

Comprehensive Annual Financial Report

City of Kent, Washington

For the Fiscal Year Ended
December 31, 2015





Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2015

Prepared by:

Finance Department
Financial Reporting Division

Aaron BeMiller
Finance Director



OUR VISION

Leading through excellence and public trust...*let us show you*

OUR MISSION

To enhance the quality of community life for those residing, doing business and visiting in Kent. Kent cares about honest and effective government service; protection of life and property; and ensuring that the City provides professional services to the citizens of Kent.

Our fundamental values that guide the City of Kent in fulfilling this mission are:

INTEGRITY

Act in a fair, honest, ethical manner

CARING

Commitment to respect and courtesy

COMMUNICATION

The open exchange of information and ideas

TEAMWORK

We work together cooperatively

INNOVATION

We find better ways to do our work

ACHIEVEMENT

We accomplish our goals

KENT CARES

Together we can make it happen!

Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Table of Contents	A1
Letter of Transmittal.....	A4
Certificate of Achievement for Excellence in Financial Reporting.....	A12
Organization Chart.....	A13
Principal Officials	A14

FINANCIAL SECTION

Auditor's Opinion	1
Management's Discussion and Analysis.....	5

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Position	23
Statement of Activities.....	24

Fund Financial Statements

Balance Sheet–Governmental Funds	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Governmental Activities	29
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds to the Statement of Activities – Governmental Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual-General Fund.....	34
Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual-Capital Resources Fund.....	35
Statement of Net Position-Proprietary Funds.....	36
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds.....	40
Statement of Cash Flows-Proprietary Funds	42
Statement of Fiduciary Net Position-Fiduciary Funds	46
Statement of Changes in Fiduciary Net Position-Fiduciary Funds.....	47

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies	50
Note 2 – Reconciliation of Government-Wide and Fund Financial Statements	61
Note 3 – Stewardship, Compliance and Accountability.....	65
Note 4 – Deposits and Investments	66
Note 5 – Receivables.....	67
Note 6 – Interfund balances and transfers.....	69
Note 7 – Property, Plant, Equipment and Depreciation	71
Note 8 – Leases.....	72
Note 9 – Long-Term Obligations.....	72
Note 10 – Fund Balance	79

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2015**

TABLE OF CONTENTS

	<u>Page</u>
<u>Notes to the Financial Statements (continued)</u>	
Note 11 – Information on Enterprise Funds	80
Note 12 – Property Taxes	81
Note 13 – Personnel Benefits (Pension Plans, Other Post Retirement Benefits)	82
Note 14 – Risk Management.....	100
Note 15 – Joint Venture	103
Note 16 – Component Units.....	105
Note 17 – Contingencies and Litigations.....	105
Note 18 – Commitments	106
Note 19 – Prior Period Adjustments.....	106
Note 20 – Subsequent Events	106
 Required Supplementary Information:	
Schedule of Funding Progress-Retirement Health Care Benefits.....	109
Schedule of Employer Contributions-Firemen’s Relief and Pension System	110
Schedule of Money-Weighted Rate of return-Firemen’s Relief and Pension System.....	110
Schedule of Changes in Net Pension Liability and Related Ratios-Firemen’s Relief and Pension System	112
Schedule of Employer Contributions – Other Pension Plans.....	113
Schedule of the City’s Proportionate Share of the Net Pension Liability	114
 Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Non-major Governmental Fund Statements:	
Combining Balance Sheet-Non Major Governmental Funds	118
Combining Statement of Revenues, Expenditures and Changes in Fund Balance- Non major Governmental Funds	122
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual - Street Special Revenue Fund	126
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual - Lodging Tax Special Revenue Fund.....	127
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual - Youth/Teen Programs Special Revenue Fund.....	128
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual - Criminal Justice Special Revenue Fund	129
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual - Environmental Mitigation Special Revenue Fund	130
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual - Housing and Community Development Special Revenue Fund	131
Internal Service Fund Statements:	
Combining Statement of Net Position-Internal Service Funds	134
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position- Internal Service Funds	136
Combining Statement of Cash Flows-Internal Service Funds.....	138

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2015**

TABLE OF CONTENTS

	<u>Page</u>
Agency Fund Statements:	
Combining Statement of Net Position – Agency Funds	145
Statement of Changes in Assets and Liabilities – Agency Funds	146
Other Supplementary Information:	
Other Budgetary Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Public Safety Retiree Fund	152
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Operating Grants & Projects Fund	153
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Events Center Operations Fund.....	154
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedule by Source.....	156
Schedule by Function and Activity	157
Schedule of Changes by Function and Activity	158
Long-term Liabilities Schedules:	
Schedule of Changes in Long-term Liabilities:	
Governmental Activities.....	160
Business-Type Activities	161
Schedule of Bonded Debt Service Requirements to Maturity	162
Schedule of Interfund Transfers.....	164

STATISTICAL SECTION

	Schedule	
Net Position by Component – Last Ten Fiscal Years	1.....	170
Changes in Net Position - Last Ten Fiscal Years	2.....	172
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	3.....	176
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	4.....	178
Tax Revenue by Source – Government Funds – Last Ten Fiscal Years.....	5.....	180
Assessed Value of Taxable Property – Last Ten Fiscal Years	6.....	181
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	7.....	182
Principal Property Tax Payers – Current Year and Nine Years Ago.....	8.....	183
Property Tax Levies and Collections – Last Ten Fiscal Years.....	9.....	185
Taxable Sales by Category – Last Ten Fiscal Years.....	10.....	186
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	11.....	188
Sales Tax Revenue Payers by Industry – Current Year and Nine Years Ago	12.....	189
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	13.....	190
Direct and Overlapping Governmental Activities Debt – Current Year	14.....	191
Legal Debt Margin Information – Last Ten Fiscal Years.....	15.....	192
Pledged-Revenue Coverage – Last Ten Fiscal Years.....	16.....	194
Demographic and Economic Statistics – Last Ten Fiscal Years.....	17.....	195
Principal Employers – Current Year and Nine Years Ago	18.....	196
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	19.....	197
Operating Indicators by Function – Last Ten Fiscal Years	20.....	198
Capital Asset Statistics by Function – Last Ten Fiscal Years	21.....	199



FINANCE ADMINISTRATION

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June 27, 2016

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, 2015. 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 5-21 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 City of Kent's financial statements have been audited by the Washington State Auditor's Office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2015 are free of material misstatement. 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 independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2015, 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.

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.

The Comprehensive Annual Financial Report is divided into three sections: Introductory Section, Financial Section, and Statistical Section. The Introductory Section includes the table of contents, this transmittal letter, a City organizational chart and a list of principal officials for the City.

The Financial Section includes the independent auditor's opinion, Management's Discussion and Analysis and the basic financial statements, consisting of the Government-wide Financial Statements, the Fund Financial Statements, budget-to-actual comparison for the general fund, and the Notes to the Financial Statements. Also included is required information on pensions as well as other supplemental information including combining statements for the non-major governmental funds, budget to actual comparison for the special revenue funds, internal service funds statements, fiduciary funds statements and information about capital assets used in governmental operations.

Accounting principles generally accepted in the United States of America requires that management provide a discussion and analysis of its financial condition. This narrative introduction, overview, and analysis are described as Management's Discussion and Analysis (MD&A). The MD&A is found at the beginning of the financial section following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

The Statistical Section provides financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information pertaining to the City. Much of the information provided is designed to show comparative data over the last ten fiscal years and conforms to GASB Statement No. 44.

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. It now serves 122,900 residents. The City provides many of its municipal services to the greater Kent area that encompasses over 156,000 residents.

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 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, 2015, the City of Kent had 663 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 199 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 and par-3 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 component unit. The Kent School District is an independent governmental unit and does not meet the established criteria for inclusion within the City's reporting entity and, accordingly, is excluded from this report.

The biennial budget serves as the foundation for the City of Kent's financial planning and control. The City Council established its direction for the City with the development and adoption of the Strategic Goals in 2011. 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. In 2013 the City implemented a biennial budget process with a mid-biennial review of the second year of the adopted budget.

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 the Boeing Company (aircraft manufacturer) with 2,480 employees, REI Inc. (a recreational clothing and equipment retailer) with 1,017 employees, Carlisle Interconnect Technologies (electronic component manufacturing) with 650 employees, Exotic Metals Forming (aircraft parts manufacturer) with 618 employees, and Coho Distributing (a beverage distributor) with 620 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.

MAJOR INITIATIVES

The City Council established its direction for the City with development and adoption of the Strategic Goals as part of *The Vision for 2025* – Kent is a safe, connected and beautiful city, culturally vibrant with richly diverse urban centers. 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:

Develop and implement a sustainable funding model

Create a plan to analyze current operations to identify and implement efficiencies. Research new revenue sources to sustain current operations. In light of new economic realities, prioritize public services and implement new fund reserve policies.

Create connections for people and places

Develop and implement a plan to improve government processes. Identify a funding source and revenue generating opportunities to deploy fiber optics throughout the community. Create connections for people and places by improving and expanding trails and roadways. Design a Gateways Plan to create more friendly and welcoming entries into Kent. Continue to identify neighborhoods.

Create neighborhood urban centers

Transform zoning and planning to support the creation of new urban centers. Transform the regulatory process to be efficient and eliminate redundancy. Improve streetscapes and signage. Identify a niche, uniqueness for Kent to develop.

Foster inclusiveness

Promote inclusiveness and broaden the opportunities to celebrate and showcase the diversity of our community. Seek ways to educate employees, employers and the community on the cultural diversity of Kent. Remove barriers to increase hiring to match the city's diverse population.

Beautify Kent

Update design standards for residential, commercial and downtown areas of Kent. Implement a plan for "Green Kent", targeting greenways to include better use of open space and trees. Leverage code enforcement to rid the city of unsightly areas. Implement a plan for maintenance and resource management of our existing public and private infrastructure.

During the 2015-2016 biennial budget process, the City recognized the continued economic challenges and looked at both service level reductions and new revenue sources. The focus of the budget was to incorporate efficiencies, maintain the public's safety, and honor the strategic goals. The City's Strategic Plan includes the development of a sustainable funding model. To provide a solid framework for the budget process, the City adopted a new biennial budget process in 2013 which complements longer-term planning. In 2015 the City established an 18 member resident Financial Sustainability Task Force charged with representing, educating, and engaging the community to provide detailed recommendations to the mayor and city council regarding the city's long-term financial sustainability. The Task Force is scheduled to report their findings on the city's operating and capital needs, the community's service priorities, and potential funding options in 2016.

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, and the City budget reflects a realistic, albeit slightly conservative, budget approach to these sources. 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.

As a result of the City's conservative budgeting approach, at the end of 2015 the City achieved its stated financial goal of a 10% fund balance in the General Fund and eliminated the \$3 million deficit fund balance in its Capital Resources fund. This reduction in deficit fund balance was due to two key factors: a budgeted a transfer of \$1.6 million in one-time savings in the General Fund, due to a reduction in insurance costs, to the Capital Resources Fund and, a large increase in B&O collections over the previous year. By Ordinance, any B&O collections above the cost to

administer the program and the earmarked \$4.7 million for transportation capital needs are booked into the Capital Resource Fund.

The 2015 – 2016 biennial budget included using nearly \$1 million in the City's banked property tax capacity. This increase in property tax revenue is not constrained by the State's 1% limitation on property tax growth and is an ongoing source of revenue. The City continues to maintain roughly \$6 million in banked property tax capacity even after the use of this \$1 million.

Actual revenue collections in 2015 exceeded budget in all fund classifications while expenditures came in at or below budgeted levels. This resulted in slightly over a \$22 million increase fund balances for the City's governmental funds over 2014 levels. The improved financial standing of the City resulted in a bond rating upgrade from both Standard & Poor's (from an AA- rating to a AA) and Moody's (from a Baa2 rating to an A2) rating agencies.

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 2015, the City reported on 25 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. Proprietary funds have flexible budgets that allow for expenditure adjustments based on receipt of additional revenue. 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 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 opinion of the State Auditor's Office on the General Purpose Financial Statements is included as a part 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 Financial Statements.

Cash Management

The City operates with a pooled cash and investment account whereby funds not individually invested to the credit of particular funds are invested in a Treasurer's residual account to the credit of the General Fund. This is specifically allowed by state law which states that with the exception of bond covenants and local ordinances that require investment by fund, investments can be pooled and invested to the credit of the General Fund. The City has adopted Government Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. This requires the City to record its long-term investments at fair value as determined by the market or appraised value as applicable.

The City's deposits at December 31, 2015, were covered by Federal depository insurance or collateralized by qualified public depositories through the Washington Public Deposit Protection Commission. The City invests in instruments allowable by state statute, which minimize credit and market risks.

In 2015, the City expanded its investment portfolio to include investments outside of the State's LGIP (Local Government Investment Pool). As specifically allowed by the City's investment policy, the City now invests nearly \$17 million outside of the LGIP in an effort to maximize interest revenue. The City's investment strategy is first and foremost to maintain the safety and liquidity of City assets and then to maximize investment returns.

On December 31, 2015, the City's cash and investment position for all funds totaled \$118,350,814. The fair value of investments, including certificates of deposit, on December 31, 2015, totaled \$16,972,749. Funds are invested overnight with the Local Government Investment Pool and, for longer-term investments, in certificates of deposit and U.S. government securities. The portfolio generated \$281,103 of interest income in 2015, for a yield of .31 percent on average cash and investments of \$90,490,478.

Risk Management

The City self-insures for unemployment compensation, workers compensation, and medical and dental insurance coverage for its employees. 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. 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. Property coverage is provided by Lexington Insurance Company on a replacement cost basis with a policy limit of \$300,000,000 per occurrence.

Pension and Post-Employment Benefits

The City sponsors a single-employer defined benefit plan for its fire personnel that were hired prior to March 1, 1970. Every other year, an actuarial study is completed to ensure the plan will be able to fully meet its obligations to retired employees. In 2014, the City implemented GASB Statement #67 *Financial Reporting for Pension Plans* for the Firemen's Relief and Pension Fund. As of December 31, 2015, the pension plan has net pension liability of \$184,757. In compliance with GASB Statement No. 45, the City recognized the Net Other Post Employment Benefit (OPEB) obligation/(assets) at December 31, 2015, in the amount of \$(366,923).

The City currently provides pension benefits for all of its permanent employees through several statewide plans managed by the Department of Retirement Systems. For the year ended December 31, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension (assets and) liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. The implementation of GASB Nos. 68 and 71 resulted in a Net Pension Asset for both LEOFF plans of \$6,960,671, and a Net Pension Liability of \$30,635,889 for all PERS and PSERS plans.

The City provides medical, prescription drug, dental, vision, long-term care, and other unreimbursed medical benefits to certain eligible public safety retirees. The Firemen's Relief and Pension Fund provides some of the funding to pay for those benefits relating to eligible Firefighters along with the City's General Fund.

Additional information pertaining to the City's pension plans and post-employment benefits can be found in the Notes to the Financial Statements.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN THE FINANCIAL REPORTING PROGRAM

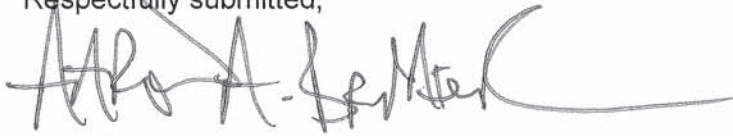
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kent for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014. That was the 14th year the City had achieved this prestigious award. Prior to 2014, the city had received the GFOA award for the years ended 1994 through 2007, but had not applied since 2007. 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 the entire Finance and Information Technology 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Aaron BeMiller", with a long horizontal flourish extending to the right.

Aaron BeMiller
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kent
Washington**

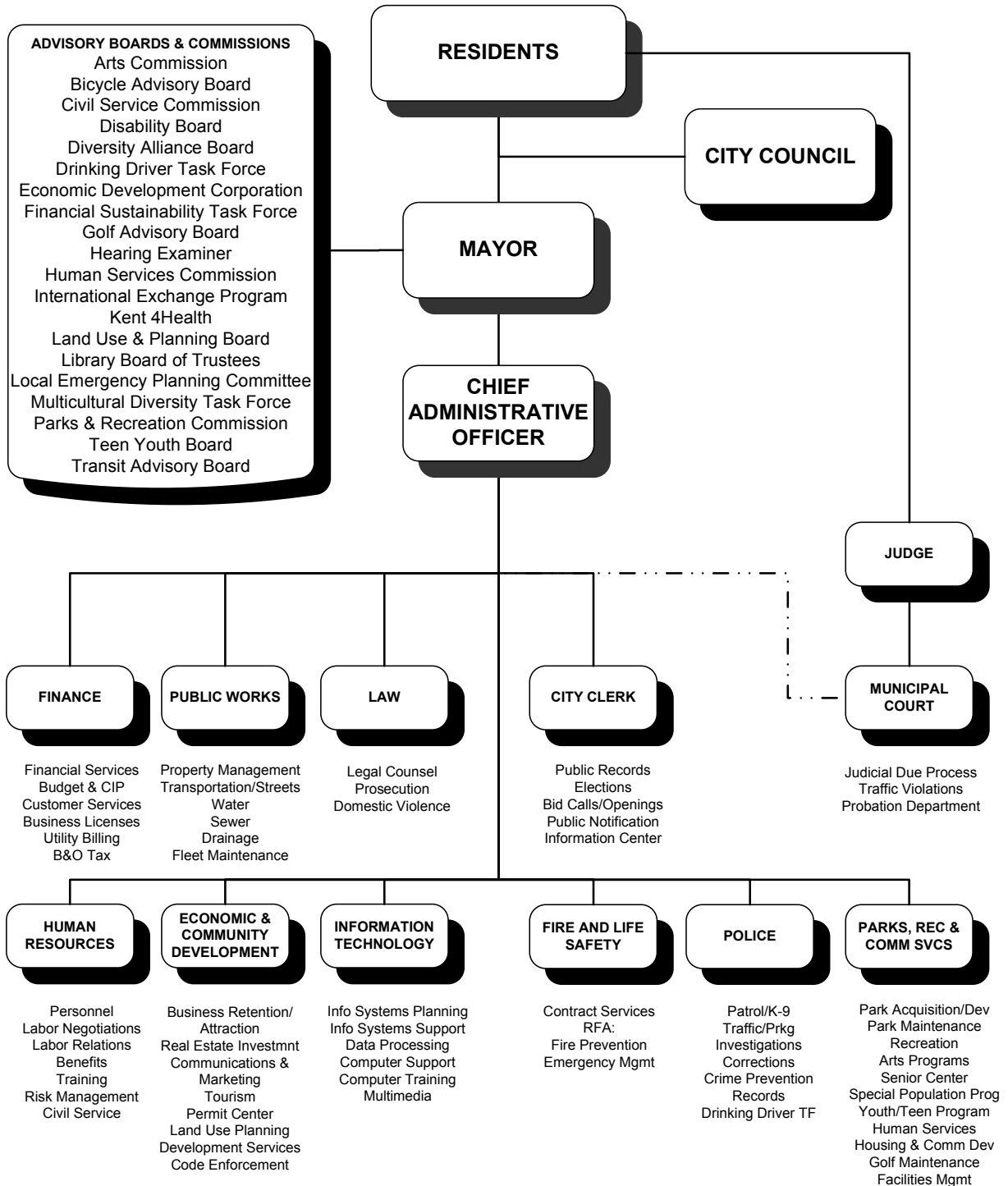
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

A handwritten signature in black ink, which appears to read "Jeffrey R. Egan".

Executive Director/CEO

City of Kent 2016 Organization Chart



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	
Suzette Cooke	12-31-2017
COUNCIL MEMBERS	
Bill Boyce, President (Effective 1/2016)	12-31-2019
Jim Berrios	12-31-2017
Tina Budell	12-31-2019
Brenda Fincher	12-31-2017
Dennis Higgins	12-31-2017
Dana Ralph	12-31-2019
Les Thomas	12-31-2019

GENERAL GOVERNMENT

Derek Matheson, Chief Administrative Officer
Tom Brubaker, City Attorney
Marty Fisher, Human Resources Director
Aaron BeMiller, Finance Director
Michael Carrington, Information Technology Director

PARKS AND RECREATION

Jeff Watling, Parks, Recreation and Community Services Director

PUBLIC SAFETY

Ken Thomas, Police Chief

ECONOMIC AND COMMUNITY DEVELOPMENT

Ben Wolters, Economic and Community Development Director

PUBLIC WORKS

Tim LaPorte, Public Works Director



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 27, 2016

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 units, each major fund and the aggregate remaining fund information of the City of Kent, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kent, King County, Washington, as of December 31, 2015, 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 – Correction of Prior Year Misstatement

As described in Note 19 to the financial statements, the 2014 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 22, information on postemployment benefits other than pensions on page 109 and pension plan information on pages 110 through 115 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

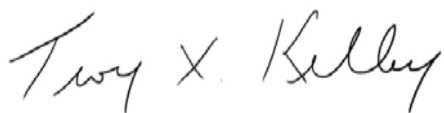
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 118 through 165 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 27, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA



Management's Discussion and Analysis For the Year Ended December 31, 2015

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, 2015. This discussion and analysis is designed to (1) assist the reader in focusing in significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, 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 - A11 of this report and should be read in conjunction with the transmittal letter as well as the financial statements beginning on page 23 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 (\$1.02 billion) increased by \$42.4 million or 4.3 percent from 2014 restated levels, comprised of a \$25.7 million or a 4.0 percent increase resulting from governmental activities and a \$16.7 million or 5.0 percent increase as a result of business-type activities. Approximately \$23.3 million or 2.3 percent of the net position may be used to meet the City's ongoing obligations to citizens and creditors.
- With the implementation of GASB Statements No. 68 *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the City reported a cumulative effect of change in accounting principle adjustment to beginning net position of (\$26.4) million as well as \$7.0 million in net pension assets, \$5.2 million of deferred outflows related to pensions, \$6.6 million of deferred inflows related to pensions, and \$30.8 million in net pension liabilities for the current year.
- Non-current liabilities (\$218.6 million) increased by \$8.3 million or 3.9 percent from 2014 levels with the addition of \$30.8 million net pension liability offset by 2015 debt payments.

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

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

useful indicator of how the financial position of the City may be changing. Increases in net position may 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 and sewerage 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 23-25 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

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

funds and the governmental activities are provided immediately following the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances.

The City reports on 16 individual governmental funds. Information is provided separately for six 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 six major funds are the General Fund, Capital Resources Fund, Special Assessments Fund, Non-Voted General Obligation Debt Fund, Street Capital Projects Fund and Other 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 26-35 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 three Enterprise funds: (1) Water Fund, (2) Sewerage Fund (Sewer and Storm Drainage utilities) and (3) 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, cable media services, telephone services, and data processing services), (3) Facilities Fund, and (4) Insurance Fund (unemployment, workers' compensation, medical and dental, liability and property). 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 each enterprise fund as a major fund, 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 36-45 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 trust 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 46-47 of this report.

Management's Discussion and Analysis For the Year Ended December 31, 2015

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 50-107 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 109-115 of this report.

Combining statements for non-major governmental funds are also presented on pages 118-125 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 126-131. The combining statements for the agency funds are found on pages 145-150 of this report.

Additionally, budgetary comparison schedules for three funds separately budgeted but combined into the General Fund for financial reporting are included on pages 152-154 as well as supplementary schedules for governmental capital assets, additional information on transfers between funds and additional information on changes in long-term liabilities on pages 156-165.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following table reflects the condensed Statement of Net Position of the City for December 31, 2016, 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	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other Assets	\$ 106,989	\$ 85,949	\$ 58,026	\$ 52,444	\$ 165,015	\$ 138,393
Capital Assets	750,042	758,122	350,323	342,730	1,100,365	1,100,852
Total Assets	857,031	844,071	408,349	395,174	1,265,380	1,239,245
Deferred Outflows	5,273	554	646	132	5,919	686
Total Assets & Deferred Outflows	862,304	844,625	408,995	395,306	1,271,299	1,239,931
Liabilities						
Other liabilities	13,892	19,525	2,320	2,592	16,212	22,117
Long-term liabilities	161,635	152,326	57,115	57,966	218,750	210,292
Total Liabilities	175,527	171,851	59,435	60,558	234,962	232,409
Deferred Inflows	12,205	-	633	-	12,838	-
Total Liabilities & Deferred Inflows	187,732	171,851	60,068	60,558	247,800	232,409
Net Position						
Net Investment in Capital Assets	694,789	687,527	298,203	287,868	992,992	975,395
Restricted	6,132	9,500	1,071	1,111	7,203	10,611
Unrestricted	(26,349)	(24,253)	49,653	45,769	23,304	21,516
Total Net Position	\$ 674,572	\$ 672,774	\$ 348,927	\$ 334,748	\$1,023,499	\$1,007,522

Management's Discussion and Analysis For the Year Ended December 31, 2015

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, 2015, assets and deferred inflows exceeded liabilities and deferred outflows by \$1,023.6 million.

By far the largest portion of the City of Kent's net position (\$993.0 million or 97.1 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, \$7.2 million (0.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$23.3 million (2.2 percent), may be used to meet the city's ongoing obligations to citizens and creditors. The unreserved net position of the City increased \$1.8 million in fiscal year 2015.

The following table and graphs show the changes in net position, a comparison of program costs and revenues, and composition of the 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)

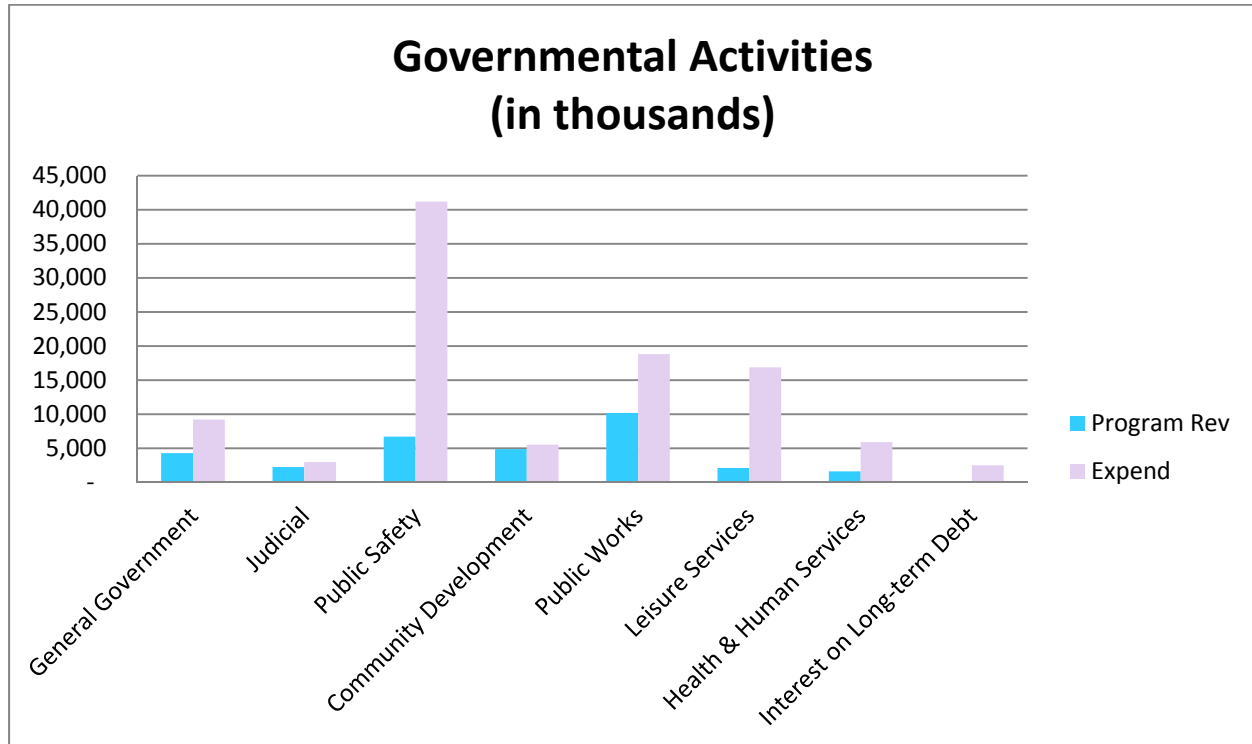
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Service	\$ 19,705	\$ 18,171	\$ 68,024	\$ 65,871	\$ 87,729	\$ 84,042
Operating Grants	7,021	6,166	234	177	7,255	6,343
Capital Grants	5,256	2,937	10,057	15,793	15,313	18,730
General Revenues:						
Taxes:						
Property Taxes	21,999	20,600	-	-	21,999	20,600
Sales Taxes	26,654	25,332	-	-	26,654	25,332
Utility Taxes	26,377	22,963	-	-	26,377	22,963
Business & Occupation Taxes	7,656	6,209	-	-	7,656	6,209
Other Taxes	7,738	4,541	-	-	7,738	4,541
Unrestricted Grants	6,417	6,851	-	-	6,417	6,851
Investment Earnings	1,243	1,053	98	125	1,341	1,178
Miscellaneous	(1,528)	2,596	-	-	(1,528)	2,596
Total Revenues	128,538	117,419	78,413	81,966	206,951	199,385

Management's Discussion and Analysis For the Year Ended December 31, 2015

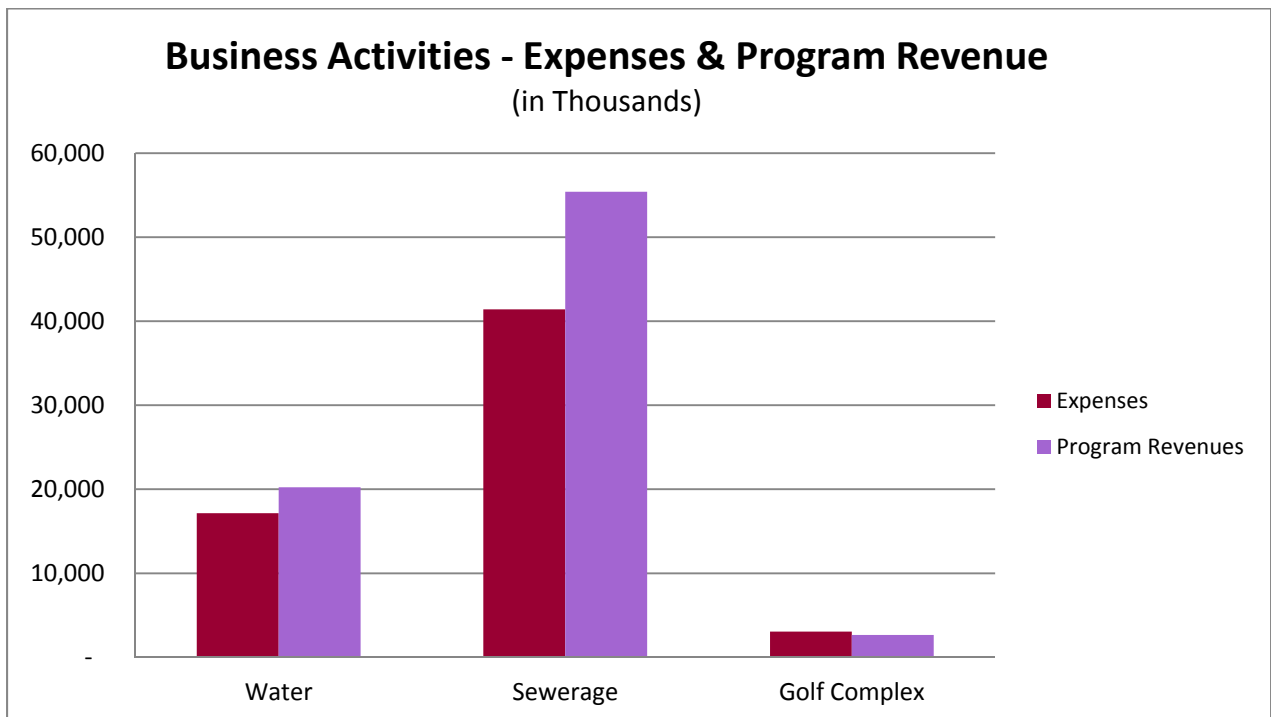
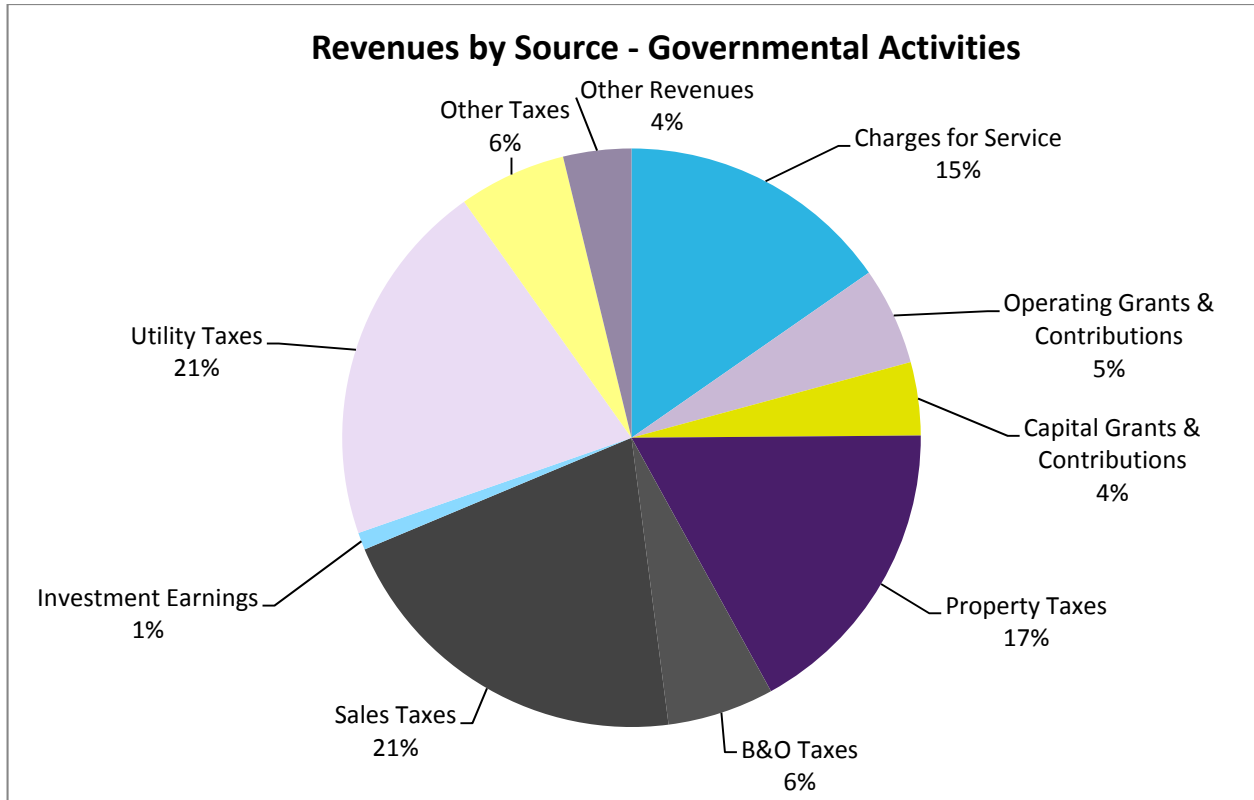
City of Kent

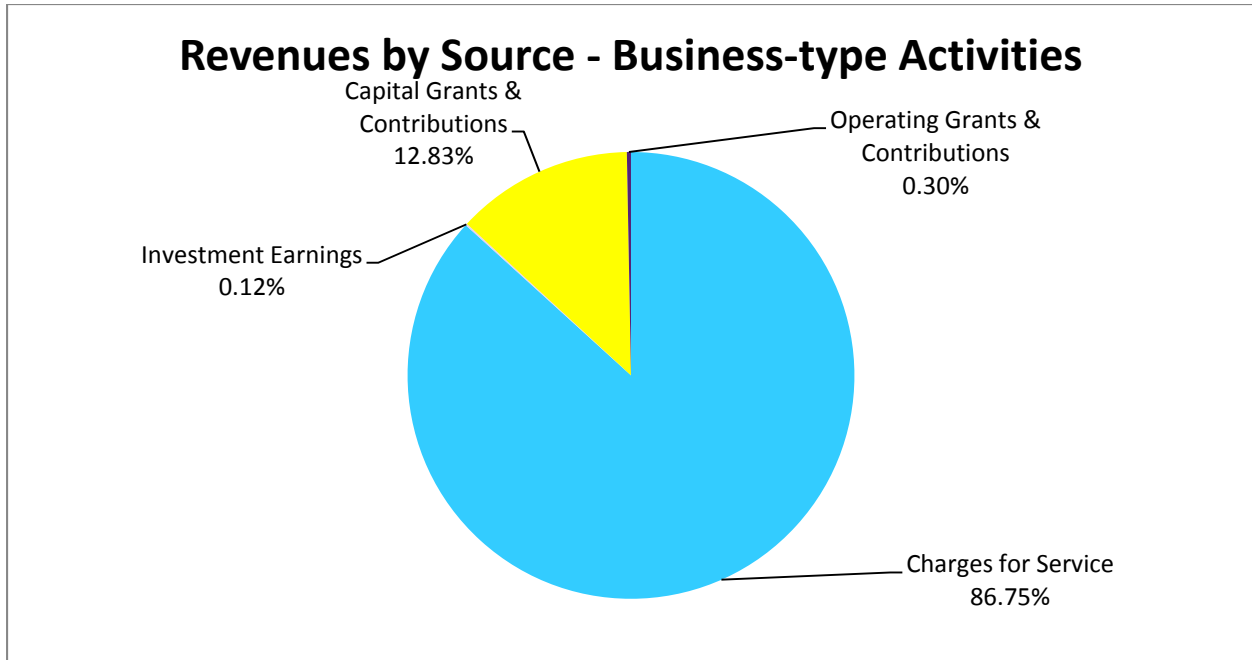
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Expenses:						
General Government	9,212	7,343	-	-	9,212	7,343
Judicial	2,972	2,789	-	-	2,972	2,789
Public Safety	41,189	38,745	-	-	41,189	38,745
Community Development	5,535	5,176	-	-	5,535	5,176
Public Works	18,804	17,371	-	-	18,804	17,371
Leisure Services	16,859	13,862	-	-	16,859	13,862
Health & Human Services	5,893	5,479	-	-	5,893	5,479
Interest on Long-Term Debt	2,501	2,804	-	-	2,501	2,804
Water Utility	-	-	17,157	13,070	17,157	13,070
Sewerage Utility	-	-	41,405	37,952	41,405	37,952
Golf Complex	-	-	3,055	2,872	3,055	2,872
Total Expenses	102,965	93,569	61,617	53,894	164,582	147,463
Increase in Net Position before						
Transfers	25,573	23,850	16,796	28,072	42,369	51,922
Transfers	127	(17)	(127)	17	-	-
Change in Net Position	25,700	23,833	16,669	28,089	42,369	51,922
Net Position – January 1 – restated*	648,872	648,941	332,258	306,659	981,130	955,600
Net Position – December 31	\$ 674,572	\$ 672,774	\$ 348,927	\$ 334,748	\$1,023,499	\$1,007,522

* 2014 beginning net position restated for cumulative effect of change in accounting principle



City of Kent





Governmental activities. Governmental activities net position increased \$25.7 million (4.0 percent over the restated 2014 net position) in fiscal year 2015. Some key revenue and expenditure highlights of governmental activities for fiscal year 2015 are as follows:

- *Taxes* – Property Taxes (\$22.0 million), Sales & Use Taxes (\$26.7 million), Utility Taxes (\$26.4 million), Business & Occupation Taxes (\$7.7 million), and Other Taxes (\$7.7 million) increased by \$1.4 million or 6.8 percent, \$1.3 million or 5.2 percent, \$3.4 million or 14.9 percent, \$1.4 million or 23.3 percent and \$3.2 million or 70.4 percent, respectively as the economy continues slow growth. The City began collecting business & occupation taxes in 2013 and is continuing a strong education program, coupled with enforcement efforts to educate businesses on this new tax. The increase in other taxes is primarily due to higher Real Estate Excise Tax collections during 2015 as the housing resale market continues to improve.
- *Investment Earnings* (\$1.2 million) increased by \$.2 million or 18.0 percent. During 2015, the City expanded its investment portfolio to achieve higher yields on investments.
- *Charges for Service program revenues* (\$19.7 million) increased by \$1.5 million or 8.4 percent, with the largest increases in General Government and Public Works.
 - General Government increased \$.8 million (22.7 percent) due to higher business license and franchise fee revenues as well as increased business & occupation tax penalties. Also, Internal Service Fund outside revenues were higher in 2015 with higher rental/lease revenues and higher charges to the regional fire authority for building maintenance and other services provided by the City.
 - Public Works revenues increased \$.5 million (24.7 percent) primarily due to increased street impact fees.

