COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Kent, Washington

For the Fiscal Year Ended
December 31, 2017

KENT
WASHINGTON

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2017

Prepared by:

Finance Department
Financial Reporting Division

Aaron BeMiller
Finance Director

Kent's **Vision**

Kent is a **safe**, **connected** and **beautiful** city, **culturally vibrant** with richly **diverse** urban centers.

Mission

The City of Kent is dedicated to building a thriving, sustainable, and inclusive community through innovative leadership, inspired teamwork, and unwavering devotion to responsibly advancing our quality of life.

Goals

- Innovative Government
- Authentic Connectivity and Communication
- Thriving Neighborhoods and Urban Centers
- Sustainable Funding
- Inclusive Community

Values

- Integrity
- Communication
- Caring
- Teamwork
- Innovation

KENT
WASHINGTON

OUR GOALS

Innovative Government	Empowering responsible citizen engagement, providing outstanding customer service, leveraging technologies and fostering new opportunities and industries that benefit our community
Authentic Connectivity and Communication	Uniting people to people, to places and to their government through superior infrastructure, enriched community interactions and responsive, trusting relationships
Thriving Neighborhoods and Urban Centers	Creating vibrant urban centers, welcoming neighborhoods and green spaces for healthy growth and cultural celebration
Sustainable Funding	Maximizing long-term financial success through responsible fiscal oversight, economic growth and community partnerships
Inclusive Community	Embracing the power of our diversity by encouraging community participation and creating a strong sense of belonging

OUR GUIDING VALUES

Integrity	We act in a fair, honest, and ethical manner
Communication	We openly exchange information and ideas
Caring	We are committed to empathy, courtesy, and respect
Teamwork	We work together cooperatively
Innovation	We find better ways to do our work

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FINANCE ADMINISTRATION
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Kent, WA 98032
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June 18, 2017

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, 2017. 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 5-22 has a different focus than the transmittal letter and should be read in conjunction with the transmittal letter.

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

THE REPORTING ENTITY

The City of Kent is located in southern King County, Washington State's most populous county. The City is centrally located in the Green River Valley, 18 miles south of Seattle and 18 miles northeast of Tacoma. Kent now serves approximately 127,100 residents, making it the sixth largest city in the state.

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

The City of Kent provides a full range of governmental services. At December 31, 2017, the City of Kent had 702.79 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 208.75 budgeted police officers and non-uniformed personnel providing police and correction services to an expanding business and residential area. The Public Works Department provides engineering services for the City and maintains the City streets. In addition, Public Works operates the water, sewer, and drainage utilities that also serve many outside customers. The Parks, Recreation and Community Services Department maintains parks and recreation fields

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

The biennial budget serves as the foundation for the City of Kent's financial planning and control. The City Council established its direction for the City in 2017 through a formal review of and update to the City's strategic goals and values. Those Strategic Goals are reviewed quarterly and are used in developing a biennial budget. The budget kick-off starts in May. Departments meet with the finance department and develop their budgets during June and July and make their requests to Administration in August. A public hearing is held on the budget in September and the preliminary budget is prepared and submitted for Council review in late September. A second public hearing is held in October and the final budget is developed and submitted for Council approval in December.

ECONOMIC CONDITION AND OUTLOOK

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

There are approximately 80,000 people who work within Kent's city limits. Large private sector employers within city limits include Amazon with 3,991 employees, the Boeing Company (aircraft manufacturer) with 2,480 employees, REI Inc. (a recreational clothing and equipment retailer) with 882 employees, Carlisle Interconnect Technologies (electronic component manufacturing) with 845 employees, Blue Origin with 1,037 employees (engineering and manufacturing for space exploration), Exotic Metals Forming (aircraft parts manufacturer) with 1,186 employees, and Alaska Airlines with 648 employees.

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

In 2007, the Legislature adopted SSB 5089 which brought Washington State into full compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) switching the State's sales tax methodology from origin based sourcing to a destination based sourcing for purposes of sales tax determination with respect to retail deliveries. The State also established mitigation for negatively impacted local governments based on the sourcing loss determination conducted in 2009. Since then, the City of Kent has received approximately $5 million annually due to the sourcing loss. Beginning in October 2019, the State plans to end the Streamlined Sales Tax (SST) mitigation payments and has removed these payments from its budget. However, the State has requested a report on the effect of ending mitigation payments on affected cities. The City of Kent has taken a lead role in the effort to restore SST mitigation payments and is working with several affected cities in partnership to create the report.

In March 2015 the Puget Sound Regional Council issued its Industrial Lands Analysis report. This report provided an updated assessment of the economic activity on industrial land in the central Puget Sound region, including an analysis of industry forecasts and the regions ability to accommodate economic growth on industrial lands. According to the report, the $5 million mitigation from the State is equal to 39% of the estimated annual sourcing loss of $12.7 million cited in the report. The sourcing loss determination conducted by the State was based on comparison fiscal year 2008 and 2009 activities and did not include an adjustment factor for subsequent recovery and growth in sales tax revenues.

In addition to the loss of SST mitigation payments, the City is facing the expiration of the Panther Lake Sales Tax Credit it receives from the State for our annexation of the Panther Lake area. The sales tax credit, available for 10 years, will expire June 30, 2020. The annualized negative impact to the City's General Fund revenues will be approximately $4.7 million, or roughly 5%. The loss, coupled with the loss of streamlined sales tax mitigation discussed above, results in a negative impact of roughly $10 million, or about 10%, to the City's General Fund. Colloquially, the City has used the term "fiscal cliff" to describe the magnitude of the loss. The City has already started planning for the impact of the fiscal cliff and steps to help mitigate its impact will be examined during the coming 2019 – 2020 budget process.

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

Our budget process begins with an average budgetary "gap" of approximately $1.8 million annually between expenses and revenues which needs to be closed each budget cycle. As with the loss of SST mitigation and the Panther Lake Annexation Credit, the City is looking to adjust our revenue and expenditure structure during the 2019 – 2020 budget process.

MAJOR INITIATIVES

The City Council established its direction for the City with development and adoption of the updated Strategic Goals. The City's vision statement reads: 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:

Innovative Government
Empowering responsible citizen engagement, providing outstanding customer service, leveraging technologies and fostering new opportunities and industries that benefit the community.

Authentic Connectivity and Communication
Uniting people to people, to places and to their government through superior infrastructure, enriched community interactions and responsive, trusting relationships.

Thriving Neighborhoods and Urban Centers
Creating vibrant urban centers, welcoming neighborhoods and green spaces for healthy growth and cultural celebration.

Sustainable Funding
Maximizing long-term financial success through responsible fiscal oversight, economic growth and community partnerships.

Inclusive Community
Embracing the power of our diversity by encouraging community participation and creating a strong sense of belonging.

In 2018, the City has undertaken a full-scale review of the current Mission statement and related City-wide goals to either confirm the mission and goals as they are stated or to make any necessary adjustments. Concurrently, the City has begun an initiative to create meaningful performance measures for which to compare our performance year over year. The City has hired a Performance Analyst and has contracted with an outside professional group to help the City understand and help departments to create performance measures and to help the City move from workload measures as the sole measurement of performance. The new performance measures will need to tie to at least one of the Council goals.

During the 2017-2018 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 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 presented their findings to the City Council in early summer 2016 and those findings helped guide the 2017 – 2018 budget process.

Actual revenue collections in 2017 met or exceeded budget in all fund classifications (General Fund, Special Revenue Funds, and Proprietary Funds) while expenditures came in at or below budgeted levels. This resulted in slightly over a $17.6 million increase in fund balances for the City's governmental funds over 2016 levels.

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

In 2017 the City continued to look for ways to improve financial reporting. The City continues to update management reports to the Mayor and Council to help their understanding of the City's financial standing. Additionally, in 2016, the City's Budget Document was significantly updated and revised based on the Government Finance Officers Association of the United States and Canada (GFOA) best practices. The resulting 2017 – 2018 Biennium Budget was awarded the

Distinguished Budget Presentation award from the GFOA in 2017. The City also began the process of creating our first ever Debt Manual which was completed in spring 2017 and updated in 2018. The Debt Manual provides City residents, elected officials, and staff with information on the City's outstanding debt obligations.

The City's design for the Meet Me on Meeker project recently won a Governor's Smart Communities Award. The Meet Me on Meeker project seeks to reimagine a former main street in the City that has experienced neglect and disinvestment into a safe and welcoming environment for visitors and residents. The project aims to increase economic development opportunities by raising the standard of urban design and creating a more walkable, desirable urban street. Improvements such as the Meet Me on Meeker project are central to the city's economic development strategy and combined with new housing being built along Meeker street the design minimizes congestion by making it easier to walk, use transit, or ride a bike. Meet Me On Meeker was kick-started in Spring 2018 when FNW Inc./Landmark Development broke ground on a two-phase mixed use development on the City's former par-3 golf course site. Phase I of the development includes a six-story mixed use building, 14 three-story residential buildings, a clubhouse and public access through the site to the Green River Trail. When complete, Marquee on Meeker will serve as a new western gateway to downtown Kent. Marquee on Meeker will help remake Kent's historic main street into a living, working destination for Kent residents.

The City has partnered with the YMCA of Greater Seattle on a project at the existing Morrill Meadows and East Hill park sites. This project will combine and expand the existing parks and construct a 50,000 square foot YMCA facility. The expanded park will add a multi-use sports court, a new dog park, increased parking, trails, a small amphitheater, and an outdoor gathering/activity area. The YMCA will contain a gym, community meeting rooms, and a six-lane, 25-yard pool. The facility will serve an estimated 11,000 members as well as approximately another 11,000 patrons through outreach services, child care, case management, education, counseling, and sports programs. Further, it's estimated that the project will create approximately 150 jobs, from part-time entry level to full-time management positions. The YMCA plans to break ground on the facility in mid-2018 and open the facility in 2019.

FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL

Internal Control System

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

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

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

Accounting and Budgetary Control System

The accounting and budgetary control system of the City is based on the fund structure. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts segregated for the purpose of carrying out specific functions in accordance with special regulations, restrictions, or limitations. In 2017, the City reported on 24 individual funds. These are summarized into seven standard fund types to comply with the aforementioned standards of the Governmental Accounting Standards Board. The individual funds, in addition to being the basis of the accounting system, provide the legal budgetary control level for City expenditures. Certain funds operate on an annual budget. Other funds are project oriented or controlled by bond indentures or state law. The City requires Council approval on all budgetary adjustments. The Notes to Financial Statements describe the fund types and their individual operating characteristics.

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

The State Auditor's Office is required by state law to make periodic independent audits of the books of accounts, financial records, and transactions of the City. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2017 are free of material misstatement and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The audit is also designed to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. Additional financial disclosure information required by the State Auditor's Office is included in the Statistical Section or where appropriate as a part of the Notes to the Financial Statements.

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

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN THE FINANCIAL REPORTING PROGRAM

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kent for its

Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. That was the 16th 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 Finance department staff, in particular the General Ledger/Accounting team, and the significant work done by all City departments. We would also like to thank the Mayor, City Council members, and Chief Administrative Officer for their interest and support of our efforts to improve the City's Comprehensive Annual Financial Report.

Respectfully submitted,

Aaron BeMiller
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kent

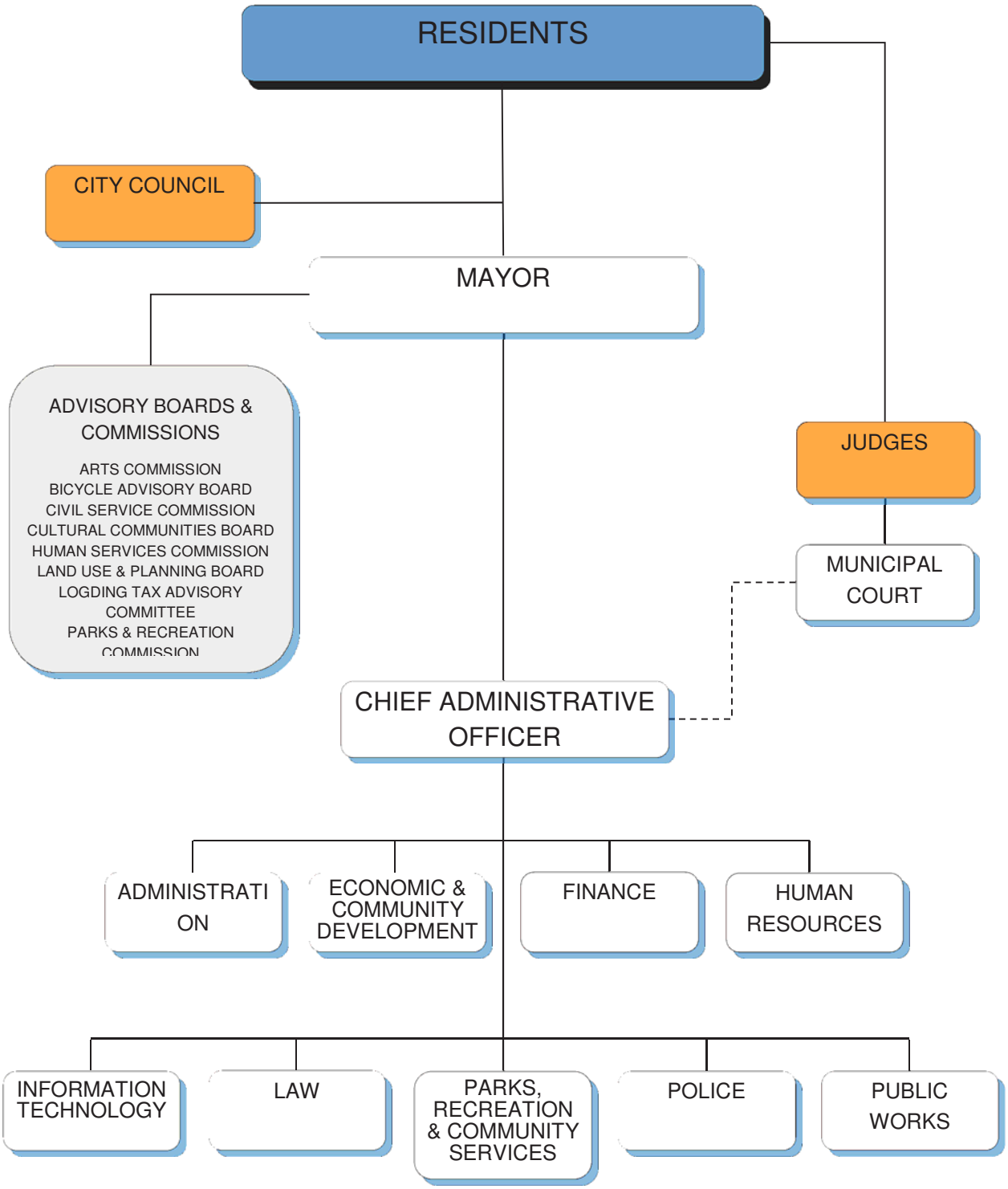
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO


