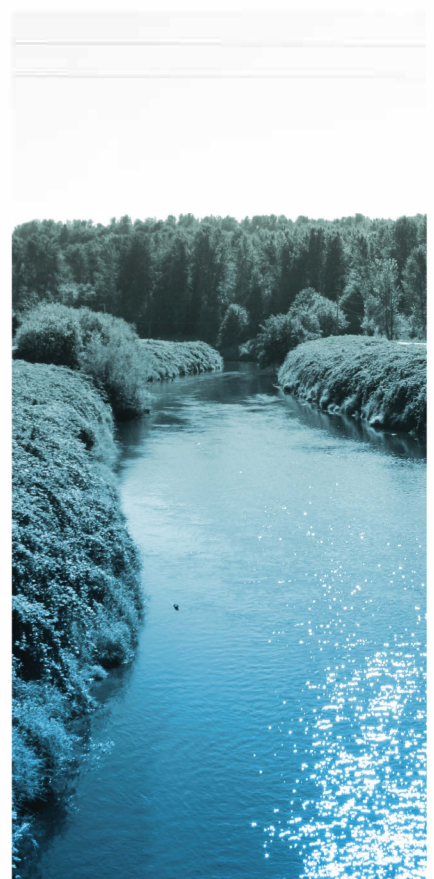




COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Kent, Washington

For the Fiscal Year Ended
December 31, 2018





Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2018

Prepared by:

Finance Department
Financial Reporting Division

Special Recognition:

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Lavina Brennecke, CPA, Accounting & Reporting Manager

Barbara Lopez, Interim Finance Director

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON



Our vision

Where people
CHOOSE TO LIVE
and businesses
**CHANGE
THE WORLD**

mission

The City of Kent is committed to building a safe, thriving, sustainable and inclusive community.

values

Integrity
Caring
Communication
Teamwork
Innovation
Achievement

goals

Thriving City
Evolving Infrastructure
Inclusive Community
Innovative Government
Sustainable Services

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON



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For the Fiscal Year Ended December 31, 2017
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FINANCE ADMINISTRATION

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Kent, WA 98032
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Phone: 253-856-5264

July 1, 2019

Honorable Mayor,
Members of the City Council,
and Residents of the
City of Kent, Washington

This correspondence transmits to you the City of Kent's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2018. This transmittal letter provides an overview of the report and the financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it. The report is prepared in accordance with the Revised Code of Washington (RCW) 43.09.230. Management's Discussion and Analysis presented on pages 5-23 has a different focus than the transmittal letter and should be read in conjunction with the transmittal letter.

The City of Kent Finance Department prepared the report and accepts complete responsibility for the accuracy, completeness, and fair presentation of the information included. The data is believed to be accurate in all material respects, and it is believed that all significant information necessary for an understanding of the affairs and financial condition of the City has been disclosed. The report has been prepared in conformance with accounting principles generally accepted in the United States of America and in conformance with financial reporting standards issued by the Governmental Accounting Standards Board (GASB).

THE REPORTING ENTITY

The City of Kent is located in southern King County, Washington State's most populous county. The City is centrally located in the Green River Valley, 18 miles south of Seattle and 18 miles northeast of Tacoma. Kent now serves approximately 128,900 residents, making it the sixth largest city in the state.

The City of Kent operates under an elected Council – Mayor form of government. There are seven Council members. The Mayor is full-time and responsible for carrying out the policies and ordinances of the governing council and overseeing the operations of the government. The Council and Mayor are elected on a non-partisan and city-wide basis. The elected terms of office for the Council members and Mayor are four years.

The City of Kent provides a full range of governmental services. At December 31, 2018, the City of Kent had 715.19 budgeted full-time equivalent employees providing services of general government, public safety, public works, and leisure services. In the public safety area, the Police Department had 213.75 budgeted police officers and non-uniformed personnel providing police and correction services to an expanding business and residential area. The Public Works Department provides engineering services for the City and maintains the City streets. In addition, Public Works operates the water, sewer, and drainage utilities that also serve many outside customers. The

Parks, Recreation and Community Services Department maintains parks and recreation fields located throughout the City and provides numerous opportunities for organized recreational activities for the greater Kent area. It ensures human service resources are delivered effectively and efficiently to Kent residents by developing and implementing policies that guide the funding of human service programs, providing housing assistance, and participating in regional and local issues affecting Kent residents. The department also operates a senior center for social and recreational programs as well as an 18-hole golf course and driving range. In the cultural area, the City has established cultural arts and sports programs. The Kent Special Events Center Public Facilities District is included in this report as a discretely presented component unit.

The biennial budget serves as the foundation for the City of Kent's financial planning and control. The City Council establishes direction for the City through its adopted strategic goals and values. Those Strategic Goals are reviewed quarterly and are used in developing a biennial budget. The budget kick-off starts in May. Departments meet with the finance department and develop their budgets during June and July and make their requests to Administration in August. A public hearing is held on the budget in September and the preliminary budget is prepared and submitted for Council review in late September. A second public hearing is held in October and the final budget is developed and submitted for Council approval in December.

ECONOMIC CONDITION AND OUTLOOK

The City of Kent is a unique community with a combination of residential, banking, warehousing, light manufacturing, retailing, wholesaling, and some farming. It is unique because it is in the geographical center of the region's economic development associated with the region's proximity to its Pacific Rim neighbors. Within 20 miles of City Hall, there are two interstate highways, a regional rail center, an international airport, and two international deep water seaports. Because of this, the City is one of the leading warehouse distribution centers in the nation.

There are approximately 80,000 people who work within Kent's city limits. Large private sector employers within city limits include Amazon with 3,971 employees, the Boeing Company (aircraft manufacturer) with 2,480 employees, REI Inc. (a recreational clothing and equipment retailer) with 874 employees, Carlisle Interconnect Technologies (electronic component manufacturing) with 845 employees, Blue Origin employees (engineering and manufacturing for space exploration) with 1,031, Exotic Metals Forming (aircraft parts manufacturer) with 1,186 employees, and Alaska Airlines with 648 employees.

Educational opportunities available to Kent residents are provided by five separate public school districts. Public transportation and sewage treatment services are provided by METRO, part of the King County government. These operations are not a part of the City of Kent's reporting entity, although the City does coordinate with these operations.

In 2007, the Legislature adopted SSB 5089 which brought Washington State into full compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) switching the State's sales tax methodology from origin based sourcing to a destination based sourcing for purposes of sales tax determination with respect to retail deliveries. The State also established mitigation for negatively impacted local governments based on the sourcing loss determination conducted in 2009. Since then, the City of Kent has received approximately \$5 million annually due to the sourcing loss.

In March 2015 the Puget Sound Regional Council issued its Industrial Lands Analysis report. This report provided an updated assessment of the economic activity on industrial land in the central Puget Sound region, including an analysis of industry forecasts and the regions ability to accommodate economic growth on industrial lands. According to the report, the \$5 million

mitigation from the State is equal to 39% of the estimated annual sourcing loss of \$12.7 million cited in the report. The sourcing loss determination conducted by the State was based on comparison fiscal year 2008 and 2009 activities and did not include an adjustment factor for subsequent recovery and growth in sales tax revenues.

During the City's 2019-2020 budget process, the State had clear plans to end the Streamlined Sales Tax (SST) mitigation payment and had removed these payments from its budget beginning in October 2019. In addition, the City was planning for the expiration of the Panther Lake Sales Tax Credit it receives from the State for our annexation of the Panther Lake area. The sales tax credit, available for 10 years, will expire June 30, 2020. The annualized negative impact to the City's General Fund revenues will be approximately \$4.7 million, or roughly 5%. The loss, coupled with the loss of streamlined sales tax mitigation discussed above, results in a negative impact of roughly \$10 million, or about 10%, to the City's General Fund. Colloquially, the City has used the term "fiscal cliff" to describe the magnitude of the loss.

To address this loss of revenues, the 2019-2020 biennial budget includes significant department reductions, as well as a series of strategic increases to the City's business and occupation (B&O) tax rates over the next few years. The policy focus of the budget was to incorporate efficiencies, maintain the public's safety, and honor the strategic goals.

At the end of the legislative session in April of 2019, the City learned that the streamlined sales tax mitigation payments were added back to the State's 2019-2020 biennial budget and the following four-year forecast. Because of the uncertainty of these revenues moving forward, the City has dedicated these funds for capital or other one-time uses.

The City is also working to resolve our on-going General Fund budgetary imbalance where expenses annually increase by roughly 2.2% and City revenues increase by roughly 1.1%. This imbalance isn't unique to the City of Kent and is something most local government jurisdictions grapple with annually. The City's budget philosophy is to forecast ongoing revenues realistically, albeit conservatively, and match our expenses to those revenue forecasts. The City recognized the revenue limitations associated with the budget, both in amount and source. Property tax collections are capped at 1% growth, plus new construction, and the City's other revenues such as Real Estate Excise Tax and Sales Tax while improving, are volatile. Along with budgeting realistic revenues, the City also budgets realistic expenditure levels which maintain service levels as well as contractual and debt obligations first and new programs or expansion of service levels only as resources permit.

Our budget process begins with an average budgetary "gap" of approximately \$1.8 million annually between expenses and revenues which needs to be closed each budget cycle. As with the loss of SST mitigation and the Panther Lake Annexation Credit, the City began adjusting our revenue and expenditure structure during the 2019 – 2020 budget process and will continue that work in the 2020 mid-biennium update.

MAJOR INITIATIVES

In early 2018, the City Council refined its direction for the City with adoption of a revised Vision, Mission and Strategic Goals. The City's vision statement reads: Kent – where people choose to live and businesses change the world. Since adoption, the Council reviews the strategic goals and the status quarterly. The five strategic goals identified in the plan and the key targets for the goals are:

Thriving City

Creating safe neighborhoods, healthy people, vibrant commercial districts and inviting parks and recreation.

Evolving Infrastructure

Connecting people and places through strategic investments in physical and technological infrastructure.

Inclusive Community

Embracing our diversity and advancing equity through genuine community engagement.

Innovative Government

Delivering outstanding customer service, developing leaders and fostering innovation.

Sustainable Services

Providing quality services through responsible financial management, economic growth and partnerships.

In 2018, the City began an initiative to create meaningful performance measures for which to compare our performance year over year. The City hired a Government Performance Analyst and contracted with an outside professional group to help the City understand and help departments to create performance measures and to help the City move from workload measures as the sole measurement of performance. The first of these performance measures were published in the 2019-2020 Adopted Biennial Budget and included at least one measure tied to each of the Council goals.

Actual revenue collections in 2018 met or exceeded budget in all fund classifications (General Fund, Special Revenue Funds, and Proprietary Funds) while expenditures came in at or below budgeted levels. This resulted in approximately a \$15.1 million increase in fund balances for the City's governmental funds over 2017 levels.

In December 2017 the City completed a "crossover" refunding of two outstanding revenue bonds saving the utilities \$871,000 over the life of the bonds. In a crossover refunding the new proceeds are held in an irrevocable escrow and those proceeds are used to make debt service payments on the refunding bonds until the call date of the original bonds. The original bonds are Build America Bonds (BAB's) and were used to finance capital improvements to the City's water collection and distribution system, the sanitary sewer and disposal system, and the storm and surface water utility. The City used a crossover refunding structure to take full advantage of the federal credit on the BAB's and to secure a more favorable interest rate on the refunding bonds. Both sets of bonds will remain on the books until the original bonds are callable in 2019.

Federal Way Link Extension: The Federal Way Link Extension project will extend light rail from Angle Lake Station in the city of SeaTac to the Federal Way Transit Center. The 7.8-mile extension includes three stations, two of which will be constructed in the City of Kent. The Kent/Des Moines Station will be located on the west side of 30th Avenue South, just south of Kent Des Moines Road; the Star Lake Station will be located adjacent to the Park and Ride west of I-5, north of South 272nd Street; and the Federal Way Station will be located adjacent to the Federal Way Transit Center. All stations will include a parking garage.

This project will be completed using a design build process which will commence in June 2019 and with an anticipated completion date of April 2024 when revenue service will begin. Heavy

construction on the project will begin in the spring of 2020. Once complete, service is expected every 6-8 minutes during peak hours taking 42 minutes to downtown Seattle. Sound Transit expects 29,000-34,000 daily riders by 2026.

Rally the Valley: For decades, the Kent Valley has created jobs and increased economic impact in the region. It is home to global leaders in the aerospace and advanced manufacturing sectors who add a crucial “hardware” technology layer to Seattle’s flourishing software scene. Warehousing and distribution uses have risen alongside these manufacturing uses; these trucking-intensive land uses demand significant public investment in roads and infrastructure, which have become more difficult for the City to finance after the change to Streamlined Sales Tax. With this shifting economic landscape in mind, the City has increasingly recognized the potential for the Kent Valley to evolve into a more modern employment hub for innovative industries and specialized work.

The City is seeking to identify and evaluate future economic opportunities for the Kent Industrial Valley in an effort dubbed “Rally the Valley” – a subarea planning project that brings together industry experts, stakeholders and businesses to modernize the city’s approach to industrial land regulation and incentivize amenities that help businesses retain talented workers. The outcome of this work will be a forward-thinking vision and strategies and land use policy changes, business incentives, financing tools, partnerships with adjacent jurisdictions and ports, and capital projects that help the Kent Valley serve the next generation of businesses and employees.

Meet Me on Meeker: The City’s design for the Meet Me on Meeker project, a Governor’s Smart Communities Award recipient, is part of a larger project to introduce “complete streets” principles into its built infrastructure. The Meet Me on Meeker project seeks to reimagine a main street in the City experiencing neglect and disinvestment planned to become a parallel five-lane arterial into a safe and welcoming environment for visitors and residents. The project aims to set the table for reinvestment for complementary multi-modal real estate projects by raising the standard of urban design and creating a more walkable, desirable urban street. Improvements such as the Meet Me on Meeker project are central to the city’s economic development strategy of placemaking.

Meet Me On Meeker implementation was kick-started in Spring 2018 when FNW Inc./Landmark Development broke ground on a two-phase mixed use development on the City’s former par-3 golf course site. Phase I of the development includes a six-story mixed use building, 14 three-story residential buildings, a clubhouse and public access through the site to the Green River Trail. When complete, Marquee on Meeker will serve as a new western gateway to downtown Kent and along the riverfront. “Midtown at 64th” is another significant private real estate project of more than 360 market rate apartments with convertible commercial flex spaces built directly to the street frontage. These two projects represent hundreds of millions of dollars of new investment and will bring an estimated 2,000 new residents to the City’s historic main street.

The City’s design makes it easier to walk, use transit, or ride a bike, which makes this commercial shopping street even more attractive for visitors or individuals seeking to visit existing businesses. The City has received several grants to construct portions of the Meeker project, in addition to the segments built as frontage by private development. This strategic funding approach ensures momentum on this project that is critical to the City’s future.

YMCA Partnership: In 2017, the City partnered with the YMCA of Greater Seattle on a project at the existing Morrill Meadows and East Hill park sites. This project combines and expands the existing park and constructs a 50,000 square foot YMCA facility. The expanded park will add a multi-use sports court, a new dog park, increased parking, trails, a small amphitheater, and an outdoor gathering/activity area. The YMCA will contain a gym, community meeting rooms, and a

six-lane, 25-yard pool. The facility will serve an estimated 11,000 members, as well as approximately another 11,000 patrons through outreach services, child care, case management, education, counseling, and sports programs. Further, it's estimated that the project will create approximately 150 jobs, from part-time entry level to full-time management positions. Construction of the facility is well underway and the YMCA is expected to open the facility in fall of 2019.

FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL

Internal Control System

The City's management is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and other governmental grants, the City is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control system is subject to periodic evaluation by management.

Accounting and Budgetary Control System

The accounting and budgetary control system of the City is based on the fund structure. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts segregated for the purpose of carrying out specific functions in accordance with special regulations, restrictions, or limitations. In 2018, the City reported on 24 individual funds. These are summarized into seven standard fund types to comply with the aforementioned standards of the Governmental Accounting Standards Board. The individual funds, in addition to being the basis of the accounting system, provide the legal budgetary control level for City expenditures. Certain funds operate on an annual budget. Other funds are project oriented or controlled by bond indentures or state law. The City requires Council approval on all budgetary adjustments. The Notes to Financial Statements describe the fund types and their individual operating characteristics.

Although budgetary control is at the fund level, revenue and expenditure data is maintained by project, organization, program and object code. The high level program and object codes are prescribed for all local government units by the State Auditor's Office for consistency of reporting statewide. The remainder of the coding structure is established at the City's discretion based on its operational and management needs. In addition to prescribing certain coding for consistent reporting statewide, the State Auditor's Office prescribes certain accounting formats and specialized reports.

The State Auditor's Office is required by state law to make periodic independent audits of the books of accounts, financial records, and transactions of the City. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2018 are free of material misstatement and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The

independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The audit is also designed to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. Additional financial disclosure information required by the State Auditor's Office is included in the Statistical Section or where appropriate as a part of the Notes to the Financial Statements.

In addition to the independent audit of the financial statements of the City, the City also has a Federally-mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. For the Single Audit, the State Auditor is required to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal grants. These reports are available in the State Auditor's Audit Report for the City.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN THE FINANCIAL REPORTING PROGRAM

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kent for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. That was the 17th year the City had achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements. As such, we are submitting this report to the GFOA to determine its eligibility for a certificate.

ACKNOWLEDGMENTS

The preparation of this report would not have been accomplished without the dedicated efforts of Finance department staff, in particular the General Ledger/Accounting team, and the significant work done by all City departments. We would also like to thank the Mayor, City Council members, and Chief Administrative Officer for their interest and support of our efforts to improve the City's Comprehensive Annual Financial Report.



Barbara Lopez
Interim Finance Director



Government Finance Officers Association

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

Presented to

**City of Kent
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

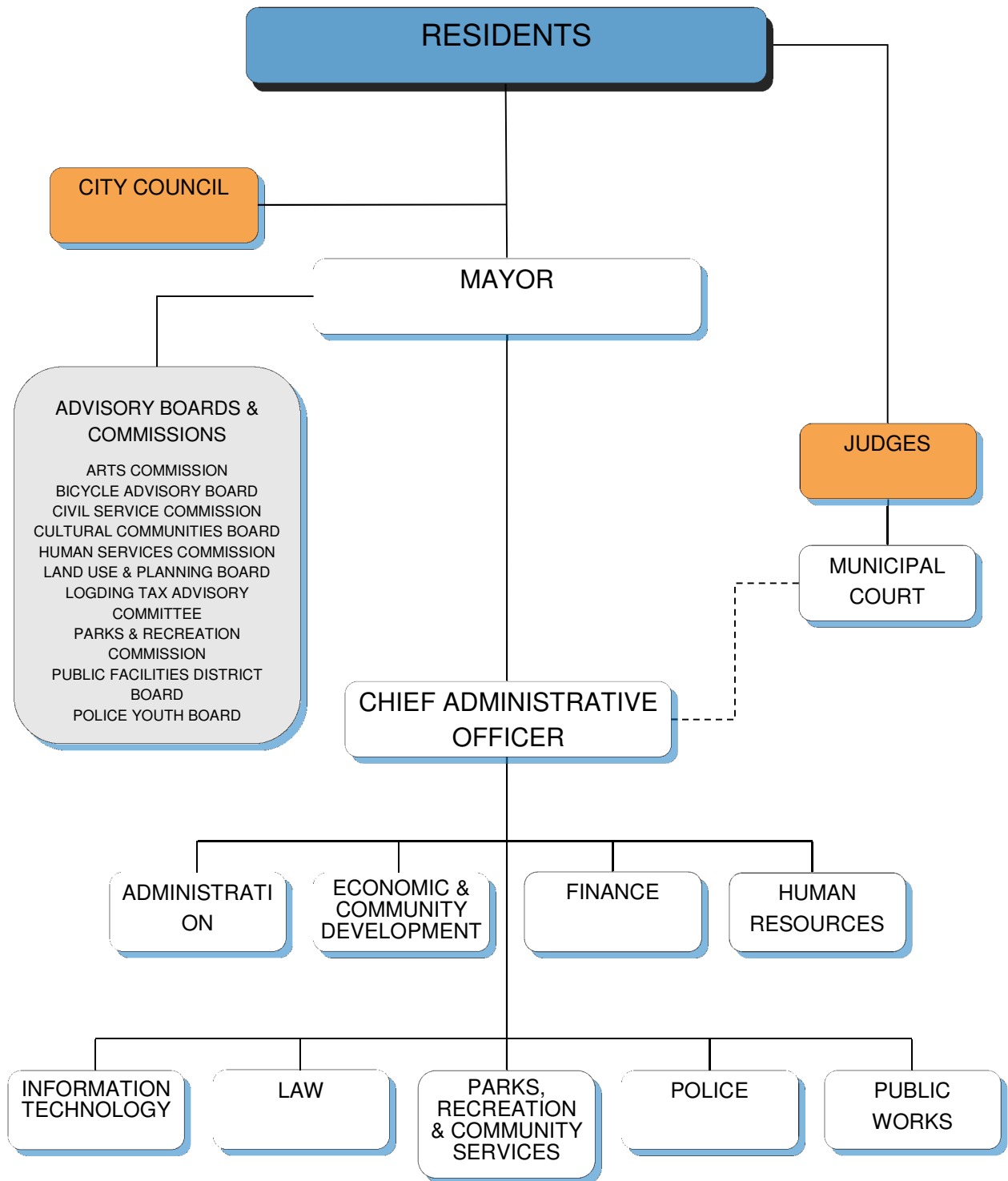
December 31, 2017

Christopher P. Morill

Executive Director/CEO

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON



PRINCIPAL OFFICIALS

Kent operates under a Mayor-Council form of government. The City Council consists of seven citizens of Kent who are elected at large to staggered, four-year terms. Members of the City council then elect one council member to serve as president of the Council. The member elected serves a two-year term as president, and can be re-elected to as many two-year terms as desired by a majority of the City council. The City Council President serves as the mayor Pro Tem during any absence from the city by the Mayor. The City Council has five committees: Economic and Community Development, Operations, Parks and Human Services, Public Safety, and Public Works.

Term Expiration

MAYOR

Dana Ralph 12-31-2021

COUNCIL MEMBERS

Bill Boyce, President	12-31-2019
Brenda Fincher	12-31-2021
Dennis Higgins	12-31-2019
Satwinder Kaur	12-31-2021
Marli Larimer	12-31-2019
Les Thomas	12-31-2019
Toni Troutner	12-31-2021

GENERAL GOVERNMENT

Derek Matheson, Chief Administrative Officer
 Pat Fitzpatrick, City Attorney
 Barbara Lopez, Interim Finance Director
 Natalie Winecka, Interim Human Resources Director
 Michael Carrington, Information Technology Director

ECONOMIC AND COMMUNITY DEVELOPMENT

Kurt Hanson, Economic and Community Development Director

PARKS AND RECREATION

Julie Parascondola, Parks, Recreation and Community Services Director

PUBLIC SAFETY

Rafael Padilla, Police Chief

PUBLIC WORKS

Tim LaPorte, Public Works Director





Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 1, 2019

Mayor and City Council
City of Kent
Kent, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kent, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kent, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Capital Resources funds 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 1 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. The combining financial statements and schedules 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements 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 July 1, 2019, 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

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CITY OF KENT, WASHINGTON

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". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

As management of the City of Kent, Washington (the City), we offer this narrative overview and analysis of the financial activities of the City of Kent for the fiscal year ended December 31, 2018. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

This discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter presented on pages A4 – A10 of this report and should be read in conjunction with the transmittal letter as well as the financial statements beginning on page 25 and the accompanying notes to the financial statements to gain a full understanding of the financial position of the City and the City's financial performance.

FINANCIAL HIGHLIGHTS:

- Net position (\$1.18 billion) increased by \$40.9 million or 3.6 percent from 2017 restated levels, comprised of a \$22.8 million or 3.0 percent increase resulting from governmental activities and a \$18.1 million or 4.8 percent increase from business-type activities. Approximately \$180.7 million or 15.3 percent of the total net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City implemented Statement No. 75 of the Governmental Accounting Standard Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) in 2018. This resulted in a \$23.4 million prior period adjustment to governmental activities net position, a 2018 OPEB expense of \$6.5 million, and 2018 non-current liability of \$29.8 million.
- Non-current liabilities (\$202.9 million) increased by \$15.1 million or 8.0 percent from 2017 levels with new \$29.8 million OPEB liability offset by a decrease of \$7.0 million in the net pension liability, 2018 debt payments and a reduction in the contingent loan guarantee.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the City of Kent's basic financial statements. The City of Kent's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and (3) notes to the financial statements. This report also contains other non-required supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Kent's finances in a manner similar to a private-sector business. All of the activities of the City, except those of a fiduciary nature, are included in these statements.

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows (excluding fiduciary funds), both current and long-term, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the City may be changing. Increases in net position may

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the City may have used previously accumulated funds (i.e. cash funding of capital projects). To assess the overall health of the City, other indicators, including non-financial indicators such as the City's property tax base and condition of its infrastructure, should also be considered.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, 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 in this statement for some items that will only result in cash flows in future years (e.g., uncollected property tax revenues and earned but unused vacation leave). This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

Both of the government-wide financial statements distinguish functions of the City of Kent 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 Kent include general government, judicial, public safety, community development, public works, leisure services, and health and human services. The business-type activities of the City of Kent include water, sewerage and solid waste utilities and a municipal golf complex.

The government-wide financial statements include not only the City of Kent itself (known as the primary government), but also the Special Events Center Public Facilities District. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25-27 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 Kent, 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 Kent can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The focus of governmental funds is narrow and it is useful to compare the information provided by the government-wide financial statements for governmental activities with the governmental funds statements. This may give the reader a better understanding of how long-term impacts are affected by near-term financing decisions. To facilitate this comparison, reconciliations between the governmental funds and the governmental activities are provided immediately following the governmental fund

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances.

The City reports on 14 individual governmental funds. Information is provided separately for four funds that the City considers to be major funds, and combines the other 10 funds into one column for a single aggregated report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The four major funds are the General Fund, Capital Resources Fund, Special Assessments Fund, and Street Capital Projects Fund.

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided within the basic financial statements for the General Fund and Capital Resources Fund to demonstrate compliance with the budgets. Budgetary schedules are also provided for the non-major special revenue funds in the Combining & Individual Fund Statements and Schedules section of this document.

The governmental major funds financial statements are found on pages 28-33 of this report.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the activities that are business-like in nature, and are included in the business-type activities in the government-wide financial statements. Enterprise funds primarily serve customers outside of the governmental unit. The City maintains four Enterprise funds: (1) Water Fund, (2) Sewerage Fund (Sewer and Storm Drainage utilities), (3) Solid Waste Fund and (4) Golf Complex Fund. Internal service funds are used to report business-type functions that operate internally within the City and allocate their services to the City's various functions. The City maintains four Internal Service Funds: (1) Equipment Rental Fund, (2) Central Services Fund (postage, central stores, copiers, print shop, media services, telephone services, and data processing services), (3) Facilities Fund, and (4) Insurance Fund (unemployment, workers' compensation, medical and dental, liability and property insurance programs). Since these services mainly benefit governmental rather than business-type functions, their assets and liabilities have been included within governmental activities in the government-wide statement of net position, but their functions are prorated as to their usage between governmental and business-type activities in the government-wide statement of activities.

Proprietary funds provide detailed information of the same type of information found in the government-wide financial statements. The City reports the Water, Sewer and Golf Complex funds as major funds, and includes the internal service funds in a single column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 134-141.

The proprietary fund financial statements can be found on pages 34-43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Kent's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains several agency funds, as well as a pension fund instituted for firefighters who were employed by the City prior to March 1, 1970.

The basic fiduciary fund financial statements can be found on pages 44-45 of this report.

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements and should be read in conjunction with the financial statements. The notes can be found on pages 48-110 of this report.

Other information. This report also includes required supplementary information concerning the City of Kent's employer contributions, money-weighted rate of return, and changes in net pension liability and related ratios for its Firemen's Relief and Pension Fund as well as certain required information for other pension plans. In addition, it provides information on the funding of the other post-employment benefits (including long-term care). This information can be found on pages 111-118 of this report.

Combining statements for non-major governmental funds are also presented on pages 120-127 immediately following the other information mentioned above. Included with the combining statements are budgetary comparison schedules for the various non-major special revenue funds, which are found on pages 128-132. The combining statements for the agency funds are found on pages 145-150 of this report. Individual statements for the self-insurance plans can be found on pages 152-155.

Additionally, budgetary comparison schedules for three funds separately budgeted but combined into the General Fund for financial reporting are included on pages 158-160 as well as supplementary schedules for governmental capital assets, additional information on changes in long-term liabilities and additional information on transfers between funds on pages 162-172.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following table reflects the condensed Statement of Net Position of the City for December 31, 2018, compared to the prior year.

CITY OF KENT'S NET POSITION

As of December 31*

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other Assets	\$ 161,897	\$ 144,755	\$ 111,784	\$ 93,327	\$ 273,681	\$ 238,082
Capital Assets	752,141	748,827	350,166	353,781	1,102,307	1,102,608
Total Assets	914,038	893,582	461,950	447,108	1,375,988	1,340,690
Deferred Outflows	54,951	58,944	994	1,002	55,945	59,946
Total Assets & Deferred Outflows	968,989	952,526	462,944	448,110	1,431,933	1,400,636
Liabilities						
Other liabilities	23,732	30,168	6,999	6,476	30,731	36,644
Long-term liabilities	140,880	121,329	62,016	66,465	202,896	187,794
Total Liabilities	164,612	151,497	69,015	72,941	233,627	224,438
Deferred Inflows	14,791	10,853	1,641	985	16,432	11,838
Total Liabilities & Deferred Inflows	179,403	162,350	70,656	73,926	250,059	236,276
Net Position						
Net Investment in Capital Assets	706,613	700,427	289,305	290,214	995,918	990,641
Restricted	4,353	4,729	928	985	5,281	5,714
Unrestricted	78,620	85,020	102,055	82,985	180,675	168,005
Total Net Position	\$ 789,586	\$ 790,176	\$ 392,288	\$ 374,184	\$1,181,874	\$1,164,360

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2018, assets and deferred inflows exceeded liabilities and deferred outflows by \$1,181.9 million.

By far the largest portion of the City of Kent's net position (\$995.9 million or 84.3 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, site improvements, and equipment) less depreciation and any related outstanding debt used to acquire or construct those assets. The City of Kent uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets and they are therefore not available for future spending. Although the City of Kent's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

Of the City of Kent's net position, \$5.3 million (0.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$180.7 million (15.3 percent), may be used to meet the city's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased \$12.7 million in fiscal year 2018.

The following table and graphs show the changes in net position, a comparison of program costs and revenues, and composition of the City's revenues. Following the graphs is a discussion of the various revenue streams for the City.

CITY OF KENT'S CHANGES IN NET POSITION

For the Years Ended December 31*

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Service	\$ 22,571	\$ 24,556	\$ 78,160	\$ 75,062	\$ 100,731	\$ 99,618
Operating Grants	8,223	8,254	380	316	8,603	8,570
Capital Grants	10,068	13,656	11,454	6,595	21,522	20,251
General Revenues:						
Taxes:						
Property Taxes	30,101	22,859	-	-	30,101	22,859
Sales Taxes	32,843	29,518	-	-	32,843	28,518
Utility Taxes	29,823	28,638	-	-	29,823	28,638
Business & Occupation Taxes	9,422	9,142	-	-	9,422	9,142
Other Taxes	9,077	8,426	-	-	9,077	8,426
Unrestricted Grants	6,346	6,619	-	-	6,346	6,619
Investment Earnings	2,177	1,386	1,789	632	3,966	2,018
Miscellaneous	1,051	487	-	-	1,051	487
Total Revenues	161,702	153,541	91,783	82,605	253,485	236,146

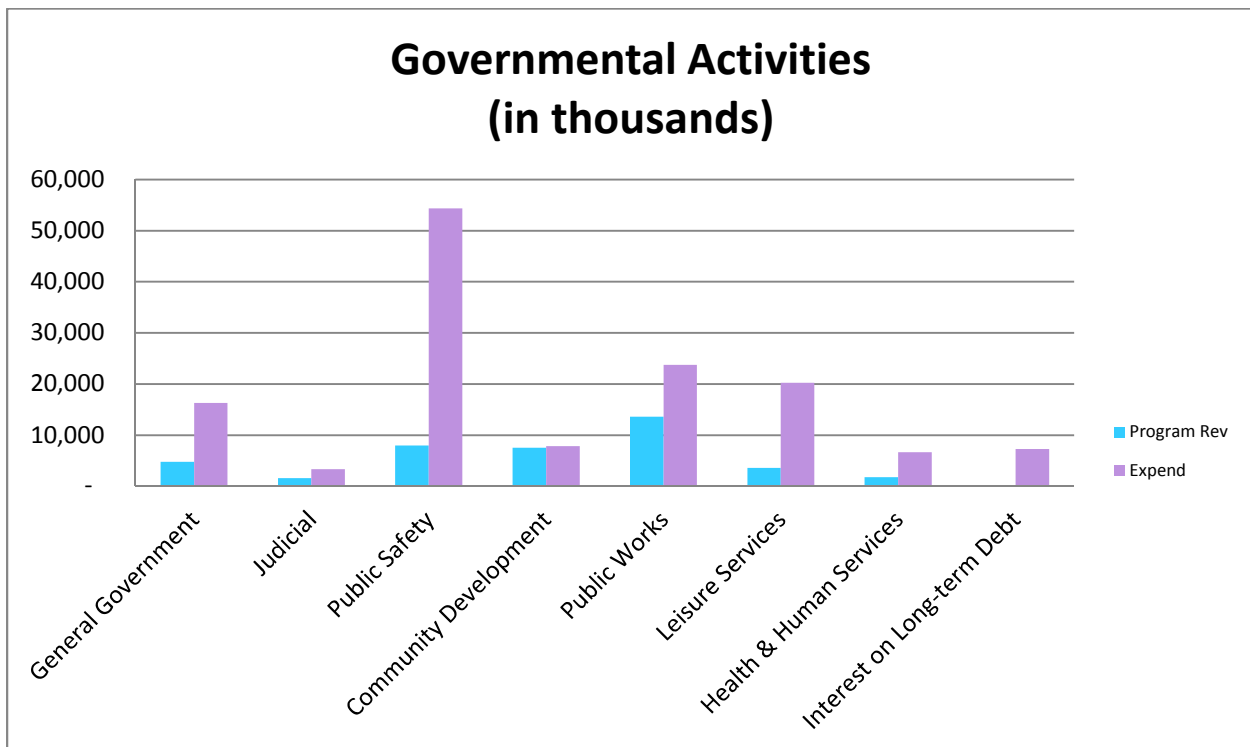
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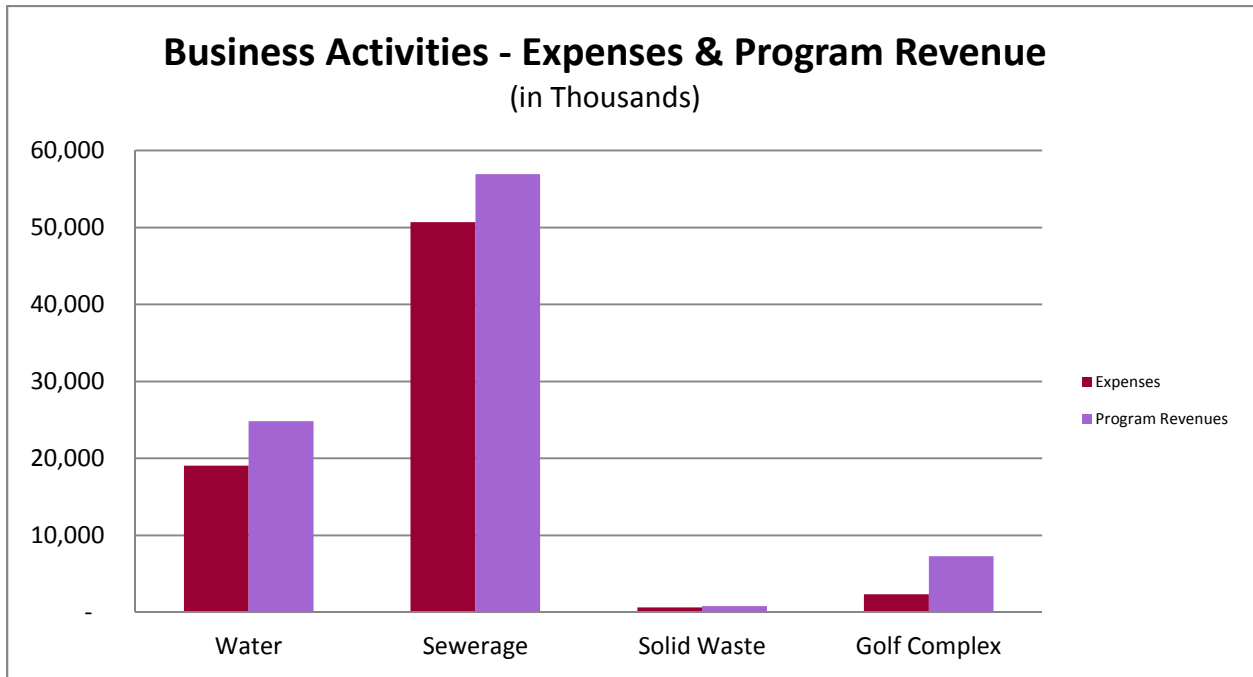
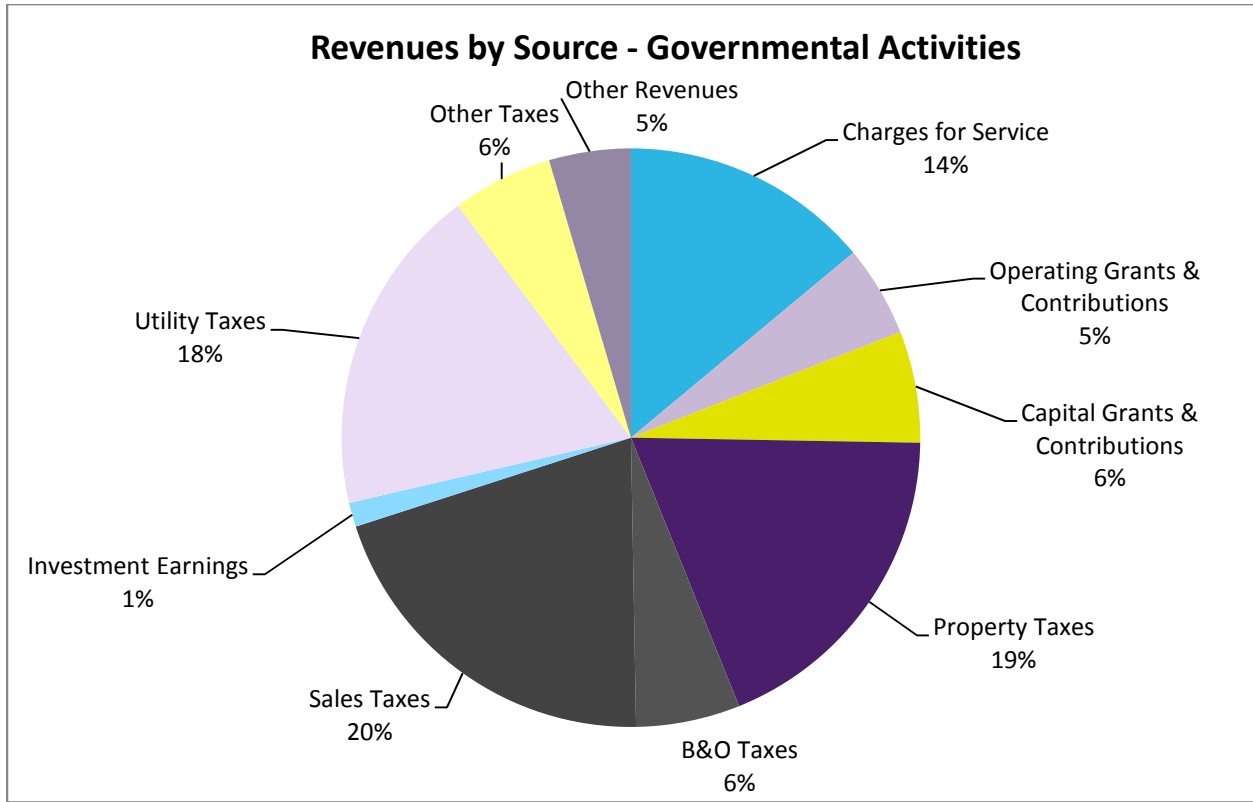
City of Kent

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Expenses:						
General Government	16,281	12,346	-	-	16,281	12,346
Judicial	3,355	3,158	-	-	3,355	3,158
Public Safety	54,367	46,517	-	-	54,367	46,517
Community Development	7,845	6,524	-	-	7,845	5,524
Public Works	23,755	22,021	-	-	23,755	22,021
Leisure Services	20,227	18,370	-	-	20,227	18,370
Health & Human Services	6,663	6,449	-	-	6,663	6,449
Interest on Long-Term Debt	7,247	7,491	-	-	7,247	7,491
Water Utility	-	-	19,180	18,100	19,180	18,100
Sewerage Utility	-	-	50,699	46,015	50,699	46,015
Solid Waste Utility	-	-	648	638	648	638
Golf Complex	-	-	2,348	2,454	2,348	2,454
Total Expenses	139,740	122,876	72,875	67,207	212,615	190,083
Increase in Net Position before Transfers	21,962	30,665	18,908	15,398	40,870	46,063
Transfers	804	174	(804)	(174)	-	-
Change in Net Position	22,766	30,839	18,104	15,224	40,870	46,063
Net Position – January 1	790,176	771,728	374,184	358,960	1,164,360	1,130,688
Prior Period Adjustment	(23,356)	(12,392)	-	-	(23,356)	(12,391)
Net Position – January 1 - Restated	766,820	759,337	374,184	358,960	1,141,004	1,118,297
Net Position – December 31	\$ 789,586	\$ 790,176	\$ 392,288	\$ 374,184	\$ 1,181,874	\$ 1,164,360

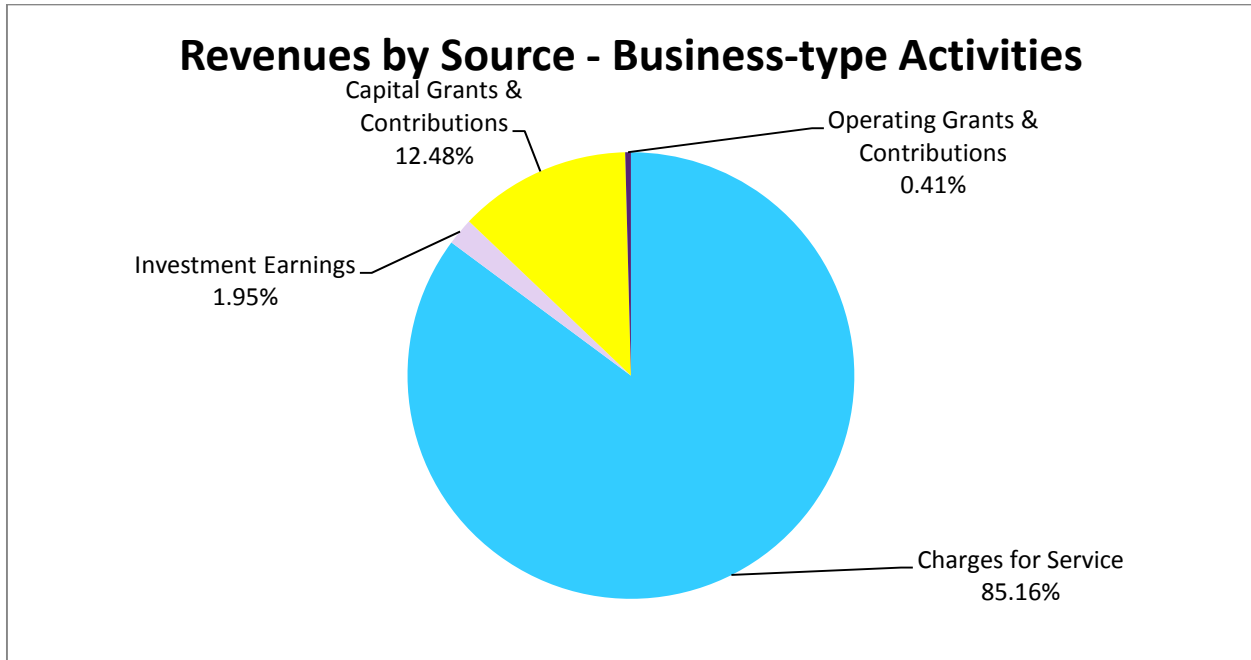


**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

City of Kent



City of Kent



Governmental activities. Governmental activities net position increased \$22.8 million (3.0 percent over the 2017 restated net position) in fiscal year 2018. Some key revenue and expenditure highlights of governmental activities for fiscal year 2018 are as follows:

- *Taxes* – Property Taxes (\$30.1 million), Sales & Use Taxes (\$32.8 million), Utility Taxes (\$29.8 million), Business & Occupation Taxes (\$9.4 million) and Other Taxes (\$9.1 million) increased by \$7.2 million or 31.7 percent, \$3.3 million or 11.3 percent, \$1.2 million or 4.1 percent, \$0.3 million or 3.1 percent, and \$0.7 million or 7.7 percent, respectively with continuing economic growth.

Property tax revenues are dependent on both the assessed valuation of property (provided by the King County Assessor) and the tax rate. Assessed valuation of properties has continued to increase (up 13.4% in 2018). While state law limits the maximum growth in property taxes on existing property to the lesser of one percent or the percentage increase in the Implicit Price Deflator, the law also allows governments to “bank” property taxes not levied. In fiscal year 2018, the City property tax levy included \$6.4 million of banked capacity, which was the entirety of bank capacity available.

- *Charges for Service program revenues* (\$22.6 million) decreased by \$2.0 million or 8.1 percent.
 - General Government increased \$0.3 million (7.2 percent) primarily due to the Internal Service Fund outside revenues, increased water franchise fees because of a new franchise agreement, and offset by lower cable franchise fees.
 - Public Works decreased \$1.7 million (51.1 percent) due to the misclassification in previous years of transportation impact fees as charges for services. In 2018 they are correctly classified as capital grants and contributions.
 - Leisure Services and Health & Human Services had slight increases with increased field rentals and senior recreation trip revenues.

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

- Community Development decreased \$0.3 million (4.1 percent) with increased building permit revenues but lower plan check and civil construction fees.
- Judicial and Public Safety decreased \$0.2 million or 14.5 percent and \$0.2 million or 3.8 percent with slightly lower fine revenues.
- *Grants and Contributions* –operating grants and contributions decreased slightly (0.4 percent) and capital grants decreased by \$3.6 million (26.3 percent). The decrease in capital grants and contributions is in public works due to lower federal and state grants for street construction projects, offset by the reclassification of the transportation impact fee revenues, and leisure services with fewer state and local grants for parks projects.
- Governmental Activities expenses increased \$16.9 million (13.7 percent) with every function except interest expense higher. Public Safety, General Government, Public Works and Community Development had the largest increases with \$7.9 million (16.9 percent), \$5.7 million (45.9 percent), \$1.7 million (7.9 percent) and \$1.1 million (16.2 percent) respectively. Leisure Services, Health & Human Services and Judicial increased \$0.4 million, \$0.2 million, and \$0.2 million respectively. Interest on long-term debt decreased \$0.2 million with decreasing debt.
 - *General Government expenses* (\$16.3 million) increased by \$3.9 million or 31.9 percent as compared to 2017. Salaries increased \$0.7 million primarily due to a 2.5 percent COLA and .65 new FTEs while benefits decreased \$0.2 million due to lower pension liabilities and deferrals. Commodities increased \$0.8 million and contractual services increased \$2.8 million. The increase in contractual services is primarily due to \$0.5 million increase in the internal service “look back” adjustment, \$0.4 million higher other professional services primarily due to information technology projects, and \$1.8 million in losses on disposal of capital assets (buildings). The increase in commodities is primarily due to increased computer equipment and software purchases.
 - *Judicial expenses* (\$3.4 million) increased \$0.2 million primarily due to a 2.5 percent COLA and one additional position partially offset by a reduction in pension liabilities and deferrals allocated to this function.
 - *Public Safety expenses* (\$54.4 million) increased \$7.8 million. Salaries increased \$1.3 million due to a three percent COLA and four new positions. Benefits increased \$5.8 million due to a \$6.5 million 2018 OPEB charge from the implementation of GASB Statement No. 75a offset by lower 2018 pension liabilities and deferrals.
 - *Community Development expenses* (\$7.8 million) increased \$1.3 million mostly in salaries and benefits with a 2.5 percent COLA and one new full-time position as well 3.25 FTE for temporary positions added during 2018. Community Development salaries were also impacted by higher salaries for some job reclassifications after the completion of a salary survey for non-represented positions. Contractual services also increased \$0.4 million with higher contractor services due to a downtown project as well as higher internal allocations of general fund services.
 - *Public Works expenses* (\$23.8 million) increased \$1.7 million primarily in salaries due to a 2.5 percent COLA and .5 new FTE as well as over \$.6 million in salary adjustments after the completion of a salary survey for non-represented positions. Commodities also

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

- increased \$0.5 million with higher construction supplies and sand/gravel/asphalt supplies.
- *Leisure Services expenses* (\$20.2 million) increased \$1.8 million with increased expenses in every category. Salaries and benefits increased with a 2.5 percent COLA as well as some salary adjustments after the completion of a salary survey for non-represented positions. Commodities increased with higher maintenance and construction supplies, while services increased due to higher payments to the management company for the ShoWare Center and an increase in the internal service "look back" adjustment allocated to Leisure Services.
 - *Health and Human Services expenses* (\$6.7 million) increased \$0.2 million. While salaries increased slightly with a 2.5 percent COLA, benefits decreased with lower pension liabilities and deferrals. Contractual services also increased \$0.3 million primarily due to additional youth/teen program and health & safety services expenses.

Business-type activities. Business-type activities net position increased \$18.1 million (4.8 percent) in fiscal year 2018. Key highlights of the change in net position are as follows:

- *Charges for Service (Operating Revenues)* (\$78.2 million) increased by \$3.1 million or 4.1 percent. The Water Utility rates were restructured for 2017, a new dedicated fire line charge was added, and an annual cost of living increase was added to the water, sewer and storm drainage utility rates based on the regional consumer price index (CPI). The increases are capped at the lower of the CPI or 2.4 percent until January 1, 2023, after which the cap expires and the CPI applies. For 2018, the increase was the 2.4 percent cap. Water Utility charges for service increased \$0.7 million, or 3.2 percent with the rate increase and new customers. In the Sewer Utility, the pass through rate from King County METRO for sewer did not change in 2018, while the City sewer and drainage fees increased by 2.4 percent. Charges for service in the Sewer Utility increased \$2.6 million (5.1 percent) with the rate increase and new customers, plus the City received a \$1.1 million excise tax refund from the State in 2018 based on a State audit of the excise tax payments. The Golf Complex charges for service decreased \$0.2 million in 2018 after the closing of the par 3 course at the complex. Refer to the analysis of the Proprietary Funds for further detail.
- *Operating Grants/Contributions* (\$0.4 million) increased by \$0.7 million with a damage recovery in the Water Utility, slightly higher King County solid waste grant and lease of part of the par 3 land at the golf complex.
- *Capital Grants/Contributions* (\$11.5 million) increased \$4.9 million (73.7 percent). The Water Fund had slightly higher connection fees, offset by decreased capital contributions, and system development fees. The Sewerage Fund increased \$0.6 million with higher grant monies received from King County for drainage infrastructure and higher developer donated capital contributions, partially offset by lower system development charges. The Golf Complex had a net gain of \$4.9 million on the sale of part of the par 3 property.
- *Expenses – Water Utility expenses (operating and non-operating)* (\$19.2 million) increased \$1.1 million (6.0 percent) while Sewerage Utility expenses (\$50.7 million) increased \$4.7 million (10.2 percent), the Golf Complex expenses (\$2.3 million) decreased \$0.1 million (4.3 percent), and the

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

Solid Waste Utility expenses increased slightly. Refer to the analysis of the Proprietary Funds for further detail on the changes.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

Governmental Funds. The focus of the City of Kent's governmental funds is to provide information 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 the government's near-term financing requirements.

