(14,802)</u>	<u>(16,439)</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	534,485	-	-	4,073
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	1,049,671
381, 395, 398	Other Resources	-	-	25,000	-
Total Other Increases in Fund Resources:		<u>534,485</u>	<u>-</u>	<u>25,000</u>	<u>1,053,744</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	273,513	295,946	-	-
591-593, 599	Debt Service	-	-	-	1,049,670
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>273,513</u>	<u>295,946</u>	<u>-</u>	<u>1,049,670</u>
Increase (Decrease) in Cash and Investments:		<u>261,626</u>	<u>(276,214)</u>	<u>10,198</u>	<u>(12,365)</u>
Ending Cash and Investments					
5081000	Reserved	261,626	-	10,198	-
5088000	Unreserved	-	846,914	-	269,099
Total Ending Cash and Investments		<u>261,626</u>	<u>846,914</u>	<u>10,198</u>	<u>269,099</u>

City of Lake Stevens
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>410 Storm & Surface Water</u>	<u>501 Unemployment</u>	<u>510 Capital Equip - Computer</u>	<u>515 Capital Equip - Vehicle Replac</u>
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	1,361,721	96,253	173,499	10,020
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	6,891	-	-	-
340	Charges for Goods and Services	1,505,885	-	233,419	10,000
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	19,766	1,581	12,065	296
Total Revenues:		<u>1,532,542</u>	<u>1,581</u>	<u>245,484</u>	<u>10,296</u>
Expenditures					
510	General Government	1,411	31,666	219,999	-
520	Public Safety	-	-	-	-
530	Utilities	1,970,702	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>1,972,113</u>	<u>31,666</u>	<u>219,999</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>(439,571)</u>	<u>(30,085)</u>	<u>25,485</u>	<u>10,296</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	42,818	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>42,818</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,805	-	37,093	-
591-593, 599	Debt Service	10,700	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>12,505</u>	<u>-</u>	<u>37,093</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>(409,258)</u>	<u>(30,085)</u>	<u>(11,608)</u>	<u>10,296</u>
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	952,464	66,167	161,890	20,315
Total Ending Cash and Investments		<u>952,464</u>	<u>66,167</u>	<u>161,890</u>	<u>20,315</u>

City of Lake Stevens
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>520 Capital Equip - Police</u>	<u>530 Capital Equip - PW</u>	<u>540 Aerator Equip Replacment</u>
Beginning Cash and Investments				
30810	Reserved	-	-	93,789
30880	Unreserved	246,375	466,437	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	96,000	400,000	16,000
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	3,917	12,023	1,978
Total Revenues:		<u>99,917</u>	<u>412,023</u>	<u>17,978</u>
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>99,917</u>	<u>412,023</u>	<u>17,978</u>
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	46,293	-	-
Total Other Increases in Fund Resources:		<u>46,293</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	155,515	92,767	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>155,515</u>	<u>92,767</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		(9,305)	319,256	17,978
Ending Cash and Investments				
5081000	Reserved	-	-	111,767
5088000	Unreserved	237,070	785,693	-
Total Ending Cash and Investments		<u>237,070</u>	<u>785,693</u>	<u>111,767</u>

City of Lake Stevens
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

	Total for All Funds (Memo Only)	Private-Purpose Trust	Agency	
308	Beginning Cash and Investments	79,792	77,252	2,540
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	324,713	3,853	320,860
510-590	Deductions	389,049	67,945	321,104
	Net Increase (Decrease) in Cash and Investments:	(64,336)	(64,092)	(244)
508	Ending Cash and Investments	15,455	13,159	2,296

The accompanying notes are an integral part of this statement.

City of Lake Stevens
Notes to the Financial Statements
For the year ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

The City of Lake Stevens was incorporated in 1960 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of government. The city is a general purpose local government and provides public safety, street improvements, parks, and general administrative services.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1,168 hours. Upon separation or retirement employees receive a payment into a VEBA account of 25% of accumulated sick leave up to 1,168 hours. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- \$43,694 in the Drug Seizure and Forfeiture Fund as all resources and uses are externally restricted by RCW 69.50.505.
- \$8,850 in the Municipal Arts Fund is internally committed by LSMC 3.38.
- \$3,387,514 in the Capital Project Developer Contribution Fund as all resources and uses are externally restricted by RCW 82.02.
- \$1,264,033 in the Park Mitigation Fund as all resources and uses are externally restricted by RCW 82.02 or internally committed by LSMC 14.76.
- \$3,138,376 in the Real Estate Excise Tax I Fund as all resources and uses are externally restricted by RCW 82.46.
- \$4,408,111 in the Real Estate Excise Tax II Fund as all resources and uses are externally restricted by RCW 82.46.
- \$261,626 in the Downtown Redevelopment fund as resources are restricted for capital improvements.
- \$10,198 in the 20th Street SE Corridor as resources are restricted for capital improvements.
- \$111,767 in the Aerator Equipment Fund due to external restrictions within ILA with Snohomish County.