RESIDENTS
CITY COUNCIL
MAYOR
ADVISORY BOARDS & COMMISSIONS
ARTS COMMISSION
BICYCLE ADVISORY BOARD
CIVIL SERVICE COMMISSION
CULTURAL COMMUNITIES BOARD
HUMAN SERVICES COMMISSION
LAND USE & PLANNING BOARD
LOGDING TAX ADVISORY COMMITTEE
PARKS & RECREATION COMMISSION
JUDGES
MUNICIPAL COURT
CHIEF ADMINISTRATIVE OFFICER
ADMINISTRATION
ECONOMIC & COMMUNITY DEVELOPMENT
FINANCE
HUMAN RESOURCES
INFORMATION TECHNOLOGY
LAW
PARKS, RECREATION & COMMUNITY SERVICES
POLICE
PUBLIC WORKS

PRINCIPAL OFFICIALS

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

	Term Expiration
MAYOR	
Dana Ralph	12-31-2021
COUNCIL MEMBERS	
Bill Boyce, President	12-31-2019
Brenda Fincher	12-31-2021
Dennis Higgins	12-31-2019
Satwinder Kaur	12-31-2021
Marli Larimer	12-31-2019
Les Thomas	12-31-2019
Toni Troutner	12-31-2021

GENERAL GOVERNMENT

Derek Matheson, Chief Administrative Officer

Pat Fitzpatrick, City Attorney

Marty Fisher, Human Resources Director

Aaron BeMiller, Finance Director

Michael Carrington, Information Technology Director

PARKS AND RECREATION

Julie Parascondola, Parks, Recreation and Community Services Director

PUBLIC SAFETY

Rafael Padilla, Police Chief

ECONOMIC AND COMMUNITY DEVELOPMENT

Kurt Hanson, Economic and Community Development Director

PUBLIC WORKS

Tim LaPorte, Public Works Director

KENT
WASHINGTON

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 18, 2018

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, 2017, 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, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections are 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 18, 2018, 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,

Pat McCarthy
State Auditor
Olympia, WA

KENT
WASHINGTON

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, 2017. 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 – A10 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 ($1.16 billion) increased by $46.1 million or 4.1 percent from 2016 restated levels, comprised of a $30.8 million or 4.1 percent increase resulting from governmental activities and a $15.2 million or 4.2 percent increase from business-type activities. Approximately $168.0 million or 14.4 percent of the total net position may be used to meet the City's ongoing obligations to citizens and creditors.

- The City issued $13.18 million in Combined Utility System Revenue Refunding Bonds in 2017. The bonds are a cross-over refunding of the 2009 Utility Revenue Build America Bonds. With a cross-over refunding, the refunded bonds are not considered defeased until the cross-over date (December 1, 2019). For further information about the cross-over refunding, refer to Note 9.e.

- Non-current liabilities ($187.8 million) decreased by $7.9 million or 4.1 percent from 2016 levels with an decrease of $9.0 million in the net pension liability, plus the new bonds offset by 2017 debt payments and the reduction in the contingent loan guarantee.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

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

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

manner in which the City may have used previously accumulated funds (i.e. cash funding of capital projects). To assess the overall health of the City, other indicators, including non-financial indicators such as the City's property tax base and condition of its infrastructure, should also be considered.

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

Both of the government-wide financial statements distinguish functions of the City of Kent that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Kent include general government, judicial, public safety, community development, public works, leisure services, and health and human services. The business-type activities of the City of Kent include water, sewerage and solid waste utilities and a municipal golf complex.

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

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

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

The governmental major funds financial statements are found on pages 26-31 of this report.

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

Proprietary funds provide detailed information of the same type of information found in the government-wide financial statements. The City reports the Water, Sewer and Golf Complex funds as major funds, and includes the internal service funds in a single column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 132-139.

The proprietary fund financial statements can be found on pages 32-41 of this report.

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

The basic fiduciary fund financial statements can be found on pages 42-43 of this report.

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 46-107 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 109-116 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 126-130. The combining statements for the agency funds are found on pages 143-148 of this report. Individual statements for the self-insurance plans can be found on pages 150-154.

Additionally, budgetary comparison schedules for three funds separately budgeted but combined into the General Fund for financial reporting are included on pages 156-158 as well as supplementary schedules for governmental capital assets, additional information on changes in long-term liabilities and additional information on transfers between funds on pages 160-169.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following table reflects the condensed Statement of Net Position of the City for December 31, 2017, 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	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other Assets	$ 144,755	$ 119,659	$ 93,327	$ 64,608	$ 238,082	$ 184,267
Capital Assets	748,827	754,825	353,781	354,789	1,102,608	1,109,614
Total Assets	893,582	874,484	447,108	419,397	1,340,690	1,293,881
Deferred Outflows	58,944	66,380	1,002	1,570	59,946	67,950
Total Assets & Deferred Outflows	952,526	940,864	448,110	420,967	1,400,636	1,361,831
Liabilities						
Other liabilities	30,168	27,073	6,476	2,233	36,644	29,306
Long-term liabilities	121,329	136,089	66,465	59,638	187,794	195,727
Total Liabilities	151,497	163,162	72,941	61,871	224,438	225,033
Deferred Inflows	10,853	5,974	985	136	11,838	6,110
Total Liabilities & Deferred Inflows	162,350	169,136	73,926	62,007	236,276	231,143
Net Position						
Net Investment in Capital Assets	700,427	704,250	290,214	305,688	990,641	1,009,938
Restricted	4,729	4,870	985	3,018	5,714	7,888
Unrestricted	85,020	62,608	82,985	50,254	168,005	112,862
Total Net Position	$ 790,176	$ 771,728	$ 374,184	$ 358,960	$1,164,360	$1,130,688

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets and deferred inflows exceeded liabilities and deferred outflows by $1,164.4 million.

By far the largest portion of the City of Kent's net position ($990.6 million or 85.1 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.

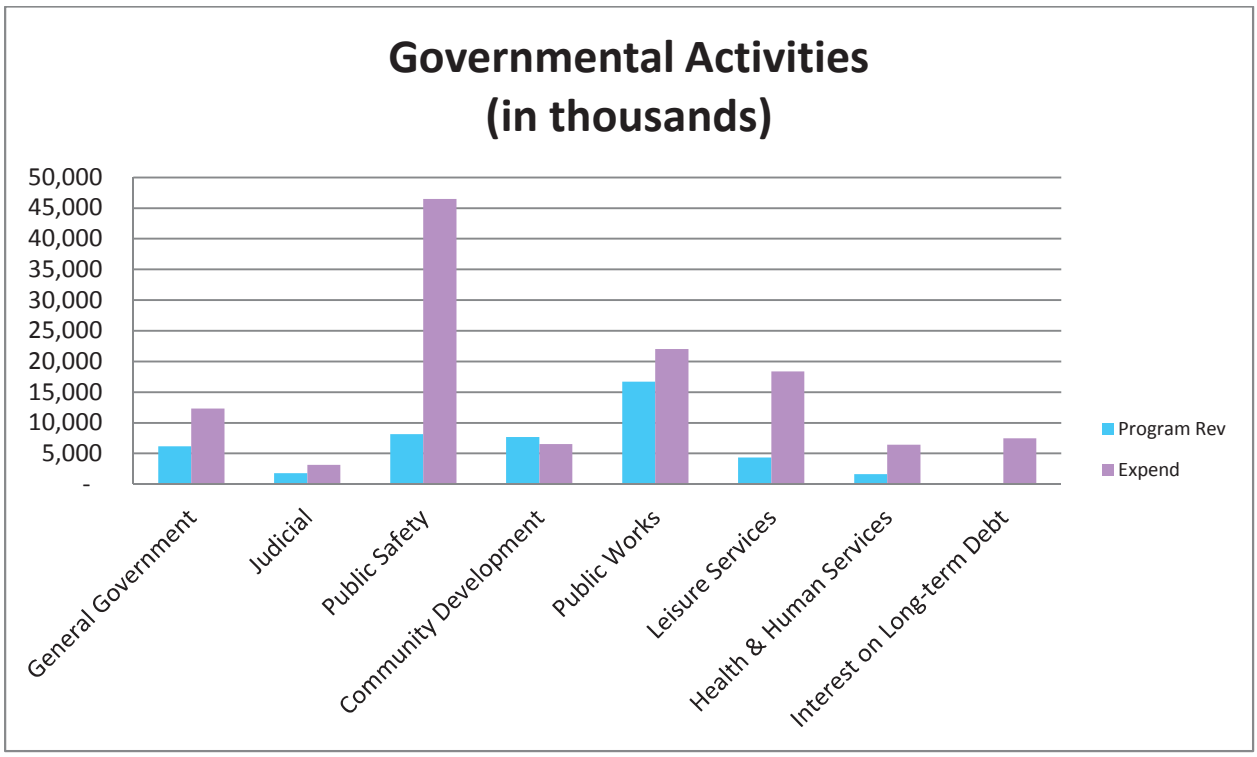
Of the City of Kent's net position, $5.7 million (0.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $168.0 million (14.4 percent), may be used to meet the city's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased $55.1 million in fiscal year 2017.

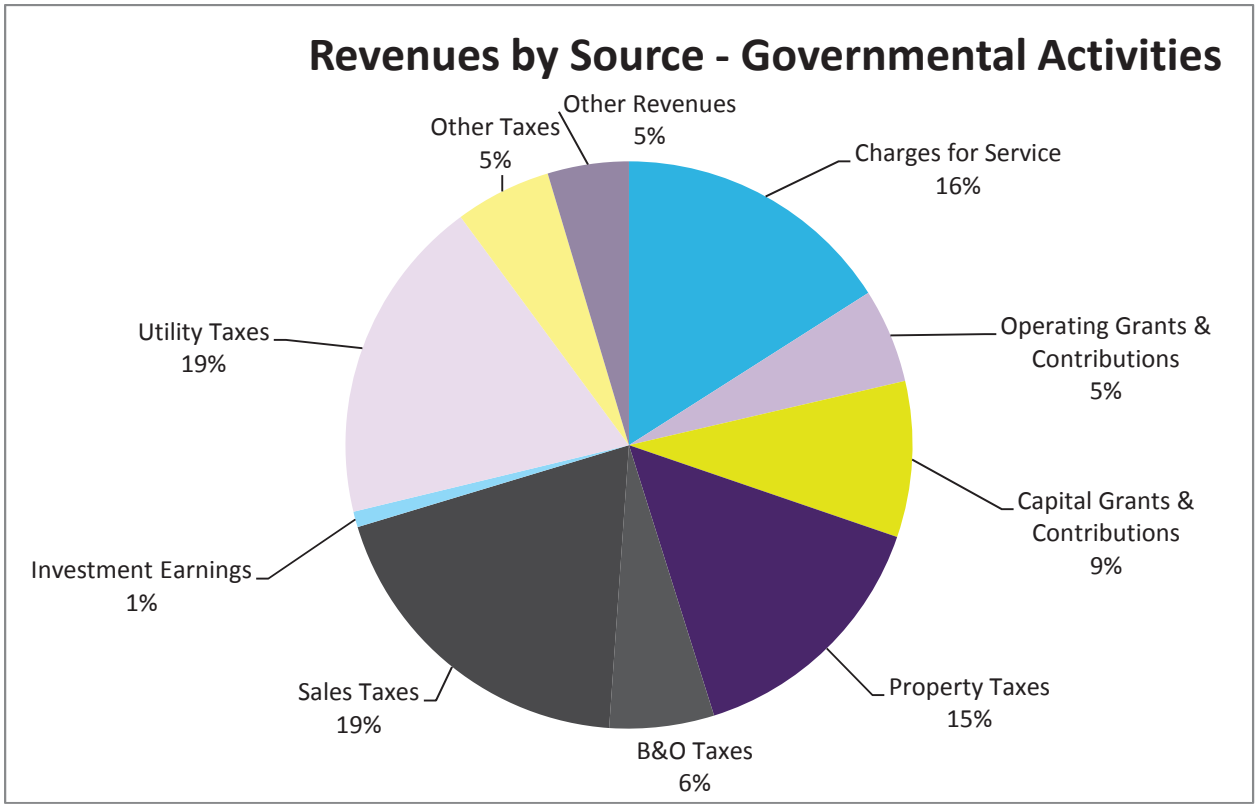
The following table and graphs show the changes in net position, a comparison of program costs and revenues, and composition of the City's revenues. Following the graphs is a discussion of the various revenue streams for the City.

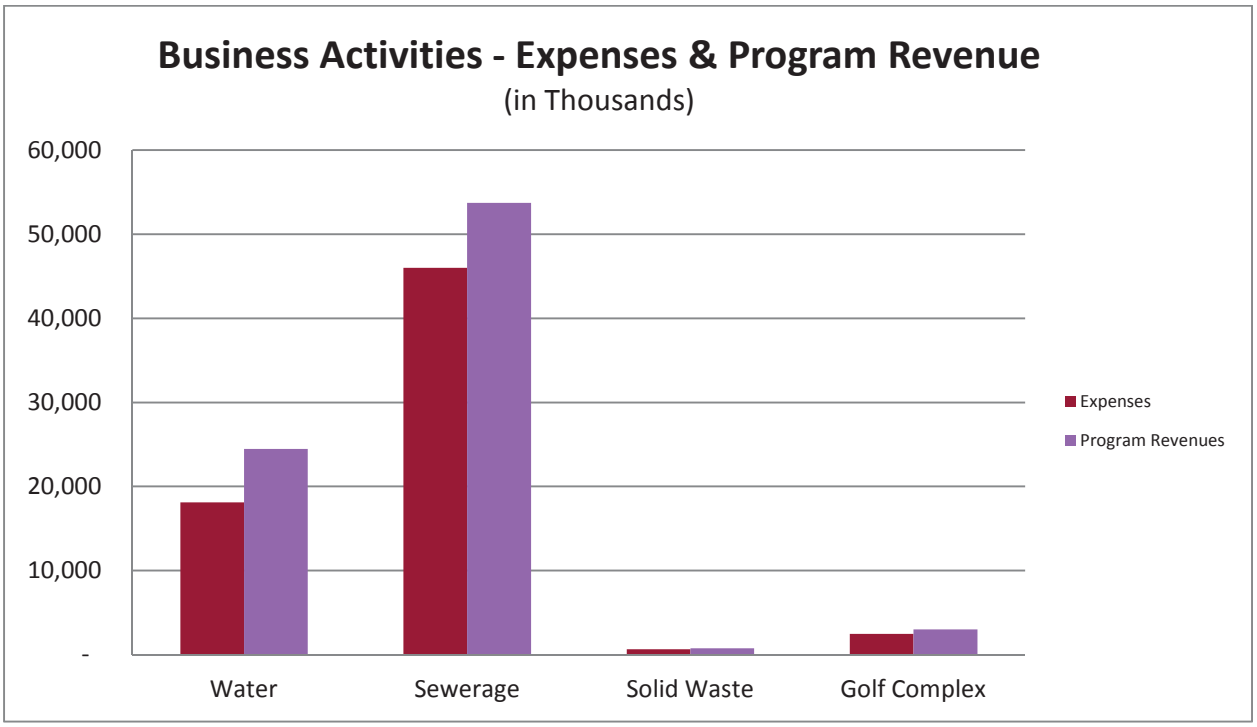
CITY OF KENT'S CHANGES IN NET POSITION
For the Years Ended December 31*
(in thousands)