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

- *Grants and Contributions* –operating grants and contributions increased \$.9 million and capital grants increased by \$2.3 million. The increase in operating grants and contributions was primarily in public safety due to the state contribution to the LEOFF 2 pension plan and public works due to increased state shared fuel taxes. The increase in capital grants and contributions is in public works due to highway construction grants.
- Governmental Activities expenses increased \$9.4 million with General Government, Public Safety, Public Works, and Leisure Services increasing \$1.9 million, \$2.4 million, \$1.4 and \$3.0 million respectively with other functions having smaller increases over the prior year. Interest on long-term debt decreased \$.3 million with lower debt payments in 2015.
 - *General Government expenses* (\$9.2 million) increased by \$1.9 million or 25.5 percent as compared to 2014. Depreciation expense increased approximately \$0.9 million due to several large technology assets being added in 2015. Salaries and benefits increased \$0.5 million with the addition of staff in the B&O Tax compliance area, while contractual services increased \$0.4 million.
 - *Public Safety expenses* (\$41.2 million) increased \$2.4 million, primarily in contractual services with higher expenditures in multiple accounts, including internal charges for computer services and liability insurance. Salaries and benefits also increased due to higher overtime, salaries for four new positions, and higher OPEB costs
 - *Public Works expenses* (\$18.8 million) increased 1.4 million due to loss on disposal of capital assets.
 - *Leisure Services expenses* (\$16.9 million) increased \$3.0 million primarily due to \$3.7 million in increased depreciation expense with the capitalization of several large projects, offset by a decrease in the contingent loan guarantee obligation with the 2015 contribution to the PFD debt.

Business-type activities. Business-type activities net position increased \$16.7 million (5.0 percent increase from the restated 2014 net position) in fiscal year 2015. Key highlights of the change in net position are as follows:

- *Charges for Service (Operating Revenues)* (\$68.0 million) increased by \$2.2 million or 3.3 percent. While the water utility rates did not change in in fiscal year 2015, the Sewer utility had a four percent increase in the City's rate, plus a 5.6 percent increase in the pass through rate from King County METRO. The drainage fees also increased five percent from the previous year. The Golf Complex charges for service revenues increased seven percent. Refer to the analysis of the Proprietary Funds for further detail.
- *Operating Grants/Contributions* (\$.2 million) increased by \$.1 million with higher non-operating revenues in 2015 in both the water and sewer funds.
- *Capital Grants/Contributions* (\$10.1 million) decreased \$5.7 million (36.3 percent). While the Water Fund decreased \$0.6 million due to decreased capital contributions and connection and system development fees, the Sewerage Fund decreased \$5.2 million with lower grant monies received from the State Department of Ecology and King County for drainage infrastructure.

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

- *Expenses* – Water fund expenses (\$17.2 million) increased \$4.1 million (31.3 percent) while Sewerage Fund expenses (\$41.4 million) increased \$3.5 million (9.1 percent) and the Golf Complex expenses (\$3.1 million) increased \$0.2 million (6.4 percent). Refer to the analysis of the Proprietary Funds for further detail.

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 \$46.9 million, an increase of \$22.1 million in comparison with the restated prior fiscal year balances. Of this amount, the unassigned fund balance is \$5.4 million, down \$0.8 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 (\$.2 million), 2) restricted for particular purposes (\$19.0 million), 3) committed for particular purposes (\$15.3 million), or 4) assigned for particular purposes (\$7.0 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 \$18.6 million, representing a \$5.8 million or 45.3 percent increase from 2014. 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 \$10.4 million (12.8 percent) from the previous year, generally due to continued economic growth. The major changes are discussed below.
- Property taxes of \$22.0 million were up \$1.3 million from the previous year primarily due to the City drawing almost \$1 million of banked property taxes for 2015.
- Sales and use taxes (\$18.6 million) increased \$0.8 million (4.6 percent) with continued economic growth.
- Business and occupation taxes (\$7.7 million) increased \$1.4 million from the previous year with additional staff to continue the education and enforcement program for this relatively new tax. The City also revised how the tax is reported in 2015 with the entire tax collection reported in the general fund, rather than the revenue being split and reported mostly in the capital resources and streets funds. This change caused a \$7.4 million increase in general fund revenues.
- Building permits and other licenses and permits, and fines and forfeitures showed small increases in 2015, while charges for service experienced a small decrease.

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

- General Fund expenditures increased \$3.1 million (4.4 percent) from the previous year with the largest increases in public safety (\$2.2 million increase), general government (\$.5 million) and health and human services (\$.4 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 continue rebuilding reserves and creating sustainable programs. The increase in Public Safety is due to higher overtime, salaries for four new positions, and higher OPEB costs. The increase in general government is due to additional positions in the tax compliance area. The increase in health and human services is due to higher legal costs for public defenders and indigent counsel due to a court ruling.

Other major funds are the *Capital Resources Fund*, the *Special Assessments Fund*, the *Non-voted General Obligation Debt Fund*, the *Street Capital Projects Fund* and the *Other Capital Projects Fund*. Analysis of changes in net position from 2014 levels:

- *Capital Resources Fund*. Fund balance increased by \$9.0 million with the third year of a plan to rebuild fund balance in this fund by dedicating portions of certain revenues to this fund as well as a budgeted transfer of \$1.6 million from the general fund in 2015. The primary revenue sources for the Capital Improvement Fund are sales and use tax, utility tax, real estate excise tax, and business and occupation tax, all of which increased in 2015. As discussed above, the City changed the way it reports the B&O tax in 2015, with all the revenue now being reported in the general fund and a portion being transferred to the capital resources fund. The B&O tax transferred into this fund in 2015 was \$1.4 million higher than 2014 revenues. The real estate excise tax increased \$3.3 million in 2015 with a more robust real estate sales market. This fund is responsible for transfers to the debt service fund for the General Fund debt service payments, which accounts for \$5.8 million of the \$7.9 million in 2015 transfers out. The contribution to the Kent Public Facilities District, a component unit of the City, for debt increased \$.5 million in 2015.
- *Special Assessments Fund*. Fund balance decreased by \$2.3 million as funds were transferred to fund capital projects being constructed for the 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 special assessments. In 2015, revenues decreased \$.5 million from 2014 revenues due to several improvement districts being completed and closed, which also resulted in debt service expenditures decreasing \$.2 million. Transfers out to capital projects increased \$2.6 million.
- *Non-voted General Obligation Debt Fund*. This fund pays the principal and interest payments on non-voted general obligation debt of the City. Funding is transfers in from various operating funds. Both expenditures and transfers in increased \$7.2 million in 2015, due to a current refunding of \$8.6 million of Series 2006 GO Bonds.
- *Street Projects Fund*. Fund balance increased \$3.2 million to \$11.6 million. Revenues increased \$2.2 million primarily due to grants, while transfers in, primarily from the street operating fund, to fund capital projects increased \$5.3 million. Expenditures on capital projects increased \$3.7 million.

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

- *Other Capital Projects Fund.* This capital projects fund accounts for the resources and payments for miscellaneous general government projects and related improvements. The fund's resources include bonds, interfund loans and transfers. In 2015, the sources include \$8.6 in refunding bonds and \$1.3 million transfer in from the capital resources fund for pay down of internal debt. Transfers out of \$8.8 million are to the non-voted general obligation debt service fund for the current refunding of Series 2006 GO Bonds.

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 \$1.1 million or .3 percent of the Enterprise funds' net position (\$348.9 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 \$3.1 million or 2.4 percent over the restated 2014 net position. This increase was due to net operating income of \$3.4 million, less non-operating net expenses of \$1.4 million, plus capital contributions of \$1.2 million. Operating revenues increased by 2.7 percent or \$0.5 million primarily due to increased customer count and increased water consumption. Operating expenses increased \$3.0 million or 24.5 percent after an extensive review of the capital projects revealed several projects that were operating in nature and therefore expensed rather than capitalized. The operating income for 2015 was \$3.4 million as compared to \$5.9 million in 2014. Capital contributions decreased \$0.5 million with lower developer contributed capital and system development fees.
- *Sewerage Fund.* Fiscal year 2015 net position increased by \$13.9 million or 6.9 percent over the restated 2014 net position. While operating revenues increased \$1.5 million (3.3 percent), operating expenses increased \$3.4 million (9.1 percent) compared to 2014. A four percent rate increase was effective January 1, 2015 for single family sewer fees plus a 5.6 percent increase in the pass through rate from King County METRO. The storm drainage fees also increased 5 percent in 2015. The increase in expenses is primarily due to increasing internal utility taxes (up \$0.3 million) with the increased revenue (the tax is 3% of sewer and drainage customer charges), increased building and grounds maintenance costs (\$0.4 million) and increased charges from King County METRO for sewer processing fees (\$1.5 million).
- *Golf Complex.* Net position decreased by \$0.4 million or 12.7 percent from the restated 2014 net position. Operating revenues increased \$0.2 million (7.0 percent), while expenses increased by \$0.2 million or 6.3 percent. The facility continues to have a net operating loss in 2015.

Additional information on the City of Kent's Enterprise funds can be found in Note 11 on page 80 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The General Fund's budget was increased by \$385,109 from the original budget. There were a few significant budget changes that occurred during the year, including:

- An adjustment of \$328,006 was made to the Economic and Community Development budget to carry over expenditure authority for several contracts awarded in 2014 but the work was not fully completed, including retail retention strategy, comprehensive plan update, downtown strategic

Management’s Discussion and Analysis
For the Year Ended December 31, 2015

City of Kent

action plan implementation, economic development strategic planning, and environmental review services.

- An adjustment of \$36,836 was made to the Parks budget to carryover expenditure authority for the YMCA feasibility study and park plan update. Both contracts were awarded in 2014, but the work was not fully completed by year end.

An adjustment of \$17,000 was made to increase the Parks budget for cultural programs, including Spotlight Series performances, Kent Kids’ Arts Day and Kent Summer Concert Series. The increase was offset by grant revenues.

CITY OF KENT’S BUDGET ACTIVITY BY FUNCTION
For the Year Ended December 31, 2015

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 8,656,950	\$ (10,000)	\$ 8,646,950
Judicial	3,020,623	-	3,020,623
Public Safety	36,453,393	-	36,453,393
Community Development	5,544,050	328,006	5,872,056
Public Works	5,526,170	-	5,526,170
Leisure Services	10,721,735	63,836	10,785,571
Health & Human Services	5,315,411	3,267	5,318,678
	\$ 75,238,332	\$ 385,109	\$ 75,623,441

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

- *Taxes.* Actual tax collections were \$3.0 million over budget. While most tax classifications were above budget, sales and use tax and business & occupation tax collections comprised the majority of the overage at nearly \$2.7 million or 11.3 percent over budget. The increased collections are largely the result of a strengthening economy and several large development projects coupled with strong education and enforcement of B&O taxes. Property taxes and utility taxes were above budget by \$208,257 and \$145,700 respectively.
- *Licenses and Permits.* Licenses and permits were \$.5 million or 9.1 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 \$.4 million or 4.7 percent above budget largely in planning related fees.
- *Functional Expenditures.* Overall, salaries and benefits ended the year under budget by \$1.2 million or 2.4 percent. Departments continue to closely monitor supplies and services expenditures to maintain savings wherever possible, so all of the general fund functions had budget savings in fiscal year 2015.
 - *General Government Expenditures.* The general government expenses were \$1,022,195 or 11.8 percent under budget. This was primarily the result of vacant positions remaining open, as well as savings in supplies and services.

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

- *Community Development Expenditures.* Saved \$526,742 (9.0 percent), primarily salary and benefits as well as in other professional services for consulting contracts that were awarded and began in 2015, but the work is not fully completed.
- *Public Works Expenditures.* Public works had \$629,505 (11.4 percent) in budget savings due to vacant positions as well as savings in maintenance and construction supplies.

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, 2015, were \$1.1 billion (net of accumulated depreciation), comprising 87.0 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 2015, infrastructure increased as streets projects were closed and capitalized totaling \$42.3 million. In addition, the City received developer contributions totaling \$0.7 million. The annual depreciation of \$11.0 million was also recorded resulting in the net increase to infrastructure of \$1.0 million as compared to 2014.
- *Construction in Progress.* Construction in progress (\$62.5 million) decreased \$43.8 million from 2014 as the City completed an extensive review of construction projects and capitalized or expensed numerous projects. While 2015 spending on projects was \$13.8 million, \$57.6 million of completed projects were recorded as land, building, site improvements or infrastructure, or determined to be non-capital in nature and were expensed. Some of the larger projects closed and moved to other capital asset categories were: \$20.0 million BNSF grade separation, \$7.0 million 84th Avenue Rehabilitation, \$5.8 million 256th street improvements, \$4.0 million Kent Station, \$2.7 million James Avenue street improvements and \$1.6 million East Hill Operation Center moved to infrastructure; \$5.6 million Municipal Court expansion moved to buildings; and \$1.6 million Municipal Court Expansion site work was moved to site improvements.
- *Land.* Land assets were increased by \$3.3 million in 2015 with the purchase of \$3.0 million in parks land and \$.3 million for streets projects.
- *Buildings.* Buildings increased \$2.7 million in 2015 with \$6.7 million in additions less \$3.9 million 2015 depreciation expense. The significant addition was \$5.6 million moved from construction in progress for the Municipal Court Expansion.
- *Site Improvements.* Net site improvements decreased by \$1.5 million as compared to 2014 with \$1.7 million in additions (\$1.6 million Municipal Court Expansion site improvements) and \$3.2 million in 2015 depreciation.
- *Equipment.* Net equipment decreased by \$.8 million in 2015. This was additions of \$1.3 million less net disposals of \$10,716 and depreciation of \$2.1 million. The additions include \$.6 million

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

for information technology projects and \$.7 million in various parks and general government equipment.

Business Type Activities:

- *Construction in Progress.* Compared to 2014, construction in progress decreased \$127.2 million in 2015 as the City completed an extensive review of construction projects and capitalized or expensed numerous projects. Approximately \$6.5 million in ongoing projects were added to CIP in 2015, while \$133.7 million in projects were completed and capitalized from CIP into other capital asset categories, or determined to be non-capital in nature and were expensed.
 - The 2015 additions to some projects in CIP at December 31, 2015 are:
 - \$1.0 million for Central Avenue sewer/drainage improvements
 - \$.3 million for Central Avenue water line improvements
 - \$.5 million for Est Hill Pressure Zone
 - \$.4 million for Milwaukee Foster levees
 - \$.4 million for Valley Channel Rehabilitation
 - Some projects that were completed and capitalized in 2015 are:
 - \$29.6 million for Tacoma water system
 - \$49.1 million for Tacoma intertie
 - \$5.5 million for Misc water improvements
 - \$10.6 million for Briscoe levee improvements
 - \$7.4 million for Upper Russell Road levee improvements
 - \$6.1 million for Desimone levee improvements
 - \$4.4 million for East Hill Operations Center water and sewer lines
 - \$7.7 million for South 228th Bypass
 - \$2.6 million for Lake Meridian Outlet
 - \$3.7 million for Boeing Levee Improvements
 - \$1.1 million for Kentview Sewer Interceptor
 - \$6.0 million for Misc sewer improvements
 - \$1.1 million for Lower East Hill sewer/drainage improvements
- *Land.* Land assets were increased by \$.2 million in 2015 with the purchase of the various parcels for sewer/drainage projects.
- *Site Improvements.* Additions to site improvements for 2015 were \$140.2 million and depreciation was \$6.0 million resulting in a net increase of \$134.2 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress mentioned above plus \$.5 million in developer contributed assets.
- *Equipment.* Net equipment increased by \$.5 million in 2015. This was additions of \$.8 million less depreciation of \$.3 million. The primary additions to equipment were the purchase of an Asphalt Zipper (\$105,747), Kenworth T880 Chassis (\$151,393) and Vactor Truck (\$365,024).

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

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

As of December 31

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 222,781	\$ 219,465	\$ 11,589	\$ 11,369	\$ 234,370	\$ 230,834
Buildings	100,899	98,167	440	591	101,339	98,758
Site Improvements	34,922	36,406	294,538	160,359	329,460	196,765
Equipment	13,525	14,299	1,583	1,070	15,108	15,369
Infrastructure	315,399	283,424	-	-	315,399	283,424
Construction in Progress	62,516	106,361	42,173	169,341	104,689	275,702
Total Capital Assets	\$ 750,042	\$ 758,122	\$ 350,323	\$ 342,730	\$ 1,100,365	\$ 1,100,852

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 71-72 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of \$69.6 million. Of this amount, \$49.1 million or 70.5 percent comprises general obligation debt backed by the full faith and credit of the government and \$1.4 million or 2.0 percent is special assessment debt. The special assessment bonds are supported solely by the property owners and the Local Improvement Guarantee Fund and are not a general obligation of the City. The City intends \$2.4 million or 4.9% 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 (\$19.2 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	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 46,654	\$ 51,818	\$ 2,424	\$ 2,938	\$ 49,078	\$ 54,756
Special Assessment Bonds	1,395	1,980	-	-	1,395	1,980
Revenue Bonds	-	-	19,175	20,190	19,175	20,190
Total Bonded Debt	\$ 48,049	\$ 53,798	\$ 21,599	\$ 23,128	\$ 69,648	\$ 76,926

* Gross debt - does not include discounts or premiums

The City of Kent's total bonded debt decreased by \$7.3 million or 9.5 percent during the current fiscal year. The City issued \$8.6 million in general obligation refunding bonds in 2015 that refunded \$8.6 million in outstanding 2006 series general obligation bonds. All required debt service payments were made during 2015.

At December 31, 2015, the City of Kent carried an "AA" rating from Standard and Poor's as of April 6, 2015 and an "A2" rating from Moody's as of April 17, 2015. Both rating agencies upgraded the City's rating in April 2015.

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 \$1,006 million.

Management's Discussion and Analysis For the Year Ended December 31, 2015

City of Kent

Additional information on the City of Kent's long-term debt can be found in Note 9 on pages 72-79 of this report.

ECONOMIC FACTORS AND BUDGETARY IMPACTS:

In 2013 the City moved to 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 2015-16 budget recognized the continued economic challenges facing the City and was built using conservative revenue estimates. It reflected a \$2.1million use of fund balance for 2016 with the understanding that the gap would be addressed in the mid-biennium adjustment. Overall, the budget incorporated efficiencies, maintained the public's safety, reduced internal debt obligations and honored the strategic goals set by Council. It continued the diversification of the City's tax base which began in 2013 and took steps towards stabilizing the City's financial future. This approach has helped the City to achieve the target reserve fund balance of 10% of expenditures, fully fund the Contingency for Unanticipated Costs of \$1.5 million, provide funding of \$424,000 to the Strategic Opportunities Fund, and eliminate negative fund balances in our Capital Resources Fund.

During the 2016 mid-biennium review, the City was able to close the \$2.1million gap with a combination of revenue increases and expenditure reductions. With continued moderate growth in revenues, General Fund revenue budgets were increased by \$1,311,960 or approximately 1.6% over the original General Fund revenue budgets adopted during the 2015-16 biennial budget process. Expenditure budgets were reduced by \$848,040, largely due to COLA, DRS retirement, and medical costs coming in less than originally budgeted.

The City continues to experience strong building permit and plan check fees activities as our local economy begins to recover. However, that growth is expected to slow for 2016, resulting in revenues coming in much closer to budget. Volatile revenues continue to be estimated cautiously, with a bias toward underestimating these sources.

All positions, whether filled or vacant, have been budgeted for the full year. The City budgets all vacant positions conservatively by assuming the family plan selection for medical insurance benefits. Cost of Living Adjustment (COLA) based on the CPI-W July – June index for the Seattle – Tacoma – Bremerton area is normally used for most labor contracts. AFSCME, Teamsters and non-represented employees received a pay increase of 1.1% in January 2016. The labor contract with the Kent Police Officer Association was settled in early 2016 and called for a 3.6% pay increase retroactive back to January.

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 2015

CITY OF KENT
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Special Events Center PFD
ASSETS				
Cash and cash equivalents (Note 4)	\$ 58,586,684	\$ 35,629,232	\$ 94,215,916	\$ 128,658
Cash with fiscal agent/trustee	1,037,247	58,796	1,096,043	-
Investments, at fair value (Note 4)	10,398,692	4,644,015	15,042,707	-
Receivables (net of allowances) (Note 5)	25,686,240	11,296,133	36,982,373	154,558
Internal balances (Note 6)	(3,464,460)	3,464,460	-	-
Inventory, at cost (Note 6)	112,230	629,633	741,863	-
Prepaid items	1,766,052	351	1,766,403	800,803
Investment in Joint Venture (Note 16)	5,538,892	-	5,538,892	-
Restricted assets:				
Cash and cash equivalents (Note 4)	-	2,303,092	2,303,092	-
Note receivable from component unit (Note 5)	21,938,203	-	21,938,203	-
Less: Allowance for uncollectible	(21,938,203)	-	(21,938,203)	-
Net OPEB asset	366,923	-	366,923	-
Property, plant, and equipment: (Note 7)				
Not being depreciated	285,296,514	53,762,044	339,058,558	-
Being depreciated, net of depreciation	464,745,614	296,560,839	761,306,453	-
Net pension asset	6,960,671	-	6,960,671	-
TOTAL ASSETS	857,031,299	408,348,595	1,265,379,894	1,084,019
DEFERRED OUTFLOWS				
Deferred loss on refundings	632,111	100,954	733,065	-
Deferred outflows related to pension	4,641,298	545,522	5,186,820	-
TOTAL DEFERRED OUTFLOWS	5,273,409	646,476	5,919,885	-
TOTAL ASSETS & DEFERRED OUTFLOWS	862,304,708	408,995,071	1,271,299,779	1,084,019
LIABILITIES				
Vouchers payable	4,689,393	887,808	5,577,201	-
Accounts/payroll payable	4,675,561	905,618	5,581,179	-
Incurred but not reported claims payable	3,560,966	-	3,560,966	-
Due to other governments	20,332	-	20,332	-
Accrued interest payable	188,531	176,948	365,479	247,820
Unearned revenue	757,194	349,638	1,106,832	-
Non-current liabilities:				
Due within one year (Note 10)				
Compensated absences-current	1,701,524	272,499	1,974,023	-
Contracts, leases, notes-current	777,925	1,519,028	2,296,953	-
General obligation bonds payable-current	5,091,765	461,235	5,553,000	-
Special assessment bonds payable with governmental commitment-current	490,000	-	490,000	-
Revenue bonds payable-current	-	1,055,000	1,055,000	980,000
Due in more than one year (Note 10)				
Compensated absences-long term	2,635,921	178,025	2,813,946	-
Contracts, leases, notes-long term	7,242,403	30,821,389	38,063,792	21,938,203
General obligation bonds payable-long term (net of unamortized discounts & premiums)	42,692,459	2,136,281	44,828,740	-
Special assessment bonds payable- long term	905,000	-	905,000	-
Revenue bonds payable-long term (net of unamortized discounts & premiums)	-	18,301,148	18,301,148	58,450,869
Net pension liability	28,449,807	2,370,839	30,820,646	-
Contingent loan guarantee obligation (Note 18)	71,648,408	-	71,648,408	-
TOTAL LIABILITIES	175,527,189	59,435,456	234,962,645	81,616,892
DEFERRED INFLOWS				
Unavailable revenue	6,193,350	-	6,193,350	-
Deferred inflows related to pensions	6,012,130	632,901	6,645,031	-
TOTAL DEFERRED INFLOWS	12,205,480	632,901	12,838,381	-
TOTAL LIABILITIES & DEFERRED INFLOWS	187,732,669	60,068,357	247,801,026	81,616,892
NET POSITION				
Net investment in capital assets	694,789,326	298,202,694	992,992,020	-
Restricted net position for:				
Debt service	6,131,943	1,071,144	7,203,087	-
Unrestricted net position	(26,349,230)	49,652,876	23,303,646	(80,532,873)
TOTAL NET POSITION	\$ 674,572,039	\$ 348,926,714	\$ 1,023,498,753	\$ (80,532,873)

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 9,211,576	\$ 4,273,658	\$ 5,004	\$ 50
Judicial	2,972,304	2,032,772	218,747	-
Public Safety	41,189,109	3,560,350	3,138,451	1,708
Community Development	5,535,094	4,863,697	-	-
Public Works	18,803,785	2,725,356	2,875,291	4,576,460
Leisure services	16,859,288	1,479,369	42,226	590,762
Health and human services	5,893,257	769,669	741,561	87,340
Interest on long-term debt	2,500,908	-	-	-
Total governmental activities	102,965,321	19,704,871	7,021,280	5,256,320
Business-type Activities:				
Water	17,157,143	18,904,851	180,772	1,154,696
Sewerage	41,404,954	46,459,410	52,185	8,902,360
Golf Complex	3,055,395	2,659,643	1,440	-
Total business type activities	61,617,492	68,023,904	234,397	10,057,056
Total Primary Government	\$ 164,582,813	\$ 87,728,775	\$ 7,255,677	\$ 15,313,376
Component Unit:				
Special Events Center PFD	\$ 3,051,936	\$ -	\$ -	\$ -
Total Component Units	\$ 3,051,936	\$ -	\$ -	\$ -

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

Cumulative effect of change in accounting principal

Beginning net assets - adjusted

Net position-ending

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

Net (Expenses) Revenue and Changes in Net Position

			Component Unit	
Primary Government			Special Events	
Governmental Activities	Business-Type Activities	Total	Center PFD	
\$ (4,932,864)		\$ (4,932,864)		
(720,785)		(720,785)		
(34,488,600)		(34,488,600)		
(671,397)		(671,397)		
(8,626,678)		(8,626,678)		
(14,746,931)		(14,746,931)		
(4,294,687)		(4,294,687)		
(2,500,908)		(2,500,908)		
<u>(70,982,850)</u>		<u>(70,982,850)</u>		
	\$ 3,083,176	3,083,176		
	14,009,001	14,009,001		
	<u>(394,312)</u>	<u>(394,312)</u>		
	16,697,865	16,697,865		
\$ <u>(70,982,850)</u>	\$ <u>16,697,865</u>	\$ <u>(54,284,985)</u>		
			\$ <u>(3,051,936)</u>	
			\$ <u>(3,051,936)</u>	
21,998,657	-	21,998,657	-	
26,654,493	-	26,654,493	830,283	
26,376,844	-	26,376,844	-	
7,656,220	-	7,656,220	-	
6,434,689	-	6,434,689	-	
279,466	-	279,466	-	
1,023,499	-	1,023,499	-	
6,417,339	-	6,417,339	-	
1,242,815	97,795	1,340,610	665	
(1,643,662)	-	(1,643,662)	-	
115,242	-	115,242	-	
<u>126,875</u>	<u>(126,875)</u>	<u>-</u>	<u>-</u>	
<u>96,682,477</u>	<u>(29,080)</u>	<u>96,653,397</u>	<u>830,948</u>	
<u>25,699,627</u>	<u>16,668,785</u>	<u>42,368,412</u>	<u>(2,220,988)</u>	
672,774,091	334,747,558	1,007,521,649	(78,311,885)	
(23,901,679)	(2,489,629)	(26,391,308)	-	
<u>648,872,412</u>	<u>332,257,929</u>	<u>981,130,341</u>	<u>(78,311,885)</u>	
\$ <u>674,572,039</u>	\$ <u>348,926,714</u>	\$ <u>1,023,498,753</u>	\$ <u>(80,532,873)</u>	

Comprehensive Annual Financial Report 2015

**CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2015**

	General Fund	Capital Resources Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
ASSETS				
Cash and cash equivalents	\$ 9,999,705	\$ 3,446,961	\$ 2,070,501	\$ -
Cash with fiscal agent	943,918	-	-	8,329
Investments, at fair value	5,357,672	540,784	-	-
Receivables (net of allowances for estimated uncollectibles):				
Taxes	8,393,817	2,041,951	-	-
Accounts	554,347	-	-	-
Special assessments				
Current	-	-	1,180,500	-
Delinquent	-	-	180,902	-
Unavailable	-	-	8,261,459	-
Penalty and Interest	-	-	623,669	-
Accrued interest	3,165	936	-	-
Due from other funds	425,000	-	-	-
Prepaid items	133,533	-	-	-
TOTAL ASSETS	25,811,157	6,030,632	12,317,031	8,329
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 25,811,157	\$ 6,030,632	\$ 12,317,031	\$ 8,329
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Vouchers payable	\$ 1,662,185	\$ 6,349	\$ 67	\$ -
Accounts/payroll payable	3,422,829	-	-	-
Due to other funds	-	-	-	-
Due to other governments	9,644	-	-	-
Interfund loans payable - current	506,526	-	-	-
Incurred but not reported claims payable	53,900	-	-	-
Deposits and advances	684,216	-	-	-
Interfund loan payable - non-current	506,526	-	-	-
Total Liabilities	6,845,826	6,349	67	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	384,739	-	10,246,530	-
Total Deferred Inflows of Resources	384,739	-	10,246,530	-
FUND BALANCE				
Nonspendable:				
Prepaid items	133,533	-	-	-
Restricted:				
Annexation	3,460,336	-	-	-
Street capital projects	-	-	-	-
Lodging tax purposes	-	-	-	-
Criminal justice programs	-	-	-	-
Parks capital projects	-	2,323,936	-	-
Facility capital projects	-	-	-	-
Bond retirement	-	-	-	8,329
Special assessment debt	-	-	1,930,934	-
Assessment debt guaranty	-	-	139,500	-
Economic and community development	31,621	-	-	-
Human Services	5,409	-	-	-
Committed:				
Street operations	-	-	-	-
Youth/Teen program	-	-	-	-
Criminal justice programs	-	-	-	-
City arts program	364,242	-	-	-
Street capital projects	-	-	-	-
Parks capital projects	-	-	-	-
Technology systems	-	-	-	-
Assigned:				
Public safety retiree OPEB	1,092,931	-	-	-
Human services	117,399	-	-	-
Criminal justice programs	-	-	-	-
Capital projects	-	3,700,347	-	-
Parks capital projects	-	-	-	-
Technology systems	-	-	-	-
Facility capital projects	-	-	-	-
Kent Events Center operations	1,596,543	-	-	-
Unassigned:	11,778,578	-	-	-
Total Fund Balance	18,580,592	6,024,283	2,070,434	8,329
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 25,811,157	\$ 6,030,632	\$ 12,317,031	\$ 8,329