At the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of \$96.1 million, an increase of \$15.1 million in comparison with the prior fiscal year balances. Of this amount, the unassigned fund balance is \$19.7 million, up \$2.9 million from the previous year. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$.1 million), 2) restricted for particular purposes (\$24.1 million), 3) committed for particular purposes (\$35.3 million), or 4) assigned for particular purposes (\$17.0 million).

The *General Fund* is the chief operating fund of the City of Kent. At the end of the current fiscal year, fund balance of the General Fund was \$29.0 million, representing a \$2.9 million or 11.1 percent increase from 2017. During 2011, the City implemented GASB 54. As a result, for reporting purposes, the General Fund is now comprised of the General Fund along with three funds once considered Special Revenue Funds of the City (Public Safety Retiree Fund, Operating Grants and Projects Fund, and the Kent Events Center Fund). For budgetary purposes, these special revenue funds are still separate from the General Fund. Factors affecting the General Fund's ending fund balance include:

- Total General Fund revenues increased \$10.2 million (10.1 percent) from the previous year, generally due to continued economic growth. The major changes are discussed below.
- Property taxes of \$30.0 million were up \$7.0 million from the previous year primarily due to the City levying \$6.4 million of "banked" property taxes along with increased assessed values.
- Sales and use taxes (\$24.7 million) increased \$3.6 million (17.0 percent) with continued economic growth, primarily a strong development and construction environment.
- Utility taxes (\$19.3 million) decreased \$0.4 million (1.8 percent) from the previous year. While the taxes on water, sewer and drainage services, including City utilities all had small increases, the taxes on cable, electric, gas and telephone all had small decreases. There were no tax rate changes in 2018.
- Business & occupation taxes (\$9.4 million) and other taxes (\$1.1 million) had small increases with the positive economy.
- Building licenses and permits showed a \$0.4 million increase due to continued development activity, while charges for service decreased \$0.7 million and fines and forfeitures and miscellaneous revenues experienced small decreases. The decrease in charges for service is

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

primarily in building related charges (plats, plan checking, plan reviews). Although building activity continues strong the 2017 building related charges spiked up with a couple large projects so the 2018 fees are down from the 2017 level, but still trending higher.

- General Fund expenditures increased \$6.1 million (7.6 percent) from the previous year with the largest increases in general government (\$0.9 million increase), public safety (\$2.3 million increase), leisure services (\$1.4 million increase) and community development (\$0.7 million increase). Overall, while the City faced increasing costs due to inflation and increased costs of employee benefits, the City has continued to closely monitor services and budgets to maintain adequate reserves and create sustainable programs.
 - The increase in general government expenditures is primarily in salaries and benefits due to a 2.5 percent COLA, .65 additional FTEs and increased medical insurance costs. Contractual services expenditures also increased with higher credit card merchant fees and intergovernmental services (King County election services, voter registration services and animal control services).
 - The increase in public safety is \$1.2 million in salaries and benefits due to a 3.0 percent COLA, higher overtime, and salaries and benefits for four new positions as well as increased medical insurance costs. Contractual services expenditures are also \$1.1 million higher with increased LEOFF 1 retiree medical insurance costs, higher internal liability insurance charges due to claims history, and higher intergovernmental services for charges provided by Valley Communications for 911 and dispatch services, emergency management, fire prevention and fire investigation services provided by Puget Sound Regional Fire Authority and a contract with another government for prisoner housing.
 - The increase in leisure services salaries and benefits (\$0.7 million) is due to a 2.5 percent COLA, higher overtime, and increased medical insurance costs. Commodities are higher \$0.2 million for maintenance and construction supplies for parks maintenance and small equipment replacements at the ShoWare Events Center. Contractual Services increased \$0.6 million primarily due to larger payouts to the management company that operates the ShoWare Center.
 - Community development expenditures increased in salaries and benefits with a 2.5 percent COLA and one new full-time position as well 3.25 FTE for temporary positions added during 2018 and higher medical insurance costs. Community Development salaries were also impacted by higher salaries for some job reclassifications after the completion of a salary survey for non-represented positions.

Other major funds are the *Capital Resources Fund*, the *Special Assessments Fund*, and the *Street Capital Projects Fund*. Analysis of changes in net position from 2017 levels:

- *Capital Resources Fund*. Fund balance decreased by \$0.3 million. Revenues are up slightly primarily due to real estate excise taxes (REET) coming in higher than budgeted. Because of its potential volatility, the City conservatively budgets REET, and makes budget overages available for capital projects in the following budget. The primary revenue sources for the Capital Resources Fund are sales and use tax, utility tax and real estate excise tax. While both sales taxes and utility taxes revenues increased in 2018, the percent of sales taxes that is allocated to the Capital Resources Fund was reduced from 27.5 percent to 22.3 percent causing a reduction in sales tax revenues in this fund. This fund is responsible for transfers to the debt service fund for the General Fund debt service payments, which accounts for \$7.1 million of the

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

\$21.6 million in 2018 transfers out. The balance of the transfers out were generally to fund various capital projects.

- *Special Assessments Fund.* Fund balance decreased by \$0.1 million as funds were transferred to fund capital projects being constructed for the Local Improvement Districts (LIDs). Revenue in the fund is primarily collected from property owners for special assessments related to their property and that money is used for payment of debt service related to those assessments as well as transfers to capital projects being funded by the LIDs. The last of the outstanding LID bonds were paid off in 2018. In 2018, revenues decreased \$0.5 million from 2017 revenues due to improvement districts being completed and closed. Transfers out to capital projects decreased \$0.6 million, again as projects are completed.
- *Street Capital Projects Fund.* Fund balance decreased \$0.8 million to \$9.3 million. Revenues decreased \$2.4 million primarily due to fewer grants as some grants funded projects were completed. Expenditures on capital projects increased \$0.9 million.

Proprietary Funds. The City of Kent's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's Enterprise utility funds continued to provide sufficient working capital to service their debt and fund capital outlays. Approximately \$1.0 million or 0.3 percent of the Enterprise funds' net position (\$374.2 million) is restricted for debt service bond covenant requirements. Analysis of changes in net position from prior fiscal year levels:

- *Water Fund.* Net position increased by \$6.5 million or 4.7 percent over the 2017 net position. This increase was due to net operating income of \$5.2 million, less non-operating net expenses, including transfers in/out, of \$0.9 million, plus capital contributions of \$2.2 million. Operating revenues increased \$0.7 million or 3.2 percent with 2.4 percent rate increase and new customers. Operating expenses increased \$0.8 million. Salaries increased \$0.1 million with a 2.5 percent COLA while benefits decreased slightly due to higher medical insurance costs offset by lower pension liabilities and deferrals. Services and charges expenses increased \$0.8 million with decreased charges for the City's participation in the Tacoma water pipeline system, increased internal charges for certain services, including the internal utility taxes, and some capital project costs that were expensed rather than capitalized. The operating income for 2018 was \$0.2 million lower than 2017. Capital contributions decreased \$0.3 million with lower developer contributed capital and system development fees.
- *Sewerage Fund.* Fiscal year 2018 net position increased by \$6.3 million or 2.7 percent over the 2017 net position. While operating revenues increased \$2.6 million (5.1 percent), operating expenses increased \$4.6 million (10.1 percent) compared to 2017. While the City's rate for sewer and drainage fees increase 2.4 percent in 2018, the pass through rate from King County METRO did not change. In 2018, the Sewer Fund received a \$1.1 million refund from the State for overpaid excise taxes from previous years. Salary and benefits increased \$1.2 million in 2018 due to a 2.5 percent COLA and increased medical insurance costs. Depreciation expense increased \$0.3 million with the capitalization in 2017 of several projects. Services and charges expenses also increased \$2.9 million with increased METRO charges, some capital project costs that were expensed rather than capitalized, licenses and permit expense to renew the storm drainage monitoring permit with the State, and increased internal charges for certain services, including the internal utility taxes and building & grounds maintenance. Capital contributions in the Sewerage Fund increased \$0.6 million with higher grant monies received

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

from King County for drainage infrastructure, higher developer donated capital contributions and lower connection charges.

- *Solid Waste Fund.* The Solid Waste Fund is a non-major fund, but since it is the only non-major proprietary fund, it is presented in the basic financial statements. The Solid Waste Fund was created in 2016 pulling revenues and expenditures previously in the General Fund and the Environmental Mitigation Fund. In 2018, net position increased \$0.1 million with small increases in operating revenues and operating expenses.
- *Golf Complex.* Net position increased by \$5.2 million in 2018, primarily due to a \$4.9 million gain on the sale of part of the land. In 2018, the Par 3 course at the complex was closed and the land was sold to a developer. The negotiated sale price of the land was \$10.5 million to close in two phases. The City received \$6.1 million in 2018 for Phase I of the sale. The Operating revenues decreased \$0.2 million, while expenses decreased by \$0.1 million, primarily due to closing the Par 3 course. The City is using the funds from the sale to upgrade the other facilities at the complex.

Additional information on the City of Kent's Enterprise funds can be found in Note 11 on page 78 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The General Fund's expenditure budget, including transfers out, (see Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 32) was increased by \$6.8 million from the original budget.

- Adjustments of \$465,080 were made to the various budgets to cover the additional costs above the adopted budget estimates of wage increases for non-represented employees. These adjustments were from the adopted contingency and only increased the total general fund budget by \$5,010.
- Adjustments of \$106,840 were made to the various budgets to cover additional costs of the City's liability insurance program.
- An adjustment of \$453,590 was made to the Community Development budget to fund 3.25 new limited time positions in the permit center.
- The Community Development, Leisure Services and Health and Human Services budgets were increased by \$82,360, \$100,000 and \$113,187 respectively to cover carryover items from the previous budget.
- Transfers out from the General Fund to the Capital Resources Fund were increased by \$1,250,000 for additional capital funding.
- Transfers out from the General Fund to the Self-Insurance Fund and the Public Safety Retiree Fund were increased by \$1,300,000 and \$1,000,000 respectively to move excess General Fund revenues to fund medical and liability insurance costs.

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

- Transfers out from the General Fund to various funds were increased by \$2,500,000 to move excess revenues to fund various capital projects.
- The Leisure Services and Health and Human Services budgets were also increased by \$47,500 to for various grants. This increase is offset by grant revenues.

CITY OF KENT'S GENERAL FUND BUDGET ACTIVITY BY FUNCTION For the Year Ended December 31, 2018

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 12,073,150	\$ (306,010)	\$ 11,767,140
Judicial	3,349,550	55,480	3,405,030
Public Safety	42,428,270	(12,580)	42,415,690
Community Development	6,634,790	665,550	7,300,340
Public Works	1,318,470	-	1,318,470
Leisure Services	12,276,910	125,600	12,402,510
Health & Human Services	5,856,080	261,767	6,117,847
	\$ 83,937,220	\$ 789,807	\$ 84,727,027

Significant budgetary variances between budget and actual for the General Fund are as follows:

- *Taxes.* Actual tax collections were \$4.9 million over budget. While all tax classifications were above budget, sales and use tax comprised the majority of the overage at nearly \$3.6 million or 17.1 percent over budget. The increased collections are largely the result of a strong construction economy.
- *Licenses and Permits.* Licenses and permits were \$1.9 million or 32.7 percent over budget. Both building permits and other licenses and permits ended the year above budget, largely as a result of increasing development activity.
- *Charges for Services.* Charges for services were \$0.7 million or 10.8 percent above budget largely in planning related fees. Recreation fees, although up slightly from 2017 levels, fell slightly below the 2018 budget.
- *Functional Expenditures.* Overall, salaries and benefits ended the year under budget by \$479,738 despite increases in police overtime. Departments continue to closely monitor supplies and services expenditures to maintain savings wherever possible, so all of the general fund functions, except Public Safety and Judicial, had budget savings in fiscal year 2018.
 - *General Government Expenditures* - The general government expenditures were \$502,482 or 4.3 percent under budget with small savings in various divisions and accounts.
 - *Community Development Expenditures* - Saved \$655,611 (9.0 percent), primarily in salary and benefits but also some savings in supplies and services.
 - *Public Works Expenditures* - Public works had \$162,908 (12.4 percent) in budget savings due to lower internal allocations to annexation.

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

- *Leisure Services Expenditures* - Were \$474,815 (3.8 percent) below budget with savings in all categories, but the largest savings in contractual services.
- *Health and Human Services Expenditures* - Had budget savings of \$239,753 including salary and benefit savings as well as various other savings throughout the programs.
- *Public Safety Expenditures* - Exceeded budget by \$380,009 due to increased overtime partially offset by savings in other areas.
- *Judicial Expenditures* – Exceeded budget by \$37,077 with salary and benefit savings offset by higher costs for court interpreter services.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets. The City of Kent's capital assets for its governmental and business type activities as of December 31, 2018, were \$1.1 billion (net of accumulated depreciation), comprising 80.1 percent of the primary government's total assets at year-end. This investment in capital assets includes land, buildings, site improvements, equipment, infrastructure, and construction in progress as of that date.

Capital asset events during the current fiscal year included the following:

Governmental Activities:

- *Infrastructure.* During 2018, infrastructure increased as streets projects were closed and capitalized totaling \$14.1 million, less \$7.0 million infrastructure assets removed. In addition, the City received developer contributions totaling \$0.5 million. The annual depreciation of \$12.8 million was also recorded resulting in the net decrease to infrastructure of \$5.4 million as compared to 2017. Some significant projects capitalized in 2017 include \$2.6 million for BNSF Grade Separation, \$1.8 million for S 212th St & 72nd Ave concrete, \$1.7 million James St concrete, \$1.5 million for sidewalk renovations, \$1.5 million 132nd Ave pedestrian improvements, \$1.2 million for 108th & 208th Ave intersection and \$1.1 million for S 212th Way asphalt.
- *Land.* Land assets were increased by \$0.9 million in 2018 with the purchase of parks land.
- *Buildings.* Net buildings decreased \$4.7 million in 2018 with the capitalization of the Lake Meridian bathhouse for \$0.5 million, less the disposal of \$1.8 million (net of accumulated depreciation) and \$3.4 million in 2018 depreciation.
- *Site Improvements.* Net site improvements increased by \$2.4 million as compared to 2017 with \$4.6 million in additions for parks projects, \$0.3 million in trails projects and \$2.5 million in 2018 depreciation.
- *Equipment.* Net equipment increased by \$1.6 million in 2018. This was additions of \$5.0 million less net disposals of \$0.1 and depreciation of \$3.3 million. The additions include \$3.2 million in various fleet equipment and \$1.8 million in various other equipment.
- *Construction in Progress.* Construction in progress (\$34.7 million) increased \$8.6 million from 2017. While 2018 spending on projects was \$29.2 million, \$14.6 million of completed projects

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

were recorded as land, building, site improvements or infrastructure, while \$14.6 million were determined to be non-capital in nature and were expensed. Some of the larger projects closed and moved to other capital asset categories were noted above under infrastructure and site improvements.

Business Type Activities:

- *Construction in Progress.* Compared to 2017, construction in progress increased \$0.5 million in 2018 as the City constructed and capitalized or expensed projects. While 2018 spending on projects was \$10.3 million, \$6.3 million in projects were completed and capitalized from CIP into other capital asset categories, and \$4.0 million were determined to be non-capital in nature and were expensed.
 - Some projects that were completed and capitalized in 2018 are:
 - \$1.1 million Water Source Development
 - \$1.0 million Water System Improvements
 - \$1.9 million W Meeker Storm Drain
 - \$0.6 million Valley Channel Rehabilitation
- *Land.* Land assets were increased by \$0.2 million in 2018 with the purchase of \$1.2 million in various parcels for water and sewer/drainage projects, less the disposal of \$1.0 of land at the golf complex.
- *Site Improvements.* Additions to site improvements for 2018 were \$5.8 million, less disposals of \$0.3 million and depreciation was \$10.2 million (net of disposals) resulting in a net decrease of \$4.7 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress mentioned above plus \$0.8 million in developer contributed assets.
- *Equipment.* Net equipment increased by \$0.6 million in 2018. This was additions of \$0.9 million less depreciation of \$0.3 million. The additions to equipment included \$0.1 million in capitalization of completed projects and \$0.8 million in new equipment for the golf complex.

CITY OF KENT'S CAPITAL ASSETS (Net of Accumulated Depreciation) As of December 31

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 228,970	\$ 228,056	\$ 17,949	\$ 17,703	\$ 246,919	\$ 245,759
Buildings	90,201	94,952	46	307	90,247	95,259
Site Improvements	34,138	31,790	308,615	313,345	342,753	345,135
Equipment	16,225	14,635	2,856	2,240	19,081	16,875
Infrastructure	347,936	353,316	-	-	347,936	353,316
Construction in Progress	34,671	26,078	20,700	20,185	55,371	46,263
Total Capital Assets	\$ 752,141	\$ 748,827	\$ 350,166	\$ 353,780	\$1,102,307	\$1,102,607

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 72-74 of this report.

Management’s Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

Long-term Debt. At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of \$107.7 million. Of this amount, \$78.7 million or 73.0 percent comprises general obligation debt backed by the full faith and credit of the government. The City intends \$1.2 million or 1.5% of the outstanding general obligation bonded debt to be repaid through utility fund user fees. The remainder of the City of Kent’s bonded debt (\$29.1 million) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF KENT’S OUTSTANDING BONDED DEBT*

As of December 31

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 77,458	\$ 83,092	\$ 1,228	\$ 1,564	\$ 78,686	\$ 84,656
Special Assessment Bonds	-	160	-	-	-	160
Revenue Bonds	-	-	29,060	30,200	29,060	30,200
Total Bonded Debt	\$ 77,458	\$ 83,252	\$ 30,288	\$ 31,764	\$ 107,746	\$ 115,016

* Gross debt - does not include discounts or premiums

The City of Kent’s total bonded debt decreased by \$7.3 million or 6.3 percent during the current fiscal year. No new bonded debt was issued in 2018. All required debt service payments were made during 2018.

At December 31, 2018, the City of Kent carried an “AA+” rating from Standard and Poor’s as of April 21, 2016 and an “Aa3” rating from Moody’s as of December 7, 2017 on the general obligation debt and a rating of AA by Standard & Poor’s Ratings Services as of December 6, 2017 on the revenue bonds.

The State of Washington limits the amount of general obligation debt a governmental entity may issue with and without a vote. The City’s remaining unused debt capacity at year-end was \$1,316 million.

Additional information on the City of Kent’s long-term debt can be found in Note 9 on pages 74-80 of this report.

ECONOMIC FACTORS AND BUDGETARY IMPACTS:

The City uses a biennial budget process, adopting two one-year budgets where the expenditure authority lapses at the end of each fiscal year (December 31st). The City includes a mid-biennium adjustment process for the between years of the biennium. The mid-biennium adjustment allows an opportunity for the City to adjust revenue projections and planned operating and capital expenditures.

The adopted 2019-20 budget of \$676.8 million is an increase of 7.3 percent from the previous biennium and subsequent 2018 mid-biennium update. The budget continues the City’s focus on incorporating efficiencies, maintaining the public’s safety, reducing internal debt obligations, maintaining adequate reserves and honoring the strategic goals set by Council. In addition, it continues to fund the five priority areas identified by the City’s community-based Financial Sustainability Task Force, which are: 1) police personnel; 2) quality maintenance of arterials, roads and streets; 3) enhance economic development and growth; 4) quality maintenance of water, sewer and surface water systems; and 5) information technology systems upgrades. New initiatives or expansion of current programs/services,

Management's Discussion and Analysis For the Year Ended December 31, 2018

City of Kent

backed by sustainable revenues, were adopted based on need, value to the public and correlation to Council's strategic goals.

After experiencing significant growth in sales tax over the past years, that growth appears to be slowing in all segments but construction. Due to the strong construction economy, sales tax collections continue to be in excess of budget. However, it remains an area that is closely monitored as each month's collections are received and any excess revenues are allocated to one-time purposes.

Development and construction activities within the City remain robust and are expected to continue into 2019, generating strong building permit and plan check fees revenues. However, these somewhat volatile revenues are estimated cautiously, with a bias toward underestimating. Any excess revenues collected during the year are used strategically for one-time purposes or to increase reserves.

During the 2019-20 budget process, the City was grappling with what was colloquially called the "fiscal cliff", which was caused by (1) the unexpected loss of \$5 million of streamline sales tax mitigation from the State beginning in October 2019 and (2) expiration of the Panther Lake annexation sales tax credit on June 30, 2020, which is approximately \$4.7 million annually. To address this loss of revenues, the adopted budget includes significant department reductions, as well as a series of strategic increases in the City's business and occupation (B&O) tax rates for both the gross receipts and square footage portions of the tax. When fully implemented, these rate increases are expected to generate about \$12 million annually for general operations.

Similar to many local government jurisdictions, the General Fund continues to experience a budgetary imbalance, where expenditures increase annually by about 2.2 percent while revenues increase by about one percent. The budget process begins with an average annual "gap" of about \$1.8, which must be resolved each budget cycle. With the 2019-20 biennial budget, the City began restructuring the General Fund revenues and expenditures. That work will continue into the 2020 mid-biennium update.

All positions, whether filled or vacant, are budgeted for the full year. Vacant positions are conservatively budgeted, assuming the family plan selection for medical insurance benefits. Labor contracts with AFSCME and Teamsters were settled in late 2016, both moving away from cost of living adjustments based on CPI. Wage increases of 2.5 percent for AFSCME, Teamsters and non-represented employees were effective in January 2018, 0.5 percent for Teamsters and 1.0 percent for AFSCME and non-represented employees in July 2018, and 2.1 percent for all three groups in January 2019. The KPOA Sergeants and Officers contract called for a 3 percent pay increase effective in January 2018, while the Commanders and Assistant Chiefs contract contains wage increases based on CPI-W July to June.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the City of Kent's finances. Questions concerning the information provided in this report may be addressed to:

City of Kent, Finance Department
220 Fourth Avenue South Kent, WA 98032-5895

www.kentwa.gov



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Special Events Center PFD
ASSETS				
Cash and cash equivalents (Note 4)	\$ 50,491,940	\$ 33,434,050	\$ 83,925,990	\$ 69,637
Investments, at fair value (Note 4)	68,817,503	45,579,329	114,396,832	93,977
Receivables (net of allowances) (Note 5)	22,511,166	10,148,285	32,659,451	186,688
Internal balances (Note 6)	(3,929,140)	3,929,140	-	-
Due from other governments	712,147	-	712,147	-
Inventory, at cost	138,216	639,205	777,421	-
Prepaid items	280,177	-	280,177	19,434
Investment in Joint Venture (Note 15)	8,090,075	-	8,090,075	-
Restricted assets:				
Cash with fiscal agent/trustee	1,800,575	15,047,188	16,847,763	-
Cash and cash equivalents (Note 4)	-	1,269,928	1,269,928	-
Investments (Note 4)	-	1,736,625	1,736,625	-
Note receivable from component unit (Note 5)	80,025,870	-	80,025,870	-
Less: Allowance for uncollectible	(80,025,870)	-	(80,025,870)	-
Property, plant, and equipment: (Note 7)				
Not being depreciated	263,641,232	38,648,895	302,290,127	-
Being depreciated, net of depreciation	488,500,055	311,516,989	800,017,044	-
Net pension asset	12,983,878	-	12,983,878	-
TOTAL ASSETS	914,037,824	461,949,634	1,375,987,458	369,736
DEFERRED OUTFLOWS				
Deferred loss on refundings	49,689,065	30,715	49,719,780	-
Deferred outflows related to pension	5,261,974	963,372	6,225,346	-
TOTAL DEFERRED OUTFLOWS	54,951,039	994,087	55,945,126	-
TOTAL ASSETS & DEFERRED OUTFLOWS	968,988,863	462,943,721	1,431,932,584	369,736
LIABILITIES				
Vouchers payable	4,080,629	1,194,827	5,275,456	-
Accounts/payroll payable	6,479,361	1,327,859	7,807,220	-
Incurred but not reported claims payable	2,601,793	-	2,601,793	-
Due to other governments	18,660	-	18,660	-
Accrued interest payable	298,132	205,057	503,189	9,749
Unearned revenue	1,115,835	322,795	1,438,630	-
Non-current liabilities:				
Due within one year (Note 9)				
Compensated absences-current	2,714,836	484,798	3,199,634	-
Contracts, leases, notes-current	877,545	1,928,898	2,806,443	510,000
General obligation bonds payable-current	5,545,350	334,650	5,880,000	-
Revenue bonds payable-current	-	1,200,000	1,200,000	1,400,000
Due in more than one year (Note 9)				
Compensated absences-long term	2,223,381	278,308	2,501,689	-
Contracts, leases, notes-long term	5,387,396	26,382,902	31,770,298	79,515,870
General obligation bonds payable-long term (net of unamortized discounts & premiums)	83,406,717	978,891	84,385,608	-
Revenue bonds payable-long term (net of unamortized discounts & premiums)	-	30,065,888	30,065,888	680,000
Net pension liability	17,837,837	4,309,573	22,147,410	-
Contingent loan guarantee obligation (Note 17)	2,230,042	-	2,230,042	-
Total OPEB Liability	29,794,456	-	29,794,456	-
TOTAL LIABILITIES	164,611,970	69,014,446	233,626,416	82,115,619
DEFERRED INFLOWS				
Deferred revenue	4,005,753	-	4,005,753	-
Deferred inflows related to pensions	10,784,831	1,641,323	12,426,154	-
TOTAL DEFERRED INFLOWS	14,790,584	1,641,323	16,431,907	-
TOTAL LIABILITIES & DEFERRED INFLOWS	179,402,554	70,655,769	250,058,323	82,115,619
NET POSITION				
Net investment in capital assets	706,613,344	289,305,370	995,918,714	-
Restricted net position for:				
Debt service	4,353,472	928,307	5,281,779	-
Unrestricted net position	78,619,493	102,054,275	180,673,768	(81,745,883)
TOTAL NET POSITION	\$ 789,586,309	\$ 392,287,952	\$ 1,181,874,261	\$ (81,745,883)

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 16,281,069	\$ 4,795,654	\$ 6,000	\$ -
Judicial	3,354,798	1,342,073	238,460	-
Public Safety	54,366,839	5,202,797	2,757,682	-
Community Development	7,844,737	7,297,706	205,240	24,143
Public Works	23,754,967	1,663,717	2,982,921	7,221,993
Leisure services	20,227,074	1,514,916	1,031,500	2,822,158
Health and human services	6,663,229	754,155	1,000,938	-
Interest on long-term debt	7,247,068	-	-	-
Total governmental activities	139,739,781	22,571,018	8,222,741	10,068,294
Business-type Activities:				
Water	19,179,778	22,541,631	177,121	2,242,170
Sewerage	50,699,083	52,678,839	-	4,273,815
Golf Complex	2,348,551	2,306,679	45,944	4,938,383
Solid Waste	647,972	632,795	157,053	-
Total business type activities	72,875,384	78,159,944	380,118	11,454,368
Total Primary Government	\$ 212,615,165	\$ 100,730,962	\$ 8,602,859	\$ 21,522,662
Component Unit:				
Special Events Center PFD	\$ 2,954,144	\$ -	\$ -	\$ -
Total Component Units	\$ 2,954,144	\$ -	\$ -	\$ -

General revenues:

Taxes:

- Property taxes levied for general purpose
- Sales taxes
- Utility taxes
- Business & occupation tax
- Real Estate Excise Tax
- Lodging Tax
- Other taxes

Grants and contributions not restricted to specific programs

Interest income

Miscellaneous

Gain on disposal of capital asset

Transfers

Total general revenues, special items, and transfers

Change in net position

Net position - beginning

Prior period adjustment

Beginning net position - adjusted

Net position-ending

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Net (Expenses) Revenue and Changes in Net Position

			Component Unit	
Primary Government			Special Events	
Governmental Activities	Business-Type Activities	Total	Center PFD	
\$ (11,479,415)		\$ (11,479,415)		
(1,774,265)		(1,774,265)		
(46,406,360)		(46,406,360)		
(317,648)		(317,648)		
(11,886,336)		(11,886,336)		
(14,858,500)		(14,858,500)		
(4,908,136)		(4,908,136)		
<u>(7,247,068)</u>		<u>(7,247,068)</u>		
	\$ 5,781,144	5,781,144		
	6,253,571	6,253,571		
	4,942,455	4,942,455		
	141,876	141,876		
	<u>17,119,046</u>	<u>17,119,046</u>		
\$ <u>(98,877,728)</u>	\$ <u>17,119,046</u>	\$ <u>(81,758,682)</u>		
			\$ <u>(2,954,144)</u>	
			\$ <u>(2,954,144)</u>	
30,101,176	-	30,101,176	-	
32,842,687	-	32,842,687	1,018,768	
29,823,141	-	29,823,141	-	
9,422,048	-	9,422,048	-	
7,689,638	-	7,689,638	-	
312,813	-	312,813	-	
1,074,356	-	1,074,356	-	
6,345,911	-	6,345,911	-	
2,177,476	1,788,588	3,966,064	11,454	
1,028,553	-	1,028,553	-	
22,523	-	22,523	-	
<u>803,826</u>	<u>(803,826)</u>	<u>-</u>	<u>-</u>	
<u>121,644,148</u>	<u>984,762</u>	<u>122,628,910</u>	<u>1,030,222</u>	
<u>22,766,420</u>	<u>18,103,808</u>	<u>40,870,228</u>	<u>(1,923,922)</u>	
790,176,024	374,184,144	1,164,360,168	(79,821,961)	
(23,356,135)	-	(23,356,135)	-	
<u>766,819,889</u>	<u>374,184,144</u>	<u>1,141,004,033</u>	<u>(79,821,961)</u>	
\$ <u>789,586,309</u>	\$ <u>392,287,952</u>	\$ <u>1,181,874,261</u>	\$ <u>(81,745,883)</u>	

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2018**

	General Fund	Capital Resources Fund	Special Assessments Fund	Street Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 9,832,378	\$ 5,934,548	\$ 202,710	\$ 5,536,525	\$ 18,553,966	\$ 40,060,127
Investments, at fair value	13,366,857	8,106,405	277,206	7,542,626	25,301,951	54,595,045
Receivables (net of allowances for estimated uncollectibles):						
Taxes	10,100,761	1,398,182	-	-	1,649,193	13,148,136
Accounts	1,011,691	-	-	1,016,684	742,812	2,771,187
Special assessments						
Current	-	-	1,001,298	-	-	1,001,298
Delinquent	-	-	105,546	-	-	105,546
Unavailable	-	-	4,258,627	-	-	4,258,627
Penalty and Interest	-	-	360,998	-	-	360,998
Accrued interest	474,437	-	-	-	-	474,437
Due from other funds	405,000	-	-	-	-	405,000
Due from other governments - current	-	-	-	89,378	-	89,378
Prepaid items	52,241	-	-	-	-	52,241
Restricted assets:						
Cash with fiscal agent	1,748,365	-	-	-	-	1,748,365
Due from other governments - long-term	-	-	-	622,769	-	622,769
TOTAL ASSETS	<u>36,991,730</u>	<u>15,439,135</u>	<u>6,206,385</u>	<u>14,807,982</u>	<u>46,247,922</u>	<u>119,693,154</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 36,991,730</u>	<u>\$ 15,439,135</u>	<u>\$ 6,206,385</u>	<u>\$ 14,807,982</u>	<u>\$ 46,247,922</u>	<u>\$ 119,693,154</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE						
LIABILITIES						
Vouchers payable	\$ 1,148,970	\$ 24,521	\$ -	\$ 1,112,099	\$ 854,022	\$ 3,139,612
Accounts/payroll payable	5,396,352	-	-	90,559	528,171	6,015,082
Due to other funds	-	-	-	-	405,000	405,000
Due to other governments	4,772	-	-	-	13,888	18,660
Interfund loans payable - current	-	-	-	622,040	563,846	1,185,886
Incurred but not reported claims payable	42,300	-	-	-	-	42,300
Deposits and advances	961,843	-	-	-	152,742	1,114,585
Interfund loan payable - non-current	-	-	-	3,708,703	1,743,486	5,452,189
TOTAL LIABILITIES	<u>7,554,237</u>	<u>24,521</u>	<u>-</u>	<u>5,533,401</u>	<u>4,261,155</u>	<u>17,373,314</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	450,823	-	5,726,469	-	-	6,177,292
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>450,823</u>	<u>-</u>	<u>5,726,469</u>	<u>-</u>	<u>-</u>	<u>6,177,292</u>
TOTAL LIABILITIES & DEFERRED INFLOWS	<u>8,005,060</u>	<u>24,521</u>	<u>5,726,469</u>	<u>5,533,401</u>	<u>4,261,155</u>	<u>23,550,606</u>
FUND BALANCE						
Nonspendable:						
Prepaid items	52,241	-	-	-	-	52,241
Restricted:						
Annexation	1,681,223	-	-	-	-	1,681,223
Street capital projects	-	-	-	25,211	90,496	115,707
Lodging tax purposes	-	-	-	-	336,765	336,765
Criminal justice programs	-	-	-	-	4,536,682	4,536,682
Impact fees	-	-	-	-	2,292,468	2,292,468
Parks capital projects	-	2,602,002	-	-	10,503,228	13,105,230
Bond retirement	-	-	-	-	1,451,046	1,451,046
Special assessment debt	-	-	362,651	-	-	362,651
Assessment debt guaranty	-	-	117,265	-	-	117,265
Economic and community development	95,140	-	-	-	-	95,140
Human Services	4,508	-	-	-	-	4,508
Committed:						
Street operations	-	-	-	-	9,901,964	9,901,964
Youth/Teen program	-	-	-	-	91,845	91,845
Criminal justice programs	-	-	-	-	2,753,412	2,753,412
City arts program	587,401	-	-	-	-	587,401
Human services	113,877	-	-	-	-	113,877
Kent events center replacement	560,175	-	-	-	-	560,175
Economic & community development	-	-	-	-	1,648,957	1,648,957
Street capital projects	-	-	-	8,941,026	-	8,941,026
Parks capital projects	-	-	-	-	3,380,778	3,380,778
Technology systems	-	-	-	-	7,269,419	7,269,419
Facilities capital projects	-	-	-	-	37,039	37,039
Assigned:						
Public safety retiree OPEB	1,872,112	-	-	-	-	1,872,112
Capital projects	-	12,812,612	-	-	-	12,812,612
Street capital projects	-	-	-	308,344	-	308,344
Kent Events Center operations	2,003,284	-	-	-	-	2,003,284
Unassigned:	<u>22,016,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,307,332)</u>	<u>19,709,377</u>
Total Fund Balance	<u>28,986,670</u>	<u>15,414,614</u>	<u>479,916</u>	<u>9,274,581</u>	<u>41,986,767</u>	<u>96,142,548</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 36,991,730</u>	<u>\$ 15,439,135</u>	<u>\$ 6,206,385</u>	<u>\$ 14,807,982</u>	<u>\$ 46,247,922</u>	<u>\$ 119,693,154</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES December 31, 2018

Fund balance - total governmental funds		\$	96,142,548
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds (Does not include Internal Service Fund capital assets)			
Cost of capital assets	\$	1,152,596,235	
Accumulated depreciation		<u>(408,633,711)</u>	743,962,524
Investment in Joint Venture (Note 15)			8,090,075
Internal Service Funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and self-insurance costs to individual funds. The assets, including capital assets, and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position.			28,901,583
Interest accrued on governmental long-term debt, but not due and payable in the current period, is not reported on the governmental fund statements, but is accrued and reported on the statement of net position			(298,132)
Revenues earned but not received within 60 days (property tax) or 90 days (other revenue) of year-end, and therefore not available to pay current year liabilities are deferred inflows on the governmental statements, but is recognized as revenue for the government-wide statements			450,823
General Fund			450,823
Deferred inflows for long-term special assessments is shown on the government funds balance sheet, but is not a deferred inflow on the statement of net position			1,720,716
Unamortized bond costs are not reported on the governmental fund statements, but are reported on the statement of net position			
Prepaid bond insurance		4,355	
Deferred loss on refunding		49,689,065	
Unamortized bond (premium)/discount		<u>(11,494,087)</u>	38,199,333
Long-term assets do not provide current financial resources and are therefore not reported in the governmental funds, but are reported in the government-wide statements			
Deferred outflows related to pensions		4,694,406	
Net pension asset		<u>12,983,878</u>	17,678,284
Long-term liabilities, including bonds and contracts, are not due and payable in the current period and therefore are not reported in the governmental funds			
General obligation bonds		(77,457,980)	
Contracts, leases and notes		(6,264,941)	
Compensated absences		(4,397,310)	
Deferred inflows related to pensions		(9,817,850)	
Net pension liability		(15,298,866)	
Total OPEB liability		(29,794,456)	
Contingent loan guarantee		<u>(2,230,042)</u>	(145,261,445)
Net Position of governmental activities			<u>789,586,309</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2018**

	General Fund	Capital Resources Fund	Special Assessments Fund	Street Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 29,971,155	\$ -	\$ -	\$ -	\$ -	\$ 29,971,155
Sales and use	24,699,301	5,138,078	-	-	3,005,308	32,842,687
Utility	19,289,162	1,509,478	-	-	7,592,799	28,391,439
Business & occupation	9,422,048	-	-	-	-	9,422,048
Real estate excise tax	-	7,689,638	-	-	-	7,689,638
Lodging	-	-	-	-	312,813	312,813
Other	1,074,356	-	-	-	-	1,074,356
Licenses and permits:						
Building permits	4,074,127	-	-	-	-	4,074,127
Other licenses and permits	3,483,531	-	-	-	562,086	4,045,617
Intergovernmental revenue						
Federal grants	71,957	-	-	1,311,491	1,282,969	2,666,417
State grants	160,122	-	-	4,267,814	399,045	4,826,981
State shared revenues	7,314,979	-	-	-	2,801,057	10,116,036
Other governments	437,802	-	-	-	1,586,009	2,023,811
Charges for services:						
Park and recreation fees	1,485,638	-	-	-	-	1,485,638
Other fees and charges	5,450,395	-	-	5,649	2,601,917	8,057,961
Fines and forfeitures	1,360,976	-	9,902	-	1,333,340	2,704,218
Miscellaneous revenue:						
Special assessments	-	-	1,123,334	-	-	1,123,334
Interest income	677,381	112,787	326,362	261,393	318,142	1,696,085
Rent/Leases income	801,162	-	-	-	136,758	937,920
Contributions and donations	716,526	-	-	333,357	151,091	1,200,974
Other miscellaneous revenue	850,445	-	-	385,656	95,796	1,331,897
TOTAL REVENUES	111,341,063	14,449,981	1,459,618	6,565,360	22,179,130	155,995,152
EXPENDITURES						
Current:						
General government	11,264,658	15,116	-	-	1,237,425	12,517,199
Judicial	3,442,107	-	-	-	-	3,442,107
Public safety	44,168,463	-	-	-	4,417,416	48,585,879
Community development	6,644,729	278,617	-	-	736,737	7,660,083
Public works	1,155,562	-	-	850,066	8,365,822	10,371,450
Leisure services	12,998,032	1,437,083	-	-	676,697	15,111,812
Health and human services	5,892,083	-	-	-	912,496	6,804,579
Debt service:						
Principal	52,651	-	160,000	-	6,412,328	6,624,979
Interest	-	-	7,440	64,131	3,715,003	3,786,574
Capital outlay	447,500	-	-	20,603,113	4,689,524	25,740,137
TOTAL EXPENDITURES	86,065,785	1,730,816	167,440	21,517,310	31,163,448	140,644,799
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	25,275,278	12,719,165	1,292,178	(14,951,950)	(8,984,318)	15,350,353
OTHER FINANCING SOURCES (USES)						
Issuance of capital lease	-	-	-	172,808	-	172,808
Issuance of installment note	104,587	-	-	-	-	104,587
Transfers in	1,250,000	8,537,116	-	14,330,690	32,285,909	56,403,715
Transfers out	(23,729,269)	(21,572,156)	(1,394,923)	(392,086)	(9,891,840)	(56,980,274)
TOTAL OTHER FINANCING SOURCES (USES)	(22,374,682)	(13,035,040)	(1,394,923)	14,111,412	22,394,069	(299,164)
NET CHANGE IN FUND BALANCE	2,900,596	(315,875)	(102,745)	(840,538)	13,409,751	15,051,189
FUND BALANCE, January 1	26,086,074	15,730,489	582,661	10,115,119	28,577,016	81,091,359
FUND BALANCE (DEFICIT), December 31	\$ 28,986,670	\$ 15,414,614	\$ 479,916	\$ 9,274,581	\$ 41,986,767	\$ 96,142,548

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2018**

Net change in fund balance - total governmental funds	\$	15,051,189
Governmental funds report capital outlays as expenditures. On the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$	25,740,137
Depreciation expense		<u>(21,389,073)</u>
		4,351,064
The net effect of various miscellaneous transactions involving capital assets is to increase net position.		(1,901,815)
Certain revenues are unavailable in the governmental funds because they do not provide current financial resources, but are considered revenues on the statement of activities.		
Property taxes	130,021	
Other revenues	(12,184)	117,837
Special assessment principal payments received are revenues on the governmental operating statement, but are reductions to the outstanding special assessment debt on the Statement of Activities.		(701,794)
The issuance of long-term debt provides current financial resources in the governmental funds, but creates a long-term liability on the government-wide statements.		(277,395)
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities on the government-wide statements.		
Principal repayments	6,624,979	
Reduction in contingent loan agreement	<u>1,427,938</u>	8,052,917
Certain bond transactions, like premiums, discounts, insurance and loss of refunding, are reported as revenues or expenditures in the governmental funds because they provide, or use, current financial resources. However, for the government-wide statements, these costs are recognized or amortized (expensed) over the life of the bonds.		
Amortization of prepaid bond insurance	(4,746)	
Amortization of premium/discount	761,352	
Amortization of loss on refunding	<u>(4,236,797)</u>	(3,480,191)
Certain pension transactions are not reported in the governmental funds but are reported in the government-wide statements		4,967,780
Internal Service Funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and self-insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		
		3,329,308
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.		
Compensated absences	(253,341)	
Interest expense accrual	19,697	
Total OPEB obligation	<u>(6,508,836)</u>	(6,742,480)
Change in net position of governmental activities		<u><u>22,766,420</u></u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 29,532,710	\$ 29,532,710	\$ 29,971,155	\$ 438,445
Sales and use	21,100,310	21,100,310	24,699,301	3,598,991
Utility	19,150,880	19,150,880	19,289,162	138,282
Business & occupation	8,890,480	8,890,480	9,422,048	531,568
Other	879,260	879,260	1,074,356	195,096
Licenses and permits:				
Building permits	2,625,310	2,625,310	4,074,127	1,448,817
Other licenses and permits	3,070,560	3,070,560	3,483,531	412,971
Intergovernmental revenue:				
Other grants and shared revenue	7,946,370	7,973,870	7,919,860	(54,010)
Charges for services:				
Park and recreation fees	1,615,180	1,615,180	1,485,638	(129,542)
Other fees and charges	4,193,610	4,647,200	5,450,395	803,195
Fines and forfeitures	1,565,970	1,565,970	1,360,976	(204,994)
Miscellaneous revenue:				
Interest income	263,780	263,780	648,369	384,589
Rent/lease income	632,930	632,930	801,162	168,232
Contributions and donations	13,160	33,160	34,284	1,124
Other miscellaneous revenue	246,890	246,890	825,342	578,452
TOTAL REVENUES	101,727,400	102,228,490	110,539,706	8,311,216
EXPENDITURES				
Current:				
General government	12,073,150	11,767,140	11,264,658	502,482
Judicial	3,349,550	3,405,030	3,442,107	(37,077)
Public safety	42,428,270	42,415,690	42,795,699	(380,009)
Community development	6,634,790	7,300,340	6,644,729	655,611
Public works	1,318,470	1,318,470	1,155,562	162,908
Leisure services	12,276,910	12,402,510	11,927,695	474,815
Health and human services	5,856,080	6,117,847	5,878,094	239,753
Capital outlay	-	-	124,680	(124,680)
TOTAL EXPENDITURES	83,937,220	84,727,027	83,233,224	1,493,803
DEFICIENCY OF REVENUES OVER EXPENDITURES	17,790,180	17,501,463	27,306,482	9,805,019
OTHER FINANCING SOURCES (USES)				
Transfers in	950,000	950,000	950,000	-
Transfers out	(18,736,140)	(24,791,140)	(26,101,195)	(1,310,055)
TOTAL OTHER FINANCING SOURCES (USES)	(17,786,140)	(23,841,140)	(25,151,195)	(1,310,055)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	4,040	(6,339,677)	2,155,287	8,494,964
FUND BALANCE, January 1	20,292,930	20,292,930	21,594,886	1,301,956
FUND BALANCE, December 31	\$ 20,296,970	\$ 13,953,253	\$ 23,750,173	\$ 9,796,920

Note: This budgetary statement represents the true General Fund. Certain other funds are combined with the General Fund for financial reporting purposes (see Note 1.d). Separate budgetary schedules are provided for those other funds,

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

CAPITAL RESOURCES FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 4,464,280	\$ 4,464,280	\$ 5,138,078	\$ 673,798
Utility	1,440,320	1,440,320	1,509,478	69,158
Real estate excise tax	4,800,000	4,800,000	7,689,638	2,889,638
Miscellaneous revenue:				
Interest income	2,620	2,620	112,787	110,167
TOTAL REVENUES	<u>10,707,220</u>	<u>10,707,220</u>	<u>14,449,981</u>	<u>3,742,761</u>
EXPENDITURES				
Current:				
General government	25,000	25,000	15,116	(9,884)
Community development	-	-	278,617	278,617
Leisure services	607,080	607,080	1,437,083	830,003
TOTAL EXPENDITURES	<u>632,080</u>	<u>632,080</u>	<u>1,730,816</u>	<u>1,098,736</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,075,140	10,075,140	12,719,165	2,644,025
OTHER FINANCING SOURCES (USES)				
Transfers in	6,674,610	8,124,610	8,537,116	412,506
Transfer Out	(22,523,350)	(22,673,350)	(21,572,156)	1,101,194
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,848,740)</u>	<u>(14,548,740)</u>	<u>(13,035,040)</u>	<u>1,513,700</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(5,773,600)	(4,473,600)	(315,875)	4,157,725
FUND BALANCES, January 1	10,932,430	10,932,430	15,730,489	4,798,059
FUND BALANCES, December 31	<u>\$ 5,158,830</u>	<u>\$ 6,458,830</u>	<u>\$ 15,414,614</u>	<u>\$ 8,955,784</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2018**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 16,223,776	\$ 15,493,550	\$ 1,511,171
Investments, at fair value	22,116,850	21,120,501	2,061,879
Restricted cash, cash equivalents, & investments:			
Cash with fiscal agent	7,563,809	7,483,379	-
Cash and cash equivalents	56,679	30,427	285,189
Investments, at fair value	77,509	41,608	389,996
Receivables (net of allowances for estimated uncollectibles):			
Taxes	-	-	-
Accounts	2,190,112	7,857,979	17,105
Due from other funds	-	-	-
Interfund loan receivable	194,686	721,067	-
Inventory, at cost	404,001	48,932	186,272
Prepaid expenses	-	-	-
Total Current Assets	48,827,422	52,797,443	4,451,612
Noncurrent Assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	448,817	448,816	-
Investments, at fair value	613,756	613,756	-
Interfund loan receivable - non-current portion	601,994	4,061,393	-
Property, plant and equipment			
Land	3,350,296	10,225,473	4,372,836
Buildings	785,006	-	425,191
Site Improvements	176,513,916	266,827,657	4,563,881
Equipment	3,027,168	2,721,602	1,246,734
Less: Accumulated Depreciation	(52,166,403)	(88,032,634)	(4,395,129)
Construction In Progress	8,890,902	11,798,353	11,035
Total noncurrent assets	142,065,452	208,664,416	6,224,548
TOTAL ASSETS	\$ 190,892,874	\$ 261,461,859	\$ 10,676,160
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	30,715	-
Deferred outflows related to pensions	246,444	343,528	328,592
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 246,444	\$ 374,243	\$ 328,592
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 191,139,318	\$ 261,836,102	\$ 11,004,752

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste</u>		<u>Internal Service Funds</u>	
<u>Fund</u>	<u>Totals</u>		
\$ 205,553	\$ 33,434,050	\$ 10,431,813	
280,099	45,579,329	14,222,458	
-	15,047,188	52,210	
-	372,295	-	
-	509,113	-	
-	-	119,642	
83,089	10,148,285	271,295	
-	-	1,650,000	
-	915,753	270,134	
-	639,205	138,216	
-	-	223,581	
<u>568,741</u>	<u>106,645,218</u>	<u>27,379,349</u>	
-	897,633	-	
-	1,227,512	-	
-	4,663,387	788,801	
-	17,948,605	-	
-	1,210,197	108,702	
-	447,905,454	361,951	
-	6,995,504	26,092,151	
-	(144,594,166)	(18,439,595)	
-	<u>20,700,290</u>	<u>55,554</u>	
-	356,954,416	8,967,564	
\$ <u>568,741</u>	\$ <u>463,599,634</u>	\$ <u>36,346,913</u>	
-	30,715	-	
<u>44,808</u>	<u>963,372</u>	<u>567,568</u>	
\$ <u>44,808</u>	\$ <u>994,087</u>	\$ <u>567,568</u>	
\$ <u>613,549</u>	\$ <u>464,593,721</u>	\$ <u>36,914,481</u>	