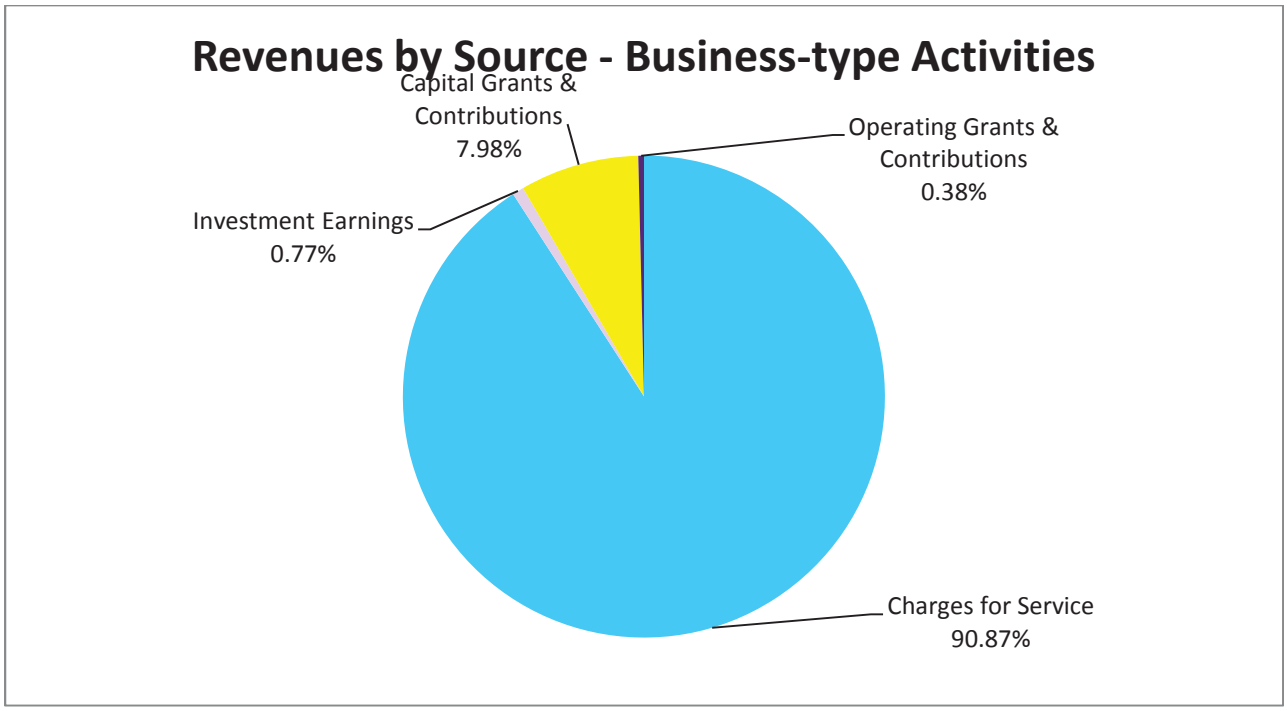
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Service	$ 24,556	$ 20,341	$ 75,062	$ 69,505	$ 99,618	$ 89,846
Operating Grants	8,254	7,982	316	1,023	8,570	9,005
Capital Grants	13,656	9,351	6,595	9,629	20,251	18,980
General Revenues:						
Taxes:						
Property Taxes	22,859	22,557	-	-	22,859	22,557
Sales Taxes	29,518	28,551	-	-	28,518	28,551
Utility Taxes	28,638	26,923	-	-	28,638	26,923
Business & Occupation Taxes	9,142	9,311	-	-	9,142	9,311
Other Taxes	8,426	7,683	-	-	8,426	7,683
Unrestricted Grants	6,619	6,600	-	-	6,619	6,600
Investment Earnings	1,386	1,074	632	357	2,018	1,431
Miscellaneous	487	909	-	-	487	909
Total Revenues	153,541	141,282	82,605	80,514	236,146	221,796

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Expenses:						
General Government	12,346	13,430	-	-	12,346	13,430
Judicial	3,158	3,771	-	-	3,158	3,771
Public Safety	46,517	38,593	-	-	46,517	38,593
Community Development	6,524	7,178	-	-	6,524	7,178
Public Works	22,021	22,003	-	-	22,021	22,003
Leisure Services	18,370	17,603	-	-	18,370	17,603
Health & Human Services	6,449	4,003	-	-	6,449	4,003
Interest on Long-Term Debt	7,491	5,195	-	-	7,491	5,195
Water Utility	-	-	18,100	18,828	18,100	18,828
Sewerage Utility	-	-	46,015	45,413	46,015	45,413
Solid Waste Utility	-	-	638	687	638	687
Golf Complex	-	-	2,454	4,560	2,454	4,560
Total Expenses	122,876	111,776	67,207	69,488	190,083	181,264
Increase in Net Position before Transfers & Special Item	30,665	29,506	15,398	11,026	46,063	40,532
Transfers	174	993	(174)	(993)	-	-
Special Item	-	66,657	-	-	-	66,657
Change in Net Position	30,839	97,156	15,224	10,033	46,063	107,189
Net Position – January 1	771,728	674,572	358,960	348,927	1,130,688	1,023,499
Prior Period Adjustment	(12,391)	-	-	-	(12,391)	-
Net Position – January 1 - Restated	759,337	674,572	358,960	348,927	1,118,297	1,023,499
Net Position – December 31	$ 790,176	$ 771,728	$ 374,184	358,960	$1,164,360	$1,130,688




Revenues by Source - Governmental Activities
Other Revenues 5%
Other Taxes 5%
Charges for Service 16%
Operating Grants & Contributions 5%
Capital Grants & Contributions 9%
Property Taxes 15%
B&O Taxes 6%
Sales Taxes 19%
Investment Earnings 1%
Utility Taxes 19%


Business Activities - Expenses & Program Revenue
(in Thousands)
60,000
50,000
40,000
30,000
20,000
10,000
-
Water
Sewerage
Solid Waste
Golf Complex
Expenses
Program Revenues



Governmental activities. Governmental activities net position increased $30.8 million (4.1 percent over the 2016 restated net position) in fiscal year 2017. Some key revenue and expenditure highlights of governmental activities for fiscal year 2017 are as follows:

- *Taxes* – Property Taxes ($22.8 million), Sales & Use Taxes ($29.5 million), Utility Taxes ($28.6 million), and Other Taxes ($8.4 million) increased by $0.3 million or 1.3 percent, $1.0 million or 3.4 percent, $1.7 million or 6.4 percent, and $0.7 million or 9.7 percent, respectively as the economy continues slow growth. Business & Occupation Taxes decreased $0.2 million or 1.8 percent in 2017. The City continues a strong education program, coupled with enforcement efforts to educate businesses on the business & occupation taxes started in 2013.

- *Charges for Service program revenues* ($24.6 million) increased by $4.2 million or 20.7 percent.

    - General Government increased $.8 million (22.7 percent) primarily due to the reclassification of the Internal Service Fund outside revenues for health insurance rebates and revenues from insurance carriers for claims over the self-insurance amounts.
    - Public Safety increased $1.3 million (32.0 percent) due to increased fire plan review and fire permits and increased other fines, especially school zone camera fines.
    - Community Development increased $2.1 million (38.9 percent) due to increased building permit revenues and plan check and civil construction fees.

- *Grants and Contributions* –operating grants and contributions increased $0.3 million (3.4 percent) and capital grants increased by $4.3 million (46.0 percent). The increase in operating grants and contributions was primarily in public safety and public works, offset by lower general government. The increase in capital grants and contributions is primarily in public works due to

new grants for street construction projects and leisure services with 2017 state and local grants for parks projects.

- Governmental Activities expenses increased $11.1 million (9.9 percent) with Public Safety, Leisure Services, and Health and Human Services increasing $7.9 million, $0.8 million, and $2.4 million respectively and with General Government, Judicial, and Community Development decreasing $1.1 million, $0.6 million, and $0.7 million respectively. Interest on long-term debt increased $2.3 million primarily due to increased amortization of loss on bond refunding.

    - *General Government expenses* ($12.3 million) decreased by $1.1 million or 8.1 percent as compared to 2017. Salaries and benefits increased $0.5 million primarily due to a COLA while benefits decreased $0.3 million due to lower pension liabilities and deferrals. Commodities decreased slightly and contractual services decreased $1.8 million. The decrease in contractual services is primarily due to a 2016 settlement and loss on disposal of capital assets that did not re-occur in 2017.

    - *Judicial expenses* ($3.2 million) decreased $0.6 million primarily due to the reduction in pension liabilities and deferrals allocated to this function.

    - *Public Safety expenses* ($46.5 million) increased $7.9 million. Salaries increased $1.0 million due to a three percent COLA and four new positions. Benefits increased $5.4 million due to a credit in pension expense in 2016 with the reallocation of pension expense that year. Supplies increased $0.2 million while contractual services increased $1.3 million. The increase in contractual services is primary in internal charges for fleet, insurance, and other charges.

    - *Community Development* ($6.5 million) decreased $0.7 million mostly in benefits with lower pension expense allocation.

    - *Leisure Services expenses* ($18.4 million) increased $0.8 million with increased depreciation expense, and salaries and benefits, offset by decreased contractual services. The increase in salaries is due to the COLA while the increase in benefits is due to a large credit to pension expense in 2016 with the reallocation of the closed pension plans. The decrease in contractual services is due to a reduction in the contingent loan guarantee obligation and a reduction in intergovernmental services because of the refinancing of the component unit debt in 2016.

    - *Health and Human Services expenses* ($6.4 million) increased $2.4 million, primarily in benefits due to a large credit in pension expense in 2016 with the reallocation of pension expense that year.

Business-type activities. Business-type activities net position increased $15.2 million (4.2 percent increase from the 2016 net position) in fiscal year 2017. Key highlights of the change in net position are as follows:

- *Charges for Service (Operating Revenues)* ($75.1 million) increased by $5.6 million or 8.0 percent. Water Utility rates were restructured for 2017, a new dedicated fire line charge was added, and the meter access fees increased, leading to an increase of $3.1 million (16.3 percent) in charges for service revenues. In the Sewer Utility, both the City rate and the pass

through rate from King County METRO for sewer were increased, while the drainage fees did not change in 2017, leading to an increase of $2.5 million (5.2 percent) in charges for service revenues. Refer to the analysis of the Proprietary Funds for further detail.

- *Operating Grants/Contributions* ($0.3 million) decreased by $0.7 million primarily due to an excise tax refund in the sewer utility fund in 2016.

- *Capital Grants/Contributions* ($6.6 million) decreased $3.0 million (31.5 percent). The Water Fund had slightly higher connection and system development fees partially offset by decreased capital contributions. The Sewerage Fund decreased $3.6 million with lower grant monies received from King County for drainage infrastructure and lower developer donated capital contributions. The Golf Complex received $0.5 million in earnest monies from the pending sale of the par 3 property.

- *Expenses* – Water Utility expenses (operating and non-operating) ($18.1 million) decreased $0.7 million (3.9 percent) while Sewerage Utility expenses ($46.0 million) increased $0.6 million (1.3 percent), the Golf Complex expenses ($2.5 million) decreased $2.1 million (46.2 percent, and the Solid Waste Utility expenses decreased slightly. Refer to the analysis of the Proprietary Funds for further detail on the changes.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

Governmental Funds. The focus of the City of Kent's governmental funds is to provide information on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the government's near-term financing requirements.

At the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of $81.1 million, an increase of $17.6 million in comparison with the prior fiscal year balances. Of this amount, the unassigned fund balance is $16.8 million, up $4.9 million from the previous year. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form ($.1 million), 2) restricted for particular purposes ($22.8 million), 3) committed for particular purposes ($26.3 million), or 4) assigned for particular purposes ($15.2 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 $26.1 million, representing a $2.2 million or 9.1 percent increase from 2016. 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 $5.3 million (5.6 percent) from the previous year, generally due to continued economic growth. The major changes are discussed below.

- Property taxes of $23.0 million were up $0.5 million from the previous year primarily due to increased assessed values.

- Sales and use taxes ($21.1 million) increased $1.3 million (6.5 percent) with continued economic growth.

- Utility taxes ($19.6 million) increased $1.2 million (6.3 percent) from the previous year. The increase was generally due to the good economy and population growth. Also, the City imposes tax on water, sewer and drainage services, including City utilities. In 2017, the City lowered the tax on sewer services from 13 percent to 9.5 percent (tax revenues decreased $.8 million from the previous year) and raised the tax on drainage services from 13 percent to 19.5 percent (tax revenues increased $1.3 million from the previous year).

- Building licenses and permits, showed a $0.7 million increase in 2017 with strong development activity, while charges for service increased $2.0 million and fines and forfeitures and miscellaneous revenues experienced small decreases. The increase in charges for service is primarily in building related charges (plats, plan checking, plan reviews).

- General Fund expenditures increased $4.5 million (6.0 percent) from the previous year with the largest increases in general government ($1.2 million increase), public safety ($2.4 million increase), and community development ($0.4 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 primarily due to higher overtime as well as salaries and benefits for four new positions. The increases in general government and community development are primarily in salaries and benefits with a 2.5 percent wage increase in January 2017 and an additional increase in July 2017 depending on the employee group as well as a mid-year increase in the employer rate for the pension plan.

Other major funds are the *Capital Resources Fund,* the *Special Assessments Fund*, and the *Street Capital Projects Fund.* Analysis of changes in net position from 2016 levels:

- *Capital Resources Fund.* Fund balance increased by $4.1 million primarily due to real estate excise taxes (REET) coming in much higher than budgeted. Because of its potential volatility, the City conservatively budgets REET, and makes budget overages available for capital projects in the following budget. The primary revenue sources for the Capital Resources Fund are sales and use tax, utility tax and real estate excise tax. While both sales taxes and utility taxes revenues increased in 2017, the percent of sales taxes that is allocated to the Capital Resources Fund was reduced from 30 percent to 27.5 percent causing a slight reduction in sales tax revenues in this fund. This fund is responsible for transfers to the debt service fund for the General Fund debt service payments, which accounts for $7.5 million of the $14.2 million in 2017 transfers out. The balance of the transfers out were generally to fund various capital projects.

- *Special Assessments Fund*. Fund balance decreased by $0.6 million as funds were transferred to fund capital projects being constructed for the Local Improvement Districts (LIDs). Revenue in the fund is primarily collected from property owners for special assessments related to their property and that money is used for payment of debt service related to those assessments as well as transfers to capital projects being funded by the LIDs. In 2017, revenues decreased

$0.2 million from 2016 revenues due to improvement districts being completed and closed. Transfers out to capital projects decreased $0.4 million, again as projects are completed.

- *Street Capital Projects Fund*. Fund balance decreased $0.2 million to $10.1 million. Revenues increased $3.4 million primarily due to grants. Expenditures on capital projects also increased $2.9 million.