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

Street Capital Projects Fund	Other Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 12,807,278	187,585	\$ 12,675,304	\$ 41,187,334
-	-	-	952,247
653,462	-	502,507	7,054,425
-	-	1,516,775	11,952,543
1,018,987	-	1,481,234	3,054,568
-	-	-	1,180,500
-	-	-	180,902
-	-	-	8,261,459
-	-	-	623,669
1,130	-	869	6,100
-	-	-	425,000
-	-	29,495	163,028
<u>14,480,857</u>	<u>187,585</u>	<u>16,206,184</u>	<u>75,041,775</u>
<u>\$ 14,480,857</u>	<u>\$ 187,585</u>	<u>\$ 16,206,184</u>	<u>\$ 75,041,775</u>
\$ 994,936	\$ 8,768	\$ 493,884	\$ 3,166,189
105,435	-	301,697	3,829,961
-	-	475,000	475,000
61	-	10,627	20,332
208,400	869,836	-	1,584,762
-	-	-	53,900
-	-	71,728	755,944
1,591,600	5,503,806	-	7,601,932
<u>2,900,432</u>	<u>6,382,410</u>	<u>1,352,936</u>	<u>17,488,020</u>
-	-	-	10,631,269
-	-	-	10,631,269
-	-	29,495	163,028
-	-	-	3,460,336
5,035,171	-	137,676	5,172,847
-	-	366,090	366,090
-	-	2,571,525	2,571,525
-	-	1,682,891	4,006,827
-	199,387	1,082,185	1,281,572
-	-	-	8,329
-	-	-	1,930,934
-	-	-	139,500
-	-	-	31,621
-	-	-	5,409
-	-	3,978,627	3,978,627
-	-	121,275	121,275
-	-	1,576,508	1,576,508
-	-	-	364,242
6,545,254	-	-	6,545,254
-	-	775,025	775,025
-	-	2,019,529	2,019,529
-	-	-	1,092,931
-	-	-	117,399
-	-	52,430	52,430
-	-	-	3,700,347
-	-	294,939	294,939
-	-	27,598	27,598
-	-	155,158	155,158
-	-	-	1,596,543
-	(6,394,212)	(17,703)	5,366,663
<u>11,580,425</u>	<u>(6,194,825)</u>	<u>14,853,248</u>	<u>46,922,486</u>
<u>\$ 14,480,857</u>	<u>\$ 187,585</u>	<u>\$ 16,206,184</u>	<u>\$ 75,041,775</u>



Comprehensive Annual Financial Report 2015

CITY OF KENT RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

Fund balance - total governmental funds		\$	46,922,486
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	\$	1,093,895,807	
Accumulated depreciation		<u>(348,577,461)</u>	745,318,346
Investment in Joint Venture (Note 16)			5,538,892
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.			25,604,199
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			(188,531)
Property tax revenue earned but not received within 60 days 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			
General Fund			384,739
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			4,053,180
Unamortized bond costs are not reported on the governmental fund statements, but are reported on the statement of net position			
Prepaid bond insurance		18,593	
Deferred loss on refunding		632,111	
Unamortized bond (premium)/discount		<u>(1,130,254)</u>	(479,550)
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			
Net OPEB Asset		366,923	
Deferred outflows related to pensions		4,303,991	
Net pension asset		<u>6,960,671</u>	11,631,585
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		(46,653,970)	
Special assessment bonds		(1,395,000)	
Contracts, leases and notes		(8,020,328)	
Compensated absences		(3,890,940)	
Deferred inflows related to pensions		(5,620,793)	
Net pension liability		(26,983,868)	
Contingent loan guarantee		<u>(71,648,408)</u>	(164,213,307)
Net Position of governmental activities (page 23)			<u><u>674,572,039</u></u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

**CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015**

	General Fund	Capital Resources Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
REVENUES				
Taxes:				
Property	\$ 22,015,525	\$ -	\$ -	\$ -
Sales and use	18,583,057	5,620,413	-	-
Utility	18,151,854	1,301,516	-	-
Business & occupation	7,656,220	-	-	-
Real estate excise tax	-	6,434,689	-	-
Lodging	-	-	-	-
Other	1,023,499	-	-	-
Licenses and permits:				
Building permits	2,911,826	-	-	-
Other licenses and permits	2,915,649	-	-	-
Intergovernmental revenue	7,783,935	-	-	-
Charges for services:				
Park and recreation fees	1,536,534	-	-	-
Other fees and charges	4,584,378	-	-	-
Fines and forfeitures	1,660,366	-	12,744	-
Miscellaneous revenue:				
Special assessments	-	-	1,861,231	-
Interest income	182,934	(4,129)	712,462	-
Contributions and donations	893,014	-	-	-
Other miscellaneous revenue	1,259,060	22,538	-	-
TOTAL REVENUES	91,157,851	13,375,027	2,586,437	-
EXPENDITURES				
Current:				
General government	7,626,008	91,116	-	-
Judicial	2,988,951	-	-	-
Public safety	37,680,942	-	-	-
Community development	5,345,314	-	-	-
Public works	4,896,665	-	-	-
Leisure services	10,763,416	3,184,222	-	-
Health and human services	5,172,484	-	-	-
Debt service:				
Principal	-	-	585,000	14,780,251
Interest	-	14	111,840	2,392,526
Capital outlay	-	311,736	-	-
TOTAL EXPENDITURES	74,473,780	3,587,088	696,840	17,172,777
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,684,071	9,787,939	1,889,597	(17,172,777)
OTHER FINANCING SOURCES (USES)				
Issuance of LTGO Refunding Bonds	-	-	-	-
Premium on general obligation bonds	-	-	-	-
Issuance of installment note	18,524	-	-	-
Sale of capital assets	-	14,832	-	-
Transfers in	1,209,252	7,178,832	-	17,181,106
Transfers out	(12,133,832)	(7,950,779)	(4,121,863)	-
TOTAL OTHER FINANCING SOURCES (USES)	(10,906,056)	(757,115)	(4,121,863)	17,181,106
NET CHANGE IN FUND BALANCE	5,778,015	9,030,824	(2,232,266)	8,329
FUND BALANCE, January 1	12,802,577	(3,006,541)	4,302,700	-
Prior period correction	-	-	-	-
ADJUSTED FUND BALANCE, January 1	12,802,577	(3,006,541)	4,302,700	-
FUND BALANCE (DEFICIT), December 31	\$ 18,580,592	\$ 6,024,283	\$ 2,070,434	\$ 8,329

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

Street Capital Projects Fund	Other Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 22,015,525
-	-	2,451,023	26,654,493
-	-	6,923,474	26,376,844
-	-	-	7,656,220
-	-	-	6,434,689
-	-	279,466	279,466
-	-	-	1,023,499
-	-	-	2,911,826
-	-	-	2,915,649
2,767,553	-	4,614,988	15,166,476
-	-	-	1,536,534
179,802	-	1,309,821	6,074,001
-	-	1,759,118	3,432,228
-	-	-	1,861,231
921	305	(1,357)	891,136
245,273	-	96,732	1,235,019
461,455	-	224,511	1,967,564
<u>3,655,004</u>	<u>305</u>	<u>17,657,776</u>	<u>128,432,400</u>
-	-	78,417	7,795,541
-	-	-	2,988,951
-	-	3,871,296	41,552,238
-	20,570	257,164	5,623,048
30,031	-	2,755,517	7,682,213
-	-	200,071	14,147,709
-	-	808,466	5,980,950
-	-	-	15,365,251
-	203,204	10	2,707,594
<u>10,811,017</u>	<u>223,774</u>	<u>1,857,165</u>	<u>12,979,918</u>
10,841,048	223,774	9,828,106	116,823,413
(7,186,044)	(223,469)	7,829,670	11,608,987
-	8,620,000	-	8,620,000
-	261,619	-	261,619
-	-	-	18,524
-	-	62,510	77,342
12,644,513	1,301,516	5,080,905	44,596,124
<u>(2,275,993)</u>	<u>(8,795,956)</u>	<u>(7,847,136)</u>	<u>(43,125,559)</u>
10,368,520	1,387,179	(2,703,721)	10,448,050
3,182,476	1,163,710	5,125,949	22,057,037
8,397,949	201,708	9,727,299	32,425,692
-	(7,560,243)	-	(7,560,243)
8,397,949	(7,358,535)	9,727,299	24,865,449
<u>\$ 11,580,425</u>	<u>\$ (6,194,825)</u>	<u>\$ 14,853,248</u>	<u>\$ 46,922,486</u>



Comprehensive Annual Financial Report 2015

**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, 2015**

Net change in fund balance - total governmental funds		\$	22,057,037
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	\$	12,979,918	
Depreciation expense		<u>(19,595,505)</u>	(6,615,587)
The net effect of various miscellaneous transactions involving capital assets is to increase net position.			(2,833,251)
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			(16,868)
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.			(1,143,898)
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.			(3,738,738)
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities on the government-wide statements.			
Principal repayments		<u>15,365,251</u>	15,365,251
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		(23,197)	
Amortization of premium/discount		123,368	
Amortization of loss on refunding		<u>(144,221)</u>	(44,050)
The deferred loss on refunding of bonds does not create financial resources and is therefore not reported on the governmental fund statements, but is a deferred outflow amortized over the life of the bonds on the government-wide statements			221,950
Certain pension transactions are not reported in the governmental funds but are reported in the government-wide statements			1,022,290
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.			1,520,787
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		(155,787)	
Interest expense accrual		28,786	
Net OPEB obligation		<u>31,705</u>	(95,296)
Change in net position of governmental activities (page 23)			<u><u>25,699,627</u></u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

**CITY OF KENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2015**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 21,807,268	21,807,268	22,015,525	\$ 208,257
Sales and use	17,003,978	17,003,978	18,583,057	1,579,079
Utility	18,006,154	18,006,154	18,151,854	145,700
Business & occupation	772,190	6,572,190	7,656,220	1,084,030
Other	1,083,014	1,083,014	1,023,499	(59,515)
Licenses and permits:				
Building permits	2,646,850	2,646,850	2,911,826	264,976
Other licenses and permits	2,693,609	2,693,609	2,915,649	222,040
Intergovernmental revenue:				
Other grants and shared revenue	7,414,869	7,431,869	7,783,935	352,066
Charges for services:				
Park and recreation fees	1,179,821	1,179,821	1,536,534	356,713
Other fees and charges	4,162,811	4,162,811	4,584,378	421,567
Fines and forfeitures	1,565,961	1,565,961	1,660,366	94,405
Miscellaneous revenue:				
Interest income	113,458	113,458	183,339	69,881
Other miscellaneous revenue	1,171,916	1,171,916	1,266,367	94,451
TOTAL REVENUES	79,621,899	85,438,899	90,272,549	4,833,650
EXPENDITURES				
Current:				
General government	8,656,950	8,646,950	7,624,755	1,022,195
Judicial	3,020,623	3,020,623	2,988,951	31,672
Public safety	36,453,393	36,453,393	36,401,726	51,667
Community development	5,544,050	5,872,056	5,345,314	526,742
Public works	5,526,170	5,526,170	4,896,665	629,505
Leisure services	10,721,735	10,785,571	10,614,537	171,034
Health and human services	5,315,411	5,318,678	5,154,974	163,704
TOTAL EXPENDITURES	75,238,332	75,623,441	73,026,922	2,596,519
DEFICIENCY OF REVENUES OVER EXPENDITURES	4,383,567	9,815,458	17,245,627	7,430,169
OTHER FINANCING SOURCES (USES)				
Transfers in	921,119	921,119	951,394	30,275
Transfers out	(5,804,686)	(11,604,686)	(14,137,026)	(2,532,340)
TOTAL OTHER FINANCING SOURCES (USES)	(4,883,567)	(10,683,567)	(13,185,632)	(2,502,065)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(500,000)	(868,109)	4,059,995	4,928,104
FUND BALANCE, January 1	11,312,140	11,312,140	11,311,851	(289)
FUND BALANCE, December 31	\$ 10,812,140	\$ 10,444,031	\$ 15,371,846	\$ 4,927,815

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 2015

CITY OF KENT
CAPITAL RESOURCES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended December 31, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 5,347,900	\$ 5,347,900	\$ 5,620,413	\$ 272,513
Utility	1,207,485	1,207,485	1,301,516	94,031
Real estate excise tax	3,010,000	3,010,000	6,434,689	3,424,689
Miscellaneous revenue:				
Interest income	1,135	1,135	(4,129)	(5,264)
Other miscellaneous revenue	-	-	22,538	22,538
TOTAL REVENUES	<u>9,566,520</u>	<u>9,566,520</u>	<u>13,375,027</u>	<u>3,808,507</u>
EXPENDITURES				
Current:				
General government			91,130	91,130
Leisure services	3,125,000	3,150,000	3,184,222	34,222
Capital outlay	-	500,000	311,736	(188,264)
TOTAL EXPENDITURES	<u>3,125,000</u>	<u>3,650,000</u>	<u>3,587,088</u>	<u>(62,912)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,441,520	5,916,520	9,787,939	3,871,419
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	14,832	14,832
Transfers in	4,057,711	5,682,711	7,178,832	1,496,121
Transfer Out	(7,882,484)	(8,044,332)	(7,950,779)	93,553
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,824,773)</u>	<u>(2,361,621)</u>	<u>(757,115)</u>	<u>1,604,506</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,616,747	3,554,899	9,030,824	5,475,925
FUND BALANCES, January 1	(3,299,461)	(3,299,461)	(3,006,541)	292,920
FUND BALANCES, December 31	<u>\$ (682,714)</u>	<u>\$ 255,438</u>	<u>\$ 6,024,283</u>	<u>\$ 4,164,339</u>

Note: Budgeted transfers of \$300,000 between business units with the fund have been eliminated for financial reporting purposes.

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2015**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 19,680,303	\$ 15,898,258	\$ 50,671
Cash with fiscal agent	58,796	-	-
Investments, at fair value	3,053,679	1,590,336	-
Restricted cash, cash equivalents, & investments:			
For bond redemption:			
Cash and cash equivalents	123,273	53,675	-
Receivables (net of allowances for estimated uncollectibles):			
Taxes	-	-	-
Accounts	1,747,668	9,473,608	69,874
Accrued interest	2,232	2,751	-
Due from other funds	-	50,000	-
Interfund loan receivable	499,873	723,106	-
Inventory, at cost	399,719	59,763	170,151
Prepaid expenses	138	213	-
Total Current Assets	25,565,681	27,851,710	290,696
Noncurrent Assets:			
Restricted cash, cash equivalents, and investments:			
For bond reserve:			
Cash and cash equivalents	1,063,072	1,063,072	-
Interfund loan receivable - non-current portion	2,099,903	3,091,578	-
Property, plant and equipment			
Land	1,994,193	4,252,313	5,342,508
Buildings	2,151,264	75,522	2,954,818
Site Improvements	170,790,170	227,950,757	4,540,222
Equipment	2,095,638	2,292,360	585,792
Less: Accumulated Depreciation	(40,489,159)	(69,670,082)	(6,716,463)
Construction In Progress	7,247,749	34,868,492	56,789
Total noncurrent assets	146,952,830	203,924,012	6,763,666
TOTAL ASSETS	\$ 172,518,511	\$ 231,775,722	\$ 7,054,362
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	100,954	-
Deferred outflows related to pensions	141,586	204,050	199,886
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 141,586	\$ 305,004	\$ 199,886
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 172,660,097	\$ 232,080,726	\$ 7,254,248

The accompanying notes are an integral part of the financial statements

<u>Business-type Activities</u> <u>Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Totals</u>		<u>Internal Service Funds</u>	
\$	35,629,232 58,796 4,644,015 176,948 -	\$	17,399,350 85,000 3,344,267 -
	11,291,150 4,983 50,000 1,222,979 629,633 351		127,444 295,081 3,974 3,000,000 361,781 112,230 1,584,431
	<u>53,708,087</u>		<u>26,313,558</u>
	2,126,144 5,191,481 11,589,014 5,181,604 403,281,149 4,973,790 (116,875,704) 42,173,030 357,640,508		- 2,410,453 - 1,008,268 361,953 21,122,700 (18,914,868) 1,145,729 7,134,235
\$	<u><u>411,348,595</u></u>	\$	<u><u>33,447,793</u></u>
	100,954 545,522 646,476		- 337,307 337,307
\$	<u><u>646,476</u></u>	\$	<u><u>337,307</u></u>
\$	<u><u>411,995,071</u></u>	\$	<u><u>33,785,100</u></u>

Continued

Comprehensive Annual Financial Report 2015

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2015**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Vouchers payable	\$ 306,710	\$ 553,581	\$ 27,517
Accounts/payroll payable	280,990	537,947	86,681
Incurred but not reported claims payable	-	-	-
Interfund loans payable	-	-	3,000,000
Accrued interest payable	123,273	53,675	-
Compensated absences payable - current portion	108,171	126,757	37,571
Notes payable - current portion	1,444,028	75,000	-
General obligation bonds payable - current portion	-	461,235	-
Revenue bonds payable - current portion	527,500	527,500	-
Deposits and unearned revenue	50,110	60,138	239,390
Total Current Liabilities	2,840,782	2,395,833	3,391,159
Noncurrent Liabilities:			
Compensated absences payable- non-current portion	51,798	70,874	55,353
Notes payable - non-current portion	30,221,389	600,000	-
General obligation bonds payable - non-current portion net of unamortized discounts and premiums	-	2,136,281	-
Revenue bonds payable - non-current portion net of unamortized discounts and premiums	9,150,574	9,150,574	-
Net pension liability	615,332	886,802	868,705
Total noncurrent liabilities	40,039,093	12,844,531	924,058
TOTAL LIABILITIES	\$ 42,879,875	\$ 15,240,364	\$ 4,315,217
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	164,264	236,734	231,903
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 164,264	\$ 236,734	\$ 231,903
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 43,044,139	\$ 15,477,098	\$ 4,547,120
NET POSITION			
Net investment in capital assets	103,977,417	187,461,611	6,763,666
Restricted for debt service	535,572	535,572	-
Unrestricted	25,102,969	28,606,445	(4,056,538)
TOTAL NET POSITION	\$ 129,615,958	\$ 216,603,628	\$ 2,707,128

The accompanying notes are an integral part of the financial statements

<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental Activities</u>																																																		
<u>Totals</u>	<u>Internal Service Funds</u>																																																		
<table border="0"> <tr><td>\$</td><td>887,808</td></tr> <tr><td></td><td>905,618</td></tr> <tr><td></td><td>-</td></tr> <tr><td></td><td>3,000,000</td></tr> <tr><td></td><td>176,948</td></tr> <tr><td></td><td>272,499</td></tr> <tr><td></td><td>1,519,028</td></tr> <tr><td></td><td>461,235</td></tr> <tr><td></td><td>1,055,000</td></tr> <tr><td></td><td>349,638</td></tr> <tr><td></td><td><hr/></td></tr> <tr><td></td><td>8,627,774</td></tr> </table>	\$	887,808		905,618		-		3,000,000		176,948		272,499		1,519,028		461,235		1,055,000		349,638		<hr/>		8,627,774	<table border="0"> <tr><td>\$</td><td>1,523,204</td></tr> <tr><td></td><td>845,600</td></tr> <tr><td></td><td>3,507,066</td></tr> <tr><td></td><td>-</td></tr> <tr><td></td><td>-</td></tr> <tr><td></td><td>198,118</td></tr> <tr><td></td><td>-</td></tr> <tr><td></td><td>-</td></tr> <tr><td></td><td>-</td></tr> <tr><td></td><td>-</td></tr> <tr><td></td><td>1,250</td></tr> <tr><td></td><td><hr/></td></tr> <tr><td></td><td>6,075,238</td></tr> </table>	\$	1,523,204		845,600		3,507,066		-		-		198,118		-		-		-		-		1,250		<hr/>		6,075,238
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Concluded

Comprehensive Annual Financial Report 2015

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2015**

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewerage Utility	Golf Complex
OPERATING REVENUES			
Sales	\$ 18,433,318	\$ -	\$ 433,670
Charges for services	466,903	46,450,720	1,960,238
Contributions	-	-	-
Rental and lease income	-	-	251,752
Other operating revenue	4,630	8,690	13,983
TOTAL OPERATING REVENUES	18,904,851	46,459,410	2,659,643
OPERATING EXPENSES			
Salaries and wages	1,979,811	2,891,660	1,000,644
Benefits	883,343	1,185,484	369,047
Supplies	613,431	503,616	578,677
Services and charges	10,240,807	31,765,497	903,008
Depreciation	1,826,812	4,433,802	199,031
TOTAL OPERATING EXPENSES	15,544,204	40,780,059	3,050,407
OPERATING INCOME (LOSS)	3,360,647	5,679,351	(390,764)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	89,419	71,014	407
Unrealized net gain/(loss) in fair value of investments	(30,666)	(32,379)	-
Miscellaneous non-operating revenues	180,772	52,185	1,440
Interest expense	(1,612,939)	(624,895)	(4,988)
Gain (loss) on disposal of capital assets	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,373,414)	(534,075)	(3,141)
INCOME (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM	1,987,233	5,145,276	(393,905)
Capital contributions	1,154,696	8,902,360	-
Transfers in	-	12,750	-
Transfers out	(66,571)	(73,054)	-
INCREASE (DECREASE) IN NET POSITION	3,075,358	13,987,332	(393,905)
NET POSITION, January 1	127,186,763	203,547,531	4,013,264
Cumulative effect of change in accounting principal (Note 19)	(646,163)	(931,235)	(912,231)
ADJUSTED NET POSITION, January 1	126,540,600	202,616,296	3,101,033
NET POSITION, December 31	\$ 129,615,958	\$ 216,603,628	\$ 2,707,128

The accompanying notes are an integral part of the financial statements

<u>Business-type Activities</u> <u>Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Totals</u>		<u>Internal Service Funds</u>	
\$	18,866,988	\$	1,113,417
	48,877,861		13,816,521
	-		13,599,240
	251,752		-
	27,303		1,169,699
	<u>68,023,904</u>		<u>29,698,877</u>
	5,872,115		4,809,960
	2,437,874		1,839,452
	1,695,724		1,825,822
	42,909,312		18,275,335
	6,459,645		729,424
	<u>59,374,670</u>		<u>27,479,993</u>
	<u>8,649,234</u>		<u>2,218,884</u>
	160,840		82,572
	(63,045)		(45,987)
	234,397		1,648,392
	(2,242,822)		-
	-		(1,039,384)
	<u>(1,910,630)</u>		<u>645,593</u>
	<u>6,738,604</u>		<u>2,864,477</u>
	10,057,056		28,010
	12,750		430,128
	(139,625)		(1,773,818)
	<u>16,668,785</u>		<u>1,548,797</u>
	334,747,558		25,594,792
	(2,489,629)		(1,539,390)
	<u>332,257,929</u>		<u>24,055,402</u>
\$	<u><u>348,926,714</u></u>	\$	<u><u>25,604,199</u></u>

Comprehensive Annual Financial Report 2015

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015**

	Business-type Activities - Enterprise Funds	
	Water	Sewerage
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 18,776,306	\$ 48,861,027
Cash received from other funds for services	-	-
Cash payments to employees	(2,856,223)	(4,191,374)
Cash payments to suppliers	(10,724,288)	(32,695,437)
Other cash received	4,630	8,690
Net cash provided by operating activities	<u>5,200,425</u>	<u>11,982,906</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from other funds for noncapital purposes	-	25,000
Interfund loan issued for noncapital purposes	(399,072)	(613,980)
Interfund loan payment for noncapital purposes	798,144	1,227,960
Operating grants/non-operating revenue received	180,772	-
Interest paid on interfund loan	-	-
Transfers out	(47,100)	(73,054)
Net cash provided by (used for) noncapital financing	<u>532,744</u>	<u>565,926</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital asset removal	-	-
Transfer of plant to Governmental Capital Assets	-	-
Acquisition and construction of capital assets	(1,456,902)	(12,021,915)
Interfund loan for capital outlays	4,634,712	(590,288)
Principal paid on bonds and equipment contracts	(2,071,527)	(1,096,114)
Interest paid on bonds and equipment contracts	(1,644,821)	(657,081)
Transfers in	-	12,750
Transfers out	(19,471)	-
Capital contributed by subdividers, capital grants, local impr. districts	1,041,413	8,551,368
Net cash (used for) capital & related financing	<u>483,404</u>	<u>(5,801,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(3,070,455)	(1,620,020)
Proceeds from sale and maturities of investments	128	350
Interest and dividends on investments	73,348	65,709
Net cash provided by (used for) investing activities	<u>(2,996,979)</u>	<u>(1,553,961)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,219,594	5,193,591
CASH AND CASH EQUIVALENTS, January 1	17,705,850	11,821,414
CASH AND CASH EQUIVALENTS, December 31	\$ <u>20,925,444</u>	\$ <u>17,015,005</u>
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:		
Current Assets: Cash and cash equivalents	\$ 19,680,303	\$ 15,898,258
Current Assets: Cash with fiscal agent	58,796	
Restricted for Bond Redemption: Cash and cash equivalents	123,273	53,675
Restricted for Bond Reserve: Cash and cash equivalents	1,063,072	1,063,072
	<u>\$ 20,925,444</u>	<u>\$ 17,015,005</u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Golf Complex</u>	<u>Totals</u>	<u>Internal Service Funds</u>	
\$ 2,617,917	\$ 70,255,250	\$ 14,748,862	
-	-	13,565,963	
(1,365,079)	(8,412,676)	(6,640,524)	
(1,477,619)	(44,897,344)	(20,426,647)	
13,983	27,303	1,169,699	
<hr/>	<hr/>	<hr/>	
(210,798)	16,972,533	2,417,353	
-	25,000	-	
3,000,000	1,986,948	(3,000,000)	
(3,000,000)	(973,896)	3,000,000	
1,440	182,212	1,523,392	
(4,988)	(4,988)	-	
-	(120,154)	-	
<hr/>	<hr/>	<hr/>	
(3,548)	1,095,122	1,523,392	
-	-	(1,004,608)	
-	-	28,010	
(56,789)	(13,535,606)	(169,233)	
-	4,044,424	(432,823)	
-	(3,167,641)	-	
-	(2,301,902)	-	
-	12,750	430,128	
-	(19,471)	(1,773,818)	
-	9,592,781	125,000	
<hr/>	<hr/>	<hr/>	
(56,789)	(5,374,665)	(2,797,344)	
-	(4,690,475)	(3,380,014)	
-	478	254,874	
407	139,464	68,409	
<hr/>	<hr/>	<hr/>	
407	(4,550,533)	(3,056,731)	
(270,728)	8,142,457	(1,913,330)	
321,399	29,848,663	19,397,680	
<hr/>	<hr/>	<hr/>	
\$ 50,671	\$ 37,991,120	\$ 17,484,350	
<hr/>	<hr/>	<hr/>	
\$ 50,671	\$ 35,629,232	\$ 17,399,350	
-	58,796	85,000	
-	176,948	-	
-	2,126,144	-	
<hr/>	<hr/>	<hr/>	
\$ 50,671	\$ 37,991,120	\$ 17,484,350	

Continued

Comprehensive Annual Financial Report 2015

**CITY OF KENT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2015**

Business-type Activities - Enterprise Funds

	Water	Sewerage
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 3,360,647	\$ 5,679,351
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,826,812	4,433,802
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(154,772)	2,391,353
(Increase) Decrease in inventory	(58,951)	(23,802)
(Increase) Decrease in prepaid expenses	192	358
(Increase) Decrease in pension deferred outflows	(141,586)	(204,050)
Increase (Decrease) in vouchers payable	182,435	(378,696)
Increase (Decrease) in accounts/payroll payable	11,153	(143,332)
Increase (Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in deposits and deferred revenues	30,857	18,954
Increase (Decrease) in compensated absences	10,205	16,667
Increase (Decrease) in pension liabilities & Deferred inflows	133,433	192,301
Total Adjustments	<u>1,839,778</u>	<u>6,303,555</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,200,425</u>	<u>\$ 11,982,906</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ 113,283	\$ 403,177
(Decrease) in fair value of investments	(30,666)	(32,379)
Amortization of premium/discount on investment purchases	13,840	2,556

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Golf</u>		<u>Internal</u>	
<u>Complex</u>	<u>Totals</u>	<u>Service Funds</u>	
\$ (390,764)	\$ 8,649,234	\$ 2,218,884	
199,031	6,459,645	729,424	
(14,592)	2,221,989	(214,353)	
(13,788)	(96,541)	(5,094)	
-	550	(844,093)	
(199,886)	(545,522)	(337,307)	
18,847	(177,414)	840,824	
4,468	(127,711)	385,661	
-	-	(687,960)	
(13,151)	36,660	-	
10,660	37,532	13,481	
188,377	514,111	317,886	
<u>179,966</u>	<u>8,323,299</u>	<u>198,469</u>	
<u>\$ (210,798)</u>	<u>\$ 16,972,533</u>	<u>\$ 2,417,353</u>	
\$ -	\$ 516,460	\$ 28,010	
-	(63,045)	(45,987)	
-	16,396	10,240	

Concluded

Comprehensive Annual Financial Report 2015

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2015**

	Firemen's Relief & Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 683,032	\$ 3,079,982
Investments, at fair value		
Government Agencies	1,930,042	-
Receivables (net of allowances for estimated uncollectables):		
Accounts Receivables	-	17,762
Accrued interest	360	-
TOTAL ASSETS	<u>2,613,434</u>	<u>3,097,744</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>2,613,434</u>	
LIABILITIES		
Accounts/payroll payable	6,471	1,081,059
Due to Other Governments	-	348,443
Deposits and unearned revenue	-	1,668,242
Total Liabilities	<u>6,471</u>	<u>3,097,744</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6,471</u>	
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 2,606,963</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2015

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2015**

	Firemen's Relief & Pension Fund
<hr/>	
ADDITIONS	
Contributions:	
State insurance fees	\$ 219,032
Investment earnings:	
Interest	68,190
Unrealized net gain/(loss) in fair value of investments	(30,832)
TOTAL ADDITIONS	<hr/> 256,390
DEDUCTIONS	
Benefits	383,121
Administrative Expense	3,000
TOTAL DEDUCTIONS	<hr/> 386,121
CHANGE IN NET POSITION	(129,731)
NET POSITION RESTRICTED FOR PENSIONS, January 1	3,252,509
Prior period adjustment (Note 19)	(515,815)
NET POSITION RESTRICTED FOR PENSIONS, January 1 restated	2,736,694
NET POSITION RESTRICTED FOR PENSIONS, December 31	<u>\$ 2,606,963</u>

The accompanying notes are an integral part of the financial statements



Table of Contents
Footnotes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies.....	50
Note 2 – Reconciliation of Government-Wide and Fund Financial Statements.....	61
Note 3 – Stewardship, Compliance and Accountability.....	65
Note 4 – Deposits and Investments	66
Note 5 – Receivables.....	67
Note 6 – Interfund balances and transfers	69
Note 7 – Property, Plant, Equipment and Depreciation.....	71
Note 8 – Leases.....	72
Note 9 – Long-Term Indebtedness	72
Note 10 – Fund Balance	79
Note 11 – Information on Enterprise Funds	80
Note 12 – Property Taxes	81
Note 13 – Personnel Benefits (Pension Plans, Other Post Retirement Benefits).....	82
Note 14 – Risk Management.....	100
Note 15 – Joint Venture	103
Note 16 – Component Units.....	105
Note 17 – Contingencies and litigations.....	105
Note 18 – Commitments	106
Note 19 – Prior Period Adjustments.....	106
Note 20 – Subsequent Events	106

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.

Effective for fiscal year 2015, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This statement replaces earlier guidance on accounting and financial reporting for the activities of pension plans that are administered through trusts.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement is an amendment to GASB Statement No. 68 and is required to be implemented at the same time.

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 Kent Regional Fire authority. The new organization, effective officially on July 1, 2010, retained the name of Kent Fire Department. 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 RFA's board is comprised of six voting members and two non-voting members.

Three of the voting members are from the current Kent City Council: Dennis Higgins, Bill Boyce and Les Thomas. In addition, the board has three members from Fire District 37 and one non-voting member from the City of Covington and one non-voting member from the City of SeaTac. 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. Quasi external transactions, like payments-in-lieu of taxes and 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, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred that 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 funds 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.

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 include 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.

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 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 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.

General Obligation Debt Fund – This 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.

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.

Other Capital Projects Fund – This capital projects fund accounts for the resources and payments for miscellaneous general government projects and related improvements. The fund's resources include bonds and interfund loans.

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:

City of Kent

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 principle ongoing operation.

The City reports the following major proprietary funds, which are all of the enterprise funds of the City:

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

Sewerage 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 a par 27 9-hole golf course, 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.

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 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.

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 assets and changes in net assets 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 former City firefighters.

The City's agency fund functions 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.

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.

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 Fund, Criminal Justice Fund, Environmental Mitigation Fund, and Housing & Community Development Fund. Budgetary information is also provided 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.

(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.

Appropriation amounts shown on the accompanying financial statements reflect final budget values, including all adopted adjustments to original budget amounts. The table below does not include 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	\$ 76,971,800	\$ 689,109	\$ 77,660,909
Special Revenue Funds:			
Street	2,437,031	2,000	2,439,031
Lodging Tax	188,500	150,000	338,500
Youth/Teen Programs	42,000	-	42,000
Capital Resources	3,125,000	525,000	3,650,000
Criminal Justice	3,085,451	1,318,136	4,403,587
Environmental Mitigation	-	123,941	123,941
Housing & Community Development	914,731	55,155	969,886
Total	\$ 86,764,513	\$ 2,863,341	\$ 89,627,854

Reconciliation of Budgetary Information to GAAP

For 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 34 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 152-154. The table below shows the combining of these funds with the General Fund for reporting purposes.

	General Fund	Public Safety Retiree	Operating Grants & Projects	Kent Events Center Fund	Eliminations	Revised General Fund
Revenues:						
Taxes	\$ 67,430,155	-	-	-	-	\$ 67,430,155
Licenses & permits	5,827,475	-	-	-	-	5,827,475
Other grants/shared revenue	7,783,935	-	-	-	-	7,783,935
Charges for service	6,120,912	-	-	-	-	6,120,912
Fines and forfeitures	1,660,366	-	-	-	-	1,660,366
Interest income	183,339	(405)	-	-	-	182,934
Contributions & donations	35,307	842,127	15,580	-	-	893,014
Other miscellaneous revenue	1,231,060	-	-	28,000	-	1,259,060
Total Revenues	90,272,549	841,722	15,580	28,000	-	91,157,851
Expenditures:						
General Government	7,624,755	-	1,253	-	-	7,626,008
Judicial	2,988,951	-	-	-	-	2,988,951
Public Safety	36,401,726	1,279,216	-	-	-	37,680,942
Community development	5,345,314	-	-	-	-	5,345,314
Public works	4,896,665	-	-	-	-	4,896,665
Leisure services	10,614,537	-	44,549	104,330	-	10,763,416
Health & human services	5,154,974	-	17,510	-	-	5,172,484
Total Expenditures	73,026,922	1,279,216	63,312	104,330	-	74,473,780
Excess (Deficiency) of Revenues over (under) Expenditures	17,245,627	(437,494)	(47,732)	(76,330)	-	16,684,071
Other Financing Sources (uses)						
Issuance of installment note	-	-	-	18,524	-	18,524
Transfers in	951,394	500,000	128,146	1,634,359	(2,004,647)	1,209,252
Transfers out* (see below)	(14,137,026)	-	(1,453)	-	2,004,647	(12,133,832)
Total Other Financing Sources (Uses)	(13,185,632)	500,000	126,693	1,652,883	-	(10,906,056)
Net Change in Fund Balance	4,059,995	62,506	78,961	1,576,553	-	5,778,015
Fund Balance, January 1	11,311,851	1,031,026	439,710	19,990	-	12,802,577
Fund Balance, December 31	\$ 15,371,846	\$ 1,093,532	\$ 518,671	\$ 1,596,543	\$ -	\$ 18,580,592

*Transfers Out reconciliation to General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 34 is shown as follows:

Transfers Out per Budget	\$ 14,138,479
Less Intrafund Transfer to: Public Safety Retiree	500,000
Other Operating Grants & Projects	1,453
Kent Events Center Fund	1,503,194
	<u>\$ 12,133,832</u>

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

(1) **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). Excluded from this category are cash balances held by fiscal Agents since the City does not have discretionary use of these funds.