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2018**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Vouchers payable	\$ 649,883	\$ 487,316	\$ 35,710
Accounts/payroll payable	390,482	843,064	75,929
Incurred but not reported claims payable	-	-	-
Due to other funds	-	-	1,650,000
Accrued interest payable	132,607	70,454	1,996
Compensated absences payable - current portion	188,346	242,296	40,660
Leases payable - current portion	-	-	149,870
Notes payable - current portion	1,704,028	75,000	-
General obligation bonds payable - current portion	-	334,650	-
Revenue bonds payable - current portion	600,000	600,000	-
Deposits and unearned revenue	85,585	79,077	158,133
	<u>3,750,931</u>	<u>2,731,857</u>	<u>2,112,298</u>
Noncurrent Liabilities:			
Compensated absences payable- non-current portion	106,789	107,932	58,480
Leases payable - non-current portion	-	-	438,596
Notes payable - non-current portion	25,569,306	375,000	-
General obligation bonds payable - non-current portion net of unamortized discounts and premiums	-	978,891	-
Revenue bonds payable - non-current portion net of unamortized discounts and premiums	15,032,944	15,032,944	-
Net pension liability	1,102,449	1,536,747	1,469,932
	<u>41,811,488</u>	<u>18,031,514</u>	<u>1,967,008</u>
TOTAL LIABILITIES	<u>\$ 45,562,419</u>	<u>\$ 20,763,371</u>	<u>\$ 4,079,306</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	419,873	585,278	559,831
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 419,873</u>	<u>\$ 585,278</u>	<u>\$ 559,831</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 45,982,292</u>	<u>\$ 21,348,649</u>	<u>\$ 4,639,137</u>
NET POSITION			
Net investment in capital assets	97,494,607	186,174,681	5,636,082
Restricted for debt service	464,154	464,153	-
Unrestricted	47,198,265	53,848,619	729,533
	<u>145,157,026</u>	<u>240,487,453</u>	<u>6,365,615</u>
TOTAL NET POSITION	<u>\$ 145,157,026</u>	<u>\$ 240,487,453</u>	<u>\$ 6,365,615</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste</u>		<u>Internal Service Funds</u>	
<u>Fund</u>	<u>Totals</u>		
\$ 21,918	\$ 1,194,827	\$ 941,017	
18,384	1,327,859	496,112	
-	-	2,559,493	
-	1,650,000	-	
-	205,057	-	
13,496	484,798	319,659	
-	149,870	-	
-	1,779,028	-	
-	334,650	-	
-	1,200,000	-	
-	322,795	1,250	
<u>53,798</u>	<u>8,648,884</u>	<u>4,317,531</u>	
5,107	278,308	189,415	
-	438,596	-	
-	25,944,306	-	
-	978,891	-	
-	30,065,888	-	
200,445	4,309,573	2,538,971	
<u>205,552</u>	<u>62,015,562</u>	<u>2,728,386</u>	
\$ <u>259,350</u>	\$ <u>70,664,446</u>	\$ <u>7,045,917</u>	
76,341	1,641,323	966,981	
\$ <u>76,341</u>	\$ <u>1,641,323</u>	\$ <u>966,981</u>	
\$ <u>335,691</u>	\$ <u>72,305,769</u>	\$ <u>8,012,898</u>	
-	289,305,370	8,178,763	
-	928,307	-	
277,858	102,054,275	20,722,820	
<u>277,858</u>	<u>392,287,952</u>	<u>28,901,583</u>	

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
OPERATING REVENUES			
Sales	\$ 20,523,665	\$ -	\$ 374,704
Charges for services	2,001,277	51,488,753	1,880,901
Contributions	-	-	-
Rental and lease income	-	5,420	-
Other operating revenue	16,689	1,184,666	51,074
TOTAL OPERATING REVENUES	22,541,631	52,678,839	2,306,679
OPERATING EXPENSES			
Salaries and wages	2,180,590	3,965,699	948,935
Benefits	785,133	1,443,543	118,785
Supplies	544,270	558,885	436,021
Services and charges	9,726,327	37,442,705	678,015
Depreciation	4,107,361	6,545,209	113,737
TOTAL OPERATING EXPENSES	17,343,681	49,956,041	2,295,493
OPERATING INCOME (LOSS)	5,197,950	2,722,798	11,186
NON-OPERATING REVENUES (EXPENSES)			
Interest income	812,994	875,719	49,420
Unrealized net gain/(loss) in fair value of investments	20,475	19,813	221
Miscellaneous non-operating revenues	177,121	-	45,944
Interest expense	(1,719,948)	(743,042)	(53,058)
Gain (loss) on disposal of capital assets	(116,149)	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(825,507)	152,490	42,527
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	4,372,443	2,875,288	53,713
Capital contributions	2,242,170	4,273,815	4,938,383
Transfers in	10,931	6,619	200,000
Transfers out	(144,483)	(833,807)	-
INCREASE (DECREASE) IN NET POSITION	6,481,061	6,321,915	5,192,096
NET POSITION, January 1	138,675,965	234,165,538	1,173,519
NET POSITION, December 31	\$ 145,157,026	\$ 240,487,453	\$ 6,365,615

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste</u>		<u>Internal Service Funds</u>	
<u>Fund</u>	<u>Totals</u>		
\$ -	\$ 20,898,369	\$ 1,073,803	
632,057	56,002,988	15,553,416	
-	-	15,525,128	
-	5,420	71,600	
738	1,253,167	1,503,783	
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632,795	78,159,944	33,727,730	
360,085	7,455,309	5,983,426	
87,896	2,435,357	2,134,523	
30,708	1,569,884	2,156,882	
169,283	48,016,330	22,827,880	
-	10,766,307	723,697	
<hr/>	<hr/>	<hr/>	
647,972	70,243,187	33,826,408	
<hr/>	<hr/>	<hr/>	
(15,177)	7,916,757	(98,678)	
9,652	1,747,785	517,676	
294	40,803	12,743	
157,053	380,118	1,513,748	
-	(2,516,048)	-	
-	(116,149)	3,434	
<hr/>	<hr/>	<hr/>	
166,999	(463,491)	2,047,601	
<hr/>	<hr/>	<hr/>	
151,822	7,453,266	1,948,923	
-	11,454,368	688,420	
-	217,550	1,963,998	
(43,086)	(1,021,376)	(583,613)	
<hr/>	<hr/>	<hr/>	
108,736	18,103,808	4,017,728	
169,122	374,184,144	24,883,855	
<hr/>	<hr/>	<hr/>	
\$ 277,858	\$ 392,287,952	\$ 28,901,583	

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 22,506,038	\$ 51,489,204	\$ 2,254,810
Cash received from other funds for services	-	-	-
Cash payments to employees	(3,107,973)	(5,517,714)	(1,309,485)
Cash payments to suppliers	(9,939,857)	(38,162,175)	(1,137,371)
Other cash received	16,689	1,184,666	51,074
Net cash provided by operating activities	<u>9,474,897</u>	<u>8,993,981</u>	<u>(140,972)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loan issued for noncapital purposes	-	-	1,650,000
Interfund loan payment for noncapital purposes	-	-	(4,000,000)
Operating grants/non-operating revenue received	177,121	-	45,944
Interest paid on interfund loan	-	-	(43,331)
Transfers in	-	-	200,000
Transfers out	(46,983)	(72,876)	-
Net cash provided by (used for) noncapital financing	<u>130,138</u>	<u>(72,876)</u>	<u>(2,147,387)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	-	-	6,012,440
Principal repayment on interfund capital loan	-	-	-
Transfer of plant to Governmental Capital Assets	-	-	-
Acquisition and construction of capital assets	(2,934,341)	(3,976,271)	(32,530)
Interfund loan for capital outlays	501,463	(2,152,113)	-
Principal paid on bonds and equipment contracts	(2,044,027)	(981,106)	(50,981)
Interest paid on bonds and equipment contracts	(1,830,659)	(861,264)	(7,731)
Transfers in	10,931	6,619	-
Transfers out	(97,500)	(760,931)	-
Capital contributed by subdividers, capital grants, local impr. districts	2,003,728	3,752,993	-
Net cash provided by (used for) capital & related financing	<u>(4,390,405)</u>	<u>(4,972,073)</u>	<u>5,921,198</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(21,052,222)	(20,099,844)	(2,556,604)
Proceeds from sale and maturities of investments	8,243,629	8,142,479	273,890
Interest and dividends on investments	833,469	895,532	49,641
Net cash provided by (used for) investing activities	<u>(11,975,124)</u>	<u>(11,061,833)</u>	<u>(2,233,073)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,760,494)	(7,112,801)	1,399,766
CASH AND CASH EQUIVALENTS, January 1	31,053,575	30,568,973	396,594
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 24,293,081</u>	<u>\$ 23,456,172</u>	<u>\$ 1,796,360</u>
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:			
Cash and cash equivalents	\$ 16,223,776	\$ 15,493,550	\$ 1,511,171
Restricted cash and cash equivalents, cash with fiscal agent	8,069,305	7,962,622	285,189
	<u>\$ 24,293,081</u>	<u>\$ 23,456,172</u>	<u>\$ 1,796,360</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>	
\$ 610,736	\$ 76,860,788	\$ 16,695,858	
-	-	15,407,431	
(533,900)	(10,469,072)	(8,234,948)	
(185,632)	(49,425,035)	(25,614,986)	
738	1,253,167	1,503,783	
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(108,058)	18,219,848	(242,862)	
-	1,650,000	(1,650,000)	
-	(4,000,000)	4,000,000	
157,053	380,118	1,513,748	
-	(43,331)	-	
-	200,000	1,303,874	
(43,086)	(162,945)	-	
<hr/>	<hr/>	<hr/>	
113,967	(1,976,158)	5,167,622	
-	6,012,440	107,164	
-	-	543,276	
-	-	688,420	
-	(6,943,142)	(3,255,383)	
-	(1,650,650)	-	
-	(3,076,114)	-	
-	(2,699,654)	-	
-	17,550	660,124	
-	(858,431)	(583,613)	
-	5,756,721	-	
<hr/>	<hr/>	<hr/>	
-	(3,441,280)	(1,840,012)	
(258,456)	(43,967,126)	(13,126,961)	
119,538	16,779,536	5,388,319	
9,946	1,788,588	531,468	
<hr/>	<hr/>	<hr/>	
(128,972)	(25,399,002)	(7,207,174)	
(123,063)	(12,596,592)	(4,122,426)	
328,616	62,347,758	14,606,449	
<hr/>	<hr/>	<hr/>	
\$ 205,553	\$ 49,751,166	\$ 10,484,023	
\$ 205,553	\$ 33,434,050	\$ 10,431,813	
-	16,317,116	52,210	
<hr/>	<hr/>	<hr/>	
\$ 205,553	\$ 49,751,166	\$ 10,484,023	

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2018**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 5,197,950	\$ 2,722,798	\$ 11,186
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,107,361	6,545,209	113,737
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	(18,989)	219,655	15,135
(Increase) Decrease in inventory	(39,754)	5,873	(25,614)
(Increase) Decrease in prepaid expenses	-	-	-
(Increase) Decrease in pension deferred outflows	(1,034)	(16,314)	(1,378)
Increase (Decrease) in vouchers payable	345,964	(504,156)	11,353
Increase (Decrease) in accounts/payroll payable	30,415	363,809	(6,912)
Increase (Decrease) in incurred but not reported claims payable	-	-	-
Increase (Decrease) in deposits and deferred revenues	85	(224,624)	(15,930)
Increase (Decrease) in compensated absences	38,869	37,429	5,411
Increase (Decrease) in pension liabilities	(352,021)	(402,546)	(469,361)
Increase (Decrease) in pension deferred inflows	166,051	246,848	221,401
Total Adjustments	<u>4,276,947</u>	<u>6,271,183</u>	<u>(152,158)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>9,474,897</u>	\$ <u>8,993,981</u>	\$ <u>(140,972)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets contributed	\$ 238,442	\$ 520,822	\$ -
Capital lease	-	-	639,447
Amortization of debt related costs, net	129,521	139,349	-
Increase(Decrease) in fair value of investments	20,475	19,813	221

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>	
\$ (15,177)	\$ 7,916,757	\$ (98,678)	
-	10,766,307	723,697	
(21,321)	194,480	(120,658)	
-	(59,495)	5,263	
-	-	388,418	
7,249	(11,477)	(39,563)	
13,262	(133,577)	(282,611)	
1,148	388,460	47,919	
-	-	(741,284)	
-	(240,469)	-	
(7,639)	74,070	44,099	
(108,080)	(1,332,008)	(590,341)	
22,500	656,800	420,877	
<u>(92,881)</u>	<u>10,303,091</u>	<u>(144,184)</u>	
\$ <u>(108,058)</u>	\$ <u>18,219,848</u>	\$ <u>(242,862)</u>	
\$ -	\$ 759,264	\$ 688,420	
-	639,447	-	
-	268,870	-	
294	40,803	12,743	

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2018**

	Firemen's Relief & Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 544,267	\$ 1,174,889
Investments, at fair value	1,790,151	727,462
Due from other governments	-	132,144
TOTAL ASSETS	<u>2,334,418</u>	<u>2,034,495</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>2,334,418</u>	<u>2,034,495</u>
LIABILITIES		
Vouchers payable	-	638,805
Accounts/payroll payable	7,126	4,783
Due to Other Governments	-	70,941
Deposits and unearned revenue	-	1,319,966
TOTAL LIABILITIES	<u>7,126</u>	<u>2,034,495</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>7,126</u>	<u>2,034,495</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 2,327,292</u>	

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2018**

	Firemen's Relief & Pension Fund
<hr/>	
ADDITIONS	
Contributions:	
State insurance fees	\$ 230,881
Investment earnings:	
Interest	101,201
Unrealized net gain/(loss) in fair value of investments	18,551
TOTAL ADDITIONS	<hr/> 350,633
DEDUCTIONS	
Benefits	374,299
Administrative Expense	11,825
TOTAL DEDUCTIONS	<hr/> 386,124
CHANGE IN NET POSITION	(35,491)
NET POSITION RESTRICTED FOR PENSIONS, January 1	2,362,783
NET POSITION RESTRICTED FOR PENSIONS, December 31	<u>\$ 2,327,292</u>

The accompanying notes are an integral part of the financial statements



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City of Kent**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Kent, King County, Washington, was incorporated on May 28, 1890 and operates under a Mayor/Council form of government under the laws of the State of Washington applicable to an optional code city (RCW 35A). The City of Kent is served by a full-time Mayor and seven part-time council members, all elected at large to four-year terms. The City of Kent provides the full range of municipal services including a water utility, sewer and drainage utility, a municipal golf complex, and municipal court.

The financial statements of the City of Kent have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following provides a summary of the City's more significant accounting policies. They are presented to assist the reader in interpreting the financial statements and other data in this report.

a. REPORTING ENTITY

Based on the criteria of Statement No. 14, as amended by Statement No. 61, of the Government Accounting Standards Board, "The Financial Reporting Entity", the City's Comprehensive Annual Financial Report (CAFR) includes the financial position and results of operations of all funds, agencies and boards for which the City is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either the ability to impose the Primary Government's will, or the component unit provides a financial benefit to or imposes a financial burden on the primary government. The Special Events Center Public Facilities District (PFD) meets these criteria. In this case, the City appoints a voting majority of the board, and the organization presents a potential financial benefit or burden to the City. The PFD is discretely presented in the financial statements in a separate column on the government-wide financial statements. For further details on the Component Unit and how to obtain copies of the completed financial statements of the component unit, please see Note 16 – COMPONENT UNIT.

See Note 15 - JOINT VENTURE for discussion of the Valley Communications Center which is a joint public safety dispatching authority for five member cities. The City reports its equity interest in the joint venture.

JOINTLY GOVERNED ORGANIZATIONS – On April 27, 2010, the passage of Proposition No. 1 authorized the merger of the Kent Fire Department and King County Fire District 37 into one organization, the Puget Sound Regional Fire Authority (RFA), that provides full service fire and rescue services to the citizens of Kent, Covington, SeaTac and portions of unincorporated King County. The RFA is not financially accountable to the City of Kent. The City of Kent does not have an ongoing financial interest in the RFA and the RFA is not financially dependent upon the City of Kent. The RFA imposes its own property tax levy and fire benefit charge. The City imposes a fire impact fee (City Code 12.15) under RCW 36.70A on development activities. The fees are passed through to the RFA. The RFA's board is comprised of six voting members and three non-voting members. Three of the voting members are from the current Kent City Council: Bill Boyce, Les Thomas and Toni Troutner. In addition, the board has three members from Fire District 37 and one non-voting member from the Covington City Council, one non-voting member from the SeaTac City Council and one non-voting member from the King County Fire District #43 Board of Commissioners. Through an interlocal agreement, the RFA provides emergency management, fire prevention and fire inspection services for the City and the City provides some staff services for the RFA. Provided services are billed to the other agency.

b. **BASIC FINANCIAL STATEMENTS**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report on all non-fiduciary activities of the City and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The primary government is reported separately from its component unit. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables, as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the changes in the aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity between the governmental activities and the business-type activities are shown in the government-wide financial statements. The “doubling up” effect of internal service fund activity has been removed from the government-wide financial statements with the expenses shown in the various functions and segments on the Statement of Activities. Interfund services provided and used, like the sale of utility services from the Enterprise Funds to the other functions of the City are not eliminated for the financial statements. Elimination of those charges would distort the direct costs and program revenues reported for the various functions.

The government-wide Statement of Net Position reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets and deferred outflows less liabilities and deferred inflows equals net position, with the assets, deferred outflows, liabilities and deferred inflows shown in order of relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is reflective of constraints placed on its use by either; 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions, programs and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, program or segment. Interest on governmental activities long-term debt is not allocated to the various functions or programs. Program revenues include: 1) charges to customers or users (user charges) who purchase, use or directly benefit from goods, services or privileges provided by a particular function, program or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, program or segment. Taxes, investment income and other revenues that are not directly identifiable with a function, program or segment are included as general revenues. Certain state shared revenues or grants that are not restricted for use in any function are included as general revenues. Internally dedicated resources are also reported as general revenues. The general revenues support the net costs of the functions, programs or segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds.

Although GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, it also gives governments the option of displaying other funds as major funds. The City has opted to display some funds as major funds because of community focus. Major governmental and enterprise funds are reported in separate columns in the fund financial statements, while non-major governmental funds are combined into a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements. Since there is only one non-major proprietary fund, it is labeled as non-major but displayed on the proprietary fund statements.

The internal service funds, which provide services to the other funds of the government, are presented in a single column in the proprietary fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets, deferred outflows, liabilities and deferred inflows of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service funds are spread to the appropriate function or segment on the government-wide Statement of Activities and the revenues and expenses of the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

c. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements use the economic resources measurement focus, and the accrual basis of accounting, as do the proprietary fund and fiduciary trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar revenue are recognized when the eligibility requirements imposed by the provider are met.

Governmental fund types are presented, in the fund financial statements, using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unassigned fund balance is a measure of available spendable resources. The *modified accrual basis* of accounting is used by governmental funds. Under modified accrual, revenues and other financial resources are recognized when they become susceptible to accrual, i.e., when the related funds become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon thereafter to pay liabilities of the current period. The City considers revenues available under modified accrual if they are earned by December 31 (all eligibility requirements have been met) and the revenue, except for property taxes, is expected to be collected within 90 days after year-end. For property taxes, the City uses a 60 day collection period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded when payment is due. Inventories of materials are reported as expenditures when purchased. Since governmental funds do not included capital assets and the recognition of depreciation does not reduce net financial resources, depreciation is not considered an expenditure in governmental funds.

When applying the susceptible to accrual concept to intergovernmental revenues pursuant to GASB Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, receivables and revenues are recognized when applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred inflows.

Property, sales, use, real estate excise, utility, business and occupation, admissions, and gambling taxes, as well as special assessments are susceptible to accrual. Intergovernmental revenues that reimburse expenditures are accrued. Investment earnings are accrued when earned. Changes in fair value of investments are recognized in investment income at year end. Charges for services, fines and forfeitures, licenses and permits, and other miscellaneous revenues are recorded upon receipt and are not susceptible to accrual.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures or expenses, as appropriate. The City's resources are allocated to and accounted for in individual funds according to the purpose for which they are spent and how they are controlled.

GOVERNMENTAL FUNDS: Governmental funds are used to account for the City's general government activities. The City reports the following major governmental funds:

General Fund - The General Fund is the principal operating fund of the City and accounts for the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are comprised of property taxes, sales and use taxes, utility taxes, licenses and permits, state shared revenues, charges for services, fines and forfeitures, and interest income. Primary expenditures are for general city government, police protection, fire inspections, prevention and emergency management, park and street maintenance, cultural and recreational services, and health and human services.

Capital Resource Fund – This special revenue fund accounts for a portion of the City's sales tax as well as real estate excise tax, internal utility tax, and business & occupation tax (collected in the General Fund and transferred to the Capital Resources Fund) that is restricted or committed to be utilized to provide funding for governmental non-street related capital and operating projects, and debt service on those projects. Funding for debt service is transferred from this fund to the General Obligation Debt Service Fund.

Special Assessments Fund – This debt service fund records payments from property owners for special assessments related to those properties, and the payment of debt service of local improvement districts' bond issues. A portion of the City's infrastructure capital improvements have been paid through the issuance of local improvement district bonds.

Street Capital Projects Fund – This capital projects fund accounts for the resources and payments for transportation and related improvements to the City's infrastructure. The fund's resources include grants and contracts, street related excise taxes, and utility taxes.

PROPRIETARY FUNDS: Proprietary funds account for the activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Enterprise Funds are used to account for those operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses derive from providing goods and services in connection with the fund's

**Notes to the Financial Statements
December 31, 2018****City of Kent**

principle ongoing operation, i.e. charges to customers or users who purchase or use the goods or services of that activity. Non-operating revenues and expenses are items like interest income and interest expenses that are not a result of the direct operations of the activity.

The City reports the following proprietary funds:

Water Utility Fund – This enterprise fund accounts for the water distribution system of the City. The utility recovers its costs through user charges.

Sewerage Utility Fund – This enterprise fund accounts for the sewer and storm drainage systems of the City. The utility recovers its costs through user charges.

Golf Complex Fund – This enterprise fund accounts for the golf complex of the City that includes an 18-hole par 72 golf course, a driving range, a mini putt facility and a merchandise center. The fund recovers its costs through user fees.

Solid Waste Utility Fund - This non-major enterprise fund accounts for the solid waste programs of the City. The solid waste residential and commercial pickup services are contracted out by the City to a private hauler. The City runs recycling and cleanup programs. The utility recovers its costs through charges to the solid waste contractor and grants.

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds are used to account for the financing of specific services performed by designated organizations within the City for other organizations within the City. The internal service funds are presented as one column on the proprietary fund financial statements. Combining financial statements are also presented as supplemental information for the internal service funds, but are not part of the basic financial statements. The City's internal service funds are comprised of the Equipment Rental, Central Service, Facilities, and Insurance funds. Financial statements are also provided in the other supplementary information section of this document for the five programs within the Insurance Fund.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The reporting focus is on net position and changes in net position and employs accounting principles similar to proprietary funds. The Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs.

Pension Trust Funds are used to account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. The City's pension trust fund, the Firemen's Relief & Pension Fund, accounts for pension benefits for eligible former City firefighters.

The City's agency funds function primarily as a clearing mechanism for cash resources which are collected by the City of Kent, held for a period of time and then disbursed to authorized recipients or funds. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Although the agency funds are presented in one column on the Fiduciary Statement of Net Position, combining statements are provided as supplementary information, but are not part of the basic financial statements.

City of Kent**d. BUDGETARY INFORMATION****Budget Process**

Budgets serve as control mechanisms in the operations of governmental units. Legal budgetary (expenditure) control in the City of Kent is at the fund level, but budget and actual information is maintained by project, organization, program and object. Supplemental appropriations that amend total expenditures or in the case of Proprietary and Fiduciary Funds amend working capital require a City Council ordinance.

Appropriated budgets are adopted for the general and special revenue funds on the modified accrual basis of accounting on a biennial basis. Budgets for project/grant related capital project funds are adopted at the level of the individual project and for fiscal periods that correspond to the lives of projects. Since these funds are not budgeted on an annual basis, budgetary comparisons are not presented.

Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total appropriation amount. Any unexpended appropriation balances for annually budgeted funds lapse at the end of the year. Appropriations for other special purpose funds that are non-operating in nature are adopted on a "project-length" basis and, therefore, are carried forward from year to year without re-appropriation until authorized amounts are fully expended or the designated purpose of the fund has been accomplished.

The individual funds within each fund type which are included in the City's annual operating budget and for which budgetary comparison statements or schedules are prepared are listed below.

General Fund, Special Revenue Funds: Street Fund, Lodging Tax Fund, Youth/Teen Programs Fund, Criminal Justice Fund, and Housing & Community Development Fund. Budgetary information is also provided, as supplementary information, for the Public Safety Retiree Fund, Operating Grants and Project Fund, and Events Center Operating Fund although these funds are combined into the General Fund for financial statement reporting.

The City adopts a biennial budget by December of the fiscal year proceeding the biennium, after almost a full year of analysis by staff and Council. The first step in analysis involves the development of service issues and goals and their prioritization by Council as well as establishing revenue forecasts to be approved by Council. The second step involves the establishment of the baseline budget required to carry existing programs into the next year. The emphasis is placed on the General and Special Revenue Funds since the operation of other funds are tied to ordinances, contractual agreements or separately established rate structures. Once the baseline operations have been reviewed and adjusted based on administrative policy, additional services are included to the level of projected available resources after the establishment of sufficient fund balances.

The steps in the budget process are as follows:

- (1) The Chief Administrative Officer and Mayor submit a proposed biennial budget to the City Council. This budget is based on priorities established by the Council, cost estimates provided by the City departments and balanced with revenue estimates.
- (2) The City Council conducts public hearings on the proposed budget in September and October.
- (3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced biennial budget no later than December 31.

**Notes to the Financial Statements
December 31, 2018**

City of Kent

(4) The final operating budget as adopted is published and distributed within the first three months of the following year. The adopted budget is made available to the public on the city's website.

The biennial budget statute requires a mid-biennium review and modification of the second year of the adopted budget. The review steps are largely the same as the original budget process, although on a smaller scale. The Council adopts by ordinance the adjustments to the second year of the final balanced biennial budget no later than December 31.

Annual appropriated budgets are adopted at the fund level, on a biennial cycle. Transfers or revisions within budgets are allowed if approved by the Chief Administrative Officer. Only City Council has the authority to increase a given fund's annual budget. A budget ordinance summarizing Council approved increases or adjustments is adopted by Council on a quarterly basis. The budget amounts in the financial statements are the final amounts as revised during the year. Budget to Actual comparisons are only prepared for annually budgeted governmental funds.

GASB Statement No. 34 requires that budgetary comparison schedules for the General Fund and major special revenue funds be presented in the annual financial statements, either within the basic financial statements or as required supplementary information. These statements must display original budgets, amended final budgets and actual results. The City presents the required budgetary statements within the basic financial statements, immediately following the governmental fund statements. Budgetary comparison schedules for the non-major special revenue funds are presented as supplemental information, but are not part of the basic financial statements.

The table below shows the appropriation budgets as adopted, amendments and final budgets, not including transfers. The General Fund in the table below is the reporting General Fund and, as noted above, includes funds that have separate adopted budgets and budgetary schedules.

Fund	Original Budget	Supplemental Appropriations	Final Budget
General Fund	\$ 86,351,440	\$ 1,441,437	\$ 87,792,877
Special Revenue Funds:			
Capital Resources	632,080	-	632,080
Street	11,401,590	444,460	11,846,050
Lodging Tax	338,750	114,000	452,750
Youth/Teen Programs	42,000	-	42,000
Criminal Justice	3,930,090	1,043,520	4,973,610
Housing & Community Development	1,056,260	126,922	1,183,182
Total	\$ 103,752,210	\$ 3,170,339	\$ 106,922,549

Reconciliation of Budgetary Information to GAAP

For budgetary and managerial purposes, the City of Kent treats the General Fund, Public Safety Retiree, Other Operating Grants and Projects, and Kent Events Center funds separately. However, the latter three funds do not meet the criteria of a special revenue fund as set forth in GASB Statement No. 54 and for reporting purposes are presented in combination with the General Fund in order to comply with GAAP. However, the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual on page 32 compares only the General Fund as adopted in the budget along with the related revenues and expenditures. It does not include the budget or actual data for the Public Safety Retiree, Other Operating Grants and Projects, or Kent Events Center Funds. Separate budgetary schedules are also presented for the Public Safety Retiree, Other Operating Grants and Projects, and Kent Events Center funds on pages 158-160. The table below shows the combining of these funds with the General Fund for reporting purposes on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

Notes to the Financial Statements December 31, 2018

City of Kent

	General Fund	Public Safety Retiree	Operating Grants & Projects	Kent Events Center Fund	Eliminations	Revised General Fund
Revenues:						
Taxes	\$ 84,456,022	-	-	-	-	\$ 84,456,022
Licenses & permits	7,557,658	-	-	-	-	7,557,658
Other grants/shared revenue	7,919,860	-	65,000	-	-	7,984,860
Charges for service	6,936,033	-	-	-	-	6,936,033
Fines and forfeitures	1,360,976	-	-	-	-	1,360,976
Interest income	648,369	29,012	-	-	-	677,381
Rent/lease income	801,162	-	-	-	-	801,162
Contributions & donations	34,284	669,492	12,750	-	-	716,526
Other miscellaneous revenue	825,342	-	-	25,103	-	850,445
Total Revenues	110,539,706	698,504	77,750	25,103	-	111,341,063
Expenditures:						
General Government	11,264,658	-	-	-	-	11,264,658
Judicial	3,442,107	-	-	-	-	3,442,107
Public Safety	42,795,699	1,372,764	-	-	-	44,168,463
Community development	6,644,729	-	-	-	-	6,644,729
Public works	1,155,562	-	-	-	-	1,155,562
Leisure services	11,927,695	-	62,045	1,008,292	-	12,998,032
Health & human services	5,878,094	-	13,989	-	-	5,892,083
Debt service principal	-	-	-	52,651	-	52,651
Capital outlay	124,680	-	10,000	312,820	-	447,500
Total Expenditures	83,233,224	1,372,764	86,034	1,373,763	-	86,065,785
Excess (Deficiency) of Revenues over (under) Expenditures	27,306,482	(674,260)	(8,284)	(1,348,660)	-	25,275,278
Other Financing Sources (uses)						
Issuance of installment note	-	-	-	104,587	-	104,587
Transfers in	950,000	1,250,000	133,288	1,288,638	(2,371,926)	1,250,000
Transfers out* (see below)	(26,101,195)	-	-	-	2,371,926	(23,729,269)
Total Other Financing Sources (Uses)	(25,151,195)	1,250,000	133,288	1,393,225	-	(22,374,682)
Net Change in Fund Balance	2,155,287	575,740	125,004	44,565	-	2,900,596
Fund Balance, January 1	21,594,886	1,296,372	675,922	2,518,894	-	26,086,074
Fund Balance, December 31	\$ 23,750,173	\$ 1,872,112	\$ 800,926	\$ 2,563,459	\$ -	\$ 28,986,670

*Transfers Out reconciliation to General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 30 is shown as follows:

Transfers Out per Budgetary Statement	\$ 26,101,195
Less Intrafund Transfer to: Public Safety Retiree	1,250,000
Other Operating Grants & Projects	133,288
Kent Events Center Fund	988,638
	<u>\$ 23,729,269</u>

e. **ASSETS & DEFERRED OUTFLOWS, LIABILITIES & DEFERRED INFLOWS, AND NET POSITION**

(1) **Deposits and Investments**

Cash and Cash Equivalents

The City of Kent has defined cash and cash equivalents as cash on hand, demand deposits, and all short-term investments, including restricted assets, with original maturities of three months or less from the date of purchase. Included in this category are all funds invested in the Local

Government Investment Pool (LGIP).

Interest earned on pooled cash and investments is prorated to the various funds. Interest earned on a specific fund's investments is credited to the fund holding the investment.

Investments (refer to Note 4)

The City generally reports investments at fair value and recognizes the corresponding change in fair value of investments in the year in which the change occurred. The primary objectives, in priority order, of the city's investment activities are safety, liquidity, and return on investment. It is generally the City's policy to hold investments to maturity.

Investment Income

Except for certain specific investments, generally those held in trust for a specific purpose, the City maintains pooled cash and investments. Income from pooled cash and investments is allocated to the individual funds based on the fund's month end cash balance in relation to the total pooled investments.

(2) Receivables (refer to Note 5)

Taxes receivable consists of property taxes (refer to Note 12), sales taxes, and City assessed business and occupation, utility, lodging, real-estate excise taxes and gambling taxes and related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts consist of amounts owed from private individuals or organizations for goods or services including amounts owed for which billings have not been prepared. Notes and contracts receivable consists of amounts owed on open account from private individuals or organizations for goods and services rendered.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Unearned assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited.

All receivables are shown on the financial statements net of an allowance for uncollectible accounts, if applicable.

(3) Restricted Assets

Certain resources set aside for repayment of bonds, required reserves for outstanding bonds, or unspent bond proceeds are classified as restricted on the balance sheet or statement of net position because their use is restricted by applicable bond covenants.

(4) Inventory and prepaid items

Inventories carried in Proprietary Funds are valued at cost under the first-in first-out method. A physical count is taken at year-end. Governmental Funds use the purchase method whereby inventory items are considered expenditures when purchased. The inventory recorded in governmental activities arises from the inclusion of the Internal Service Funds into governmental activities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the consumption method to account for prepaid items.

(5) Deferred outflows

Deferred outflows of resources represent a consumption of net position (expenditure/expense) that applies to a future period and thus is shown on the Balance Sheet/Statement of Net Position

until the period that it becomes an expenditure/expense.

(6) Deferred inflows

Deferred inflows of resources represent an acquisition of net position (revenue) that applies to a future period and thus is shown on the Balance Sheet/Statement of Net Position until the period that it becomes revenue.

(7) Compensated Absences (also refer to Note 9 *Long-term Obligations* and Note 13 *Personnel Benefits*)

Annual leave, based on a graduated scale of years of employment, is credited to each employee as it accrues. The maximum annual leave accrual for permanent employees is 240 hours. Upon employment termination, payment is made to the employee for the unused leave.

Employees are granted one sick leave day per month. The maximum an employee may accumulate and whether there is any payment of unused sick leave at termination varies according to union contract.

For the governmental fund financial statements, compensated absences are accrued only when due. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the outstanding vacation, compensatory time and benefits are recorded as a liability at year end. Compensated absences are liquidated when mature by the various operating funds accruing the liability.

(8) Refunded (Defeased) Bonds

The government may, from time to time, choose to refinance (defease) outstanding debt to take advantage of lower interest rates. In a *current refunding*, the proceeds of the refunding debt are applied immediately to pay off (redeem) the refunded debt. In other cases, the government may be prevented from redeeming debt prior to maturity or a contractually agreed upon call date. In an *advance refunding*, the proceeds of the refunding debt are placed in an irrevocable trust to make the future debt payments on the refunded debt. With a current or advanced refunding, the refunded debt is removed from the government's books and the refunding debt is added.

Refer to Note 9 for further disclosures related to any current year debt refunding transactions, or any advance refunding where funds are still being held in a trust account for future payment of defeased bonds.

f. **ENCUMBRANCES**

The City of Kent does not formally use the encumbrance mode of accounting. The City's purchasing system records encumbrances for the budget status reports, but since they do not constitute expenditures or liabilities, encumbrances are not reported in either the fund financial statements or the government-wide financial statements. For operating funds, amounts not expended within the budget year lapse. For project funds, budgets remain available until completion of the project.

g. **INTERFUND TRANSACTIONS AND TRANSFERS** (also refer to Note 6)

Because governmental units operate with a number of funds, each performing its specific functions, there are instances where funds are required to do business with each other. This business can be categorized as either an interfund transaction or an interfund transfer.

(1) **Interfund Transactions**

Interfund transactions are divided into two categories: interfund services provided and used and reimbursements.

Interfund services provided and used transactions are those transactions that would be

treated as revenues, expenditures or expenses if they involved parties external to the City. These types of transactions are accounted for as ordinary revenues, expenditures or expenses of the funds involved. An example of this type of transaction is when the Parks Department buys water from the Water Department. This transaction is treated as an expenditure to the Parks Department and as a revenue to the Water Department.

Reimbursement transactions occur when expenditures are initially made from one fund but are more appropriately applicable to another fund. These items are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund initially charged. An example of this type of transaction occurs when the Public Works and Finance Departments allocate a certain amount of their time to provide services for the Utility Divisions administratively overseen by those departments (i.e. the Water and Sewer Utilities are administratively under the Public Works Department and Customer Service and Meter Reading are administratively under the Finance Department). The expense is charged to the Utility Divisions with a corresponding reduction of expenses in the Public Works and Finance Departments. These reductions are accounted for in separate organizational units so both gross and net expenditures may be tracked.

(2) **Interfund Transfers**

Transfers are required where revenue is generated in one fund and expenditures are paid for in other funds. The majority of transfers occur with respect to capital projects where certain General and Special Revenue Fund revenues are transferred to finance various capital projects. Other operating transfers of a recurring nature are required to fund debt service. A summary of transfers by fund type is shown in Note 6. More detail on transfers may also be found on the Schedule of Interfund Transfers on pages 170-172 in the Other Supplementary Section of this document.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of interfund loans receivable and payable is furnished in Note 6, *Interfund Balances and Transfers*.

h. **CAPITAL ASSETS**

All capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements. Capital assets and depreciation are recorded in the proprietary fund financial statements.

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks and other assets that are immovable and of value only to the City), and property, plant, and equipment are defined by the City as assets to be used in operations with an initial individual cost of more than \$5,000 and an estimated useful life of three or more years.

Depreciation is computed on the straight-line method over the estimated useful life of the asset group as shown in the table below:

Depreciation Schedule	
Buildings	10-50 Years
Site Improvements	10-50 Years
Infrastructure	15-50 Years

Equipment 3-25 Years

Property, Plant and Equipment for governmental activities is stated at cost or acquisition value at the date of donation in the case of donated assets. Purchase and construction of such assets are recorded as expenditures in the appropriate Governmental Fund and capitalized for government-wide reporting. Property, Plant and Equipment in the Proprietary Funds is stated at cost, or in the case of donated assets, at acquisition value at the date of donation. Depreciation is recorded in the proprietary fund statements.

Incomplete capital projects, including infrastructure, are capitalized as construction in progress at year end. Assets are transferred from construction in progress to the appropriate property, plant and equipment asset category when the asset is ready and available for its intended use. Street related right of way purchases are recorded as land purchases.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized. Major improvements that materially add to the capacity or serviceability or extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

i. **PENSIONS** (refer to Note 13)

For purposes of measuring the net pension asset or 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. Pension liabilities are liquidated when mature by the various operating funds accruing the liability.

The net pension assets, deferred outflows, net pension liabilities and deferred inflows of the various pension plans are allocated on the proprietary fund statements and government-wide statements based on the number of City employees by fund participating in the plans. Since PERS 1 and LEOFF 1 are closed plans, PERS 1 is allocated using the PERS 2/3 allocation percentages.

j. **OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS** (refer to Note 13)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual basis of accounting. Reconciliations

Notes to the Financial Statements

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City of Kent

briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations are provided below.

Reconciliation of the Governmental Funds Balance Sheet and the Statement of Net Position – Governmental Activities:

	Total Governmental Funds	Long-term Assets / Liabilities (1)	Internal Service Funds (2)	Eliminations/ Reclass (3)	Statement of Net Position
Assets:					
Cash & cash equivalents	\$ 40,060,127	-	10,431,813	-	50,491,940
Investments at fair value	54,595,045	-	14,222,458	-	68,817,503
Receivables, net	22,120,229	-	390,937	-	22,511,166
Due from other funds	405,000	-	1,650,000	(2,055,000)	-
Internal balances	-	-	-	(3,929,140)	(3,929,140)
Due from other governments	712,147	-	-	-	712,147
Inventory, at cost	-	-	138,216	-	138,216
Prepaid items	52,241	4,355	223,581	-	280,177
Interfund loan receivable	-	-	1,058,935	(1,058,935)	-
Investment in joint venture	-	8,090,075	-	-	8,090,075
Restricted cash & cash equivalents					
Cash with fiscal agent	1,748,365	-	52,210	-	1,800,575
Note receivable from component unit	-	80,025,870	-	-	80,025,870
Less: Allowance for uncollectible	-	(80,025,870)	-	-	(80,025,870)
Net pension asset	-	12,983,878	-	-	12,983,878
Capital assets, net	-	743,962,524	8,178,763	-	752,141,287
Total Assets	\$ 119,693,154	765,040,832	36,346,913	(7,043,075)	914,037,824
Deferred outflows of resources:					
Deferred loss on bond refunding	-	49,689,065	-	-	49,689,065
Deferred outflows related to pensions	-	4,694,406	567,568	-	5,261,974
Total deferred outflows	-	54,383,471	567,568	-	54,951,039
Total assets & deferred outflows	\$ 119,693,154	819,424,303	36,914,481	(7,043,075)	968,988,863
Liabilities:					
Vouchers payable	\$ 3,139,612	-	941,017	-	4,080,629
Accounts/payroll payable	6,015,082	(31,833)	496,112	-	6,479,361
Incurred but not reported claims payable	42,300	-	2,559,493	-	2,601,793
Due to other funds	405,000	-	-	(405,000)	-
Due to other governments	18,660	-	-	-	18,660
Accrued interest payable	-	298,132	-	-	298,132
Unearned revenue	1,114,585	-	1,250	-	1,115,835
Interfund loan payable – current	1,185,886	-	-	(1,185,886)	-
Compensated absences – current	-	2,395,177	319,659	-	2,714,836
Contracts, leases, notes – current	-	877,545	-	-	877,545
General obligation bonds – current	-	5,545,350	-	-	5,545,350
Interfund loan payable – long-term	5,452,189	-	-	(5,452,189)	-
Compensated absences – long-term	-	2,033,966	189,415	-	2,223,381
Contracts, leases, notes – long-term	-	5,387,396	-	-	5,387,396
General obligation bonds – long-term	-	83,406,717	-	-	83,406,717
Net pension liability	-	15,298,866	2,538,971	-	17,837,837
Total OPEB liability	-	29,794,456	-	-	29,794,456
Contingent loan guarantee	-	2,230,042	-	-	2,230,042
Total Liabilities	\$ 17,373,314	147,235,814	7,045,917	(7,043,075)	164,611,970
Deferred Outflows:					
Unavailable revenue	6,177,292	(2,171,539)	-	-	4,005,753
Deferred inflows related to pensions	-	9,817,850	966,981	-	10,784,831
Total deferred inflows	6,177,292	7,646,311	966,981	-	14,790,584
Total Liabilities & Deferred Inflows	\$ 23,550,606	154,882,125	8,012,898	(7,043,075)	179,402,554
Fund Balance/Net Position:					
Total fund balance/net position	\$ 96,142,548	664,542,178	28,901,583	-	789,586,309
Total liabilities, deferred inflows & fund Balance/net position	\$ 119,693,154	819,424,303	36,914,481	(7,043,075)	968,988,863

Notes to the Financial Statements December 31, 2018

City of Kent

- (1) When capital assets (infrastructure, land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City.

Cost of capital assets	\$1,152,596,235
Accumulated Depreciation	<u>(408,633,711)</u>
	743,962,524

The investment in joint venture is not a financial resource and therefore is not reported in the governmental funds, but is included in the statement of net position.

\$ 8,090,075

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when paid, but is accrued and reported on the statement of net position.

\$ (298,132)

Long-term liabilities applicable to governmental activities are not due and payable in the current period, and therefore are not reported as fund liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the statement of net position.

Compensated absences – current	\$ (2,382,808)
Contracts, leases, notes – current	(877,545)
General obligation bonds – current	(5,545,350)
Compensated absences – long-term	(2,014,502)
Contracts, leases, notes – long-term	(5,387,396)
General obligation bonds (net) – long-term	(83,406,717)
Deferred inflows related to pensions	(9,817,850)
Net pension liability	(15,298,866)
Total OPEB liability	(29,794,456)
Contingent loan guarantee obligation	<u>(2,230,042)</u>
	\$ (156,755,532)

Long-term assets applicable to governmental activities are not current financial resources available to pay current liabilities and are therefore not reported in the governmental funds, but are included in the government-wide statements.

Deferred outflows related to pensions	\$ 4,694,406
Net pension asset	<u>12,983,878</u>
	\$ 17,678,284

Loss on refunding bonds does not create or use current financial resources and therefore is not reported in the governmental funds, but is a deferred outflow amortized over the life of the bonds on the statement of net position.

\$ 49,689,065

Bond insurance is expensed at the time of incurrence in the governmental funds, but is amortized over the life of the bonds in the statement of net position.

\$ 4,355

Unavailable revenue for the long-term special assessment receivables shown on the governmental funds statements is not included on the statement of net position. Also, property tax revenues deferred under modified accrual for the governmental fund statements is recognized as revenue in the year earned under accrual accounting for the government-wide statements.

Unavailable special assessment revenue	\$ 1,720,716
Deferred property tax revenue	394,472
Deferred other revenue	<u>56,351</u>
	\$ 2,171,539

- (2) Internal service funds are used by management to charge the costs of certain activities, such as fleet management, central services, facilities management, and self-insurance, to the individual operating funds. The assets and liabilities of the internal services funds are included in the governmental activities in the statement of net position, but are not included on the governmental funds balance sheet.

Internal Service Funds net position \$ 28,901,583

- (3) Certain interfund transactions between governmental activities are eliminated in the consolidation of those activities for the statement of net position.

Interfund receivables	\$ 7,043,075
Interfund payables	<u>(7,043,075)</u>
	\$ -

Some transactions are reclassified due to different accounting treatment under modified accrual accounting used in the governmental funds and full accrual accounting used for the statement of net position.

Notes to the Financial Statements

December 31, 2018

City of Kent

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the government-wide Statement of Activities – Governmental Activities:

	Total Governmental Funds	Revenues/ Expenses (1)	Capital Asset Transactions (2)	Debt Transactions (3)	Internal Service Funds (4)	Eliminations/ Reclass (5)	Statement of Activities
Revenues:							
Taxes:							
Property taxes	\$ 29,971,155	130,021	-	-	-	-	30,101,176
Sales & use taxes	32,842,687	-	-	-	-	-	32,842,687
Utility taxes	28,391,439	-	-	-	1,431,702	-	29,823,141
Business & occupancy taxes	9,422,048	-	-	-	-	-	9,422,048
Real estate excise taxes	7,689,638	-	-	-	-	-	7,689,638
Lodging taxes	312,813	-	-	-	-	-	312,813
Other taxes	1,074,356	-	-	-	-	-	1,074,356
Licenses & permits:							
Building permits	4,074,127	-	-	-	-	-	4,074,127
Other licenses & permits	4,045,617	-	-	-	-	-	4,045,617
Intergovernmental revenues	19,633,245	-	-	581,650	-	-	20,214,895
Charges for service:							
Park & recreation fees	1,485,638	-	-	-	-	-	1,485,638
Other fees & charges	8,057,961	-	-	-	594,325	-	8,652,286
Fines & forfeitures	2,704,218	-	-	-	-	-	2,704,218
Miscellaneous revenue:							
Special assessments	1,123,334	(652,766)	-	-	-	-	470,568
Interest income	1,696,085	(49,028)	-	-	530,419	-	2,177,476
Gain(loss) on disposal of capital assets	-	-	(3,229,897)	-	3,434	3,248,986	22,523
Rent/lease income	937,920	-	-	-	71,600	-	1,009,520
Contributions & donations	1,200,974	-	-	-	145,463	-	1,346,437
Other miscellaneous revenue	1,331,897	(12,184)	-	-	1,585,416	-	2,905,129
Total Revenue	\$ 155,995,152	(583,957)	(3,229,897)	581,650	4,362,359	3,248,986	160,374,293
Expenditures/Expenses:							
Current:							
General government	12,517,199	73,316	1,858,577	(546,664)	588,922	1,789,719	16,281,069
Judicial	3,442,107	(18,037)	49,576	(223,659)	104,811	-	3,354,798
Public safety	48,585,879	6,573,710	240,089	(2,007,082)	974,243	-	54,366,839
Community development	7,660,083	31,303	-	(66,355)	219,706	-	7,844,737
Public works	10,371,450	77,126	12,960,471	(907,330)	(5,386)	1,258,636	23,754,967
Leisure services	15,111,812	25,762	6,257,586	(1,726,627)	357,910	200,631	20,227,074
Health & human services	6,804,579	(1,003)	22,774	(336,351)	173,230	-	6,663,229
Debt service:							
Principal	6,624,979	-	-	(6,624,979)	-	-	-
Interest	3,786,574	(19,697)	-	3,480,191	-	-	7,247,068
Capital outlay	25,740,137	-	(25,740,137)	-	-	-	-
Total expenditures/expenses	\$ 140,644,799	6,742,480	(4,351,064)	(8,958,856)	2,413,436	3,248,986	139,739,781
Other sources/(uses):							
Issuance of contract	172,808	-	-	(172,808)	-	-	-
Issuance of installment note	104,587	-	-	(104,587)	-	-	-
Change in investment in joint venture	-	-	874,974	-	-	-	874,974
Contributed capital	-	-	453,108	-	-	-	453,108
Transfers in	56,403,715	-	-	-	1,963,998	(57,563,887)	803,826
Transfers out	(56,980,274)	-	-	-	(583,613)	57,563,887	-
Total other sources/(uses)	\$ (299,164)	-	1,328,082	(277,395)	1,380,385	-	2,131,908
Net change in fund balance/ net position	\$ 15,051,189	(7,326,437)	2,449,249	9,263,111	3,329,308	-	22,766,420

(1) 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 the governmental funds.

Accrual of compensated absences	\$ (253,341)
Interest expense accrual	19,697
Total OPEB obligation	<u>(6,508,836)</u>
	\$ (6,742,480)

Notes to the Financial Statements December 31, 2018

City of Kent

Certain revenues are unavailable in the governmental funds because they do not provide current financial resources, but are considered revenues in the statement of activities.

Property taxes	\$ 130,021
Other revenue	<u>(12,184)</u>
	\$ 117,837

Special assessment principal payments received are reported as revenue on the governmental fund statements because they provide current financial resources, but are not revenue on the statement of activities.

\$ (701,794)

- (2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of the depreciation expense charged for the year.

Capital outlay	\$ 25,740,137
Depreciation expense	<u>(21,389,073)</u>
	\$ 4,351,064

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However the cost of the capital asset is removed from the capital asset account in the statement of net position and offset against the sale proceeds resulting in a gain or loss on disposal of capital assets in the statement of activities.

Net cost of capital assets disposed of	\$ (3,229,897)
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Donations of capital assets are not shown on the governmental fund financial statements, but are reported as revenue on the statement of activities.

Developer donated assets	\$ 453,108
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The change in the value of the investment in joint venture does not create or use current financial resources and therefore is not reported on the governmental fund financial statements, but is reported on the statement of activities.

\$ 874,974

- (3) Payment of long-term debt is reported as expenditures in the governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, principal payments on debt reduce the long-term liabilities in the statement of net position and do not result in an expense in the statement of activities.

Principal payments	\$ 6,624,979
Reduction in contingent loan guarantee obligation	<u>1,427,938</u>
	\$ 8,052,917

The issuance of long-term debt provides current financial resources in the governmental funds, but creates a long-term liability on the statement of net position and does not provide revenues on the statement of activities.

Issuance of notes	\$ (104,587)
Issuance of contracts	<u>(172,808)</u>
	(277,395)

Certain bond transactions, like issuance premiums or discounts and bond insurance are reported as revenues or expenditures in the governmental fund statements because they provide or use current financial resources. However, for the government-wide statements, these costs are recognized (amortized) over the life of the bonds.

Amortization of prepaid bond insurance	\$ (4,746)
Amortization of premium/discount	761,352
Amortization of loss on refunding	<u>(4,236,797)</u>
	\$ (3,480,191)

Certain transactions related to pensions do not create current financial resources or uses and are not reported in the governmental funds, but are reported in the government-wide financial statements.