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

- *Water Fund*. Net position increased by $6.6 million or 5.0 percent over the 2016 net position. This increase was due to net operating income of $5.4 million, less non-operating net expenses, including transfers out, of $1.2 million, plus capital contributions of $2.5 million. Operating revenues increased $3.1 million or 16.4 percent with the restructuring of the water rates and rate increases. Operating expenses decreased $0.8 million. Benefits decreased $1.0 million in 2017 reversing the 2016 increase caused by a reallocation of pension expense in 2016. Services and charges expenses increased $1.0 million with increased charges for the City's participation in the Tacoma water pipeline system, increased internal charges for certain services, including the internal utility taxes, and some capital project costs that were expensed rather than capitalized. Depreciation expense decreased $0.6 million due to some catch-up depreciation being posted in 2016. The operating income for 2017 was $5.4 million as compared to $1.5 million in 2016. Capital contributions increased $.5 million with higher developer contributed capital and system development fees.

- *Sewerage Fund*. Fiscal year 2017 net position increased by $7.9 million or 3.5 percent over the 2016 net position. While operating revenues increased $2.5 million (5.2 percent), operating expenses increased $0.6 million (1.3 percent) compared to 2016. Both the City's rate for single family sewer fees and the pass through rate from King County METRO increased in 2017. There was no change to the storm drainage fees in 2017. Salary and benefits decreased $1.6 million in 2017 reversing the 2016 increase caused by a reallocation of pension expense in 2016. Depreciation expense increased $0.5 million with the capitalization in 2016 of several projects. Services and charges expenses also increased $1.6 million with $.9 million in increased METRO charges, some capital project costs that were expensed rather than capitalized, and increased internal charges for certain services, including the internal utility taxes and motor pool charges. Capital contributions in the Sewerage Fund decreased $3.6 million with lower grant monies received from King County for drainage infrastructure and lower developer donated capital contributions.

- *Solid Waste Fund*. The Solid Waste Fund is a non-major fund, but since it is the only non-major proprietary fund, it is presented in the basic financial statements. The Solid Waste Fund was created in 2016 pulling revenues and expenditures previously in the General Fund and the Environmental Mitigation Fund. In 2017, net position increased $0.1 million with small decreases in operating revenues and operating expenses.

- *Golf Complex*. Net position increased by $0.6 million from the 2016 net position. Operating revenues increased slightly (1.1 percent), while expenses decreased by $2.1 million or 46.9 percent. In 2016, the City reallocated the pension liabilities increasing Golf Complex expenses $1.5 million. In 2017, the allocation of the pension liabilities, deferred inflows and deferred outflows created a credit to benefit expenses in this fund. Also, in 2017, the City received a down payment on the sale of the Par 3 course property. See the subsequent event Note for further details on the pending sale.

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

GENERAL FUND BUDGETARY HIGHLIGHTS:

The General Fund's expenditure budget, including transfers out, (see Statement of Revenues, Expenditures and Changes in Fund Balance on page 30) was increased by $6.3 million from the original budget.

- Reallocations of $315,490 were made to the various budgets to cover the additional costs above the adopted budget estimates of wage increases for non-represented employees, as well as employees covered by the AFSME and Teamsters contracts signed in late 2016. These adjustments were from the adopted contingency and did not increase the total general fund budget.

- An adjustment of $42,890 was made to the Community Development budget to carryover budget authority to the Meeker Street Underpass project.

- The Leisure Services and Health and Human Services budgets were increased by $21,420 and $92,260 respectively to cover carryover items from the previous budget.

- An increase of $264,910 was made to various budgets to reallocate the liability insurance charges to the functions.

- Adjustments of $14,830 were made to various budgets to cover an increase in the copier lease and usage charges.

- The B&O Tax revenue budget was increased by $1.4 million, based on higher receipts, and transfers out from the general fund were increased by $1.4 million to provide additional funding for two streets projects.

- Transfers out to the Self-Insurance Fund were increased $750,000 to cover additional medical insurance costs.

- Transfers out to the Capital Resources Fund were increased by $275,000 to cover a land purchase.

- The Leisure Services and Health and Human Services budgets were increased by $61,664 to cover the costs of wage adjustments for part-time employees.

- The Leisure Services and Health and Human Services budgets were also increased by $8,590 to for various grants. This increase is offset by grant revenues.

- Transfers out were increased by $685,380 to provide additional funding for two street projects. This increase was offset by increased B&O tax revenues.

- Transfers out to the Capital resources Fund were increased $2.7 million to provide funding for the Railroad Quite Zone and YMCA projects.

CITY OF KENT'S GENERAL FUND BUDGET ACTIVITY BY FUNCTION
For the Year Ended December 31, 2017

	Original Budget	Supplemental Appropriations	Final Budget
General Government	$ 11,399,080	$ (289,590)	$ 11,109,490
Judicial	3,156,170	25,340	3,181,510
Public Safety	40,023,760	460,950	40,484,710
Community Development	6,414,370	(19,720)	6,394,650
Public Works	1,294,960	-	1,294,960
Leisure Services	11,070,540	346,240	11,416,780
Health & Human Services	5,772,780	(6,656)	5,766,124
	$ 79,131,660	$ 516,564	$ 79,648,244

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

- *Taxes.* Actual tax collections were $2.2 million over budget. While most tax classifications were above budget, sales and use tax comprised the majority of the overage at nearly $1.4 million or 6.8 percent over budget. The increased collections are largely the result of a strengthening economy.

- *Licenses and Permits.* Licenses and permits were $1.4 million or 24.1 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 $2.2 million or 40.4 percent above budget largely in planning related fees.

- *Functional Expenditures.* Overall, salaries and benefits ended the year under budget by $487,968 or 7.5 percent despite increases in police overtime. Departments continue to closely monitor supplies and services expenditures to maintain savings wherever possible, so all of the general fund functions, except Public Safety, had budget savings in fiscal year 2017.

    - *General Government Expenditures* - The general government expenditures were $755,893 or 6.8 percent under budget with small savings in various divisions and accounts.

    - *Community Development Expenditures* - Saved $553,551 (8.7 percent), primarily in salary and benefits but also some savings in supplies and services.

- *Public Works Expenditures* - Public works had $183,397 (14.6 percent) in budget savings due to lower internal allocations to annexation.

- *Leisure Services Expenditures* - Were $351,796 below budget with savings in all categories, but the largest savings in contractual services.

- *Health and Human Services Expenditures* - Had budget savings of $305,091 including salary and benefit savings as well as various other savings throughout the programs.

- *Public Safety Expenditures* - Exceeded budget by $246,092 due to increased overtime partially offset by savings in other areas.

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, 2017, were $1.1 billion (net of accumulated depreciation), comprising 82.2 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 2017, infrastructure increased as streets projects were closed and capitalized totaling $9.4 million. In addition, the City received developer contributions totaling $1.1 million. The annual depreciation of $12.5 million was also recorded resulting in the net decrease to infrastructure of $2.0 million as compared to 2016. Some significant projects capitalized in 2017 include $3.6 million for 72nd Avenue Improvements, $4.0 million for BNSF Grade Separation and $1.7 million for 80th Avenue.

- *Land*. Land assets were increased by $1.1 million in 2017 with the purchase of $0.4 million in parks land, $0.4 million for streets projects and $0.3 million for general purposes.

- *Buildings*. Net buildings decreased $3.4 million in 2017 with no additions less $3.4 million in 2017 depreciation expense.

- *Site Improvements*. Net site improvements decreased by $2.2 million as compared to 2016 with $0.3 million in additions (parks projects) and $2.5 million in 2017 depreciation.

- *Equipment*. Net equipment increased by $.9 million in 2017. This was additions of $4.0 million less net disposals of $8,227 and depreciation of $3.1 million. The additions include $2.0 million in various fleet equipment and $2.0 million in various other equipment.

- *Construction in Progress.* Construction in progress ($26.1 million) decreased $0.4 million from 2016. While 2017 spending on projects was $30.4 million, $11.8 million of completed projects were recorded as land, building, site improvements or infrastructure, while $19.4 million were determined to be non-capital in nature and were expensed. Some of the larger projects closed

and moved to other capital asset categories were: $1.7 million 80th Avenue street project, $4.0 million for BNSF Grade Separation, and $3.6 million 72nd Avenue street improvements.

Business Type Activities:

- *Construction in Progress.* Compared to 2016, construction in progress decreased $4.9 million in 2017 as the City capitalized or expensed projects. While 2017 spending on projects was $6.8 million, $12.2 million in projects were completed and capitalized from CIP into other capital asset categories, and $0.4 million were determined to be non-capital in nature and were expensed.
    - Some projects that were completed and capitalized in 2017 are:
        - $7.4 million Mill Creek/James St Pump Station
        - $2.8 million Green River Wetlands Habitat Project
- *Land*. Land assets were increased by $1.5 million in 2017 with the purchase of various parcels for water and sewer/drainage projects.
- *Site Improvements*. Additions to site improvements for 2017 were $12.3 million and depreciation was $10.1 million resulting in a net increase of $2.2 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress mentioned above plus $0.7 million in developer contributed assets.
- *Equipment*. Net equipment increased by $0.3 million in 2017. This was additions of $0.5 million less depreciation of $0.2 million. The primary additions to equipment were the capitalization of completed projects.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	$ 228,056	$ 227,003	$ 17,703	$ 16,193	$ 245,759	$ 243,196
Buildings	94,952	98,368	307	373	95,259	98,741
Site Improvements	31,790	33,981	313,345	311,148	345,135	345,129
Equipment	14,635	13,718	2,240	1,968	16,875	15,686
Infrastructure	353,316	355,308	-	-	353,316	355,308
Construction in Progress	26,078	26,448	20,185	25,107	46,263	51,555
Total Capital Assets	$ 748,827	$ 754,826	$ 353,780	$ 354,789	$1,102,607	$1,109,615

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 69-71 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of $115.0 million. Of this amount, $84.7 million or 73.6 percent comprises general obligation debt backed by the full faith and credit of the government and $0.2 million or 0.1 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 $1.6 million or 1.8% 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 ($30.2 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$ 83,092	$ 88,777	$ 1,564	$ 1,963	$ 84,656	$ 90,740
Special Assessment Bonds	160	750	-	-	160	750
Revenue Bonds	-	-	30,200	18,120	30,200	18,120
Total Bonded Debt	$ 83,252	$ 89,527	$ 31,764	$ 20,083	$ 115,016	$ 109,610

* Gross debt - does not include discounts or premiums

The City of Kent's total bonded debt increased by $5.4 million or 4.9 percent during the current fiscal year. The City issued $13.2 million in utility revenue refunding bonds in 2017 in a crossover refunding of a portion of the outstanding balance of the Combined Utility System Revenue Bonds, Series 2009B Taxable Build America Bonds. All required debt service payments were made during 2017.

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

The State of Washington limits the amount of general obligation debt a governmental entity may issue with and without a vote. The City's remaining unused debt capacity at year-end was $1,146 million.

Additional information on the City of Kent's long-term debt can be found in Note 9 on pages 71-77 of this report.

ECONOMIC FACTORS AND BUDGETARY IMPACTS:

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

The adopted 2017-18 budget was based on a local economy continuing to see gradual but modest improvement. The budget continues the City's focus on incorporating efficiencies, maintaining the public's safety, reducing internal debt obligations, building and maintaining adequate reserves and honoring the strategic goals set by Council. In addition, it funds the five priority areas identified by the City's community-based Financial Sustainability Task Force, which are: 1) police personnel; 2) quality maintenance of arterials, roads and streets; 3) enhance economic development and growth; 4) quality maintenance of water, sewer and surface water systems; and 5) information technology systems upgrades. New initiatives or expansion of current programs/services, backed by sustainable revenues, were adopted based on need, value to the public and correlation to Council's strategic goals.

After experiencing significant growth in sales tax over the past years, that growth appears to be slowing. Overall, sales tax collections continue to be in excess of budget. However, it remains an area that is closely monitored as each month's collections are received.

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

The 2018 adopted budget, as amended during the mid-biennium update process, totals $339.4 million, up 17% from the original 2018 budget adopted as part of the 2017-18 biennial budget. Mid-biennium changes to the city-wide operating budget totaled $11 million. The capital projects budget increased $38.4 million from the original 2018 adopted budget and includes parks, transportation, utilities and information technology projects.

The General Fund 2018 amended budget totals $102.7 million, up 8.6% from the original 2018 budget. The City levied its full amount of allowable property tax, including $6.4 million of banked capacity, using $2.3 million to fund general operations and the remaining $4.1 million for one-time expenditures. The budget maintains services and programs at their current level.

All positions, whether filled or vacant, have been budgeted for the full year. Vacant positions are conservatively budgeted, assuming the family plan selection for medical insurance benefits. Labor contracts with AFSCME and Teamsters were settled in late 2016, both moving away from cost of living adjustments based on CPI. AFSCME, Teamsters and non-represented employees received a 2.5 percent wage increase effective January 2017 and an additional increase of 0.5 percent for AFSCME and non-represented and 2.0 percent for Teamsters in July 2017. Additionally, wage increases of 2.5 percent for AFSCME, Teamsters and non-represented employees are effective in January 2018, 0.5 percent for Teamsters and 1.0 percent for AFSCME and non-represented employees in July 2018, and 2.1 percent for all three groups in January 2019. The KPOA Sergeants and Officers contract called for a 3 percent pay increase effective in January 2017 and an additional 3 percent in January 2018, while the Commanders and Assistant Chiefs contract contains wage increases based on CPI-W July to June.