Note 2 – Budget Compliance

A. Budgets

The City adopts annual appropriated budgets for governmental, proprietary, and fiduciary funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General	\$17,400,071	\$14,599,782	\$2,800,289
Street	\$2,733,817	\$2,306,218	\$427,599
Drug Seizure & Forfeiture	\$40,000	\$0	\$40,000
Municipal Arts	\$20,350	\$0	\$20,350
LTGO 2008A Bond	\$349,705	\$349,905	(\$200)
LTGO 2010 Bond	\$37,082	\$37,082	\$0
2015 LTGO Bond (Ref)	\$95,955	\$95,955	\$0
Cap Proj-Developer Contrib	\$5,526,156	\$1,463,010	\$4,063,146
Park Mitigation	\$3,010,749	\$2,059,671	\$951,078
Real Estate Excise Tax I	\$1,128,878	\$329,078	\$799,800
Real Estate Excise Tax II	\$4,039,582	\$376,481	\$3,663,101
Downtown Redevelopment	\$3,381,627	\$273,513	\$3,108,114
Sidewalk Capital Project	\$622,000	\$295,946	\$326,054
20th Street SE	\$0	\$14,822	(\$14,822)
Sewer	\$1,090,198	\$1,090,197	\$1
Storm & Surface Water	\$2,153,467	\$1,984,618	\$168,849
Unemployment	\$30,000	\$31,666	(\$1,666)
Capital Equip - Computer	\$351,994	\$257,093	\$94,901
Capital Equip - Police	\$331,540	\$155,515	\$176,025
Capital Equip - PW	\$92,930	\$92,766	\$164
Aerator Equip Replacement	\$111,589	\$0	\$111,589
Refundable Deposits	\$178,252	\$67,945	\$110,307
Treasurer's Trust	\$403,740	\$321,104	\$82,636

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

The City budget contains managerial funds. For the purpose of financial statement presentation, the managerial funds are consolidated and in such cases interfund activity has been eliminated. Funds that have been consolidated if the financial statements include the Contingency Reserve Fund and the Permitting Fund with the General Fund; the Street Reserve Fund with the Street Fund; and the Sewer portion of the 2008 Bond Fund with the Sewer Fund.

Most debt service and capital fund budget requirements are met by the continuing appropriation contained in the enabling legislation.

Note 3 – Deposits and Investments

It is the City’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government’s name.

Investments are reported at amortized cost. Investments by type at December 31, 2018 are as follows:

Type of Investment	City’s own investments	Investments held by City as an agent for other local governments, individual or private organizations.	Total
L.G.I.P.	\$26,987,203	\$0	\$26,987,203
Total	\$26,987,203	\$0	\$26,987,203

The amounts reported as cash and investments also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average monthly compensating balance during 2018 was \$1,739,580.

Note 4 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City’s regular levy for the year 2018 was \$1.23 per \$1,000 on an assessed valuation of \$3,784,529,975 for a total regular levy of \$4,637,804.

Note 5 – Interfund Loans

The following table displays interfund loan activity during 2018:

Borrowing Fund	Lending Fund	Balance 1/1/2018	New Loans	Repayments	Balance 12/31/2018
310 - 20th Street SE Corridor CP	001 – General Fund	\$0	\$25,000	\$0	\$25,000
Total		\$0	\$25,000	\$0	\$25,000

Note 6 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city debt transactions for year ended December 31, 2018.