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.

(2) 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. It is generally the City's policy to hold investments to maturity.

(3) 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.

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.

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.

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

(4) Restricted Assets

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

(5) Inventory and prepaid items

Inventories carried in Proprietary Funds are valued 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.

(6) 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.

(7) 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.

(8) Compensated Absences (also refer to Note 13)

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.

(9) 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 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 transactions and reimbursement transactions.

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 transferred to the Utility Divisions with a corresponding reduction of expense 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 164-165 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. Infrastructure assets are reported on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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
Other Capital	3-10 Years

Property, Plant and Equipment for governmental activities is stated at cost, or market value at date received 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 estimated market value at the date of donation. Depreciation is recorded in the 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 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.

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 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	\$ 41,187,334	-	17,399,350	-	58,586,684
Cash with fiscal agent	952,247	-	85,000	-	1,037,247
Investments at fair value	7,054,425	-	3,344,267	-	10,398,692
Receivables, net	25,259,741	-	426,499	-	25,686,240
Due from other funds	425,000	-	3,000,000	(3,425,000)	-
Internal balances	-	-	-	(3,464,460)	(3,464,460)
Inventory, at cost	-	-	112,230	-	112,230
Prepaid items	163,028	18,593	1,584,431	-	1,766,052
Interfund loan receivable – current	-	-	2,772,234	(2,772,234)	-
Investment in joint venture	-	5,538,892	-	-	5,538,892
Note receivable from component unit	-	21,938,203	-	-	21,938,203
Less: Allowance for uncollectible	-	(21,938,203)	-	-	(21,938,203)
Net OPEB obligation	-	366,923	-	-	366,923
Net pension asset	-	6,960,671	-	-	6,960,671
Capital assets, net	-	745,318,346	4,723,782	-	750,042,128
Total Assets	\$ 75,041,775	758,203,425	33,447,793	(9,661,694)	857,031,299

Notes to the Financial Statements December 31, 2015

City of Kent

	Total Governmental Funds	Long-term Assets / Liabilities (1)	Internal Service Funds (2)	Eliminations/ Reclass (3)	Statement of Net Position
Deferred outflows of resources:					
Deferred loss on bond refunding	-	632,111	-	-	632,111
Deferred outflows related to pensions	-	4,259,569	337,307	-	4,596,876
Total Assets & Deferred Inflows	\$ 75,041,775	763,095,105	33,785,100	(9,661,694)	862,260,286
Liabilities:					
Vouchers payable	\$ 3,166,189	-	1,523,204	-	4,689,393
Accounts/payroll payable	3,829,961	-	845,600	-	4,675,561
Incurred but not reported claims payable	53,900	-	3,507,066	-	3,560,966
Due to other funds	475,000	-	-	(475,000)	-
Due to other governments	20,332	-	-	-	20,332
Accrued interest payable	-	188,531	-	-	188,531
Unearned revenue	755,944	-	1,250	-	757,194
Interfund loan payable – current	1,584,762	-	-	(1,584,762)	-
Compensated absences – current	-	1,503,406	198,118	-	1,701,524
Contracts, leases, notes – current	-	777,925	-	-	777,925
General obligation bonds – current	-	5,091,765	-	-	5,091,765
Special assessment bonds – current	-	490,000	-	-	490,000
Interfund loan payable – long-term	7,601,932	-	-	(7,601,932)	-
Compensated absences – long-term	-	2,387,534	248,387	-	2,635,921
Contracts, leases, notes – long-term	-	7,242,403	-	-	7,242,403
General obligation bonds – long-term	-	42,692,459	-	-	42,692,459
Special assessment bonds – long-term	-	905,000	-	-	905,000
Net pension liability	-	26,799,111	1,465,939	-	28,265,050
Contingent loan guarantee	-	71,648,408	-	-	71,648,408
Total Liabilities	\$ 17,488,020	159,726,542	7,789,564	(9,661,694)	175,342,432
Deferred Outflows:					
Unavailable revenue	10,631,269	(4,437,919)	-	-	6,193,350
Deferred inflows related to pensions	-	5,620,793	391,337	-	6,012,130
Total Liabilities & Deferred Inflows	\$ 28,119,289	160,909,416	8,180,901	(9,661,694)	187,547,912
Fund Balance/Net Position:					
Total fund balance/net position	\$ 46,922,486	602,185,689	25,604,199	-	674,712,374
Total liabilities, deferred inflows & fund Balance/net position	\$ 75,041,775	763,095,105	33,785,100	(9,661,694)	862,260,286

(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	\$1,093,895,807
Accumulated Depreciation	(348,577,461)
	<u>745,318,346</u>

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.

\$ 5,538,892

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.

\$ (188,531)

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	\$ (1,503,406)
Contracts, leases, notes – current	(777,925)
General obligation bonds – current	(5,091,765)
Special assessment bonds – current	(490,000)
Compensated absences – long-term	(2,387,534)
Contracts, leases, notes – long-term	(7,242,403)
General obligation bonds (net) – long-term	(42,692,459)
Special assessment bonds – long-term	(905,000)
Deferred inflows related to pensions	(5,620,793)
Net pension liability	(26,799,111)
Contingent loan guarantee obligation	(71,648,408)
	<u>\$ (165,158,804)</u>

Notes to the Financial Statements December 31, 2015

City of Kent

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.

OPEB Asset	\$ 366,923
Deferred outflows related to pensions	4,259,569
Net pension asset	<u>6,960,671</u>
	\$ 11,587,163

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.

\$ 632,111

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.

\$ 18,593

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	\$ 4,053,180
Deferred property tax revenue	<u>384,739</u>
	\$ 4,437,919

- (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 \$ 25,604,199

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

Interfund receivables	\$ 6,197,234
Interfund payables	<u>(9,661,694)</u>
	\$ (3,464,460)

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	\$ 22,015,525	(16,868)	-	-	-	-	21,998,657
Sales & use taxes	26,654,493	-	-	-	-	-	26,954,493
Utility taxes	26,376,844	-	-	-	-	-	26,376,844
Business & occupancy taxes	7,656,220	-	-	-	-	-	7,656,220
Real estate excise taxes	6,434,689	-	-	-	-	-	6,434,689
Lodging taxes	279,466	-	-	-	-	-	279,466
Other taxes	1,023,499	-	-	-	-	-	1,023,499
Licenses & permits:							
Building permits	2,911,826	-	-	-	-	-	2,911,826
Other licenses & permits	2,915,649	-	-	-	-	-	2,915,649
Intergovernmental revenues	15,166,476	-	-	505,299	-	-	15,671,775
Charges for service:							
Park & recreation fees	1,536,534	-	-	-	-	-	1,536,534
Other fees & charges	6,074,001	-	-	-	610,784	-	6,684,785
Fines & forfeitures	3,432,228	-	(33,000)	-	-	-	3,399,228
Miscellaneous revenue:							
Special assessments	1,861,231	(1,458,992)	-	-	-	-	402,239
Interest income	891,136	315,094	-	-	36,585	-	1,242,815
Gain(loss) on disposal of capital assets	-	-	(1,508,296)	-	(1,039,384)	2,662,922	115,242
Contributions & donations	1,235,019	-	-	-	-	-	1,235,019
Other miscellaneous revenue	<u>1,967,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,323,484</u>	<u>-</u>	<u>3,291,048</u>
Total Revenue	\$ 128,432,400	(1,160,766)	(1,541,296)	505,299	931,469	2,662,922	129,830,028

Notes to the Financial Statements December 31, 2015

City of Kent

	Total Governmental Funds	Revenues/ Expenses (1)	Capital Asset Transactions (2)	Debt Transactions (3)	Internal Service Funds (4)	Eliminations/ Reclass (5)	Statement of Activities
Expenditures/Expenses:							
Current:							
General government	7,795,541	13,894	1,597,311	(53,915)	(249,849)	108,594	9,211,576
Judicial	2,988,951	8,287	50,321	(5,515)	(69,740)	-	2,972,304
Public safety	41,552,238	76,963	163,979	(875,520)	(384,701)	-	40,532,959
Community development	5,623,048	(16,564)	-	(9,831)	(61,559)	-	5,535,094
Public works	7,682,213	18,057	11,101,202	(34,049)	(995,284)	1,031,646	18,803,785
Leisure services	14,147,709	29,000	6,659,918	(5,262,037)	(160,642)	1,445,340	16,859,288
Health & human services	5,980,950	(5,555)	22,774	(93,679)	(11,233)	-	5,893,257
Debt service:							
Principal	15,365,251	-	-	(15,365,251)	-	-	-
Interest	2,707,594	(28,786)	-	(177,900)	-	-	2,500,908
Capital outlay	12,979,918	-	(12,979,918)	-	-	-	-
Total expenditures/expenses	\$ 116,823,413	95,296	6,615,587	(21,877,697)	(1,933,008)	2,585,580	102,309,171
Other sources/(uses):							
Issuance of LTGO refunding bonds	8,620,000	-	-	(8,620,000)	-	-	-
Premium on general obligation bonds	261,619	-	-	(261,619)	-	-	-
Issuance of installment note	18,524	-	-	(18,524)	-	-	-
Sale of capital assets	77,342	-	-	-	-	(77,342)	-
Change in investment in joint venture	-	-	(1,991,895)	-	-	-	(1,991,895)
Contributed capital	-	-	699,940	-	-	-	699,940
Transfers in	44,596,124	-	-	-	430,128	(45,026,252)	-
Transfers out	(43,125,559)	-	-	-	(1,773,818)	45,026,252	126,875
Total other sources/(uses)	\$ 10,448,050	-	(1,291,955)	(8,900,143)	(1,343,690)	(77,342)	(1,165,080)
Net change in fund balance/ net position	\$ 22,057,037	(1,256,062)	(9,448,838)	13,482,853	1,520,787	-	26,355,777

- (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	\$ (155,787)
Interest expense accrual	28,786
Net OPEB obligation	<u>31,705</u>
	\$ (95,296)

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	\$ (16,868)
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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.

\$ (1,143,898)

- (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	\$ 12,979,918
Depreciation expense	<u>(19,595,505)</u>
	\$ (6,615,587)

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 \$ (1,508,296)

City of Kent

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	\$ 699,940
Seized assets	<u>(33,000)</u>
	\$ 666,940

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.

\$ (1,991,895)

- (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.

\$ 15,365,251

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 general obligation bonds	\$ (8,620,000)
Issuance of notes	(18,524)
Bond premiums	(261,619)
Contingent loan guarantee obligation	<u>5,161,405</u>
	\$ (3,738,738)

The deferred loss on the refunding of bonds does not create or use current financial resources and is therefore not reported on the governmental fund financial statements, but is a deferred outflow amortized over the life of the bonds on the government-wide statements.

\$ 221,950

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	\$ (23,197)
Amortization of premium/discount	123,368
Amortization of loss on refunding	<u>(144,221)</u>
	\$ (44,050)

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	\$ 505,299
Change in pension expense	<u>1,173,141</u>
	\$ 1,678,440

- (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.

\$ 1,520,787

- (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	\$ (45,026,252)
Transfers out	<u>45,026,252</u>
	\$ -

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2015, two funds were in a deficit fund balance position. Of the major funds, the Other Capital Projects Fund had a deficit fund balance of \$6,194,825. In the non-major funds, the Environmental Mitigation Special Revenue Fund had a deficit fund balance of \$16,931 due to a temporary cash flow shortage. The deficit in the Other Capital Improvement Fund is due to interfund loans from the construction of the Showare Center. The 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. According to the investment policy presented in the Kent City Code Chapter 3.02, allowable investments consist of the State Treasurer’s Investment Pool, banker’s acceptances, certificates of deposit, U.S. government securities, and U.S. governmental agency securities.

DEPOSITS

The City’s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) up to \$100,000 and by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC) for amounts over \$100,000 as per State Law (RCW 39.58).

INVESTMENTS

Investments in the State Treasurer’s Local Government Investment Pool (LGIP) are valued at amortized cost, which approximates fair value. Certificates of deposits held by the LGIP are valued at historical costs, which also approximate fair value. Each month, earnings from the LGIP are deposited to the City’s bank account. The State Investment Pool was created by State statute, and is governed by the State Finance Committee and administered by the State Treasurer.

As of December 31, 2015, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)		
		<1	1-5	6-10
Investments				
Government Agencies (various)	\$ 16,717,875	\$ 185	\$ 16,717,690	\$ -
Certificates of Deposit	254,874	254,874	-	-
Total investments	16,972,749	255,059	16,717,690	-
Less investments held by				
Fiduciary Funds	(1,930,042)		(1,930,043)	-
Total Primary Government	\$ 15,042,707	\$ 255,060	\$ 14,787,647	\$ -

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

PRIMARY GOVERNMENT

From Statement of Net Position:

Cash & cash equivalents	\$ 94,215,916
Cash with fiscal agent/trustee	1,096,043
Investments, at fair value	15,042,707
Restricted cash & cash equivalents	2,303,092
Total from Statement of Net Position	\$ 112,657,758

Summary by Type:

Cash on hand and in bank	\$ 17,161,802
State Pool (cash equivalents)	79,357,206
Deposits with fiscal agent/trustee	1,096,043
Investments	15,042,707
Total by Type	\$ 112,657,758

COMPONENT UNIT

Special Events Center PFD:	
Cash on hand and in bank	\$ 128,658
Total Cash & Investments	\$ 128,658

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits, to the extent possible, the average life of the portfolio not to exceed five years. As of December 31, 2015, the weighted average of maturity for the portfolio was 981 days. The LGIP is an unrated 2a-7 like pool, as defined by GASB Statement No. 31. Accordingly, 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, 2015, the LGIP had a weighted average maturity of 35 days.

Credit Risk: State statute, as well as City policy, requires at the time of purchase that an investment carry a rating of one of the three highest credit ratings of a nationally recognized rating agency. As of December 31, 2015, the ratings for all fixed rate non-callable and callable agency securities were AAA. The LGIP is an unrated 2a-7 like pool. Per GASB Statement No. 40 guidelines, the LGIP balances are not subject to custodial credit risk. 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.

Concentration of Credit Risk: According to the City's investment policy, with the exception of US Treasuries 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, 2015, 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, a government 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. All bank deposits are covered 100% by federal depository insurance and pledged collateral on deposit with the Washington State Public Deposit Protection Commission (WSPDPC).

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	\$ 8,393,817	\$ 559,845	\$ (5,498)	\$ -	\$ 3,165	\$ 8,951,329
Capital Resources Fund	2,041,951	-	-	-	936	2,042,887
Special Assessments Fund	-	-	-	10,246,530	-	10,246,530
Street Capital Project Fund	-	1,018,987	-	-	1,130	1,020,117
Other Governmental Funds	1,516,775	1,483,969	(2,735)	-	869	2,998,878
Internal Service Funds	127,444	295,103	(22)	-	3,974	426,499
Subtotal	\$12,079,987	\$ 3,357,904	\$ (8,255)	\$ 10,246,530	\$10,074	\$ 25,686,240
Business-Type Activities:						
Water Fund	\$ -	\$ 1,776,642	\$ (28,974)	\$ -	\$ 2,232	\$ 1,749,900
Sewerage Fund	-	9,526,746	(53,138)	-	2,751	9,476,359
Golf Complex Fund	-	73,498	(3,624)	-	-	69,874
Subtotal	\$ -	\$ 11,376,886	\$ (85,736)	\$ -	\$ 4,983	\$ 11,296,133
Total Primary Government	\$12,079,987	\$ 14,734,790	\$ (93,991)	\$ 10,246,530	\$15,057	\$ 36,982,373

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Component Unit Activities:						
Special Events Center PFD	\$ 154,558	\$ -	\$ -	\$ -	\$ -	\$ 154,558
Total Component Unit	\$ 154,558	\$ -	\$ -	\$ -	\$ -	\$ 154,558

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, 2015, the unearned revenue reported in the governmental funds related to special assessments was \$10,246,530. Of that amount, \$180,902 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 unbilled revenues. 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 \$21,677,674 in debt payments on behalf of the District. At December 31, 2015, the City has recorded a note receivable of \$21,938,203 (including interest) from the District on the governmental

City of Kent

activities of the government-wide Statement of Net Position. Since the City believes the likelihood of the District being able to repay this note is remote, the City has also recorded an allowance for doubtful accounts for the entire balance of the note.

d. **ACCRUED INTEREST RECEIVABLE**

Accrued investment interest totaling \$15,417 was recognized at December 31, 2015. This interest was recorded in each fund based on its investment position.

6. **INTERFUND BALANCES AND TRANSFERS**

INTERFUND BALANCES

The following interfund balances are shown in the fund statements as of December 31, 2015:

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
Governmental Funds:		
General Fund	\$ 425,000	\$ 1,013,052
Street Capital Projects Fund	-	1,800,000
Other Capital Projects Fund	-	6,373,642
Other Governmental Funds	-	475,000
Internal Service Funds:		
Insurance Fund	5,772,234	-
Business-type Activities:		
Proprietary Funds:		
Enterprise Funds:		
Water Fund	2,599,776	-
Sewerage Fund	3,864,684	-
Golf Complex Fund	-	3,000,000
Totals	\$ 12,661,694	\$ 12,661,694

The net internal balances shown on the Statement of Net Position is \$3,464,460, due from governmental activities to business-type activities.

In December 2015, the Mayor approved a \$3,000,000 one-year interfund loan from the Insurance Fund to the Golf Complex Fund to cover working capital. Also approved was a one-day loan of \$50,000 from the Sewerage Fund to the Environmental Mitigation Fund to cover year-end expenditures as well as temporary cash flow shortages. These loans are bearing interest at the City's daily funds rate.

Also executed by the City on December 31, 2015, was a non-interest bearing loan for \$425,000 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 Fund (\$3,350,000), Sewer 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, 2015, the unpaid balances on these loans are \$2,200,704 to Water, \$2,200,704 to Sewer and \$1,972,234 to Insurance for a total of \$6,373,642.

During fiscal year 2014, the City established a \$2,026,104 repayment from the General Fund to the Water (\$798,144) and Sewerage (\$1,227,960) Funds to be repaid over four years, beginning in 2015. During fiscal year 2015, the City chose to make two payments on this loan leaving balances

City of Kent

of \$399,072 payable to Water and \$613,980 to Sewer for a total of \$1,013,052 at December 31, 2015.

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 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 exceed nine years beginning in fiscal year 2016 and accrue 1.2% interest.

TRANSFERS

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
Governmental Funds:		
<u>Major Funds:</u>		
General Fund	\$ 1,209,252	\$ 12,133,832
Capital Resources Fund	7,178,832	7,950,779
Special Assessment Fund	-	4,121,863
Non-voted Debt	17,181,106	-
Street Capital Projects Fund	12,644,513	2,275,993
Other Capital Projects Fund	1,301,516	8,795,956
Subtotal	\$ 39,515,219	\$ 35,278,423
<u>Non-major Funds:</u>		
Street	\$ 2,275,993	\$ 6,348,789
Youth/Teen Programs	-	878,380
Criminal Justice	131,094	-
Parks Capital Projects	800,000	259,310
Technology Capital Projects	1,737,502	360,657
Facilities Capital Projects	136,316	-
Subtotal	\$ 5,080,905	\$ 7,847,136
Total Governmental	\$ 44,596,124	\$ 43,125,559
Proprietary Funds:		
<u>Major Funds:</u>		
Water Utility	\$ -	\$ 66,571
Sewerage Utility	12,750	73,054
Subtotal	\$ 12,750	\$ 139,625
<u>Internal Service Funds:</u>		
Equipment Rental	\$ 19,471	\$ -
Central Services	360,657	1,737,502
Facilities	50,000	36,316
Subtotal	\$ 430,128	\$ 1,773,818
Total Proprietary	\$ 442,878	\$ 1,913,443
Total Transfers	\$ 45,039,002	\$ 45,039,002

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 2015 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 164-165.

City of Kent

7. CAPITAL ASSETS AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2015 changes in governmental capital assets:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 219,464,612	\$ 3,315,998	\$ -	\$ 222,780,610
Construction in Progress	106,361,082	13,817,361	(57,662,539)	62,515,904
Total non-depreciable assets	325,825,694	17,133,359	(57,662,539)	285,296,514
Capital Assets being depreciated:				
Buildings	128,375,957	6,674,140	-	135,050,097
Site Improvements	55,608,154	1,739,505	-	57,347,660
Equipment	57,195,859	1,340,268	(350,682)	58,185,444
Infrastructure	538,623,749	43,030,993	-	581,654,742
Total depreciable assets, gross	779,803,719	52,784,906	(350,682)	832,237,943
Less Accumulated Depreciation for:				
Buildings	(30,208,389)	(3,943,076)	-	(34,151,465)
Site Improvements	(19,201,887)	(3,223,156)	-	(22,425,043)
Equipment	(42,896,924)	(2,103,770)	339,966	(44,660,728)
Infrastructure	(255,200,165)	(11,054,928)	-	(266,255,093)
Total Accumulated Depreciation	(347,507,365)	(20,324,930)	339,966	(367,492,329)
Total depreciable assets, net	432,296,354	32,459,976	(10,716)	464,745,614
Governmental Activities Capital Assets, net				
	\$ 758,122,048	\$ 49,593,335	\$(57,673,255)	\$ 750,042,128

b. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

A summary of Business-type Property, Plant, and Equipment at December 31, 2015 follows:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Business-type Activities:				
Capital Assets not being depreciated:				
Land	\$ 11,368,516	\$ 220,498	\$ -	\$ 11,589,014
Construction in Progress	169,341,428	6,521,260	(133,689,658)	42,173,030
Total non-depreciable assets	180,709,944	6,741,758	(133,689,658)	53,762,044
Capital Assets being depreciated:				
Buildings	5,181,604	-	-	5,181,604
Site Improvements	263,079,050	140,202,099	-	403,281,149
Equipment	4,175,923	797,867	-	4,973,790
Total depreciable assets, gross	272,436,577	140,999,966	-	413,436,543
Less Accumulated Depreciation for:				
Buildings	(4,590,399)	(151,360)	-	(4,741,759)
Site Improvements	(102,719,565)	(6,023,423)	-	(108,742,988)
Equipment	(3,106,095)	(284,862)	-	(3,390,957)
Total Accumulated Depreciation	(110,416,059)	(6,459,645)	-	(116,875,704)
Total depreciable assets, net	162,020,518	134,540,321	-	296,560,839
Business-type Activities Capital Assets, net				
	\$ 342,730,462	\$ 141,282,079	\$(133,689,658)	\$ 350,322,883

City of Kent

c. **DEPRECIATION EXPENSE BY FUNCTION/PROGRAM**

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

Governmental Activities:	
General Government	\$ 1,633,565
Judicial	50,812
Public Safety	412,100
Community Development	11,223
Public Works	11,428,431
Leisure Services	6,755,521
Health and Human Services	33,278
Total Depreciation Expense – Governmental Activities	\$ 20,324,930
Business-type Activities:	
Water	\$ 1,826,812
Sewerage	4,433,802
Golf Complex	199,031
Total Depreciation Expense – Business-type Activities	\$ 6,459,645

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 \$65,432 in 2015 for this lease.

The Golf Complex has leases with Yamaha Leasing for 76 Golf carts with payments of \$6,369 per month ending October 2015. No lease payments are due for the months of November 2015 through February 2016 when a new eight month lease of \$6,368 per month, plus taxes will begin. Additionally the City pays the annual property tax on the rented carts. The City paid \$53,384 in 2015 for this lease.

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

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 110,199
2017	60,000
2018	60,000
2019	15,000
2020	0

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 (c) other non-

current liabilities including contingent loan guarantee obligation, compensated absences, and net pension liability.

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 and 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, 2015 is \$1,066,038,005. For further detail on debt margin, refer to Schedule 15 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 2025. The City's general obligation bonds carry a Moody's "A2" rating as of April 17, 2015 and Standard and Poor's "AA" rating as of April 6, 2015.

(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. As of December 31, 2015, the LID guaranty reserve was \$139,500, which amounts to 10.0 percent of the net outstanding special assessment debt. The reserve account is funded as a cost of establishing a LID, as well as interest income earned on assessment prepayments.

(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

City of Kent

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) at December 31, 2015, totaled \$19,356,148, including unamortized premium, for the 2009 issue, 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.

b. **NON-BONDED DEBT**

Other long-term debt includes contracts, leases 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. 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.

In 2000, Valley Communications Center Development Authority issued \$12,758,000 in general obligation bonds to purchase land and construct and equip a multi-agency emergency dispatch communications agency. The City of Kent is a participant in Valley Com (see note 15 - Joint Venture) and is responsible for 20 percent of the debt service on the bonds. The outstanding 2000 bonds were refinanced in 2010. Interest rates on the 2010 bonds range from 3.0 to 4.0 percent. These bonds were paid off during 2015.

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, 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 30, 2015, has no outstanding arbitrage liability

e. **ADVANCE AND CURRENT REFUNDINGS**

During fiscal year 2015, the City issued \$8,620,000 Series 2015 General Obligation Bonds – Series A & B for the purpose of a current refunding of the outstanding balance of the Series 2006 General Obligation Bonds. Under the terms of the refunding bonds, sufficient assets to pay all principal and interest on the refunded bond issue were placed in an irrevocable trust account at a commercial bank and invested in U.S. Government Securities which, together with interest earned thereon, provided amounts sufficient to call the outstanding 2006 bonds at December 1, 2015. The City had a \$925,045 cash flow savings and an economic gain (the difference between the present value of the

Notes to the Financial Statements December 31, 2015

City of Kent

old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate) of \$844,278.

The following tables are a summary of long-term debt transactions of the City for the year ended December 31, 2015:

LONG-TERM DEBT - GOVERNMENTAL ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/15	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS							
<u>LTGO Councilmanic Bonds:</u>							
Various purposes-taxable	2003	2018	2.3-5.5%	\$ 7,518,000	\$ 7,014,000	\$ 504,000	\$ 159,000
Refund various purposes	2005	2020	4.05%	2,252,000	823,000	1,429,000	244,000
Land, park improvements	2006	2024	4.0-5.0%	12,000,000	12,000,000	-	-
Less: Unamortized discount				(70,493)	(70,493)	-	-
Various purposes	2008	2025	4.1-5.2%	24,000,000	4,735,000	19,265,000	735,000
Less: Unamortized discount				(79,223)	(33,232)	(45,991)	-
Refund 1999 various purposes	2009	2019	3.0-4.0%	8,410,000	4,610,000	3,800,000	895,000
Plus: Unamortized premium				347,076	218,633	128,443	-
Refund various purposes	2012	2022	2.0-4.5%	10,840,000	3,595,000	7,245,000	1,070,000
Plus: Unamortized premium				540,320	169,686	370,634	-
Refund 2004 various purposes	2014	2021	2.0-4.0%	8,671,070	2,765,100	5,905,970	1,123,765
Plus: Unamortized premium				547,704	125,020	422,684	-
Refund 2006 land-taxable	2015	2021	0.6-2.85%	4,380,000	115,000	4,265,000	865,000
Refund 2006 park improve	2015	2024	3.0%	4,240,000	-	4,240,000	-
Plus: Unamortized premium				261,619	7,135	254,484	-
Total General Obligation – LTGO (Net)				83,858,073	36,073,849	47,784,224	5,091,765
OTHER LONG-TERM DEBT:							
Contract-Valley Com refund	2010	2015	3.0-4.0%	1,065,000	1,065,000	-	-
<u>Public Works Trust Fund Loans:</u>							
Street improvements	2003	2023	0.5%	1,000,000	573,099	426,901	53,363
Street improvements	2004	2024	0.5%	8,500,000	4,410,294	4,089,706	454,412
Street improvements	2008	2028	0.5%	5,000,000	1,514,803	3,485,197	268,092
SMG capital loan	2015	2024	0.0%	18,524	-	18,524	2,058
Internal notes	2012	2022	1.52%	9,702,213	9,702,213	-	-
Total other governmental debt				25,285,737	17,265,409	8,020,328	777,925
TOTAL GOVERNMENTAL ACTIVITIES (Net)				\$ 109,143,810	\$ 53,339,258	\$ 55,804,552	\$ 5,869,690

SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/15	Due Within One Year
SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES:							
LID 353 et. al.	2004	2019	2.5-4.7%	\$ 11,758,557	\$ 10,363,557	\$ 1,395,000	\$ 490,000
TOTAL SPECIAL ASSESSMENT BONDS				\$ 11,758,557	\$ 10,363,557	\$ 1,395,000	\$ 490,000

LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/15	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS:							
<u>LTGO Councilmanic Bonds:</u>							
<u>Sewerage Fund:</u>							
Drainage – 04 Refunding	2014	2021	2.0-4.0%	\$ 3,558,930	\$ 1,134,900	\$ 2,424,030	\$ 461,235
Plus: Unamortized Premium				224,798	51,312	173,486	-
Total General Obligation LTGO (Net)				3,783,728	1,186,212	2,597,516	461,235
REVENUE BONDS:							
<u>Water Fund:</u>							
Revenue Bonds Series A	2009	2018	3.0-5.0%	4,560,000	2,912,500	1,647,500	527,500
Plus: Unamortized Premium				286,845	196,271	90,574	-
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	-
Subtotal (Net)				12,786,845	3,108,771	9,678,074	527,500

Notes to the Financial Statements
December 31, 2015

City of Kent

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/15	Due Within One Year
Sewerage Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	4,560,000	2,912,500	1,647,500	527,500
Plus: Unamortized Premium				286,845	196,271	90,574	
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	-
Subtotal (Net)				12,786,845	3,108,771	9,678,074	527,500
Total Revenue Bonds (Net)				25,573,690	6,217,542	19,356,148	1,055,000
Total Bonded Debt				29,357,418	7,403,754	21,953,664	1,516,235
OTHER LONG-TERM DEBT:							
Water Fund:							
Contract-Tacoma Pipeline	2010	2040	2.0-5.62%	11,400,000	795,000	10,605,000	275,000
Contract-Regional Water	2013	2032	4.0-5.0%	14,790,000	615,000	14,175,000	110,000
Public Works Trust Fund Loans:							
Water system improvements 2001		2021	0.5%	10,000,000	6,833,333	3,166,667	527,778
Water system improvements 2002		2022	0.5%	10,000,000	6,281,250	3,718,750	531,250
Subtotal - Water Fund				46,190,000	14,524,583	31,665,417	1,444,028
Sewerage Fund:							
Public Works Trust Fund Loans:							
Drainage system improv	2004	2024	0.5%	1,500,000	825,000	675,000	75,000
Subtotal - Sewerage Fund				1,500,000	825,000	675,000	75,000
Total other business type debt				47,690,000	15,349,583	32,340,417	1,519,028
TOTAL BUSINESS TYPE ACTIVITIES (Net)				\$ 77,047,418	\$ 22,753,337	\$ 54,294,081	\$ 3,035,263

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	
2016	\$ 5,091,765	\$ 1,950,863	\$ 461,235	\$ 88,362	\$ 7,592,225
2017	5,055,330	1,785,735	398,670	74,525	7,314,260
2018	4,988,895	1,604,186	336,105	62,565	6,991,751
2019	4,885,350	1,412,012	334,650	49,121	6,681,133
2020	4,561,010	1,219,696	549,990	35,735	6,366,431
2021-2025	22,071,620	2,953,553	343,380	13,735	25,382,288
Total	\$ 46,653,970	\$ 10,926,045	\$ 2,424,030	\$ 324,043	\$ 60,328,088

The estimated annual debt service requirements to maturity for special assessment bonds are as follows:

Year	Governmental Activities		Total
	Principal	Interest	
2016	\$ 490,000	\$ 64,868	\$ 554,868
2017	475,000	42,083	517,083
2018	430,000	19,995	449,995
Total	\$ 1,395,000	\$ 126,946	\$ 1,521,946

Special assessment bonds amortization amounts are estimated since they are not term bonds, but are called as special assessment revenue is collected.

City of Kent

Revenue bond debt service requirements to maturity are as follows:

Year	Water Revenue Bonds		Sewerage Revenue Bonds		Total
	Principal	interest	principal	interest	
2016	\$ 527,500	\$ 534,172	\$ 527,500	\$ 534,172	\$ 2,123,344
2017	550,000	513,072	550,000	513,072	2,126,144
2018	570,000	491,072	570,000	491,072	2,122,144
2019	600,000	462,572	600,000	462,572	2,125,144
2020	620,000	432,212	620,000	432,212	2,104,424
2021-2025	3,452,500	1,613,526	3,452,500	1,613,526	10,132,052
2026-2030	3,267,500	509,643	3,267,500	509,643	7,554,286
Total	\$ 9,587,500	\$ 4,556,269	\$ 9,587,500	\$ 4,556,269	\$ 28,287,538

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	
2016	\$ 777,924	\$ 41,945	\$ 1,519,028	\$ 1,080,719	\$ 3,419,616
2017	777,924	37,821	1,549,028	1,061,277	3,426,050
2018	777,924	33,697	1,549,028	1,040,435	3,401,084
2019	777,924	29,573	1,779,028	1,019,793	3,606,318
2020	777,924	25,449	1,809,028	987,850	3,600,251
2021-2025	3,326,430	65,915	7,045,277	4,375,622	14,813,244
2026-2030	804,278	8,042	8,710,000	2,761,134	12,283,454
2031-2035	-	-	5,450,000	988,850	6,438,850
2036-2040	-	-	2,930,000	328,829	3,258,829
Total	\$ 8,020,328	\$ 242,442	\$ 32,340,417	\$ 13,644,509	\$ 54,247,696

DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:

The City of Kent Special Events Center Public Facilities District (PFD) has outstanding bonded debt (net of unamortized amounts) of \$59,430,869.