REQUESTS FOR INFORMATION:

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

City of Kent, Finance Department
220 Fourth Avenue South Kent, WA 98032-5895
www.kentwa.gov

CITY OF KENT
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Special Events Center PFD
ASSETS				
Cash and cash equivalents (Note 4)	$ 69,718,821	$ 45,253,407	$ 114,972,228	$ 109,913
Investments, at fair value (Note 4)	29,780,751	19,440,704	49,221,455	47,221
Receivables (net of allowances) (Note 5)	25,220,663	10,342,765	35,563,428	165,287
Internal balances (Note 6)	71,510	20	71,530	
Due from other governments	797,840		797,840	-
Inventory, at cost	143,479	579,710	723,189	-
Prepaid items	675,253	-	675,253	29,572
Investment in Joint Venture (Note 15)	7,215,101	-	7,215,101	-
Restricted assets:				
Cash with fiscal agent/trustee	1,778,938	15,493,741	17,272,679	-
Cash and cash equivalents (Note 4)	-	1,600,610	1,600,610	-
Investments (Note 4)	-	687,660	687,660	-
Note receivable from component unit (Note 5)	76,828,536	-	76,828,536	-
Less: Allowance for uncollectible	(76,828,536)	-	(76,828,536)	-
Property, plant, and equipment: (Note 7)				
Not being depreciated	254,134,241	37,888,050	292,022,291	-
Being depreciated, net of depreciation	494,693,235	315,892,494	810,585,729	-
Net OPEB asset	70,515	-	70,515	-
Net pension asset	9,281,366	-	9,281,366	-
TOTAL ASSETS	893,581,713	447,179,161	1,340,760,874	351,993
DEFERRED OUTFLOWS				
Deferred loss on refundings	53,925,862	50,207	53,976,069	-
Deferred outflows related to pension	5,018,244	951,895	5,970,139	-
TOTAL DEFERRED OUTFLOWS	58,944,106	1,002,102	59,946,208	-
TOTAL ASSETS & DEFERRED OUTFLOWS	952,525,819	448,181,263	1,400,707,082	351,993
LIABILITIES				
Vouchers payable	5,783,943	1,328,404	7,112,347	-
Accounts/payroll payable	6,554,720	939,399	7,494,119	-
Incurred but not reported claims payable	3,346,777	-	3,346,777	-
Due to other governments	51,444	-	51,444	-
Accrued interest payable	317,829	163,124	480,953	15,418
Unearned revenue	1,341,946	563,264	1,905,210	-
Non-current liabilities:				
Due within one year (Note 9)				
Compensated absences-current	2,490,878	456,646	2,947,524	-
Contracts, leases, notes-current	828,518	1,549,028	2,377,546	495,000
General obligation bonds payable-current	5,633,895	336,105	5,970,000	-
Special assessment bonds payable with governmental commitment-current	160,000	-	160,000	-
Revenue bonds payable-current	-	1,140,000	1,140,000	1,250,000
Due in more than one year (Note 9)				
Compensated absences-long term	2,148,778	232,390	2,381,168	-
Contracts, leases, notes-long term	5,990,113	27,723,333	33,713,446	76,333,536
General obligation bonds payable-long term (net of unamortized discounts & premiums)	89,713,419	1,342,863	91,056,282	-
Revenue bonds payable-long term (net of of unamortized discounts & premiums)	-	31,524,929	31,524,929	2,080,000
Net pension liability	23,476,448	5,641,581	29,118,029	-
Contingent loan guarantee obligation (Note 17)	3,657,980	-	3,657,980	-
TOTAL LIABILITIES	151,496,688	72,941,066	224,437,754	80,173,954
DEFERRED INFLOWS				
Deferred revenue	4,476,321	-	4,476,321	-
Deferred inflows related to pensions	6,376,786	984,523	7,361,309	-
TOTAL DEFERRED INFLOWS	10,853,107	984,523	11,837,630	-
TOTAL LIABILITIES & DEFERRED INFLOWS	162,349,795	73,925,589	236,275,384	80,173,954
NET POSITION				
Net investment in capital assets	700,427,393	290,214,493	990,641,886	-
Restricted net position for:				
Debt service	4,728,939	985,146	5,714,085	-
Unrestricted net position	85,019,692	82,984,505	168,004,197	(79,821,961)
TOTAL NET POSITION	$ 790,176,024	$ 374,184,144	$ 1,164,360,168	$ (79,821,961)
		-71530	-71530	
		71,530		

The accompanying notes are an integral part of the financial statements

CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

		Program Revenues		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General Government	$ 12,346,159	$ 4,472,438	$ 74,535	$ 670
Judicial	3,157,775	1,570,537	219,661	-
Public Safety	46,517,116	5,409,848	2,857,585	-
Community Development	6,523,730	7,608,117	69,759	-
Public Works	22,020,709	3,401,558	4,078,217	10,730,850
Leisure services	18,370,559	1,385,824	25,546	2,924,911
Health and human services	6,448,946	707,449	928,723	-
Interest on long-term debt	7,491,114	-	-	-
Total governmental activities	122,876,108	24,555,771	8,254,026	13,656,431
Business-type Activities:				
Water	18,100,296	21,850,641	165,217	2,461,932
Sewerage	46,014,434	50,109,473	-	3,633,190
Golf Complex	2,453,882	2,501,596	-	500,000
Solid Waste	638,345	600,608	150,636	-
Total business type activities	67,206,957	75,062,318	315,853	6,595,122
Total Primary Government	$ 190,083,065	$ 99,618,089	$ 8,569,879	$ 20,251,553
Component Unit:				
Special Events Center PFD	$ 2,719,983	$ -	$ -	$ -
Total Component Units	$ 2,719,983	$ -	$ -	$ -

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
Transfers
Total general revenues, special items, and transfers
Change in net position
Net position - beginning
Prior period adjustment
Beginning net position - adjusted

Net position-ending

The accompanying notes are an integral part of the financial statements

Net (Expenses) Revenue and Changes in Net Position			
			Component Unit
Primary Government			Special Events Center PFD
Governmental Activities	Business-Type Activities	Total	
$ (7,798,516)		$ (7,798,516)	
(1,367,577)		(1,367,577)	
(38,249,683)		(38,249,683)	
1,154,146		1,154,146	
(3,810,084)		(3,810,084)	
(14,034,278)		(14,034,278)	
(4,812,774)		(4,812,774)	
(7,491,114)		(7,491,114)	
(76,409,880)		(76,409,880)	
	$ 6,377,494	6,377,494	
	7,728,229	7,728,229	
	547,714	547,714	
	112,899	112,899	
-	14,766,336	14,766,336	
$ (76,409,880)	$ 14,766,336	$ (61,643,544)	
			$ (2,719,983)
			$ (2,719,983)
22,857,559	-	22,857,559	-
29,517,990	-	29,517,990	916,139
28,637,522	-	28,637,522	-
9,141,800	-	9,141,800	-
7,211,140	-	7,211,140	-
312,980	-	312,980	-
902,557	-	902,557	-
6,619,515	-	6,619,515	-
1,386,281	631,837	2,018,118	4,017
487,428	-	487,428	-
174,044	(174,044)	-	-
107,248,816	457,793	107,706,609	920,156
30,838,936	15,224,129	46,063,065	(1,799,827)
771,728,677	358,960,015	1,130,688,692	(78,022,134)
(12,391,589)	-	(12,391,589)	-
759,337,088	358,960,015	1,118,297,103	(78,022,134)
$ 790,176,024	$ 374,184,144	$ 1,164,360,168	$ (79,821,961)

CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2017

	General Fund	Capital Resources Fund	Special Assessments Fund	Street Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 15,225,902	$ 9,831,135	$ 407,832	$ 8,364,341	$ 21,391,007	$ 55,220,217
Investments, at fair value	6,122,705	4,223,687	175,214	3,593,518	9,181,811	23,296,935
Receivables (net of allowances for estimated uncollectibles):						
Taxes	8,657,290	1,675,841	-	-	1,609,439	11,942,570
Accounts	923,535	-	-	2,141,308	2,917,269	5,982,112
Special assessments						
Current	-	-	1,032,298	-	-	1,032,298
Delinquent	-	-	93,003	-	-	93,003
Unavailable	-	-	5,363,504	-	-	5,363,504
Penalty and Interest	-	-	410,026	-	-	410,026
Accrued interest	125,822	-	-	-	-	125,822
Due from other funds	520,000	-	-	-	-	520,000
Due from other governments - current	-	-	-	85,693	-	85,693
Prepaid items	54,153	-	-	-	-	54,153
Restricted assets:						
Cash with fiscal agent	1,671,093	-	-	-	-	1,671,093
Due from other governments - long-term	-	-	-	712,147	-	712,147
TOTAL ASSETS	33,300,500	15,730,663	7,481,877	14,897,007	35,099,526	106,509,573
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 33,300,500	$ 15,730,663	$ 7,481,877	$ 14,897,007	$ 35,099,526	$ 106,509,573
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE						
LIABILITIES						
Vouchers payable	$ 891,073	$ 174	$ 385	$ 2,594,755	$ 1,073,928	$ 4,560,315
Accounts/payroll payable	5,146,524	-	-	166,093	824,624	6,137,241
Due to other funds	-	-	-	-	520,000	520,000
Due to other governments	5,750	-	-	-	45,694	51,444
Interfund loans payable - current	-	-	-	328,356	729,418	1,057,774
Incurred but not reported claims payable	46,000	-	-	-	-	46,000
Deposits and advances	792,093	-	-	250,000	298,603	1,340,696
Interfund loan payable - non-current	-	-	-	1,442,684	3,030,243	4,472,927
TOTAL LIABILITIES	6,881,440	174	385	4,781,888	6,522,510	18,186,397
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	332,986	-	6,898,831	-	-	7,231,817
TOTAL DEFERRED INFLOWS OF RESOURCES	332,986	-	6,898,831	-	-	7,231,817
TOTAL LIABILITIES & DEFERRED INFLOWS	7,214,426	174	6,899,216	4,781,888	6,522,510	25,418,214
FUND BALANCE						
Nonspendable:						
Prepaid items	54,153	-	-	-	-	54,153
Restricted:						
Annexation	940,759	-	-	-	-	940,759
Street capital projects	-	-	-	3,271,470	99,667	3,371,137
Fuel tax purposes	-	-	-	-	2,099,494	2,099,494
Lodging tax purposes	-	-	-	-	457,557	457,557
Criminal justice programs	-	-	-	-	4,369,757	4,369,757
Impact fees	-	-	-	-	1,701,533	1,701,533
Parks capital projects	-	3,925,071	-	-	4,301,330	8,226,401
Bond retirement	-	-	-	-	986,220	986,220
Special assessment debt	-	-	467,701	-	-	467,701
Assessment debt guaranty	-	-	114,960	-	-	114,960
Economic and community development	30,140	-	-	-	-	30,140
Human Services	4,046	-	-	-	-	4,046
Committed:						
Street operations	-	-	-	-	4,781,472	4,781,472
Youth/Teen program	-	-	-	-	104,887	104,887
Criminal justice programs	-	-	-	-	2,886,511	2,886,511
City arts program	526,159	-	-	-	-	526,159
Human services	115,577	-	-	-	-	115,577
Kent events center replacement	543,911	-	-	-	-	543,911
Economic & community development	-	-	-	-	1,029,745	1,029,745
Street capital projects	-	-	-	6,762,435	-	6,762,435
Parks capital projects	-	-	-	-	2,867,586	2,867,586
Technology systems	-	-	-	-	6,621,669	6,621,669
Facilities capital projects	-	-	-	-	26,521	26,521
Assigned:						
Public safety retiree OPEB	1,296,372	-	-	-	-	1,296,372
Criminal justice programs	-	-	-	-	2,728	2,728
Capital projects		11,805,418	-	-	-	11,805,418
Street capital projects	-	-	-	81,214	-	81,214
Kent Events Center operations	1,974,983	-	-	-	-	1,974,983
Unassigned:	20,599,974	-	-	-	(3,759,661)	16,840,313
Total Fund Balance	26,086,074	15,730,489	582,661	10,115,119	28,577,016	81,091,359
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	$ 33,300,500	$ 15,730,663	$ 7,481,877	$ 14,897,007	$ 35,099,526	$ 106,509,573

The accompanying notes are an integral part of the financial statements

CITY OF KENT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2017

Fund balance - total governmental funds		$ 81,091,359
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	$ 1,131,973,581	
Accumulated depreciation	(388,896,912)	743,076,669
Investment in Joint Venture (Note 15)		7,215,101
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.		24,883,855
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		(317,829)
Revenues earned but not received within 60 days (property tax) or 90 days (other revenue) of year-end, and therefore not available to pay current year liabilities are deferred inflows on the governmental statements, but is recognized as revenue for the government-wide statements		
General Fund		332,986
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		2,422,510
Unamortized bond costs are not reported on the governmental fund statements, but are reported on the statement of net position		
Prepaid bond insurance	9,101	
Deferred loss on refunding	53,925,862	
Unamortized bond (premium)/discount	(12,255,439)	41,679,524
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	70,515	
Deferred outflows related to pensions	4,490,239	
Net pension asset	9,281,366	13,842,120
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	(83,091,875)	
Special assessment bonds	(160,000)	
Contracts, leases and notes	(6,818,631)	
Compensated absences	(4,143,967)	
Deferred inflows related to pensions	(5,830,682)	
Net pension liability	(20,347,136)	
Contingent loan guarantee	(3,657,980)	(124,050,271)
Net Position of governmental activities		790,176,024

The accompanying notes are an integral part of the financial statements

CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	General Fund	Capital Resources Fund	Special Assessments Fund	Street Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 22,999,864	$ -	$ -	$ -	$ -	$ 22,999,864
Sales and use	21,109,277	5,683,979	-	-	2,724,734	29,517,990
Utility	19,648,349	1,464,067	-	-	7,525,106	28,637,522
Business & occupation	9,141,800	-	-	-	-	9,141,800
Real estate excise tax	-	7,211,140	-	-	-	7,211,140
Lodging	-	-	-	-	312,980	312,980
Other	902,557	-	-	-	-	902,557
Licenses and permits:						
Building permits	3,639,180	-	-	-	-	3,639,180
Other licenses and permits	3,322,950	-	-	-	537,391	3,860,341
Intergovernmental revenue						
Federal grants	83,732	-	-	1,870,656	1,712,417	3,666,805
State grants	81,198	-	-	6,008,217	1,421,717	7,511,132
State shared revenues	7,577,422	-	-	-	2,680,040	10,257,462
Other governments	423,168	-	-	-	1,893,223	2,316,391
Charges for services:						
Park and recreation fees	1,462,887	-	-	-	-	1,462,887
Other fees and charges	6,171,938	-	-	111,684	2,613,108	8,896,730
Fines and forfeitures	1,549,964	-	18,952	-	1,517,733	3,086,649
Miscellaneous revenue:						
Special assessments	-	-	1,456,781	-	-	1,456,781
Interest income	436,298	56,388	503,840	49,439	201,392	1,247,357
Rent/Leases income	688,056	17,330	-	-	130,269	835,655
Contributions and donations	1,054,844	-	-	581,346	214,227	1,850,417
Other miscellaneous revenue	823,263	670	-	304,984	35,420	1,164,337
TOTAL REVENUES	101,116,747	14,433,574	1,979,573	8,926,326	23,519,757	149,975,977
EXPENDITURES						
Current:						
General government	10,353,597	222,745	3,613	-	168,813	10,748,768
Judicial	3,128,653	-	-	-	-	3,128,653
Public safety	41,893,976	-	-	-	4,193,128	46,087,104
Community development	5,906,099	-	-	-	565,267	6,471,366
Public works	1,111,563	-	-	1,516,109	7,639,951	10,267,623
Leisure services	11,572,287	1,345,977	-	-	622,727	13,540,991
Health and human services	5,494,864	-	-	-	895,427	6,390,291
Debt service:						
Principal	24,796	-	590,000	-	6,461,196	7,075,992
Interest	-	-	34,875	25,742	3,933,419	3,994,036
Capital outlay	491,402	301,598	-	19,038,873	5,435,780	25,267,653
TOTAL EXPENDITURES	79,977,237	1,870,320	628,488	20,580,724	29,915,708	132,972,477
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,139,510	12,563,254	1,351,085	(11,654,398)	(6,395,951)	17,003,500
OTHER FINANCING SOURCES (USES)						
Issuance of installment note	194,990	-	-	-	-	194,990
Transfers in	1,234,128	5,815,343	-	13,100,504	25,927,127	46,077,102
Transfers out	(20,393,218)	(14,233,662)	(1,957,330)	(1,602,821)	(7,529,171)	(45,716,202)
TOTAL OTHER FINANCING SOURCES (USES)	(18,964,100)	(8,418,319)	(1,957,330)	11,497,683	18,397,956	555,890
NET CHANGE IN FUND BALANCE	2,175,410	4,144,935	(606,245)	(156,715)	12,002,005	17,559,390
FUND BALANCE, January 1	23,910,664	11,585,554	1,188,906	10,271,834	16,575,011	63,531,969
FUND BALANCE (DEFICIT), December 31	$ 26,086,074	$ 15,730,489	$ 582,661	$ 10,115,119	$ 28,577,016	$ 81,091,359