State on-behalf payments	\$ 581,650
Change in pension expense	<u>4,386,130</u>
	\$ 4,967,780

**Notes to the Financial Statements
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City of Kent

(4) Internal service funds are used by management to charge the costs of certain activities, such as fleet management, central services, facilities management, and self-insurance, to the individual operating funds. The net revenue or expense of the internal service funds is reported with governmental activities on the statement of activities.	\$ 3,329,308
(5) Interfund transfers between governmental activities are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities.	
Transfers in	\$ (57,563,887)
Transfers out	<u>57,563,887</u>
	\$ -

Some transactions are reclassified due to different accounting treatment under modified accrual accounting used in the governmental funds and full accrual accounting used for the statement of activities.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2018, one fund was in a deficit fund balance position. The Other Capital Projects Fund, a non-major fund, had a deficit fund balance of \$658,375. The deficit is due to interfund loans from the construction of the Showare Center. This will be reduced as the loans are repaid over the next several years with funding committed for that purpose.

4. DEPOSITS AND INVESTMENTS

The deposits and investment practices of the City of Kent are accounted for with a modified pooled cash arrangement. All investment activity of the City must be in compliance with Chapters 35.39 and 39.59 of the Revised Code of Washington (RCW) and any other statutes or regulatory requirements which may apply. The City’s investment policy presented in the Kent City Code Chapter 3.02, allows investments consisting of the State Treasurer’s Investment Pool, U.S. Treasury Obligations, Government Sponsored Enterprises Agency Securities (including, but not limited to, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation and Federal Farm credit Bank bonds), Repurchase Agreements, Bankers’ Acceptances, Commercial Paper, Certificates of Deposit, Bonds of the State of Washington and local governments within the State of Washington, General Obligation Bonds of other state and local governments outside Washington, Corporate Notes, and Supranational Bonds.

Reconciliation of cash, cash equivalents, deposits and investments to Statement of Net Position:

<u>PRIMARY GOVERNMENT</u>	
From Statement of Net Position:	
Cash & cash equivalents	\$ 83,925,990
Investments, at fair value	114,396,832
Restricted cash with fiscal agent/trustee	16,847,763
Restricted cash & cash equivalents	1,269,928
Restricted investments	<u>1,736,625</u>
Total from Statement of Net Position	\$ 218,177,138
Summary by Type:	
Cash on hand and in bank	\$ 18,949,905
State Pool (cash equivalents)	66,246,013
Deposits with fiscal agent/trustee	16,847,763
Investments	<u>116,133,457</u>
Total by Type	\$ 218,177,138

City of Kent

COMPONENT UNIT	
Special Events Center PFD:	
Cash on hand and in bank	\$ 69,636
Investments	93,977
Total Cash & Investments	\$ 163,613

A. DEPOSITS

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution’s failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The City’s deposits 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.

B. INVESTMENTS

1. Investments Measured at Amortized Costs:

Investments in the State Treasurer’s Local Government Investment Pool (LGIP), a qualified external investment pool, are valued at amortized cost, which approximates fair value. The LGIP is an unrated external investment pool. The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the Governmental Accounting Standards Board in Statement No. 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized costs. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. Participants in the LGIP are offered 100 percent liquidity on a daily basis, provided notification is made within specified times. Each month, earnings from the LGIP are deposited to the City’s bank account.

The State Investment Pool was authorized by State statute Chapter 294, Laws of 1986, and is managed and operated by the State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

2. Investments Measured at Fair Value:

The City measures and reports investments other than the LGIP at fair value.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy: (1) sets maximum maturities for the various allowable investment types (generally none exceed five years); (2) directs structuring the investment portfolio so that securities mature to meet cash requirements, when known, for ongoing operations, thereby avoiding need to sell securities on the open market prior to maturity; and (3) requires investing liquidity funds primarily in short-term instruments (i.e. investments maturing in less than one year). As of December 31, 2018, the weighted average maturity for the portfolio was 925

Notes to the Financial Statements December 31, 2018

City of Kent

days. Participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. As of December 31, 2018, the LGIP had a weighted average maturity of 42 days.

As of December 31, 2018, the City held the following investments:

Investment Type	Book Value	Fair Market Value	Fair Value Investment Maturities			% of Portfolio
			<1 Year	1-2 Years	3-5 Years	
U.S. Treasuries	\$ 66,662,886	\$ 66,650,278	\$ 7,020,996	\$ 32,161,416	\$ 27,467,866	56.1%
U.S. Agency Securities	18,741,517	18,624,359	4,397,077	10,493,571	3,733,711	15.7%
Commercial Paper	749,090	749,079	749,079	-	-	0.6%
Corporate Notes	27,086,125	27,020,163	-	18,123,415	8,896,748	22.8%
Supranational	5,243,732	5,246,568	-	4,278,434	968,134	4.4%
Municipal Bond/Note	455,010	454,600	-	454,600	-	0.4%
Total investments	118,938,360	118,745,047	12,167,152	65,511,436	41,066,459	100.0%
Less restricted investments		1,736,625				
Less: investments held by						
Fiduciary Funds		2,517,613				
Component unit		93,977				
Statement of net position		\$ 114,396,832				

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. State statute, as well as City policy, set requirements for the minimum credit ratings from a nationally recognized rating agency for the various types of investments. City policy further set guidelines for the maximum portfolio allocation by investment type and issuer. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand accounts and certificates of deposit. The credit ratings of the City's investments are as follows:

Investment Type	Ratings		% of Investments
	Moody's	S&P	
U.S. Treasuries ¹			Total 56.08%
U.S. Treasury Notes	Aaa	AA+	56.08%
U.S. Agency Securities			Total 15.69%
Financing Corporation	Aaa	NR	2.11%
Federal Home Loan Bank	Aaa	AA+	7.04%
Federal Home Loan Mortgage Corporation	Aa2	AA	2.19%
Federal National Mortgage Association	Aaa	AA+	2.64%
Resolution Funding	NR	NR	1.71%
Commercial Paper			Total 0.63%
Mitsubishi UFJ Financial	P-1	A-1+	0.63%
Corporate Notes			Total 22.79%
Apple Inc	Aa1	AA+	0.62%
BB&T Corporation	A2	A-	0.41%
Boeing Company	A2	A	0.41%
Cisco Systems Inc	A1	AA-	0.41%
Comcast Corporation	A3	A-	0.20%
Home Depot Inc	A2	A	0.49%
Johnson & Johnson	Aaa	AAA	0.09%
JP Morgan Chase & Co	A2	A-	1.12%
Paccar Financial Corporation	A1	A+	0.39%
PNC Financial Services Group	A2	A	0.41%

Notes to the Financial Statements

December 31, 2018

City of Kent

Investment Type	Ratings		% of Investments
	Moody's	S&P	
Corporate Notes - continued			
Procter & Gamble Co	Aa3	AA-	0.12%
Texas Instruments Inc	A1	A+	0.12%
The Bank of New York Mellon	A1	A	1.68%
Toyota Motor Corporation	Aa3	AA-	1.34%
Bank of Montreal	Aa2	A+	1.87%
Westpac Banking Corp	Aa3	AA-	1.95%
Caterpillar Inc	A3	A	0.65%
Deere & Company	A2	A	0.32%
Glaxosmithkline PLC	A2	A+	0.26%
National Rural Utilities Co Finance Corp	A2	A	0.27%
Charles Schwab	A2	A	1.22%
3M Company	A1	AA-	0.28%
Toronto-Dominion Bank	Aa1	AA-	1.11%
Wal-Mart Stores Inc	Aa2	AA	0.88%
Bank of America Co	A2	A-	1.12%
Blackrock Inc	Aa3	AA-	1.14%
Intel Corporation	A1	A+	0.64%
Oracle Corp	A1	AA-	1.65%
Royal Dutch Shell Plc	Aa2	AA-	1.15%
Unilever Plc	A1	A+	0.47%
Supranational			4.43%
Asian Development Bank	Aaa	AAA	1.84%
Inter-American Development Bank	Aaa	AAA	0.95%
International Finance corporation	Aaa	AAA	1.64%
Municipal			0.38%
State of California	Aa3	AA-	0.38%

¹ U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk

Concentration of Credit Risk: According to the City's investment policy, with the exception of U.S. Treasuries, U.S. Agencies, and the LGIP, no more than 25% of the City's total investment portfolio will be invested in securities offered by a single issuer. In accordance with GASB Statement No. 40, the City will report any investment in any one issuer that is 5% or more of the total City portfolio. As of December 31, 2018, the City did not have any investments meeting that criterion.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy requires that all security transactions entered into by the City are conducted on delivery-versus-payment (DVP) and that securities are to be held in safekeeping at the trust department of the City's primary bank. The custodian provides the City with monthly market values along with safekeeping receipts. Per GASB Statement No. 40 guidelines, the LGIP balances are not subject to custodial credit risk.

3. Fair value hierarchy:

The City measures and records its investments within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

The guidelines in GASB Statement 72 recognize a three-tiered fair value hierarchy as follows:

**Notes to the Financial Statements
December 31, 2018**

City of Kent

- Level 1: Quoted prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- Level 2: These are inputs other than quoted prices included in Level 1 that are observable for the asset or liability (such as interest rates, yield curves, volatilities, credit spreads). Inputs are derived from or corroborated by observable market data through correlation including quoted prices for similar assets or liabilities in active markets or inactive markets.
- Level 3: Unobservable inputs for an asset or liability. Only should be used when relevant Level 1 and Level 2 inputs are unavailable.

	Amount	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities:				
U.S. Treasury Securities	\$ 66,650,278	\$ 66,650,278	\$ -	\$ -
U.S. Agency Securities	18,624,359	-	18,624,359	-
Commercial Paper	749,079	-	749,079	-
Corporate Notes	27,020,163	-	27,020,163	-
Supranational	5,246,568	-	5,246,568	-
Municipal Bond/Notes	454,600	-	454,600	-
Sub-totals	\$ 118,745,047	\$ 66,650,278	\$ 52,094,769	\$ -
Investments measured at amortized costs				
State LGIP (cash equivalents)	\$ 67,138,724	\$ 67,138,724	\$ -	\$ -
Total investments (incl LGIP)	\$ 185,883,771	\$ 133,789,002	\$ 52,094,769	\$ -

5. RECEIVABLES

The following table lists the receivables and accrued revenue by fund type and by source:

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Governmental Activities:						
General Fund	\$10,100,761	\$ 1,034,184	\$ (22,493)	\$ -	\$474,437	\$ 11,586,889
Capital Resources Fund	1,398,182	-	-	-	-	1,398,182
Special Assessments Fund	-	-	-	5,726,469	-	5,726,469
Street Capital Projects Fund	-	1,016,770	(86)	-	-	1,016,684
Other Governmental Funds	1,649,194	746,587	(3,775)	-	-	2,392,006
Internal Service Funds	119,642	271,357	(63)	-	-	390,936
Subtotal	\$13,267,779	\$ 3,068,898	\$ (26,417)	\$ 5,726,469	\$474,437	\$ 22,511,166
Business-Type Activities:						
Water Fund	\$ -	\$ 2,193,143	\$ (3,031)	\$ -	\$ -	\$ 2,190,112
Sewerage Fund	-	7,874,742	(16,763)	-	-	7,857,979
Solid Waste Fund	-	83,089	-	-	-	83,089
Golf Complex Fund	-	17,105	-	-	-	17,105
Subtotal	\$ -	\$ 10,168,079	\$ (19,794)	\$ -	\$ -	\$ 10,148,285
Total Primary Government	\$13,267,779	\$ 13,236,977	\$ (46,211)	\$ 5,726,469	\$474,437	\$ 32,659,451

**Notes to the Financial Statements
December 31, 2018**

City of Kent

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Component Unit:						
Special Events Center PFD	\$ 186,688	\$ -	\$ -	\$ -	\$ -	\$ 186,688
Total Component Unit	\$ 186,688	\$ -	\$ -	\$ -	\$ -	\$ 186,688

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2018, the unearned revenue reported in the governmental funds related to special assessments was \$5,726,469. Of that amount, \$105,546 is delinquent.

The City of Kent uses the modified accrual basis of accounting for its Governmental Funds and the full accrual basis of accounting for its Proprietary and Pension Trust Funds as described in Note 1.c. In adopting this basis of accounting, the City recognizes revenue by recording various receivables and accrued revenue in its financial statements. The revenue recognition criterion by source is as follows:

a. TAXES RECEIVABLE

Taxes receivable consists of property taxes, sales taxes, and City assessed business and occupation, utility, lodging, real-estate excise taxes, and gambling taxes.

Property taxes are levied as of January 1 of each year. The taxes receivable at year end reflect only delinquent taxes. Revenue is recognized to the extent of collections within sixty days of year end. Taxes to be received beyond this period are recorded as deferred inflows. See Note 12 for additional details on property taxes.

Sales tax and lodging tax are collected by the state and remitted to the City on the last day of each month. Sales tax revenue is accrued at year end per GASB Statement No. 33, "Accounting and financial Reporting for Non-Exchange Transactions."

City assessed utility taxes are primarily due monthly and business and occupation taxes, gambling taxes and admissions taxes are generally due quarterly. The payment is generally due on the last day of the following month. Revenue is recognized to the extent of collections within sixty days of year end.

b. ACCOUNTS RECEIVABLE

In the General Fund, accounts receivable represent billing for miscellaneous licenses, permits, fines, and damages. In the Special Revenue and Capital Project Funds, accounts receivable generally represent billings for reimbursement for grants for which the services have been provided. Enterprise Funds accounts receivable are primarily for utility amounts billed but uncollected at year end plus accruals for revenues earned but unbilled at year end. Accounts receivable are shown at net. See table above for allowance for estimated uncollectible amounts by fund type.

c. ASSESSMENTS AND NOTES RECEIVABLE

The Debt Service Fund accounts for assessments receivable used for redeeming special assessment bonds. The City has assessments and miscellaneous notes receivable in its Proprietary Funds for development charges and notes in lieu of assessments.

Under the Contingent Loan Agreement (see Note 17 - Contingencies) between the City and the Kent Public Facilities District, a discretely presented component unit of the City, the City has to date made \$30,976,260 in debt payments on behalf of the District. At December 31, 2018, the City has recorded a note receivable of \$32,225,870 (including interest) from the District on the governmental

**Notes to the Financial Statements
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City of Kent

activities of the government-wide Statement of Net Position. Additionally, in 2016, the City refunded the 2008 PFD Sales Tax Bonds with City General Obligation Bonds while creating an interlocal note receivable from the PFD for the debt service on the new bonds (see Note 16 for additional information). At December 31, 2018, this note is \$47,800,000. Since the City believes the likelihood of the District being able to repay these notes is remote, the City has also recorded an allowance for doubtful accounts for the entire balance of these notes.

d. **ACCRUED INTEREST RECEIVABLE**

Accrued investment interest totaling \$474,437 was recognized at December 31, 2018.

6. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCES

The following interfund balances are shown in the fund statements as of December 31, 2018:

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
Governmental Funds:		
General Fund	\$ 405,000	\$ -
Street Capital Projects Fund	-	4,330,743
Other Capital Projects Fund	-	2,307,332
Other Governmental Funds	-	405,000
Internal Service Funds:		
Insurance Fund	2,708,935	-
Business-type Activities:		
Proprietary Funds:		
Enterprise Funds:		
Water Fund	796,680	-
Sewerage Fund	4,782,460	-
Golf Complex Fund	-	1,650,000
Totals	\$ 8,693,075	\$ 8,693,075

The net internal balances shown on the Statement of Net Position is \$3,929,140, due from governmental activities to business-type activities.

In December 2018, the Mayor approved a \$1,650,000 one-year interfund loan from the Insurance Fund to the Golf Complex Fund to cover working capital. This loan is bearing interest at the City's daily funds rate.

Also executed by the City on December 31, 2018, was a non-interest bearing one-day loan for \$405,000 from the General Fund to the Housing & Community Development Fund to cover year-end expenditures and temporary cash flow shortages.

During fiscal year 2012, the City established loans payable from the Other Capital Project Fund totaling \$9,702,213 to the Water Utility Fund (\$3,350,000), Sewer Utility Fund (\$3,350,000) and Insurance Fund (\$3,002,213). These loans are payable over a period not to exceed ten years and accrue 1.52% interest. At December 31, 2018, the unpaid balances on these loans are \$796,680 to Water, \$796,680 to Sewer and \$713,972 to Insurance for a total of \$2,307,332.

During fiscal year 2015, the City established interfund loans to the Street Capital Project Fund totaling \$1,800,000 (\$1,000,000 from the Sewer Utility Fund and \$800,000 from the Insurance Fund) to fund a street lighting conversion project. These loans are to be paid back over a period not to

Notes to the Financial Statements December 31, 2018

City of Kent

exceed nine years beginning in fiscal year 2016 and accrue 1.9% interest. At December 31, 2018, the outstanding loans balances are \$431,205 to Sewer and \$344,963 to Insurance for a total of \$776,168.

During fiscal year 2016, the City established an interfund loan to the Street Capital Projects Fund for \$1,000,000 from the Sewer Utility Fund to fund a street improvement project. This loan is to be repaid over a period not to exceed nine years, beginning in 2016 and accrue 1.9% interest. At December 31, 2018, \$678,565 remains outstanding on this loan.

During fiscal year 2018, the City established an interfund loan to the Street Capital Projects Fund for \$3,200,000 from the Sewer Utility Fund to fund a LID 363 street improvement project. This loan is to be repaid over a period not to exceed ten years, beginning in 2018 and accrue 1.9% interest. At December 31, 2018, \$2,876,010 remains outstanding on this loan.

TRANSFERS

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
Governmental Funds:		
Major Funds:		
General Fund	\$ 1,250,000	\$ 23,729,269
Capital Resources Fund	8,537,116	21,572,156
Special Assessment Fund	-	1,394,923
Street Capital Projects Fund	14,330,690	392,086
Subtotal	\$ 24,117,806	\$ 47,088,434
Non-major Funds:		
Street	\$ 8,265,152	\$ 8,439,220
Youth/Teen Programs	-	900,000
Criminal Justice	105,000	500,000
Non-voted Debt	9,532,668	-
Parks Capital Projects	9,965,000	-
Other Capital Projects	2,259,476	-
Technology Capital Projects	2,122,660	35,582
Facilities Capital Projects	35,953	17,038
Subtotal	\$ 32,285,909	\$ 9,891,840
Total Governmental	\$ 56,403,715	\$ 56,980,274
Proprietary Funds:		
Major Funds:		
Water Utility	\$ 10,931	\$ 144,483
Sewerage Utility	6,619	833,807
Golf Complex	200,000	-
Golf Complex	-	43,086
Subtotal	\$ 217,550	\$ 1,021,376
Internal Service Funds:		
Equipment Rental	\$ 43,086	\$ -
Central Services	3,874	547,660
Facilities Fund	617,038	35,953
Insurance	1,300,000	-
Subtotal	\$ 1,963,998	\$ 583,613
Total Proprietary	\$ 2,181,548	\$ 1,604,989
Total Transfers	\$ 58,585,263	\$ 58,585,263

City of Kent

The interfund transfers generally fall into one of the following categories: 1) debt service payments from a debt service fund but funded from an operating fund; 2) budgeted subsidy transfers; 3) capital projects constructed in a capital projects fund but receiving funding from an operating fund; 4) payment of interfund loans; or 5) capital assets purchased or constructed in one fund but capitalized in another. There were no significant transfers during fiscal year 2018 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer. For further detail on interfund transfers, refer to the Schedule of Interfund Transfers on pages 170-172.

7. CAPITAL ASSETS AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2018 changes in governmental capital assets:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 228,056,101	\$ 913,955	\$ -	\$ 228,970,056
Construction in Progress	26,078,140	24,401,588	(15,808,552)	34,671,176
Total non-depreciable assets	254,134,241	25,315,543	(15,808,552)	263,641,232
Capital Assets being depreciated:				
Buildings	136,006,159	477,507	(4,341,559)	132,142,107
Site Improvements	59,276,984	4,868,280	-	64,145,264
Equipment	63,826,674	4,986,118	(1,026,698)	67,786,094
Infrastructure	644,033,253	14,504,368	(7,037,724)	651,499,897
Total depreciable assets, gross	903,143,070	24,836,273	(12,405,981)	915,573,362
Less Accumulated Depreciation for:				
Buildings	(41,053,952)	(3,409,663)	2,522,788	(41,940,827)
Site Improvements	(27,486,989)	(2,520,635)	-	(30,007,624)
Equipment	(49,192,140)	(3,335,682)	966,511	(51,561,311)
Infrastructure	(290,716,754)	(12,846,791)	-	(303,563,545)
Total Accumulated Depreciation	(408,449,835)	(22,112,771)	3,489,299	(427,073,307)
Total depreciable assets, net	494,693,235	2,723,502	(8,916,682)	488,500,055
Governmental Activities Capital Assets, net	\$ 748,827,476	\$ 28,039,045	\$(24,725,234)	\$ 752,141,287

b. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

A summary of Business-type Property, Plant, and Equipment at December 31, 2018 follows:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Business-type Activities:				
Capital Assets not being depreciated:				
Land	\$ 17,703,024	\$ 1,215,253	\$ (969,672)	\$ 17,948,605
Construction in Progress	20,185,026	8,053,884	(7,538,620)	20,700,290
Total non-depreciable assets	37,888,050	9,269,137	(8,508,292)	38,648,895
Capital Assets being depreciated:				
Buildings	5,181,604	-	(3,971,407)	1,210,197
Site Improvements	442,451,695	5,707,200	(253,441)	447,905,454
Equipment	6,091,368	904,136	-	6,995,504
Total depreciable assets, gross	453,724,667	6,611,336	(4,224,848)	456,111,155

Notes to the Financial Statements December 31, 2018

City of Kent

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Less Accumulated Depreciation for:				
Buildings	(4,874,754)	(39,925)	3,750,873	(1,163,806)
Site Improvements	(129,106,249)	(10,438,079)	253,441	(139,290,887)
Equipment	(3,851,170)	(288,303)	-	(4,139,473)
Total Accumulated Depreciation	(137,832,173)	(10,766,307)	4,004,314	(144,594,166)
Total depreciable assets, net	315,892,494	(4,154,971)	(220,534)	311,516,989
Business-type Activities Capital Assets, net	\$ 353,780,544	\$ 5,114,166	\$ (8,728,826)	\$350,165,884

c. DEPRECIATION EXPENSE BY FUNCTION/PROGRAM

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 2,125,640
Judicial	49,678
Public Safety	534,208
Community Development	12,178
Public Works	13,039,937
Leisure Services	6,316,765
Health and Human Services	34,365
Total Depreciation Expense – Governmental Activities	\$ 22,112,771
Business-type Activities:	
Water	\$ 4,107,361
Sewerage	6,545,209
Golf Complex	113,737
Total Depreciation Expense – Business-type Activities	\$ 10,766,307

8. LEASES

The City leases storage space and equipment under non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position.

Operating Leases

The City leases space from Charlie Perkins for storage space on Smith Street. The current lease commenced on April 1, 2014 and continues for a period of five years. The City pays \$4,750 per month for the first two years and \$5,000 per month for the remaining three years of the lease. Additionally, the City reimburses Charlie Perkins for all property taxes applicable to the property during the lease term. The City paid \$69,891 in 2018 for this lease.

In December 2016, the City negotiated a new lease to replace the Yamaha Lease with De Lage Landen Public Finance. Under the new four year lease, the City will be leasing 74 golf carts and 3 utility vehicles with payments of \$7,988 per month beginning in February 2017. No lease payments are due for the months of November through February of each lease year. The City paid \$63,904 under this lease in 2018.

In January 2018, the City signed a lease with MailFinance, Inc to provide a postage meter machine. The lease will continue for a period of five years. Lease payments are made quarterly in the amount of \$2,318 (includes tax). The City paid \$9,272 under this lease in 2018.

City of Kent

The following is a schedule of future minimum lease payments under the operating leases:

<u>Fiscal Year</u>	<u>Amount</u>
2019	143,067
2020	88,176
2021	73,176
2022	9,272
2023	-

Capital Leases

In September 2018, the City entered into a lease agreement with TCF Equipment Financing for financing the acquisition of multiple pieces of grounds keeping equipment valued at \$639,447 for the golf course. The equipment has a 10 year estimated useful live and will begin depreciation in 2019. The lease provides for 48 monthly payments with an interest rate of 5.05%.

In December 2018, the City entered into a lease agreement with Caterpillar Financial Services Corporation for financing the acquisition of a Caterpillar Hydraulic Excavator valued at \$172,808 for the Public Works Department. The equipment has a 10 year estimated useful live and will begin depreciation in 2019. The lease provides for 60 monthly payments with an interest rate of 4.70%

Lease payments for the year ended December 31, 2018 were \$53,548. The capital lease debt outstanding at December 31, 2018 is \$758,707 (Note 9). The future minimum lease obligations under the capital leases as of December 31, 2018 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	181,466
2020	190,725
2021	200,457
2022	151,602
2023	34,457

9. LONG-TERM OBLIGATIONS

The City of Kent has the following types of long-term obligations: (a) bonded debt (net of unamortized premiums/discounts), (b) non-bonded debt consisting of installment loans and contracts and capital leases, and (c) other non-current liabilities including contingent loan guarantee obligation, compensated absences, OPEB liability and net pension liability. Long-term liabilities other than debt are expected to be liquidated by the operating funds that incur the liability as they come due.

a. BONDED DEBT

Bonded debt has three types: General Obligation Bonds, Special Assessment Bonds with Governmental Commitment, and Revenue Bonds. Each type is discussed below.

(1) General Obligation Bonds

The City issues General Obligation Bonds to provide funds for the acquisition or construction of major capital facilities, or for refunding of bonds previously issued for those purposes. General Obligation Bonds are direct obligations of the City for which its full faith and credit is pledged. Although they are primarily issued for governmental activities, they have also been issued for business-type activities. Debt service for governmental activities bonds is paid from the General Obligation Debt Service voted or non-voted funds while debt service for business-type activities

bonds is paid from the appropriate proprietary fund.

Debt service for governmental activities Limited Tax General Obligation (LTGO) Councilmanic (non-voted) bond issues is funded by transfers from operating funds into the Non-Voted General Obligation Debt Service Fund. Debt service for Unlimited Tax General Obligation Bonds (UTGO) (voted) bond issues is funded with special property tax levies. Currently, the City does not have any outstanding voted debt.

Total additional general obligation capacity for all purposes at December 31, 2018 is \$1,316,114,479. For further detail on debt margin, refer to Schedule 16 in the Statistical Section of this report. The general obligation bonds have various interest rates between 2.0 percent and 5.5 percent with maturity dates to 2037. The City's general obligation bonds carry a Moody's "Aa3" rating as of December 7, 2017 and Standard and Poor's "AA+" rating as of April 21, 2016.

(2) **Special Assessment Bonds with Governmental Commitment**

Special Assessment Bonds are issued to finance construction of local improvement district (LID) projects. The bonds are paid through the collection of assessments levied against the benefited properties located within the boundaries of the LID. Special Assessment Bonds are not a general obligation of the City and neither the full faith and credit nor the taxing authority of the City is pledged to the payment of the bonds. Although the bonds are secured by liens against assessed properties, the City is required under state law to establish a guaranty fund to provide a means of paying LID bond debt services in the event there are insufficient resources in the LID debt service fund. In accordance with GASB Statement No. 6, special assessment debt is reported in the government's financial statements because the government is contingently liable for the debt. The City is responsible for collection of the assessments levied and for disbursement of these amounts for the retirement of the respective bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. The reserve account is funded as a cost of establishing a LID, as well as interest income earned on assessment prepayments. As of December 31, 2018, the LID guaranty reserve was \$117,265.

(3) **Revenue Bonds**

Revenue Bonds, payable from pledged revenues generated by the respective Proprietary Funds, are issued for the construction, acquisition, and equipping of water and sewer facilities and related systems and infrastructure. Refer to Schedule 16 in the Statistical Section of this document for further information about pledged revenue coverage. The Water and Sewerage Funds' outstanding Combined Utility System Revenue Bonds, Series 2009A and Series 2009B Taxable (Build America Bonds) and Series 2017 Refunding Bonds at December 31, 2018, totaled \$31,265,888, including unamortized premium, split equally between each fund. The interest rates of the revenue bonds range from 3.0 percent to 6.12 percent with maturity dates to 2029. The bonds have been assigned a rating of AA by Standard & Poor's Ratings Services as of December 6, 2017.

b. **NON-BONDED DEBT**

Other long-term debt includes contracts, capital leases (see Note 8) and notes payable.

(1) **Installment Loans and Contracts**

The City has various installment loans issued by the State of Washington Department of Commerce Public Works Trust Fund to finance designated capital construction projects. These loans are direct obligations of the City for which the full faith and credit of the City is pledged.

Notes to the Financial Statements December 31, 2018

City of Kent

They are being repaid by the streets fund or proprietary funds depending on the projects funded with the proceeds. The loans are for twenty years and have an interest rate of 0.5 percent.

Through interlocal agreement, the City is responsible for a percentage of certain revenue bonds issued by the City of Tacoma to fund the construction of certain regional water supply projects of which the City is a participant and user of the system. The City is responsible for approximately 24 percent of the 2010 bonds and approximately 23 percent of the 2013 bonds (refunding of 2002 bonds). Interest rates on the bonds range from 2.0 to 5.62 percent.

c. **OTHER NON-CURRENT LIABILITIES**

Includes items like compensated absences (Note 13a), claims and judgments (Note 14), contingent loan guarantee obligation (Note 17), and other post-employment benefits (OPEB) obligation and net pension liability (Note 13), if applicable.

d. **ARBITRAGE**

Under U.S. Treasury Department regulations, all tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. In general the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed interest expenditures on the related debt, must be remitted to the Federal government on every fifth anniversary of each bond issue. At the fund level, the City recognizes this liability only when it is due and payable. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement and, as of December 31, 2018, has no outstanding arbitrage liability.

e. **ADVANCE AND CURRENT REFUNDINGS**

During fiscal year 2017, the City issued \$13,180,000 Combined Utility System Revenue Refunding Bonds, 2017 for the purpose of a crossover refunding of a portion of the outstanding balance of the Combined Utility System Revenue Bonds, Series 2009B Taxable (Build America Bonds – Direct Payment) on December 1, 2019 (the “Crossover Date”) and pay interest on the new bonds on and prior to the crossover date. The bond proceeds, along with the premium on the bonds, have been placed with an escrow agent in an irrevocable trust. The interest earnings on the invested proceeds in the trust will be used to pay debt service on the refunding bonds until the crossover date. The revenue stream originally pledged to secure the 2009B bonds continues to be used to pay the debt service on those bonds until the crossover date at which time, the pledged revenues “crossover” to pay debt service on the refunding bonds. The balance in the escrow account at the crossover date will be used to call and defease the remaining balance of the 2009B bonds. Prior to the crossover date, the 2009B bonds are not considered defeased and remain a liability of the City.

As of December 31, 2018 all bonds previously defeased in advanced refundings by placing funds with an escrow agent in an irrevocable trust, have been called.

f. **DEBT SCHEDULES**

The following tables are a summary of long-term debt transactions of the City for the year ended December 31, 2018:

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Notes to the Financial Statements December 31, 2018

City of Kent

LONG-TERM DEBT - GOVERNMENTAL ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/18	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS							
<u>LTGO Councilmanic Bonds:</u>							
Refund various purposes	2005	2020	4.05%	\$ 2,252,000	\$ 1,616,000	\$ 636,000	\$ 305,000
Refund 1999 various purposes	2009	2019	3.0-4.0%	8,410,000	7,405,000	1,005,000	1,005,000
Plus: Unamortized premium				347,076	317,018	30,058	-
Refund various purposes	2012	2022	2.0-4.5%	10,840,000	6,880,000	3,960,000	1,160,000
Plus: Unamortized premium				540,320	330,441	209,879	-
Refund 2004 various purposes	2014	2021	2.0-4.0%	8,671,070	5,679,090	2,991,980	815,350
Plus: Unamortized premium				547,704	339,340	208,364	-
Refund 2006 land-taxable	2015	2021	0.6-2.85%	4,380,000	2,640,000	1,740,000	700,000
Refund 2006 park improve	2015	2024	3.0%	4,240,000	-	4,240,000	-
Plus: Unamortized premium				261,619	92,755	168,864	-
Refund 2008 various purposes	2016	2025	2.0/5.5%	15,470,000	385,000	15,085,000	1,050,000
Plus: Unamortized premium				2,950,117	344,372	2,605,745	-
Refund 2008 PFD sales tax	2016	2037	2.0/5.5%	49,105,000	1,305,000	47,800,000	510,000
Plus: Unamortized premium				9,364,284	1,093,107	8,271,177	-
Total General Obligation – LTGO (Net)				117,379,190	28,427,123	88,952,067	5,545,350
OTHER LONG-TERM DEBT:							
Public Works Trust Fund Loans:							
Street improvements	2003	2023	0.5%	1,000,000	733,187	266,813	53,363
Street improvements	2004	2024	0.5%	8,500,000	5,773,529	2,726,471	454,412
Street improvements	2008	2028	0.5%	5,000,000	2,319,079	2,680,921	268,092
Capital lease	2018	2023	4.7%	172,808	2,567	170,241	31,596
SMG capital loan	2015	2024	0.0%	500,000	79,505	420,495	70,082
Total other governmental debt				15,172,808	8,907,867	6,264,941	877,545
TOTAL GOVERNMENTAL ACTIVITIES (Net)				\$ 132,551,998	\$ 37,334,990	\$ 95,217,008	\$ 6,422,895

SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/18	Due Within One Year
SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES:							
LID 353 et. al.	2004	2019	2.5-4.7%	\$ 11,758,557	\$ 11,758,557	\$ -	\$ -
TOTAL SPECIAL ASSESSMENT BONDS				\$ 11,758,557	\$ 11,758,557	\$ -	\$ -

LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/18	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS:							
<u>LTGO Councilmanic Bonds:</u>							
Sewerage Fund:							
Drainage – 04 Refunding	2014	2021	2.0-4.0%	\$ 3,558,930	\$ 2,330,910	\$ 1,228,020	\$ 334,650
Plus: Unamortized Premium				224,798	139,277	85,521	-
Total General Obligation LTGO (Net)				3,783,728	2,470,187	1,313,541	334,650
REVENUE BONDS:							
Water Fund:							
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	600,000
Revenue Refunding Bonds	2017	2029	5.0%	6,590,000	-	6,590,000	-
Plus: Unamortized Premium				1,205,019	102,075	1,102,944	-
Subtotal (Net)				15,735,019	102,075	15,632,944	600,000
Sewerage Fund:							
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	600,000
Revenue Refunding Bonds	2017	2029	5.0%	6,590,000	-	6,590,000	-
Plus: Unamortized Premium				1,205,019	102,075	1,102,944	-
Subtotal (Net)				15,735,019	102,075	15,632,944	600,000
Total Revenue Bonds (Net)				31,470,038	204,150	31,265,888	1,200,000
Total Bonded Debt				35,253,766	2,674,337	32,579,429	1,534,650

Notes to the Financial Statements December 31, 2018

City of Kent

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/18	Due Within One Year
OTHER LONG-TERM DEBT:							
Water Fund:							
Contract-Tacoma Pipeline	2010	2040	2.0-5.62%	11,400,000	1,640,000	9,760,000	300,000
Contract-Regional Water	2013	2032	4.0-5.0%	14,790,000	985,000	13,805,000	345,000
Public Works Trust Fund Loans:							
Water system improvements	2001	2021	0.5%	10,000,000	8,416,666	1,583,334	527,778
Water system improvements	2002	2022	0.5%	10,000,000	7,875,000	2,125,000	531,250
Subtotal – Water Fund				46,190,000	18,916,666	27,273,334	1,704,028
Sewerage Fund:							
Public Works Trust Fund Loans:							
Drainage system improv	2004	2024	0.5%	1,500,000	1,050,000	450,000	75,000
Subtotal – Sewerage Fund				1,500,000	1,050,000	450,000	75,000
Golf Complex Fund:							
Capital lease	2018	2022	5.05%	639,447	50,981	588,466	149,870
Subtotal – Golf Complex Fund				639,447	50,981	588,466	149,870
Total other business type debt				48,329,447	20,017,647	28,311,800	1,928,898
TOTAL BUSINESS TYPE ACTIVITIES (Net)				\$ 80,583,213	\$ 22,691,984	\$ 60,891,229	\$ 3,463,548

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	interest	principal	interest	
2019	\$ 5,545,350	\$ 3,413,587	\$ 334,650	\$ 49,121	\$ 9,342,708
2020	4,621,010	3,219,471	549,990	35,735	8,426,206
2021	4,476,620	3,036,665	343,380	13,735	7,870,400
2022	4,885,000	2,847,000	-	-	7,732,000
2023	4,805,000	2,630,050	-	-	7,435,050
2024-2028	19,705,000	9,977,450	-	-	29,682,450
2029-2033	20,255,000	5,426,750	-	-	25,681,750
2034-2038	13,165,000	1,206,350	-	-	14,371,350
Total	\$ 77,457,980	\$ 31,757,323	\$ 1,228,020	\$ 98,591	\$ 110,541,914

Revenue bond debt service requirements to maturity are as follows:

Year	Water Revenue Bonds		Sewerage Revenue Bonds		Total
	Principal	interest	principal	interest	
2019	\$ 600,000	\$ 792,072	\$ 600,000	\$ 792,072	\$ 2,784,144
2020	1,150,000	761,712	1,150,000	761,712	3,823,424
2021	1,197,500	700,430	1,197,500	700,430	3,795,860
2022	1,247,500	636,636	1,247,500	636,636	3,768,272
2023	1,300,000	570,205	1,300,000	570,205	3,740,410
2024-2028	7,362,500	1,731,335	7,362,500	1,731,335	18,187,670
2029-2033	1,672,500	93,313	1,672,500	93,313	3,531,626
Total	\$ 14,530,000	\$ 5,285,703	\$14,530,000	\$ 5,585,703	\$ 39,631,406

Notes to the Financial Statements December 31, 2018

City of Kent

The annual debt service requirements to maturity for non-bonded debt are as follows:

Year	Governmental Activities		Business-type Activities		Total
	Principal	interest	principal	interest	
2019	\$ 877,545	\$ 36,899	\$ 1,928,898	\$ 1,046,058	\$ 3,889,400
2020	879,063	31,258	1,966,640	1,006,374	3,883,335
2021	880,653	25,544	1,994,780	964,990	3,865,967
2022	882,319	19,752	1,451,482	919,508	3,273,061
2023	880,406	13,883	840,000	881,063	2,615,352
2024-2028	1,864,955	22,356	8,020,000	3,517,842	13,425,153
2029-2033	-	-	8,150,000	1,583,858	9,733,858
2034-2038	-	-	2,725,000	531,607	3,256,607
2039-2043	-	-	1,235,000	68,141	1,303,141
Total	\$ 6,264,941	\$ 149,692	\$ 28,311,800	\$10,519,441	\$ 45,245,874

DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:

The City of Kent Special Events Center Public Facilities District (PFD) has outstanding bonded debt of \$2,080,000.

The following is a summary of bonded and non-bonded debt issuance and redemption information as of December 31, 2018:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/17	Due Within One Year
BONDED DEBT:							
Revenue Bonds	2008	2020	3.16-5.75%	\$ 10,130,000	\$ 8,050,000	\$ 2,080,000	\$ 1,400,000
Total bonded debt (Net)				10,130,000	8,050,000	2,080,000	1,400,000
OTHER NON-BONDED DEBT:							
Note payable	2008	2020	0.19-1.2%	32,225,870	-	32,225,870	-
Note payable	2016	2037		49,105,000	1,305,000	47,800,000	510,000
Total non-bonded debt				81,330,870	1,305,000	80,025,870	510,000
TOTAL PFD (Net)				\$ 91,460,870	\$ 9,355,000	\$ 82,105,870	\$ 1,910,000

The Special Events Center Public Facilities District's annual debt service requirements to maturity for their bonded debt are as follows:

Special Events Center Public Facilities District			
Year	Principal	Interest	Total
2019	\$ 1,400,000	\$ 118,283	\$ 1,518,283
2020	680,000	39,127	719,127
Total	\$ 2,080,000	\$ 157,410	\$ 2,237,410

The following is a summary of changes in non-current liabilities reported in the government-wide financial statements for the year ended December 31, 2018

Notes to the Financial Statements
December 31, 2018

City of Kent

	Beginning Balances	Additions	Reductions	Ending Balances	Amount Due Within One Year	Amount Due In More Than One Year
GOVERNMENTAL ACTIVITIES:						
Bonds payable:						
General obligation bonds	\$ 83,091,875	\$ -	\$ 5,633,895	\$ 77,457,980	\$ 5,545,350	\$ 71,912,630
Premiums	12,255,439	-	761,352	11,494,087	-	11,494,087
Net general obligation bonds	95,347,314	-	6,395,247	88,952,067	5,545,350	83,406,717
Special assessment bonds with Governmental commitment	160,000	-	160,000	-	-	-
Total bonds payable (net)	95,507,314	-	6,555,247	88,952,067	5,545,350	83,406,717
Non-bonded long-term liabilities:						
Installment loans & contracts	6,818,631	104,587	828,518	6,094,700	845,949	5,248,751
Capital leases	-	172,808	2,567	170,241	31,596	138,645
Contingent loan guarantee obligation	3,657,980	-	1,427,938	2,230,042	-	2,230,042
Net Pension Liability	23,476,448	17,837,837	23,476,448	17,837,837	-	17,837,837
Post-Employment Health Care Liability	-	29,794,456	-	29,794,456	-	29,794,456
Compensated Absences:						
General government	4,174,681	5,184,035	4,929,573	4,429,143	2,395,177	2,033,966
Internal service funds	464,975	619,092	574,993	509,074	319,659	189,415
Total compensated absences	4,639,656	5,803,127	5,504,566	4,938,217	2,714,836	2,223,381
Total non-bonded long-term liabilities	38,592,715	53,712,815	31,240,037	61,065,493	3,592,381	57,473,112
Total	\$134,100,029	\$ 53,712,815	\$ 37,795,284	\$ 150,017,560	\$ 9,137,731	\$140,879,829
BUSINESS TYPE ACTIVITIES:						
Bonds payable:						
General obligation bonds	\$ 1,564,125	\$ -	\$ 336,105	\$ 1,228,020	\$ 334,650	\$ 893,370
Premiums	114,843	-	29,322	85,521	-	85,521
Net general obligation bonds	1,678,968	-	365,427	1,313,541	334,650	978,891
Revenue bonds	30,200,000	-	1,140,000	29,060,000	1,200,000	27,860,000
Premiums	2,464,929	-	259,041	2,205,888	-	2,205,888
Net revenue bonds	32,664,929	-	1,399,041	31,265,888	1,200,000	30,065,888
Total bonds payable (net)	34,343,897	-	1,764,468	32,579,429	1,534,650	31,044,779
Non-bonded long-term liabilities:						
Installment loans & contracts	29,272,361	-	1,549,027	27,723,334	1,779,028	25,944,306
Capital leases	-	639,447	50,981	588,466	149,870	438,596
Net Pension Liability	5,641,581	4,309,573	5,641,581	4,309,573	-	4,309,573
Compensated absences	689,036	894,935	820,865	763,106	484,798	278,308
Total non-bonded long-term liabilities	35,602,978	5,843,955	8,062,454	33,384,479	2,413,696	30,970,783
Total	\$ 69,946,875	\$ 5,843,955	\$ 9,826,922	\$ 65,963,908	\$ 3,948,346	\$ 62,015,562
SPECIAL EVENTS CENTER PFD:						
Bonds payable:						
Revenue bonds	\$ 3,330,000	\$ -	\$ 1,250,000	\$ 2,080,000	\$ 1,400,000	\$ 680,000
Total bonds payable (net)	3,330,000	-	1,250,000	2,080,000	1,400,000	680,000
Non-bonded long-term liabilities:						
Interlocal financing agreement	48,295,000	-	495,000	47,800,000	510,000	47,290,000
Instalment loans & contracts	28,533,536	3,692,334	-	32,225,870	-	32,225,870
Total non-bonded long-term liabilities	76,828,536	3,692,334	495,000	80,025,870	510,000	79,515,870
Total	\$80,158,536	\$ 3,692,334	\$ 1,745,000	\$82,105,870	\$ 1,910,000	\$ 80,195,870

10. FUND BALANCE

Fund balances presented in the governmental fund financial statements represent the difference between assets plus deferred outflows and liabilities plus deferred inflows reported within the governmental fund. Fund balance is classified into the following categories:

Nonspendable – includes amounts that cannot be spent because they are either (a) not in a spendable form (e.g. inventories, prepaid amounts or long-term portion of loans and notes receivable) or (b) legally or contractually required to be maintained intact (e.g. corpus of a permanent fund).

Restricted – amounts constrained for specific purposes imposed by (a) external parties or (b) imposed

by law through constitutional provisions or enabling legislation. The restriction must be able to be legally enforced by a party external to the government.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. These commitments are generally created, or modified or rescinded, through the budget process and are adopted by Council through ordinance.

Assigned – includes a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and b) amounts in the general fund that are intended to be used for a specific purpose as determined by City Council, generally through the budget process. Some managerial funds that do not meet the requirements to be classified as other governmental fund types and are therefore combined into the general fund for financial reporting purposes have been created to segregate, within the general fund, those balances assigned, by Council through the budget process, for those specific purposes. Council has not designated the authority to another party to assign funds, but does not specifically commit these funds through formal ordinance.

Unassigned – any remaining fund balance in the general fund not classified as nonspendable, restricted, committed or assigned. Negative fund balances, if any, in other governmental funds would also be displayed as unassigned. The City's financial policies require a target amount of 10 percent fund balance to remain in the general fund for cash flow purposes.

The City considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. When expenditures of unrestricted fund balance are incurred, the City considers committed amounts spent first, then assigned amounts and lastly, unassigned amounts.

11. INFORMATION ON ENTERPRISE FUNDS

The City has four Enterprise Funds. Certain information pertaining to the Enterprise Funds is presented below:

a. **WATER**

The Water Fund collects all revenues for the City's water utility, pays the expenses of the utility, pays amounts as required by bond covenants for debt service and expends certain monies to fund improvements to the system. The water service fees include a flat monthly meter access fee and a water usage fee based on a customer's water consumption. For more detail on current rates, see Schedule 13 in the Statistical Section of this document.

b. **SEWERAGE**

The Sewerage Fund is a combined fund for Sewer and Drainage operations. The Fund collects all revenues for the utility, pays the expenses of the utility, and expends certain monies to fund sewer and drainage system improvements.

The sewer operation is a collection system which pumps waste to METRO, a regional treatment agency under King County. All collection districts in King County contract with METRO for sewage treatment. For more detail on current rates, see Schedule 13 in the Statistical Section of this document.

The drainage operation started in May 1985 and collects revenue to fund operating charges. The drainage fee for single family residences is a flat monthly fee while the rate for multi-family and commercial establishments varies based on the property size, percentage of impervious surface,

**Notes to the Financial Statements
December 31, 2018**

City of Kent

and the basin or basins in which the property is located. For more detail on current rates, see Schedule 13 in the Statistical Section of this document.

The following shows the separation of the Sewerage Fund into its components.

	Sewer	Drainage	Total
Operating Revenue	\$ 32,604,785	\$ 20,074,054	\$ 52,678,839
Operating Expenses	32,224,903	17,731,138	49,956,041
Operating Income	\$ 379,882	\$ 2,342,916	\$ 2,722,798

12. PROPERTY TAXES

The County Treasurer acts as an agent in collecting property taxes for all taxing authorities in the County. Taxes are levied annually on January 1, on property value listed as of the prior July 31. They become a lien on the first day of the levy year. Assessed values are established by the County Assessor at 100 percent of fair market value. A reevaluation of all property is required every year and a physical inspection required at least once every six years.

Tax bills are mailed in February and are due on April 30. They may be paid in two equal installments on April 30 and October 31. If not remitted by April 30, the whole amount becomes delinquent with penalties and delinquent interest assessed on that amount. The County Treasurer remits collections to the individual taxing districts daily by electronic funds transfer as amounts are received and allocated to taxing districts. General and Capital Resources Funds receivables at December 31, 2018 include \$469,840 for delinquent property taxes. No estimate of uncollectible taxes is made since state law allows for sale of property for failure to pay taxes.

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general government services. This amount is reduced for the following reasons:

- a. The Washington State Constitution limits the total statutory property tax levy to \$10.00 per \$1,000 of assessed valuation. This 1 percent value limit is subject to additional reduction of 10 percent on all regular taxing rates except for Port and Utility Districts, Conservation Futures, Emergency Medical Services and State levies. The effective levy limit is \$5.55 per \$1,000 assessed valuation as follows: \$1.80 for the County, \$3.60 for the City and \$.15 is a floating limitation where applicable. In addition, the City has given \$.50 to the County to fund the library and \$1.00 to the Puget Sound Regional Fire Authority.
- b. Washington State law in RCW 84.55.010 limits the growth of regular property tax revenue. If total city assessed valuation increases by more than the allowable rate, the levy rate is proportionally decreased.
- c. Referendum 47 passed in November 1997 limited the growth of the property tax levy to the lesser of 6% or inflation.
- d. Initiative 747 passed in November 2001 further limits property tax levy growth by the lesser of 1% or inflation. As a result of Initiative 747, Washington State law in RCW 84.55.0101 limits the growth of regular property tax revenue to 1%.
- e. The City may voluntarily levy taxes below the legal limit.

Special property tax levies approved by the voters are not subject to the above limitations.

For 2018, the City's regular tax levy was \$1.627 per \$1,000 of assessed valuation based on the 2017

assessed valuation of \$18,597,339,729 for a total regular levy of \$30,137,002.

13. PERSONNEL BENEFITS**a. SICK, VACATION AND COMPENSATORY LEAVE**

Eligible employees earn twelve days sick leave and twelve to twenty-two days vacation leave per year depending on the employee's length of service and union agreement. Law enforcement officers and firefighters hired on or before September 30, 1977 receive unlimited sick leave. Maximum sick leave accruable for other employees is 130 days. Compensatory leave is time off in lieu of pay, but is due and owing to employees upon termination. Employees leaving the City of Kent are entitled to be paid for all unused vacation and compensatory leave. Upon termination, police officers hired prior to January 1, 2008, who retire or separate in good standing, will be compensated for the hours, up to 1,040 hours, remaining in their sick leave bank based on their tenure as commissioned officers with the Kent Police Department. The compensation is calculated, based on their tenure, at a percentage (between 20 and 80 percent) of the employee's hourly rate.

There are some sick leave benefits which are not paid to the employees upon termination, but instead are due in January following the year earned. Police officers hired before January 1, 2008 are eligible to receive compensation for accrued sick leave exceeding 1,040 hours at December 31. Police officers hired after January 1, 2008 are entitled to a sick leave incentive of up to 50 hours based on certain levels of sick leave accruals being maintained throughout the year. The City also pays all other eligible employees a sick leave incentive amount based on them maintaining certain levels of sick leave accruals throughout the year. The amount paid equates from 8 to 32 hours at base pay.