The following is a summary of bonded debt issuance and redemption information as of December 31, 2014:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/15	Due Within One Year
BONDED DEBT:							
Sales Tax Bonds	2008	2037	4-5.25%	\$ 53,150,000	\$ -	\$ 53,150,000	\$ -
Plus: Unamortized Premium				910,604	39,735	870,869	-
Revenue Bonds	2008	2020	3.16-5.75%	10,130,000	4,720,000	5,410,000	980,000
Total bonded debt (Net)				64,190,604	4,759,735	59,430,869	980,000
OTHER NON-BONDED DEBT:							
Note payable	2008	2037	0.19-1.2%	21,938,203	-	21,938,203	-
TOTAL PFD (Net)				\$ 86,128,807	\$ 4,759,735	\$ 81,369,072	\$ 980,000

City of Kent

The Special Events Center Public Facilities District's annual debt service requirements to maturity for their sales tax and revenue bonds are as follows:

Special Events Center Public Facilities District			
Year	Principal	Interest	Total
2016	\$ 980,000	\$ 2,973,244	\$ 3,953,244
2017	1,100,000	2,921,755	4,021,755
2018	1,250,000	2,862,861	4,112,861
2019	1,400,000	2,794,061	4,194,061
2020	1,565,000	2,714,905	4,279,905
2021-2025	10,725,000	12,230,048	22,955,048
2026-2030	16,990,000	9,026,763	26,016,763
2031-2035	17,700,000	4,213,475	21,913,475
2036-2040	6,850,000	510,500	7,360,500
Total	\$ 58,560,000	\$40,247,612	\$ 98,807,612

The following is a summary of changes in non-current liabilities reported in the government-wide financial statements for the year ended December 31, 2015

	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	\$ 51,818,355	\$ 8,620,000	\$13,784,385	\$ 46,653,970	\$ 5,091,765	\$ 41,562,205
Premiums	1,079,581	261,619	164,955	1,176,245	-	1,176,245
Discounts	(87,578)	-	(41,587)	(45,991)	-	(45,991)
Net general obligation bonds	52,810,358	8,881,619	13,907,753	47,784,224	5,091,765	42,692,459
Special assessment bonds with Governmental commitment	1,980,000	-	585,000	1,395,000	490,000	905,000
Total bonds payable (net)	54,790,358	8,881,619	14,492,753	49,179,224	5,581,765	43,597,459
Non-bonded long-term liabilities:						
Instalment loans & contracts	16,557,914	18,524	8,556,110	8,020,328	777,925	7,242,403
Contingent loan guarantee obligation	76,809,813	314,468	5,475,873	71,648,408	-	71,648,408
Net Pension Liability	-	28,265,050	-	28,265,050	-	28,265,050
Compensated Absences:						
General government	3,735,152	3,688,493	3,532,705	3,890,940	1,503,406	2,387,534
Internal service funds	433,024	398,990	385,509	446,505	198,118	248,387
Total compensated absences	4,168,176	4,087,483	3,918,214	4,337,445	1,701,524	2,635,921
Total non-bonded long-term liabilities	97,535,903	32,685,525	17,950,197	112,271,231	2,479,449	109,791,882
Total	\$152,326,261	\$41,567,144	\$32,442,950	\$161,450,455	\$ 8,061,214	\$153,389,341
BUSINESS TYPE ACTIVITIES:						
Bonds payable:						
General obligation bonds	\$ 2,937,645	\$ -	\$ 513,615	\$ 2,424,030	\$ 461,235	\$ 1,962,795
Premiums	202,807	-	29,321	173,486	-	173,486
Net general obligation bonds	3,140,452	-	542,936	2,597,516	461,235	2,136,281
Revenue bonds	20,190,000	-	1,015,000	19,175,000	1,055,000	18,120,000
Premiums	243,172	-	62,024	181,148	-	181,148
Net revenue bonds	20,433,172	-	1,077,024	19,356,148	1,055,000	18,301,148
Total bonds payable (net)	23,573,624	-	1,619,960	21,953,664	1,516,235	20,437,429
Non-bonded long-term liabilities:						
Instalment loans & contracts	33,979,444	-	1,639,027	32,340,417	1,519,028	30,821,389
Net Pension Liability	-	2,370,839	-	2,370,839	-	2,370,839
Compensated absences	412,992	474,114	436,582	450,524	272,499	178,025
Total non-bonded long-term liabilities	34,392,436	2,844,953	2,075,609	35,161,780	1,791,527	33,370,253
Total	\$ 57,966,060	\$ 2,844,953	\$ 3,695,569	\$ 57,115,444	\$ 3,307,762	\$ 53,807,682

Notes to the Financial Statements
December 31, 2015

City of Kent

	Beginning Balances	Additions	Reductions	Ending Balances	Amount Due Within One Year	Amount Due In More Than One Year
SPECIAL EVENTS CENTER PFD:						
Bonds payable:						
Sales tax bonds	\$53,150,000	\$ -	\$ -	\$53,150,000	\$ -	\$ 53,150,000
Premium	910,604	-	39,735	870,869	-	870,869
Revenue bonds	6,275,000	-	865,000	5,410,000	980,000	4,430,000
Total bonds payable (net)	60,335,604	-	904,735	59,430,869	980,000	58,450,869
Non-bonded long-term liabilities:						
Instalment loans & contracts	18,719,297	3,218,906	-	21,938,203	-	21,938,203
Total	\$79,054,901	\$ 3,218,906	\$ 904,735	\$81,369,072	\$ 980,000	\$ 80,389,072

10. FUND BALANCE

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.

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 three Enterprise Funds. Information pertaining to each fund 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. Water rates did not change in 2015. This follows a three percent increase in fees on January 1, 2014.

Shown below are the new rates effective as of January 1, 2014 through 2015 compared to 2013 rates:

Meter Access Fee Rates (monthly)

Meter Size	Effective 2013	Effective 2014 & 2015
3/4" or 5/8"	\$ 12.72	\$ 13.10
1"	21.61	22.26
1½"	32.99	33.98
2"	43.73	45.04
3"	92.72	95.50
4"	112.35	115.72
6"	166.89	171.90
8"	213.98	220.40
10"	273.27	281.47

Usage Rates 2013

		Inside City Limits	Outside City Limits
Monthly			
Summer (5/1-9/30)	First 700 cu. ft.	\$3.99 per 100 cu. ft.	\$4.88 per 100 cu. ft.
	Over 700 cu. ft.	\$5.09 per 100 cu. ft.	\$5.99 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$3.03 per 100 cu. ft.	\$3.99 per 100 cu. ft.
	Over 700 cu. ft.	\$4.10 per 100 cu. ft.	\$5.09 per 100 cu. ft.

Usage Rates 2014 & 2015

		Inside City Limits	Outside City Limits
Monthly			
Summer (5/1-9/30)	First 700 cu. ft.	\$4.11 per 100 cu. ft.	\$5.02 per 100 cu. ft.
	Over 700 cu. ft.	\$5.24 per 100 cu. ft.	\$6.17 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$3.12 per 100 cu. ft.	\$4.11 per 100 cu. ft.
	Over 700 cu. ft.	\$4.22 per 100 cu. ft.	\$5.24 per 100 cu. ft.

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 wastes to METRO, a regional treatment agency under King County. All collection districts in King County contract with METRO for sewage treatment. Rate increases for sewer are primarily related to pass through charges from METRO. For fiscal year 2015 the single family residential rates for sewer were a City fee of \$18.68 per month

City of Kent

and a METRO fee of \$42.03 per month for a total monthly fee of \$60.71. All other than single family residential customers pay a sewer rate of \$8.09 per 100 cubic feet of their water consumption with a minimum base rate of \$60.71 per month.

The drainage operation started in May 1985 and collects revenue to fund operating charges. Effective January 1, 2015, the drainage fee for single family residences increased five percent from \$11.64 to \$12.22 per month. The rate for multi-family and commercial establishments varies based on the property size, percentage of impervious surface, and the basin or basins in which the property is located.

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

	Amounts shown in thousands		
	Sewer	Drainage	Total
Operating Revenue	\$ 27,437	\$ 19,022	\$ 46,459
Operating Expenses	29,227	11,553	40,780
Operating Income	\$ (1,790)	\$ 7,469	\$ 5,679

c. **GOLF COMPLEX**

In 1981, the City purchased a golf facility that included a 9-hole executive golf course, a mini-putt facility, and a driving range. An 18-hole golf course was completed in 1989. During 2000, the City entered into a lease agreement with an outside party to build and operate a restaurant at the 18-hole course. The City operates the golf facilities, runs the merchandising operation, and provides all of the maintenance at the complex. The Golf Complex Fund collects all revenues and pays all expenses. The complex had a decrease of net position of \$393,905 in 2015, and net position of \$2,707,128 at December 31, 2015.

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 on February 14 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 Debt Service Funds receivables at December 31, 2015 include \$467,672 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 Kent Regional Fire

City of Kent

- 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 2015, the City's regular tax levy was \$1.576 per \$1,000 of assessed valuation based on the 2014 assessed valuation of \$14,068,213,406 for a total regular levy of \$22,091,369.

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. Compensated absences payable includes the sick leave buy-out for retired and separated police officers as well as vacation and compensatory leave for all employees per GASB Statement No. 16.

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 are eligible to receive compensation for accrued sick leave exceeding 1,040 hours at December 31. The City also pays all eligible employees a sick leave incentive amount based on the number of sick days accrued at year end. The amount paid equates from 8 to 32 hours at base pay.

In the Governmental Activities Statement of Net Position, the current portion of compensated absences plus estimated benefits, including internal services, is estimated to be \$1,701,524 and the estimated long term portion, including internal services is \$2,635,921. The liabilities are typically liquidated by the general 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. In the Business-type Activities Statement of Net Position, the estimated current amount is \$272,499 and the estimated long-term portion is \$178,025.

City of Kent

b. RETIREMENT

The City's contributions to retirement programs in 2015 were:

To Federal Social Security System	\$3,948,782
To State administered employee retirement systems	<u>4,582,995</u>
Total	<u>\$8,531,777</u>

Retirement payments to City employees from all City funds in 2015 were:

From Firemen's Relief and Pension Fund	<u>\$ 383,121</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 2015.

Aggregate Pension Amounts – All Plans	
Pension assets	\$ 6,960,671
Deferred outflows of resources	5,186,820
Pension liabilities	(30,820,646)
Deferred inflows of resources	(6,645,031)
Pension expense/expenditures	3,884,494

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

The following disclosures are made pursuant to GASB Statement No. 68, Accounting and Financial Reporting for Pensions as amended by GASB Statement No. 71 Pension Transition for Contributions Made Prior To the Measurement Date.

(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 to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

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

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

The city's actual contributions to the plan were \$1,482,318 for the year ended December 31, 2015, 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 adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The

PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

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

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

The city's actual contributions to the plan were \$1,701,232 for the year ended December 31, 2015.

(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 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

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

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The city's actual contributions to the plan were \$764,215 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2. The City recognized \$505,299 in intergovernmental revenues and pension expense in 2016 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),
- 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 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The city's actual contributions to the plan were \$121,431 for the year ended December 31, 2015.

(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 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's

(OSA) *2007-2012 Experience Study*.

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

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

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

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

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

Discount Rate

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

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

liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of NPL

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

Pension Trust	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS 1	\$ 20,540,556	\$ 16,871,057	\$ 13,715,624
PERS 2/3	39,901,313	13,645,898	(6,456,889)
PSERS 2	903,737	118,934	(439,331)
LEOFF 1	(1,024,733)	(1,601,763)	(2,093,573)
LEOFF 2	5,366,599	(5,358,908)	(13,430,259)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the city's reported a total pension liability of \$30,820,646 (including \$184,757 for the Firemen's Pension) and a total pension asset of \$6,960,671 for its proportionate share of the DRS net pension liabilities as follows:

Plan	Liability (Asset)
PERS 1	\$ 16,871,057
PERS 2/3	13,645,898
PSERS 2	118,934
LEOFF 1	(1,601,763)
LEOFF 2	(5,358,908)

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

	Liability/ (Asset)
LEOFF 2 – employer's proportionate Share	\$ (5,358,908)
LEOFF 2 – State's proportionate share of the net pension liability (asset) associated with the employer	(3,543,312)
TOTAL	\$ (8,902,220)

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

Plan	Proportionate Share 6/30/15	Proportionate Share 6/30/14	Change in Proportion
PERS 1	0.322525%	0.316392%	0.006133%
PERS 2/3	0.381911%	0.365993%	0.015918%
PSERS 2	0.651624%	0.653033%	-0.001409%
LEOFF 1	0.132902%	0.134442%	-0.001540%
LEOFF 2	0.521396%	0.497342%	0.024054%

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

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

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer

contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

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

Pension Expense

For the year ended December 31, 2015, the city recognized pension expense as follows for the DRS plans:

Plan	Pension Expense
PERS 1	\$ 1,189,132
PERS 2/3	1,520,435
PSERS 2	140,754
LEOFF 1	(304,999)
LEOFF 2	299,901
	<u>\$ 2,845,223</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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	-	923,031
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	951,956	-
TOTAL	\$ 951,956	\$ 923,031

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,450,563	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	3,642,808
Changes of assumptions	21,987	-
Changes in proportion and differences between contributions and proportionate share of contributions	512,186	-
Contributions subsequent to the measurement date	1,155,141	-
TOTAL	\$ 3,139,877	\$ 3,642,808

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 111,428	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	58,992
Changes of assumptions	736	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	62,270	-
TOTAL	\$ 174,434	\$ 58,992

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	-	-
Changes of assumptions	-	270,409
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 270,409

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 469,262	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,623,721
Changes of assumptions	14,135	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	126,070
Contributions subsequent to the measurement date	392,734	-
TOTAL	\$ 876,131	\$ 1,749,791

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

Year Ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2016	\$ (357,735)	\$ (838,395)	\$ (4,862)	\$ (104,929)	\$ (566,021)
2017	(357,735)	(838,395)	(4,862)	(104,929)	(566,021)
2018	(357,735)	(838,400)	(4,862)	(104,929)	(566,021)
2019	150,174	857,118	30,326	44,377	349,211
2020	-	-	18,681	-	68,721
Thereafter	-	-	18,679	-	13,743

(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, 2014 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, 2015, the Plan held investments in the Federal Home Loan Mortgage Corporation (federal government backed securities) with a fair market value of \$1,930,042

Net Pension Liability

Firefighters’ Pension Fund				
GASB Statement No. 67 Net Pension Liability				
	<u>December 31, 2014</u>		<u>December 31, 2015</u>	
Total pension liability	\$	2,220,000	\$	2,791,720
Fiduciary net position *		2,736,694		2,606,963
Net pension liability (asset)		(515,815)		184,757
Fiduciary net position as a % of total pension liability		123.23%		93.38%

* Fiduciary net position in this table is before posting the net pension obligation (asset) to the financial statements.

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, 2014	January 1, 2014
Measurement Date	December 31, 2014	December 31, 2014
Inflation	2.50 %	2.50%
Salary increases		
Including inflation	3.50%	3.50%

Mortality	RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, 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 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%

Discount Rate

	December 31, 2014	December 31, 2015
Discount rate	3.50%	3.50%
Long-term expected rate of return, Net of investment expense	3.50%	3.50%
Municipal bond rate	3.50%	3.50%

The projection of cash flows used to determine the discount rates assumes no employee contributions and that employer contributions will equal the actuarially determined contribution rates.

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. Determining the discount rate under GASB Statement No. 67 will often require that the actuary perform complex projections of future benefit payment and asset values.

The Actuaries believe that the assumption of 3.50% as of December 31, 2015 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 3.57% as of December 31, 2015. Rounding this to the nearest ¼% results in a discount rate of 3.50%. Using 3.50% for both the long-term expected rate of return and the bond index means 3.50% 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 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total pension liability	\$ 3,086,339	\$ 2,791,720	\$ 2,539,711
Fiduciary net position *	2,606,963	2,606,963	2,606,963
Net pension liability (asset)	\$ 479,376	\$ 184,757	\$ (67,252)

* Fiduciary net position in this table is before posting the net pension obligation (asset) to the financial statements.

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, 2015.

Asset Class	Index	Long-term Expected Real Rate of Return
Cash	Citigroup 90 Day T-Bills	0.65%
Long-term Bonds	Barclays Long Gov/Cred	3.05%
Assumed Inflation – Mean		2.25%
Long-Term Expected Rate of Return		3.50%

**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, 2014	\$ 2,220,879	\$ 2,736,694	\$ (515,815)
Changes for the year:			
Service costs	-	-	-
Interest on total pension liability	75,005	-	75,005
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	357,176	-	357,176
Effects of assumptions changes or inputs	295,781	-	295,781
Benefit payments	(157,121)	(157,121)	-
Medical payments from fund	-	(226,000)	226,000
Employer contributions	-	-	-
Contributions from state fire insurance premium tax	-	219,032	(219,032)
Net investment income	-	37,358	(37,358)
Administrative expenses	-	(3,000)	3,000
Balance as of December 31, 2015	\$ 2,791,720	\$ 2,606,963	\$ 184,757

Note: Fiduciary net position in this table is before posting the net pension obligation (asset) to the financial statements.

For the year ended December 31, 2015, the City recognized pension expense of \$1,039,271. At December 31, 2015, 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	44,422	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ 44,422	\$ -

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
2016	\$ 11,105
2017	11,105
2018	11,105
2019	11,105

(6) Retirement Health Care Benefits-LEOFF I Retirement System

During the year ended December 31, 2007, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45), which requires the City to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the City, under GASB No. 45, has recorded an asset of \$366,923 for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. Such asset is included in restricted assets in the December 31, 2015 statement of net position. The effect of GASB No. 45 for the current fiscal year was to increase the City's excess of revenue over expenses and the City's net position for the year ended December 31, 2015 by approximately \$31,705.

Plan Description: The City of Kent Health Plan for LEOFF I Retirees (the Health Plan) is a single-employer defined-benefit healthcare plan administered by the City. The Health Plan provides medical, prescription drug, dental, vision, long-term care, and other unreimbursed medical benefits to eligible retirees. The Health Plan's actuary is Healthcare. The Health Plan does not issue a separate stand-alone financial report.

Funding policy: Retirees are not required to contribute to the Health Plan.

For the fiscal year ended December 31, 2015, the City contributed an estimated \$1,275,431 to the Health Plan. Of amount, \$12,215 was used to prefund benefits.

Annual OPEB Cost and Net OPEB Obligation: The basis for the City's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, we project will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following displays the components of the City's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the City's net OPEB obligation to the Health Plan:

	12/31/15
Amortization of unfunded actuarial accrued liability (UAAL)	\$ 1,229,119
ARC	1,229,119
Interest on net OPEB obligation	(1,341)
Adjustment to annual required contribution	15,948
Annual OPEB cost (expense)	1,243,726
Contributions made	(1,275,431)
Increase(decrease) in net OPEB obligation	(31,705)
Net OPEB obligation (asset)-beginning of year	(335,218)
Net OPEB obligation (asset)-end of year	\$ (366,923)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation follow:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Obligation
December 31, 2015	\$ 1,243,726	102.5%	\$ (366,923)
December 31, 2014	1,256,035	79.1%	(335,218)
December 31, 2013	1,256,035	72.7%	(597,441)

Funded Status and Funding Progress: The funded status of the Health Plan as of December 31, 2015, the date of the last actuarial valuation, follows:

Actuarial accrued liability (AAL) – Unit Credit	\$25,696,355
Actuarial value of plan assets	1,109,532
Unfunded actuarial accrued liability (UAAL)	24,586,823
Funded ratio (actuarial value of plan assets/AAL)	4.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, present multi-year trend information that shows whether the actuarial value of Health Plan assets in increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and Assumptions: The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the City and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and members of the Health Plan to

that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2015 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 0.40% investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 8.0% for medical/prescription drug/unreimbursed medical expenses and 4.0% for dental, reduced by decrements to ultimate rates of 4.2% and 4.0% after 73 years and 4 years, respectively. The vision and long-term care trend rates are 4.0% for all years. All trend rates included a 3.0% inflation assumption. Recalculation of the UAAL occurs each year and the amortization is a level dollar amount on a closed basis. The remaining amortization period at December 31, 2015 was 21.0 years.

LIFE INSURANCE

Life insurance is provided for full time employees through Standard Life Insurance Company. Full-time employees are covered immediately. All employees have paid life insurance equal to their annual salary up to \$50,000. The City contributed \$98,523 during 2015 for this coverage.

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, as of January 1, 1998, no longer records the fair value of the assets of the deferred compensation 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.

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 2015 and 2014 as carried in the City's Internal Service Funds and the General Fund:

City of Kent

	Worker's Compensation		Medical and Dental		Liability		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Claims liabilities, 1/1	\$ 1,789,935	\$ 2,436,279	\$ 780,700	\$ 705,200	\$ 1,662,291	\$ 1,478,030	\$ 4,232,926	\$ 4,619,509
Less: Claims paid	(873,745)	(627,747)	(10,670,352)	(9,390,568)	(511,268)	\$ (404,589)	(12,055,365)	(10,422,904)
Plus claims and Changes in estimates	577,771	(18,597)	10,517,952	9,466,068	287,682	588,850	11,383,405	10,036,321
Claims Liabilities 12/31	\$ 1,493,961	\$ 1,789,935	\$ 628,300	\$ 780,700	\$ 1,438,705	\$ 1,662,291	\$ 3,560,966	\$ 4,232,926

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 \$73,398 in unemployment compensation claims in fiscal year 2015. At December 31, 2015, fund equity was \$1,038,938.

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, 2013 projected ultimate loss for 2015 of \$1,075,305. At December 31, 2015, incurred but not reported and claims payable were estimated at \$1,493,961. At December 31, 2015 fund equity was \$2,541,813. A contingency reserve of \$123,078 was set up for a worker's compensation claim. 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 a public official bonds.

At December 31, 2015, the City booked a liability for open and incurred but not reported claims to equal estimated outstanding claims liability of \$1,438,705. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2015.

At December 31, 2015, fund equity was \$2,452,655. In 2015, the City expensed \$1,187,054 for its liability claims and insurance coverage.

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.

City of Kent

At December 31, 2015 fund equity was \$348,579. In 2015, the City expensed \$471,003 for its property claims and insurance coverage.

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. Group Health 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 2014, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$9,688,160. 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 decreased from \$780,700 as of December 31, 2014 to \$628,300 as of December 31, 2015. These amounts include the estimated IBNR for LEOFF1 Retirees of \$37,900 as of December 31, 2014 and \$53,900 as of December 31, 2015.

Group Health Cooperative provided health care to approximately five percent of the employees for 2015 premiums of \$354,965.

The fund's net position decreased by \$826,043 to \$6,231,584 at December 31, 2015. In 2015, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

f. **FINANCIAL HIGHLIGHTS**

The 2015 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	\$ 900,879	\$ 1,513,059	\$3,094,908	\$2,500,807	\$ 121,931	\$ 8,131,584
Other investments	140,229	616,674	1,505,835	-	-	2,262,738
Receivables:						
Accounts	-	-	33,456	-	-	33,456
Accrued interest	242	643	1,218	-	-	2,103
Due from other funds	-	1,500,000	500,000	1,000,000	-	3,000,000
Interfund loans receivable	-	400,000	1,972,234	400,000	-	2,772,234
Prepaid expenses	699	93,619	5,672	695,875	229,759	1,025,624
Deferred outflows related to pensions	-	20,821	12,493	-	-	33,314
Total assets & deferred outflows	\$1,042,049	\$ 4,144,816	\$7,125,816	\$4,596,682	\$ 351,690	\$17,261,053
LIABILITIES & DEFERRED INFLOWS						
Current:						
Vouchers Payable	\$ -	\$ 67,988	\$ 240,379	\$ 692,677	\$ -	\$ 1,001,044
Accrued expenses	343	1,503,122	590,751	1,440,278	343	3,534,837
Compensated absences - current	2,768	11,072	8,767	11,072	2,768	36,447
Long-term:						
Compensated absences	-	-	41,842	-	-	41,842
Net pension liability	-	90,490	54,294	-	-	144,784
Deferred inflows related to pensions	-	24,157	14,494	-	-	38,651
Total liabilities & deferred inflows	3,111	1,696,829	950,527	2,144,027	3,111	4,797,605
NET POSITION	1,038,938	2,447,987	6,175,289	2,452,655	348,579	12,463,448
TOTAL LIABILITIES & NET POSITION	\$1,042,049	\$ 4,144,816	\$7,125,816	\$4,596,682	\$ 351,690	\$17,261,053

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
INCOME STATEMENT						
OPERATING REVENUES	\$ 398,682	\$ 1,095,063	\$10,510,299	\$1,129,999	\$ 582,850	\$13,716,893
OPERATING EXPENSES	98,860	680,623	11,374,428	1,187,054	471,003	13,811,968
OPERATING INCOME	299,822	414,440	(864,129)	(57,055)	111,847	(95,075)
NON-OPERATING REVENUES (EXPENSES)	(1,041)	318	38,806	5,933	87	44,103
NET INCOME	298,781	414,758	(825,323)	(51,122)	111,934	(50,972)
NET POSITION 1/1	740,157	2,033,229	7,000,612	2,503,777	236,645	12,514,420
NET POSITION 12/31	\$1,038,938	\$ 2,447,987	\$6,175,289	\$2,452,655	\$ 348,579	\$12,463,448

15. **JOINT VENTURE**

The "Valley Communications Center" (Valley Com) was established August 20, 1976, by an Interlocal Agreement between the cities of Renton, Kent, 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 until all bonds issued by Valley Communications Center Development Authority have been defeased.

During 2000, the Valley Communications Center Development Authority was created to issue \$12,758,000 in General Obligation Bonds to finance construction, equipment, and land for a new facility opened in 2002. Each of the five participating cities is responsible for one-fifth of the debt obligation, which came to \$2,551,600. On March 5, 2010, Valley Communications refunded the bonds in the amount of \$5,325,000 to mature in 2015 like the original issue. With the 2010 refunding, the City reduced its portion of the 2000 bond debt by \$4,000. The five participating cities pay the debt service costs through Valley Communications Development Authority. In 2015, the City paid \$220,000 towards this debt, which was the final payment on this debt.

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, #39, #40, #43, #44, #47; Kent Regional Fire Authority (RFA), City of Pacific Police and Fire Departments; City of Algona Police Department; City of Des Moines Police Department, City of Black Diamond Police and Fire Departments, SeaTac Fire Department, North Highline Fire Department, Vashon Island Fire Department, 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

City of Kent

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 2015 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	107,575	27.15%
Renton	78,046	19.69%
Auburn	92,008	23.22%
Tukwila	34,477	8.70%
Federal Way	84,170	21.24%
Totals	396,276	100.00%

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.

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

	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Percent of Equity	30.21%	21.52%	21.01%	11.67%	15.59%	100.00%
Equity 12/1/14	\$ 7,530,786	\$ 5,350,251	\$ 5,079,377	\$2,974,283	\$ 3,619,944	\$ 24,554,641
Prior period adjustment*	(2,640,908)	(1,876,235)	(1,781,244)	(1,043,026)	(1,269,448)	(8,610,861)
Restated Equity 12/31/14	4,889,877	3,474,017	3,298,133	1,931,257	2,350,496	15,943,780
Current Year Increase	649,015	470,862	555,097	208,004	507,809	2,390,787
Equity 12/31/15	\$ 5,538,892	\$ 3,944,879	\$ 3,853,230	\$2,139,261	\$ 2,858,305	\$ 18,334,567

- Prior period adjustment is for the implementation of GASB Statement No.68

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. For the fiscal year ended December 31, 2015, the PFD generated \$830,948 in revenue and had net position of \$(80,532,873).

Per GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 61, the City has chosen to include 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 payment. The District issued \$63,280,000 in bonds in 2008 (see Note 9 – *Long-Term Indebtedness*). The Contingent Loan and Support Agreement remains in effect for the life of bonds. The bonds mature annually on December 1 until 2037 with semiannual interest payments. There is \$58,560,000 outstanding on these bonds at December 31, 2015. As of December 31, 2015, the City has loaned the District \$21,677,674 and accrued interest of \$260,529 for a total of \$21,938,203. The City loaned the District \$3,184,222, in 2015. 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 Assets for \$71,648,408, the present value of estimated future payments under the guarantee agreement.

City of Kent

The liability recognized for the financial guarantee at December 31, 2015 is as follows:

Beginning of year	Increases	Decreases	End of Year
\$ 76,809,813	\$ 314,468	\$5,475,873	\$ 71,648,408

18. COMMITMENTS

As of December 31, 2015, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$ 27,690,484
Parks Capital Projects	2,405,553
Miscellaneous Projects	5,270,730
Technology Capital Projects	2,035,419
Facilities Fund Capital Projects	1,141,220
Facilities Fund	1,120,535
Water Capital Projects	11,912,361
Sewerage Capital Projects	21,415,346
Total	\$ 72,991,648

19. PRIOR PERIOD ADJUSTMENTS

With the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the City reported a prior period adjustment on its government-wide and proprietary fund financial statements for December 31, 2015 for the effect of certain pension liabilities and deferred inflows and outflows as follows:

Government-wide statements:	
Governmental activities	\$ 23,901,679
Business-type activities	2,489,629
Total	\$ 26,391,308
Proprietary fund statements:	
Water Fund	\$ 646,163
Sewer Fund	931,235
Golf Complex Fund	912,231
Total enterprise funds	\$ 2,489,629
Internal Service Funds	\$ 1,539,390

Additionally, the City corrected an accounting error for how it previously accounted for certain internal loans. The effect of this correction was a prior period adjustment of \$7,560,243 in the Other Capital Projects Fund.

The City also corrected an accounting error for how it recognized the previous net pension asset (\$515,815) in the fiduciary fund statements. The net pension liability/(asset), along with pension related deferred outflows/(inflows) are the responsibility of the City and should be reported in governmental activities on the government-wide statements.

20. SUBSEQUENT EVENTS

On April 21, 2016 the City received an upgrade on the General Obligation Bonds of the City and the Kent Public Facilities District from Standard & Poor's Rating Services from AA to AA+.

City of Kent

On June 15, 2016, the City issued \$64,525,000 in general obligation bonds for the purpose of refunding \$16,945,000 of Series 2008A general obligation bonds and \$53,150,000 of Public Facilities District (PFD) Sales Tax Bonds.

Although the bonds will now be a formal debt of the City of Kent, the City and the PFD have entered into an Interlocal Financing Agreement whereby the City agrees to lend the District the proceeds of the 2016 Refunding bonds, and the District hereby borrows said sum from the City for the purpose of refunding the PFD's 2008 Sales Tax Bonds. The District agrees, in satisfaction of the District Bond, to remit all sales tax revenue and other Special Events Center revenues which are received by and available to the District to the City for the purpose of enabling the City to pay the principal of and interest on the 2016 Refunding Bonds on their scheduled maturity dates or earlier mandatory installment redemption dates.

If at any time the sales tax revenue and other Special Events Center revenues are insufficient to provide for the payment of principal of and interest on the 2016 Refunding Bonds, the City shall provide for that deficiency from other available City revenues (city advance), and the amount of the city advance shall be deemed an additional loan by the City to the District. The District shall repay any city advances from available sales tax revenue and other Special Events Center revenues. The outstanding principal amount of any city advance shall bear interest at a rate set by the City's Finance Director on the date a loan is made, based on the then-current yield of the City's pooled investments.



RETIREMENT HEALTH CARE BENEFITS -- LEOFF 1 RETIREMENT SYSTEM
Schedule of Funding Progress
As of December 31, 2015 *

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ¹ [(b-a)/c]
December 31, 2010	\$ 647,099	\$ 20,959,291	\$ 20,312,192	3.1%	119,207	17039%
December 31, 2013	862,223	28,375,494	27,513,271	3.0%	-	N/A
December 31, 2015	1,109,532	25,696,355	24,586,823	4.3%	-	N/A

* Most recent actuarial study

¹ The last employee eligible for LEOFF 1 benefits retired in fiscal year 2012

City of Kent

Required Supplementary Information

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

	Fiscal Year Ending December 31		
	2006	2007	2008
Actuarially determined contribution	\$ (114,942)	\$ (70,193)	\$ (59,543)
Actual employer contribution *	(114,942)	(70,193)	(59,543)
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 contributions.

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. 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 in the table above.

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

**Firefighters' Pension Fund
GASB Statement No. 67 Money-Weighted Rate of Return
Last Two Fiscal Years ***

Fiscal Year Ending December 31	Net Money- Weighted Rate of Return
2014	1.96%
2015	1.40%

* 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.

City of Kent

Required Supplementary Information

Fiscal Year Ended December 31						
2009	2010	2011	2012	2013	2014	2015
\$ (62,265)	\$ (64,151)	\$ (48,662)	\$ (59,033)	\$ (41,988)	\$ (47,101)	\$ (6,968)
(62,265)	(64,151)	(48,662)	(59,033)	(41,988)	(47,101)	(6,968)
-	-	-	-	-	-	-

City of Kent

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Changes in Pension Liability and Related Ratios

Last Two Fiscal Years *

(Thousands \$)

	Fiscal Year Ending December 31	
	2014	2015
Total Pension Liability		
Service cost	\$ -	\$ -
Interest on total pension liability	77	75
Effect of plan changes	-	-
Effect of economic/demographic gains (losses)	-	357
Effect of assumption changes or inputs	67	296
Benefit payments	(143)	(157)
Net change in total pension liability	1	571
Total pension liability - beginning	2,220	2,221
Total pension liability - ending (a)	\$ 2,221	\$ 2,792
Fiduciary Net Position		
Employer contributions	\$ -	\$ -
Contribution for state fire insurance premium tax	179	219
Investment income net of investment expenses	55	37
Benefit payments	(144)	(157)
Medical payments from fund	(226)	(226)
Administrative expenses	(8)	(3)
Net change in fiduciary net position	(144)	(130)
Fiduciary net position - beginning	2,881	2,737
Fiduciary net position - ending (b)	\$ 2,737	\$ 2,607
Net pension liability (asset) - ending = (a) - (b)	\$ (516)	\$ 185
Fiduciary net position as a percentage of total pension liability	123.23%	93.37%

* 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]

SCHEDULE OF EMPLOYER CONTRIBUTIONS

As of December 31

Last One Fiscal Year *

	2015
PERS 1	
Statutorily or contractually required contributions	\$ 1,482,318
Contributions in relation to the statutorily or contractually required contributions	1,482,318
Contribution deficiency (excess)	-
Covered employee payroll	520,124
Contributions as a percentage of covered employee payroll	284.99%
PERS 2/3	
Statutorily or contractually required contributions	\$ 1,701,232
Contributions in relation to the statutorily or contractually required contributions	1,701,232
Contribution deficiency (excess)	-
Covered employee payroll	33,923,217
Contributions as a percentage of covered employee payroll	5.01%
PSERS 2	
Statutorily or contractually required contributions	\$ 121,431
Contributions in relation to the statutorily or contractually required contributions	121,431
Contribution deficiency (excess)	-
Covered employee payroll	1,907,865
Contributions as a percentage of covered employee payroll	6.36%
LEOFF 1	
Statutorily or contractually required contributions	\$ -
Contributions in relation to the statutorily or contractually required contributions	-
Contribution deficiency (excess)	-
Covered employee payroll	-
Contributions as a percentage of covered employee payroll	N/A
LEOFF 2	
Statutorily or contractually required contributions	\$ 764,215
Washington state contributions on behalf of City	505,299
Contributions in relation to the statutorily or contractually required contributions	1,269,514
Contribution deficiency (excess)	-
Covered employee payroll	15,132,938
Contributions as a percentage of covered employee payroll	8.39%

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

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY**
As of December 31
Last One Fiscal Year *

	<u>2015</u>
PERS 1	
City's proportionate share of the net pension liability (asset)	0.322525%
City's proportionate share of the net pension liability (asset)	16,871,057
City's covered-employee payroll	520,124
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	3243.66%
Plan fiduciary net position as a percentage of the total pension liability	59.10%
PERS 2/3	
City's proportionate share of the net pension liability (asset)	0.381911%
City's proportionate share of the net pension liability (asset)	13,645,898
City's covered-employee payroll	27,369,239
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.86%
Plan fiduciary net position as a percentage of the total pension liability	89.20%
PSERS 2	
City's proportionate share of the net pension liability (asset)	0.651624%
City's proportionate share of the net pension liability (asset)	118,934
City's covered-employee payroll	1,907,865
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.23%
Plan fiduciary net position as a percentage of the total pension liability	95.08%

Continued

Comprehensive Annual Financial Report 2015

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

As of December 31

Last One Fiscal Year *

	<u>2015</u>
LEOFF 1	
City's proportionate share of the net pension liability (asset)	0.132902%
City's proportionate share of the net pension liability (asset)	(1,601,763)
City's covered-employee payroll **	-
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%
LEOFF 2	
City's proportionate share of the net pension liability (asset)	0.521396%
City's proportionate share of the net pension liability (asset)	(5,358,908)
City's covered-employee payroll	15,132,938
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.41%
Plan fiduciary net position as a percentage of the total pension liability	111.67%

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

The 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 Environmental Mitigation Fund uses ongoing grants and permit fees paid by site owners to monitor the cleanup of landfills and toxic waste sites. The Housing and Community Development Fund uses federal grant monies to fund designated programs.

DEBT SERVICE FUNDS are used to account for payment of principal and interest on general obligation long-term debt. The non-major Debt Service Fund is to provide debt service payments on voted General Obligation Bonds. Property tax revenue provides the financing source for voted General Obligation Bonds.