The debt service requirements for general obligation bonds, revenue bonds, public work and capital loans are as follows:

Year	Principal	Interest	Total
2019	\$1,267,285	\$160,587	\$1,427,872
2020	\$1,283,685	\$141,135	\$1,424,820
2021	\$1,304,185	\$121,004	\$1,425,189
2022	\$1,232,231	\$101,416	\$1,333,646
2023	\$1,024,539	\$82,883	\$1,107,422
2024-2028	\$3,785,724	\$232,678	\$4,018,402
2029-2033	\$1,509,940	\$60,404	\$1,570,344
2034-2038	\$1,508,672	\$22,630	\$1,531,302
Totals	\$12,916,261	\$922,738	\$13,838,998

The City of Lake Stevens and the Lake Stevens Sewer District entered into a Unified Sewer Services and Annexation Agreement on the 23rd day of May 2005 that was subsequently implemented January 1, 2006. This agreement called for a transfer of the City System to the District after which the District shall own, operate and maintain the entire wastewater collection, conveyance, treatment and discharge system in the UGA (Urban Growth Area). The agreement also provides for the ultimate transfer of the Unified Sewer System from the District to the City at a future date.

As part of this agreement, the District agreed to transfer to the City all funds necessary for the Public Work Trust Fund Loan No. PW02-691-029 and the City Sewer utility’s share of the 1997 General Obligation Bonds which the City has refunded with the 2008 LTGO Bonds. Additionally, the City has acquired three Public Work Trust Fund Loans for the design and construction of the new Treatment Plant. The District agreed to transfer to the City all funds necessary for the payment of the principal and interest of these loans.

Additionally, the Lake Stevens Sewer District requested to have \$6.6 million of a 2008 Public Works Trust Fund Loan (PWTF), held by the City of Lake Stevens, refinanced. The refinancing extended the 2008 PWTF loan maturity from 2028 to 2038, reducing annual debt service payments. The new principle and interest amounts began on July 1st, 2017.

The total future debt service requirements owed to the City by the Sewer District as of December 31, 2018, are approximately \$10,992,087.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees’ Retirement System (PERS) or Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF).

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

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

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

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

At June 30, 2018 (the measurement date of the plans), the city’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$179,509	0.026856%	\$1,199,398
PERS 2/3	\$264,825	0.034321%	\$586,001
LEOFF 2	\$153,114	0.088296%	(\$1,792,601)

LEOFF Plan 2

The city also participates in the LEOFF Plan 2. 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.

B. Defined Contribution Pension Plans

The City may also contribute funds to other defined contribution pension plans as documented in employee agreements. The City made the following contributions in 2018 per such agreements:

Plan Administrator	Plan Benefit Terms	Employer Contributions	Employee Contributions	Employer contribution amount for Fiscal Year 2018
Nationwide Deferred Compensation	Employer will contribute 5.23% of the employee’s salary into an approved 457(b) plan per employment agreement.	5.23%	Varies	\$6,051
ICMA Deferred Compensation	Employer will contribute 5% of the employee’s salary into an approved 457(b) plan per employment agreement.	5%	Varies	\$8,467

Note 8 – Risk Management

Liability Insurance – Risk Pool

The City of Lake Stevens 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 160 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 \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 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 \$300 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.

State Unemployment Compensation – Self-Insured

The City of Lake Stevens uses the "in-lieu contribution" basis for making payments to the Department of Employment Services (DES). Under this option, the DES pays the unemployment claims, and then bills the City for reimbursement. The City has created a reserve utilizing an internal service fund, by receiving periodic

cash contributions from the General, Street, and Surface Water Funds based on estimates of future unemployment claims. The balance in the fund at year end 2018, was \$66,167, and \$31,666 were paid in unemployment claims during 2018.

Note 9 - Other Disclosures

Joint Ventures – Alliance for Housing Affordability (AHA)

In September, 2013, the City of Lake Stevens joined the cities of Edmonds, Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Greek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May, 2014 to add the City of Arlington and in June, 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County (HASCO). Fiscal agent duties were transferred to HASCO during fiscal year 2018. The values included in the table below were audited and updated by the new fiscal agent and may be different than what was reported in previous years.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first two years of organizational start-up. The City of Lake Stevens equity share to date is:

Fiscal Year 7/1/XX – 6/30/XX	AHA’s Total Fiscal Year Budget	Lake Stevens’ Share of Budget	Lake Stevens’ Share as % of Total AHA Budget
2014	\$89,849	\$1,682	1.87%
2015	\$93,063	\$1,732	1.86%
2016	\$43,652	\$1,726	3.95%
2017	\$97,934	\$2,569	2.62%
2018	\$102,586	\$2,836	2.76%
2019	\$107,391	\$3,112	2.90%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from Pam Frost, Director of Finance, HASCO, 12711 4th Ave W, Everett WA 98204 (or email: pfrost@hasco.org) or from Chris Collier, Program Manager, Alliance for Housing Affordability, 12711 4th Ave W, Everett WA 98204.