For the Governmental Activities on the Statement of Net Position, the current portion of compensated absences plus estimated benefits, including internal services, is estimated to be \$2,714,836 and the estimated long term portion, including internal services is \$2,223,381. The liabilities are typically liquidated by the general fund or streets fund, with exception to those related to internal services. In the Proprietary Funds, the current portion is that amount which is anticipated to be paid within the next fiscal period. The Proprietary Funds fully accrue compensated absences plus estimated benefits thereon, and separate current and long-term portions for balance sheet purposes only. For the Business-type Activities on the Statement of Net Position, as well as the Enterprise Funds on the Proprietary Fund statements, the estimated current amount is \$484,798 and the estimated long-term portion is \$278,308.

b. LIFE INSURANCE

Life insurance is provided for full time employees through Signa Corporation. Full-time employees are covered immediately. All employees have paid life insurance equal to their annual salary. The City paid \$383,870 during 2018 for this coverage.

c. DEFERRED COMPENSATION

In 1984 the City established a deferred compensation program for its employees in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) deposited to a trust. The City has no claim to these assets and does not record the fair value of the assets of the deferred compensation

City of Kent

program on its books. The City makes no contributions to the plan, but allows its employees to contribute to the International City Managers Association (ICMA) plan.

d. RETIREMENT

The City's contributions to retirement programs in 2018 were:

To Federal Social Security System	\$ 4,861,924
To State administered employee retirement systems	<u>6,718,874</u>
Total	<u>\$ 11,580,798</u>

Retirement payments to City employees from all City funds in 2018 were:

From Firemen's Relief and Pension Fund	<u>\$ 374,299</u>
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The following table represents the aggregate pension amounts for all plans administered by the Washington Department of Retirement Systems that the City participates in that are subject to the requirements of GASB Statement No. 68- Accounting and Financial Reporting for Pensions for the year 2018, as well as the City's Firemen's Pension Fund.

Aggregate Pension Amounts – All Plans	
Pension assets	\$ 12,983,878
Deferred outflows of resources	6,225,346
Pension liabilities	(22,147,410)
Deferred inflows of resources	(12,426,154)
Pension expense/expenditures	1,410,276

Substantially, all City 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 (DRS), under cost sharing multiple employer public employee defined benefit and defined contribution retirement plans. The City of Kent contributes semi-monthly to the Public Employees Retirement System (PERS), the Law Enforcement Officers and Fire Fighters Retirement System (LEOFF), and the Public Safety Employees' Retirement System (PSERS). The State legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems DRS, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained from their website www.drs.wa.gov or contact them at:

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

(1) Public Employees' Retirement System (PERS) Plans 1, 2 and 3

The Legislature established PERS in 1947. Membership in the system includes: 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 retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. (As used in this context, "plans" refers to tiers within PERS. The actual plan is PERS.)

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. The current rate is five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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 if a survivor benefit is chosen. 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 2018 were as

follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through August 2018	12.70%	6.00%
September through December 2018	12.83%	6.00%

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

The city's actual contributions to the plan were \$2,351,328 for the year ended December 31, 2017, including contributions towards the unfunded actuarially accrued liability.

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

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

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

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

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council

**Notes to the Financial Statements
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City of Kent

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 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through August 2018	12.70%	7.38%
September through December 2018	12.83%	7.41%
Employee PERS Plan 3		Varies

* For employees participating in JBM, the contribution rate was 18.45% for January – August 2018 and 18.53% for September – December 2018

The city’s actual contributions to the plan were \$3,284,182 for the year ended December 31, 2018.

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

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 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced

to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.43%	8.75%
Ports and Universities	8.93%	8.75%

The city’s actual contributions to the plan were \$911,355 for the year ended December 31, 2018.

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, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The City recognized \$581,650 in intergovernmental revenues and pension expense in 2018 for the City’s share of the state funding.

(3) Public Safety Employees’ Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),

City of Kent

- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member’s 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member’s age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 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. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The PSERS Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2018 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through August 2018	11.95%	6.74%
September through December 2018	12.38%	7.07%

The city’s actual contributions to the plan were \$155,310 for the year ended December 31, 2018.

(4) Information for all DRS plans

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

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

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

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 included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 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 and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
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.

Pension Trust	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	\$ 18,404,839	\$ 14,976,220	\$ 12,006,343
PERS 2/3	31,434,117	6,872,312	(13,265,626)
PSERS 2	712,610	6,859	(546,924)
LEOFF 1	(1,554,624)	(2,466,577)	(2,900,809)
LEOFF 2	(1,398,604)	(10,517,301)	(17,954,658)

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, 2018, the city reported a total pension liability of \$21,855,391 (plus \$292,019 for the Firemen’s Pension for a total pension liability of \$22,147,410) and a total pension asset of \$12,983,878 for its proportionate share of the DRS net pension liabilities(assets) as follows:

Plan	Liability (Asset)
PERS 1	\$ 14,976,220
PERS 2/3	6,872,312
PSERS 2	6,859
LEOFF 1	(2,466,577)
LEOFF 2	(10,517,301)

The amount of the liability (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

**Notes to the Financial Statements
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City of Kent

proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability (asset) that was associated with the city were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (2,466,577)	\$ (10,517,301)
State's proportionate share of the net pension liability (asset) associated with the employer	(16,683,866)	\$ (6,809,754)
TOTAL	\$ (19,150,443)	\$ (11,910,976)

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

Plan	Proportionate Share 6/30/18	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.335336%	0.320321%	0.015015%
PERS 2/3	0.402499%	0.384543%	0.017956%
PSERS 2	0.553617%	0.558376%	-0.004759%
LEOFF 1	0.135862%	0.135565%	0.000297%
LEOFF 2	0.518038%	0.520622%	-0.002584%

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the city recognized pension expense as follows for the DRS plans:

Plan	Pension Expense
PERS 1	\$ 2,046,149
PERS 2/3	149,008
PSERS 2	114,768
LEOFF 1	(400,634)
LEOFF 2	(407,950)
	\$ 1,501,341

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedules of Deferred Inflows and Outflows of Resources

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	595,146
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,296,273	-
TOTAL	\$ 1,296,273	\$ 595,146

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 842,365	\$ 1,203,216
Net difference between projected and actual investment earnings on pension plan investments	-	4,217,169
Changes of assumptions	80,394	1,955,804
Changes in proportion and differences between contributions and proportionate share of contributions	863,045	349,801
Contributions subsequent to the measurement date	1,801,995	-
TOTAL	\$ 3,587,799	\$ 7,725,990

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 50,873	\$ 7,038
Net difference between projected and actual investment earnings on pension plan investments	-	92,489
Changes of assumptions	734	42,447
Changes in proportion and differences between contributions and proportionate share of contributions	-	7,848
Contributions subsequent to the measurement date	85,999	-
TOTAL	\$ 137,606	\$ 149,822

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LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	200,250
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 200,250

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 563,391	\$ 244,213
Net difference between projected and actual investment earnings on pension plan investments	-	1,840,669
Changes of assumptions	5,953	1,509,423
Changes in proportion and differences between contributions and proportionate share of contributions	89,848	160,641
Contributions subsequent to the measurement date	507,674	-
TOTAL	\$ 1,166,866	\$ 3,754,946

Total – All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,456,629	\$ 1,454,467
Net difference between projected and actual investment earnings on pension plan investments	-	6,945,723
Changes of assumptions	87,081	3,507,674
Changes in proportion and differences between contributions and proportionate share of contributions	952,893	518,290
Contributions subsequent to the measurement date	3,691,941	-
TOTAL	\$ 6,188,544	\$ 12,426,154

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Notes to the Financial Statements
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Year Ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2019	\$ 26,038	\$ (439,882)	\$ (3,165)	\$ 191	\$ (232,642)
2020	(130,102)	(1,330,860)	(13,058)	(45,175)	(511,330)
2021	(390,401)	(2,533,657)	(32,717)	(123,037)	(1,082,159)
2022	(100,681)	(908,234)	(17,189)	(32,229)	(421,794)
2023	-	(306,163)	(4,492)	-	(160,840)
Thereafter	-	(421,390)	(27,594)	-	(686,989)
Totals	\$ (595,146)	\$ (5,940,186)	\$ (98,215)	\$ (200,250)	\$ (3,095,754)

(5) Firemen's Relief and Pension System

Plan Description

The Firemen's Relief and Pension system is a single employer defined benefit pension plan authorized under RCW 41.18. Membership is limited to firefighters employed prior to March 1, 1970. The plan is closed to new entrants. Annual funding for the plan comes from an allocation of the state fire insurance premium tax. The City would be responsible for any additional contributions needed to maintain the Plan.

When the State Legislature established the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) in 1970 (RCW 41.26), LEOFF replaced the City's retirement system for fire fighters, but plan members in the system at that time were guaranteed that their benefits would not decrease with the switch to LEOFF. The LEOFF Act had the following impact on the City's pension plan:

- Benefits for firefighters leaving service prior to March 1, 1970 continue to be paid entirely by the City's Firefighters' Relief and Pension System under RCW 41.18.
- Firefighters in service on March 1, 1970 are entitled to receive the greater of the benefits provided under the prior pension law, or the LEOFF 1 Act (RCW 41.26.040).
- Firefighters hired after March 1, 1970 are covered only under the LEOFF Act.

The system is a trust fund in the financial reports of the City, and is administered by the Firemen's Relief and Pension Board made up of two members of the system, the Mayor, and a Councilmember. The plan is governed by State statute and does not issue a stand-alone financial report.

The accrual basis of accounting is used to prepare the Firemen's Relief and Pension Fund statements. Plan member contributions, if any, are recognized in the period in which the contributions are due. The City's contributions, including insurance fees collected by the State, are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

As of December 31, 2018 the plan covers the following:

Retirees and beneficiaries receiving benefits	10
Inactive plan members entitled to, but not receiving, benefits	3
Total	13

Although medical and long-term care benefits may be paid from the Fund, the Plan does not administer a postemployment healthcare plan.

Investments

The Plan operates under the City’s investment policy and state statutes and participates in the pooled cash and investments of the City (see Note 4), but also carries specific investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. At December 31, 2018, the Plan held specific investments in the Federal Home Loan Mortgage Corporation with a fair market value of \$1,048,922 as well as \$741,229 in pooled investments, for total investments of \$1,790,151.

Net Pension Liability

**Firefighters’ Pension Fund
GASB Statement No. 67 Net Pension Liability**

	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Total pension liability	\$ 2,810,898	\$ 2,619,311
Fiduciary net position *	2,362,784	2,327,292
Net pension liability	448,114	292,019
Fiduciary net position as a % of total pension liability	84.06%	88.85%
Covered payroll	0	0
Net pension liability as a % of covered Payroll	N/A	N/A

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 67.

Other key actuarial assumptions:

Valuation Date	January 1, 2018	January 1, 2018
Measurement Date	December 31, 2017	December 31, 2018
Inflation	2.25 %	2.25%
Salary increases Including inflation	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry age normal	Entry age normal

Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a

Notes to the Financial Statements December 31, 2018

City of Kent

period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2014	1.96%
2015	1.40%
2016	1.72%
2017	1.00%
2018	5.20%

Discount Rate

	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Discount rate	3.50%	4.00%
Long-term expected rate of return, Net of investment expense	3.50%	4.00%
Municipal bond rate	3.50%	4.00%

GASB Statement No. 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability was calculated using the Individual Entry Age Normal Cost Method). The long-term expected rate of return may be used to discount liabilities to the extent that the Plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20 year high quality (AA/Aa or higher) municipal bond rate must be used for periods when Fiduciary Net Position is not projected to cover benefits and administrative expenses.

The Actuaries believe that the assumption of 4.00% as of December 31, 2018 is an appropriate long-term expected rate of return on investments such as those in the City's pension trust. The Bond Buyer General Obligation 20-year municipal bond index for bonds that mature in 20 years is 4.10% as of December 27, 2018. Rounding this to the nearest ¼% results in a discount rate of 4.00%. Using 4.00% for both the long-term expected rate of return and the bond index means 4.00% may be used as the single discount rate. This will be reevaluated at the next valuation date.

Sensitivity Analysis

The following presents the net pension liability of the Plan, calculated using the discount rate of 3.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate.

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Total pension liability	\$ 2,852,901	\$ 2,619,311	\$ 2,416,150
Fiduciary net position	2,327,292	2,327,292	2,327,292
Net pension liability	\$ 525,609	\$ 292,019	\$ 88,858

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Long-term Expected Rate of Return

The long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman’s investment consulting practice as of December 31, 2018.

Asset Class	Index	Long-term Expected Real Rate of Return
Cash	BAML 90 Day T-Bills	0.33%
Short-term Bonds	Citigroup 1-3 Year Gov/Cred	1.46%
US Mortgages	Bloomberg Barclays MBS	2.25%
Assumed Inflation – Mean		2.25%
Long-Term Expected Rate of Return		4.00%

**Firefighters’ Pension Fund
Changes in Net Pension Liability**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2017	\$ 2,810,898	\$ 2,362,784	\$ 448,114
Changes for the year:			
Service costs	-	-	-
Interest on total pension liability	95,357	-	95,357
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effects of assumptions changes or inputs	(112,645)	-	(112,645)
Benefit payments	(174,299)	(174,299)	-
Medical payments from fund	-	(200,000)	200,000
Employer contributions	-	-	-
Contributions from state fire insurance premium tax	-	230,881	(230,881)
Net investment income	-	119,751	(119,751)
Administrative expenses	-	(11,825)	11,825
Balance as of December 31, 2017	\$ 2,619,311	\$ 2,327,292	\$ 292,019

For the year ended December 31, 2018, the City recognized pension expense of \$283,234. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Deferred Inflows and Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	36,802
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 36,802

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Amount
2019	\$ 25,285
2020	14,177
2021	5,291
2022	(7,951)

e. Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year 2018:

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$ 29,794,456
OPEB Assets	-
Deferred outflows of resources	-
Deferred inflows of resources	-
OPEB expenses/expenditures	8,394,206

(1) Retirement Healthcare Benefits-LEOFF I Retirement System

Plan Description:

The City of Kent's LEOFF Plan 1 (the Plan) is a single employer defined benefit healthcare plan administered by the City. The Plan provides medical, prescription drug, dental, Medicare Part B premiums, long-term care, and vision expenses for LEOFF 1 retirees. The Plan does not cover dependent spouses and children. The Plan does not issue a separate standalone financial report.

Benefits Provided:

As mandated by RCW 41.26, RCW 41.18, and RCW 41.20, the City reimburses 100% of allowable healthcare costs for LEOFF 1 retirees. All firefighters and law enforcement officers employed between 3/1/1970 and 10/31/1977 are members of a single employer defined benefit OPEB plan and are provided lifetime insurance coverage for medical, hospital and nursing care costs. These benefits are accounted for in Police and Fire Pension and Relief Funds and are considered, in substance, a postemployment healthcare plan administered by, but not part of,

**Notes to the Financial Statements
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the Police and Fire Pension Plans. Extraordinary health and dental expenses, as determined by the Pension Board, require prior approval. Insurance policies for this benefit are underwritten as part of the City’s overall insurance program. The LEOFF 1 OPEB plans are closed to new entrants.

The City pays a monthly insurance premium to the Employee Health Care Fund for each retiree. The premium is less for Medicare age retirees, and the City reimburses retirees for the Medicare premiums. Medicare is the primary payer for retirees age 65 and older, and Cigna Administrators pays claims for retirees under age 65. The members’ necessary hospital, medical, and nursing care expenses not payable by worker’s compensation, Medicare, or insurance provided by another employer, are covered.

The authority to establish and amend benefits is determined by the LOEFF board.

The City’s retirees’ health plans are not open to active employees and are priced based on the retiree’s experience. Thus, there is no subsidy of the retiree rates by active employees, and no implicit subsidy.

Employees covered by benefit terms;

At December 31, 2018 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees or beneficiaries currently receiving benefit payments	63
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	0
Total	63

Contributions:

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Investment rate of return	3.75%
Healthcare cost trend rates	6.5% in the first year, trending down to 3.84% over 56 years
Mortality rates	Based on tables from the Society of Actuaries

Discount Rate:

The discount rate used to measure the total OPEB liability is 3.75%. The City’s OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high quality 20 municipal bonds, as of the valuation date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of 12/31/17	\$ 23,285,620
Changes for the year:	
Service costs	-
Interest	1,110,981
Changes in benefit terms	-
Difference between expected and actual experience	(1,156,067)
Changes in assumptions	8,439,292
Benefit payments	<u>(1,885,370)</u>
Net changes	<u>6,508,836</u>
Balance as of 12/31/18	<u>\$ 29,794,456</u>

Changes in assumptions and other inputs reflect changes in the discount rate, changes in premiums and claims, changes in mortality rates, changes in trends and other changes in assumptions.

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, 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 (2.75%) or one percentage point higher (4.75%) than the current discount rate:

	1% Decrease <u>2.75%</u>	Discount Rate <u>3.75%</u>	1% Increase <u>4.75%</u>
Total OPEB liability	\$ 33,151,844	\$ 29,794,456	\$ 26,937,992

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current healthcare cost trend rates:

	1% Decrease 5.50 % decreasing <u>to 2.84%</u>	Trend Rate 6.5% decreasing <u>to 3.84%</u>	1% Increase 7.50% decreasing <u>to 4.84%</u>
Total OPEB liability	\$ 26,941,144	\$ 29,794,456	\$ 33,116,434

OPEB Expenses and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized an OPEB expense of \$8,394,206. Since there are no active employees in the plan, no plan assets, and the measurement date is the same as the reporting date, there are no deferred inflows or outflows of resources as of December 31, 2018. Differences between actual and expected experience and changes in assumptions for the year ended December 31, 2018 are included in the 2018 OPEB expense.

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14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains consolidated insurance operations in one Insurance Internal Service Fund to account for and finance uninsured risks of loss. The Unemployment, Worker's Compensation, a portion of the Liability and Property, and Medical and Dental Insurance Programs are self insured. The insurance fund is made up of separate sub-funds for Unemployment Compensation, Worker's Compensation, Liability and Property, and Medical and Dental Insurance. Premiums are paid to the insurance fund by the other operating funds and are available to pay claims, claim reserves, administrative costs of the program. As with any risk retention program, the City is contingently liable with respect to claims beyond those actuarially projected. There were no significant reductions in insurance coverage and no claims exceeded insurance coverage for the past three years.

The claims liability includes an estimated amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses are not included in the calculation. Following is a table of changes in estimated claims liabilities for 2018 and 2017 as carried in the City's Internal Service Funds and the General Fund:

	Worker's Compensation		Medical and Dental *		Liability		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Claims liabilities, 1/1	\$ 1,731,129	\$ 1,668,825	\$ 852,400	\$ 789,000	\$ 763,248	\$ 1,436,154	\$ 3,346,777	\$ 3,893,579
Less: Claims paid	(2,024,480)	(832,557)	(12,845,381)	(13,511,737)	(1,128,781)	\$ (1,840,202)	(15,998,642)	(16,184,496)
Plus claims and Changes in estimates	594,575	894,861	12,948,381	13,575,137	1,710,702	1,167,296	15,253,658	15,637,694
Claims Liabilities 12/31	\$ 301,224	\$ 1,731,129	\$ 955,400	\$ 852,400	\$ 1,345,169	\$ 763,248	\$ 2,601,793	\$ 3,346,777

* includes the LEOFF 1 retiree plan included in the General Fund

a. UNEMPLOYMENT COMPENSATION

The City self-insures its unemployment compensation program through the Washington State Employment Security Department. Reserves are set each year based on estimates of employment activity. The City paid \$149,411 in unemployment compensation claims in fiscal year 2018. At December 31, 2018, fund equity was \$1,393,489.

b. WORKER'S COMPENSATION

The City became self-insured for worker's compensation in 1981. Contributions are made from the operating funds based upon actuarially determined costs. The funding and allocations for the worker's compensation program are reviewed by an actuary on an annual basis. The actuarial study made by Fallquist Actuaries, Inc., as of December 31, 2016 projected ultimate loss for 2018 of \$837,000. At December 31, 2018, incurred but not reported and claims payable were estimated at \$301,224. At December 31, 2018 fund equity was \$3,447,799. The City carries excess workers' compensation insurance coverage with a private carrier for losses exceeding \$500,000 per occurrence to a maximum indemnity in accordance with statutory limits.

c. LIABILITY

Liability coverage consists of a self-insurance layer of \$250,000 combined with two layers of reinsurance, a \$5 million primary layer and a \$15 million secondary layer for a total of \$20 million. The reinsurance layers are through the Washington Public Entity Group (WAPEG), a risk purchase group organized through the City's broker, Alliant Insurance Services, Inc. Coverage is occurrence based and includes general, automobile, police, public officials' errors and omissions, employment practices, stop gap, and employee benefits liability. Loss reserves are maintained by the City on the

basis of annual actuarial studies.

The City purchases additional insurance coverage for smaller risks not covered by the programs listed above. Those coverages include crime/fidelity, Neighborhood Association liability, and international liability, as well as public official bonds.

At December 31, 2018, the City booked a liability for open and incurred but not reported claims to equal estimated outstanding claims liability of \$1,345,169. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2018.

At December 31, 2018, fund equity was \$847,384. In 2017, the City expensed \$2,733,726 for its liability claims, insurance coverage and costs of administering the risk management program.

d. **PROPERTY**

Property coverage is provided by Lexington for all risks including earthquake and flood for buildings, contents, business income, extra expense, mobile equipment, fine arts and vehicles. Deductibles are \$100,000 per occurrence.

At December 31, 2018 fund equity was \$604,804. In 2018, the City expensed \$632,404 for its property claims, insurance coverage and administration.

e. **MEDICAL AND DENTAL**

The City is self insured for three medical plans administered by Premera Blue Cross, two dental plans administered by Washington Dental Service (WDS), and a vision plan administered by Vision Service Plan (VSP). Claims exceeding \$175,000 per occurrence are covered by a stop loss policy. Kaiser Permanente is offered as a Health Maintenance Organization (HMO) additional plan. The 100% Preferred Provider plan provides comprehensive benefits with co-pays, the 80/20 Preferred Provider plan is a deductible plan with co-insurance, and the Health Savings Account (HSA) plan is a high deductible plan with a HSA attached. The two dental plans offered by Delta Dental are both Preferred Provider Plans with different maximums depending on the plan enrolled. In 2018, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$11,797,170. The City authorizes an actuarial study every year to determine the fund's actuarial soundness and the impact on future rates. The City's incurred but not reported claims liabilities increased from \$852,400 as of December 31, 2017 to \$955,400 as of December 31, 2018. These amounts include the estimated IBNR for LEOFF1 Retirees, reported in the General Fund, of \$46,000 as of December 31, 2017 and \$42,300 as of December 31, 2018.

Kaiser Permanente provided health care to approximately five percent of the employees for 2018 premiums of \$495,882.

The fund's net position increased by \$891,529 to \$3,932,757 at December 31, 2018. In 2018, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

f. FINANCIAL HIGHLIGHTS

The 2018 financial highlights for the individual insurance operations are shown below:

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
BALANCE SHEET						
ASSETS & DEFERRED OUTFLOWS						
Cash and cash equivalents	\$ 594,539	\$ 1,169,004	\$1,600,297	\$ 693,193	\$ 239,625	\$ 4,296,658
Cash with fiscal agent	-	35,000	-	17,210	-	52,210
Investments	810,028	1,595,408	2,184,725	945,485	326,797	5,862,443
Receivables:						
Accounts	-	-	117,697	-	-	117,697
Due from other funds	-	825,000	412,500	412,500	-	1,650,000
Interfund loans receivable	-	172,482	713,971	172,482	-	1,058,935
Prepaid expenses	-	-	-	30,069	193,512	223,581
Deferred outflows related to pensions	1,494	5,974	-	5,974	1,494	14,936
Total assets & deferred outflows	\$1,406,061	\$ 3,802,868	\$5,029,190	\$2,276,913	\$ 761,428	\$13,276,460
LIABILITIES & DEFERRED INFLOWS						
Current:						
Vouchers Payable	\$ -	\$ 3,539	\$ 183,333	\$ 34,075	\$ 144,052	\$ 364,999
Accrued expenses	1,485	5,964	-	5,941	1,485	14,875
Claims payable	-	301,224	913,100	1,345,169	-	2,559,493
Compensated absences - current	1,860	7,439	-	7,439	1,860	18,598
Long-term:						
Net pension liability	6,682	26,725	-	26,726	6,682	66,815
Deferred inflows related to pensions	2,545	10,178	-	10,179	2,545	25,447
Total liabilities & deferred inflows	12,572	355,069	1,096,433	1,429,529	156,624	3,050,227
NET POSITION	1,393,489	3,447,799	3,932,757	847,384	604,804	10,226,233
TOTAL LIABILITIES & NET POSITION	\$1,406,061	\$ 3,802,868	\$ 5,029,190	\$2,276,913	\$ 761,428	\$13,276,460
INCOME STATEMENT						
OPERATING REVENUES	\$ 129,112	\$ 1,758,493	\$12,808,476	\$1,613,682	\$ 565,870	\$16,875,633
OPERATING EXPENSES	180,717	720,516	12,991,930	2,729,194	631,270	17,253,627
OPERATING INCOME	(51,605)	1,037,977	(183,454)	(1,115,512)	(65,400)	(377,994)
NON-OPERATING REVENUES						
(EXPENSES)	29,453	70,959	74,983	37,225	22,036	234,656
NET INCOME	(22,152)	1,108,936	(108,471)	(1,078,287)	(43,364)	(143,338)
TRANSFERS IN/(OUT)	-	-	1,000,000	300,000	-	1,300,000
CHANGE IN NET POSITION	(22,152)	1,108,936	891,529	(778,287)	(43,364)	1,156,662
NET POSITION 1/1	1,415,641	2,338,863	3,041,228	1,625,671	648,168	9,069,571
NET POSITION 12/31	\$1,393,489	\$ 3,447,799	\$ 3,932,757	\$ 847,384	\$ 604,804	\$10,226,233

15. JOINT VENTURE

The "Valley Communications Center" (Valley Com) was established August 20, 1976, by an Interlocal Agreement between the cities of Kent, Renton, Auburn, and Tukwila. The agreement is sanctioned by the provisions and terms of the Interlocal Corporation Act pursuant to R.C.W. 39.34. The initial duration of the agreement was five years, and thereafter is automatically extended for consecutive two year periods, unless terminated by one or more of the participating cities. Any such termination must be in writing and served upon the other cities on or before July 1 in any one year, to become effective on the last day of that year.

On August 4, 1999, the Administration Board of Valley Communications Center voted to include the City of Federal Way as a full participating Member City as of January 1, 2000. A new Interlocal Agreement pursuant to State RCW 39.34, et seq., was entered into by the five participating municipal corporations that include the cities of Auburn, Federal Way, Kent, Renton, and Tukwila on April 17, 2000. The duration of the agreement is five years, and will be automatically extended for additional five (5) year periods unless terminated as provided. However, the agreement shall not be terminated if there are any outstanding bonds issued by Valley Communications Center Development Authority. All bonded debt was paid off in 2015.

City of Kent

The purpose of the joint operation is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to the several subscribing agencies, which include King County Fire Districts #2, #20, #43, #44, #47; Puget Sound Regional Fire Authority, Valley Regional Fire Authority, City of Pacific Police Department; City of Algona Police Department; City of Des Moines Police Department, City of Black Diamond Police Department, North Highline Fire Department, South King Fire and Rescue, Vashon Island Fire and Rescue, and King County EMS Units. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged.

Valley Com is governed by an Administration Board composed of the Mayors or designated representatives from the five participating cities. The Administration Board is responsible for appointment and discharge of the Director and for review and approval of budgets, contracts, and major policy issues including personnel policies.

Reporting to the Administrative Board is an Operating Board which consists of two members of each participating city's Public Safety Departments including the Directors of said departments or designees. The Operating Board oversees the operation of Valley Com, and advises and makes recommendations to the Administration Board. In addition, they make recommendations on Director selection, present proposed policies and budgets to the Administrative Board and approve disbursement of funds by the Director.

The Director presents a proposed budget to the Operating Board on or before August 15 of each year. Said budget is then presented to the Administration Board by September 1 of each year. The Administration Board can make changes to the proposed budget, but final approval falls to the legislative body of each participating city in accordance with the provisions of the Interlocal Agreement.

The Interlocal Agreement calls for allocation of prorated financial participation among the five participating cities based on the percentage of estimated dispatched calls attributed to each jurisdiction compared to the total estimated dispatched calls for the current year ended December 31. Percentages are applied to the current approved budget, less revenue from all other sources.

In 2018 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	117,948	26.919%
Renton	90,329	20.616%
Auburn	101,199	23.096%
Tukwila	36,799	8.399%
Federal Way	91,883	20.970%
Totals	438,158	100.000%

In August 1993, Valley Com entered into an Interlocal Cooperation Agreement, Pursuant to Chapter 39.34 RCW, with the sub regions of King County, Seattle and Eastside Public Safety Communications Agencies (EPSCA). This agreement governs the development, acquisition and installation of the 800 MHz emergency radio communications system (System) funded by the \$57 million King County levy approved in November 1992.

This agreement provides that upon voluntary termination of any sub region's participation in the System, it surrenders its radio frequencies, relinquishes its equipment and transfers any unexpended levy proceeds and associated equipment replacement reserves to another sub region or consortium of sub regions.

Thus, in accordance with this Agreement, the principals of Valley Com have no equity interest in Valley Com's 800 MHz communications system.

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The share of equity belonging to the five participating cities is as follows:

	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Percent of Equity	29.02%	21.11%	21.68%	10.59%	17.60%	100.00%
Equity 12/31/17	\$ 7,215,101	\$ 5,212,721	\$ 5,290,137	\$ 2,677,982	\$ 4,222,772	\$ 24,618,713
Current Year Increase	874,974	670,090	750,724	272,987	681,619	3,250,394
Equity 12/31/18	\$ 8,090,075	\$ 5,882,811	\$ 6,040,861	\$ 2,950,969	\$ 4,904,391	\$ 27,869,107

Liabilities are the responsibility of the five participating cities in direct proportion to their equity position.

A copy of Valley Communication Center's audited financial statements is available at their offices located at 27519-108th Avenue SE, Kent, WA 98030.

16. COMPONENT UNITS

City of Kent Special Events Center Public Facilities District

The City of Kent established the Kent Special Events Center Public Facilities District (PFD) in August 2007. The corporation was established pursuant to State legislation and codified under RCW 35.57, with the powers and authority set forth by law. The District is established for the sole purpose of pursuing the design, construction, ownership, operation and/or financing of a regional center comprised of a Special Events Center, individually or in cooperation with any other governmental and/or private entities as allowed by law.

On February 29, 2008, the PFD issued bonds in the amount of \$63,280,000. In 2016, the City refunded the 2008 Sales Tax Bonds of the PFD with City general obligation bonds. At the same time, a new interlocal agreement was signed between the PFD and the City making the PFD responsible, to the extent PFD revenues are available, to the City for the debt service on the general obligation debt issued by the City.

For the fiscal year ended December 31, 2018, the PFD generated \$1,030,222 in revenue and had net position of \$(81,745,883).

Per GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 61, the City includes this entity in the City's financial statements utilizing the discrete presentation method. A copy of the City of Kent's Special Events Center Public Facilities District's financial statements is available at the City of Kent located at 220 – 4th Avenue South, Kent, WA 98032.

17. CONTINGENCIES AND LITIGATIONS

In the normal course of its various operations, the City is involved in lawsuits and is the recipient of claims for damages alleging that the City is responsible for damages incurred by third parties. The City believes the ultimate liability, if any, will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity. Please refer to Note 14 – *Risk Management*.

The City participates in a number of federal and state assisted programs. These programs are subject to audit and adjustment by the grantor or their representatives. Such audits could result in requests for reimbursement to the grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

On February 20, 2008, The City entered into a Contingent Loan and Support Agreement with the Kent Public Facilities District, a discretely presented component unit of the City. The agreement was authorized by City Council under Ordinance No. 3863. Under the agreement, in the event that the District is unable to provide for the payment of principal or interest on any bonds issued by the District for the construction of the Kent Special Events Center, the City shall loan to the District the amount necessary to make such timely

City of Kent

payment. The District issued \$10,130,000 in Revenue Bonds and \$53,150,000 in Sales Tax Bonds in 2008 (see Note 9 – *Long-Term Indebtedness*). The Contingent Loan and Support Agreement remains in effect for the life of bonds. In 2016, the City refinanced the 2008 Sales Tax Bonds with General Obligation Bonds (LTGO Series 2016B). Concurrently, the City and the PFD entered into an interlocal agreement that all sales tax collected by the PFD is to be paid to the City to be used for the debt payments on the 2016B GO Bonds. The 2008 Revenue Bonds mature annually on December 1 until 2020 with semiannual interest payments. There is \$2,080,000 outstanding on these bonds at December 31, 2018. As of December 31, 2018, the City has loaned the District \$30,976,260 and accrued interest of \$1,249,610 for a total of \$32,225,870. The City loaned the District \$3,692,333, in 2018. As discussed in Note 5 – *Receivables*, although the City has booked a receivable from the District for the cumulative amounts loaned under the agreement, the City believes that the District will be unable to repay the City and therefore has offset 100 percent of the receivable with an allowance for uncollectibles. The City anticipates that District revenues will continue to fall short of the debt service requirements and the City will continue to make contingent payments on the District’s outstanding bonds. In compliance with GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the City has recorded a liability on the government-wide Statement of Net Position for \$2,230,042, the present value of estimated future payments under the guarantee agreement.

The liability recognized for the financial guarantee at December 31, 2018 is as follows:

Beginning of year	Increases	Decreases	End of Year
\$ 3,657,980	\$ -	\$ 1,427,938	\$ 2,230,042

18. COMMITMENTS

As of December 31, 2018, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$ 31,816,514
Parks Capital Projects	15,816,236
Miscellaneous Projects	1,396,614
Technology Capital Projects	7,085,499
Facilities Fund Capital Projects	30,005
Facilities Fund	2,502,923
Equipment Rental Fund	1,711,910
Water Capital Projects	24,524,222
Sewerage Capital Projects	36,559,349
Golf Capital Projects	2,791,224
Total	\$ 124,234,496

19. TAX ABATEMENTS

GASB Statement No. 77 defines tax abatements and requires certain disclosures about any tax abatement agreements. For financial reporting purposes, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual entity in which (a) one or more governments promises to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City has the following tax abatement agreement(s) in place as of December 31, 2018:

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Ad valorem property tax abatements:

Name: Dwell at Kent Station (Apartments)

1. Taxes abated: Ad valorem property taxes for eight years
2. Authority: Chapter 84.14 RCW and Kent City Code (KCC) 3.25
Chapter 84.14 RCW provides limited eight year exemptions from ad valorem property taxation for multifamily housing in designated urban centers to:
 - a. Encourage increased residential opportunities within urban centers designated by the city council as residential targeted areas, and
 - b. Stimulate new construction on vacant and underutilized sites for multifamily housing in residential targeted areas to increase and improve housing opportunities, and
 - c. Assist in directing future population growth in designated urban centers, thereby reducing development pressure on single-family residential neighborhoods, and
 - d. Achieve development densities which are more conducive to transit use in designated urban centers.
3. Criteria: A proposed project must meet the following requirements for consideration for a property tax exemption:
 - a. *Location* – The project must be located within a designated residential targeted area as defined in KCC 3.25.020. If a part of any legal lot is within the residential targeted area, then the entire lot shall be deemed to lie within the residential targeted area.
 - b. *Tenant displacement* – Prior to approval of an application under KCC 3.25.060, the applicant shall provide the city administrator with documentation satisfactory to the administrator of the following:
 1. All tenants of residential rental structures on the project site have been notified per state statute of the termination of their tenancy
 2. The applicant's efforts to refer tenants to similar, alternative housing resources, and
 3. Any other actions the applicant has taken to minimize the hardship on tenants whose tenancies will be terminated.
 - c. *Size* – The project must include at least 30 units of new multifamily housing within a multi-story development. At least 50 percent of the space within the proposed project shall be intended for permanent residential occupancy.
 - d. *Proposed completion date* – New construction of multifamily housing must be completed within three years from the date of approval of the application.
 - e. *Compliance with guidelines and standards* – the project must be designed to comply with the city's comprehensive plan, building, fire, housing, and zoning codes, downtown design review, multifamily design review, mixed use design review as applicable, and any other applicable regulations. The project must be LEED certifiable as confirmed by a LEED certified independent third party reviewer or must be Built GREEN certified, and must also comply with any other standards and guidelines adopted by the city council for the residential targeted area.
 - f. *Parking* – For projects located in the downtown residential targeted are, all required residential parking shall be located within structured parking garages, under buildings, or underground. Projects located in the Riverbend Gateway residential targeted are shall provide structured parking garages under buildings or underground, though parking may also be allowed in surface lots.
 - g. *Class A pedestrian street* – For buildings adjacent to a class A pedestrian street, the first floor of the building facing the street shall consist of residential units, commercial uses, and/or residential amenity uses.
 - h. *Mixed use development* – The project shall be a mixed use project, unless the mixed use component is waived by the city administrator.
 1. The purpose of the mixed use requirement is to implement the intent of the land use district, maximize the efficient use of land, support transit use, and encourage the development of well-balanced, attractive, convenient, and vibrant urban

residential neighborhoods. The additional use excludes any accessory functions related to the residential use. Unless otherwise modified or waived in writing by the administrator, the nonresidential mixed use shall occupy at a minimum the ground floor along the street frontage with a depth of at least 30 feet for any building in the project. The administrator may not modify or waive the mixed use requirement, as provided in subsection (H)(2) of this section, in the DC zoning district, which is governed by KCC 15.04.030(4) and (5).

2. The administrator may waive the mixed use requirement for the purposes of this chapter, if the applicant can demonstrate that mixed use development is impractical or infeasible due to the following factors:
 - a. Size or other physical characteristic of the project's lot(s);
 - b. Project site is not conducive to commercial use;
 - c. Classification of street(s) abutting the project; or
 - d. Other similar type of circumstance that makes mixed use impractical for the project.
4. Mechanism: The value of improvements qualifying under this chapter is exempt from ad valorem property taxation for eight successive years beginning January 1st of the year immediately following the calendar year after issuance of the final certificate of tax exemption. The exemption does not apply to the value of land or to the value of improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and non-qualifying improvements. This chapter does not apply to increases in assessed valuation made by the assessor on non-qualifying portions of buildings and value of land nor to increases made by lawful order of a county board of equalization, the Department of Revenue, or a county, to a class of property throughout the county or specific area of the county to achieve the uniformity of assessment or appraisal required by law. At the conclusion of the exemption period, the new housing cost shall be considered as new construction for the purposes of Chapter 84.55 RCW.
5. At the conclusion of the exemption period, the new housing costs shall be considered as new construction for the purposes of Chapter 84.55 RCW.
6. Within 30 calendar days after the first anniversary of the date the city issued the final certificate of tax exemption and each year thereafter for the duration of the tax exemption period, the property owner shall file a notarized declaration and annual report with the administrator indicating the following:
 - A. A statement of occupancy and vacancy of the multifamily units during the previous 12 months;
 - B. A certification that the property has not changed use and continues to be in compliance with the contract with the city and this chapter;
 - C. A description of any subsequent improvements or changes to the property made after the city issued the final certificate of tax exemption;
 - D. The total monthly rent of each multifamily housing unit rented or the total sale amount of each multifamily housing unit sold to an initial purchaser during the 12 months ending with the anniversary date;
 - E. A breakdown of the number, type, and specific multifamily housing units rented or sold during the 12 months ending with the anniversary date; and
 - F. Any additional information requested by the city pursuant to meeting any reporting requirements under Chapter 84.14 RCW.

City staff may also conduct onsite verification of the declaration and reporting. Failure to submit the annual declaration and report shall result in a review of the exemption per RCW 84.14.110.
7. The amount of taxes abated for 2018 under this program was \$32,537.

City of Kent

The City has issued conditional certificates of acceptance of tax exemption for two additional multi-family housing projects, Madison Plaza and Marquee on Meeker, but the projects are still under construction at December 31, 2018. No certificates of occupancy or final tax exemption certificates have been issued for these projects.

The State of Washington has the following tax abatements that impact tax revenues of the City:

- High-Technology Sales and Use Tax Deferral – Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.
- Aerospace Incentives - The purchase and use of computer hardware, software, or peripherals, including installation charges is exempt from sales and use tax per RCWs 82-08.975 and 82.12.975 if the buyer uses the purchased items primarily in developing, designing, and engineering aerospace products.

The following table shows the impact to the City of Kent for taxes abated by the State of Washington during the calendar year ended December 31, 2017 (the latest information available):

Tax Abatement Program	Amount of Taxes Abated
High-technology sales & use tax deferral	\$ *
Aerospace incentives – computer hardware, software, & peripherals	
Sales & use tax exemption	*

* State law (RCW 82.32.330) forbids the disclosure of sales & use tax information for less than three taxpayers
Source: Washington Department of Revenue

20. PRIOR PERIOD ADJUSTMENT

With the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018, the City reported a prior period adjustment of \$23,356,135 on its government-wide financial statements for the effects of Other Postemployment Benefits (OPEB).

**Schedule of Changes in Total OPEB Liability and Related Ratios
Retirement Healthcare Benefits - LEOFF 1
For the Year Ended December 31
Last One Fiscal Years ***

	<u>2018</u>
Total OPEB liability - beginning	\$ 23,285,620
Changes for the year:	
Service costs	-
Interest	1,110,981
Changes in benefit terms	-
Differences between expected and actual experience	(1,156,067)
Changes in assumptions	8,439,292
Benefit payments	(1,885,370)
Implicit rate subsidy fulfilled	-
Other changes	-
Net changes	<u>6,508,836</u>
Total OPEB liability - ending	<u>\$ 29,794,456</u>
Covered payroll **	-
Total OPEB liability as a % of covered payroll	N/A

Notes:

* The City implemented GASB Statement No. 75 in fiscal year 2018. Information is not available for prior years. This schedule is to be built prospectively until it contains 10 years of data.

** There are no active employees covered by the plan and therefor no covered employee payroll.

No assets are accumulated in a trust that meets the requirements of paragraph 4 of GASB Statement No. 75.

City of Kent

Required Supplementary Information

**Firefighters' Pension Fund
Schedule of Employer Contributions
Last 10 Fiscal Years**

	Fiscal Year Ending December 31		
	2009	2010	2011
Actuarially determined contribution	\$ (62,265)	\$ (64,151)	\$ (48,662)
Actual employer contribution *	(62,265)	(64,151)	(48,662)
Contribution deficiency (excess)	-	-	-

* Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150. It includes revenue from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer

** The plan operates on a pay-as-you-go basis. Beginning in 2017, the actuaries are no longer calculating an actuarially determined contribution and therefore, no contribution deficiency (excess) is calculated. This table is shown for historical purposes.

Firefighters' retiree medical and long-term care benefits may be paid from the Firefighters' Pension Fund. As noted above, payments for retiree medical and long-term care benefits are subtracted from other contributions, leaving a negative total contribution for years prior to 2016. The City has been budgeting a portion of the excess plan assets to pay these benefits based on an actuarially determined amount. The City limits the amount of retiree medical and long-term care benefits paid from the Fund to the budgeted amounts, and thus the actual employer contributions are equal to the actuarially determined contributions prior to 2016 in the table above. In the last actuarial study of December 31, 2017, the actuaries no longer assume a continuation of the state fire insurance premium and therefore no longer provide an actuarial determined amount available for medical payments from the plan. The City has, however, continued to receive the insurance premium and make medical payments from the fund.

Note: Since this is a closed plan covering retirees, there is no covered payroll, therefore covered payroll and contributions as a percent of covered payroll are not applicable and are not shown in this table. [GASB Statement No. 67 Implementation Guide, question 57]

**Firefighters' Pension Fund
Schedule of Money-Weighted Rate of Return
Last Five Fiscal Years ***

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2014	1.96%
2015	1.40%
2016	1.72%
2017	1.00%
2018	5.20%

* The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information is not available for prior years. This schedule is to be built prospectively until it contains 10 years of data.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

City of Kent

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Fiscal Year Ended December 31						
2012	2013	2014	2015	2016	2017 **	2018 **
\$ (59,033)	\$ (41,988)	\$ (47,101)	\$ (6,968)	\$ 33,825	\$ -	\$ -
(59,033)	(41,988)	(47,101)	(6,968)	1,666	22,782	30,881
-	-	-	-	(32,159)	-	-

City of Kent

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Changes in Pension Liability and Related Ratios

Last Five Fiscal Years *

	Fiscal Year Ending December 31		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ -	\$ -	\$ -
Interest on total pension liability	77,086	75,005	94,952
Effect of plan changes	-	-	-
Effect of economic/demographic gains (losses)	-	357,176	-
Effect of assumption changes or inputs	67,119	295,781	(62,384)
Benefit payments	(143,326)	(157,121)	(158,944)
Net change in total pension liability	879	570,841	(126,376)
Total pension liability - beginning	2,220,000	2,220,879	2,791,720
Total pension liability - ending (a)	\$ 2,220,879	\$ 2,791,720	\$ 2,665,344
Fiduciary Net Position			
Employer contributions	\$ -	\$ -	\$ -
Contribution for state fire insurance premium tax	178,899	219,032	227,666
Investment income net of investment expenses	54,853	37,358	43,881
Benefit payments	(143,326)	(157,121)	(158,944)
Medical payments from fund	(226,000)	(226,000)	(226,000)
Administrative expenses	(8,325)	(3,000)	(11,825)
Net change in fiduciary net position	(143,899)	(129,731)	(125,222)
Fiduciary net position - beginning	2,880,593	2,736,694	2,606,963
Fiduciary net position - ending (b)	\$ 2,736,694	\$ 2,606,963	\$ 2,481,741
Net pension liability (asset) - ending = (a) - (b)	\$ (515,815)	\$ 184,757	\$ 183,603
Fiduciary net position as a percentage of total pension liability	123.23%	93.38%	93.11%

* The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information is not available for prior years. This schedule is to be built prospectively until it contains 10 years of data.

Note: Since this is a closed plan covering retirees, there is no covered payroll, therefore covered payroll and contributions as a percentage of covered payroll are not applicable and are not shown in this table. [GASB Statement No. 67 Implementation Guide, question 57]

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

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Fiscal Year Ending December 31

2017	2018
\$ -	\$ -
96,923	95,357
-	-
149,761	-
61,812	(112,645)
(162,942)	(174,299)
<u>145,554</u>	<u>(191,587)</u>
2,665,344	2,810,898
<u>\$2,810,898</u>	<u>\$2,619,311</u>

\$ -	\$ -
222,783	230,881
24,202	119,751
(162,942)	(174,299)
(200,000)	(200,000)
(3,000)	(11,825)
<u>(118,957)</u>	<u>(35,492)</u>
2,481,741	2,362,784
<u>\$2,362,784</u>	<u>\$2,327,292</u>

<u>\$ 448,114</u>	<u>\$ 292,019</u>
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84.06% 88.85%

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

City of Kent

Required Supplementary Information

SCHEDULE OF EMPLOYER CONTRIBUTIONS

As of December 31

Last Four Fiscal Years *

	2015	2016	2017	2018
PERS 1				
Statutorily or contractually required contributions	\$ 1,638,189	\$ 1,870,232	\$ 2,088,586	\$ 2,351,328
Contributions in relation to the statutorily or contractually required contributions	1,638,189	1,870,232	2,088,586	2,351,328
Contribution deficiency (excess)	-	-	-	-
Covered payroll	37,181,456	38,923,470	42,065,397	46,207,660
Contributions as a percentage of covered payroll	4.41%	4.80%	4.97%	5.09%
PERS 2/3				
Statutorily or contractually required contributions	\$ 1,945,990	\$ 2,282,752	\$ 2,722,404	\$ 3,283,933
Contributions in relation to the statutorily or contractually required contributions	1,945,990	2,282,752	2,722,404	3,283,933
Contribution deficiency (excess)	-	-	-	-
Covered payroll	34,908,875	36,752,683	39,599,277	43,777,402
Contributions as a percentage of covered payroll	5.57%	6.21%	6.87%	7.50%
PSERS 2				
Statutorily or contractually required contributions	\$ 121,367	\$ 122,102	\$ 139,395	\$ 155,310
Contributions in relation to the statutorily or contractually required contributions	121,367	122,102	139,395	155,310
Contribution deficiency (excess)	-	-	-	-
Covered payroll	1,882,765	1,860,488	2,091,657	2,266,941
Contributions as a percentage of covered payroll	6.45%	6.56%	6.66%	6.85%
LEOFF 1				
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
Covered payroll	-	-	-	-
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A
LEOFF 2				
Statutorily or contractually required contributions	\$ 749,213	\$ 804,269	\$ 860,463	\$ 911,355
Washington state contributions on behalf of City	505,299	504,126	533,503	581,650
Contributions in relation to the statutorily or contractually required contributions	1,254,512	1,308,395	1,393,966	1,493,005
Contribution deficiency (excess)	-	-	-	-
Covered payroll	14,854,927	15,966,559	16,608,310	17,172,460
Contributions as a percentage of covered payroll	8.45%	8.19%	8.39%	8.69%

* This schedule is to be built prospectively until it contains 10 years of data.

City of Kent

Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30 (Measurement Date)

Last Four Fiscal Years *

	2015	2016	2017	2018
PERS 1				
City's proportionate share of the net pension liability (asset)	0.322525%	0.331119%	0.320321%	0.335336%
City's proportionate share of the net pension liability (asset)	16,871,057	17,782,650	15,199,481	14,976,220
City's covered payroll	36,351,206	39,440,428	39,988,417	44,217,988
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.41%	45.09%	38.01%	33.87%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	57.03%	63.22%
PERS 2/3				
City's proportionate share of the net pension liability (asset)	0.381911%	0.395840%	0.384543%	0.402499%
City's proportionate share of the net pension liability (asset)	13,645,898	19,930,231	13,161,031	6,872,312
City's covered payroll	33,923,217	37,251,975	37,700,604	41,742,402
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.23%	53.50%	34.91%	16.46%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	85.82%	95.77%
PSERS 2				
City's proportionate share of the net pension liability (asset)	0.651624%	0.573616%	0.558376%	0.553617%
City's proportionate share of the net pension liability (asset)	118,934	243,775	109,403	6,859
City's covered payroll	1,907,865	1,859,634	1,976,972	2,171,586
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	6.23%	13.11%	5.53%	0.32%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%	90.41%	99.79%

Continued

City of Kent

Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

**As of June 30 (Measurement Date)
Last Four Fiscal Years ***

	2015	2016	2017	2018
LEOFF 1				
City's proportionate share of the net pension liability (asset)	0.132902%	0.133759%	0.135565%	0.135862%
City's proportionate share of the net pension liability (asset)	(1,601,763)	(1,378,100)	(2,056,819)	(2,466,577)
City's covered payroll **	-	-	-	-
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	123.74%	144.42%
LEOFF 2				
City's proportionate share of the net pension liability (asset)	0.521396%	0.505464%	0.520622%	0.518038%
City's proportionate share of the net pension liability (asset)	(5,358,908)	(2,939,930)	(7,224,547)	(10,517,301)
City's covered payroll	15,132,938	15,312,604	16,286,027	16,977,973
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.41%	19.20%	44.36%	61.95%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	106.04%	118.50%

Note: Covered payroll on this schedule is based on the plans' fiscal year - July 1-June 30 to match the measurement date for the pension liability (asset).

* The City implemented GASB Statement No. 68 in fiscal year 2015. Information is not available for prior years. This schedule is to be built prospectively until it contains 10 years of data.