The 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, information technology projects including computer software and hardware, and facilities related projects including major remodels, building renovations, and major maintenance.

Comprehensive Annual Financial Report 2015

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2015**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
ASSETS			
Cash and cash equivalents	\$ 2,978,643	\$ 386,523	\$ 43,528
Investments, at fair value	345,669	-	-
Receivables (net of allowances for estimated uncollectibles):			
Taxes	840,736	31,961	77,747
Accounts	42,760	-	-
Accrued interest	598	-	-
Prepaid items	297	28,426	-
TOTAL ASSETS	<u>4,208,703</u>	<u>446,910</u>	<u>121,275</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,208,703</u>	<u>\$ 446,910</u>	<u>\$ 121,275</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$ 3,925	\$ 52,394	\$ -
Accounts/payroll payable	87,896	-	-
Due to other funds	-	-	-
Due to other governments	282	-	-
Interfund loans payable - current	-	-	-
Deposits and advances	-	-	-
Interfund loans payable - non-current	-	-	-
Total Liabilities	<u>92,103</u>	<u>52,394</u>	<u>-</u>
FUND BALANCE			
Nonspendable:			
Prepaid items	297	28,426	-
Restricted:			
Street capital projects	137,676	-	-
Lodging tax purposes	-	366,090	-
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Facility capital projects	-	-	-
Committed:			
Street operations	3,978,627	-	-
Youth/Teen programs	-	-	121,275
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Technology systems	-	-	-
Assigned:			
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Technology systems	-	-	-
Facility capital projects	-	-	-
Unassigned			
-	-	-	-
Total Fund Balance	<u>4,116,600</u>	<u>394,516</u>	<u>121,275</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCE	<u>\$ 4,208,703</u>	<u>\$ 446,910</u>	<u>\$ 121,275</u>

Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 3,786,031	\$ 1,060	\$ 23,264	\$ 7,219,049
156,838	-	-	502,507
564,702	-	-	1,515,146
69,936	36,120	586,554	735,370
271	-	-	869
-	-	772	29,495
<u>4,577,778</u>	<u>37,180</u>	<u>610,590</u>	<u>10,002,436</u>
<u>\$ 4,577,778</u>	<u>\$ 37,180</u>	<u>\$ 610,590</u>	<u>\$ 10,002,436</u>
\$ 176,441	\$ 4,111	\$ 157,129	\$ 394,000
120,573	-	27,144	235,613
-	50,000	425,000	475,000
8,573	-	1,317	10,172
-	-	-	-
71,728	-	-	71,728
-	-	-	-
<u>377,315</u>	<u>54,111</u>	<u>610,590</u>	<u>1,186,513</u>
-	-	772	29,495
-	-	-	137,676
-	-	-	366,090
2,571,525	-	-	2,571,525
-	-	-	-
-	-	-	-
-	-	-	3,978,627
-	-	-	121,275
1,576,508	-	-	1,576,508
-	-	-	-
-	-	-	-
52,430	-	-	52,430
-	-	-	-
-	-	-	-
-	-	-	-
-	(16,931)	(772)	(17,703)
<u>4,200,463</u>	<u>(16,931)</u>	<u>-</u>	<u>8,815,923</u>
<u>\$ 4,577,778</u>	<u>\$ 37,180</u>	<u>\$ 610,590</u>	<u>\$ 10,002,436</u>

Continued

Comprehensive Annual Financial Report 2015

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2015**

	<u>Debt Service</u>
	<u>General Obligation</u>
	<u>Voted</u>
ASSETS	
Cash and equity in pooled investments	\$ -
Investments, at fair value	-
Receivables (net of allowances for estimated uncollectables):	
Taxes	-
Accounts	-
Accrued interest	-
Prepaid items	-
TOTAL ASSETS	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	
LIABILITIES	
Vouchers payable	\$ -
Accounts/payroll payable	-
Due to other funds	-
Due to other governments	-
Interfund loans payable	-
Deposits and advances	-
Interfund loans payable - non-current	-
Total Liabilities	<u>-</u>
FUND BALANCE	
Nonspendable:	
Prepaid items	-
Restricted:	
Street Projects	-
Lodging Tax Purposes	-
Criminal Justice Programs	-
Parks Capital Projects	-
Facility Capital Projects	-
Committed:	
Street Operating Programs	-
Youth/Teen Programs	-
Criminal justice programs	-
Parks capital projects	-
Technology systems	-
Assigned:	
Criminal Justice Programs	-
Parks Capital Projects	-
Technology Capital Projects	-
Facility Capital Projects	-
Unassigned:	
Total Fund Balance	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>

Comprehensive Annual Financial Report 2015

Capital Projects				
Parks Capital Projects	Technology Capital Projects	Facility Capital Projects	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
\$ 2,117,711	\$ 2,098,269	\$ 1,240,275	\$ 5,456,255	\$ 12,675,304
-	-	-	-	502,507
1,629	-	-	1,629	1,516,775
745,864	-	-	745,864	1,481,234
-	-	-	-	869
-	-	-	-	29,495
<u>2,865,204</u>	<u>2,098,269</u>	<u>1,240,275</u>	<u>6,203,748</u>	<u>16,206,184</u>
<u>\$ 2,865,204</u>	<u>\$ 2,098,269</u>	<u>\$ 1,240,275</u>	<u>\$ 6,203,748</u>	<u>\$ 16,206,184</u>
\$ 56,973	\$ 39,979	\$ 2,932	\$ 99,884	\$ 493,884
54,921	11,163	-	66,084	301,697
-	-	-	-	475,000
455	-	-	455	10,627
-	-	-	-	-
-	-	-	-	71,728
-	-	-	-	-
<u>112,349</u>	<u>51,142</u>	<u>2,932</u>	<u>166,423</u>	<u>1,352,936</u>
-	-	-	-	29,495
-	-	-	-	137,676
-	-	-	-	366,090
-	-	-	-	2,571,525
1,682,891	-	-	1,682,891	1,682,891
-	-	1,082,185	1,082,185	1,082,185
-	-	-	-	3,978,627
-	-	-	-	121,275
-	-	-	-	1,576,508
775,025	-	-	775,025	775,025
-	2,019,529	-	2,019,529	2,019,529
-	-	-	-	52,430
294,939	-	-	294,939	294,939
-	27,598	-	27,598	27,598
-	-	155,158	155,158	155,158
-	-	-	-	(17,703)
<u>2,752,855</u>	<u>2,047,127</u>	<u>1,237,343</u>	<u>6,037,325</u>	<u>14,853,248</u>
<u>\$ 2,865,204</u>	<u>\$ 2,098,269</u>	<u>\$ 1,240,275</u>	<u>\$ 6,203,748</u>	<u>\$ 16,206,184</u>

Concluded

Comprehensive Annual Financial Report 2015

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2015**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
REVENUES			
Taxes:			
Sales and use	\$ -	\$ -	\$ -
Utility	6,029,446	-	894,028
Lodging tax	-	279,466	-
Intergovernmental revenue:			
Federal grants	-	-	-
State shared fuel tax - general street	1,990,331	-	-
State shared revenue-criminal justice	-	-	-
State grants	134,943	-	-
Local government grants	-	-	-
Charges for services	1,153,176	-	-
Fines and forfeitures	-	-	-
Miscellaneous revenue:			
Interest income	(2,691)	411	564
Contributions and donations	-	-	-
Other miscellaneous revenue	-	-	-
TOTAL REVENUES	<u>9,305,205</u>	<u>279,877</u>	<u>894,592</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	257,164	-
Public works	2,540,797	-	-
Leisure services	-	-	42,000
Health and human services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>2,540,797</u>	<u>257,164</u>	<u>42,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,764,408	22,713	852,592
OTHER FINANCING SOURCES (USES)			
Issuance of LGTO Refunding Bonds	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Premium on general obligation bonds	-	-	-
Sale of capital assets	-	-	-
Transfers in	2,275,993	-	-
Transfers out	(6,348,789)	-	(878,380)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,072,796)</u>	<u>-</u>	<u>(878,380)</u>
NET CHANGE IN FUND BALANCES	2,691,612	22,713	(25,788)
FUND BALANCES (DEFICIT), January 1	1,424,988	371,803	147,063
Prior Period Correction			
ADJUSTED FUND BALANCE, January 1	1,424,988	371,803	147,063
FUND BALANCES, December 31	<u>\$ 4,116,600</u>	<u>\$ 394,516</u>	<u>\$ 121,275</u>

Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 2,451,023	\$ -	\$ -	\$ 2,451,023
-	-	-	6,923,474
-	-	-	279,466
145,267	-	808,466	953,733
-	-	-	1,990,331
392,000	-	-	392,000
548,204	85,419	-	768,566
73,127	87,166	-	160,293
147,050	-	-	1,300,226
1,759,118	-	-	1,759,118
-	-	-	-
188	-	-	(1,528)
75,321	-	-	75,321
5,176	-	-	5,176
5,596,474	172,585	808,466	17,057,199
-	-	-	-
3,871,296	-	-	3,871,296
-	-	-	257,164
-	172,133	-	2,712,930
-	-	-	42,000
-	-	808,466	808,466
-	-	-	-
-	-	-	-
39,035	-	-	39,035
3,910,331	172,133	808,466	7,730,891
1,686,143	452	-	9,326,308
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
131,094	-	-	2,407,087
-	-	-	(7,227,169)
131,094	-	-	(4,820,082)
1,817,237	452	-	4,506,226
2,383,226	(17,383)	-	4,309,697
-	-	-	-
2,383,226	(17,383)	-	4,309,697
\$ 4,200,463	\$ (16,931)	\$ -	\$ 8,815,923

Continued

Comprehensive Annual Financial Report 2015

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2015**

	<u>Debt Service</u>
	<u>General Obligation</u>
	<u>Voted</u>
REVENUES	
Taxes:	
Sales and use	\$ -
Utility	-
Lodging tax	-
Intergovernmental revenue:	
Federal grants	-
State shared fuel tax - general street	-
State shared revenue-criminal justice	-
State grants	-
Local government grants	-
Charges for services	-
Fines and forfeitures	-
Miscellaneous revenue:	
Interest income	-
Contributions and Donations	-
Other miscellaneous revenue	-
TOTAL REVENUES	<u>-</u>
EXPENDITURES	
Current:	
General government	-
Public safety	-
Community development	-
Public works	-
Leisure services	-
Health and human services	-
Debt service:	
Principal	-
Interest and fiscal charges	10
Capital outlay	-
TOTAL EXPENDITURES	<u>10</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10)
OTHER FINANCING SOURCES (USES)	
Issuance of LGTO Refunding Bonds	-
Payment to Refunded Bond Escrow Agent	-
Premium on general obligation bonds	-
Sale of capital assets	-
Transfers in	-
Transfers out	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
SOURCES OVER EXPENDITURES AND OTHER USES	(10)
FUND BALANCES, January 1	10
Prior Period Correction	
ADJUSTED FUND BALANCE, January 1	10
FUND BALANCES, December 31	<u><u>\$ -</u></u>

Comprehensive Annual Financial Report 2015

Capital Projects				
Parks Capital Projects	Technology Capital Projects	Facility Capital Projects	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,451,023
-	-	-	-	6,923,474
-	-	-	-	279,466
-	-	-	-	953,733
10,053	-	-	10,053	2,000,384
-	-	-	-	392,000
30,121	-	-	30,121	798,687
309,891	-	-	309,891	470,184
9,595	-	-	9,595	1,309,821
-	-	-	-	1,759,118
171	-	-	171	(1,357)
21,411	-	-	21,411	96,732
219,285	50	-	219,335	224,511
<u>600,527</u>	<u>50</u>	<u>-</u>	<u>600,577</u>	<u>17,657,776</u>
-	78,417	-	78,417	78,417
-	-	-	-	3,871,296
-	-	-	-	257,164
-	-	42,587	42,587	2,755,517
158,071	-	-	158,071	200,071
-	-	-	-	808,466
-	-	-	-	-
-	-	-	-	10
932,705	885,425	-	1,818,130	1,857,165
<u>1,090,776</u>	<u>963,842</u>	<u>42,587</u>	<u>2,097,205</u>	<u>9,828,106</u>
(490,249)	(963,792)	(42,587)	(1,496,628)	7,829,670
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
62,510	-	-	62,510	62,510
800,000	1,737,502	136,316	2,673,818	5,080,905
(259,310)	(360,657)	-	(619,967)	(7,847,136)
<u>603,200</u>	<u>1,376,845</u>	<u>136,316</u>	<u>2,116,361</u>	<u>(2,703,721)</u>
112,951	413,053	93,729	619,733	5,125,949
2,639,904	1,634,074	1,143,614	5,417,592	9,727,299
-	-	-	-	-
2,639,904	1,634,074	1,143,614	5,417,592	9,727,299
<u>\$ 2,752,855</u>	<u>\$ 2,047,127</u>	<u>\$ 1,237,343</u>	<u>\$ 6,037,325</u>	<u>\$ 14,853,248</u>

Concluded

Comprehensive Annual Financial Report 2015

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, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 3,022,575	\$ 5,522,575	\$ 6,029,446	\$ 506,871
Business & occupation	4,700,000	-	-	-
Intergovernmental:				
State Shared fuel tax	1,923,659	1,923,659	1,990,331	66,672
State grants	-	-	134,943	134,943
Charges for services	-	750,000	1,153,176	403,176
Miscellaneous revenue:				
Interest income	800	800	(2,691)	(3,491)
Other miscellaneous revenue	-	2,000	-	(2,000)
TOTAL REVENUES	<u>9,647,034</u>	<u>8,199,034</u>	<u>9,305,205</u>	<u>1,108,171</u>
EXPENDITURES				
Current:				
Public works	2,437,031	2,439,031	2,540,797	2,540,797
TOTAL EXPENDITURES	<u>2,437,031</u>	<u>2,439,031</u>	<u>2,540,797</u>	<u>2,540,797</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,210,003	5,760,003	6,764,408	1,004,405
OTHER FINANCING SOURCES (USES)				
Transfers in	155,000	2,425,000	2,275,993	(149,007)
Transfer Out	(7,274,703)	(6,481,665)	(6,348,789)	132,876
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,119,703)</u>	<u>(4,056,665)</u>	<u>(4,072,796)</u>	<u>(16,131)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	90,300	1,703,338	2,691,612	988,274
FUND BALANCES, January 1	1,196,233	1,196,233	1,424,988	228,755
FUND BALANCES, December 31	<u>\$ 1,286,533</u>	<u>\$ 2,899,571</u>	<u>\$ 4,116,600</u>	<u>\$ 1,233,160</u>

Note: Budgeted transfers of \$155,000 between business units with the fund have been eliminated for financial reporting purposes.

Comprehensive Annual Financial Report 2015

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, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Lodging Tax	\$ 208,060	\$ 208,060	\$ 279,466	\$ 71,406
Miscellaneous revenue:				
Interest income	85	85	411	326
TOTAL REVENUES	<u>208,145</u>	<u>208,145</u>	<u>279,877</u>	<u>71,732</u>
EXPENDITURES				
Current:				
Community Development	188,500	338,500	257,164	(81,336)
TOTAL EXPENDITURES	<u>188,500</u>	<u>338,500</u>	<u>257,164</u>	<u>(81,336)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,645	(130,355)	22,713	153,068
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	19,645	(130,355)	22,713	153,068
FUND BALANCES, January 1	371,803	371,803	371,803	-
FUND BALANCES, December 31	<u>\$ 391,448</u>	<u>\$ 241,448</u>	<u>\$ 394,516</u>	<u>\$ 153,068</u>

Comprehensive Annual Financial Report 2015

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, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 906,773	\$ 906,773	\$ 894,028	\$ (12,745)
Miscellaneous revenue:				
Interest income	255	255	564	309
TOTAL REVENUES	<u>907,028</u>	<u>907,028</u>	<u>894,592</u>	<u>(12,436)</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	865,028	865,028	852,592	(12,436)
OTHER FINANCING SOURCES (USES)				
Transfers out	(890,000)	(890,000)	(878,380)	11,620
TOTAL OTHER FINANCING SOURCES (USES)	<u>(890,000)</u>	<u>(890,000)</u>	<u>(878,380)</u>	<u>11,620</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(24,972)	(24,972)	(25,788)	(816)
FUND BALANCES, January 1	147,063	147,063	147,063	-
FUND BALANCES, December 31	<u>\$ 122,091</u>	<u>\$ 122,091</u>	<u>\$ 121,275</u>	<u>\$ (816)</u>

Comprehensive Annual Financial Report 2015

**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, 2015**

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 2,116,152	\$ 2,116,152	\$ 2,451,023	\$ 334,871
Intergovernmental revenue:				
Federal grants	-	71,425	145,267	73,842
State shared - criminal justice	253,253	253,253	392,000	138,747
State grants	-	45,007	548,204	503,197
Local government grants	146,039	146,039	73,127	(72,912)
Charges for services	-	93,603	147,050	53,447
Fines and forfeitures	30,000	1,103,000	1,759,118	656,118
Miscellaneous revenue:				
Interest income	1,383	1,383	188	(1,195)
Contributions and donations	-	-	75,321	75,321
Other miscellaneous revenue	2,500	37,601	5,176	(32,425)
TOTAL REVENUES	2,549,327	3,867,463	5,596,474	1,729,011
EXPENDITURES				
Current:				
Public safety	3,026,451	3,810,587	3,871,296	60,709
Capital outlay	59,000	593,000	39,035	(553,965)
TOTAL EXPENDITURES	3,085,451	4,403,587	3,910,331	(493,256)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(536,124)	(536,124)	1,686,143	2,222,267
OTHER FINANCING SOURCES (USES)				
Transfers in	121,500	121,500	131,094	9,594
Transfers out	(16,500)	(16,500)	-	16,500
TOTAL OTHER FINANCING SOURCES (USES)	105,000	105,000	131,094	26,094
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(431,124)	(431,124)	1,817,237	2,248,361
FUND BALANCES, January 1	2,193,069	2,193,069	2,383,226	190,157
FUND BALANCES, December 31	\$ 1,761,945	\$ 1,761,945	\$ 4,200,463	\$ 2,438,518

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

Comprehensive Annual Financial Report 2015

CITY OF KENT
ENVIRONMENTAL MITIGATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended December 31, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental revenue:				
State grants	\$ -	\$ -	\$ 85,419	\$ 85,419
Local government grants	-	123,941	87,166	(36,775)
Miscellaneous revenue:				
Interest income			-	-
TOTAL REVENUES	<u>-</u>	<u>123,941</u>	<u>172,585</u>	<u>48,644</u>
EXPENDITURES				
Current:				
Public works	-	123,941	172,133	48,192
TOTAL EXPENDITURES	<u>-</u>	<u>123,941</u>	<u>172,133</u>	<u>48,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	452	452
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	452	452
FUND BALANCES, January 1	-	-	(17,383)	(17,383)
FUND BALANCES, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,931)</u>	<u>\$ (16,931)</u>

Comprehensive Annual Financial Report 2015

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, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Federal grants	\$ 914,731	\$ 969,886	\$ 808,466	\$ (161,420)
TOTAL REVENUES	<u>914,731</u>	<u>969,886</u>	<u>808,466</u>	<u>(161,420)</u>
EXPENDITURES				
Current:				
Health and human services	914,731	969,886	808,466	(161,420)
TOTAL EXPENDITURES	<u>914,731</u>	<u>969,886</u>	<u>808,466</u>	<u>(161,420)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
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 2015

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2015**

	Equipment Rental	Central Services
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,855,663	\$ 2,433,022
Cash with fiscal agent	-	-
Investments, at fair value	572,902	-
Receivables (net of allowances for estimated uncollectibles):		
Taxes	-	127,444
Accounts	62	129,194
Accrued interest	991	-
Due from other funds	-	-
Interfund loan receivable	-	-
Inventory, at cost	77,221	35,009
Prepaid expenses	3,799	545,057
Total Current Assets	<u>4,510,638</u>	<u>3,269,726</u>
NONCURRENT ASSETS:		
Interfund loan receivable non-current	-	-
Property plant and equipment		
Land	-	-
Buildings	108,702	675,071
Site improvements	253,569	28,964
Equipment	15,372,447	5,644,905
Less: accumulated depreciation	(12,258,989)	(6,341,684)
Construction in progress	-	-
Total noncurrent assets	<u>3,475,729</u>	<u>7,256</u>
TOTAL ASSETS	<u>\$ 7,986,367</u>	<u>\$ 3,276,982</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	29,150	145,750
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,150</u>	<u>\$ 145,750</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 8,015,517</u>	<u>\$ 3,422,732</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ 138,493	\$ 171,497
Accounts/payroll payable	53,033	242,281
Incurred but not reported claims payable	-	-
Compensated absences payable - current portion	17,874	93,437
Deposits and unearned revenue	-	-
Total Current Liabilities	<u>209,400</u>	<u>507,215</u>
LONG-TERM LIABILITIES		
Compensated absences payable - non-current	21,303	103,947
Net Pension Liability	126,686	633,430
Total Long-Term Liabilities	<u>147,989</u>	<u>737,377</u>
TOTAL LIABILITIES	<u>357,389</u>	<u>1,244,592</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	33,819	169,096
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 33,819</u>	<u>\$ 169,096</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 391,208</u>	<u>\$ 1,413,688</u>
NET POSITION		
Net investment in capital assets	3,475,729	7,256
Unrestricted	4,148,580	2,001,788
TOTAL NET POSITION	<u>\$ 7,624,309</u>	<u>\$ 2,009,044</u>

Comprehensive Annual Financial Report 2015

	<u>Facilities</u>	<u>Insurance</u>	<u>Totals</u>
\$	3,064,081	\$ 8,046,584	\$ 17,399,350
	-	85,000	85,000
	508,627	2,262,738	3,344,267
	-	-	127,444
	132,369	33,456	295,081
	880	2,103	3,974
	-	3,000,000	3,000,000
	-	361,781	361,781
	-	-	112,230
	9,951	1,025,624	1,584,431
	<u>3,715,908</u>	<u>14,817,286</u>	<u>26,313,558</u>
	-	2,410,453	2,410,453
	-	-	-
	224,495	-	1,008,268
	79,420	-	361,953
	105,348	-	21,122,700
	(314,195)	-	(18,914,868)
	1,145,729	-	1,145,729
	<u>1,240,797</u>	<u>2,410,453</u>	<u>7,134,235</u>
\$	<u>4,956,705</u>	<u>\$ 17,227,739</u>	<u>\$ 33,447,793</u>
	<u>129,093</u>	<u>33,314</u>	<u>337,307</u>
\$	<u>129,093</u>	<u>\$ 33,314</u>	<u>\$ 337,307</u>
\$	<u>5,085,798</u>	<u>\$ 17,261,053</u>	<u>\$ 33,785,100</u>
\$	212,170	\$ 1,001,044	\$ 1,523,204
	522,515	27,771	845,600
	-	3,507,066	3,507,066
	50,360	36,447	198,118
	1,250	-	1,250
	<u>786,295</u>	<u>4,572,328</u>	<u>6,075,238</u>
	81,295	41,842	248,387
	561,039	144,784	1,465,939
	642,334	186,626	1,714,326
	<u>1,428,629</u>	<u>4,758,954</u>	<u>7,789,564</u>
	149,771	38,651	391,337
\$	<u>149,771</u>	<u>\$ 38,651</u>	<u>\$ 391,337</u>
\$	<u>1,578,400</u>	<u>\$ 4,797,605</u>	<u>\$ 8,180,901</u>
	1,240,797	-	4,723,782
	2,266,601	12,463,448	20,880,417
\$	<u>3,507,398</u>	<u>\$ 12,463,448</u>	<u>\$ 25,604,199</u>

Comprehensive Annual Financial Report 2015

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2015**

	Equipment Rental	Central Services
OPERATING REVENUES		
Sales	\$ 953,477	\$ 159,940
Charges for services	3,546,636	5,949,577
Contributions	-	-
Other operating revenue	-	-
TOTAL OPERATING REVENUES	<u>4,500,113</u>	<u>6,109,517</u>
OPERATING EXPENSES		
Salaries and wages	557,087	2,295,035
Benefits	231,187	818,496
Supplies	1,092,592	273,822
Services and charges	698,971	1,906,846
Depreciation	720,903	4,350
TOTAL OPERATING EXPENSES	<u>3,300,740</u>	<u>5,298,549</u>
OPERATING INCOME (LOSS)	<u>1,199,373</u>	<u>810,968</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	7,508	-
Unrealized net gain/(loss) in fair value of investments	(11,665)	-
Gain/(loss) on disposal of capital assets	37,900	(19,381)
Miscellaneous non-operating revenues	5,068	1,504,855
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>38,811</u>	<u>1,485,474</u>
NET INCOME (LOSS)	<u>1,238,184</u>	<u>2,296,442</u>
Contributed capital	28,010	-
Transfers in	19,471	360,657
Transfers out	-	(1,737,502)
CHANGE IN NET POSITION	<u>1,285,665</u>	<u>919,597</u>
NET POSITION, January 1	6,471,677	1,754,615
Cumulative effect of change in accounting principal (note 19)	(133,033)	(665,168)
ADJUSTED NET POSITION, January 1	6,338,644	1,089,447
NET POSITION, December 31	<u>\$ 7,624,309</u>	<u>\$ 2,009,044</u>

	Facilities	Insurance	Totals
\$	-	\$ -	\$ 1,113,417
	4,320,308	-	13,816,521
	-	13,599,240	13,599,240
	1,052,046	117,653	1,169,699
	<u>5,372,354</u>	<u>13,716,893</u>	<u>29,698,877</u>
	1,465,324	492,514	4,809,960
	637,616	152,153	1,839,452
	412,533	46,875	1,825,822
	2,549,092	13,120,426	18,275,335
	4,171	-	729,424
	<u>5,068,736</u>	<u>13,811,968</u>	<u>27,479,993</u>
	<u>303,618</u>	<u>(95,075)</u>	<u>2,218,884</u>
	6,995	68,069	82,572
	(10,356)	(23,966)	(45,987)
	(1,057,903)	-	(1,039,384)
	138,469	-	1,648,392
	<u>(922,795)</u>	<u>44,103</u>	<u>645,593</u>
	<u>(619,177)</u>	<u>(50,972)</u>	<u>2,864,477</u>
	-	-	28,010
	50,000	-	430,128
	(36,316)	-	(1,773,818)
	<u>(605,493)</u>	<u>(50,972)</u>	<u>1,548,797</u>
	4,702,041	12,666,459	25,594,792
	(589,150)	(152,039)	(1,539,390)
	4,112,891	12,514,420	24,055,402
\$	<u><u>3,507,398</u></u>	<u><u>12,463,448</u></u>	<u><u>25,604,199</u></u>

Comprehensive Annual Financial Report 2015

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2015**

	Equipment Rental	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,501,976	\$ 6,030,283
Cash received from other funds for services	-	-
Cash payments to employees	(787,119)	(3,112,173)
Cash payments to suppliers	(1,845,963)	(2,207,425)
Other cash received	-	-
Net cash provided by (used for) operating activities	<u>1,868,894</u>	<u>710,685</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan issued for noncapital purposes	-	-
Interfund loan payment for noncapital purposes	-	-
Operating grants/non-operating revenue received	5,068	1,504,855
Net cash provided by noncapital financing	<u>5,068</u>	<u>1,504,855</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Due from other funds for capital purposes	-	-
Proceeds on disposal of capital assets	72,676	(19,381)
Transfer of plant from Governmental Capital Assets	28,010	-
Acquisition and construction of capital assets	(685,530)	-
Transfers in	19,471	360,657
Transfers out	-	(1,737,502)
Capital contributed by subdividers, capital grants, local improvement districts	-	-
Net cash used for capital and related financing	<u>(565,373)</u>	<u>(1,396,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(583,646)	-
Proceeds from sale and maturities of investment securities	-	-
Interest and dividends on investments	5,596	-
Net cash provided by (used for) investing activities	<u>(578,050)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	730,539	819,314
CASH AND CASH EQUIVALENTS, January 1	3,125,124	1,613,708
CASH AND CASH EQUIVALENTS, December 31	\$ <u>3,855,663</u>	\$ <u>2,433,022</u>

Facilities	Insurance	Total
\$ 4,216,603	\$ -	\$ 14,748,862
-	13,565,963	13,565,963
(2,106,919)	(634,313)	(6,640,524)
(2,469,694)	(13,903,565)	(20,426,647)
1,052,046	117,653	1,169,699
692,036	(854,262)	2,417,353
-	(3,000,000)	(3,000,000)
-	3,000,000	3,000,000
13,469	-	1,523,392
13,469	-	1,523,392
-	(432,823)	(432,823)
(1,057,903)	-	(1,004,608)
-	-	28,010
516,297	-	(169,233)
50,000	-	430,128
(36,316)	-	(1,773,818)
125,000	-	125,000
(402,922)	(432,823)	(2,797,344)
(518,165)	(2,278,203)	(3,380,014)
-	254,874	254,874
5,297	57,516	68,409
(512,868)	(1,965,813)	(3,056,731)
(210,285)	(3,252,898)	(1,913,330)
3,274,366	11,384,482	19,397,680
\$ 3,064,081	\$ 8,131,584	\$ 17,484,350

Continued

Comprehensive Annual Financial Report 2015

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

	Equipment Rental	Central Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,199,373	\$ 810,968
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	720,903	4,350
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	1,863	(79,234)
(Increase) Decrease in inventory	7,224	(12,318)
(Increase) Decrease in prepaid expenses	(3,585)	(90,239)
(Increase) Decrease in pension deferred outflows	(29,150)	(145,750)
Increase (Decrease) in vouchers payable	(26,307)	75,386
Increase (Decrease) in accounts/payroll payable	(36,950)	17,429
(Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in compensated absences	8,051	(7,265)
Increase (Decrease) in pension liabilities & deferred inflows	27,472	137,358
Total Adjustments	<u>669,521</u>	<u>(100,283)</u>
Net cash provided by operating activities	<u>\$ 1,868,894</u>	<u>\$ 710,685</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ 28,010	\$ -
Increase (Decrease) in fair value of investments	(11,665)	-
Amortization of (premium) discount on investment purchases	921	-

Facilities	Insurance	Total
\$ 303,618	\$ (95,075)	\$ 2,218,884
4,171	-	729,424
(103,705)	(33,277)	(214,353)
-	-	(5,094)
(5,201)	(745,068)	(844,093)
(129,093)	(33,314)	(337,307)
95,256	696,489	840,824
405,257	(75)	385,661
-	(687,960)	(687,960)
73	12,622	13,481
121,660	31,396	317,886
388,418	(759,187)	198,469
\$ 692,036	\$ (854,262)	\$ 2,417,353
\$ -	\$ -	\$ 28,010
(10,356)	(23,966)	(45,987)
818	8,501	10,240

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 2015

**CITY OF KENT
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS & LIABILITIES
December 31, 2015**

	Trust Funds	Impact Fees	Municipal Court	VNET	Total
ASSETS					
Cash and equity in pooled investments	\$ 148,955	\$ 728,354	\$ 877,753	\$ 1,324,920	\$ 3,079,982
Cash with fiscal agent					-
Investments, at fair value					-
Receivables (net of allowances for estimated uncollectables)					-
Due from other funds					-
Interfund loans receivable					-
Due from other governments	-	-		17,762	17,762
Prepaid items		-			-
TOTAL ASSETS	\$ 148,955	\$ 728,354	\$ 877,753	\$ 1,342,682	\$ 3,097,744
LIABILITIES					
Vouchers payable	\$ 73,682	\$ 728,354	279,023	-	\$ 1,081,059
Accounts/payroll payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	348,443	-	348,443
Interfund loans payable	-	-	-	-	-
Deposits and unearned revenue	75,273	-	250,287	1,342,682	1,668,242
TOTAL LIABILITIES	\$ 148,955	\$ 728,354	\$ 877,753	\$ 1,342,682	\$ 3,097,744

CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2015

	Trust Funds			Balance December 31, 2015
	Balance January 1, 2015	Increases	Decreases	
ASSETS				
Cash and cash equivalents	\$ 75,273	\$ 2,873,953	\$ 2,800,271	\$ 148,955
Due from other governments	-	-	-	-
TOTAL ASSETS	<u>\$ 75,273</u>	<u>\$ 2,873,953</u>	<u>\$ 2,800,271</u>	<u>\$ 148,955</u>
LIABILITIES				
Vouchers payable	\$ -	\$ 214,416	\$ 140,734	\$ 73,682
Due to other governments	-	-	-	-
Deposits and unearned revenue	75,273	-	-	75,273
TOTAL LIABILITIES	<u>\$ 75,273</u>	<u>\$ 214,416</u>	<u>\$ 140,734</u>	<u>\$ 148,955</u>

Impact Fees				
Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015	
\$ 496,564	\$ 6,723,680	\$ 6,491,890	\$ 728,354	
-	-	-	-	
<u>\$ 496,564</u>	<u>\$ 6,723,680</u>	<u>\$ 6,491,890</u>	<u>\$ 728,354</u>	
\$ 496,564	\$ 2,008,229	\$ 1,776,439	\$ 728,354	
-	-	-	-	
<u>\$ 496,564</u>	<u>\$ 2,008,229</u>	<u>\$ 1,776,439</u>	<u>\$ 728,354</u>	

Continued

**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2015**

	Municipal Court			Balance December 31, 2015
	Balance January 1, 2015	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 898,868	\$ 5,773,304	\$ 5,794,419	\$ 877,753
Due from other governments	4,335	-	4,335	-
TOTAL ASSETS	<u>\$ 903,203</u>	<u>\$ 5,773,304</u>	<u>\$ 5,798,754</u>	<u>\$ 877,753</u>
LIABILITIES				
Vouchers payable	\$ 678,797	\$ 6,117,036	\$ 6,516,810	\$ 279,023
Due to other governments	-	5,631,754	5,283,311	348,443
Deposits and unearned revenue	224,406	25,881	-	250,287
TOTAL LIABILITIES	<u>\$ 903,203</u>	<u>\$ 11,774,671</u>	<u>\$ 11,800,121</u>	<u>\$ 877,753</u>

VNET				
Balance January 1, 2015	Increases		Decreases	Balance December 31, 2015
\$ -	\$ 2,625,068	\$ 1,300,148	\$ 1,324,920	
-	850,555	832,793	17,762	
<u>\$ -</u>	<u>\$ 3,475,623</u>	<u>\$ 2,132,941</u>	<u>\$ 1,342,682</u>	
\$ -	\$ -	\$ -	\$ -	
-	61,350	61,350	-	
-	1,450,071	107,389	1,342,682	
<u>\$ -</u>	<u>\$ 1,511,421</u>	<u>\$ 168,739</u>	<u>\$ 1,342,682</u>	

Continued

**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2015**

	Total			Balance December 31, 2015
	Balance January 1, 2015	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 1,470,705	\$ 17,996,005	\$ 16,386,728	\$ 3,079,982
Due from other governments	4,335	850,555	837,128	17,762
TOTAL ASSETS	<u>\$ 1,475,040</u>	<u>\$ 18,846,560</u>	<u>\$ 17,223,856</u>	<u>\$ 3,097,744</u>
LIABILITIES				
Vouchers payable	\$ 1,175,361	\$ 8,339,681	\$ 8,433,983	\$ 1,081,059
Due to other governments	-	5,693,104	5,344,661	348,443
Deposits and unearned revenue	299,679	1,475,952	107,389	1,668,242
TOTAL LIABILITIES	<u>\$ 1,475,040</u>	<u>\$ 15,508,737</u>	<u>\$ 13,886,033</u>	<u>\$ 3,097,744</u>

Concluded

OTHER BUDETARY 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 2015

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, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Contributions and Donations	\$ 834,360	\$ 834,360	\$ 842,127	\$ 7,767
Miscellaneous revenue:				
Interest income	1,100	1,100	(405)	(1,505)
TOTAL REVENUES	<u>835,460</u>	<u>835,460</u>	<u>841,722</u>	<u>6,262</u>
EXPENDITURES				
Current:				
Public safety	1,085,460	1,335,460	1,279,216	(56,244)
TOTAL EXPENDITURES	<u>1,085,460</u>	<u>1,335,460</u>	<u>1,279,216</u>	<u>(56,244)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(250,000)	(500,000)	(437,494)	62,506
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	500,000	250,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>	<u>250,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(250,000)	62,506	312,506
FUND BALANCES, January 1	1,031,026	1,031,026	1,031,026	-
FUND BALANCES, December 31	<u>\$ 1,031,026</u>	<u>\$ 781,026</u>	<u>\$ 1,093,532</u>	<u>\$ 62,506</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 2015

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, 2015

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous revenue:				
Contributions and Donations	\$ -	\$ -	\$ 15,580	\$ 15,580
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>15,580</u>	<u>15,580</u>
EXPENDITURES				
Current:				
General government	-	-	1,253	1,253
Leisure services	120,005	174,005	44,549	(129,456)
Health and human services	-	-	17,510	17,510
TOTAL EXPENDITURES	<u>120,005</u>	<u>174,005</u>	<u>63,312</u>	<u>(110,693)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,005)	(174,005)	(47,732)	126,273
OTHER FINANCING SOURCES (USES)				
Transfers in	120,005	120,005	128,146	8,141
Transfers out	-	-	(1,453)	(1,453)
TOTAL OTHER FINANCING SOURCES (USES)	<u>120,005</u>	<u>120,005</u>	<u>126,693</u>	<u>6,688</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(54,000)	78,961	132,961
FUND BALANCES, January 1	281,177	281,177	439,710	158,533
FUND BALANCES, December 31	<u>\$ 281,177</u>	<u>\$ 227,177</u>	<u>\$ 518,671</u>	<u>\$ 284,806</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 2015

**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, 2015**

	2015 Budget		Actual	Variance
	Original	Final		
REVENUES				
Charges for Service	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Miscellaneous revenue:				
Other miscellaneous revenue	-	-	28,000	28,000
TOTAL REVENUES	<u>200,000</u>	<u>200,000</u>	<u>28,000</u>	<u>(172,000)</u>
EXPENDITURES				
Current:				
Leisure services	528,003	528,003	104,330	(423,673)
TOTAL EXPENDITURES	<u>528,003</u>	<u>528,003</u>	<u>104,330</u>	<u>(423,673)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(328,003)	(328,003)	(76,330)	251,673
OTHER FINANCING SOURCES (USES)				
Issuance of installment note	-	-	18,524	18,524
Transfers in	759,325	759,325	1,634,359	875,034
TOTAL OTHER FINANCING SOURCES (USES)	<u>759,325</u>	<u>759,325</u>	<u>1,652,883</u>	<u>893,558</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	431,322	431,322	1,576,553	1,145,231
FUND BALANCES, January 1	19,990	19,990	19,990	-
FUND BALANCES, December 31	<u>\$ 451,312</u>	<u>\$ 451,312</u>	<u>\$ 1,596,543</u>	<u>\$ 1,145,231</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.