The accompanying notes are an integral part of the financial statements

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, 2017

Net change in fund balance - total governmental funds		$ 17,559,390
Governmental funds report capital outlays as expenditures. On the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 25,267,653	
Depreciation expense	(20,860,586)	4,407,067
The net effect of various miscellaneous transactions involving capital assets is to increase net position.		2,081,942
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	(142,305)	
Other revenues	68,535	(73,770)
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.		(737,548)
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.		(194,990)
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities on the government-wide statements.		
Principal repayments	7,075,992	
Reduction in contingent loan agreement	1,333,498	8,409,490
Certain bond transactions, like premiums, discounts, insurance and loss of refunding, are reported as revenues or expenditures in the governmental funds because they provide, or use, current financial resources. However, for the government-wide statements, these costs are recognized or amortized (expensed) over the life of the bonds.		
Amortization of prepaid bond insurance	(4,746)	
Amortization of premium/discount	761,353	
Amortization of loss on refunding	(4,276,491)	(3,519,884)
Certain pension transactions are not reported in the governmental funds but are reported in the government-wide statements		2,410,267
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.		665,018
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	(142,993)	
Interest expense accrual	22,807	
Net OPEB obligation	(47,860)	(168,046)
Change in net position of governmental activities		30,838,936

The accompanying notes are an integral part of the financial statements

CITY OF KENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Taxes:				
Property	$ 22,782,330	22,782,330	22,999,864	$ 217,534
Sales and use	19,756,570	19,756,570	21,109,277	1,352,707
Utility	18,947,950	18,947,950	19,648,349	700,399
Business & occupation	7,500,000	9,210,000	9,141,800	(68,200)
Other	882,090	869,990	902,557	32,567
Licenses and permits:				
Building permits	2,586,530	2,586,530	3,639,180	1,052,650
Other licenses and permits	3,024,820	3,024,820	3,322,950	298,130
Intergovernmental revenue:				
Other grants and shared revenue	7,699,970	7,720,660	8,100,520	379,860
Charges for services:				
Park and recreation fees	1,614,840	1,519,420	1,462,887	(56,533)
Other fees and charges	3,919,760	3,919,760	6,171,938	2,252,178
Fines and forfeitures	1,565,970	1,900,970	1,549,964	(351,006)
Miscellaneous revenue:				
Interest income	266,810	307,190	424,207	117,017
Rent/lease income	637,930	637,930	688,056	50,126
Contributions and donations	13,160	13,160	12,930	(230)
Other miscellaneous revenue	247,230	342,650	810,135	467,485
TOTAL REVENUES	91,445,960	93,539,930	99,984,614	6,444,684
EXPENDITURES				
Current:				
General government	11,399,080	11,109,490	10,353,597	755,893
Judicial	3,156,170	3,181,510	3,128,653	52,857
Public safety	40,023,760	40,484,710	40,730,802	(246,092)
Community development	6,414,370	6,394,650	5,841,099	553,551
Public works	1,294,960	1,294,960	1,111,563	183,397
Leisure services	11,070,540	11,416,780	11,064,984	351,796
Health and human services	5,772,780	5,766,124	5,461,033	305,091
Capital outlay	-		-	-
TOTAL EXPENDITURES	79,131,660	79,648,224	77,691,731	1,956,493
DEFICIENCY OF REVENUES OVER EXPENDITURES	12,314,300	13,891,706	22,292,883	8,401,177
OTHER FINANCING SOURCES (USES)				
Transfers in	950,000	950,000	934,128	(15,872)
Transfers out	(15,261,290)	(21,071,670)	(21,619,665)	(547,995)
TOTAL OTHER FINANCING SOURCES (USES)	(14,311,290)	(20,121,670)	(20,685,537)	(563,867)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,996,990)	(6,229,964)	1,607,346	7,837,310
FUND BALANCE, January 1	19,481,298	19,481,298	19,987,540	506,242
FUND BALANCE, December 31	$ 17,484,308	$ 13,251,334	$ 21,594,886	$ 8,343,552

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

CITY OF KENT
CAPITAL RESOURCES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended December 31, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Taxes:				
Sales and use	$ 5,392,600	$ 5,392,600	$ 5,683,979	$ 291,379
Utility	1,408,750	1,408,750	1,464,067	55,317
Real estate excise tax	3,400,000	3,400,000	7,211,140	3,811,140
Miscellaneous revenue:				
Interest income	2,620	2,620	56,388	53,768
Rental/lease income	-	-	17,330	17,330
Other miscellaneous revenue	-	-	670	670
TOTAL REVENUES	10,203,970	10,203,970	14,433,574	4,229,604
EXPENDITURES				
Current:				
General government	515,980	825,980	222,745	(603,235)
Leisure services	25,000	25,000	1,345,977	1,320,977
Capital outlay		275,000	301,598	26,598
TOTAL EXPENDITURES	540,980	1,125,980	1,870,320	744,340
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,662,990	9,077,990	12,563,254	3,485,264
OTHER FINANCING SOURCES (USES)				
Transfers in	2,534,990	5,509,990	5,815,343	305,353
Transfer Out	(14,957,550)	(14,957,550)	(14,233,662)	723,888
TOTAL OTHER FINANCING SOURCES (USES)	(12,422,560)	(9,447,560)	(8,418,319)	1,029,241
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(2,759,570)	(369,570)	4,144,935	4,514,505
FUND BALANCES, January 1	11,277,727	11,277,727	11,585,554	307,827
FUND BALANCES, December 31	$ 8,518,157	$ 10,908,157	$ 15,730,489	$ 4,822,332

The accompanying notes are an integral part of the financial statements

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	**Sewerage Fund**	**Golf Complex Fund**
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 22,452,226	$ 22,075,971	$ 396,594
Investments, at fair value	9,646,005	9,484,357	169,161
Restricted cash, cash equivalents, & investments:			
Cash with fiscal agent	7,778,496	7,715,245	-
Cash and cash equivalents	79,600	34,504	-
Investments, at fair value	34,198	14,824	-
Receivables (net of allowances for estimated uncollectibles):			
Taxes	-	-	-
Accounts	2,171,123	8,077,634	32,240
Notes	-	-	-
Accrued interest	-	-	-
Due from other funds	-	-	-
Interfund loan receivable	251,855	483,255	-
Inventory, at cost	364,247	54,805	160,658
Prepaid expenses	-	-	-
Total Current Assets	42,777,750	47,940,595	758,653
Noncurrent Assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	743,253	743,253	-
Investments, at fair value	319,319	319,319	-
Interfund loan receivable - non-current portion	1,046,288	2,147,092	-
Property, plant and equipment			
Land	3,347,805	9,012,711	5,342,508
Buildings	2,151,264	75,522	2,954,818
Site Improvements	174,287,353	263,347,020	4,817,322
Equipment	2,971,834	2,533,742	585,792
Less: Accumulated Depreciation	(49,309,151)	(81,562,947)	(6,960,075)
Construction In Progress	8,002,507	12,182,519	-
Total noncurrent assets	143,560,472	208,798,231	6,740,365
TOTAL ASSETS	$ 186,338,222	$ 256,738,826	$ 7,499,018
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	50,207	-
Deferred outflows related to pensions	245,410	327,214	327,214
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 245,410	$ 377,421	$ 327,214
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 186,583,632	$ 257,116,247	$ 7,826,232

The accompanying notes are an integral part of the financial statements

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Solid Waste Fund	Totals	Internal Service Funds
$ 328,616	$ 45,253,407	$ 14,498,604
141,181	19,440,704	6,483,816
-	15,493,741	107,845
-	114,104	-
-	49,022	-
-	-	130,325
61,768	10,342,765	139,954
-	-	-
-	-	1,049
-	-	4,000,000
-	735,110	322,664
-	579,710	143,479
-	-	611,999
531,565	92,008,563	26,439,735
-	1,486,506	-
-	638,638	-
-	3,193,380	1,279,547
-	17,703,024	-
-	5,181,604	1,008,269
-	442,451,695	361,952
-	6,091,368	23,933,347
-	(137,832,173)	(19,552,923)
-	20,185,026	162
-	359,099,068	7,030,354
$ 531,565	$ 451,107,631	$ 33,470,089
-	50,207	-
52,057	951,895	528,005
$ 52,057	$ 1,002,102	$ 528,005
$ 583,622	$ 452,109,733	$ 33,998,094

Continued

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Vouchers payable	$ 303,919	$ 991,472	$ 24,357
Accounts/payroll payable	360,067	479,255	82,841
Incurred but not reported claims payable	-	-	-
Due to other funds	-	-	4,000,000
Accrued interest payable	113,797	49,327	-
Compensated absences payable - current portion	174,508	219,262	44,325
Notes payable - current portion	1,474,028	75,000	-
General obligation bonds payable - current portion	-	336,105	-
Revenue bonds payable - current portion	570,000	570,000	-
Deposits and unearned revenue	85,500	303,701	174,063
Total Current Liabilities	3,081,819	3,024,122	4,325,586
Noncurrent Liabilities:			
Compensated absences payable- non-current portion	81,758	93,537	49,404
Notes payable - non-current portion	27,273,333	450,000	-
General obligation bonds payable - non-current portion net of unamortized discounts and premiums	-	1,342,863	-
Revenue bonds payable - non-current portion net of unamortized discounts and premiums	15,762,465	15,762,464	-
Net pension liability	1,454,470	1,939,293	1,939,293
Total noncurrent liabilities	44,572,026	19,588,157	1,988,697
TOTAL LIABILITIES	$ 47,653,845	$ 22,612,279	$ 6,314,283
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	253,822	338,430	338,430
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 253,822	$ 338,430	$ 338,430
TOTAL LIABILITIES AND DEFERRED INFLOWS	$ 47,907,667	$ 22,950,709	$ 6,652,713
NET POSITION			
Net investment in capital assets	96,371,786	187,102,342	6,740,365
Restricted for debt service	492,573	492,573	-
Unrestricted	41,811,606	46,570,623	(5,566,846)
TOTAL NET POSITION	$ 138,675,965	$ 234,165,538	$ 1,173,519

The accompanying notes are an integral part of the financial statements

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Solid Waste Fund	Totals	Internal Service Funds
$ 8,656	$ 1,328,404	$ 1,223,628
17,236	939,399	448,193
-	-	3,300,777
-	4,000,000	-
-	163,124	-
18,551	456,646	287,443
-	1,549,028	-
-	336,105	-
-	1,140,000	-
-	563,264	1,250
44,443	10,475,970	5,261,291
7,691	232,390	177,532
-	27,723,333	-
-	1,342,863	-
-	31,524,929	-
308,525	5,641,581	3,129,312
316,216	66,465,096	3,306,844
$ 360,659	$ 76,941,066	$ 8,568,135
53,841	984,523	546,104
$ 53,841	$ 984,523	$ 546,104
$ 414,500	$ 77,925,589	$ 9,114,239
-	290,214,493	5,750,807
-	985,146	-
169,122	82,984,505	19,133,048
$ 169,122	$ 374,184,144	$ 24,883,855

Concluded

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
OPERATING REVENUES			
Sales	$ 19,909,269	$ -	$ 377,679
Charges for services	1,901,698	50,055,161	1,813,554
Contributions	-	-	-
Rental and lease income	-	-	211,261
Other operating revenue	39,674	54,312	99,102
TOTAL OPERATING REVENUES	21,850,641	50,109,473	2,501,596
OPERATING EXPENSES			
Salaries and wages	2,065,184	3,159,593	970,273
Benefits	804,526	1,008,514	-
Supplies	621,832	450,859	432,026
Services and charges	8,895,622	34,550,866	891,854
Depreciation	4,101,405	6,213,196	121,365
TOTAL OPERATING EXPENSES	16,488,569	45,383,028	2,415,518
OPERATING INCOME (LOSS)	5,362,072	4,726,445	86,078
NON-OPERATING REVENUES (EXPENSES)			
Interest income	373,380	375,816	3,552
Unrealized net gain/(loss) in fair value of investments	(62,359)	(61,207)	(968)
Miscellaneous non-operating revenues	165,217	-	-
Interest expense	(1,611,727)	(631,406)	(38,364)
Gain (loss) on disposal of capital assets	-	-	500,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,135,489)	(316,797)	464,220
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	4,226,583	4,409,648	550,298
Capital contributions	2,461,932	3,633,190	-
Transfers in	-	4,238	-
Transfers out	(46,860)	(131,422)	-
INCREASE (DECREASE) IN NET POSITION	6,641,655	7,915,654	550,298
NET POSITION, January 1	132,034,310	226,249,884	623,221
NET POSITION, December 31	$ 138,675,965	$ 234,165,538	$ 1,173,519

The accompanying notes are an integral part of the financial statements

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Solid Waste Fund	Totals	Internal Service Funds
$ -	$ 20,286,948	$ 1,093,772
598,539	54,368,952	15,064,253
-	-	13,591,308
-	211,261	71,192
2,069	195,157	1,304,850
600,608	75,062,318	31,125,375
297,602	6,492,652	5,437,086
187,411	2,000,451	1,578,518
9,928	1,514,645	1,835,019
143,404	44,481,746	22,579,531
-	10,435,966	684,632
638,345	64,925,460	32,114,786
(37,737)	10,136,858	(989,411)
4,912	757,660	305,227
(1,289)	(125,823)	(21,599)
150,636	315,853	1,598,932
-	(2,281,497)	-
-	500,000	(46,275)
154,259	(833,807)	1,836,285
116,522	9,303,051	846,874
-	6,095,122	469,168
-	4,238	808,742
-	(178,282)	(995,598)
116,522	15,224,129	1,129,186
52,600	358,960,015	23,754,669
$ 169,122	$ 374,184,144	$ 24,883,855