** The LEOFF 1 plan is closed and has no further covered payroll.

Concluded

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS are used to account for proceeds of specific taxes or other earmarked revenues. This revenue is segregated into individual Special Revenue Funds to insure expenditures for a specific purpose. The Street Fund uses 1.0% of 6.0% local utility taxes to fund transfers for street debt service and construction projects. The Lodging Tax Fund uses a 1% tax on the rental of any hotel, motel, rooming house, tourist court or trailer camp to be utilized for the acquisition of, or operation of, tourism-related facilities. The Youth/Teen Programs Fund uses .3% of 6.0% local utility taxes to fund youth/teen programs. The Criminal Justice Fund uses state grants and a King County voter approved sales tax levy of .1% to fund criminal justice activity. The Housing and Community Development Fund uses federal grant monies to fund designated programs.

DEBT SERVICE FUNDS are used to account for and report financial resources, that are restricted, committed, or assigned to expenditure for principal and interest payments on debt. This includes financial resources that are being accumulated for principal and interest maturing in future years. Principal payments are due annually. Interest payments are due semiannually. The Non-voted Debt Service Fund records the principal and interest payments on non-voted Councilmanic General Obligation Bonds as well as other general governmental debt. Funding is transfers from other funds.

CAPITAL PROJECTS FUNDS are used to account for the financial resources segregated for the construction of capital facilities other than those financed by Proprietary Funds. Capital project activity is financed by the issuance of debt both general obligation and special assessment, by grants, and by transfers from such other funds as may be approved by ordinance. The City's non-major capital projects funds are for: parkland acquisition and improvements, miscellaneous general government projects and related improvements, information technology projects including computer software and hardware, and facilities related projects including major remodels, building renovations, and major maintenance.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2018**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
ASSETS			
Cash and cash equivalents	\$ 5,076,821	\$ 141,089	\$ 7,790
Investments, at fair value	6,935,778	191,997	10,652
Receivables (net of allowances for estimated uncollectibles):			
Taxes	890,225	34,880	73,403
Accounts	86,365	-	-
TOTAL ASSETS	<u>12,989,189</u>	<u>367,966</u>	<u>91,845</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 12,989,189</u>	<u>\$ 367,966</u>	<u>\$ 91,845</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$ 420,807	\$ 31,201	\$ -
Accounts/payroll payable	280,669	-	-
Due to other funds	-	-	-
Due to other governments	2,785	-	-
Interfund loans payable - current	-	-	-
Deposits and advances	-	-	-
Interfund loans payable - non-current	-	-	-
TOTAL LIABILITIES	<u>704,261</u>	<u>31,201</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>704,261</u>	<u>31,201</u>	<u>-</u>
FUND BALANCE			
Restricted:			
Street capital projects	90,496	-	-
Fuel Tax	-	-	-
Impact Fees	2,292,468	-	-
Lodging tax purposes	-	336,765	-
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Bond retirement	-	-	-
Committed:			
Street operations	9,901,964	-	-
Youth/Teen programs	-	-	91,845
Criminal justice programs	-	-	-
Economic & community development	-	-	-
Parks capital projects	-	-	-
Technology systems	-	-	-
Facility capital projects	-	-	-
Assigned:			
Unassigned			
	-	-	-
Total Fund Balance	<u>12,284,928</u>	<u>336,765</u>	<u>91,845</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCE	<u>\$ 12,989,189</u>	<u>\$ 367,966</u>	<u>\$ 91,845</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

	Special Revenue		Debt Service		
	Criminal Justice	Housing & Community Development	Total Non-Major Special Revenue Funds	Non-voted	Total Non-Major Debt Service Funds
\$ 2,988,011	\$ 1,636	\$ 8,215,347	\$ 612,903	\$ 612,903	
4,049,813	2,237	11,190,477	838,143	838,143	
649,124	-	1,647,632	-	-	
47,412	501,325	635,102	-	-	
<u>7,734,360</u>	<u>505,198</u>	<u>21,688,558</u>	<u>1,451,046</u>	<u>1,451,046</u>	
<u>\$ 7,734,360</u>	<u>\$ 505,198</u>	<u>\$ 21,688,558</u>	<u>1,451,046</u>	<u>1,451,046</u>	
\$ 144,813	\$ 72,744	\$ 669,565	\$ -	\$ -	
138,296	26,137	445,102	-	-	
-	405,000	405,000	-	-	
8,415	1,317	12,517	-	-	
-	-	-	-	-	
152,742	-	152,742	-	-	
-	-	-	-	-	
<u>444,266</u>	<u>505,198</u>	<u>1,684,926</u>	<u>-</u>	<u>-</u>	
<u>444,266</u>	<u>505,198</u>	<u>1,684,926</u>			
-	-	90,496	-	-	
-	-	-	-	-	
-	-	2,292,468	-	-	
-	-	336,765	-	-	
4,536,682	-	4,536,682	-	-	
-	-	-	-	-	
-	-	-	1,451,046	1,451,046	
-	-	9,901,964	-	-	
-	-	91,845	-	-	
2,753,412	-	2,753,412	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
<u>7,290,094</u>	<u>-</u>	<u>20,003,632</u>	<u>1,451,046</u>	<u>1,451,046</u>	
<u>\$ 7,734,360</u>	<u>\$ 505,198</u>	<u>\$ 21,688,558</u>	<u>1,451,046</u>	<u>1,451,046</u>	

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2018**

	Capital Projects			
	Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects
ASSETS				
Cash and equity in pooled investments	\$ 5,895,911	\$ 680,422	\$ 3,133,245	\$ 16,138
Investments, at fair value	8,050,373	930,477	4,270,431	22,050
Receivables (net of allowances for estimated uncollectibles):				
Taxes	1,561	-	-	-
Accounts	69,556	38,154	-	-
TOTAL ASSETS	<u>14,017,401</u>	<u>1,649,053</u>	<u>7,403,676</u>	<u>38,188</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 14,017,401</u>	<u>\$ 1,649,053</u>	<u>\$ 7,403,676</u>	<u>\$ 38,188</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Vouchers payable	\$ 62,324	\$ 96	\$ 120,888	\$ 1,149
Accounts/payroll payable	70,478	-	12,591	-
Due to other funds	-	-	-	-
Due to other governments	593	-	778	-
Interfund loans payable	-	563,846	-	-
Deposits and advances	-	-	-	-
Interfund loans payable - non-current	-	1,743,486	-	-
TOTAL LIABILITIES	<u>133,395</u>	<u>2,307,428</u>	<u>134,257</u>	<u>1,149</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>133,395</u>	<u>2,307,428</u>	<u>134,257</u>	<u>1,149</u>
FUND BALANCE				
Restricted:				
Street Projects	-	-	-	-
Fuel Tax	-	-	-	-
Impact Fees	-	-	-	-
Lodging Tax Purposes	-	-	-	-
Criminal Justice Programs	-	-	-	-
Parks Capital Projects	10,503,228	-	-	-
Bond retirement	-	-	-	-
Committed:				
Street Operating Programs	-	-	-	-
Youth/Teen Programs	-	-	-	-
Criminal justice programs	-	-	-	-
Economic & community development	-	1,648,957	-	-
Parks capital projects	3,380,778	-	-	-
Technology systems	-	-	7,269,419	-
Facility capital projects	-	-	-	37,039
Assigned:				
Unassigned:				
	-	(2,307,332)	-	-
Total Fund Balance	<u>13,884,006</u>	<u>(658,375)</u>	<u>7,269,419</u>	<u>37,039</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCE	<u>\$ 14,017,401</u>	<u>\$ 1,649,053</u>	<u>\$ 7,403,676</u>	<u>\$ 38,188</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Capital Projects			
Total Non-Major Capital Projects Funds		Total Non-Major Governmental Funds	
\$	9,725,716	\$	18,553,966
	13,273,331		25,301,951
	1,561		1,649,193
	107,710		742,812
	<u>23,108,318</u>		<u>46,247,922</u>
\$	<u>23,108,318</u>	\$	<u>46,247,922</u>
\$	184,457	\$	854,022
	83,069		528,171
	-		405,000
	1,371		13,888
	563,846		563,846
	-		152,742
	1,743,486		1,743,486
	<u>2,576,229</u>		<u>4,261,155</u>
	<u>2,576,229</u>		<u>4,261,155</u>
	-		90,496
	-		-
	-		2,292,468
	-		336,765
	-		4,536,682
	10,503,228		10,503,228
	-		1,451,046
	-		9,901,964
	-		91,845
	-		2,753,412
	1,648,957		1,648,957
	3,380,778		3,380,778
	7,269,419		7,269,419
	37,039		37,039
	(2,307,332)		(2,307,332)
	<u>20,532,089</u>		<u>41,986,767</u>
\$	<u>23,108,318</u>	\$	<u>46,247,922</u>

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2018**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
REVENUES			
Taxes:			
Sales and use	\$ -	\$ -	\$ -
Utility	6,663,841	-	928,958
Lodging tax	-	312,813	-
Licenses and permits	562,086	-	-
Intergovernmental revenue:			
Federal grants	7,981	-	-
State shared fuel tax	2,129,989	-	-
State shared revenue-criminal justice	-	-	-
State shared revenue-other	178,850	-	-
State grants	48,154	-	-
Other governments	-	-	-
Charges for services	2,500,071	-	-
Fines and forfeitures	-	-	-
Miscellaneous revenue:			
Interest income	78,740	7,961	-
Rent/lease income	1,328	-	-
Contributions and donations	-	-	-
Other miscellaneous revenue	76,778	-	-
TOTAL REVENUES	12,247,818	320,774	928,958
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	441,566	-
Public works	8,357,273	-	-
Leisure services	-	-	42,000
Health and human services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	113,715	-	-
TOTAL EXPENDITURES	8,470,988	441,566	42,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,776,830	(120,792)	886,958
OTHER FINANCING SOURCES (USES)			
Transfers in	8,265,152	-	-
Transfers out	(8,439,220)	-	(900,000)
TOTAL OTHER FINANCING SOURCES (USES)	(174,068)	-	(900,000)
NET CHANGE IN FUND BALANCES	3,602,762	(120,792)	(13,042)
FUND BALANCES (DEFICIT), January 1	8,682,166	457,557	104,887
FUND BALANCES, December 31	\$ 12,284,928	\$ 336,765	\$ 91,845

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

	Special Revenue		Debt Service	
	Criminal Justice	Housing & Community Development	Total Non-Major Special Revenue Funds	Total Non-Major Debt Service Funds
\$	3,005,308	\$ -	\$ 3,005,308	\$ -
	-	-	7,592,799	-
	-	-	312,813	-
	-	-	562,086	-
	202,309	945,520	1,155,810	-
	-	-	2,129,989	-
	412,160	-	412,160	-
	69,299	-	248,149	-
	87,939	-	136,093	-
	45,032	-	45,032	1,002,342
	99,256	-	2,599,327	-
	1,333,340	-	1,333,340	-
	-	-	-	-
	87,074	-	173,775	-
	-	-	1,328	-
	2,159	-	2,159	-
	13,310	5,708	95,796	-
	<u>5,357,186</u>	<u>951,228</u>	<u>19,805,964</u>	<u>1,002,342</u>
	-	-	-	-
	4,417,416	-	4,417,416	-
	-	-	441,566	-
	-	-	8,357,273	-
	-	-	42,000	-
	-	912,496	912,496	-
	-	-	-	6,412,328
	-	-	-	3,657,856
	513,672	38,732	666,119	-
	<u>4,931,088</u>	<u>951,228</u>	<u>14,836,870</u>	<u>10,070,184</u>
	426,098	-	4,969,094	(9,067,842)
	105,000	-	8,370,152	9,532,668
	(500,000)	-	(9,839,220)	-
	<u>(395,000)</u>	<u>-</u>	<u>(1,469,068)</u>	<u>9,532,668</u>
	31,098	-	3,500,026	464,826
	7,258,996	-	16,503,606	986,220
\$	<u><u>7,290,094</u></u>	<u><u>-</u></u>	<u><u>20,003,632</u></u>	<u><u>1,451,046</u></u>

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2018

	Capital Projects			
	Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects
REVENUES				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	\$ -
Utility	-	-	-	-
Lodging tax	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue:				
Federal grants	127,159	-	-	-
State shared fuel tax	10,759	-	-	-
State shared revenue-criminal justice	-	-	-	-
State shared revenue-other	-	-	-	-
State grants	262,952	-	-	-
Other governments	398,395	140,240	-	-
Charges for services	2,590	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous revenue:				
Interest income	3,510	-	140,705	152
Rent/lease income	135,430	-	-	-
Contributions and Donations	124,789	24,143	-	-
Other miscellaneous revenue	-	-	-	-
TOTAL REVENUES	1,065,584	164,383	140,705	152
EXPENDITURES				
Current:				
General government	-	-	1,237,425	-
Public safety	-	-	-	-
Community development	-	295,171	-	-
Public works	-	-	-	8,549
Leisure services	634,697	-	-	-
Health and human services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	57,147	-	-
Capital outlay	3,680,797	-	342,608	-
TOTAL EXPENDITURES	4,315,494	352,318	1,580,033	8,549
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,249,910)	(187,935)	(1,439,328)	(8,397)
OTHER FINANCING SOURCES (USES)				
Transfers in	9,965,000	2,259,476	2,122,660	35,953
Transfers out	-	-	(35,582)	(17,038)
TOTAL OTHER FINANCING SOURCES (USES)	9,965,000	2,259,476	2,087,078	18,915
SOURCES OVER EXPENDITURES AND OTHER USES	6,715,090	2,071,541	647,750	10,518
FUND BALANCES, January 1	7,168,916	(2,729,916)	6,621,669	26,521
FUND BALANCES, December 31	\$ 13,884,006	\$ (658,375)	\$ 7,269,419	\$ 37,039

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

<u>Capital Projects</u>			
<u>Total Non-Major</u>	<u>Total Non-Major</u>		
<u>Capital Projects</u>	<u>Governmental</u>		
<u>Funds</u>	<u>Funds</u>		
\$	-	\$	3,005,308
	-		7,592,799
	-		312,813
	-		562,086
	127,159		1,282,969
	10,759		2,140,748
	-		412,160
	-		248,149
	262,952		399,045
	538,635		1,586,009
	2,590		2,601,917
	-		1,333,340
	144,367		318,142
	135,430		136,758
	148,932		151,091
	-		95,796
	<u>1,370,824</u>		<u>22,179,130</u>
	1,237,425		1,237,425
	-		4,417,416
	295,171		736,737
	8,549		8,365,822
	634,697		676,697
	-		912,496
	-		6,412,328
	57,147		3,715,003
	4,023,405		4,689,524
	<u>6,256,394</u>		<u>31,163,448</u>
	(4,885,570)		(8,984,318)
	14,383,089		32,285,909
	(52,620)		(9,891,840)
	<u>14,330,469</u>		<u>22,394,069</u>
	9,444,899		13,409,751
	11,087,190		28,577,016
\$	<u><u>20,532,089</u></u>	\$	<u><u>41,986,767</u></u>

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

STREET SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 6,167,660	\$ 6,167,660	\$ 6,663,841	\$ 496,181
Business & occupation	-	-	-	-
Licenses and permits	323,990	323,990	562,086	238,096
Intergovernmental:				
Federal grants	-	-	7,981	7,981
State shared - fuel tax	2,119,690	2,119,690	2,129,989	10,299
State shared - other	100,000	100,000	178,850	78,850
State grants	-	-	48,154	48,154
Charges for services	449,740	449,740	2,500,071	2,050,331
Miscellaneous revenue:				
Interest income	4,450	4,450	78,740	74,290
Rent/lease income	-	-	1,328	1,328
Other miscellaneous revenue	15,190	15,190	76,778	61,588
TOTAL REVENUES	9,180,720	9,180,720	12,247,818	3,067,098
EXPENDITURES				
Current:				
Public works	11,356,590	11,782,550	8,357,273	(3,425,277)
Capital outlay	45,000	63,500	113,715	50,215
TOTAL EXPENDITURES	11,401,590	11,846,050	8,470,988	(3,375,062)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,220,870)	(2,665,330)	3,776,830	6,442,160
OTHER FINANCING SOURCES (USES)				
Transfers in	7,889,380	7,694,790	8,265,152	570,362
Transfer Out	(6,507,300)	(8,956,740)	(8,439,220)	517,520
TOTAL OTHER FINANCING SOURCES (USES)	1,382,080	(1,261,950)	(174,068)	1,087,882
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(838,790)	(3,927,280)	3,602,762	7,530,042
FUND BALANCES, January 1	4,005,950	4,005,950	8,682,166	4,676,216
FUND BALANCES, December 31	\$ 3,167,160	\$ 78,670	\$ 12,284,928	\$ 12,206,258

Note: Budgeted transfers of \$533,245 between business units within the fund have been eliminated for financial reporting purposes.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

LODGING TAX SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Lodging Tax	\$ 286,110	\$ 286,110	\$ 312,813	\$ 26,703
Miscellaneous revenue:				
Interest income	500	500	7,961	7,461
TOTAL REVENUES	<u>286,610</u>	<u>286,610</u>	<u>320,774</u>	<u>34,164</u>
EXPENDITURES				
Current:				
Community Development	338,750	452,750	441,566	(11,184)
TOTAL EXPENDITURES	<u>338,750</u>	<u>452,750</u>	<u>441,566</u>	<u>(11,184)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(52,140)	(166,140)	(120,792)	45,348
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(52,140)	(166,140)	(120,792)	45,348
FUND BALANCES, January 1	554,090	554,090	457,557	(96,533)
FUND BALANCES, December 31	<u>\$ 501,950</u>	<u>\$ 387,950</u>	<u>\$ 336,765</u>	<u>\$ (51,185)</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

YOUTH/TEEN PROGRAMS SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 935,870	\$ 935,780	\$ 928,958	\$ (6,822)
Miscellaneous revenue:				
Interest income	350	350	-	(350)
TOTAL REVENUES	<u>936,220</u>	<u>936,130</u>	<u>928,958</u>	<u>(7,172)</u>
EXPENDITURES				
Current:				
Leisure services	42,000	42,000	42,000	-
TOTAL EXPENDITURES	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	894,220	894,130	886,958	(7,172)
OTHER FINANCING SOURCES (USES)				
Transfers out	(900,000)	(900,000)	(900,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(5,780)	(5,870)	(13,042)	(7,172)
FUND BALANCES, January 1	84,030	84,030	104,887	20,857
FUND BALANCES, December 31	<u>\$ 78,250</u>	<u>\$ 78,160</u>	<u>\$ 91,845</u>	<u>\$ 13,685</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

CRIMINAL JUSTICE SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 2,531,650	\$ 2,531,650	\$ 3,005,308	\$ 473,658
Intergovernmental revenue:				
Federal grants	-	214,210	202,309	(11,901)
State shared - criminal justice	129,130	129,130	412,160	283,030
State shared - other	51,000	51,000	69,299	18,299
State grants	-	21,600	87,939	66,339
Local government grants	75,000	120,740	45,032	(75,708)
Charges for services	144,000	144,000	99,256	(44,744)
Fines and forfeitures	1,144,500	1,144,500	1,333,340	188,840
Miscellaneous revenue:				
Interest income	3,120	3,120	87,074	83,954
Contributions and donations	-	2,000	2,159	159
Other miscellaneous revenue	1,000	1,000	13,310	12,310
TOTAL REVENUES	4,079,400	4,362,950	5,357,186	994,236
EXPENDITURES				
Current:				
Public safety	3,930,090	4,529,210	4,417,416	(111,794)
Capital outlay	-	444,400	513,672	69,272
TOTAL EXPENDITURES	3,930,090	4,973,610	4,931,088	(42,522)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	149,310	(610,660)	426,098	1,036,758
OTHER FINANCING SOURCES (USES)				
Transfers in	121,500	121,500	105,000	(16,500)
Transfers out	(16,500)	(516,500)	(500,000)	16,500
TOTAL OTHER FINANCING SOURCES (USES)	105,000	(395,000)	(395,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	254,310	(1,005,660)	31,098	1,036,758
FUND BALANCES, January 1	6,220,420	6,220,420	7,258,996	1,038,576
FUND BALANCES, December 31	\$ 6,474,730	\$ 5,214,760	\$ 7,290,094	\$ 2,075,334

Note: Budgeted transfers of \$16,500 between business units with the fund have been eliminated for financial reporting purposes.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

HOUSING & COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Federal grants	\$ 1,056,260	\$ 1,183,182	\$ 945,520	\$ (237,662)
Miscellaneous revenue:				
Other	-	-	5,708	5,708
TOTAL REVENUES	<u>1,056,260</u>	<u>1,183,182</u>	<u>951,228</u>	<u>(231,954)</u>
EXPENDITURES				
Current:				
Health and human services	1,056,260	1,148,182	912,496	(235,686)
Capital outlay	-	35,000	38,732	3,732
TOTAL EXPENDITURES	<u>1,056,260</u>	<u>1,183,182</u>	<u>951,228</u>	<u>(231,954)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-	-
FUND BALANCES, January 1	-	-	-	-
FUND BALANCES, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INTERNAL SERVICE FUNDS

The INTERNAL SERVICE FUNDS are used to account for services performed by designated operations within the City of Kent for other operations/functions within the city. Internal Service Funds generate revenue by billing the organization/function to which the service was provided. In this manner, the efficiency of centralized city services can be obtained while being able to distribute the cost of those services to user organizations/functions. The Equipment Rental Fund rents vehicles and other maintenance equipment and provides fuel and maintenance services for the fleet. The Central Services Fund provides central stores, photocopying, printing, graphics, data processing, cable media, and telephone services. The Facilities Fund provides custodial and maintenance for most of the city owned buildings. The Insurance Fund accounts for the city's unemployment and workers' compensation programs, dental and health insurance program, and liability and property insurance program.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2018**

	Equipment Rental	Central Services
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,383,860	\$ 1,548,031
Investments, at fair value	3,246,224	2,109,455
Restricted cash, cash equivalents, and investments:		
Cash with fiscal agent	-	-
Receivables (net of allowances for estimated uncollectibles):		
Taxes	-	119,642
Accounts	16,657	93,134
Due from other funds	-	-
Interfund loan receivable	-	-
Inventory, at cost	67,145	71,071
Prepaid expenses	-	-
Total Current Assets	<u>5,713,886</u>	<u>3,941,333</u>
NONCURRENT ASSETS:		
Interfund loan receivable non-current	-	-
Property plant and equipment:		
Buildings	108,702	-
Site improvements	253,568	28,963
Equipment	20,370,784	5,628,632
Less: accumulated depreciation	(12,609,845)	(5,657,595)
Construction in progress	38,090	-
Total noncurrent assets	<u>8,161,299</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,875,185</u>	<u>\$ 3,941,333</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	74,680	276,316
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 74,680</u>	<u>\$ 276,316</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 13,949,865</u>	<u>\$ 4,217,649</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ 251,345	\$ 162,066
Accounts/payroll payable	98,065	236,278
Incurred but not reported claims payable	-	-
Compensated absences payable - current portion	49,594	179,846
Deposits and unearned revenue	-	-
Total Current Liabilities	<u>399,004</u>	<u>578,190</u>
LONG-TERM LIABILITIES		
Compensated absences payable - non-current	20,464	93,021
Net Pension Liability	334,075	1,236,078
Total Long-Term Liabilities	<u>354,539</u>	<u>1,329,099</u>
TOTAL LIABILITIES	<u>753,543</u>	<u>1,907,289</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	127,234	470,767
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 127,234</u>	<u>\$ 470,767</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 880,777</u>	<u>\$ 2,378,056</u>
NET POSITION		
Net investment in capital assets	8,161,299	-
Unrestricted	4,907,789	1,839,593
TOTAL NET POSITION	<u>\$ 13,069,088</u>	<u>\$ 1,839,593</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

	Facilities	Insurance	Totals
\$	2,203,263	\$ 4,296,659	\$ 10,431,813
	3,004,337	5,862,442	14,222,458
	-	52,210	52,210
	-	-	119,642
	43,807	117,697	271,295
	-	1,650,000	1,650,000
	-	270,134	270,134
	-	-	138,216
	-	223,581	223,581
	<u>5,251,407</u>	<u>12,472,723</u>	<u>27,379,349</u>
	-	788,801	788,801
	-	-	108,702
	79,420	-	361,951
	92,735	-	26,092,151
	(172,155)	-	(18,439,595)
	<u>17,464</u>	<u>-</u>	<u>55,554</u>
	17,464	788,801	8,967,564
\$	<u>5,268,871</u>	<u>13,261,524</u>	<u>36,346,913</u>
	<u>201,636</u>	<u>14,936</u>	<u>567,568</u>
\$	<u>201,636</u>	<u>14,936</u>	<u>567,568</u>
\$	<u>5,470,507</u>	<u>13,276,460</u>	<u>36,914,481</u>
\$	162,607	\$ 364,999	\$ 941,017
	146,894	14,875	496,112
	-	2,559,493	2,559,493
	71,621	18,598	319,659
	<u>1,250</u>	<u>-</u>	<u>1,250</u>
	382,372	2,957,965	4,317,531
	75,930	-	189,415
	<u>902,003</u>	<u>66,815</u>	<u>2,538,971</u>
	977,933	66,815	2,728,386
	<u>1,360,305</u>	<u>3,024,780</u>	<u>7,045,917</u>
	<u>343,533</u>	<u>25,447</u>	<u>966,981</u>
\$	<u>343,533</u>	<u>25,447</u>	<u>966,981</u>
\$	<u>1,703,838</u>	<u>3,050,227</u>	<u>8,012,898</u>
	17,464	-	8,178,763
	3,749,205	10,226,233	20,722,820
\$	<u>3,766,669</u>	<u>10,226,233</u>	<u>28,901,583</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2018

	Equipment Rental	Central Services
OPERATING REVENUES		
Sales	\$ 924,806	\$ 148,997
Charges for services	3,794,840	7,104,896
Contributions	-	-
Rental and lease income	-	-
Other operating revenue	-	1,767
TOTAL OPERATING REVENUES	<u>4,719,646</u>	<u>7,255,660</u>
OPERATING EXPENSES		
Salaries and wages	764,485	3,490,256
Benefits	341,273	1,193,539
Supplies	1,240,397	487,281
Services and charges	723,849	3,194,410
Depreciation	721,102	1,447
TOTAL OPERATING EXPENSES	<u>3,791,106</u>	<u>8,366,933</u>
OPERATING INCOME (LOSS)	<u>928,540</u>	<u>(1,111,273)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	120,149	76,143
Unrealized net gain/(loss) in fair value of investments	4,058	2,214
Gain/(loss) on disposal of capital assets	51,289	-
Miscellaneous non-operating revenues	59,887	1,453,779
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>235,383</u>	<u>1,532,136</u>
NET INCOME (LOSS)	<u>1,163,923</u>	<u>420,863</u>
Contributed capital	688,420	-
Transfers in	43,086	3,874
Transfers out	-	(547,660)
CHANGE IN NET POSITION	<u>1,895,429</u>	<u>(122,923)</u>
NET POSITION, January 1	11,173,659	1,962,516
NET POSITION, December 31	<u>\$ 13,069,088</u>	<u>\$ 1,839,593</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

	Facilities	Insurance	Totals
\$	-	\$ -	\$ 1,073,803
	4,653,680	-	15,553,416
	-	15,525,128	15,525,128
	71,600	-	71,600
	151,511	1,350,505	1,503,783
	<hr/> 4,876,791	<hr/> 16,875,633	<hr/> 33,727,730
	1,509,781	218,904	5,983,426
	533,511	66,200	2,134,523
	393,941	35,263	2,156,882
	1,976,361	16,933,260	22,827,880
	1,148	-	723,697
	<hr/> 4,414,742	<hr/> 17,253,627	<hr/> 33,826,408
	<hr/> 462,049	<hr/> (377,994)	<hr/> (98,678)
	90,646	230,738	517,676
	2,553	3,918	12,743
	(47,855)	-	3,434
	82	-	1,513,748
	<hr/> 45,426	<hr/> 234,656	<hr/> 2,047,601
	<hr/> 507,475	<hr/> (143,338)	<hr/> 1,948,923
	-	-	688,420
	617,038	1,300,000	1,963,998
	(35,953)	-	(583,613)
	<hr/> 1,088,560	<hr/> 1,156,662	<hr/> 4,017,728
	2,678,109	9,069,571	24,883,855
\$	<hr/> <hr/> <u>3,766,669</u>	<hr/> <hr/> <u>\$ 10,226,233</u>	<hr/> <hr/> <u>\$ 28,901,583</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	Equipment Rental	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,703,586	\$ 7,269,546
Cash received from other funds for services	-	-
Cash payments to employees	(1,101,008)	(4,771,787)
Cash payments to suppliers	(2,141,193)	(3,448,398)
Other cash received	-	1,767
Net cash provided by (used for) operating activities	<u>1,461,385</u>	<u>(948,872)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan issued for noncapital purposes	-	-
Interfund loan repayment for noncapital purposes	-	-
Operating grants/non-operating revenue received	59,887	1,453,779
Transfers in	-	3,874
Net cash provided by noncapital financing	<u>59,887</u>	<u>1,457,653</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal repayment on interfund loan	-	-
Proceeds on disposal of capital assets	125,965	1
Transfer of plant from Governmental Capital Assets	688,420	-
Acquisition and construction of capital assets	(3,237,919)	-
Transfers in	43,086	-
Transfers out	-	(547,660)
Net cash used for capital and related financing	<u>(2,380,448)</u>	<u>(547,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(2,999,393)	(1,948,194)
Proceeds from sale and maturities of investment securities	1,665,964	926,005
Interest and dividends on investments	124,207	78,357
Net cash provided by (used for) investing activities	<u>(1,209,222)</u>	<u>(943,832)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,068,398)</u>	<u>(982,710)</u>
CASH AND CASH EQUIVALENTS, January 1	4,452,258	2,530,741
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 2,383,860</u>	<u>\$ 1,548,031</u>
CASH AND EQUITY IN POOLED CASH AND CASH EQUIVALENTS AT DECEMBER 31 CONSISTS OF:		
Current assets:		
Cash and cash equivalents	2,383,860	1,548,031
Restricted cash with fiscal agent	-	-
	<u>2,383,860</u>	<u>1,548,031</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

	Facilities	Insurance	Total
\$	4,722,726	-	\$ 16,695,858
	-	15,407,431	15,407,431
	(2,065,478)	(296,675)	(8,234,948)
	(2,394,593)	(17,630,802)	(25,614,986)
	151,511	1,350,505	1,503,783
	<u>414,166</u>	<u>(1,169,541)</u>	<u>(242,862)</u>
	-	(1,650,000)	(1,650,000)
	-	4,000,000	4,000,000
	82	-	1,513,748
	-	1,300,000	1,303,874
	<u>82</u>	<u>3,650,000</u>	<u>5,167,622</u>
	-	543,276	543,276
	(18,802)	-	107,164
	-	-	688,420
	(17,464)	-	(3,255,383)
	617,038	-	660,124
	(35,953)	-	(583,613)
	<u>544,819</u>	<u>543,276</u>	<u>(1,840,012)</u>
	(2,772,430)	(5,406,944)	(13,126,961)
	1,016,834	1,779,516	5,388,319
	93,199	235,705	531,468
	<u>(1,662,397)</u>	<u>(3,391,723)</u>	<u>(7,207,174)</u>
	(703,330)	(367,988)	(4,122,426)
	2,906,593	4,716,857	14,606,449
\$	<u>2,203,263</u>	<u>\$ 4,348,869</u>	<u>\$ 10,484,023</u>
	2,203,263	4,296,659	10,431,813
	-	52,210	52,210
	<u>2,203,263</u>	<u>4,348,869</u>	<u>10,484,023</u>

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	Equipment Rental	Central Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 928,540	\$ (1,111,273)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	721,102	1,447
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(16,060)	15,653
(Increase) Decrease in inventory	9,867	(4,604)
(Increase) Decrease in prepaid expenses	-	385,566
(Increase) Decrease in pension deferred outflows	(7,750)	(16,032)
Increase (Decrease) in vouchers payable	(227,126)	(116,263)
Increase (Decrease) in accounts/payroll payable	46,478	(36,253)
(Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in compensated absences	10,924	37,867
Increase (Decrease) in pension deferred inflows	58,009	201,561
Increase (Decrease) in pension liabilities	(62,599)	(306,541)
Total Adjustments	<u>532,845</u>	<u>162,401</u>
Net cash provided by operating activities	<u>\$ 1,461,385</u>	<u>\$ (948,872)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ 688,420	\$ -
Increase (Decrease) in fair value of investments	4,058	2,214

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

<u>Facilities</u>	<u>Insurance</u>	<u>Total</u>
\$ 462,049	\$ (377,994)	\$ (98,678)
1,148	-	723,697
(2,554)	(117,697)	(120,658)
-	-	5,263
-	2,852	388,418
(15,719)	(62)	(39,563)
(25,340)	86,118	(282,611)
45,922	(8,228)	47,919
-	(741,284)	(741,284)
(2,716)	(1,976)	44,099
151,243	10,064	420,877
<u>(199,867)</u>	<u>(21,334)</u>	<u>(590,341)</u>
<u>(47,883)</u>	<u>(791,547)</u>	<u>(144,184)</u>
<u>\$ 414,166</u>	<u>\$ (1,169,541)</u>	<u>\$ (242,862)</u>
\$ -	\$ -	\$ 688,420
2,553	3,918	12,743

Concluded



AGENCY FUNDS

The AGENCY FUNDS function primarily as clearing mechanisms for cash resources, which are collected by the City of Kent, held a brief period, and then disbursed to authorized recipients.



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

AGENCY FUNDS

COMBINING STATEMENT OF ASSETS & LIABILITIES

December 31, 2018

	Trust Funds	Impact Fees	Municipal Court	VNET	Total
ASSETS					
Cash and equity in pooled investments	\$ 12,235	\$ 102,564	\$ 582,585	\$ 477,505	\$ 1,174,889
Investments, at fair value	16,731	140,256	22,902	547,573	727,462
Due from other governments	-	-	-	132,144	132,144
TOTAL ASSETS	<u>\$ 28,966</u>	<u>\$ 242,820</u>	<u>\$ 605,487</u>	<u>\$ 1,157,222</u>	<u>\$ 2,034,495</u>
LIABILITIES					
Vouchers payable	\$ -	\$ 242,820	\$ 339,522	\$ 56,463	\$ 638,805
Accounts/payroll payable	-	-	-	4,783	4,783
Due to other governments	-	-	70,941	-	70,941
Deposits and unearned revenue	28,966	-	195,024	1,095,976	1,319,966
TOTAL LIABILITIES	<u>\$ 28,966</u>	<u>\$ 242,820</u>	<u>\$ 605,487</u>	<u>\$ 1,157,222</u>	<u>\$ 2,034,495</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2018**

	Trust Funds			
	Balance January 1,	Increases	Decreases	Balance December 31,
ASSETS				
Cash and cash equivalents	\$ 22,114	\$ 10,516	\$ 20,395	\$ 12,235
Investments, at fair value	9,501	16,731	9,501	16,731
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ 31,615</u>	<u>\$ 27,247</u>	<u>\$ 29,896</u>	<u>\$ 28,966</u>
LIABILITIES				
Vouchers payable	\$ -	\$ 3,012	\$ 3,012	\$ -
Accounts/payroll payable	-	-	-	-
Due to other governments	-	-	-	-
Deposits and unearned revenue	31,615	-	2,649	28,966
TOTAL LIABILITIES	<u>\$ 31,615</u>	<u>\$ 3,012</u>	<u>\$ 5,661</u>	<u>\$ 28,966</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Impact Fees				
Balance January 1,	Increases		Decreases	Balance December 31,
\$ 447,306	\$ 4,808,249	\$ 5,152,991	\$ 102,564	
192,173	140,256	192,173	140,256	
-	-	-	-	
<u>\$ 639,479</u>	<u>\$ 4,948,505</u>	<u>\$ 5,345,164</u>	<u>\$ 242,820</u>	
\$ 638,996	\$ 4,615,438	\$ 5,011,614	\$ 242,820	
483	-	483	-	
-	-	-	-	
-	-	-	-	
<u>\$ 639,479</u>	<u>\$ 4,615,438</u>	<u>\$ 5,012,097</u>	<u>\$ 242,820</u>	

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2018

	Municipal Court			Balance December 31,
	Balance January 1,	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 726,953	\$ 5,140,334	\$ 5,284,702	\$ 582,585
Investments, at fair value	6,696	22,902	6,696	22,902
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ 733,649</u>	<u>\$ 5,163,236</u>	<u>\$ 5,291,398</u>	<u>\$ 605,487</u>
LIABILITIES				
Vouchers payable	\$ 467,725	\$ 5,449,210	\$ 5,577,413	\$ 339,522
Accounts/payroll payable	-	-	-	-
Due to other governments	-	5,308,636	5,237,695	70,941
Deposits and unearned revenue	265,924	-	70,900	195,024
TOTAL LIABILITIES	<u>\$ 733,649</u>	<u>\$ 10,757,846</u>	<u>\$ 10,886,008</u>	<u>\$ 605,487</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

VNET					
Balance January 1,	Increases		Decreases		Balance December 31,
\$ 1,178,195	\$ 1,211,901	\$ 1,912,591	\$ 477,505		
473,744	547,573	473,744	547,573		
35,822	230,836	134,514	132,144		
<u>\$ 1,687,761</u>	<u>\$ 1,990,310</u>	<u>\$ 2,520,849</u>	<u>\$ 1,157,222</u>		
\$ 42,012	\$ 1,252,764	\$ 1,238,313	\$ 56,463		
4,808	110,762	110,787	4,783		
29	52,518	52,547	-		
1,640,912	521,743	1,066,679	1,095,976		
<u>\$ 1,687,761</u>	<u>\$ 1,937,787</u>	<u>\$ 2,468,326</u>	<u>\$ 1,157,222</u>		

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2018**

	Total			Balance December 31,
	Balance January 1,	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 2,374,568	\$ 11,171,000	\$ 12,370,679	\$ 1,174,889
Investments, at fair value	682,114	727,462	682,114	727,462
Due from other governments	35,822	230,836	134,514	132,144
TOTAL ASSETS	<u>\$ 3,092,504</u>	<u>\$ 12,129,298</u>	<u>\$ 13,187,307</u>	<u>\$ 2,034,495</u>
LIABILITIES				
Vouchers payable	\$ 1,148,733	\$ 11,320,424	\$ 11,830,352	\$ 638,805
Accounts/payroll payable	5,291	110,762	111,270	4,783
Due to other governments	29	5,361,154	5,290,242	70,941
Deposits and unearned revenue	1,938,451	521,743	1,140,228	1,319,966
TOTAL LIABILITIES	<u>\$ 3,092,504</u>	<u>\$ 17,314,083</u>	<u>\$ 18,372,092</u>	<u>\$ 2,034,495</u>

Concluded

INSURANCE FUND DETAILED SCHEDULES

These schedules show the financial information of the Insurance Fund Internal Service Fund by program. The programs are Unemployment Compensation Insurance, Workers' Compensation Insurance, Medical and Dental Insurance, Liability Insurance, and Property Insurance.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
INSURANCE FUND
COMBINING STATEMENT OF NET POSITION
December 31, 2018**

	Unemployment Compensation Insurance	Workers' Compensation Insurance
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 594,539	\$ 1,169,004
Investments, at fair value	810,028	1,595,408
Restricted cash, cash equivalents, & investments:		
Cash with fiscal agent	-	35,000
Receivables (net of allowances for estimated uncollectibles):		
Accounts	-	-
Due from other funds	-	825,000
Interfund loan receivable	-	47,830
Prepaid expenses	-	-
Total Current Assets	<u>1,404,567</u>	<u>3,672,242</u>
NONCURRENT ASSETS:		
Interfund loan receivable non-current	<u>-</u>	<u>124,652</u>
Total noncurrent assets	<u>-</u>	<u>124,652</u>
TOTAL ASSETS	\$ <u>1,404,567</u>	\$ <u>3,796,894</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	<u>1,494</u>	<u>5,974</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>1,494</u>	\$ <u>5,974</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ <u>1,406,061</u>	\$ <u>3,802,868</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ -	\$ 3,539
Accounts/payroll payable	1,485	5,964
Incurred but not reported claims payable	-	301,224
Compensated absences payable - current portion	<u>1,860</u>	<u>7,439</u>
Total Current Liabilities	<u>3,345</u>	<u>318,166</u>
LONG-TERM LIABILITIES		
Compensated absences payable - non-current	-	-
Net Pension Liability	<u>6,682</u>	<u>26,725</u>
Total Long-Term Liabilities	<u>6,682</u>	<u>26,725</u>
TOTAL LIABILITIES	<u>10,027</u>	<u>344,891</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue (Note X)	-	-
Deferred inflows related to pensions	<u>2,545</u>	<u>10,178</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>2,545</u>	\$ <u>10,178</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ <u>12,572</u>	\$ <u>355,069</u>
NET POSITION		
Unrestricted	<u>1,393,489</u>	<u>3,447,799</u>
TOTAL NET POSITION	\$ <u>1,393,489</u>	\$ <u>3,447,799</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

	Medical & Dental Insurance	Liability Insurance	Property Insurance	Totals
\$	1,600,297	\$ 693,194	\$ 239,625	\$ 4,296,659
	2,184,725	945,484	326,797	5,862,442
	-	17,210	-	52,210
	117,697	-	-	117,697
	412,500	412,500	-	1,650,000
	174,474	47,830	-	270,134
	-	30,069	193,512	223,581
	<u>4,489,693</u>	<u>2,146,287</u>	<u>759,934</u>	<u>12,472,723</u>
	539,497	124,652	-	788,801
	<u>539,497</u>	<u>124,652</u>	<u>-</u>	<u>788,801</u>
\$	<u>5,029,190</u>	<u>2,270,939</u>	<u>759,934</u>	<u>13,261,524</u>
	-	5,974	1,494	14,936
\$	<u>-</u>	<u>5,974</u>	<u>1,494</u>	<u>14,936</u>
\$	<u>5,029,190</u>	<u>2,276,913</u>	<u>761,428</u>	<u>13,276,460</u>
\$	183,333	34,075	\$ 144,052	\$ 364,999
	-	5,941	1,485	14,875
	913,100	1,345,169	-	2,559,493
	-	7,439	1,860	18,598
	<u>1,096,433</u>	<u>1,392,624</u>	<u>147,397</u>	<u>2,957,965</u>
	-	-	-	-
	-	26,726	6,682	66,815
	-	<u>26,726</u>	<u>6,682</u>	<u>66,815</u>
	<u>1,096,433</u>	<u>1,419,350</u>	<u>154,079</u>	<u>3,024,780</u>
	-	-	-	-
	-	10,179	2,545	25,447
\$	<u>-</u>	<u>10,179</u>	<u>2,545</u>	<u>25,447</u>
\$	<u>1,096,433</u>	<u>1,429,529</u>	<u>156,624</u>	<u>3,050,227</u>
	3,932,757	847,384	604,804	10,226,233
\$	<u>3,932,757</u>	<u>847,384</u>	<u>604,804</u>	<u>10,226,233</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

INSURANCE FUND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2018

	Unemployment Compensation Insurance	Workers' Compensation Insurance
OPERATING REVENUES		
Contributions	\$ 129,112	\$ 1,049,125
Other operating revenue	-	709,368
TOTAL OPERATING REVENUES	<u>129,112</u>	<u>1,758,493</u>
OPERATING EXPENSES		
Salaries and wages	21,890	87,562
Benefits	6,620	26,480
Supplies	-	11,899
Services and charges	152,207	594,575
TOTAL OPERATING EXPENSES	<u>180,717</u>	<u>720,516</u>
OPERATING INCOME (LOSS)	<u>(51,605)</u>	<u>1,037,977</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	28,563	70,011
Unrealized net gain/(loss) in fair value of investments	890	948
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>29,453</u>	<u>70,959</u>
NET INCOME (LOSS)	<u>(22,152)</u>	<u>1,108,936</u>
Transfers in	-	-
CHANGE IN NET POSITION	<u>(22,152)</u>	<u>1,108,936</u>
NET POSITION, January 1	1,415,641	2,338,863
NET POSITION, December 31	<u>\$ 1,393,489</u>	<u>\$ 3,447,799</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

	Medical & Dental Insurance	Liability Insurance	Property Insurance	Totals
\$	12,276,961	\$ 1,504,060	\$ 565,870	\$ 15,525,128
	531,515	109,622	-	1,350,505
	<u>12,808,476</u>	<u>1,613,682</u>	<u>565,870</u>	<u>16,875,633</u>
	-	87,562	21,890	218,904
	-	26,480	6,620	66,200
	-	-	23,364	35,263
	12,991,930	2,615,152	579,396	16,933,260
	<u>12,991,930</u>	<u>2,729,194</u>	<u>631,270</u>	<u>17,253,627</u>
	<u>(183,454)</u>	<u>(1,115,512)</u>	<u>(65,400)</u>	<u>(377,994)</u>
	73,894	36,498	21,772	230,738
	1,089	727	264	3,918
	<u>74,983</u>	<u>37,225</u>	<u>22,036</u>	<u>234,656</u>
	<u>(108,471)</u>	<u>(1,078,287)</u>	<u>(43,364)</u>	<u>(143,338)</u>
	1,000,000	300,000	-	1,300,000
	<u>891,529</u>	<u>(778,287)</u>	<u>(43,364)</u>	<u>1,156,662</u>
	3,041,228	1,625,671	648,168	9,069,571
\$	<u><u>3,932,757</u></u>	<u><u>847,384</u></u>	<u><u>604,804</u></u>	<u><u>10,226,233</u></u>



OTHER BUDGETARY SCHEDULES

With the implementation of GASB Statement No. 54, the Public Safety Retiree Special Revenue Fund, which uses contributions from the City to fund the OPEB obligation and pay healthcare costs of LEOFF 1 retirees, as well as the Operating Grants & Projects Fund and the Events Center Fund, are now combined with the General Fund for financial reporting. For budgetary purposes, however, they are separately budgeted and are presented as a *Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual* just as the other Special Revenue Funds are.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

PUBLIC SAFETY RETIREE SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Contributions and Donations	\$ 941,730	\$ 941,730	\$ 669,492	\$ (272,238)
Miscellaneous revenue:				
Interest income	1,750	1,750	29,012	27,262
TOTAL REVENUES	<u>943,480</u>	<u>943,480</u>	<u>698,504</u>	<u>(244,976)</u>
EXPENDITURES				
Current:				
Public safety	1,196,550	1,596,550	1,372,764	(223,786)
TOTAL EXPENDITURES	<u>1,196,550</u>	<u>1,596,550</u>	<u>1,372,764</u>	<u>(223,786)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(253,070)	(653,070)	(674,260)	(21,190)
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	1,250,000	1,250,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(3,070)	596,930	575,740	(21,190)
FUND BALANCES, January 1	1,231,660	1,231,660	1,296,372	64,712
FUND BALANCES, December 31	<u>\$ 1,228,590</u>	<u>\$ 1,828,590</u>	<u>\$ 1,872,112</u>	<u>\$ 43,522</u>

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.
The transfer into this fund is eliminated when combined with the General Fund for financial reporting.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

OPERATING GRANTS & PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Local grants	\$ -	\$ -	\$ 65,000	\$ 65,000
Miscellaneous revenue:				
Contributions and Donations	-	-	12,750	12,750
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>77,750</u>	<u>77,750</u>
EXPENDITURES				
Current:				
Leisure services	115,650	120,650	62,045	(58,605)
Health and human services	-	-	13,989	13,989
Capital Outlay	-	-	10,000	10,000
TOTAL EXPENDITURES	<u>115,650</u>	<u>120,650</u>	<u>86,034</u>	<u>(34,616)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(115,650)	(120,650)	(8,284)	112,366
OTHER FINANCING SOURCES (USES)				
Transfers in	115,650	120,650	133,288	12,638
TOTAL OTHER FINANCING SOURCES (USES)	<u>115,650</u>	<u>120,650</u>	<u>133,288</u>	<u>12,638</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	125,004	125,004
FUND BALANCES, January 1	455,410	455,410	675,922	220,512
FUND BALANCES, December 31	<u>\$ 455,410</u>	<u>\$ 455,410</u>	<u>\$ 800,926</u>	<u>\$ 345,516</u>

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.
The transfer into this fund is eliminated when combined with the General Fund for financial reporting.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT

EVENTS CENTER OPERATIONS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ -	\$ 25,103	25,103
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>25,103</u>	<u>25,103</u>
EXPENDITURES				
Current:				
Leisure services	1,077,220	1,196,400	1,008,292	(188,108)
Debt service:				
Principal	24,800	52,700	52,651	(49)
Capital outlay	-	99,550	312,820	213,270
TOTAL EXPENDITURES	<u>1,102,020</u>	<u>1,348,650</u>	<u>1,373,763</u>	<u>25,113</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,102,020)	(1,348,650)	(1,348,660)	(10)
OTHER FINANCING SOURCES (USES)				
Issuance of installment note	-	-	104,587	104,587
Transfers in	1,150,000	1,234,430	1,288,638	54,208
Transfers out	-	(84,430)	-	84,430
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,393,225</u>	<u>243,225</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	47,980	(198,650)	44,565	243,215
FUND BALANCES, January 1	2,500,470	2,500,470	2,518,894	18,424
FUND BALANCES, December 31	<u>\$ 2,548,450</u>	<u>\$ 2,301,820</u>	<u>\$ 2,563,459</u>	<u>\$ 261,639</u>

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.

Transfers into this fund of \$988,638 are eliminated when combined with the General Fund for financial reporting.

Budgeted transfers of \$84,430 between business units within this fund have been eliminated for financial reporting purposes.