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 2015

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
December 31, 2015
With Comparison to December 31, 2014**

	2015	2014
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 222,780,610	\$ 219,464,612
Buildings	134,041,829	127,367,690
Site improvements	56,985,707	55,246,202
Equipment	37,062,744	36,383,946
Infrastructure	581,654,742	538,623,749
Construction in progress	61,370,175	104,699,056
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ <u>1,093,895,807</u>	\$ <u>1,081,785,255</u>
INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:		
General governmental revenues	\$ 272,760,767	\$ 264,287,969
General obligation bonds	209,595,849	209,523,492
Federal grants	73,072,326	71,498,222
State grants	331,952,041	330,797,583
County and local grants	19,745,154	19,918,895
Special assessments	43,219,591	42,611,987
Gifts and contributions	143,550,079	143,147,107
TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS	\$ <u>1,093,895,807</u>	\$ <u>1,081,785,255</u>

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 2015

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2015**

	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	38,428,980	4,826,207	2,922,208	-	50,829,230
Other	-	-	-	23,817,173	-	23,817,173
Total	4,891,417	38,669,835	4,859,760	27,301,218	-	75,722,230
PUBLIC SAFETY						
Police	450,258	2,305,187	585,206	3,482,478	-	6,823,129
Fire	283,568	3,150,113	125,122	330,669	-	3,889,472
Total	733,826	5,455,300	710,328	3,813,147	-	10,712,601
PUBLIC WORKS						
Engineering	2,650,000	-	1,302,586	570,692	-	4,523,278
Streets	160,504,110	-	210,179	128,973	581,654,742	742,498,004
Total	163,154,110	-	1,512,765	699,665	581,654,742	747,021,282
PARKS, RECREATION AND CULTURE						
Parks and recreation	49,623,026	1,556,893	48,707,391	54,416	-	99,941,726
Senior center	1,955,066	3,821,545	24,386	28,626	-	5,829,623
Parks maintenance	-	101,218	167,599	301,986	-	570,803
Kent commons	200,704	4,046,120	246,830	137,668	-	4,631,322
ShoWare Center	-	76,456,164	-	3,970,585	-	80,426,749
Cultural arts	-	-	756,648	709,019	-	1,465,667
Total	51,778,796	85,981,940	49,902,854	5,202,300	-	192,865,890
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	222,780,610	134,041,829	56,985,707	37,062,744	581,654,742	1,032,525,632
Construction in progress	-	-	-	-	-	61,370,175
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 222,780,610</u>	<u>\$ 134,041,829</u>	<u>\$ 56,985,707</u>	<u>\$ 37,062,744</u>	<u>\$ 581,654,742</u>	<u>\$ 1,093,895,807</u>

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 2015

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
Year Ended December 31, 2015**

	Governmental Fund Capital Assets 1-1-15	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12-31-15
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	43,209,097	7,620,133	-	50,829,230
Other	23,415,232	401,941	-	23,817,173
Total	<u>67,700,156</u>	<u>8,022,074</u>	<u>-</u>	<u>75,722,230</u>
PUBLIC SAFETY				
Police	6,639,880	183,249	-	6,823,129
Fire	3,269,078	620,394	-	3,889,472
Total	<u>9,908,958</u>	<u>803,643</u>	<u>-</u>	<u>10,712,601</u>
PUBLIC WORKS				
Engineering	4,523,278	-	-	4,523,278
Streets	698,938,514	43,559,490	-	742,498,004
Total	<u>703,461,792</u>	<u>43,559,490</u>	<u>-</u>	<u>747,021,282</u>
PARKS, RECREATIONS AND CULTURE				
Parks and recreation	97,411,798	2,529,928	-	99,941,726
Senior center	5,829,623	-	-	5,829,623
Parks maintenance	570,803	-	-	570,803
Kent commons	4,107,024	524,298	-	4,631,322
ShoWare Center	80,426,749	-	-	80,426,749
Cultural arts	1,465,667	-	-	1,465,667
Total	<u>189,811,664</u>	<u>3,054,226</u>	<u>-</u>	<u>192,865,890</u>
LIBRARY				
	6,203,629	-	-	6,203,629
Total	<u>6,203,629</u>	<u>-</u>	<u>-</u>	<u>6,203,629</u>
Construction in progress	104,699,056	13,083,893	56,412,774	61,370,175
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 1,081,785,255</u>	<u>\$ 68,523,326</u>	<u>\$ 56,412,774</u>	<u>\$ 1,093,895,807</u>

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-like activities. Also refer to note 10.

Comprehensive Annual Financial Report 2015

**CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2003	\$ 655,000	\$ -	\$ 151,000	\$ 504,000
Series 2005	1,661,000	-	232,000	1,429,000
Series 2006	9,400,000	-	9,400,000	-
Less: unamortized discount	(36,950)	-	(36,950)	-
Series 2008	19,995,000	-	730,000	19,265,000
Less: unamortized discount	(50,628)	-	(4,637)	(45,991)
Series 2009	4,665,000	-	865,000	3,800,000
Plus: unamortized premium	161,238	-	32,795	128,443
Series 2012	8,285,000	-	1,040,000	7,245,000
Plus: unamortized premium	424,219	-	53,585	370,634
Series 2014	7,157,355	-	1,251,385	5,905,970
Plus: unamortized premium	494,124	-	71,440	422,684
Series 2015A Taxable	-	4,380,000	115,000	4,265,000
Series 2015B	-	4,240,000	-	4,240,000
Plus: unamortized premium	-	261,619	7,135	254,484
Total	<u>52,810,358</u>	<u>8,881,619</u>	<u>13,907,753</u>	<u>47,784,224</u>
Special Assessment Bonds with Governmental Commitment:				
LID 353 et. al.	1,980,000	-	585,000	1,395,000
Total Bonds Payable	<u>54,790,358</u>	<u>8,881,619</u>	<u>14,492,753</u>	<u>49,179,224</u>
Contracts, Lease, Notes Payable:				
General Obligation Contracts, Notes:				
Contract-Valley Comm 2010 Refunding	220,000	-	220,000	-
Public Works Trust Fund Loan 2003	480,263	-	53,362	426,901
Public Works Trust Fund Loan 2004	4,544,118	-	454,412	4,089,706
Public Works Trust Fund Loan 2008	3,753,290	-	268,093	3,485,197
SMG Capital Loan	-	18,524	-	18,524
Interfund Loans 2012	7,560,243	-	7,560,243	-
Total	<u>16,557,914</u>	<u>18,524</u>	<u>8,556,110</u>	<u>8,020,328</u>
Other Non-Current Liabilities				
Compensated Absences				
General Government	3,735,152	3,688,493	3,532,705	3,890,940
Internal Service Funds	433,024	398,990	385,509	446,505
Contingent Loan Guarantee Obligation	76,809,813	314,568	5,475,873	71,648,508
Net OPEB Obligation	-	-	-	-
Total	<u>80,977,989</u>	<u>4,402,051</u>	<u>9,394,087</u>	<u>75,985,953</u>
Total Governmental Debt	<u>\$ 152,326,261</u>	<u>\$ 13,302,194</u>	<u>\$ 32,442,950</u>	<u>\$ 133,185,505</u>

Comprehensive Annual Financial Report 2015

**CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2014 ¹	\$ 2,937,645	-	513,615	\$ 2,424,030
Plus: unamortized premium	202,807	-	29,321	173,486
Total	<u>3,140,452</u>	<u>-</u>	<u>542,936</u>	<u>2,597,516</u>
Revenue Bonds: ²				
Series 2009 A	4,310,000	-	1,015,000	3,295,000
Plus: unamortized premium	243,172	-	62,024	181,148
Series 2009 B	15,880,000	-	-	15,880,000
Total	<u>20,433,172</u>	<u>-</u>	<u>1,077,024</u>	<u>19,356,148</u>
Total Bonds Payable	<u>23,573,624</u>	<u>-</u>	<u>1,619,960</u>	<u>21,953,664</u>
Contracts, Lease, Notes Payable:				
Public Works Trust Fund Loan 2001 - Water	3,694,444	-	527,777	3,166,667
Public Works Trust Fund Loan 2002 - Water	4,250,000	-	531,250	3,718,750
Public Works Trust Fund Loan 2004 - Sewer	750,000	-	75,000	675,000
Contract - Tacoma Pipeline 2010 - Water	10,875,000	-	270,000	10,605,000
Contract - Tacoma Pipeline 2013 Ref - Water	14,410,000	-	235,000	14,175,000
Total	<u>33,979,444</u>	<u>-</u>	<u>1,639,027</u>	<u>32,340,417</u>
Other Non-Current Liabilities				
Compensated Absences				
Water Utility	149,764	176,107	165,902	159,969
Sewer Utility	180,964	232,061	215,394	197,631
Golf Complex	82,264	65,946	55,286	92,924
Total	<u>412,992</u>	<u>474,114</u>	<u>436,582</u>	<u>450,524</u>
Total Business-Type Debt	<u>\$ 57,966,060</u>	<u>\$ 474,114</u>	<u>\$ 3,695,569</u>	<u>\$ 54,744,605</u>

Comprehensive Annual Financial Report 2015

**CITY OF KENT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY
BY BOND TYPE
AS OF DECEMBER 31, 2015**

Fiscal Year	General Obligation Bonds		Special Assessment Bonds		Water & Sewer Revenue Bonds		Total Debt Service Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 5,553,000	\$ 2,039,225	\$ 675,000	\$ 58,358	\$ 1,055,000	\$ 1,068,344	\$ 7,283,000
2017	5,454,000	1,860,260	580,000	26,970	1,100,000	1,026,144	7,134,000	2,913,374
2018	5,325,000	1,666,751			1,140,000	982,144	6,465,000	2,648,895
2019	5,220,000	1,461,133			1,200,000	925,144	6,420,000	2,386,277
2020	5,111,000	1,255,431			1,240,000	864,424	6,351,000	2,119,855
2021	5,050,000	1,053,625			1,285,000	794,860	6,335,000	1,848,485
2022	5,105,000	828,675			1,330,000	722,772	6,435,000	1,551,447
2023	4,985,000	592,913			1,380,000	648,160	6,365,000	1,241,073
2024	4,785,000	361,350			1,430,000	570,742	6,215,000	932,092
2025	2,490,000	130,725			1,480,000	490,518	3,970,000	621,243
2026	-				1,540,000	399,942	1,540,000	399,942
2027	-				1,600,000	305,694	1,600,000	305,694
2028	-				1,665,000	207,774	1,665,000	207,774
2029	-				1,730,000	105,876	1,730,000	105,876
Totals	<u>\$ 49,078,000</u>	<u>\$ 11,250,088</u>	<u>\$ 1,255,000</u>	<u>\$ 85,328</u>	<u>\$ 19,175,000</u>	<u>\$ 9,112,538</u>	<u>\$ 69,508,000</u>	<u>\$ 20,447,954</u>

TRANSFERS

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

Comprehensive Annual Financial Report 2015

CITY OF KENT SCHEDULE OF INTERFUND TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:			
General Fund			
Capital Resources Fund	Various capital projects	-	7,178,832
Special Assessment Fund	Excess LID guarantee funds	71,562	-
Streets Capital Projects Fund	B&O tax projects	-	3,200,000
Streets Capital Projects Fund	Various capital projects	-	1,500,000
Other Govtl Funds-Youth/Teen Fund	Youth/Teen funding	878,380	-
Other Govtl Funds-Criminal Justice Fund	Drug Task Force	-	105,000
Other Govtl Funds-Parks Capital Projects	Showare Lifecycle	259,310	-
Other Govtl Funds-Facilities Capital Projects	City hall campus remodel project	-	100,000
Internal Service Funds-Facilities Fund	City hall campus remodel project	-	50,000
subtotals		<u>1,209,252</u>	<u>12,133,832</u>
Capital Resources Fund			
General Fund	Capital project funding	7,178,832	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	5,849,263
Other Govtl Funds-Parks Capital Projects	Funding for various parks capital projects	-	800,000
Other Govtl Funds-Other Capital Projects	Interfund loan payment	-	1,301,516
subtotals		<u>7,178,832</u>	<u>7,950,779</u>
Special Assessments Fund			
General Fund	Excess LID guarantee funds	-	71,562
Sewerage Fund	Sewer & drainage LID project funding	-	12,750
Streets Capital Projects	LID funding - streets capital projects	-	4,037,551
subtotals		<u>-</u>	<u>4,121,863</u>
Non-voted Debt Service			
Capital Resources Fund	Funding for debt payments	5,849,263	-
Other Govtl Funds-Street Fund	Funding for debt payments	2,415,733	-
Other Govtl Funds-Other Capital Projects Fund	Funding for debt payments	8,795,956	-
Water Fund	Funding for debt payments	47,100	-
Sewerage Fund	Funding for debt payments	73,054	-
subtotals		<u>17,181,106</u>	<u>-</u>
Streets Capital Projects Fund			
General Fund	B&O tax projects	3,200,000	-
General Fund	Various capital projects	1,500,000	-
Special Assessments Fund	LID funding - streets capital projects	4,037,551	-
Street Fund	Funding various street capital projects	3,906,962	2,275,993
subtotals		<u>12,644,513</u>	<u>2,275,993</u>
Other Capital Projects			
General Fund		-	-
Capital Resources Fund	Interfund loan payment	1,301,516	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	8,795,956
subtotals		<u>1,301,516</u>	<u>8,795,956</u>
Non-major Governmental:			
Street Fund			
Street Capital Project Fund	Funding for various streets capital projects	2,275,993	3,906,962
Non-Voted GO Debt Service Fund	Funding for debt payments	-	2,415,733
Other Govtl Funds-Criminal Justice Fund	Safe Routes to School projects	-	26,094
subtotals		<u>2,275,993</u>	<u>6,348,789</u>
Youth/Teen Program Fund			
General Fund	Youth/Teen funding	-	878,380
subtotals		<u>-</u>	<u>878,380</u>
Criminal Justice Fund			
General Fund	Drug Task Force	105,000	-
Other Govtl Funds-Street Fund	Close project, return excess funds	26,094	-
subtotals		<u>131,094</u>	<u>-</u>

Comprehensive Annual Financial Report 2015

**CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Parks Capital Projects			
General Fund	Showare Lifecycle	-	259,310
Capital Resources Fund	Funding for various parks capital projects	800,000	-
subtotals		<u>800,000</u>	<u>259,310</u>
Technology Capital Projects			
Internal Service-Central Services Fund	Utility tax funding of technology projects	1,737,502	360,657
subtotals		<u>1,737,502</u>	<u>360,657</u>
Facilities Capital Projects			
General Fund	City hall campus remodel project	100,000	-
Internal Service Fund-Facilities Fund	City hall campus remodel project	36,316	-
subtotals		<u>136,316</u>	<u>-</u>
subtotals - Governmental Funds		<u>44,596,124</u>	<u>43,125,559</u>
Enterprise Funds:			
Water			
Non-Voted GO Debt Service Fund	Funding for debt payments	-	47,100
Internal Service-Equipment Rental Fund	Capital asset transfer	-	19,471
subtotals		<u>-</u>	<u>66,571</u>
Sewerage			
Special Assessments Fund	Sewer & drainage LID project funding	12,750	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	73,054
subtotals		<u>12,750</u>	<u>73,054</u>
subtotals - Enterprise Funds		<u>12,750</u>	<u>139,625</u>
Internal Service Funds:			
Equipment Rental			
Water Fund	Capital asset transfer	19,471	-
subtotals		<u>19,471</u>	<u>-</u>
Central Services			
Other Govtl Funds-Technology Capital Proj	Utility tax funding of technology projects	360,657	1,737,502
subtotals		<u>360,657</u>	<u>1,737,502</u>
Facilities			
General Fund	City hall campus remodel project	50,000	-
Other Govtl Funds-Other Capital Projects Fund	City hall campus remodel project	-	36,316
subtotals		<u>50,000</u>	<u>36,316</u>
subtotals - Internal Service Funds		<u>430,128</u>	<u>1,773,818</u>
Grand totals		<u>45,039,002</u>	<u>45,039,002</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	170
<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	180
<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	190
<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	195
<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	198
<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.



TABLE OF CONTENTS
 STATISTICAL SECTION

	Schedule	Page
Financial Trends		
Net Position by Component – Last Ten Fiscal Years.....	1	170
Changes in Net Position - Last Ten Fiscal Years.....	2	172
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	3	176
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	4	178
Revenue Capacity		
Tax Revenue by Source – Government Funds – Last Ten Fiscal Years	5	180
Assessed Value of Taxable Property – Last Ten Fiscal Years	6	181
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	7	182
Principal Property Tax Payers – Current Year and Nine Years Ago.....	8	183
Property Tax Levies and Collections – Last Ten Fiscal Years.....	9	185
Taxable Sales by Category – Last Ten Fiscal Years	10	186
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	11	188
Sales Tax Revenue Payers by Industry – Current Year and Nine Years Ago	12	189
Debt Capacity		
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	13	190
Direct and Overlapping Governmental Activities Debt – Current Year	14	191
Legal Debt Margin Information – Last Ten Fiscal Years	15	192
Pledged-Revenue Coverage – Last Ten Fiscal Years	16	194
Demographic and Economic Information		
Demographic and Economic Statistics – Last Ten Fiscal Years.....	17	195
Principal Employers – Current Year and Nine Years Ago.....	18	196
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	19	197
Operating Information		
Operating Indicators by Function – Last Ten Fiscal Years	20	198
Capital Asset Statistics by Function – Last Ten Fiscal Years	21	199

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

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities				
Net investment in capital assets	\$ 643,727,989	\$ 667,980,093	\$ 713,371,701	\$ 710,700,685
Restricted	23,292,082	20,821,401	17,491,729	14,297,401
Unrestricted	33,742,641	21,120,567	20,686,229	11,612,766
Total governmental activities net position	<u>\$ 700,762,712</u>	<u>\$ 709,922,061</u>	<u>\$ 751,549,659</u>	<u>\$ 736,610,852</u>
Business-type activities				
Net investment in capital assets	\$ 186,009,250	\$ 191,875,855	\$ 200,774,256	\$ 184,890,067
Restricted	1,509,777	722,344	803,354	2,119,806
Unrestricted	28,789,356	29,736,610	25,617,802	49,908,497
Total business-type activities net position	<u>\$ 216,308,383</u>	<u>\$ 222,334,809</u>	<u>\$ 227,195,412</u>	<u>\$ 236,918,370</u>
Primary government				
Net investment in capital assets	\$ 829,737,239	\$ 859,855,948	\$ 914,145,957	\$ 895,590,752
Restricted	24,801,859	21,543,745	18,295,083	16,417,207
Unrestricted	62,531,997	50,857,177	46,304,031	61,521,263
Total primary government net position	<u>\$ 917,071,095</u>	<u>\$ 932,256,870</u>	<u>\$ 978,745,071</u>	<u>\$ 973,529,222</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.

Source: Statement of Net Position

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 727,782,834	\$ 708,913,377	\$ 697,830,001	\$ 682,946,045	\$ 687,527,061	\$ 694,789,326
12,145,319	10,034,770	10,288,377	10,721,573	9,499,778	6,131,943
(14,550,823)	(5,370,367)	16,025,424	35,230,567	(24,252,748)	(26,349,230)
<u>\$ 725,377,330</u>	<u>\$ 713,577,780</u>	<u>\$ 724,143,802</u>	<u>\$ 728,898,185</u>	<u>\$ 672,774,091</u>	<u>\$ 674,572,039</u>
\$ 214,631,648	\$ 241,629,839	\$ 253,742,128	\$ 264,927,149	\$ 287,867,561	\$ 298,202,694
3,065,319	4,497,103	2,463,535	3,631,223	1,111,144	1,071,144
38,662,226	27,073,691	29,259,929	36,074,921	45,768,853	49,652,876
<u>\$ 256,359,193</u>	<u>\$ 273,200,633</u>	<u>\$ 285,465,592</u>	<u>\$ 304,633,293</u>	<u>\$ 334,747,558</u>	<u>\$ 348,926,714</u>
\$ 942,414,482	\$ 950,543,216	\$ 951,572,129	\$ 947,873,194	\$ 975,394,622	\$ 992,992,020
15,210,638	14,531,873	12,751,912	14,352,796	10,610,922	7,203,087
24,111,403	21,703,324	45,285,353	71,305,488	21,516,105	23,303,646
<u>\$ 981,736,523</u>	<u>\$ 986,778,413</u>	<u>\$ 1,009,609,394</u>	<u>\$ 1,033,531,478</u>	<u>\$ 1,007,521,649</u>	<u>\$ 1,023,498,753</u>

Comprehensive Annual Financial Report 2015

Schedule 2
City of Kent
Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities:				
General Government	\$ 7,670,278	\$ 7,024,180	\$ 26,661,964	\$ 7,230,905
Judicial	1,968,044	2,147,737	2,388,567	2,487,918
Public Safety	45,707,880	50,255,708	57,177,887	58,880,087
Community Development	4,363,668	4,683,786	5,030,233	4,487,550
Public Works	19,318,340	20,483,858	20,097,918	19,453,467
Leisure services	8,956,064	10,476,159	11,525,707	14,195,932
Health and human services	5,248,403	6,004,932	6,175,999	6,198,375
Interest on long-term debt	4,803,588	4,263,751	4,149,135	4,933,465
Total governmental activities expenses	<u>98,036,265</u>	<u>105,340,111</u>	<u>133,207,410</u>	<u>117,867,699</u>
Business-type activities:				
Water	8,991,114	8,998,124	10,250,612	10,401,686
Sewerage	23,866,177	26,097,746	27,231,263	28,947,993
Golf	2,861,007	3,078,174	2,941,512	2,896,509
Total business-type activities expenses	<u>35,718,298</u>	<u>38,174,044</u>	<u>40,423,387</u>	<u>42,246,188</u>
Total primary government expenses	<u>\$ 133,754,563</u>	<u>\$ 143,514,155</u>	<u>\$ 173,630,797</u>	<u>\$ 160,113,887</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 228,938	\$ 365,124	\$ 392,469	\$ 369,217
Judicial	1,442,322	1,676,314	1,847,107	1,878,098
Public Safety	994,770	1,105,526	1,148,454	1,092,168
Community Development	2,902,293	3,080,526	2,186,907	1,411,773
Public Works	2,367,161	2,100,155	1,362,739	967,622
Leisure services	1,253,149	1,301,497	1,343,048	1,308,717
Health and human services	777,522	1,055,544	793,590	834,782
Operating grants and contributions	6,881,204	8,723,491	10,575,098	10,298,875
Capital grants and contributions	10,879,385	13,389,132	75,635,801	12,596,207
Total governmental activities program revenues	<u>27,726,744</u>	<u>32,797,309</u>	<u>95,285,213</u>	<u>30,757,459</u>
Business-type activities				
Charges for services:				
Water	\$ 8,255,311	\$ 8,342,104	\$ 8,778,926	\$ 11,876,537
Sewerage	25,063,532	27,000,243	28,118,989	31,298,410
Golf Complex	2,807,934	2,816,789	2,895,616	2,698,663
Operating grants and contributions	69,870	84,629	793,473	112,236
Capital grants and contributions	3,865,640	4,448,759	3,628,766	5,939,641
Total business-type activities program revenues	<u>40,062,287</u>	<u>42,692,524</u>	<u>44,215,770</u>	<u>51,925,487</u>
Total primary government program revenues	<u>\$ 67,789,031</u>	<u>\$ 75,489,833</u>	<u>\$ 139,500,983</u>	<u>\$ 82,682,946</u>

Source: Statement Activities

Comprehensive Annual Financial Report 2015

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 6,931,002	\$ 6,400,374	\$ 6,351,823	\$ 8,959,390	\$ 7,342,670	\$ 9,211,576	
2,544,075	2,745,430	2,793,914	2,743,574	2,789,535	2,972,304	
60,147,355	48,030,603	37,340,409	37,378,185	38,744,658	41,189,109	
5,524,342	5,441,202	5,332,561	5,096,639	5,175,651	5,535,094	
16,219,754	21,195,696	17,427,549	16,993,893	17,371,560	18,803,785	
15,149,745	16,513,775	16,844,202	15,908,830	13,861,675	16,859,288	
5,996,524	5,915,128	5,553,369	5,275,046	5,478,974	5,893,257	
4,295,374	4,000,555	3,779,473	3,250,089	2,804,432	2,500,908	
<u>116,808,171</u>	<u>110,242,763</u>	<u>95,423,300</u>	<u>95,605,646</u>	<u>93,569,155</u>	<u>102,965,321</u>	
11,241,367	11,991,035	12,949,247	13,972,634	13,070,155	17,157,143	
29,668,499	29,194,159	36,391,713	37,680,430	37,951,697	41,404,954	
3,123,644	3,226,066	3,062,851	2,917,964	2,872,165	3,055,395	
<u>44,033,510</u>	<u>44,411,260</u>	<u>52,403,811</u>	<u>54,571,028</u>	<u>53,894,017</u>	<u>61,617,492</u>	
<u>\$ 160,841,681</u>	<u>\$ 154,654,023</u>	<u>\$ 147,827,111</u>	<u>\$ 150,176,674</u>	<u>\$ 147,463,172</u>	<u>\$ 164,582,813</u>	
\$ 385,644	\$ 433,840	\$ 1,958,626	\$ 2,044,753	\$ 3,483,161	\$ 4,273,658	
2,128,646	2,140,781	1,963,025	2,108,024	1,846,731	2,032,772	
1,174,585	996,471	1,081,323	1,811,747	3,388,295	3,560,350	
2,058,564	2,171,303	3,262,546	3,841,993	5,006,297	4,863,697	
475,866	834,042	1,420,839	1,810,854	2,185,990	2,725,356	
1,328,562	1,549,202	1,357,619	1,380,839	1,418,600	1,479,369	
698,819	674,983	814,518	709,948	841,690	769,669	
9,432,962	4,402,255	4,124,615	4,177,095	6,166,500	7,021,280	
9,459,649	5,311,483	11,076,621	6,655,575	2,936,731	5,256,320	
<u>27,143,297</u>	<u>18,514,360</u>	<u>27,059,732</u>	<u>24,540,828</u>	<u>27,273,995</u>	<u>31,982,471</u>	
\$ 15,426,293	\$ 15,986,832	\$ 16,253,067	\$ 17,021,951	\$ 18,416,162	\$ 18,904,851	
35,841,828	39,108,510	39,562,059	42,752,458	44,969,699	46,459,410	
2,394,945	2,519,852	2,570,012	2,431,782	2,485,348	2,659,643	
2,799,480	348,478	770,997	81,404	176,984	234,397	
6,761,033	6,900,419	5,544,456	9,195,002	15,792,479	10,057,056	
<u>63,223,579</u>	<u>64,864,091</u>	<u>64,700,591</u>	<u>71,482,597</u>	<u>81,840,672</u>	<u>78,315,357</u>	
<u>\$ 90,366,876</u>	<u>\$ 83,378,451</u>	<u>\$ 91,760,323</u>	<u>\$ 96,023,425</u>	<u>\$ 109,114,667</u>	<u>\$ 110,297,828</u>	

(continued)

Comprehensive Annual Financial Report 2015

Schedule 2 - continued
City of Kent
Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue				
Governmental activities	\$ (70,309,521)	\$ (72,542,802)	\$ (37,922,197)	\$ (87,110,240)
Business-type activities	4,343,989	4,518,480	3,792,383	9,679,299
Total primary government net expense	<u>\$ (65,965,532)</u>	<u>\$ (68,024,322)</u>	<u>\$ (34,129,814)</u>	<u>\$ (77,430,941)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes				
Property taxes levied for general purpose	\$ 24,360,387	\$ 25,594,680	\$ 26,576,727	\$ 27,048,764
Property taxes levied for debt service	1,781,124	609,561	598,922	596,696
Sales taxes	26,099,325	26,812,760	25,460,470	17,234,352
Utility taxes	16,414,038	17,417,969	17,569,974	17,379,153
Business & Occupation taxes	-	-	-	-
Real Estate taxes	5,514,863	4,952,380	3,225,515	1,888,137
Lodging taxes	167,426	195,667	207,066	145,239
Other taxes	540,537	573,306	563,989	744,187
Unrestricted grants and contributions	1,333,120	1,023,819	1,876,367	5,407,702
Investment earnings	4,489,127	3,904,796	2,133,806	1,173,891
Miscellaneous	595,018	737,751	1,479,608	374,306
Gain on disposal of capital assets	-	-	-	-
Transfers	(6,793)	50,690	(142,649)	175,974
Total governmental activities	<u>81,288,172</u>	<u>81,873,379</u>	<u>79,549,795</u>	<u>72,168,401</u>
Business-type activities				
Investment earnings	1,547,289	1,558,636	925,571	219,633
Transfers	6,793	(50,690)	142,649	(175,974)
Special item	-	-	-	-
Total business-type activities	<u>1,554,082</u>	<u>1,507,946</u>	<u>1,068,220</u>	<u>43,659</u>
Total primary government	<u>\$ 82,842,254</u>	<u>\$ 83,381,325</u>	<u>\$ 80,618,015</u>	<u>\$ 72,212,060</u>

Change in Net Position

Governmental activities	\$ 10,978,651	\$ 9,330,577	\$ 41,627,598	\$ (14,941,839)
Business-type activities	5,898,071	6,026,426	4,860,603	9,722,958
Total primary government	<u>\$ 16,876,722</u>	<u>\$ 15,357,003</u>	<u>\$ 46,488,201</u>	<u>\$ (5,218,881)</u>

Source: Statement of Activities

Comprehensive Annual Financial Report 2015

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ (89,664,874)	\$ (91,728,403)	\$ (68,363,568)	\$ (71,064,818)	\$ (66,295,160)	\$ (70,982,850)
19,190,069	20,452,831	12,296,780	16,911,569	27,946,655	16,697,865
\$ (70,474,805)	\$ (71,275,572)	\$ (56,066,788)	\$ (54,153,249)	\$ (38,348,505)	\$ (54,284,985)

\$ 29,272,194	\$ 19,287,114	\$ 19,726,551	\$ 20,085,117	\$ 20,599,891	\$ 21,998,657
	9,750	8,421	-	-	-
18,600,976	21,458,253	21,908,275	22,707,244	25,332,356	26,654,493
17,725,934	19,365,153	19,868,738	22,760,019	22,962,565	26,376,844
-	-	-	5,149,172	6,208,946	7,656,220
1,805,871	2,235,174	3,547,963	3,837,948	3,184,596	6,434,689
162,706	182,840	187,971	217,618	249,377	279,466
985,257	1,130,391	1,116,790	1,101,844	1,106,821	1,023,499
6,328,500	7,102,872	6,845,773	6,760,236	6,851,351	6,417,339
818,063	495,029	701,443	895,815	1,052,762	1,242,815
2,825,148	4,931,321	4,907,310	1,740,638	162,971	(1,643,662)
-	-	-	1,945,741	2,433,112	115,242
14,400	312,344	110,355	762,322	(16,729)	126,875
78,539,049	76,510,241	78,929,590	87,963,714	90,128,019	96,682,477
157,457	119,565	78,534	153,554	124,777	97,795
(14,400)	(312,344)	(110,355)	(762,322)	16,729	(126,875)
-	-	-	2,827,682	-	-
143,057	(192,779)	(31,821)	2,218,914	141,506	(29,080)
\$ 78,682,106	\$ 76,317,462	\$ 78,897,769	\$ 90,182,628	\$ 90,269,525	\$ 96,653,397

\$ (11,125,825)	\$ (15,218,162)	\$ 10,566,022	\$ 16,898,896	\$ 23,832,859	\$ 25,699,627
19,333,126	20,260,052	12,264,959	19,130,483	28,088,161	16,668,785
\$ 8,207,301	\$ 5,041,890	\$ 22,830,981	\$ 36,029,379	\$ 51,921,020	\$ 42,368,412

(concluded)

Schedule 3
City of Kent
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Reserved	\$ 251,540	\$ 2,532,147	\$ 256,156	\$ 60,569
Unreserved	6,885,799	5,493,860	6,672,432	1,999,665
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 7,137,339</u>	<u>\$ 8,026,007</u>	<u>\$ 6,928,588</u>	<u>\$ 2,060,234</u>
All Other Governmental Funds				
Reserved	\$ 3,486,406	\$ 2,965,944	\$ 2,107,366	\$ 1,278,319
Unreserved, reported in:				
Special revenue funds	4,653,558	9,018,627	4,627,119	(3,886,045)
Debt service funds	-	-	-	-
Capital projects funds	10,582,468	(8,618,307)	11,402,348	3,782,839
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 18,722,432</u>	<u>\$ 3,366,264</u>	<u>\$ 18,136,833</u>	<u>\$ 1,175,113</u>

* Fund balances restated for GASB Statement No. 54 implementation.