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 21,345,775	$ 51,961,383	$ 2,384,352
Cash received from other funds for services	-	-	-
Cash payments to employees	(2,944,665)	(4,455,480)	(1,466,915)
Cash payments to suppliers	(9,355,962)	(34,510,210)	(1,314,164)
Other cash received	39,674	54,312	99,102
Net cash provided by operating activities	9,084,822	13,050,005	(297,625)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loan issued for noncapital purposes	-	-	4,000,000
Interfund loan payment for noncapital purposes	-	-	(4,000,000)
Operating grants/non-operating revenue received	165,217	-	-
Interest paid on interfund loan	-	-	(3,364)
Transfers in	-	-	-
Transfers out	(46,860)	(72,680)	-
Net cash provided by (used for) noncapital financing	118,357	(72,680)	(3,364)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from bond sales	7,795,019	7,795,019	-
Proceeds sale of capital assets	-	-	500,000
Principal repayment on interfund capital loan	-	-	-
Acquisition and construction of capital assets	(2,176,757)	(6,529,336)	(45,223)
Interfund loan for capital outlays	478,511	707,112	-
Principal paid on bonds and equipment contracts	(2,024,028)	(1,023,670)	-
Interest paid on bonds and equipment contracts	(1,647,550)	(670,862)	(35,000)
Transfers in	-	4,238	-
Transfers out	-	(58,742)	-
Capital contributed by subdividers, capital grants, local impr. districts	2,137,520	3,281,693	-
Net cash (used for) capital & related financing	4,562,715	3,505,452	419,777
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(22,789,453)	(22,376,479)	(385,254)
Proceeds from sale and maturities of investments	16,464,120	14,709,344	215,125
Interest and dividends on investments	375,251	378,567	3,552
Net cash provided by (used for) investing activities	(5,950,082)	(7,288,568)	(166,577)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,815,812	9,194,209	(47,789)
CASH AND CASH EQUIVALENTS, January 1	23,237,763	21,374,764	444,383
CASH AND CASH EQUIVALENTS, December 31	$ 31,053,575	$ 30,568,973	$ 396,594
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:			
Current Assets: Cash and cash equivalents	$ 22,452,226	$ 22,075,971	$ 396,594
Current Assets: Cash with fiscal agent	7,778,496	7,715,245	-
Restricted Cash and cash equivalents	822,853	777,757	-
	$ 31,053,575	$ 30,568,973	$ 396,594

The accompanying notes are an integral part of the financial statements

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Solid Waste Fund	Totals	Internal Service Funds
$ 617,399	$ 76,308,909	$ 16,208,323
-	-	13,591,308
(396,874)	(9,263,934)	(7,475,408)
(149,358)	(45,329,694)	(24,691,979)
2,069	195,157	1,304,850
73,236	21,910,438	(1,062,906)
-	4,000,000	(4,000,000)
-	(4,000,000)	4,000,000
150,636	315,853	1,598,932
-	(3,364)	-
-	-	750,000
-	(119,540)	-
150,636	192,949	2,348,932
-	15,590,038	-
-	500,000	(31,589)
-	-	524,641
-	(8,751,316)	(1,968,588)
-	1,185,623	-
-	(3,047,698)	-
-	(2,353,412)	-
-	4,238	58,742
-	(58,742)	(995,598)
-	5,419,213	469,168
-	8,487,944	(1,943,224)
(322,569)	(45,873,755)	(14,433,942)
180,099	31,568,688	11,811,006
4,912	762,282	308,297
(137,558)	(13,542,785)	(2,314,639)
86,314	17,048,546	(2,971,837)
242,302	45,299,212	17,578,286
$ 328,616	$ 62,347,758	$ 14,606,449
$ 328,616	$ 45,253,407	$ 14,498,604
-	15,493,741	107,845
-	1,600,610	-
$ 328,616	$ 62,347,758	$ 14,606,449

Continued

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	$ 5,362,072	$ 4,726,445	$ 86,078
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,101,405	6,213,196	121,365
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	(486,605)	1,714,053	64,049
(Increase) Decrease in inventory	(24,515)	880	31,678
(Increase) Decrease in prepaid expenses	-	-	-
(Increase) Decrease in pension deferred outflows	114,334	183,391	241,415
Increase (Decrease) in vouchers payable	187,153	676,518	(17,932)
Increase (Decrease) in accounts/payroll payable	1	(221,194)	(5,235)
Increase (Decrease) in incurred but not reported claims payable	-	-	-
Increase (Decrease) in deposits and deferred revenues	21,413	192,169	(82,191)
Increase (Decrease) in compensated absences	10,572	(3,200)	3,355
Increase (Decrease) in pension liabilities	(422,092)	(724,216)	(1,026,890)
Increase (Decrease) in pension deferred inflows	221,084	291,963	286,683
Total Adjustments	3,722,750	8,323,560	(383,703)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 9,084,822	$ 13,050,005	$ (297,625)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets contributed	$ 324,412	$ 351,497	$ -
(Decrease) in fair value of investments	(62,359)	(61,207)	(968)

The accompanying notes are an integral part of the financial statements

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Solid Waste Fund	Totals	Internal Service Funds
$ (37,737)	$ 10,136,858	$ (989,411)
-	10,435,966	684,632
18,860	1,310,357	(20,894)
-	8,043	(21,435)
-	-	(4,666)
5,967	545,107	319,136
3,974	849,713	265,250
11,145	(215,283)	21,868
-	-	(549,602)
-	131,391	-
16,613	27,340	52,899
5,853	(2,167,345)	469,011
48,561	848,291	(1,289,694)
110,973	11,773,580	(73,495)
$ 73,236	$ 21,910,438	$ (1,062,906)
$ -	$ 675,909	$ 469,168
(1,289)	(125,823)	(21,599)

Concluded

CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2017

	Firemen's Relief & Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 987,866	$ 2,374,568
Investments, at fair value	1,381,593	682,114
Receivables (net of allowances for estimated uncollectibles):		
Due from other governments	-	35,822
TOTAL ASSETS	2,369,459	3,092,504
TOTAL ASSETS AND DEFERRED OUTFLOWS	2,369,459	3,092,504
LIABILITIES		
Vouchers payable	-	1,148,733
Accounts/payroll payable	6,676	5,291
Due to Other Governments	-	29
Deposits and unearned revenue	-	1,938,451
TOTAL LIABILITIES	6,676	3,092,504
TOTAL LIABILITIES AND DEFERRED INFLOWS	6,676	3,092,504
NET POSITION RESTRICTED FOR PENSIONS	$ 2,362,783	

The accompanying notes are an integral part of the financial statements

CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2017

	Firemen's Relief & Pension Fund
ADDITIONS	
Contributions:	
State insurance fees	$ 222,782
Investment earnings:	
Interest	83,019
Unrealized net gain/(loss) in fair value of investments	(58,817)
TOTAL ADDITIONS	246,984
DEDUCTIONS	
Benefits	362,942
Administrative Expense	3,000
TOTAL DEDUCTIONS	365,942
CHANGE IN NET POSITION	(118,958)
NET POSITION RESTRICTED FOR PENSIONS, January 1	2,481,741
NET POSITION RESTRICTED FOR PENSIONS, December 31	$ 2,362,783

The accompanying notes are an integral part of the financial statements

KENT
WASHINGTON

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

a. REPORTING ENTITY

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

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

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

b. **BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

Although GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, it also gives governments the option of displaying other funds as major funds. The City has opted to display some funds as major funds because of community focus. Major governmental and enterprise funds are reported in separate columns in the fund financial statements, while non-major 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 included capital assets and the recognition of depreciation does not reduce net financial resources, depreciation is not considered an expenditure in governmental funds.

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

Property, sales, use, real estate excise, utility, business and occupation, admissions, and gambling

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

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

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

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

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

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

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

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

The City reports the following proprietary funds:

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

Sewerage Utility Fund – This enterprise fund accounts for the sewer and storm drainage systems

of the City. The utility recovers its costs through user charges.

Golf Complex Fund – This enterprise fund accounts for the golf complex of the City that includes 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.

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

Additionally, the City reports the following fund types:

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

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

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

The City's agency 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. Although the agency funds are presented in one column on the Fiduciary Statement of Net Position, combining statements are provided as supplementary information, but are not part of the basic financial statements.

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, and Housing & Community Development Fund. Budgetary information is also provided, as supplementary information, for the Public Safety Retiree Fund, Operating Grants and Project Fund, and Events Center Operating Fund although these funds are combined into the General Fund for financial statement reporting.

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

The steps in the budget process are as follows:

(1) The Chief Administrative Officer and Mayor submit a proposed biennial budget to the City Council. This budget is based on priorities established by the Council, cost estimates provided by the City departments and balanced with revenue estimates.

(2) The City Council conducts public hearings on the proposed budget in September and October.

(3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced biennial budget no later than December 31.

(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	$ 81,500,720	$ 741,364	$ 82,242,084
Special Revenue Funds:			
Capital Resources	540,980	585,000	1,125,980
Street	8,917,170	1,576,800	10,493,970
Lodging Tax	278,060	60,000	338,060
Youth/Teen Programs	42,000	-	42,000
Criminal Justice	3,527,610	2,192,075	5,719,685
Housing & Community Development	1,056,260	(240)	1,056,020
Total	$ 95,862,800	$ 5,154,999	$ 101,017,799

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 30 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 156-158. 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	$ 73,801,847	-	-	-	-	$ 73,801,847
Licenses & permits	6,962,130	-	-	-	-	6,962,130
Other grants/shared revenue	8,100,520	-	65,000	-	-	8,165,520
Charges for service	7,634,825	-	-	-	-	7,634,825
Fines and forfeitures	1,549,964	-	-	-	-	1,549,964
Interest income	424,207	12,091	-	-	-	436,298
Rent/lease income	688,056	-	-	-	-	688,056
Contributions & donations	12,930	1,023,194	18,720	-	-	1,054,844
Other miscellaneous revenue	810,135	-	-	13,128	-	823,263
Total Revenues	99,984,614	1,035,285	83,720	13,128	-	101,116,747
Expenditures:						
General Government	10,353,597	-	-	-	-	10,353,597
Judicial	3,128,653	-	-	-	-	3,128,653
Public Safety	40,730,802	1,163,174	-	-	-	41,893,976
Community development	5,841,099	-	65,000	-	-	5,906,099
Public works	1,111,563	-	-	-	-	1,111,563
Leisure services	11,064,984	-	36,459	470,844	-	11,572,287
Health & human services	5,461,033	-	33,831	-	-	5,494,864
Debt service principal	-	-	-	24,796	-	24,796
Capital outlay	-	-	3,635	487,767	-	491,402
Total Expenditures	77,691,731	1,163,174	138,925	983,407	-	79,977,237
Excess (Deficiency) of Revenues over (under) Expenditures	22,292,883	(127,889)	(55,205)	(970,279)	-	21,139,510
Other Financing Sources (uses)						
Issuance of installment note	-	-	-	194,990	-	194,990
Transfers in	934,128	250,000	129,338	1,147,109	(1,226,447)	1,234,128
Transfers out* (see below)	(21,619,665)	-	-	-	1,226,447	(20,393,218)
Total Other Financing Sources (Uses)	(20,685,537)	250,000	129,337	1,342,099	-	(18,964,100)
Net Change in Fund Balance	1,607,346	122,111	74,133	371,820	-	2,175,410
Fund Balance, January 1	19,987,540	1,174,261	601,789	2,147,074	-	23,910,664
Fund Balance, December 31	$ 21,594,886	$ 1,296,372	$ 675,922	$2,518,894	$ -	$ 26,086,074

*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		$ 21,619,665
Less Intrafund Transfer to:	Public Safety Retiree	250,000
	Other Operating Grants & Projects	129,338
	Kent Events Center Fund	847,109
		$ 20,393,218

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).

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. The primary objectives, in priority order, of the city's investment activities are safety, liquidity, and return on investment.

(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.

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

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

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

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

(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 current or advanced refunding, the refunded debt is removed from the government's books and the refunding debt is added.

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

f. **ENCUMBRANCES**

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

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

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

(1) **Interfund Transactions**

Interfund transactions are divided into two categories: interfund services provided and used 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 168-169 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 acquisition value at the date of donation in the case of donated assets. Purchase and construction of such assets are recorded as expenditures in the appropriate Governmental Fund and capitalized for government-

wide reporting. Property, Plant and Equipment in the Proprietary Funds is stated at cost, or in the case of donated assets, at acquisition value at the date of donation. Depreciation is recorded in the proprietary fund statements.

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

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

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

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

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

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

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	$ 55,220,217	-	14,498,604	-	69,718,821
Investments at fair value	23,296,935	-	6,483,816	-	29,780,751
Receivables, net	24,949,335	-	271,328	-	25,220,663
Due from other funds	520,000	-	4,000,000	(4,520,000)	-
Internal balances	-	-	-	71,510	71,510
Due from other governments	797,840	-	-	-	797,840
Inventory, at cost	-	-	143,479	-	143,479
Prepaid items	54,153	9,101	611,999	-	675,253
Interfund loan receivable	-	-	1,602,211	(1,602,211)	-
Investment in joint venture	-	7,215,101	-	-	7,215,101
Restricted cash & cash equivalents					
Cash with fiscal agent	1,671,093	-	107,845	-	1,778,938
Note receivable from component unit	-	76,828,536	-	-	76,828,536
Less: Allowance for uncollectible	-	(76,828,536)	-	-	(76,828,536)
Net OPEB asset	-	70,515	-	-	70,515
Net pension asset	-	9,281,366	-	-	9,281,366
Capital assets, net	-	743,076,669	5,750,807	-	748,827,476
Total Assets	$ 106,509,573	759,652,752	33,470,089	(6,050,701)	893,581,713
Deferred outflows of resources:					
Deferred loss on bond refunding	-	53,925,862	-	-	53,925,862
Deferred outflows related to pensions	-	4,490,239	528,005	-	5,018,244
Total Assets & Deferred Inflows	$ 106,509,573	818,068,853	33,998,094	(6,050,701)	952,525,819
Liabilities:					
Vouchers payable	$ 4,560,315	-	1,223,628	-	5,783,943
Accounts/payroll payable	6,137,241	-	448,193	(30,714)	6,554,720
Incurred but not reported claims payable	46,000	-	3,300,777	-	3,346,777
Due to other funds	520,000	-	-	(520,000)	-
Due to other governments	51,444	-	-	-	51,444
Accrued interest payable	-	317,829	-	-	317,829
Unearned revenue	1,340,696	-	1,250	-	1,341,946
Interfund loan payable – current	1,057,774	-	-	(1,057,774)	-
Compensated absences – current	-	2,182,631	287,443	20,804	2,490,878
Contracts, leases, notes – current	-	828,518	-	-	828,518
General obligation bonds – current	-	5,633,895	-	-	5,633,895
Special assessment bonds – current	-	160,000	-	-	160,000
Interfund loan payable – long-term	4,472,927	-	-	(4,472,927)	-
Compensated absences – long-term	-	1,961,336	177,532	9,910	2,148,778
Contracts, leases, notes – long-term	-	5,990,113	-	-	5,990,113
General obligation bonds – long-term	-	89,713,419	-	-	89,713,419
Net pension liability	-	20,347,136	3,129,312	-	23,476,448
Contingent loan guarantee	-	3,657,980	-	-	3,657,980
Total Liabilities	$ 18,186,397	130,792,857	8,568,135	(6,050,701)	151,496,688
Deferred Outflows:					
Unavailable revenue	7,231,817	(2,755,496)	-	-	4,476,321
Deferred inflows related to pensions	-	5,830,682	546,104	-	6,376,786
Total Liabilities & Deferred Inflows	$ 25,418,214	133,868,043	9,114,239	(6,050,701)	162,349,795
Fund Balance/Net Position:					
Total fund balance/net position	$ 81,091,359	684,200,810	24,883,855	-	790,176,024
Total liabilities, deferred inflows & fund Balance/net position	$ 106,509,573	818,068,853	33,998,094	(6,050,701)	952,525,819