GOVERNMENTAL CAPITAL ASSET SCHEDULES

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS includes those capital assets of the City of Kent which are not accounted for in the Enterprise or Internal Service Funds. For an item to be classified as a capital asset, it must cost at least \$5,000 and have a useful life of more than three years.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
December 31, 2018
With Comparison to December 31, 2017**

	2018	2017
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 228,970,056	\$ 228,056,101
Buildings	132,033,404	134,997,890
Site improvements	63,783,312	58,915,032
Equipment	41,693,944	39,893,327
Infrastructure	651,499,897	644,033,253
Construction in progress	34,615,622	26,077,978
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,152,596,235	\$ 1,131,973,581
INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:		
General governmental revenues	\$ 299,034,511	\$ 287,130,185
General obligation bonds	213,960,337	215,399,481
Federal grants	87,152,153	76,664,510
State grants	339,705,293	339,262,521
County and local grants	20,637,594	20,571,370
Special assessments	44,204,318	44,204,318
Gifts and contributions	147,902,029	148,741,196
TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS	\$ 1,152,596,235	\$ 1,131,973,581

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2018**

	Land	Buildings	Site Improvements	Equipment	Infrastructure	Total
GENERAL GOVERNMENT						
Administration	\$ 239,582	\$ 240,855	\$ -	\$ 52,101	\$ -	\$ 532,538
Attorney	-	-	-	51,966	-	51,966
Finance	-	-	-	316,779	-	316,779
Planning	-	-	33,553	140,991	-	174,544
Public office buildings	4,651,835	38,303,706	4,826,207	2,946,801	-	50,728,549
Other	247,797	-	-	25,072,334	-	25,320,131
Total	5,139,214	38,544,561	4,859,760	28,580,972	-	77,124,507
PUBLIC SAFETY						
Police	450,258	2,180,222	585,206	4,018,462	-	7,234,148
Fire	283,568	2,536,016	125,122	330,669	-	3,275,375
Total	733,826	4,716,238	710,328	4,349,131	-	10,509,523
PUBLIC WORKS						
Engineering	2,650,000	-	1,302,586	570,692	-	4,523,278
Streets	163,590,685	-	429,075	1,159,743	651,499,897	816,679,400
Total	166,240,685	-	1,731,661	1,730,435	651,499,897	821,202,678
PARKS, RECREATION AND CULTURE						
Parks and recreation	52,478,100	1,159,506	55,277,611	669,354	-	109,584,571
Senior center	1,955,066	3,521,545	32,875	63,447	-	5,572,933
Parks maintenance	-	101,218	167,599	301,986	-	570,803
Kent commons	200,704	3,599,418	246,830	137,668	-	4,184,620
ShoWare Center	-	76,456,164	-	5,105,518	-	81,561,682
Cultural arts	-	-	756,648	709,019	-	1,465,667
Total	54,633,870	84,837,851	56,481,563	6,986,992	-	202,940,276
LIBRARY						
	2,222,461	3,934,754	-	46,414	-	6,203,629
Total	2,222,461	3,934,754	-	46,414	-	6,203,629
TOTAL	228,970,056	132,033,404	63,783,312	41,693,944	651,499,897	1,117,980,613
Construction in progress	-	-	-	-	-	34,615,622
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 228,970,056	\$ 132,033,404	\$ 63,783,312	\$ 41,693,944	\$ 651,499,897	\$ 1,152,596,235

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended December 31, 2018**

	Governmental Fund Capital Assets 01/01/18	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12/31/18
GENERAL GOVERNMENT				
Administration	\$ 532,538	\$ -	\$ -	\$ 532,538
Attorney	51,966	-	-	51,966
Finance	316,779	-	-	316,779
Planning	174,544	-	-	174,544
Public office buildings	51,809,884	-	(1,081,335)	50,728,549
Other	25,020,968	299,163	-	25,320,131
Total	77,906,679	299,163	(1,081,335)	77,124,507
PUBLIC SAFETY				
Police	7,282,032	77,081	(124,965)	7,234,148
Fire	3,889,472	-	(614,097)	3,275,375
Total	11,171,504	77,081	(739,062)	10,509,523
PUBLIC WORKS				
Engineering	4,523,278	-	-	4,523,278
Streets	808,400,629	8,278,771	-	816,679,400
Total	812,923,907	8,278,771	-	821,202,678
PARKS, RECREATIONS AND CULTURE				
Parks and recreation	103,907,201	6,552,264	(874,894)	109,584,571
Senior center	5,866,028	6,905	(300,000)	5,572,933
Parks maintenance	570,803	-	-	570,803
Kent commons	4,631,322	-	(446,702)	4,184,620
ShoWare Center	81,248,862	312,820	-	81,561,682
Cultural arts	1,465,667	-	-	1,465,667
Total	197,689,883	6,871,989	(1,621,596)	202,940,276
LIBRARY				
	6,203,629	-	-	6,203,629
Total	6,203,629	-	-	6,203,629
Construction in progress	26,077,978	24,346,196	(15,808,552)	34,615,622
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,131,973,580	\$ 39,873,200	\$ (19,250,545)	\$ 1,152,596,235

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

DEBT SERVICE SCHEDULES

The following debt service schedules are provided as additional supplemental information for both governmental and business-type activities. Also refer to note 9.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2018

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2003	\$ 177,000	\$ -	\$ 177,000	\$ -
Series 2005	919,000	-	283,000	636,000
Series 2008	795,000	-	795,000	-
Series 2009	1,975,000	-	970,000	1,005,000
Plus: unamortized premium	62,853	-	32,795	30,058
Series 2012	5,085,000	-	1,125,000	3,960,000
Plus: unamortized premium	263,464	-	53,585	209,879
Series 2014	3,810,875	-	818,895	2,991,980
Plus: unamortized premium	279,804	-	71,440	208,364
Series 2015A Taxable	2,560,000	-	820,000	1,740,000
Series 2015B	4,240,000	-	-	4,240,000
Plus: unamortized premium	197,404	-	28,540	168,864
Series 2016A	15,235,000	-	150,000	15,085,000
Plus: unamortized premium	2,743,494	-	137,749	2,605,745
Series 2016B	48,295,000	-	495,000	47,800,000
Plus: unamortized premium	8,708,420	-	437,243	8,271,177
Total	<u>95,347,314</u>	<u>-</u>	<u>6,395,247</u>	<u>88,952,067</u>
Special Assessment Bonds with Governmental Commitment:				
LID 353 et. al.	160,000	-	160,000	-
Total Bonds Payable	<u>95,507,314</u>	<u>-</u>	<u>6,555,247</u>	<u>88,952,067</u>
Contracts, Lease, Notes Payable:				
General Obligation Contracts, Notes:				
Public Works Trust Fund Loan 2003	320,176	-	53,363	266,813
Public Works Trust Fund Loan 2004	3,180,883	-	454,412	2,726,471
Public Works Trust Fund Loan 2008	2,949,013	-	268,092	2,680,921
SMG Capital Loan	368,559	104,587	52,651	420,495
Capital Lease	-	172,808	2,567	170,241
Total	<u>6,818,631</u>	<u>277,395</u>	<u>831,085</u>	<u>6,264,941</u>
Other Non-Current Liabilities				
Compensated Absences				
General Government	4,174,681	5,184,035	4,929,573	4,429,143
Internal Service Funds	464,975	619,092	574,993	509,074
Contingent Loan Guarantee Obligation	3,657,980	-	1,427,938	2,230,042
Net Pension Liability	23,476,448	15,298,866	23,476,448	15,298,866
Net OPEB Obligation	-	29,794,456	-	29,794,456
Total	<u>31,774,084</u>	<u>50,896,449</u>	<u>30,408,952</u>	<u>52,261,581</u>
Total Governmental Debt	<u>\$ 134,100,029</u>	<u>\$ 51,173,844</u>	<u>\$ 37,795,284</u>	<u>\$ 147,478,589</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2018

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2014 ¹	\$ 1,564,125	-	336,105	\$ 1,228,020
Plus: unamortized premium	114,843	-	29,322	85,521
Total	<u>1,678,968</u>	<u>-</u>	<u>365,427</u>	<u>1,313,541</u>
Revenue Bonds: ²				
Series 2009 A	1,140,000	-	1,140,000	-
Plus: unamortized premium	57,097	-	57,097	-
Series 2009 B	15,880,000	-	-	15,880,000
Series 2017 Refunding	13,180,000	-	-	13,180,000
Plus: unamortized premium	2,407,832	-	201,944	2,205,888
Total	<u>32,664,929</u>	<u>-</u>	<u>1,399,041</u>	<u>31,265,888</u>
Total Bonds Payable	<u>34,343,897</u>	<u>-</u>	<u>1,764,468</u>	<u>32,579,429</u>
Contracts, Lease, Notes Payable:				
Public Works Trust Fund Loan 2001 - Water	2,111,111	-	527,777	1,583,334
Public Works Trust Fund Loan 2002 - Water	2,656,250	-	531,250	2,125,000
Public Works Trust Fund Loan 2004 - Sewer	525,000	-	75,000	450,000
Contract - Tacoma Pipeline 2010 - Water	10,050,000	-	290,000	9,760,000
Contract - Tacoma Pipeline 2013 Ref - Water	13,930,000	-	125,000	13,805,000
Capital Lease	-	639,447	50,981	588,466
Total	<u>29,272,361</u>	<u>639,447</u>	<u>1,600,008</u>	<u>28,311,800</u>
Other Non-Current Liabilities				
Compensated Absences				
Water Utility	256,265	350,959	312,089	295,135
Sewer Utility	312,799	465,170	427,741	350,228
Solid Waste Utility	26,242	9,431	17,070	18,603
Golf Complex	93,730	69,375	63,965	99,140
Total compensated absences	<u>689,036</u>	<u>894,935</u>	<u>820,865</u>	<u>763,106</u>
Pension Liability	5,641,581	4,309,573	5,641,581	4,309,573
Total Business-Type Debt	<u>\$ 69,946,875</u>	<u>\$ 5,843,955</u>	<u>\$ 9,826,922</u>	<u>\$ 65,963,908</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY
BY BOND TYPE
As of December 31, 2018**

Fiscal Year	General Obligation Bonds		Water & Sewer Revenue Bonds		Total Debt Service Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	5,880,000	3,462,708	1,200,000	1,584,144	7,080,000	5,046,852
2020	5,171,000	3,255,206	2,300,000	1,523,424	7,471,000	4,778,630
2021	4,820,000	3,050,400	2,395,000	1,400,860	7,215,000	4,451,260
2022	4,885,000	2,847,000	2,495,000	1,273,272	7,380,000	4,120,272
2023	4,805,000	2,630,050	2,600,000	1,140,410	7,405,000	3,770,460
2024	4,665,000	2,416,600	2,710,000	1,001,992	7,375,000	3,418,592
2025	5,225,000	2,201,650	2,810,000	857,768	8,035,000	3,059,418
2026	2,985,000	1,940,400	2,935,000	700,692	5,920,000	2,641,092
2027	3,270,000	1,791,150	3,065,000	536,694	6,335,000	2,327,844
2028	3,560,000	1,627,650	3,205,000	365,524	6,765,000	1,993,174
2029	3,875,000	1,449,650	3,345,000	186,626	7,220,000	1,636,276
2030	4,200,000	1,294,650	-	-	4,200,000	1,294,650
2031	4,520,000	1,126,650	-	-	4,520,000	1,126,650
2032	4,910,000	900,650	-	-	4,910,000	900,650
2033	2,750,000	655,150	-	-	2,750,000	655,150
2034	2,960,000	517,650	-	-	2,960,000	517,650
2035	3,175,000	369,650	-	-	3,175,000	369,650
2036	3,425,000	210,900	-	-	3,425,000	210,900
2037	3,605,000	108,150	-	-	3,605,000	108,150
Totals	<u>\$ 78,686,000</u>	<u>\$31,855,914</u>	<u>\$29,060,000</u>	<u>\$10,571,406</u>	<u>\$ 107,746,000</u>	<u>\$42,427,320</u>

TRANSFERS

The following schedule of transfers is provided as supplemental information to provide additional information on the purposes of transfers between the City's funds.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT SCHEDULE OF INTERFUND TRANSFERS For the Year Ended December 31, 2018

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:			
General Fund			
Capital Resources Fund	Parks lifecycle funding	-	200,000
Capital Resources Fund	Planning services	50,000	-
Capital Resources Fund	Neighborhood matching grants	-	25,000
Capital Resources Fund	B&O tax capital projects	-	8,263,370
Capital Resources Fund	ShoWare lifecycle funding	300,000	-
Streets Capital Projects Fund	B&O tax projects	-	6,047,833
Streets Capital Projects Fund	Capital projects	-	1,800,000
Other Capital Projects Fund	Capital projects	-	300,000
Other Govtl Funds-Streets Fund	B&O streets funding	-	5,473,066
Other Govtl Funds-Youth/Teen Fund	Youth/Teen funding	900,000	-
Other Govtl Funds-Criminal Justice Fund	Drug Task Force	-	105,000
Other Govtl Funds-Technology Capital Projects	Funding for various technology projects	-	15,000
Golf Complex	Subsidy of golf complex	-	200,000
Internal Service Funds-Insurance Fund	Fund medical plan revision	-	1,000,000
Internal Service Funds-Insurance Fund	Fund excess liability insurance costs	-	300,000
subtotals		<u>1,250,000</u>	<u>23,729,269</u>
Capital Resources Fund			
General Fund	Planning services	-	50,000
General Fund	Neighborhood matching grants	25,000	-
General Fund	B&O tax capital projects	8,263,370	-
General Fund	Parks lifecycle funding	200,000	-
General Fund	ShoWare lifecycle funding	-	300,000
Other Govtl Funds-Streets Fund	Railroad quiet zone study	-	2,400,000
Other Govtl Funds-Non-Voted GO Debt Service	Funding for debt payments	-	7,130,642
Other Govtl Funds-Parks Capital Projects	Funding for various parks capital projects	-	8,365,000
Other Govtl Funds-Other Capital Projects	Funding for various capital projects	-	1,959,476
Other Govtl Funds-Technology Capital Projects	Funding for various technology projects	-	1,250,000
Other Govtl Funds-Technology Capital Projects	Return excess technology proj funds	31,708	-
Other Govtl Funds-Facility Capital Projects	Funding for various facilities projects	17,038	-
Internal Service Funds-Facilities Fund		-	117,038
subtotals		<u>8,537,116</u>	<u>21,572,156</u>
Special Assessments Fund			
Streets Capital Projects	LID funding - streets capital projects	-	1,388,304
Sewerage Fund	Sewer & drainage LID project funding	-	6,619
subtotals		<u>-</u>	<u>1,394,923</u>
Streets Capital Projects Fund			
General Fund	B&O tax projects	6,047,833	-
General Fund	Capital projects	1,800,000	-
Special Assessments Fund	LID funding - streets capital projects	1,388,304	-
Other Govtl Funds-Streets Fund	Funding various street capital projects	5,094,553	392,086
subtotals		<u>14,330,690</u>	<u>392,086</u>
Non-major Governmental:			
Street Fund			
General Fund	B&O streets funding	5,473,066	-
Capital Resources Fund	Railroad quiet zone study	2,400,000	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	2,282,167
Street Capital Project Fund	Funding for various streets capital projects	392,086	5,094,553
Other Govtl Funds-Parks Capital Projects	YMCA project funding	-	1,000,000
Other Govtl Funds-Technology Capital Projects	Public works asset management system	-	62,500
subtotals		<u>8,265,152</u>	<u>8,439,220</u>
Youth/Teen Program Fund			
General Fund	Youth/Teen funding	-	900,000
subtotals		<u>-</u>	<u>900,000</u>
Criminal Justice Fund			
General Fund	Drug Task Force	105,000	-
Internal Service Funds-Facilities Fund	Move jail plumbing project to facilities operations	-	500,000
subtotals		<u>105,000</u>	<u>500,000</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

CITY OF KENT SCHEDULE OF INTERFUND TRANSFERS For the Year Ended December 31, 2018

Fund Out/Fund In	Purpose	Transfers In	Transfers Out
Non-voted Debt Service			
Capital Resources Fund	Funding for debt payments	7,130,642	-
Other Govtl Funds-Street Fund	Funding for debt payments	2,282,167	-
Water Utility	Funding for debt payments	46,983	-
Sewerage Utility	Funding for debt payments	72,876	-
subtotals		<u>9,532,668</u>	<u>-</u>
Parks Capital Projects			
Capital Resources Fund	Capital projects	8,365,000	-
Other Govtl Funds-Street Fund	YMCA project funding	1,000,000	-
Sewerage Fund	Sewer portion-YMCA capital project	600,000	-
subtotals		<u>9,965,000</u>	<u>-</u>
Other Capital Projects			
General Fund	Capital projects	300,000	-
Capital Resources Fund	Various capital projects	1,959,476	-
subtotals		<u>2,259,476</u>	<u>-</u>
Technology Capital Projects			
General Fund	Funding for various technology projects	15,000	-
Capital Resources Fund	Funding for various technology projects	1,250,000	-
Capital Resources Fund	Return excess technology proj funds	-	31,708
Other Govtl Funds-Streets Fund	Public works asset management system	62,500	-
Water Utility	Funding for technology projects	97,500	-
Sewerage Utility	Public works asset management system	150,000	-
Internal Service-Central Services Fund	Funding for technology projects	547,660	-
Internal Service-Central Services Fund	Project moved to operating	-	3,874
subtotals		<u>2,122,660</u>	<u>35,582</u>
Facilities Capital Projects			
Capital Resources Fund	Various building capital projects	-	17,038
Internal Service Fund-Facilities Fund	Various building capital projects	35,953	-
subtotals		<u>35,953</u>	<u>17,038</u>
subtotals - Governmental Funds		<u>56,403,715</u>	<u>56,980,274</u>
Enterprise Funds:			
Water Utility			
Non-Voted GO Debt Service Fund	Funding for debt payments	-	46,983
Other Govtl Funds-Technology Projects	Funding for technology projects	-	97,500
Sewerage Utility	Capital asset transfer	10,931	-
subtotals		<u>10,931</u>	<u>144,483</u>
Sewerage Utility			
Special Assessments Fund	Sewer & drainage LID project funding	6,619	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	72,876
Other Govtl Funds-Parks Capital Projects	Sewer portion-YMCA capital project	-	600,000
Other Govtl Funds-Technology Projects	Funding for technology projects	-	150,000
Water Utility	Capital asset transfer	-	10,931
subtotals		<u>6,619</u>	<u>833,807</u>
Golf Complex			
General Fund	Subsidy of golf complex	200,000	-
subtotals		<u>200,000</u>	<u>-</u>
Solid Waste Utility			
Internal Service-Equipment Rental	Capital asset transfer	-	43,086
subtotals		<u>-</u>	<u>43,086</u>
subtotals - Enterprise Funds		<u>217,550</u>	<u>1,021,376</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
For the Year Ended December 31, 2018**

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Internal Service Funds:			
Equipment Rental			
Solid Waste Utility	Capital asset transfer	43,086	-
subtotals		<u>43,086</u>	<u>-</u>
Central Services			
Other Govtl Funds-Technology Capital Proj	Funding for technology projects	-	547,660
Other Govtl Funds-Technology Capital Proj	Project moved to operating	3,874	-
subtotals		<u>3,874</u>	<u>547,660</u>
Facilities			
Capital Resources Fund	Funding for various facilities projects	117,038	-
Other Govtl Funds-Technology Capital Proj	Funding for various facilities capital projects	-	35,953
Other Govtl Funds-Criminal Justice Fund	Move jail plumbing project to facilities operations	500,000	-
subtotals		<u>617,038</u>	<u>35,953</u>
Insurance			
General Fund	Fund medical plan revision	1,000,000	-
General Fund	Fund excess liability insurance costs	300,000	-
subtotals		<u>1,300,000</u>	<u>-</u>
subtotals - Internal Service Funds		<u>1,963,998</u>	<u>583,613</u>
Grand totals		<u>58,585,263</u>	<u>58,585,263</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	176
<i>These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	186
<i>These schedules contain information to help the reader assess the factors affecting the city’s ability to generate its property and sales taxes.</i>	
Debt Capacity	204
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	210
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	213
<i>These schedules contain information about the city’s operations and resources to help the reader understand how the city’s financial information relates to the services the city provides and the activities it performs.</i>	

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



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COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 1
City of Kent
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 710,700,685	\$ 727,782,834	\$ 708,913,377	\$ 697,830,001
Restricted	14,297,401	12,145,319	10,034,770	10,288,377
Unrestricted	11,612,766	(14,550,823)	(5,370,367)	16,025,424
Total governmental activities net position	<u>\$ 736,610,852</u>	<u>\$ 725,377,330</u>	<u>\$ 713,577,780</u>	<u>\$ 724,143,802</u>
Business-type activities				
Net investment in capital assets	\$ 184,890,067	\$ 214,631,648	\$ 241,629,839	\$ 253,742,128
Restricted	2,119,806	3,065,319	4,497,103	2,463,535
Unrestricted	49,908,497	38,662,226	27,073,691	29,259,929
Total business-type activities net position	<u>\$ 236,918,370</u>	<u>\$ 256,359,193</u>	<u>\$ 273,200,633</u>	<u>\$ 285,465,592</u>
Primary government				
Net investment in capital assets	\$ 895,590,752	\$ 942,414,482	\$ 950,543,216	\$ 951,572,129
Restricted	16,417,207	15,210,638	14,531,873	12,751,912
Unrestricted	61,521,263	24,111,403	21,703,324	45,285,353
Total primary government net position	<u>\$ 973,529,222</u>	<u>\$ 981,736,523</u>	<u>\$ 986,778,413</u>	<u>\$ 1,009,609,394</u>

Note: Unreserved net position of governmental activities dropped in FY14 with the implementation of GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. In 2016, most of the debt that the City

Source: Statement of Net Position

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 682,946,045	\$ 687,527,061	\$ 694,789,326	\$ 704,250,257	\$ 700,427,393	\$ 706,613,344
10,721,573	9,499,778	6,131,943	4,870,358	4,728,939	4,353,472
35,230,567	(24,252,748)	(26,349,230)	62,608,062	85,019,692	78,619,493
\$ 728,898,185	\$ 672,774,091	\$ 674,572,039	\$ 771,728,677	\$ 790,176,024	\$ 789,586,309
\$ 264,927,149	\$ 287,867,561	\$ 298,202,694	\$ 305,687,715	\$ 290,214,493	\$ 289,305,370
3,631,223	1,111,144	1,071,144	1,026,144	985,146	928,307
36,074,921	45,768,853	49,652,876	52,246,156	82,984,505	102,054,275
\$ 304,633,293	\$ 334,747,558	\$ 348,926,714	\$ 358,960,015	\$ 374,184,144	\$ 392,287,952
\$ 947,873,194	\$ 975,394,622	\$ 992,992,020	\$ 1,009,937,972	\$ 990,641,886	\$ 995,918,714
14,352,796	10,610,922	7,203,087	5,896,502	5,714,085	5,281,779
71,305,488	21,516,105	23,303,646	114,854,218	168,004,197	180,673,768
\$ 1,033,531,478	\$ 1,007,521,649	\$ 1,023,498,753	\$ 1,130,688,692	\$ 1,164,360,168	\$ 1,181,874,261

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 2

City of Kent

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General Government	\$ 7,230,905	\$ 6,931,002	\$ 6,400,374	\$ 6,351,823
Judicial	2,487,918	2,544,075	2,745,430	2,793,914
Public Safety	58,880,087	60,147,355	48,030,603	37,340,409
Community Development	4,487,550	5,524,342	5,441,202	5,332,561
Public Works	19,453,467	16,219,754	21,195,696	17,427,549
Leisure services	14,195,932	15,149,745	16,513,775	16,844,202
Health and human services	6,198,375	5,996,524	5,915,128	5,553,369
Interest on long-term debt	4,933,465	4,295,374	4,000,555	3,779,473
Total governmental activities expenses	<u>117,867,699</u>	<u>116,808,171</u>	<u>110,242,763</u>	<u>95,423,300</u>
Business-type activities:				
Water	10,401,686	11,241,367	11,991,035	12,949,247
Sewerage	28,947,993	29,668,499	29,194,159	36,391,713
Golf	2,896,509	3,123,644	3,226,066	3,062,851
Solid Waste	-	-	-	-
Total business-type activities expenses	<u>42,246,188</u>	<u>44,033,510</u>	<u>44,411,260</u>	<u>52,403,811</u>
Total primary government expenses	<u>\$ 160,113,887</u>	<u>\$ 160,841,681</u>	<u>\$ 154,654,023</u>	<u>\$ 147,827,111</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 369,217	\$ 385,644	\$ 433,840	\$ 1,958,626
Judicial	1,878,098	2,128,646	2,140,781	1,963,025
Public Safety	1,092,168	1,174,585	996,471	1,081,323
Community Development	1,411,773	2,058,564	2,171,303	3,262,546
Public Works	967,622	475,866	834,042	1,420,839
Leisure services	1,308,717	1,328,562	1,549,202	1,357,619
Health and human services	834,782	698,819	674,983	814,518
Operating grants and contributions	10,298,875	9,432,962	4,402,255	4,124,615
Capital grants and contributions	12,596,207	9,459,649	5,311,483	11,076,621
Total governmental activities program revenues	<u>30,757,459</u>	<u>27,143,297</u>	<u>18,514,360</u>	<u>27,059,732</u>
Business-type activities:				
Charges for services:				
Water	\$ 11,876,537	\$ 15,426,293	\$ 15,986,832	\$ 16,253,067
Sewerage	31,298,410	35,841,828	39,108,510	39,562,059
Golf Complex	2,698,663	2,394,945	2,519,852	2,570,012
Solid Waste	-	-	-	-
Operating grants and contributions	112,236	2,799,480	348,478	770,997
Capital grants and contributions	5,939,641	6,761,033	6,900,419	5,544,456
Total business-type activities program revenues	<u>51,925,487</u>	<u>63,223,579</u>	<u>64,864,091</u>	<u>64,700,591</u>
Total primary government program revenues	<u>\$ 82,682,946</u>	<u>\$ 90,366,876</u>	<u>\$ 83,378,451</u>	<u>\$ 91,760,323</u>

Source: Statement Activities

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 8,959,390	\$ 7,342,670	\$ 9,211,576	\$ 13,429,528	\$ 12,346,159	\$ 16,281,070
2,743,574	2,789,535	2,972,304	3,771,365	3,157,775	3,354,798
37,378,185	38,744,658	41,189,109	38,593,097	46,517,116	54,366,839
5,096,639	5,175,651	5,535,094	7,178,348	6,523,730	7,844,737
16,993,893	17,371,560	18,803,785	22,002,693	22,020,709	23,754,967
15,908,830	13,861,675	16,859,288	17,602,824	18,370,559	20,227,074
5,275,046	5,478,974	5,893,257	4,002,920	6,448,946	6,663,229
3,250,089	2,804,432	2,500,908	5,194,899	7,491,114	7,247,068
<u>95,605,646</u>	<u>93,569,155</u>	<u>102,965,321</u>	<u>111,775,674</u>	<u>122,876,108</u>	<u>139,739,782</u>
13,972,634	13,070,155	17,157,143	18,828,316	18,100,296	19,179,778
37,680,430	37,951,697	41,404,954	45,412,945	46,014,434	50,699,083
2,917,964	2,872,165	3,055,395	4,559,588	2,453,882	2,348,551
-	-	-	686,887	638,345	647,972
<u>54,571,028</u>	<u>53,894,017</u>	<u>61,617,492</u>	<u>69,487,736</u>	<u>67,206,957</u>	<u>72,875,384</u>
<u>\$ 150,176,674</u>	<u>\$ 147,463,172</u>	<u>\$ 164,582,813</u>	<u>\$ 181,263,410</u>	<u>\$ 190,083,065</u>	<u>\$ 212,615,166</u>
\$ 2,044,753	\$ 3,483,161	\$ 4,273,658	\$ 3,645,563	\$ 4,472,438	\$ 4,795,654
2,108,024	1,846,731	2,032,772	1,724,181	1,570,537	1,342,073
1,811,747	3,388,295	3,560,350	4,097,976	5,409,848	5,202,797
3,841,993	5,006,297	4,863,697	5,478,504	7,608,117	7,297,706
1,810,854	2,185,990	2,725,356	3,165,390	3,401,558	1,663,717
1,380,839	1,418,600	1,479,369	1,465,975	1,385,824	1,514,916
709,948	841,690	769,669	763,593	707,449	754,155
4,177,095	6,166,500	7,021,280	7,982,415	8,254,026	8,222,741
6,655,575	2,936,731	5,256,320	9,350,716	13,656,431	10,068,294
<u>24,540,828</u>	<u>27,273,995</u>	<u>31,982,471</u>	<u>37,674,313</u>	<u>46,466,228</u>	<u>40,862,053</u>
\$ 17,021,951	\$ 18,416,162	\$ 18,904,851	\$ 18,780,129	\$ 21,850,641	\$ 22,541,631
42,752,458	44,969,699	46,459,410	47,640,854	50,109,473	52,678,839
2,431,782	2,485,348	2,659,643	2,475,135	2,501,596	2,306,679
-	-	-	608,685	600,608	632,795
81,404	176,984	234,397	1,023,669	315,853	380,118
9,195,002	15,792,479	10,057,056	9,629,000	6,595,122	11,454,368
<u>71,482,597</u>	<u>81,840,672</u>	<u>78,315,357</u>	<u>80,157,472</u>	<u>81,973,293</u>	<u>89,994,430</u>
<u>\$ 96,023,425</u>	<u>\$ 109,114,667</u>	<u>\$ 110,297,828</u>	<u>\$ 117,831,785</u>	<u>\$ 128,439,521</u>	<u>\$ 130,856,483</u>

(continued)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 2 - continued

City of Kent

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Net (Expense)/Revenue				
Governmental activities	\$ (87,110,240)	\$ (89,664,874)	\$ (91,728,403)	\$ (68,363,568)
Business-type activities	9,679,299	19,190,069	20,452,831	12,296,780
Total primary government net expense	<u>\$ (77,430,941)</u>	<u>\$ (70,474,805)</u>	<u>\$ (71,275,572)</u>	<u>\$ (56,066,788)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes

Property taxes levied for general purpose	\$ 27,048,764	\$ 29,272,194	\$ 19,287,114	\$ 19,726,551
Property taxes levied for debt service	596,696	-	9,750	8,421
Sales taxes	17,234,352	18,600,976	21,458,253	21,908,275
Utility taxes	17,379,153	17,725,934	19,365,153	19,868,738
Business & Occupation taxes	-	-	-	-
Real Estate taxes	1,888,137	1,805,871	2,235,174	3,547,963
Lodging taxes	145,239	162,706	182,840	187,971
Other taxes	744,187	985,257	1,130,391	1,116,790
Unrestricted grants and contributions	5,407,702	6,328,500	7,102,872	6,845,773
Investment earnings	1,173,891	818,063	495,029	701,443
Miscellaneous	374,306	2,825,148	4,931,321	4,907,310
Gain on disposal of capital assets	-	-	-	-
Special item	-	-	-	-
Transfers	175,974	14,400	312,344	110,355

Total governmental activities	<u>72,168,401</u>	<u>78,539,049</u>	<u>76,510,241</u>	<u>78,929,590</u>
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Business-type activities

Investment earnings	219,633	157,457	119,565	78,534
Transfers	(175,974)	(14,400)	(312,344)	(110,355)

Total business-type activities	<u>43,659</u>	<u>143,057</u>	<u>(192,779)</u>	<u>(31,821)</u>
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Total primary government	<u>\$ 72,212,060</u>	<u>\$ 78,682,106</u>	<u>\$ 76,317,462</u>	<u>\$ 78,897,769</u>
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Change in Net Position

Governmental activities	\$ (14,941,839)	\$ (11,125,825)	\$ (15,218,162)	\$ 10,566,022
Business-type activities	9,722,958	19,333,126	20,260,052	12,264,959
Total primary government	<u>\$ (5,218,881)</u>	<u>\$ 8,207,301</u>	<u>\$ 5,041,890</u>	<u>\$ 22,830,981</u>

Source: Statement of Activities

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ (71,064,818)	\$ (66,295,160)	\$ (70,982,850)	\$ (74,101,361)	\$ (76,409,880)	\$ (98,877,729)
16,911,569	27,946,655	16,697,865	10,669,736	14,766,336	17,119,046
<u>\$ (54,153,249)</u>	<u>\$ (38,348,505)</u>	<u>\$ (54,284,985)</u>	<u>\$ (63,431,625)</u>	<u>\$ (61,643,544)</u>	<u>\$ (81,758,683)</u>

\$ 20,085,117	\$ 20,599,891	\$ 21,998,657	\$ 22,556,458	\$ 22,857,559	\$ 30,101,176
-	-	-	-	-	-
22,707,244	25,332,356	26,654,493	28,551,033	29,517,990	32,842,687
22,760,019	22,962,565	26,376,844	26,923,348	28,637,522	29,823,141
5,149,172	6,208,946	7,656,220	9,311,445	9,141,800	9,422,048
3,837,948	3,184,596	6,434,689	6,427,334	7,211,140	7,689,638
217,618	249,377	279,466	293,347	312,980	312,813
1,101,844	1,106,821	1,023,499	961,833	902,557	1,074,356
6,760,236	6,851,351	6,417,339	6,600,212	6,619,515	6,345,911
895,815	1,052,762	1,242,815	1,073,989	1,386,281	2,177,476
1,740,638	162,971	(1,643,662)	908,862	487,428	1,028,553
1,945,741	2,433,112	115,242	-	-	22,523
-	-	-	66,656,930	-	-
762,322	(16,729)	126,875	993,208	174,044	803,826
<u>87,963,714</u>	<u>90,128,019</u>	<u>96,682,477</u>	<u>171,257,999</u>	<u>107,248,816</u>	<u>121,644,148</u>
153,554	124,777	97,795	356,773	631,837	1,788,588
(762,322)	16,729	(126,875)	(993,208)	(174,044)	(803,826)
<u>2,218,914</u>	<u>141,506</u>	<u>(29,080)</u>	<u>(636,435)</u>	<u>457,793</u>	<u>984,762</u>
<u>\$ 90,182,628</u>	<u>\$ 90,269,525</u>	<u>\$ 96,653,397</u>	<u>\$ 170,621,564</u>	<u>\$ 107,706,609</u>	<u>\$ 122,628,910</u>

\$ 16,898,896	\$ 23,832,859	\$ 25,699,627	\$ 97,156,638	\$ 30,838,936	\$ 22,766,419
19,130,483	28,088,161	16,668,785	10,033,301	15,224,129	18,103,808
<u>\$ 36,029,379</u>	<u>\$ 51,921,020</u>	<u>\$ 42,368,412</u>	<u>\$ 107,189,939</u>	<u>\$ 46,063,065</u>	<u>\$ 40,870,227</u>

(concluded)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 3

City of Kent

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011*	2012
General Fund				
Reserved	\$ 60,569	\$ 57,586	\$ -	\$ -
Unreserved	1,999,665	768,523	-	-
Nonspendable	-	-	59,539	103,364
Restricted	-	-	5,028	67,447
Committed	-	-	283,678	129,557
Assigned	-	-	-	772,591
Unassigned	-	-	(205,783)	1,290,804
Total general fund	<u>\$ 2,060,234</u>	<u>\$ 826,109</u>	<u>\$ 142,462</u>	<u>\$ 2,363,763</u>
All Other Governmental Funds				
Reserved	\$ 1,278,319	\$ 1,727,814	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	(3,886,045)	(9,756,662)	-	-
Debt service funds	-	-	-	-
Capital projects funds	3,782,839	(3,936,907)	-	-
Nonspendable	-	-	4,318	950
Restricted	-	-	5,602,450	7,834,952
Committed	-	-	1,849,238	1,929,285
Assigned	-	-	519,918	1,291,659
Unassigned	-	-	(22,811,500)	(11,178,234)
Total all other governmental funds	<u>\$ 1,175,113</u>	<u>\$ (11,965,755)</u>	<u>\$ (14,835,576)</u>	<u>\$ (121,388)</u>

* Fund balances restated for GASB Statement No. 54 implementation.

Source: Governmental Funds Balance Sheet

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
80,055	96,544	133,533	55,588	54,153	52,241
1,846,132	2,116,798	3,497,366	2,865,799	974,945	1,780,871
184,691	281,177	364,242	912,834	1,185,647	1,261,453
968,866	1,128,842	2,806,873	2,973,064	3,271,355	3,875,396
5,200,183	9,179,216	11,778,578	17,103,379	20,599,974	22,016,709
\$ 8,279,927	\$ 12,802,577	\$ 18,580,592	\$ 23,910,664	\$ 26,086,074	\$ 28,986,670
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,120	4,295	29,495	-	-	-
10,910,338	12,564,488	15,477,624	22,471,953	21,794,760	22,317,814
5,718,063	8,672,323	15,016,218	13,735,355	25,080,826	34,024,440
1,726,736	1,405,923	4,230,472	8,559,514	11,889,360	13,120,956
(7,448,023)	(3,023,914)	(6,411,915)	(5,145,517)	(3,759,661)	(2,307,332)
\$ 10,910,234	\$ 19,623,115	\$ 28,341,894	\$ 39,621,305	\$ 55,005,285	\$ 67,155,878

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 4

City of Kent

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Taxes (see Schedule 5)	\$ 64,986,755	\$ 68,488,317	\$ 63,739,861	\$ 66,441,273
Licenses and permits	1,849,252	2,091,190	2,249,021	4,361,182
Intergovernmental	24,279,630	20,956,542	14,716,457	14,139,092
Charges for services	2,874,696	3,328,744	3,622,562	4,703,711
Fines and forfeitures	1,583,731	1,737,615	1,626,615	1,511,762
Special assessments	2,627,522	1,939,156	2,285,686	3,808,216
Investment earnings	1,066,402	786,379	711,753	689,240
Other revenues	3,069,013	3,529,510	2,680,263	3,445,064
Total Revenues	102,337,001	102,857,453	91,632,218	99,099,540
Expenditures				
General government	6,191,850	5,821,839	6,051,000	6,148,530
Judicial	2,411,494	2,415,602	2,639,800	2,726,273
Public safety	55,681,381	57,122,596	36,927,061	36,785,762
Community development	4,419,094	5,237,571	5,252,066	5,325,071
Public works	6,118,684	5,877,368	6,677,579	7,334,764
Leisure services	12,318,938	12,603,919	13,112,883	13,801,117
Health and human services	5,995,763	5,641,216	5,537,197	5,501,456
Debt Service				
Principal	7,624,942	7,246,851	7,669,145	7,667,099
Interest	4,899,979	4,126,828	3,846,564	3,646,216
Capital Outlay	21,500,239	10,754,848	11,074,228	4,058,121
Total expenditures	127,162,364	116,848,638	98,787,523	92,994,409
Excess of revenues over (under) expenditures	(24,825,363)	(13,991,185)	(7,155,305)	6,105,131
Other Financing Sources (Uses)				
Bonds issued	-	-	-	-
Refunding bonds issued	8,757,076	-	-	10,840,000
Loans/contracts issued	2,500,000	-	-	500,000
Issuance of installment notes	-	-	-	9,702,213
Payments to escrow agent	(8,140,000)	-	-	(10,990,000)
Premium/(discount) on bonds	-	-	-	-
Sale of capital assets	-	150	-	198,526
Transfers in	14,941,530	16,091,163	24,573,238	15,997,350
Transfers out	(15,066,349)	(16,262,423)	(24,390,014)	(15,417,731)
Total other financing sources (uses)	2,992,257	(171,110)	183,224	10,830,358
Net change in fund balances	\$ (21,833,106)	\$ (14,162,295)	\$ (6,972,081)	\$ 16,935,489
Debt service as a percentage of noncapital expenditures	11.9%	10.7%	13.1%	12.7%

Source: Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 75,899,606	\$ 79,740,933	\$ 90,440,736	\$ 95,002,781	\$ 98,723,853	\$ 109,704,136
5,099,915	5,818,615	5,827,475	6,652,555	7,499,521	8,119,744
13,944,351	14,032,112	15,166,476	18,717,615	23,751,790	19,633,245
5,911,954	7,607,140	7,610,535	7,459,034	10,359,617	9,543,599
1,535,820	2,473,890	3,432,228	2,975,420	3,086,649	2,704,218
3,319,569	2,387,329	1,861,231	1,677,275	1,456,781	1,123,334
1,074,118	902,762	891,136	969,625	1,247,357	1,696,085
2,850,433	2,438,942	3,202,583	3,464,427	3,850,409	3,470,791
109,635,766	115,401,723	128,432,400	136,918,732	149,975,977	155,995,152
6,895,137	7,143,865	7,795,541	10,223,289	10,748,768	12,517,199
2,781,005	2,849,954	2,988,951	3,079,215	3,128,653	3,442,107
38,162,011	39,902,990	41,552,238	42,746,821	46,087,104	48,585,879
5,256,059	5,323,103	5,623,048	5,883,755	6,471,366	7,660,083
7,218,144	7,648,901	7,682,213	7,228,829	10,267,623	10,371,450
13,190,232	14,064,016	14,147,709	14,063,309	13,540,991	15,111,812
5,368,080	5,594,899	5,980,950	6,140,962	6,390,291	6,804,579
7,862,632	8,097,151	15,365,251	6,929,689	7,075,992	6,624,979
3,179,638	2,984,274	2,707,594	3,441,172	3,994,036	3,786,574
6,062,203	10,525,215	12,979,918	22,414,017	25,267,653	25,740,137
95,975,141	104,134,368	116,823,413	122,151,058	132,972,477	140,644,799
13,660,625	11,267,355	11,608,987	14,767,674	17,003,500	15,350,353
-	-	-	-	-	-
-	8,671,070	8,620,000	64,575,000	-	-
-	-	-	-	-	-
-	-	18,524	181,900	194,990	172,808
-	(8,929,574)	-	(76,539,984)	-	-
-	547,704	261,619	12,314,401	-	-
1,966,453	2,433,102	77,342	-	-	104,587
20,939,382	24,436,941	44,596,124	43,061,037	46,077,102	56,403,715
(19,618,674)	(23,164,963)	(43,125,559)	(41,750,545)	(45,716,202)	(56,980,274)
3,287,161	3,994,280	10,448,050	1,841,809	555,890	(299,164)
\$ 16,947,786	\$ 15,261,635	\$ 22,057,037	\$ 16,609,483	\$ 17,559,390	\$ 15,051,189
12.3%	11.8%	17.4%	10.4%	10.3%	9.1%

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 5

City of Kent

Tax Revenue by Source - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property	Sales & Use	Utility	Real Estate Excise	Business & Occupation	Lodging	Other	Total
2009*	\$ 27,595,687	\$ 17,234,352	\$ 17,379,153	\$ 1,888,137	\$ -	\$ 145,239	\$ 744,187	\$ 64,986,755
2010*	29,207,573	18,600,976	17,725,934	1,805,871	-	162,706	985,257	68,488,317
2011*	19,368,050 **	21,458,253 ***	19,365,153 ***	2,235,174	-	182,840	1,130,391	63,739,861
2012*	19,811,536	21,908,275 ***	19,868,738 ***	3,547,963	-	187,971	1,116,790	66,441,273
2013*	20,125,761	22,707,244 ***	22,760,019 ***	3,837,948 ****	5,149,172	217,618	1,101,844	75,899,606
2014*	20,696,272	25,332,356 ***	22,962,565 ***	3,184,596	6,208,946	249,377	1,106,821	79,740,933
2015*	22,015,525	26,654,493 ***	26,376,844 ***	6,434,689	7,656,220	279,466	1,023,499	90,440,736
2016*	22,534,441	28,551,033 ***	26,923,348 ***	6,427,334	9,311,445	293,347	961,833	95,002,781
2017*	22,999,864	29,517,989 ***	28,637,523 ***	7,211,140	9,141,800	312,980	902,557	98,723,853
2018*	29,971,155	32,842,687 ***	28,391,439 ***	7,689,638	9,422,048	312,813	1,074,356	109,704,136
Change								
2009-2018	8.6%	90.6%	63.4%	307.3%	83.0%	115.4%	44.4%	68.8%

* Under Sales & Use Tax--Streamline Sales Tax (SST) implementation. Mitigation payments received from the state under Other Grants and Shared Revenue category:

2009	\$ 4,379,387
2010	4,891,833
2011	4,961,619
2012	4,744,454
2013	4,899,642
2014	4,822,400
2015	4,953,243
2016	4,958,568
2017	4,955,082
2018	4,621,256

** Property tax was reduced due to the formation of the Regional Fire Authority (RFA) effective July 1, 2010. This reduced the City's levy assessment by 1 percent.

*** Increase due to Panther Lake Annexation effective July 1, 2010.

Sales & Use Tax - City receives 0.2% of state sales tax collected within the City for 10 yrs--this totaled The City received additional revenues due to the annexation as follows:

	Sales Tax	Utility Tax
2010	\$ 1,768,931	\$ 551,424
2011	3,511,391	2,610,807
2012	3,666,466	2,373,378
2013	3,481,065	2,728,308
2014	4,229,130	2,685,946
2015	4,352,248	2,595,073
2016	5,354,125	2,713,375
2017	5,887,092	2,910,504
2018	6,578,062	2,711,926

**** Business & Occupation tax started in 2013

Source: City financial records

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 6
City of Kent
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Total Direct Tax Rate
2009	11,555,227,640	1,241,561,849	12,796,789,489	2.180
2010*	10,369,540,574	1,363,755,233	11,733,295,807	2.362
2011	11,833,000,822	1,291,484,331	13,124,485,153	1.484
2012	11,450,528,835	1,296,326,234	12,746,855,069	1.568
2013	10,844,075,182	1,165,682,338	12,009,757,520	1.694
2014	11,421,918,163	1,229,290,637	12,651,208,800	1.645
2015	12,813,126,300	1,255,087,106	14,068,213,406	1.576
2016	13,778,718,580	1,267,588,304	15,046,306,884	1.511
2017	15,147,052,037	1,255,925,663	16,402,977,700	1.411
2018	17,203,053,348	1,394,286,381	18,597,339,729	1.627

Source: King County Assessor's Office

Notes: Tax rates applied to assessed valuation to determine levy. Assessed values are established by the County Assessor at 100 percent of fair market value. A reevaluation of all property is required every year and a physical inspection is required at least once every six years.

* Increased assessed value due to Panther Lake annexation

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 7

City of Kent

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates									
	Basic Rate	Voted Debt Service	Total Direct Rate	State	County	Voter Approved County	Port of Seattle	Kent School District	Hospital District	Rural Library	Emergency Medical Service	Green River Flood Zone	Kent Regional Fire
2009	\$2.133	\$0.047	\$2.180	\$1.963	\$1.098	\$ 0.103	\$0.197	\$4.070	\$ 0.471	\$ 0.417	\$ 0.274	\$ 0.091	\$ -
2010	2.355	-	2.355	2.223	1.285	0.074	0.216	4.809	0.533	0.485	0.300	0.105	-
2011	1.484	-	1.484	2.280	1.338	0.720	0.224	5.387	0.558	0.566	0.300	0.110	1.000
2012	1.568	-	1.568	2.422	1.416	0.071	0.230	5.600	0.500	0.500	0.300	0.116	1.000
2013	1.694	-	1.694	2.567	1.473	0.068	0.233	6.028	0.500	0.567	0.300	0.132	1.000
2014	1.645	-	1.645	2.470	1.458	0.058	0.215	5.735	0.500	0.562	0.335	0.154	1.000
2015	1.576	-	1.576	2.285	1.315	0.030	0.189	5.414	0.500	0.503	0.302	0.139	0.949
2016	1.511	-	1.511	2.169	1.440	0.040	0.170	5.344	0.500	0.477	0.282	0.130	0.909
2017	1.411	-	1.411	2.032	1.347	0.036	0.153	4.816	0.501	0.451	0.263	0.117	0.847
2018	1.627	-	1.627	2.918	1.295	0.033	0.135	4.187	0.457	0.412	0.239	0.107	0.771

Source: King County Assessor's Office

Note: The City is permitted by law to levy up to \$3.60 per \$1,000 assessed valuation for general government services. Due to formation of the Regional Fire Authority (RFA) on July 1, 2010, \$1 per \$1,000 assessed valuation now goes to the RFA and \$0.5 per \$1,000 goes to the library. Therefore, the City is limited to assess a total of \$2.10 per \$1,000. Statutory levy rate cannot exceed \$10 per \$1,000 of assessed valuation. This 1% value limit does not include tax levies for Port and Utility Districts. This limit is subject to further reduction per State statute limiting overlapping levy rates excluding the State (school) levy to \$5.90 per \$1,000 of assessed valuation. Other levies not subject to the limitation are excess levies approved by the voters to pay off bonds for capital construction or for providing supplemental funds for operating purposes particularly for schools.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

**Schedule 8
City of Kent
Principal Property Tax Payers
Current Year and Nine Years Ago**

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Prologis (formerly KTR Kent Valley LLC)	\$ 333,699,000	1	1.72%	108,448,300	4	0.85%
PSE/Electric & Gas	257,530,682	2	1.33%	162,402,127	2	1.27%
Boeing	212,199,943	3	1.10%	\$ 434,128,408	1	3.39%
Segale Properties (formerly La Terra Ltd)	183,522,200	4	0.95%	83,606,600	5	0.65%
Eproperty Tax Inc	138,362,500	5	0.71%	-		0.00%
Exeter Property Group Advis	126,867,800	6	0.66%	-		0.00%
Hill Investment Co.	114,480,300	7	0.59%	-		0.00%
Signature Point Apt.	100,563,000	8	0.52%	-		0.00%
KV Industrial 2 LLC	99,438,300	9	0.51%	-		0.00%
CSHV Kent North LLC (formerly Ellis CB Richard)	86,702,300	10	0.45%	44,466,700	8	0.35%
AMB Property	-		0.00%	133,518,500	3	1.04%
Qwest Corporation (formerly U.S. West)	-		0.00%	43,735,317	9	0.34%
Red Mortgage Capital Inc.	-		0.00%	69,049,000	6	0.54%
Fred Meyer	-		0.00%	40,962,027	10	0.32%
Starbucks	-		0.00%	47,835,357	7	0.37%
	<u>\$1,653,366,025</u>		<u>6.82%</u>	<u>\$1,059,704,036</u>		<u>8.28%</u>

Source: Hazel Gantz, King County Assessor's Office



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 9
City of Kent
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 27,815,136	\$ 27,136,428	97.56%	\$ 678,182	\$ 27,814,610	100.00%
2010	29,273,116	28,806,516	98.41%	463,733	29,270,249	99.99%
2011*	19,298,192	18,981,959	98.36%	315,519	19,297,478	100.00%
2012	19,896,581	19,593,500	98.48%	303,081	19,896,581	100.00%
2013	20,258,863	19,948,297	98.47%	310,566	20,258,863	100.00%
2014	20,726,325	20,394,209	98.40%	328,497	20,722,706	99.98%
2015	22,091,369	21,827,665	98.81%	255,188	22,082,853	99.96%
2016	22,657,939	22,385,874	98.80%	233,809	22,619,683	99.83%
2017	23,056,215	22,816,339	98.96%	172,881	22,989,220	99.71%
2018	30,137,002	29,821,478	98.95%	-	29,821,478	98.95%

Source: King County Assessor's Office

* The levy was reduced by \$1 per \$1,000 of assessed valuation due to the formation of the Regional Fire Authority (RFA) in July 2010.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 10
City of Kent
Taxable Sales by Category
Last Ten Fiscal Years

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Unknown	\$ 999,746	\$ 858,268	\$ 477,054	\$ 339,351
Agriculture, Forestry, Fishing	518,595	718,861	692,359	877,496
Mining	540,569	647,324	617,757	607,282
Utilities	23,789,845	17,472,906	5,078,454	7,112,634
Construction	242,972,325	188,425,022	186,982,818	224,155,491
Manufacturing	69,750,959	96,582,517	81,988,703	88,519,357
Wholesale Trade	301,507,123	217,175,584	252,503,957	232,141,988
Retail Trade	616,882,158	647,338,680	681,641,901	682,878,774
Transportation and Warehousing	6,983,433	8,256,303	6,620,144	6,843,425
Information	111,604,712	113,484,774	112,088,847	115,588,551
Finance and Insurance	22,253,860	18,871,102	16,381,423	21,585,061
Real Estate, Rental, Leasing	74,188,983	67,979,949	73,151,966	71,912,403
Prof, Sci, Technical Svcs	40,297,213	48,470,587	41,794,489	46,798,059
Company Management	170,204	646,516	13,351	20,847
Admin, Supp, Remed Svcs	30,272,316	31,230,882	42,594,079	41,021,656
Educational Services	3,167,476	3,205,201	3,968,920	3,243,933
Health Care Social Assistance	2,726,198	2,254,145	1,783,015	1,505,938
Arts, Entertain, Recreation	19,222,372	18,658,668	19,773,143	19,055,120
Accommodation and Food Svcs	143,820,138	146,494,696	159,382,256	171,055,204
Other Services	66,338,283	73,591,515	82,917,327	77,191,369
Public Administration	20,201,288	19,850,671	24,692,051	24,752,900
Total	\$ 1,798,207,796	\$ 1,722,214,171	\$ 1,795,144,014	\$ 1,837,206,839

City direct sales tax rate 0.85%.