Joint Ventures – Snohomish County Police Staff and Auxiliary Services Center (SNOPAC)

The city and other Police and Fire entities jointly operate SNOHOMISH COUNTY 911. SNOHOMISH COUNTY 911, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as

codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOHOMISH COUNTY 911 is with a 16 member Board of Directors which is specified in the Interlocal Agreement. SNOHOMISH COUNTY 911 takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOHOMISH COUNTY 911, any money in the possession of SNOHOMISH COUNTY 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall be returned to the parties to this Agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the city's share was \$571,460 on December 31, 2018.

Complete financial statements for SNOHOMISH COUNTY 911 can be obtained from SNOHOMISH COUNTY 911's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

Joint Ventures – AWC Employee Benefit Trust

The City of Lake Stevens 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, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, 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.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of

expected medical claims.

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

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

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

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

Note 10 – Subsequent Events

New Entity Creation and Assumption: In December 2018, the City of Lake Stevens City Council authorized Ordinance 1043, creating the Lake Stevens Transportation Benefit District with an effective date of January 1, 2019. On January 16th, 2019, the City of Lake Stevens, through passage of Ordinance 1044, assumed the rights, powers, functions and obligations of the Lake Stevens Transportation Benefit District. Funding sources have not yet been established and no expenditures have been made.

New Debt: In April 2019, the City authorized the issuance and sale of \$600,000 Limited Tax General Obligation Bonds to finance a portion of the cost to acquire a site for a decant facility. This is a 2.39% fixed rate bond with final maturity occurring on June 1, 2024. Prepayment is allowed without penalty. Debt service payments will be made from Storm Water Management funds.

**City of Lake Stevens
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	G.O. and Refunding Bonds (2008 A)	12/1/2028	1,845,000	-	135,000	1,710,000
251.11	G.O. Bonds (2008A)	12/1/2022	610,000	-	115,000	495,000
251.11	G.O. Bonds (2010A)	12/1/2018	36,266	-	36,266	-
251.11	G.O. Refunding Bonds (2015)	12/1/2023	537,000	-	85,000	452,000
263.87	Public Works Trust Fund Loan (2010)	7/1/2030	8,241	-	634	7,607
263.87	Public Works Trust Fund Loan (2002)	7/1/2022	428,456	-	85,691	342,765
263.87	Public Works Trust Fund Loan (2005)	7/1/2025	421,053	-	52,632	368,421
263.87	Public Works Trust Fund Loan (2006)	7/1/2026	3,685,855	-	409,539	3,276,316
263.87	Public Works Trust Fund Loan (2008)	7/1/2038	6,336,423	-	301,734	6,034,689
263.83	Emergency Radio System Capital Loan	12/31/2021	79,280	-	18,258	61,022
263.83	Parkway Crossing Project ILA	11/15/2021	42,800	-	10,700	32,100
263.51	Excavator Lease	12/31/2021	-	179,580	43,238	136,342
Total General Obligation Debt/Liabilities:			14,030,375	179,580	1,293,693	12,916,262
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		642,427	404,320	602,861	443,885
264.30	Pension Liability		2,298,495	-	513,096	1,785,399
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,940,922	404,320	1,115,957	2,229,284
Total Liabilities:			16,971,296	583,900	2,409,650	15,145,546

**City of Lake Stevens
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	FY2018	-	3,490	3,490	-	1.2
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2664 (003)	193,785	-	193,785	-	1.2
Total Highway Planning and Construction Cluster:				193,785	-	193,785	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	120-620-00	11,774	-	11,774	-	1.2
Total Highway Safety Cluster:				11,774	-	11,774	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington Parks & Recreation)	Boating Safety Financial Assistance	97.012	CY16 RBS	16,915	-	16,915	-	1.2
Total Federal Awards Expended:				222,474	3,490	225,964	-	

The accompanying notes are an integral part of this schedule.

City of Lake Stevens

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the cash basis of accounting.

Note 2 – Program Costs

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

Note 7 – Indirect Cost Rate

The amount expended includes \$0 claimed as an indirect cost recovery using an approved indirect cost rate of N/A percent. The city has elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.