Source: Governmental Funds Balance Sheet

Comprehensive Annual Financial Report 2015

Fiscal Year						
2010	2011*	2012	2013	2014	2015	
\$ 57,586	\$ -	\$ -	\$ -	\$ -	\$ -	
768,523	-	-	-	-	-	
-	59,539	103,364	80,055	96,544	133,533	
-	5,028	67,447	1,846,132	2,116,798	3,497,366	
-	283,678	129,557	184,691	281,177	364,242	
-	-	772,591	968,866	1,128,842	2,806,873	
-	(205,783)	1,290,804	5,200,183	9,179,216	11,778,578	
\$ 826,109	\$ 142,462	\$ 2,363,763	\$ 8,279,927	\$ 12,802,577	\$ 18,580,592	
\$ 1,727,814	\$ -	\$ -	\$ -	\$ -	\$ -	
(9,756,662)	-	-	-	-	-	
-	-	-	-	-	-	
(3,936,907)	-	-	-	-	-	
-	4,318	950	3,120	4,295	29,495	
-	5,602,450	7,834,952	10,910,338	12,564,488	15,477,624	
-	1,849,238	1,929,285	5,718,063	8,672,323	15,016,218	
-	519,918	1,291,659	1,726,736	1,405,923	4,230,472	
-	(22,811,500)	(11,178,234)	(7,448,023)	(3,023,914)	(6,411,915)	
\$ (11,965,755)	\$ (14,835,576)	\$ (121,388)	\$ 10,910,234	\$ 19,623,115	\$ 28,341,894	

Comprehensive Annual Financial Report 2015

Schedule 4
City of Kent
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Taxes (see Schedule 5)	\$ 74,785,604	\$ 75,827,108	\$ 73,895,588	\$ 64,986,755
Licenses and permits	2,608,064	2,809,392	2,364,302	1,849,252
Intergovernmental	15,588,288	17,748,774	85,192,892	24,279,630
Charges for services	5,204,130	5,110,691	3,995,114	2,874,696
Fines and forfeitures	1,227,897	1,492,780	1,705,410	1,583,731
Special assessments	3,667,926	2,439,661	2,589,995	2,627,522
Investment earnings	3,883,343	3,203,446	1,732,781	1,066,402
Other revenues	2,183,209	3,499,918	2,388,171	3,069,013
Total Revenues	109,148,461	112,131,770	173,864,253	102,337,001
Expenditures				
General government	6,882,585	5,798,802	6,441,299	6,191,850
Judicial	1,947,553	2,115,342	2,266,382	2,411,494
Public safety	45,090,400	48,730,640	53,453,187	55,681,381
Community development	4,434,360	4,641,802	4,910,964	4,419,094
Public works	6,479,232	7,275,763	6,805,027	6,118,684
Leisure services	7,436,780	8,808,851	9,621,646	12,318,938
Health and human services	5,170,441	5,838,255	5,876,570	5,995,763
Debt Service				
Principal	9,646,741	9,344,892	7,707,320	7,624,942
Interest	4,605,109	4,034,925	4,005,422	4,899,979
Capital Outlay	32,955,075	41,109,628	85,302,585	21,500,239
Total expenditures	124,648,276	137,698,900	186,390,402	127,162,364
Excess of revenues over (under) expenditures	(15,499,815)	(25,567,130)	(12,526,149)	(24,825,363)
Other Financing Sources (Uses)				
Bonds issued	11,929,507	-	26,420,777	-
Refunding bonds issued		-	-	8,757,076
Loans/contracts issued	8,218,892	-	-	2,500,000
Issuance of installment notes	-	-	-	-
Payments to escrow agent		-	-	(8,140,000)
Premium/(discount) on bonds	-	-	-	-
Sale of capital assets	1,165,137	311,894	304,979	-
Transfers in	29,236,665	23,932,686	17,209,577	14,941,530
Transfers out	(28,938,139)	(24,537,645)	(18,133,279)	(15,066,349)
Total other financing sources (uses)	21,612,062	(293,065)	25,802,054	2,992,257
Net change in fund balances	\$ 6,112,247	\$ (25,860,195)	\$ 13,275,905	\$ (21,833,106)
Debt service as a percentage of noncapital expenditures	15.5%	13.9%	11.6%	11.9%

Source: Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

Comprehensive Annual Financial Report 2015

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 68,488,317	\$ 63,739,861	\$ 66,441,273	\$ 75,899,606	\$ 79,740,933	\$ 90,440,736
2,091,190	2,249,021	4,361,182	5,099,915	5,818,615	5,827,475
20,956,542	14,716,457	14,139,092	13,944,351	14,032,112	15,166,476
3,328,744	3,622,562	4,703,711	5,911,954	7,607,140	7,610,535
1,737,615	1,626,615	1,511,762	1,535,820	2,473,890	3,432,228
1,939,156	2,285,686	3,808,216	3,319,569	2,387,329	1,861,231
786,379	711,753	689,240	1,074,118	902,762	891,136
3,529,510	2,680,263	3,445,064	2,850,433	2,438,942	3,202,583
102,857,453	91,632,218	99,099,540	109,635,766	115,401,723	128,432,400
5,821,839	6,051,000	6,148,530	6,895,137	7,143,865	7,795,541
2,415,602	2,639,800	2,726,273	2,781,005	2,849,954	2,988,951
57,122,596	36,927,061	36,785,762	38,162,011	39,902,990	41,552,238
5,237,571	5,252,066	5,325,071	5,256,059	5,323,103	5,623,048
5,877,368	6,677,579	7,334,764	7,218,144	7,648,901	7,682,213
12,603,919	13,112,883	13,801,117	13,190,232	14,064,016	14,147,709
5,641,216	5,537,197	5,501,456	5,368,080	5,594,899	5,980,950
7,246,851	7,669,145	7,667,099	7,862,632	8,097,151	15,365,251
4,126,828	3,846,564	3,646,216	3,179,638	2,984,274	2,707,594
10,754,848	11,074,228	4,058,121	6,062,203	10,525,215	12,979,918
116,848,638	98,787,523	92,994,409	95,975,141	104,134,368	116,823,413
(13,991,185)	(7,155,305)	6,105,131	13,660,625	11,267,355	11,608,987
-	-	-	-	-	-
-	-	10,840,000	-	8,671,070	8,620,000
-	-	500,000	-	-	-
-	-	9,702,213	-	-	18,524
-	-	(10,990,000)	-	(8,929,574)	-
-	-	-	-	547,704	261,619
150	-	198,526	1,966,453	2,433,102	77,342
16,091,163	24,573,238	15,997,350	20,939,382	24,436,941	44,596,124
(16,262,423)	(24,390,014)	(15,417,731)	(19,618,674)	(23,164,963)	(43,125,559)
(171,110)	183,224	10,830,358	3,287,161	3,994,280	10,448,050
\$ (14,162,295)	\$ (6,972,081)	\$ 16,935,489	\$ 16,947,786	\$ 15,261,635	\$ 22,057,037
10.7%	13.1%	12.7%	12.3%	11.8%	17.4%

Comprehensive Annual Financial Report 2015

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
2006	26,049,415	26,099,325	16,414,038	5,514,863	-	167,426	540,537	74,785,604
2007	25,875,026	26,812,760	17,417,969	4,952,380	-	195,667	573,306	75,827,108
2008*	26,868,574	25,460,470	17,569,974	3,225,515	-	207,066	563,989	73,895,587
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
Change								
2006-2015	-15.5%	2.1%	60.7%	16.7%	48.7%	66.9%	89.3%	20.9%

* Under Sales & Use Tax--Streamline Sales Tax (SST) implementation. Mitigation payments received from the state under Other Grants and Shared Revenue category:

2008	\$ 1,159,921
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

** 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

**** Business & Occupation tax started in 2013

Source: City financial records

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

**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
2006	8,400,023,599	993,616,797	9,393,640,396	2.824
2007	9,190,267,772	1,075,601,911	10,265,869,683	2.562
2008	10,351,653,984	1,204,420,660	11,556,074,644	2.364
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

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 2015

**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
2006	2.633	0.191	2.824	2.498	1.154	0.175	0.233	4.593	0.590	0.534	0.220	0.045	-
2007	2.503	0.059	2.562	2.325	1.139	0.150	0.232	4.176	0.557	0.500	0.206	0.042	-
2008	2.312	0.052	2.364	2.132	1.208	0.119	0.224	4.393	0.509	0.453	0.300	0.100	-
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

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 rate 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 2015

**Schedule 8
City of Kent
Principal Property Tax Payers
Current Year and Nine Years Ago**

Taxpayer	2015			2006		
	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)	\$ 213,406,900	1	1.52%	\$101,892,300	4	1.08%
PSE/Electric & Gas	210,703,543	2	1.50%	125,976,640	2	1.34%
Boeing	209,497,876	3	1.49%	294,528,123	1	3.14%
AMB Property	102,550,400	4	0.73%	118,618,800	3	1.26%
Segale Properties (formerly La Terra Ltd)	91,382,900	5	0.65%	56,707,200	6	0.60%
CSHV Kent North LLC (formerly Ellis CB Richard)	52,342,300	6	0.37%	38,627,578	8	0.41%
Red Mortgage Capital Inc.	40,788,000	7	0.29%	75,736,500	5	0.81%
Qwest Corporation (formerly U.S. West)	38,006,224	8	0.27%	42,028,200	7	
Fred Meyer	36,084,000	9	0.26%	29,195,331	9	0.31%
Kennedy Wilson Multifamily	34,754,000	10	0.25%			
Property Reserve				22,183,600	10	0.24%
	<u>\$1,029,516,143</u>		<u>5.80%</u>	<u>\$803,601,972</u>		<u>8.11%</u>

Source: King County Assessor's Office



**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
2006	26,400,938	25,723,330	97.43%	677,608	26,400,938	100.00%
2007	26,194,032	25,750,298	98.31%	443,228	26,193,526	100.00%
2008	27,225,624	26,564,249	97.57%	660,894	27,225,143	100.00%
2009	27,815,136	27,136,428	97.56%	668,920	27,805,348	99.96%
2010	29,273,116	28,806,516	98.41%	459,160	29,265,676	99.97%
2011*	19,298,192	18,981,959	98.36%	310,898	19,292,857	99.97%
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%	266,084	20,214,381	99.78%
2014	20,726,325	20,394,209	98.40%	233,329	20,627,538	99.52%
2015	22,091,369	21,827,665	98.81%	-	21,827,665	98.81%

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.

**Schedule 10
City of Kent
Taxable Sales by Category
Last Ten Fiscal Years**

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Unknown	2,562,325	743,328	960,908	999,746
Agriculture, Forestry, Fishing	556,164	480,758	421,594	518,595
Mining	143,563	126,143	1,111,403	540,569
Utilities	25,929,247	32,804,185	20,292,827	23,789,845
Construction	339,844,719	314,927,177	329,122,168	242,972,325
Manufacturing	153,080,983	271,089,687	171,095,850	69,750,959
Wholesale Trade	507,855,299	537,750,994	376,973,038	301,507,123
Retail Trade	1,191,891,094	1,093,635,050	864,206,993	616,882,158
Transportation and Warehousing	8,279,538	9,709,071	8,606,606	6,983,433
Information	157,065,993	114,296,024	138,282,101	111,604,712
Finance and Insurance	20,019,726	18,444,097	19,337,663	22,253,860
Real Estate, Rental, Leasing	102,929,495	100,269,365	87,787,763	74,188,983
Prof, Sci, Technical Svcs	30,635,428	34,514,927	47,004,048	40,297,213
Company Management	434,919	395,740	203,812	170,204
Admin, Supp, Remed Svcs	39,221,048	46,233,624	38,659,998	30,272,316
Educational Services	2,803,957	5,386,733	4,705,329	3,167,476
Health Care Social Assistance	3,761,970	3,882,634	4,134,840	2,726,198
Arts, Entertain, Recreation	12,997,168	14,199,392	15,543,553	19,222,372
Accommodation and Food Svcs	156,165,384	166,220,492	164,615,802	143,820,138
Other Services	65,088,034	72,939,468	75,835,651	66,338,283
Public Administration	13,378,848	21,778,264	30,271,537	20,201,288
Total	<u>\$ 2,834,644,903</u>	<u>\$ 2,859,827,153</u>	<u>\$ 2,399,173,484</u>	<u>\$ 1,798,207,796</u>

City direct sales tax rate 0.85%.

Source: Taxtools 4.1.0 Database by Microflex, Inc.

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
858,268	477,054	339,351	196,495	65,704	543,832
718,861	692,359	877,496	1,202,184	1,533,526	1,723,713
647,324	617,757	607,282	144,459	98,998	46,085
17,472,906	5,078,454	7,112,634	10,873,877	6,071,984	6,292,076
188,425,022	186,982,818	224,155,491	224,529,870	321,680,722	297,410,988
96,582,517	81,988,703	88,519,357	147,815,483	140,966,275	130,367,834
217,175,584	252,503,957	232,141,988	241,905,173	258,868,775	297,663,617
647,338,680	681,641,901	682,878,774	722,025,334	752,229,005	778,287,789
8,256,303	6,620,144	6,843,425	7,058,638	7,704,255	10,505,291
113,484,774	112,088,847	115,588,551	95,410,564	112,338,420	121,791,265
18,871,102	16,381,423	21,585,061	25,203,335	25,454,579	30,244,002
67,979,949	73,151,966	71,912,403	73,550,514	87,699,058	95,997,409
48,470,587	41,794,489	46,798,059	32,408,933	36,389,911	38,935,453
646,516	13,351	20,847	25,943	-	78,443
31,230,882	42,594,079	41,021,656	42,476,396	39,458,138	71,319,015
3,205,201	3,968,920	3,243,933	3,711,272	3,712,154	4,420,229
2,254,145	1,783,015	1,505,938	1,275,885	2,412,082	3,308,852
18,658,668	19,773,143	19,055,120	21,189,254	21,779,009	19,808,385
146,494,696	159,382,256	171,055,204	182,181,720	195,809,112	213,315,217
73,591,515	82,917,327	77,191,369	71,633,560	73,587,409	81,802,712
19,850,671	24,692,051	24,752,900	26,185,952	28,971,834	30,088,734
\$ 1,722,214,171	\$ 1,795,144,014	\$ 1,837,206,839	\$ 1,931,004,841	\$ 2,116,830,950	\$ 2,233,950,941

**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>
2006	0.85%	6.50%	0.80%	0.40%	0.15%	0.10%	0.50%	9.30%
2007	0.85%	6.50%	0.80%	0.40%	0.25%	0.10%	0.50%	9.40%
2008	0.85%	6.50%	0.90%	0.40%	0.25%	0.10%	0.50%	9.50%
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%

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

Schedule 12
City of Kent
Sales Tax Revenue Payers by Industry
Current Year and Nine Years Ago

	Fiscal Year 2015				Fiscal Year 2006			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	12	0.1%	43,972	0.2%	68	0.5%	104,659	0.4%
Agriculture, Forestry, Fishing	41	0.2%	13,853	0.1%	31	0.3%	4,680	0.0%
Mining	8	0.0%	373	0.0%	10	0.1%	1,208	0.0%
Utilities	13	0.1%	49,968	0.3%	10	0.1%	218,195	0.9%
Construction	4,120	21.6%	2,613,527	14.0%	3,380	27.3%	2,859,808	11.9%
Manufacturing	1,389	7.3%	1,115,934	6.0%	609	4.9%	1,288,179	5.4%
Wholesale Trade	2,933	15.3%	2,392,090	12.8%	1,780	14.4%	4,273,607	17.9%
Retail Trade	4,905	25.7%	6,471,688	34.8%	2,362	19.1%	10,029,770	41.9%
Transportation and Warehousing	150	0.8%	88,027	0.5%	105	0.8%	69,673	0.3%
Information	641	3.4%	1,076,320	5.8%	404	3.3%	1,321,711	5.5%
Finance and Insurance	152	0.8%	252,086	1.4%	136	1.1%	168,466	0.7%
Real Estate, Rental, Leasing	473	2.5%	816,556	4.4%	372	3.0%	866,152	3.6%
Prof, Sci, Technical Svcs	1,091	5.7%	339,711	1.8%	606	4.9%	257,799	1.1%
Company Management	4	0.0%	515	0.0%	4	0.0%	3,660	0.0%
Admin, Supp, Remed Svcs	1,330	7.0%	405,878	2.2%	1,021	8.3%	330,051	1.4%
Educational Services	149	0.8%	29,648	0.2%	39	0.3%	23,596	0.1%
Health Care Social Assistance	185	1.0%	32,726	0.2%	133	1.1%	31,657	0.1%
Arts, Entertain, Recreation	124	0.6%	164,538	0.9%	76	0.6%	109,371	0.5%
Accommodation and Food Svcs	407	2.1%	1,782,519	9.6%	396	3.2%	1,314,134	5.5%
Other Services	961	5.0%	674,331	3.6%	815	6.6%	547,718	2.3%
Public Administration	22	0.1%	255,905	1.4%	16	0.1%	112,583	0.5%
Total	19,110	100.00%	\$ 18,620,165	100.00%	12,373	100.00%	\$ 23,936,677	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 2015

Schedule 13 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 ^a	Per Capita ^b	Other Governmental Activities Debt	
	General Obligation Bonds ¹	Less: Amounts Available In Debt Fund	Total			Loans, Notes and Contracts ^d	Special Assessment Bonds
2006	63,421,845	49,075	63,372,770	0.67%	739.90	14,858,916	17,028,602
2007	59,181,206	42,024	59,139,182	0.58%	682.43	12,471,829	14,512,651
2008	78,826,585	26,246	78,800,339	0.68%	905.96	14,137,927	11,851,450
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	16,557,914	1,980,000
2015	47,784,224	-	47,784,224	0.34%	388.81	8,020,328	1,395,000

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
2006	11,776,790	-	34,625,250	141,662,328	3.04%	1,653.97
2007	10,563,721	-	35,193,351	131,880,734	2.65%	1,521.82
2008	9,282,660	-	33,738,999	147,811,375	2.92%	1,699.37
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	128,901,330	1.69%	1,061.79
2015	2,597,516	19,356,148	32,340,417	111,493,633	1.32%	907.19

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 17 for population and personal income data.

^c Includes general bonded debt, other governmental activities debt, and business-type activities debt.

^d Excludes compensated absences.

Source: City financial records

**Schedule 14
City of Kent
Direct and Overlapping Governmental Activities Debt
As of December 31, 2015**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Governmental Unit</u>			
King County	829,126,323	3.5292%	29,261,526
Port of Seattle	305,535,000	3.3529%	10,244,344
Federal Way School District No. 210	168,690,885	6.7793%	11,436,061
Highline School District No. 401	244,589,391	1.3982%	3,419,849
Renton School District No. 403	271,815,000	3.9199%	10,654,876
Auburn School District No. 408	155,750,000	0.8994%	1,400,816
Tahoma School District No. 409	101,720,000	0.0235%	23,904
Kent School District No. 415	141,219,997	65.8631%	93,011,868
Hospital District No. 1	-	33.3978%	-
Kent Regional Fire Authority No. 62	-	84.2854%	-
Rural Library District	10,920,500	6.0679%	662,645
Subtotal Overlapping Debt			160,115,889
City of Kent direct debt			<u>57,199,552</u>
Total direct and overlapping debt			<u><u>\$ 217,315,441</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 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 2015

Schedule 15
City of Kent
Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Legal Debt Limit				
Assessed Value	\$ 9,393,640,396	\$ 10,265,869,683	\$ 11,556,074,644	\$ 12,796,789,489
Legal debt limit restrictions:				
2.5% of General purpose limit, voted & non-voted	\$ 234,841,010	\$ 256,646,742	\$ 288,901,866	\$ 319,919,737
2.5% Utility purpose limit, voted	234,841,010	256,646,742	288,901,866	319,919,737
2.5% Open Space, Park Facilities, voted	234,841,010	256,646,742	288,901,866	319,919,737
Total legal debt limit	<u>704,523,030</u>	<u>769,940,226</u>	<u>866,705,598</u>	<u>959,759,211</u>
Total net debt applicable to limit	<u>80,416,632</u>	<u>75,346,858</u>	<u>92,785,463</u>	<u>87,079,122</u>
Legal debt margin	<u>\$ 624,106,398</u>	<u>\$ 694,593,368</u>	<u>\$ 773,920,135</u>	<u>\$ 872,680,089</u>
Total net debt applicable to the limit as a percentage of debt limit	11.41%	9.79%	10.71%	9.07%
Debt applicable to limit:				
Voted				
General obligation bonds	1,735,000	1,175,000	600,000	-
Non-voted				
General obligation bonds	75,164,999	70,008,999	88,973,000	84,019,000
Other general obligation debt	3,565,709	4,204,883	3,238,709	3,063,709
Less: Amount set aside for repayment of voted general obligation debt	(49,076)	(42,024)	(26,246)	(3,587)
Total net debt applicable to limit	<u>80,416,632</u>	<u>75,346,858</u>	<u>92,785,463</u>	<u>87,079,122</u>
Additional debt limit restriction:				
1.0% non-voted for all purposes	93,936,404	102,658,697	115,560,746	127,967,895
Non-voted debt outstanding	78,730,708	74,213,882	92,211,709	87,082,709
Non-voted legal debt margin	<u>15,205,696</u>	<u>28,444,815</u>	<u>23,349,037</u>	<u>40,885,186</u>
Constitutional Debt Limit				
10.0% non-voted for all purposes	939,364,040	1,026,586,968	1,155,607,464	1,279,678,949
Net debt applicable to legal debt limit	80,416,632	75,346,858	92,785,463	87,079,122
Add: State loan contracts	10,824,315	8,003,801	10,672,547	12,537,258
Constitutional debt margin	<u>848,123,093</u>	<u>943,236,309</u>	<u>1,052,149,454</u>	<u>1,180,062,569</u>
Internal Debt Limit				
Net debt applicable to legal debt limit	80,416,632	75,346,858	92,785,463	87,079,122
Add: State loan contracts	10,824,315	8,003,801	10,672,547	12,537,258
Internal loans	-	-	-	-
Compensated absences	4,475,910	4,776,302	5,985,748	6,594,993
Total debt applicable to internal debt calculation	<u>95,716,857</u>	<u>88,126,961</u>	<u>109,443,758</u>	<u>106,211,373</u>
Total net debt applicable to the internal debt calculation as a percentage of assessed value	1.02%	0.86%	0.95%	0.83%

Notes:

The debt limit applies to general obligation debt of the city (debt for which the "full faith and credit" of the city is pledged to pay off the debt). The state constitution limits the debt cities are allowed to carry to 10% of the assessed valuation of the taxable properties within the city. The state legislature has further limited the outstanding debt for cities to 75% of the constitutional 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 governmental revenues.

Source: City's financial records

Comprehensive Annual Financial Report 2015

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 11,733,295,807	\$ 13,124,485,153	\$ 12,746,855,069	\$ 12,009,757,520	\$ 12,651,208,800	\$ 14,068,213,406
\$ 293,332,395	\$ 328,112,129	\$ 318,671,377	\$ 300,243,938	\$ 316,280,220	\$ 351,705,335
293,332,395	328,112,129	318,671,377	300,243,938	316,280,220	351,705,335
879,997,185	984,336,387	956,014,131	900,731,814	948,840,660	1,055,116,005
81,157,709	75,247,674	69,139,626	61,423,917	54,975,990	49,078,000
\$ 798,839,476	\$ 909,088,713	\$ 886,874,505	\$ 839,307,897	\$ 893,864,670	\$ 1,006,038,005
9.22%	7.64%	7.23%	6.82%	5.79%	4.65%
-	-	-	-	-	-
78,303,000	72,590,000	66,683,000	60,993,000	54,756,000	49,078,000
2,854,709	2,658,709	2,457,709	432,000	220,000	-
-	(1,035)	(1,083)	(1,083)	(10)	-
81,157,709	75,247,674	69,139,626	61,423,917	54,975,990	49,078,000
117,332,958	131,244,852	127,468,551	120,097,575	126,512,088	140,682,134
81,157,709	75,248,709	69,140,709	61,425,000	54,976,000	49,078,000
36,175,249	55,996,143	58,327,842	58,672,575	71,536,088	91,604,134
1,173,329,581	1,312,448,515	1,274,685,507	1,200,975,752	1,265,120,880	1,406,821,341
81,157,709	75,247,674	69,139,626	61,423,917	54,975,990	49,078,000
11,660,072	10,777,631	10,389,724	9,584,624	8,777,671	8,001,804
1,080,511,800	1,226,423,210	1,195,156,157	1,129,967,211	1,201,367,219	1,349,741,537
81,157,709	75,247,674	69,139,626	61,423,917	54,975,990	49,078,000
11,660,072	10,777,631	10,389,724	9,584,624	8,777,671	8,001,804
-	-	9,698,149	8,671,556	7,560,243	-
4,848,159	4,596,349	4,459,597	4,747,718	4,168,176	4,337,445
97,665,940	90,621,654	93,687,096	84,427,815	75,482,080	61,417,249
0.83%	0.69%	0.73%	0.70%	0.60%	0.44%

Comprehensive Annual Financial Report 2015

Schedule 16
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	
2006 ³	8,255,311	7,316,267	939,044	-	-	N/A
2007 ³	8,342,104	7,364,764	977,340	-	-	N/A
2008 ³	8,778,926	8,573,049	205,877	-	-	N/A
2009 ⁵	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	475,000	588,147	4.97
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

Fiscal Year	Sewerage Revenue Bonds ¹					
	Sewerage Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006 ⁴	25,063,532	20,244,531	4,819,001	992,571	445,806	3.35
2007 ⁴	27,000,243	22,469,093	4,531,150	-	-	N/A
2008 ⁴	28,118,989	23,522,768	4,596,221	-	-	N/A
2009 ⁵	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

Fiscal Year	Special Assessment Bonds			
	Revenues	Debt Service		Coverage
		Principal	Interest	
2006	4,672,771	3,202,265	955,342	1.12
2007	3,650,209	2,721,699	839,175	1.03
2008	3,570,767	2,697,676	714,711	1.05
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 ⁶	4,058,344	1,203,319	180,786	2.93
2014 ⁶	3,115,228	747,256	124,207	3.57
2015 ⁶	2,586,437	585,000	111,840	3.71

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 Water revenue bonds matured in 2004.

⁴ Sewerage revenue bonds matured in 2006.

⁵ 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.

⁶ Most of the outstanding LID's are internally financed with no outstanding bonds. As funds are received, they are transferred to the capital project to fund construction.

Details regarding coverage can be found in the Official Statements.

**Schedule 17
City of Kent
Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Calendar Year</u>	<u>Population¹</u>	<u>County Personal Income²</u> (thousands of dollars)	<u>County Per Capita Income³</u>	<u>Median Age⁴</u>	<u>School Enrollment⁵</u>	<u>County Unemployment Rate⁶</u>
2006	85,650	99,608,475	54,370	36.94	27,590	4.2%
2007	86,660	106,637,605	57,409	36.98	26,861	3.7%
2008	86,980	109,551,329	58,141	37.00	27,582	4.3%
2009	88,380	109,053,408	56,904	37.08	26,764	8.1%
2010 ⁷	117,869	106,806,333	55,136	37.05	27,050	8.8%
2011	118,200	113,922,436	57,837	37.37	27,397	7.6%
2012	119,100	120,627,950	60,090	37.69	26,975	6.8%
2013	120,500	128,330,859	62,770	37.70	27,500	5.2%
2014	121,400	143,260,986	68,877	37.44	27,484	4.6%
2015	122,900	*	*	37.26	27,872	3.6%

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 Median Age for King County: Washington State Office of Financial Management.

⁵ Kent School District - May 2014: Washington State Report Card

⁶ Annual average for King County: US Bureau of Labor Statistics

⁷ Annual average for King County: Washington State Employment Security Department

*2015 information is not available, will be included in 2016 CAFR.

**Schedule 18
City of Kent
Principal Employers
Current Year and Nine Years Ago**

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Kent Public Schools	3,737	1	4.79%	3,300	1	8.25%
Boeing Company	2,480	2	3.18%			
REI Inc.	1,017	3	1.30%	684	3	1.71%
City of Kent	667	4	0.86%	804	2	2.01%
Carlisle Interconnect Industries	650	5	0.83%			
King County Regional Justice Center	630	6	0.81%	630	5	1.58%
Coho Distributing LLC dba Columbia Dist.	620	7	0.79%			
Exotic Metals Forming Co	618	8	0.79%			
Sysco	510	9	0.65%	593	6	1.48%
Oberto Sausage	507	10	0.65%	437	8	1.09%
Mikron Industries				675	4	1.69%
Alaska Distributors Co.				510	7	1.28%
Starbucks Coffee Company				422	9	1.06%
Alaska Airlines				400	10	1.00%
	<u>11,436</u>		<u>14.66%</u>	<u>8,055</u>		<u>20.14%</u>

Source: City of Kent Business License System

Schedule 19
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									
	2006	2007	2008	2009 ^a	2010 ^b	2011	2012	2013	2014	2015
General government										
Mayor's Office	11.00	11.00	12.00	9.00	13.00	13.00	10.50	10.53	10.53	10.75
Human Resource	13.00	13.00	13.00	11.00	11.00	12.00	12.00	12.20	13.20	13.60
Finance	22.00	22.00	21.00	19.50	19.00	20.55	18.55	20.55	20.55	23.55
Information Technology	25.00	26.00	29.00	25.00	25.00	28.70	25.00	24.96	26.00	29.00
Other	42.00	42.50	43.50	43.00	43.50	45.90	41.25	37.80	39.00	42.00
Judicial	18.00	18.00	19.00	18.00	21.00	21.53	21.28	20.28	20.28	20.28
Public Safety										
Police	178.00	183.00	187.00	179.00	193.00	201.28	196.28	191.75	195.75	199.00
Fire	161.00	176.00	177.00	169.00	-	-	-	-	-	-
Law-Criminal	10.00	10.50	10.50	9.50	10.00	11.70	10.60	9.80	8.80	8.80
Community Development	41.00	42.00	42.00	42.00	43.00	43.60	36.60	36.60	38.33	40.75
Public Works										
Engineering	5.25	5.58	5.58	5.33	5.33	5.33	5.33	9.00	9.00	9.00
Operations	13.00	13.00	13.00	13.00	12.00	12.00	12.00	12.00	25.00	31.00
Streets	72.75	77.75	77.75	65.50	70.50	73.02	71.02	64.09	67.50	67.50
Leisure Services	59.00	60.00	63.00	60.00	60.00	61.63	59.13	60.16	63.91	64.38
Health and Human Services	18.00	18.00	18.00	17.00	18.00	21.34	17.53	15.73	16.06	16.53
Water	26.00	26.00	27.00	25.00	26.00	26.00	26.00	32.41	29.08	29.08
Sewerage										
Sewer	10.25	10.58	10.58	10.33	10.33	10.33	10.33	9.08	9.08	11.08
Storm	26.75	27.09	27.09	26.34	34.34	34.34	34.34	26.42	20.09	23.09
Water & Sewer Utility Billing	7.00	9.00	10.00	9.50	10.00	11.11	11.11	11.11	11.11	11.80
Golf	9.00	9.00	9.00	8.00	8.00	11.35	11.35	11.35	11.35	11.35
Total	768.00	800.00	815.00	765.00	633.00	664.71	630.20	615.81	634.61	662.54

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.

Comprehensive Annual Financial Report 2015

Schedule 20
City of Kent
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Business licenses issued	3,856	3,796	3,834	3,787	4,183	3,658	5,048	3,767	4,243	4,164
Judicial										
Number of court filings ^a	18,710	19,216	21,285	23,466	20,330	18,377	17,992	18,531	17,184	14,628
Public Safety										
Police										
Physical arrests	4,119	4,808	4,658	4,704	4,249	4,673	4,678	4,778	4,587	4,514
Parking violations	2,594	2,439	2,557	2,295	2,115	2,367	2,272	1,479	2,066	2,037
Traffic violations	18,681	19,219	18,713	18,188	15,343	13,079	12,774	18,531	14,979	13,552
School Zone Tickets [*]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,366	7,202
Community Development										
Building permits issued ^b	1,672	1,437	1,123	913	1,004	2,074	2,277	2,334	3,789	3,899
Building inspections conducted	20,984	16,912	16,226	15,480	12,883	13,375	14,050	14,067	12,443	12,974
Public Works										
Street resurfacing (sq yds)	169,000	126,097	156,091	467,777	12,200	26,190	22,488	31,100	48,350	60,944
Leisure Services										
Recreation programs offered	1,694	1,911	2,050	2,050	1,791	2,147	2,096	2,070	2,050	2,158
Number of recreation participants ^d	79,438	98,616	102,939	106,027	73,600	16,705	33,462	24,392	23,143	26,521
Health and Human Services										
Citizens served in specialized recreation setting ^d	2,500	3,200	3,200	3,250	3,150	1,575	1,632	1,512	1,704	1,688
Participants in Senior programs/workshops ^d	12,242	18,339	22,714	23,395	34,697	14,157	17,115	18,180	20,415	20,410
Water										
New connections	279	258	171	141	189	136	164	160	135	106
Average daily consumption (million gallons-estimated)	8	8	8	8	8	7.5	7.0	7.1	7.4	7.7
Golf										
Number of participants	170,361	171,033	156,580	156,950	153,750	151,950	153,800	154,100	155,260	155,870
Number of tournaments	103	117	100	85	83	76	72	63	57	51
Library										
Number of Items	150,497	150,497	156,050	151,605	159,246	159,246	159,300	159,173	107,933	112,988
Items circulated ^c	N/A	N/A	N/A	N/A	N/A	N/A	745,994	613,603	550,416	470,680

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.

Comprehensive Annual Financial Report 2015

Schedule 21
City of Kent
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	42	42	44 ^b	51 ^b	50 ^b	50 ^b	51 ^b	58 ^b	49 ^b	47 ^b
Public Works										
Streets (lane miles)	551	556	569	725	725	726	726	726	726	797
Streetlights	4,950	5,171	5,176	6,573	6,573	6,573	6,600	6,600	6,600	6,354
Traffic signals	111	130	103	104	119	119	119	119	119	119
Traffic beacons/advisory devices						57	58	69	70	76
Leisure Services										
Acres of parks/open space ^a	1,346	860	870	982	1,434	1,434	1,434	1,178	1,178	1,142
Parks ^c	75	75	90	80	58	58	58	53	53	53
Miles of trails	23	23	19	19	23	23	28	28	28	28
Ball fields	24	24	18	18	21	21	21	21	21	21
Tennis courts	15	15	12	13	15	15	15	15	15	12
Water										
Water mains (miles)	272	274	281	280	280	280	280	280	284	284
Water customers *	N/A	N/A	13,061	13,130	13,202	13,327	13,469	13,629	13,810	13,924
Reservoir/Tanks	8	8	8	8	8	9	9	9	9	9
Reservoir storage capacity (millions of gallons)	23.3	23.3	23.3	23.3	21.0	23.2	23.2	23.2	23.2	23.2
Sewerage										
Sanitary sewers (miles)	201	206	209	209	209	209	215	215	215	215
Storm sewers (miles)	238	247	248	248	248	249	324	324	324	324
Sewer customers *	N/A	N/A	26,653	26,876	27,000	27,268	27,662	27,977	28,245	28,439
Drainage customers *	N/A	N/A	16,915	17,051	22,122	24,750	25,100	25,285	25,486	25,624
Golf										
18-Hole course (yards)	6,666	6,666	6,666	6,666	6,701	6,701	6,701	6,701	6,701	6,701
Par 3 course (yards)	1,174	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





[Kent WA.gov](http://KentWA.gov)