Source: Taxtools 4.1.0 Database by Microflex, Inc.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 196,495	\$ 65,704	\$ 543,832	\$ 149,753	\$ 641,040	\$ 111,673	
1,202,184	1,533,526	1,723,713	1,774,495	661,383	458,376	
144,459	98,998	46,085	67,492	139,085	192,809	
10,873,877	6,071,984	6,292,076	7,846,892	10,457,305	11,391,629	
224,529,870	321,680,722	297,410,988	302,548,150	340,304,924	434,236,277	
147,815,483	140,966,275	130,367,834	146,226,236	134,882,163	153,848,600	
241,905,173	258,868,775	297,663,617	338,433,480	329,625,729	364,718,721	
722,025,334	752,229,005	778,287,789	816,949,999	843,953,703	905,815,060	
7,058,638	7,704,255	10,505,291	9,726,380	8,159,690	11,359,833	
95,410,564	112,338,420	121,791,265	126,016,431	123,102,696	124,377,336	
25,203,335	25,454,579	30,244,002	39,245,687	42,164,136	44,372,642	
73,550,514	87,699,058	95,997,409	103,454,935	113,932,233	120,119,139	
32,408,933	36,389,911	38,935,453	49,628,961	52,130,863	47,245,465	
25,943	-	78,443	17,671	9,470	4,469	
42,476,396	39,458,138	71,319,015	104,922,922	64,042,202	109,819,746	
3,711,272	3,712,154	4,420,229	5,094,076	4,232,992	3,942,868	
1,275,885	2,412,082	3,308,852	3,626,711	5,473,322	5,266,771	
21,189,254	21,779,009	19,808,385	22,625,489	23,053,740	23,995,011	
182,181,720	195,809,112	213,315,217	231,934,336	238,157,944	247,306,793	
71,633,560	73,587,409	81,802,712	88,021,162	94,115,793	96,543,843	
26,185,952	28,971,834	30,088,734	33,119,462	44,304,995	42,949,890	
\$ 1,931,004,841	\$ 2,116,830,950	\$ 2,233,950,941	\$ 2,431,430,720	\$ 2,473,545,408	\$ 2,748,076,951	

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 11 City of Kent Direct and Overlapping Sales Tax Rates Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State</u>	<u>County Transit</u>	<u>RTA</u>	<u>County¹</u>	<u>Criminal Justice</u>	<u>Stadium</u>	<u>Total Overlapping Rate</u>
2009	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.50%	10.00%
2010	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.50%	10.00%
2011	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00% *	9.50%
2012	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2013	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2014	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2015	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2016	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2017	0.85%	6.50%	0.90%	1.40%	0.25%	0.10%	0.00%	10.00%
2018	0.85%	6.50%	0.90%	1.40%	0.25%	0.10%	0.00%	10.00%

¹ Includes .15% for general purposes and .1% for chemical dependency, mental health treatment services and therapeutic court programs.

* Effective 10/1/11 the King County food and beverage tax for Stadium of 0.5% was discontinued.

Source: Washington State Department of Revenue

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 12

City of Kent

Sales Tax Revenue Payers by Industry

Current Year and Nine Years Ago

	Fiscal Year 2018				Fiscal Year 2009			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	20	0.1%	289,084	1.3%	17	0.1%	26,406	0.2%
Agriculture, Forestry, Fishing	40	0.2%	4,576	0.0%	36	0.2%	4,334	0.0%
Mining	11	0.0%	1,684	0.0%	13	0.1%	2,720	0.0%
Utilities	17	0.1%	99,466	0.4%	11	0.1%	221,662	1.4%
Construction	4,497	19.6%	3,460,981	15.2%	3,458	21.8%	2,145,481	13.9%
Manufacturing	1,513	6.6%	1,205,675	5.3%	1,123	7.1%	623,199	4.0%
Wholesale Trade	3,153	13.8%	3,053,065	13.4%	2,345	14.8%	2,584,821	16.7%
Retail Trade	7,274	31.8%	7,565,974	33.3%	3,859	24.3%	5,222,272	33.8%
Transportation and Warehousing	151	0.7%	84,117	0.4%	133	0.8%	55,830	0.4%
Information	734	3.2%	1,051,183	4.6%	491	3.1%	997,179	6.4%
Finance and Insurance	161	0.7%	386,928	1.7%	167	1.1%	189,433	1.2%
Real Estate, Rental, Leasing	481	2.1%	1,031,313	4.5%	420	2.6%	642,604	4.2%
Prof, Sci, Technical Svcs	1,346	5.9%	403,726	1.8%	886	5.6%	326,200	2.1%
Company Management	8	0.0%	73	0.0%	9	0.1%	1,572	0.0%
Admin, Supp, Remed Svcs	1,431	6.3%	836,151	3.7%	1,168	7.4%	259,316	1.7%
Educational Services	184	0.8%	31,848	0.1%	90	0.6%	28,398	0.2%
Health Care Social Assistance	181	0.8%	44,663	0.2%	145	0.9%	25,384	0.2%
Arts, Entertain, Recreation	142	0.6%	196,615	0.9%	97	0.6%	152,877	1.0%
Accommodation and Food Svcs	466	2.0%	2,075,958	9.1%	398	2.5%	1,217,184	7.9%
Other Services	1,054	4.6%	787,212	3.5%	974	6.1%	559,799	3.6%
Public Administration	26	0.1%	100,842	0.4%	18	0.1%	175,661	1.1%
Total	22,890	100.00%	\$ 22,711,134	100.00%	15,858	100.00%	\$ 15,462,332	100.00%

Source: Taxtools 4.1.0 Database by Microflex, Inc.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not provided. The categories presented are intended to provide alternate information regarding the sources of the city's revenue.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 13-A
City of Kent
Utility Statistical Data
Last Ten Fiscal Years

Water Utility	Fiscal Year			
	2009¹	2010¹	2011¹	2012
Number of customer accounts				
Residential				
Single-family				10,003
Multi-family				1,491
Commercial				1,706
Industrial				84
Governmental				185
Total	13,130	13,202	13,327	13,469
Annual water usage (cubic feet)	N/A	N/A	N/A	323,260,063
Sewer Utility	2009¹	2010¹	2011¹	2012
Number of customer accounts				
Residential				12,111
Commercial				3,441
	26,876	27,000	15,352	15,552
Storm & Surface Water Utility	2009¹	2010¹	2011¹	2012
Number of customer accounts				
Residential				22,880
Commercial				2,220
	17,051	22,122	24,750	25,100

Source: City billing records

¹ Customer breakdown by type not available for years prior to 2012
 N/A Data not available

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year

2013	2014	2015	2016	2017	2018
10,159	10,322	10,433	10,586	10,669	10,898
1,490	1,492	1,492	1,493	1,567	1,570
1,716	1,733	1,729	1,736	1,702	1,791
85	84	83	82	82	81
179	179	187	194	194	194
<u>13,629</u>	<u>13,810</u>	<u>13,924</u>	<u>14,091</u>	<u>14,214</u>	<u>14,534</u>

322,321,057 343,809,535 360,197,626 357,875,066 344,485,663 370,320,856

2013	2014	2015	2016	2017	2018
12,267	12,395	12,494	12,642	12,790	12,839
3,445	3,459	3,455	3,456	3,440	3,446
<u>15,712</u>	<u>15,854</u>	<u>15,949</u>	<u>16,098</u>	<u>16,230</u>	<u>16,285</u>

2013	2014	2015	2016	2017	2018
23,068	23,267	23,433	23,635	23,845	24,136
2,217	2,219	2,191	2,196	2,177	2,229
<u>25,285</u>	<u>25,486</u>	<u>25,624</u>	<u>25,831</u>	<u>26,022</u>	<u>26,365</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 13-B
City of Kent
Utility Statistical Data
Rates
As of December 31, 2018

Water Utility Meter Access Fees	
Meter Size (inches)	Monthly Fee
Residential	
3/4	\$ 23.71
1	37.12
1.5	70.66
2	110.90
Commercial	
3/4	\$ 29.80
1	43.21
1.5	76.75
2	116.99
3	184.06
4	277.96
6	412.11
8	546.25
10	680.40
Dedicated Fireline (pipe size)	
3/4	\$ 2.82
1	3.29
1.25	4.93
1.5	6.57
2	10.52
3	26.29
4	52.56
6	105.13
8	177.41
10	262.83
Backflow Fee	\$ 103.00

Storm & Surface Water Utility Rates

Residential	
Monthly fee	\$ 12.51

Commercial
 Fees are calculated based on impervious surfaces

Water Usage Fees per 100 Cubic Feet (748 gallons)

0-800 cf	\$2.46/100 cf
800+ cf	\$4.84/100 cf

Water Tap Fees (new connection fee)

Connection Size (inches)	Fee
<3/4	\$ 275.00
3/4	325.00
1	350.00
2.5	600.00
2	800.00
>2	Cost of meter & install + 25%

Water System Development Charges

Meter Size (inches)	Fee
less than 1	\$ 7,372.75
1	18,431.24
2	58,978.25
3	117,957.74
4	184,308.74
5	276,285.26
6	368,617.48
8	589,787.46
10	810,957.47

Sewer Utility Rates

Residential	
City fee	\$ 23.94
King County Fee	44.22
Total	\$ 68.16

Commercial¹

Consumption-per 100 cf/month	\$ 9.09
Minimum charge	\$ 68.16

Source: City records

¹ Commercial sewer customers are billed based on the consumption of water

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 13-C

City of Kent

Utility Statistical Data

Ten Largest Users

Current Year and Two Years Ago *

Water Utility

Customer	Product/Service	2018		2016	
		Percent of Revenue	Ranking	Percent of Revenue	Ranking
Danone Waters	Bottled water	1.48%	1	1.77%	1
Air Liquide Industrial	Liquid nitrogen	0.85%	2	0.91%	3
Oberto Sausage Company	Food processing	0.78%	3		
King County Admin Building	Government	0.74%	4	0.79%	6
King Command Foods	Processed meat	0.73%	5	1.02%	2
Aramark Uniform Services	Laundry service	0.69%	6	0.80%	5
Rexam Beverage Can Co.	Can manufacturing	0.64%	7	0.73%	7
Kent 228	Office space management	0.58%	8	0.57%	9
Northwest Center		0.44%	9		
Con Agra Food	Food processing	0.41%	10	0.83%	4
Mikron Industries	Building manufacturing			0.72%	8
AlSCO	Laundry service			0.51%	10
		7.33%		8.65%	

Sewer Utility

Customer	Product/Service	2018		2016	
		Percent of Revenue	Ranking	Percent of Revenue	Ranking
Northwest Centers Ins	Laundry service	0.79%	1	0.43%	2
Danone Waters	Bottled water	0.73%	2	0.48%	1
Canyon View Mobile	Mobile homes	0.30%	3	0.14%	6
Air Liquide Industrial	Liquid nitrogen	0.26%	4	0.13%	7
Kentwood Apartments	Apartment complex	0.24%	5	0.19%	4
Burlington Environmental	Hazardous waste disposal	0.23%	6	0.23%	3
Fortress Management #1	Business park	0.21%	7		
Western Processing	Food processing	0.18%	8	0.13%	8
Fortress Management #2	Business park	0.18%	9	0.11%	10
Safeway Inc #1966	Grocery Store	0.14%	10		
Hexel Corp	Chemicals			0.15%	5
24 Hour Fitness	Fitness center			0.12%	9
		2.47%		1.68%	

Storm & Surface Water Utility

Customer	Product/Service	2018		2016	
		Percent of Revenue	Ranking	Percent of Revenue	Ranking
The Boeing Company	Aerospace	1.84%	1	1.44%	3
Prologis Mgmt LLC	Developer	1.61%	2	1.66%	1
City of Kent	Government	1.51%	3	1.56%	2
Amazon	Distribution center	0.78%	4	0.47%	10
UPRR Downtown Station	Automotive Distribution	0.74%	5	0.76%	4
Kent East Corp Park	Industrial office space	0.72%	6	0.74%	5
East Valley Warehouse	Warehouse office space	0.55%	7	0.56%	6
PS Business Park	Commercial office space	0.53%	8	0.55%	7
South Seattle Auto Auction	Auto auction	0.48%	9	0.49%	8
Kidder Mathews	Warehouse distribution	0.46%	10	0.47%	9
		9.22%		7.26%	

Source: City billing records

* This schedule was added in 2017. Information prior to 2016 is not available.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 13-D

City of Kent

Utility Statistical Data

Billings by Customer Type

Last Seven Fiscal Years *

	Fiscal Year			
	2012	2013	2014	2015
Water Consumption				
Residential (single family)	\$ 2,788,953	\$ 2,878,919	\$ 3,108,519	\$ 3,219,722
Duplex	37,315	37,884	48,407	46,857
Multi-family	4,505,910	4,640,464	5,061,029	5,024,730
Commercial	4,264,591	4,482,184	4,880,396	5,117,899
Industrial	886,397	916,574	1,040,218	1,068,845
Governmental	546,999	592,828	657,203	745,027
Total Consumption Charges	\$ 13,030,165	\$ 13,548,853	\$ 14,795,772	\$ 15,223,080
Water Access				
Residential (single family)	\$ 1,520,346	\$ 1,587,891	\$ 1,661,686	\$ 1,681,135
Duplex	12,631	13,475	13,946	13,974
Multi-family	548,009	564,360	582,518	583,041
Commercial	547,229	567,496	580,972	582,333
Industrial	48,478	50,665	52,555	52,635
Governmental	86,735	89,075	91,716	92,075
Total Access Charges	\$ 2,763,428	\$ 2,872,962	\$ 2,983,393	\$ 3,005,193
Hydrant Water Fees				
Commercial	\$ 122,601	\$ 125,197	\$ 177,052	\$ 228,505
Other Water Fees				
Adjustments ¹	\$ (147,569)	\$ (42,561)	\$ (48,683)	\$ (23,460)
Total Water Sales	<u>\$ 15,768,625</u>	<u>\$ 16,504,451</u>	<u>\$ 17,907,534</u>	<u>\$ 18,433,318</u>
Water Backflow & Firelines				
Residential (single family)	\$ 80	\$ 80	\$ 240	\$ 480
Duplex	-	-	-	-
Multi-family	34,411	36,160	36,243	37,040
Commercial	173,756	177,936	180,367	182,730
Industrial	15,440	15,760	15,760	16,080
Governmental	25,760	26,560	24,800	24,720
Total Backflow Prevention	\$ 249,447	\$ 256,496	\$ 257,410	\$ 261,050
Other Water Charges				
Dedicated Fireline Fee	\$ -	\$ -	\$ -	\$ -
Miscellaneous Charges	231,065	246,133	244,077	205,853
Other Operating Revenue	3,930	14,871	7,141	4,630
Adjustments				
Total Other Operating Revenues	\$ 234,995	\$ 261,004	\$ 251,218	\$ 210,483
Total Water Operating Revenues	<u>\$ 16,253,067</u>	<u>\$ 17,021,951</u>	<u>\$ 18,416,162</u>	<u>\$ 18,904,851</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year		
2016	2017	2018
\$ 3,123,128	\$ 2,484,161	\$ 2,617,358
49,149	40,946	43,892
5,042,692	4,864,436	4,867,440
5,307,898	6,144,822	5,238,496
1,032,766	1,066,470	995,005
642,473	726,437	662,993
<u>\$ 15,198,106</u>	<u>\$ 15,327,272</u>	<u>\$ 14,425,184</u>
\$ 1,702,856	\$ 2,988,553	\$ 3,108,519
13,974	29,256	29,768
583,987	1,260,748	1,291,184
584,669	1,305,673	1,338,698
53,192	122,677	124,592
94,177	212,302	218,867
<u>\$ 3,032,855</u>	<u>\$ 5,919,209</u>	<u>\$ 6,111,628</u>
\$ 177,409	\$ 63,750	\$ 89,150
\$ (109,430)	(1,400,962)	(102,297)
<u>\$ 18,298,940</u>	<u>19,909,269</u>	<u>20,523,665</u>
\$ 640	\$ 897	\$ 927
-	-	-
38,484	48,692	51,812
186,739	239,062	259,196
16,400	20,100	21,631
24,640	30,600	30,900
<u>\$ 266,903</u>	<u>\$ 339,351</u>	<u>\$ 364,466</u>
\$ -	\$ 1,395,693	\$ 1,459,048
181,898	171,504	177,763
32,388	39,674	16,689
	(4,850)	-
<u>\$ 214,286</u>	<u>\$ 1,602,021</u>	<u>\$ 1,653,500</u>
<u>\$ 18,780,129</u>	<u>\$ 21,850,641</u>	<u>\$ 22,541,631</u>

(continued)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 13-D

City of Kent

Utility Statistical Data

Billings by Customer Type

Last Seven Fiscal Years *

	Fiscal Year			
	2012	2013	2014	2015
Sewer Charges				
Residential (single family)	\$ 7,466,469	\$ 8,202,454	\$ 8,373,244	\$ 8,889,410
Duplex	123,490	139,647	143,261	150,811
Multi-family	7,537,417	8,211,588	8,406,680	8,863,264
Commercial	5,159,636	5,649,362	6,115,191	6,531,807
Industrial	1,128,810	1,248,164	1,479,639	1,406,070
Governmental	578,251	674,431	671,239	729,349
Total Sewer Billings	\$ 21,994,073	\$24,125,646	\$25,189,254	\$26,570,711
Storm Drain/Surface Water Charges				
Residential (single family)	\$ 2,803,196	\$ 2,975,555	\$ 3,145,346	\$ 3,324,793
Duplex	29,576	31,978	33,908	35,596
Multi-family	2,321,917	2,453,359	2,582,879	2,712,051
Commercial	9,053,394	9,491,417	9,937,563	10,409,583
Industrial	1,197,251	1,253,616	1,315,712	1,328,399
Governmental	1,117,890	1,146,862	1,188,441	1,221,703
Total Sewer Billings	\$ 16,523,224	\$17,352,787	\$18,203,849	\$19,032,125
Other Sewer/Storm Drainage Fees				
Sewer permits	\$ 61,422	\$ 50,754	\$ 52,193	\$ 44,281
Connection charges ²	705,795	666,795	1,152,849	-
Charge in lieu fees ²	47,348	-	-	60,096
Water quality surcharge	425,809	503,188	524,269	692,877
Miscellaneous charges	37,403	17,126	66,116	46,987
Other operating revenue	14,904	8,207	8,358	8,690
Adjustments ¹	(247,919)	27,955	(227,189)	3,643
Total Other Sewer/Storm Drainage	\$ 1,044,762	\$ 1,274,025	\$ 1,576,596	\$ 856,574
Total Sewer/Storm Drainage Operating Revenues	\$ 39,562,059	\$42,752,458	\$44,969,699	\$46,459,410

¹ For adjustments, including leak adjustments and misread corrections, the billing code does not distinguish between the type of customer

² Sewer connection charges and in lieu fees were coded as charges for service in some year, but are now coded as capital contributions

Source: City records

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year		
2016	2017	2018
\$ 9,085,413	\$ 9,930,521	\$ 10,309,790
152,672	163,920	168,467
9,125,661	9,926,448	10,037,913
7,048,720	7,450,347	7,641,769
1,401,538	1,462,166	1,413,031
637,963	743,381	724,164
<u>\$ 27,451,967</u>	<u>\$29,676,784</u>	<u>\$ 30,295,134</u>
\$ 3,350,939	\$ 3,388,860	\$ 3,505,390
35,598	35,597	36,433
2,719,264	2,742,031	2,835,931
10,456,233	10,614,253	10,937,699
1,320,227	1,490,308	1,525,051
1,233,268	1,234,437	1,256,502
<u>\$ 19,115,529</u>	<u>\$19,505,486</u>	<u>\$ 20,097,006</u>
\$ 71,219	\$ 95,770	\$ 89,578
-	-	-
21,597	-	-
785,016	808,555	1,040,609
59,264	49,255	84,150
24,510	54,312	1,184,666
111,752	(80,689)	(112,304)
<u>\$ 1,073,358</u>	<u>\$ 927,203</u>	<u>\$ 2,286,699</u>
<u>\$ 47,640,854</u>	<u>\$50,109,473</u>	<u>\$ 52,678,839</u> (concluded)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 14

City of Kent

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Percentage of Assessed Taxable Value of Property ^b	Per Capita ^b	Other Governmental Activities Debt		
	General Obligation Bonds ¹	Less:	Total			Loans, Notes and Contracts ^d	Contingent Loan Guarantee ^e	Special Assessment Bonds
		Amounts Available In Debt Fund						
2009	74,582,727	3,587	74,579,140	0.58%	843.85	15,800,512	-	9,588,769
2010	70,395,426	-	70,395,426	0.60%	597.23	14,688,266	-	7,698,091
2011	65,811,861	1,035	65,810,826	0.50%	556.78	13,570,148	-	5,716,053
2012	61,541,230	1,083	61,540,147	0.48%	516.71	22,653,476	-	3,822,681
2013	57,903,469	1,083	57,902,386	0.48%	480.52	18,715,436	-	2,700,000
2014	52,810,358	10	52,810,348	0.42%	435.01	16,557,714	76,809,813	1,980,000
2015	47,784,224	-	47,784,224	0.34%	388.81	8,020,328	71,648,408	1,395,000
2016	101,793,996	521,394	101,272,602	0.67%	813.86	7,424,302	4,991,478	750,000
2017	95,347,314	986,220	94,361,094	0.58%	742.42	6,818,631	3,657,980	160,000
2018	88,952,067	1,451,046	87,501,021	0.47%	678.83	6,264,941	2,230,042	-

Business-type Activities

Fiscal Year	General Obligation Bonds ¹	Revenue Bonds ¹	Loans, Notes and Contracts ^d	Total Primary Government ^c	Percentage of Personal Income ^b	Per Capita ^b
2009	8,081,562	25,152,687	32,536,165	165,738,835	3.30%	1,875.30
2010	6,713,611	24,241,262	42,654,670	166,391,326	2.56%	1,411.66
2011	5,734,707	23,299,522	41,378,106	155,509,362	2.27%	1,315.65
2012	4,788,505	22,332,423	40,095,132	155,232,364	2.17%	1,303.38
2013	3,665,426	21,470,198	35,583,473	140,036,919	1.85%	1,162.13
2014	3,140,452	20,433,172	33,979,444	205,710,943	2.46%	1,694.49
2015	2,597,516	19,356,148	32,340,417	183,142,041	2.05%	1,490.17
2016	2,106,959	18,239,122	30,821,389	165,605,852	1.72%	1,330.86
2017	1,678,968	32,664,929	29,272,361	168,613,963	1.59%	1,326.62
2018	1,313,541	31,265,888	28,311,800	156,887,233	1.46%	1,217.12

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

Bonded debt is presented in this schedule exclusive of premiums and discounts.

¹ Debt amounts include discounts and premiums.

^a See Schedule 6 for taxable assessed property value data.

^b See Schedule 18 for population and personal income data.

^c Includes general bonded debt, other governmental activities debt, and business-type activities debt.

^d Excludes compensated absences.

^e In FY2014, the City implemented GASB-S 70 on contingent loan guarantee obligations.

Source: City financial records

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 15
City of Kent
Direct and Overlapping Governmental Activities Debt
As of December 31, 2018

	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable^a</u>	<u>Estimated</u> <u>Share of</u> <u>Direct and</u> <u>Overlapping</u> <u>Debt</u>
<u>Governmental Unit</u>			
King County	642,244,970	3.4171%	21,946,153
Port of Seattle	362,390,000	3.4171%	12,383,229
Federal Way School District No. 210	291,186,263	7.0538%	20,539,697
Highline School District No. 401	459,714,678	1.1907%	5,473,823
Renton School District No. 403	236,507,000	3.8900%	9,200,122
Auburn School District No. 408	333,336,646	1.2265%	4,088,374
Tahoma School District No. 409	154,966,398	0.0191%	29,599
Kent School District No. 415	227,981,617	66.2598%	151,060,163
Hospital District No. 1	-	33.4413%	-
Kent Regional Fire Authority No. 62	429,300	84.4768%	362,659
Rural Library District	77,576,089	6.0597%	4,700,878
Subtotal Overlapping Debt			229,784,696
City of Kent direct debt			<u>95,996,004</u>
Total direct and overlapping debt			<u><u>\$ 325,780,700</u></u>

Source: King County: County Assessor and Department of Finance
City financial records

Note:

^a 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 Kent based on tax parcel information. This Process recognizes that, when considering the government's ability to issue and repay long-term debt, the 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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 16
City of Kent
Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Legal Debt Limit				
Assessed Value	\$ 12,796,789,489	\$ 11,733,295,807	\$ 13,124,485,153	\$ 12,746,855,069
Legal debt limit restrictions:				
2.5% of General purpose limit, voted & non-voted	\$ 319,919,737	\$ 293,332,395	\$ 328,112,129	\$ 318,671,377
2.5% Utility purpose limit, voted	319,919,737	293,332,395	328,112,129	318,671,377
2.5% Open Space, Park Facilities, voted	319,919,737	293,332,395	328,112,129	318,671,377
Total legal debt limit	<u>959,759,211</u>	<u>879,997,185</u>	<u>984,336,387</u>	<u>956,014,131</u>
Total net debt applicable to limit	<u>87,079,122</u>	<u>81,157,709</u>	<u>75,247,674</u>	<u>69,139,626</u>
Legal debt margin	<u>\$ 872,680,089</u>	<u>\$ 798,839,476</u>	<u>\$ 909,088,713</u>	<u>\$ 886,874,505</u>
Total net debt applicable to the limit as a percentage of debt limit	9.07%	9.22%	7.64%	7.23%
Total net debt applicable to the limit as a percentage of assessed value	0.68%	0.69%	0.57%	0.54%
Debt applicable to limit:				
Voted				
General obligation bonds	-	-	-	-
Non-voted				
General obligation bonds	84,019,000	78,303,000	72,590,000	66,683,000
Other general obligation debt	3,063,709	2,854,709	2,658,709	2,457,709
Less: Amount set aside for repayment of voted general obligation debt	(3,587)	-	(1,035)	(1,083)
Total net debt applicable to limit	<u>87,079,122</u>	<u>81,157,709</u>	<u>75,247,674</u>	<u>69,139,626</u>
Additional debt limit restriction:				
1.5% non-voted for all purposes	191,951,842	175,999,437	196,867,277	191,202,826
Non-voted debt outstanding	87,082,709	81,157,709	75,248,709	69,140,709
Non-voted legal debt margin	<u>104,869,133</u>	<u>94,841,728</u>	<u>121,618,568</u>	<u>122,062,117</u>
Constitutional Debt Limit				
10.0% non-voted for all purposes	1,279,678,949	1,173,329,581	1,312,448,515	1,274,685,507
Net debt applicable to legal debt limit	87,079,122	81,157,709	75,247,674	69,139,626
Add: State loan contracts	12,537,258	11,660,072	10,777,631	10,389,724
Constitutional debt margin	<u>1,180,062,569</u>	<u>1,080,511,800</u>	<u>1,226,423,210</u>	<u>1,195,156,157</u>
Internal Debt Limit				
Net debt applicable to legal debt limit	87,079,122	81,157,709	75,247,674	69,139,626
Add: State loan contracts	12,537,258	11,660,072	10,777,631	10,389,724
Interest on outstanding debt	32,687,133	28,051,396	24,443,065	20,409,417
Compensated absences	6,594,993	4,848,159	4,596,349	4,459,597
Total debt applicable to internal debt calculation	<u>138,898,506</u>	<u>125,717,336</u>	<u>115,064,719</u>	<u>104,398,364</u>
Total net debt applicable to the internal debt calculation as a percentage of assessed value	1.09%	1.07%	0.88%	0.82%

Notes:

The debt limit applies to general obligation debt of the city (debt for which the "full faith and credit" of the state constitution limits the debt cities are allowed to carry to 10% of the assessed valuation of limit, or 7.5% of assessed valuation of taxable properties within the city. The legislature has also limited the amount of non-voted debt (not approved by a 3/5 majority of voters) to 1.0% of the assessed valuation of the taxable properties within the city. The city also calculates an internal debt margin to include other long-term obligations, like internal LID financing, internal notes and compensated absences expected to repaid from general

Source: City's financial records

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 12,009,757,520	\$ 12,651,208,800	\$ 14,068,213,406	\$ 15,046,306,884	\$ 16,402,977,700	\$ 18,597,339,729
\$ 300,243,938	\$ 316,280,220	\$ 351,705,335	\$ 376,157,672	\$ 410,074,443	\$ 464,933,493
300,243,938	316,280,220	351,705,335	376,157,672	410,074,443	464,933,493
300,243,938	316,280,220	351,705,335	376,157,672	410,074,443	464,933,493
900,731,814	948,840,660	1,055,116,005	1,128,473,016	1,230,223,329	1,394,800,479
61,423,917	54,975,990	49,078,000	90,740,000	84,656,000	78,686,000
\$ 839,307,897	\$ 893,864,670	\$ 1,006,038,005	\$ 1,037,733,016	\$ 1,145,567,329	\$ 1,316,114,479
6.82%	5.79%	4.65%	8.04%	6.88%	5.64%
0.51%	0.43%	0.35%	0.60%	0.52%	0.42%
-	-	-	-	-	-
60,993,000	54,756,000	49,078,000	90,740,000	84,656,000	78,686,000
432,000	220,000	-	-	-	-
(1,083)	(10)	-	-	-	-
61,423,917	54,975,990	49,078,000	90,740,000	84,656,000	78,686,000
180,146,363	189,768,132	211,023,201	225,694,603	246,044,666	278,960,096
61,425,000	54,976,000	49,078,000	90,740,000	84,656,000	78,686,000
118,721,363	134,792,132	161,945,201	134,954,603	161,388,666	200,274,096
1,200,975,752	1,265,120,880	1,406,821,341	1,504,630,688	1,640,297,770	1,859,733,973
61,423,917	54,975,990	49,078,000	90,740,000	84,656,000	78,686,000
9,584,624	8,777,671	8,001,804	7,225,937	6,450,071	5,674,205
1,129,967,211	1,201,367,219	1,349,741,537	1,406,664,751	1,549,191,699	1,775,373,768
61,423,917	54,975,990	49,078,000	90,740,000	84,656,000	78,686,000
9,584,624	8,777,671	8,001,804	7,225,937	6,450,071	5,674,205
17,426,925	14,358,462	11,168,487	39,402,192	35,545,110	31,984,893
4,747,718	4,168,176	4,337,445	4,413,051	4,639,656	4,936,217
93,183,184	82,280,299	72,585,736	141,781,180	131,290,837	121,281,315
0.78%	0.65%	0.52%	0.94%	0.80%	0.65%

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 17
City of Kent
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					
	Water Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009 ³	11,876,537	8,498,185	3,378,352	105,000	154,366	13.03
2010	15,426,293	9,029,965	6,396,328	432,500	628,347	6.03
2011	15,986,832	9,730,377	6,256,455	447,500	615,372	5.89
2012	16,253,067	10,697,089	5,555,978	460,000	601,947	5.23
2013	17,021,951	11,736,994	5,284,957	472,000	588,147	4.99
2014	18,416,162	10,677,318	7,738,844	487,500	573,972	7.29
2015	18,904,851	13,717,392	5,187,459	507,500	554,472	4.88
2016	18,780,129	12,538,349	6,241,780	527,500	534,172	5.88
2017	21,850,641	12,387,164	9,463,477	550,000	513,072	8.90
2018	22,541,631	13,236,320	9,305,311	570,000	795,860	6.81

Fiscal Year	Combined Utility Revenue Bonds					
	Combined Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	43,174,947	33,494,175	9,680,772	210,000	308,732	18.66
2010	51,268,121	34,225,967	17,042,154	865,000	1,256,695	8.03
2011	55,095,342	34,332,968	20,762,374	895,000	1,230,744	9.77
2012	55,815,126	42,423,801	13,391,325	920,000	1,203,894	6.31
2013	59,774,409	44,658,164	15,116,245	944,000	1,176,294	7.13
2014	63,385,861	43,946,747	19,439,114	975,000	1,147,944	9.16
2015	65,364,261	50,063,649	15,300,612	1,015,000	1,108,944	7.20
2016	66,420,983	51,681,433	14,739,550	1,055,000	1,068,344	6.94
2017	71,960,114	51,556,996	20,403,118	1,100,000	1,026,144	9.60
2018	75,220,569	56,647,152	18,573,417	1,140,000	1,591,720	6.80

Fiscal Year	Special Assessment Bonds			
	Revenues	Debt Service		Coverage
		Principal	Interest	
2009	2,845,669	2,289,806	588,439	0.99
2010	2,444,174	1,916,737	478,481	1.02
2011	2,397,011	2,021,715	382,060	1.00
2012	2,590,862	1,919,285	279,818	1.18
2013 ⁴	4,058,344	1,203,319	180,786	2.93
2014 ⁴	3,115,228	747,256	124,207	3.57
2015 ⁴	2,586,437	585,000	111,840	3.71
2016 ⁴	2,150,390	645,000	64,550	3.03
2017 ⁴	1,979,573	590,000	34,875	3.17
2018 ⁴	1,458,264	160,000	7,440	8.71

Source: City financial records

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

¹ Amounts include Sewer and Drainage operations.

² Operating expenses do not include interest, depreciation or amortization expenses.

³ Issued in 2009--Combined Utility System Revenue Bonds, Series 2009A, and Combined Utility System Revenue Bonds, Series 2009B Taxable (BABs) issued for a total of \$25,000,000--split between Water and Sewerage Fund.

⁴ Most of the outstanding LID's are internally financed with no outstanding bonds. As funds are received, they are transferred to the capital projects to fund construction.

Details regarding coverage can be found in the Official Statements.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year	Sewerage Revenue Bonds ¹					
	Sewerage Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009 ³	31,298,410	24,995,990	6,302,420	105,000	154,366	24.30
2010	35,841,828	25,196,002	10,645,826	432,500	628,347	10.04
2011	39,108,510	24,602,591	14,505,919	447,500	615,372	13.65
2012	39,562,059	31,726,712	7,835,347	460,000	601,947	7.38
2013	42,752,458	32,921,170	9,831,288	472,000	588,147	9.27
2014	44,969,699	33,269,429	11,700,270	487,500	573,972	11.02
2015	46,459,410	36,346,257	10,113,153	507,500	554,472	9.52
2016	47,640,854	39,143,084	8,497,770	527,500	534,172	8.00
2017	50,109,473	39,169,832	10,939,641	550,000	513,072	10.29
2018	52,678,938	43,410,832	9,268,106	570,000	795,860	6.79

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 18
City of Kent
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Calendar Year</u>	<u>Population</u> ¹	<u>County Personal Income</u> ² (thousands of dollars)	<u>County Per Capita Income</u> ³	<u>School Enrollment</u> ⁴	<u>County Unemployment Rate</u> ⁵
2009	88,380	109,053,408	56,904	26,764	8.1%
2010 ⁶	117,869	106,806,333	55,136	27,050	8.8%
2011	118,200	113,922,436	57,837	27,397	7.6%
2012	119,100	120,627,950	60,090	26,975	6.8%
2013	120,500	128,330,859	62,770	27,500	5.2%
2014	121,400	143,260,986	68,877	27,484	4.6%
2015	122,900	153,554,091	72,530	27,823	3.6%
2016	124,435	166,006,277	77,213	27,746	3.9%
2017	127,100	182,495,475	83,383	27,896	3.8%
2018	128,900	*	*	27,714	3.4%

¹ April 1 Population of Cities, Towns, and Countries: Washington State Office of Financial Management

² Personal Income for King County: US Bureau of Economic Analysis.

³ Per Capita Income for King County: US Bureau of Economic Analysis.

⁴ Kent School District - May 2018: Washington State Report Card

⁵ King County Profile: Employment Security Department Washington State

⁶ Annual average for King County: Washington State Employment Security Department

*2018 information is not available, will be included in 2019 CAFR.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 19
City of Kent
Principal Employers
Current Year and Nine Years Ago

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
			64,499			
Amazon.com LLC	4,264	1	6.61%			
Kent Public Schools	2,930	2	4.54%	2,648	2	4.89%
Boeing Company	2,480	3	3.85%	5,300	1	9.78%
Exotic Metals Forming Co	1,186	4	1.84%			
Blue Origin, LLC	1,031	5	1.60%			
REI Inc.	874	6	1.36%	700	4	1.29%
Carlisle Interconnect Industries	845	7	1.31%			
City of Kent	715	8	1.11%	782	3	1.44%
Alaska Airlines	647	9	1.00%	459	9	0.85%
King County Regional Justice Center	630	10	0.98%	630	6	1.16%
Coho Distributing LLC dba Columbia Dist.				620	7	1.14%
Sysco				510	8	0.94%
Oberto Sausage				455	10	0.84%
Mikron Industries				675	5	1.25%
	<u>15,602</u>		<u>24.19%</u>	<u>10,131</u>		<u>18.69%</u>

Source: City of Kent Business License System

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 20

City of Kent

Full-time-Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function/Program	Full-time-Equivalent Employees as of December 31									
	2009 ^a	2010 ^b	2011	2012	2013	2014	2015	2016 ^c	2017	2018
General government										
Mayor's Office	9.00	13.00	13.00	10.50	10.53	10.53	10.75	10.75	11.75	13.00
Human Resource	11.00	11.00	12.00	12.00	12.20	13.20	13.60	14.60	14.60	15.60
Finance	19.50	19.00	20.55	18.55	20.55	20.55	23.55	23.55	24.99	25.45
Information Technology	25.00	25.00	28.70	25.00	24.96	26.00	29.00	35.00	37.00	37.00
Other	43.00	43.50	45.90	41.25	37.80	39.00	42.00	42.00	42.00	41.00
Judicial	18.00	21.00	21.53	21.28	20.28	20.28	20.28	20.28	20.28	21.28
Public Safety										
Police	179.00	193.00	201.28	196.28	191.75	195.75	199.00	203.00	208.75	213.75
Fire	169.00	-	-	-	-	-	-	-	-	-
Law-Criminal	9.50	10.00	11.70	10.60	9.80	8.80	8.80	9.80	8.80	8.80
Community Development	42.00	43.00	43.60	36.60	36.60	38.33	40.75	40.75	42.75	47.00
Public Works										
Engineering	5.33	5.33	5.33	5.33	9.00	9.00	9.00	11.00	14.50	14.50
Operations	13.00	12.00	12.00	12.00	12.00	25.00	31.00	32.00	30.00	30.00
Streets	65.50	70.50	73.02	71.02	64.09	67.50	67.50	73.00	77.50	78.00
Leisure Services	60.00	60.00	61.63	59.13	60.16	63.91	64.38	66.63	65.63	65.63
Health and Human Services	17.00	18.00	21.34	17.53	15.73	16.06	16.53	16.53	17.53	17.53
Water	25.00	26.00	26.00	26.00	32.41	29.08	29.08	28.47	27.41	27.41
Sewerage										
Sewer	10.33	10.33	10.33	10.33	9.08	9.08	11.08	14.48	12.83	12.83
Storm	26.34	34.34	34.34	34.34	26.42	20.09	23.09	22.30	19.76	19.76
Solid Waste	-	-	-	-	-	-	-	2.50	4.50	4.50
Water & Sewer Utility Billing	9.50	10.00	11.11	11.11	11.11	11.11	11.80	12.05	12.61	12.55
Golf	8.00	8.00	11.35	11.35	11.35	11.35	11.35	11.35	9.60	9.60
Total	765.00	633.00	664.71	630.20	615.81	634.61	662.54	690.04	702.79	715.19

Source: City of Kent Financial Planning Department

Notes: A full-time employee is scheduled to work 2,080 hours per year (including paid leave used). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

^a Beginning 2009, the city began to delay filling vacant employee positions. The 2009 adopted budget was adjusted, due to reductions and reorganization, down by 53 FTEs from 818 FTEs to 765 FTEs.

^b Full-Time Equivalent (FTE) employees were reduced by 166 Fire Department employees that transferred to the Regional Fire Authority (RFA) on July 1, 2010.

^c Solid Waste fund was created in 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 21
City of Kent
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Business licenses issued	3,787	4,183	3,658	5,048	3,767	4,243	4,164	6,113	5,460	6,480
Judicial										
Number of court filings ^a	23,466	20,330	18,377	17,992	18,531	17,184	14,628	14,685	12,663	12,406
Public Safety										
Police										
Physical arrests	4,704	4,249	4,673	4,678	4,778	4,587	4,514	4,673	5,002	4,608
Parking violations	2,295	2,115	2,367	2,272	1,479	2,066	2,037	2,515	2,280	1,888
Traffic violations ^e	18,188	15,343	13,079	12,774	18,531	14,979	13,552	7,836	6,729	7,470
School Zone Tickets [*]	N/A	N/A	N/A	N/A	N/A	8,366	8,122	9,101	9,342	9,113
Community Development										
Building permits issued ^b	913	1,004	2,074	2,277	2,334	3,789	3,899	4,034	4,160	5,135
Building inspections conducted	15,480	12,883	13,375	14,050	14,067	12,443	12,974	12,333	16,076	16,414
Public Works										
Street resurfacing (sq yds)	467,777	12,200	26,190	22,488	31,100	48,350	60,944	132,112	100,159	34,444
Leisure Services										
Recreation programs offered	2,050	1,791	2,147	2,096	2,070	2,050	2,158	2,244	2,118	1,915
Number of recreation participants ^d	106,027	73,600	16,705	33,462	24,392	23,143	26,521	27,693	20,706	22,704
Health and Human Services										
Citizens served in specialized recreation setting ^d	3,250	3,150	1,575	1,632	1,512	1,704	1,688	1,639	1,507	1,585
Participants in Senior programs/workshops ^d	23,395	34,697	14,157	17,115	18,180	20,415	20,410	26,145	26,404	30,120
Water										
New connections	141	189	136	164	160	135	106	150	136	174
Average daily consumption (million gallons-estimated)	8	8	7.5	7.0	7.1	7.4	7.7	7.3	7.7	7.6
Golf										
Number of participants	156,950	153,750	151,950	153,800	154,100	155,260	155,870	156,220	154,695	153,450
Number of tournaments	85	83	76	72	63	57	51	53	46	40
Library										
Number of Items	151,605	159,246	159,246	159,300	159,173	107,933	112,988	108,686	112,509	105,635
Items circulated ^c	N/A	N/A	N/A	745,994	613,603	550,416	470,680	430,626	392,140	355,736

Source: Various City Departments

* January 2014 School Zone Camera Tickets implemented.

^a Includes parking violations

^b Reflects a shift in the way minor repairs are counted. Beginning in 2011, data includes all building permits issued, with no exclusions.

^c Information not available for years indicated.

^d Beginning in 2011, only registered participants are counted.

^e Beginning in 2016, traffic violations are processed differently with multiple infractions processed on one ticket.



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 22

City of Kent

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	51 ^b	50 ^b	50 ^b	51 ^b	58 ^b	49 ^b	47 ^b	49 ^b	52 ^b	96 ^{bf}
Public Works										
Streets (lane miles)	725	725	726	726	726	726	726	726	719 ^d	719 ^d
Streetlights	6,573	6,573	6,573	6,600	6,600	6,600	6,600	6,354	6,354	6,354
Traffic signals	104	119	119	119	119	119	119	120	120	119
Traffic beacons/advisory devices	*	*	57	58	69	70	76	73	93	93
Leisure Services										
Acres of parks/open space ^a	982	1,434	1,434	1,434	1,178	1,178	1,142	1,142	1,142	1,145
Parks ^c	80	58	58	58	53	53	53	55	55	55
Miles of trails	19	23	23	28	28	28	28	28	28	28
Ball fields	18	21	21	21	21	21	21	21	21	21
Tennis courts	13	15	15	15	15	15	12	12	12	12
Water										
Water mains (miles)	280	280	280	280	280	284	284	287	287	287
Water customers *	13,130	13,202	13,327	13,469	13,629	13,810	13,924	14,091	14,214	14,534
Reservoir/Tanks	8	8	9	9	9	9	9	9	9	9
Reservoir storage capacity (millions of gallons)	23.3	21.0	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Sewerage										
Sanitary sewers (miles)	209	209	209	215	215	215	215	215	215	216
Storm sewers (miles)	248	248	249	324	324	324	324	324	341	344
Sewer customers *	26,876	27,000	15,352	15,552	15,712	15,854	15,949	16,098	16,230	16,285
Drainage customers *	17,051	22,122	24,750	25,100	25,285	25,486	25,624	25,831	26,022	26,365
Golf										
18-Hole course (yards)	6,666	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701
Par 3 course (yards) ^e	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	-
Driving range (stalls)	32	32	32	32	32	32	32	32	32	32
Miniature golf course 18-hole	1	1	1	1	1	1	1	1	1	1
Merchandise center	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments

Notes:

* Information not available for years indicated.

^a Does not include Commons Playfield. 2007 - 2009

^b Includes 1 Patrol boat

^c Prior to 2010, counted other properties like detention basins

^d According to the 2016 Pavement Rating Report

^e Par 3 course was closed in 2018

^f In 2018 the City started acquiring "take home vehicles" for the patrol division

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Schedule 23

City of Kent

Kent Special Events Center Public Facilities District

Various Operating Information

Last Ten Fiscal Years

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Special Events Center Operations: ¹				
Operating revenues	2,150,482	2,032,144	2,075,487	1,824,496
Operating expenditures ²	2,602,213	2,430,158	2,563,334	2,532,035
Net operating income/(loss)	<u>(451,731)</u>	<u>(398,014)</u>	<u>(487,847)</u>	<u>(707,539)</u>
Public Facilities District Operations ³				
PFD Sales Taxes	576,296	622,136	649,277	677,937
Interest income	1,279	880	646	561
Expenditures	758	-	-	1,505
Net revenue available	<u>576,817</u>	<u>623,016</u>	<u>649,923</u>	<u>676,993</u>
PFD direct debt: ⁴				
2008 PFD Revenue Bonds	1,041,038	1,068,663	1,059,272	1,062,462
2008 PFD Sales Tax Bonds ⁵	2,675,777	2,675,778	2,675,778	2,675,777
2016 LTGO Bonds allocated to PFD ⁵	-	-	-	-
Total direct PFD debt	<u>3,716,815</u>	<u>3,744,441</u>	<u>3,735,050</u>	<u>3,738,239</u>
PFD Direct Debt funding:				
PFD Sales tax revenues ⁶	637,896	615,004	641,973	674,214
City advances	3,072,613	3,129,437	3,093,077	3,064,025
Other funding	6,306	-	-	-
Total Funding of Direct Debt	<u>3,716,815</u>	<u>3,744,441</u>	<u>3,735,050</u>	<u>3,738,239</u>

Notes: ¹ The Showare Special Events Center is operated by SMG under a contract with the City. This information is from the operating statements of SMG for the

³ The Public Facilities District is a discretely presented component unit of the City of Kent. As a separate taxing authority, the PFD is authorized to impose a 0.037% sales tax for the purpose of funding debt service on PFD bonds and other obligations issued to finance the Showare Events Center.

⁴ Any net operating revenues of the Showare Event Center as well as the PFD sales tax revenues are pledged for repayment of this debt.

⁵ In 2016, the City issued LTGO Bonds to refund the City's 2008 LTGO Bonds as well as the 2008 PFD Sales Tax Bonds. Through an interlocal agreement with the City, the PFD is responsible for payment of the share of the refunding bonds allocated to the refunding of the 2008 PFD Sales Tax Bonds.

⁶ Debt service payments are made June 1 and December 1 each year. The amount of PFD revenues applied to the debt service is based on actual cash available from net revenues plus an estimate of revenues not yet collected for the fiscal year. Any differences between final actual net revenues and the amount applied to the debt service payment are applied to the next debt

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
2,199,412	1,989,724	2,357,964	2,775,006	2,766,369	3,117,754
2,577,642	2,742,048	2,619,402	2,914,669	3,114,736	3,314,806
(378,230)	(752,324)	(261,438)	(139,663)	(348,367)	(197,052)
714,360	784,330	830,283	900,659	916,139	1,018,768
300	308	665	1,825	4,017	11,454
-	-	-	-	-	-
714,660	784,638	830,948	902,484	920,156	1,030,222
1,136,651	1,120,283	1,205,275	1,277,466	1,345,977	1,437,083
2,675,777	2,675,777	2,675,778	1,337,889	-	-
-	-	-	1,334,603	2,668,000	2,668,300
3,812,428	3,796,060	3,881,053	3,949,958	4,013,977	4,105,383
707,953	766,236	696,831	880,444	887,946	1,002,342
3,104,475	3,029,824	3,184,222	3,069,514	3,126,031	3,103,041
-	-	-	-	-	-
3,812,428	3,796,060	3,881,053	3,949,958	4,013,977	4,105,383

continued

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CITY OF KENT, WASHINGTON

Schedule 23

City of Kent

Kent Special Events Center Public Facilities District

Various Operating Information

Last Ten Fiscal Years

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Event Center Operations:				
Admissions tax	290,156	199,199	193,900	281,458
Other revenues/sources	-	42,376	-	-
Expenditures	615,792	842,763	477,634	1,106,422
Net operating income (loss) ⁸	<u>(325,636)</u>	<u>(601,188)</u>	<u>(283,734)</u>	<u>(824,964)</u>
City debt related to Events Center				
2008 LTGO Bonds-Series A	253,740	253,740	318,130	344,424
2008 LTGO Bonds-Series B	262,840	959,650	183,050	-
2016 LTGO Refunding- Series A	-	-	-	-
2016 LTGO Refunding- Series B	-	-	-	-
Internal Loans ⁷	-	-	-	-
Total related debt	<u>516,580</u>	<u>1,213,390</u>	<u>501,180</u>	<u>344,424</u>
Total City Funding				
City Advances for PFD debt	637,896	615,004	641,973	674,214
Events Center net (income)loss	325,636	601,188	283,734	824,964
Related debt costs	516,580	1,213,390	501,180	344,424
Total City Funding	<u>1,480,112</u>	<u>2,429,582</u>	<u>1,426,887</u>	<u>1,843,602</u>

Notes ⁷ The City funded \$9.7 million of construction and equipping costs for the Showare Center through the City Capital Resources Fund. In 2012, Council approved internal loans from the Water, Sewer and Insurance Funds to cover these costs. The internal loans are being repaid over a period not to exceed

⁸ The City transferred funds into the Showare operating fund to cover the accumulated deficits and pre-fund future maintenance needs: \$500,000 in 2013, \$3,200,000 in 2014 and \$1,000,000 in 2015.

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Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
251,405	256,124	375,049	385,546	347,109	488,638
-	-	46,524	462,443	208,118	129,691
471,684	980,046	104,330	1,097,457	983,406	1,373,763
<u>(220,279)</u>	<u>(723,922)</u>	<u>317,243</u>	<u>(249,468)</u>	<u>(428,179)</u>	<u>(755,434)</u>
330,180	333,788	391,766	254,864	123,819	118,902
-	-	-	-	-	-
-	-	-	150,850	311,380	311,838
-	-	-	1,334,603	2,668,000	2,668,300
<u>1,178,131</u>	<u>1,243,121</u>	<u>1,301,516</u>	<u>1,325,005</u>	<u>1,464,068</u>	<u>1,509,476</u>
<u>1,508,311</u>	<u>1,576,909</u>	<u>1,693,282</u>	<u>3,065,322</u>	<u>4,567,267</u>	<u>4,608,516</u>
707,953	766,236	696,831	880,444	887,946	1,002,342
220,279	723,922	(317,243)	249,468	428,179	755,434
<u>1,508,311</u>	<u>1,576,909</u>	<u>1,693,282</u>	<u>3,065,322</u>	<u>4,567,267</u>	<u>4,608,516</u>
<u>2,436,543</u>	<u>3,067,067</u>	<u>2,072,870</u>	<u>4,195,234</u>	<u>5,883,392</u>	<u>6,366,292</u>

Concluded





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