(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	$1,131,973,581
Accumulated Depreciation	(388,896,912)
	743,076,669

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. $ 7,215,101

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. $ (317,829)

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

Compensated absences – current	$ (2,182,631)
Contracts, leases, notes – current	(828,518)
General obligation bonds – current	(5,633,895)
Special assessment bonds – current	(160,000)
Compensated absences – long-term	(1,961,336)
Contracts, leases, notes – long-term	(5,990,113)
General obligation bonds (net) – long-term	(89,713,419)
Deferred inflows related to pensions	(5,830,682)
Net pension liability	(20,347,136)
Contingent loan guarantee obligation	(3,657,980)
	$ (136,305,710)

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	$ 70,515
Deferred outflows related to pensions	4,490,239
Net pension asset	9,281,366
	$ 13,842,120

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. $ 53,925,862

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. $ 9,101

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	$ 2,422,510
Deferred property tax revenue	264,451
Deferred other revenue	68,535
	$ 2,755,496

(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 $ 24,883,855

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

Interfund receivables	$ 6,050,701
Interfund payables	(6,050,701)
	$ -

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

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	$ 22,999,864	(142,305)	-	-	-	-	22,857,559
Sales & use taxes	29,517,990	-	-	-	-	-	29,517,990
Utility taxes	28,637,522	-	-	-	-	-	28,637,522
Business & occupancy taxes	9,141,800	-	-	-	-	-	9,141,800
Real estate excise taxes	7,211,140	-	-	-	-	-	7,211,140
Lodging taxes	312,980	-	-	-	-	-	312,980
Other taxes	902,557	-	-	-	-	-	902,557
Licenses & permits:							
Building permits	3,639,180	-	-	-	-	-	3,639,180
Other licenses & permits	3,860,341	-	-	-	-	-	3,860,341
Intergovernmental revenues	23,751,790	-	-	533,503	-	-	24,285,293
Charges for service:							
Park & recreation fees	1,462,887	-	-	-	-	-	1,462,887
Other fees & charges	8,896,730	-	-	-	597,980	-	9,494,710
Fines & forfeitures	3,086,649	-	-	-	-	-	3,086,649
Miscellaneous revenue:							
Special assessments	1,456,781	(592,844)	-		-	-	863,937
Interest income	1,247,357	(144,704)	-	-	283,628	-	1,386,281
Gain(loss) on disposal of capital assets	-	-	85,458	-	(46,275)	(39,183)	-
Rent/lease income	835,655	-	-	-	71,192	-	906,847
Contributions & donations	1,850,417	-	-	-	35,460	-	1,885,877
Other miscellaneous revenue	1,164,337	68,535	-	-	1,386,004	-	2,618,876
Total Revenue	$149,975,977	(811,318)	85,458	533,503	2,327,989	(39,183)	152,072,426
Expenditures/Expenses:							
Current:							
General government	10,748,768	21,857	1,782,476	(329,877)	122,935	-	12,346,159
Judicial	3,128,653	12,504	49,576	(107,462)	74,504	-	3,157,775
Public safety	46,087,104	94,614	202,715	(790,510)	923,193	-	46,517,116
Community development	6,471,366	(8)	-	(120,608)	172,980	-	6,523,730
Public works	10,267,623	54,974	12,585,311	(162,806)	(724,393)	-	22,020,709
Leisure services	13,540,991	17,395	6,217,734	(1,586,032)	219,654	(39,183)	18,370,559
Health & human services	6,390,291	(10,483)	22,774	(112,967)	159,331	-	6,448,946
Debt service:							
Principal	7,075,992	-	-	(7,075,992)	-	-	-
Interest	3,994,036	(22,807)	-	3,519,885	-	-	7,491,114
Capital outlay	25,267,653	-	(25,267,653)	-	-	-	-
Total expenditures/expenses	$132,972,477	168,046	(4,407,067)	(6,766,369)	948,204	(39,183)	122,876,108
Other sources/(uses):							
Issuance of installment note	194,990	-	-	(194,990)	-	-	-
Change in investment in joint venture	-	-	900,497	-	-	-	900,497
Contributed capital	-	-	1,095,988	-	(527,911)	-	568,077
Transfers in	46,077,102	-	-	-	808,742	(46,885,844)	-
Transfers out	(45,716,202)	-	-	-	(995,598)	46,885,844	174,044
Total other sources/(uses)	$ 555,890	-	1,996,485	(194,990)	(714,767)	-	1,642,618
Net change in fund balance/ net position	$ 17,559,390	(979,364)	6,489,010	7,104,882	665,018	-	30,838,936

(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	$ (142,993)
Interest expense accrual	22,807
Net OPEB obligation	(47,860)
	$ (168,046)

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	$ (142,305)
Other revenue	68,535
	$ (73,770)

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. $ (737,548)

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

Capital outlay	$ 25,267,653
Depreciation expense	(20,860,586)
	$ 4,407,067

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	$ 85,458

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	$ 1,095,988

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. $ 900,497

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

Principal payments	$ 7,075,992
Reduction in contingent loan guarantee obligation	1,333,498
	$ 8,409,490

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

Issuance of notes	$ (194,990)

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

Amortization of prepaid bond insurance	$ (4,746)
Amortization of premium/discount	761,352
Amortization of loss on refunding	(4,276,491)
	$ (3,519,885)

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	$ 533,503
Change in pension expense	1,876,764
	$ 2,410,267

(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. $ 665,018

(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	$ (46,885,844)
Transfers out	46,885,844
	$ -

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2017, one fund was in a deficit fund balance position. The Other Capital Projects Fund, a major fund, had a deficit fund balance of $2,729,916. The deficit is due to interfund loans from the construction of the Showare Center. This will be reduced as the loans are repaid over the next several years with funding committed for that purpose.

4. DEPOSITS AND INVESTMENTS

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

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

PRIMARY GOVERNMENT	
From Statement of Net Position:	
Cash & cash equivalents	$ 114,972,228
Investments, at fair value	49,221,455
Restricted cash with fiscal agent/trustee	17,272,679
Restricted cash & cash equivalents	1,600,610
Restricted investments	687,660
Total from Statement of Net Position	$ 183,754,632
Summary by Type:	
Cash on hand and in bank	$ 67,599,634
State Pool (cash equivalents)	48,973,204
Deposits with fiscal agent/trustee	17,272,679
Investments	49,909,115
Total by Type	$ 183,754,632

COMPONENT UNIT	
Special Events Center PFD:	
Cash on hand and in bank	$ 109,913
Investments	47,221
Total Cash & Investments	$ 157,134

A. DEPOSITS

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

As of December 31, 2017, the City held domestic time deposits totaling $254,874 with U.S. Bank. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

B. INVESTMENTS

1. Investments Measured at Amortized Costs:

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

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

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

2. Investments Measured at Fair Value:

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

   Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy: (1) sets maximum maturities for the various allowable investment types (generally none exceed five years); (2) directs structuring the investment portfolio so that maturities mature to meet cash requirements, when known, for ongoing operations, thereby avoiding need to sell securities on the open market prior to maturity; and (3) requires investing liquidity funds primarily in short-term instruments (i.e. investments maturing in less than one year). As of December 31, 2017, the weighted average maturity for the portfolio was 811 days. Participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. As of December 31, 2017, the LGIP had a weighted average maturity of 35 days.

As of December 31, 2017, the City held the following investments:

Investment Type	Book Value	Fair Market Value	Fair Value Investment Maturities <1 Year	1-2 Years	3-5 Years	% of Portfolio
U.S. Treasuries	$ 11,444,548	$ 11,346,347	$ 1,236,220	$ 2,073,075	$ 8,037,052	21.8%
U.S. Agency Securities	34,663,046	34,547,267	10,167,030	20,401,098	3,979,139	66.4%
Commercial Paper	989,274	996,204	996,204	-	-	1.9%
Corporate Notes	4,907,393	4,875,351	-	3,257,597	1,617,754	9.4%
Certificates of Deposit	254,874	254,874	254,874	-	-	0.5%
Total investments	52,259,135	52,020,043	12,654,328	25,731,770	13,633,945	100.0%
Less restricted investments		687,660				
Less: investments held by						
Fiduciary Funds		2,063,707				
Component unit		47,221				
Statement of net position		$ 49,221,455				

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

Investment Type	Ratings Moody's	S&P		% of Investments
U.S. Treasuries [1]			**Total**	**21.8%**
U.S. Treasury Notes	Aaa	AA+		21.8%
U.S. Agency Securities			**Total**	**66.4%**
Financing Corporation	Aaa	AA+		25.4%
Federal Home Loan Bank	Aaa	AA+		15.9%
Federal Home Loan Mortgage Corporation	Aaa	AA+		13.3%
Federal National Mortgage Association	Aaa	AA+		7.9%
Resolution Funding	Aaa	AA+		3.9%
Commercial Paper			**Total**	**1.9%**
Mitsubishi UFJ Financial	P-1	A-1+		1.4%
Toyota Motor Corporation	P-1	A-1		0.5%
Corporate Notes			**Total**	**9.4%**
Apple Inc	Aa1	AA+		1.4%
BB&T Corporation	A2	A-		0.9%
Boeing Company	A2	A		1.0%
Cisco Systems Inc	A1	AA-		0.9%
Comcast Corporation	A3	A-		0.5%
Home Depot Inc	A2	A		0.5%
Johnson & Johnson	Aaa	AAA		0.2%
JP Morgan Chase & Co	A3	A-		0.9%
Paccar Financial Corporation	A1	A+		0.1%
PNC Financial Services Group	A2	A		1.0%
Procter & Gamble Co	Aa3	AA-		0.3%
Texas Instruments Inc	A1	A+		0.3%
The Bank of New York Mellon	A1	A		0.5%
Toyota Motor Corporation	Aa3	AA-		0.9%

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

Concentration of Credit Risk: According to the City's investment policy, with the exception of U.S. Treasuries, U.S. Agencies, and the LGIP, no more than 25% of the City's total investment portfolio will be invested in securities offered by a single issuer. In accordance with GASB Statement No. 40, the City will report any investment in any one issuer that is 5% or more of the total City portfolio. As of December 31, 2017, the City did not have any investments meeting that criterion.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy requires that all security transactions entered into by the City are conducted on delivery-versus-payment (DVP) and that securities are to be held in safekeeping at the trust department of the City's primary bank. The custodian provides the City with monthly market values along with safekeeping receipts. All bank deposits are covered 100% by federal depository insurance and pledged collateral on deposit with the Washington State Public Deposit Protection Commission (WSPDPC). Per GASB Statement No. 40 guidelines, the LGIP balances are not subject to custodial credit risk.

3. Fair value hierarchy:

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

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

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

		Fair Value Measurements Using		
	Amount	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities:				
U.S. Treasury Securities	$ 11,346,347	$ 11,346,347	$ -	$ -
U.S. Agency Securities	34,547,267	-	34,547,267	-
Commercial Paper	996,204	-	996,204	-
Corporate Notes	4,875,351	-	4,875,351	-
Sub-totals	$ 51,765,169	$ 11,346,347	$ 40,418,822	$ -
Investments measured at amortized costs				
State LGIP (cash equivalents)	$ 50,101,835	$ 50,101,835	$ -	$ -
Certificates of Deposit	254,874	254,874	-	-
Sub-totals	$ 50,356,709	$ 50,356,709	$ -	$ -
Total investments (incl LGIP)	$ 102,121,878	$ 61,703,056	$ 40,418,822	$ -

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	$ 8,657,290	$ 936,961	$ (13,426)	$ -	$125,822	$ 9,706,647
Capital Resources Fund	1,675,841	-	-	-	-	1,675,841
Special Assessments Fund	-	-	-	6,898,831	-	6,898,831
Street Capital Projects Fund	-	2,143,468	(2,160)	-	-	2,141,308
Other Governmental Funds	1,609,439	2,918,725	(1,456)	-	-	4,526,708
Internal Service Funds	130,325	140,212	(258)	-	1,049	271,328
Subtotal	$12,072,895	$ 6,139,366	$ (17,300)	$ 6,898,831	$126,871	$ 25,220,663
Business-Type Activities:						
Water Fund	$ -	$ 2,198,726	$ (27,603)	$ -	$ -	$ 2,171,123
Sewerage Fund	-	8,137,207	(59,573)	-	-	8,077,634
Solid Waste Fund	-	61,768	-	-	-	61,768
Golf Complex Fund	-	33,637	(1,397)	-	-	32,240
Subtotal	$ -	$ 10,431,338	$ (88,573)	$ -	$ -	$ 10,342,765
Total Primary Government	$12,072,895	$ 16,570,704	$ (105,873)	$ 6,898,831	$126,871	$ 35,563,428

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Component Unit:						
Special Events Center PFD	$ 165,287	$ -	$ -	$ -	$ -	$ 165,287
Total Component Unit	$ 165,287	$ -	$ -	$ -	$ -	$ 165,287

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, 2017, the unearned revenue reported in the governmental funds related to special assessments was $6,898,831. Of that amount, $93,003 is delinquent.

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

a. TAXES RECEIVABLE

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

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

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

City assessed utility taxes are primarily due monthly and business and occupation taxes, gambling

taxes and admissions taxes are generally due quarterly. The payment is generally due on the last day of the following month. Revenue is recognized to the extent of collections within sixty days of year end.

b. **ACCOUNTS RECEIVABLE**

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

c. **ASSESSMENTS AND NOTES RECEIVABLE**

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

Under the Contingent Loan Agreement (see Note 17 - Contingencies) between the City and the Kent Public Facilities District, a discretely presented component unit of the City, the City has to date made $27,873,219 in debt payments on behalf of the District. At December 31, 2017, the City has recorded a note receivable of $28,533,536 (including interest) from the District on the governmental activities of the government-wide Statement of Net Position. Additionally, in 2016, the City refunded the 2008 PFD Sales Tax Bonds with City General Obligation Bonds while creating an interlocal note receivable from the PFD for the debt service on the new bonds (see note 16 for additional information). At December 31, 2017, this note is $48,295,000. Since the City believes the likelihood of the District being able to repay these notes is remote, the City has also recorded an allowance for doubtful accounts for the entire balance of these notes.

d. **ACCRUED INTEREST RECEIVABLE**

Accrued investment interest totaling $126,871 was recognized at December 31, 2017.

6. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCES

The following interfund balances are shown in the fund statements as of December 31, 2017:

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
Governmental Funds:		
General Fund	$ 520,000	$ -
Street Capital Projects Fund	-	1,771,040
Other Capital Projects Fund	-	3,759,661
Other Governmental Funds	-	520,000
Internal Service Funds:		
Insurance Fund	5,602,212	-

	Interfund Loan Receivable	Interfund Loan Payable
Business-type Activities:		
Proprietary Funds:		
Enterprise Funds:		
Water Fund	1,298,143	-
Sewerage Fund	2,630,346	-
Golf Complex Fund	-	4,000,000
Totals	$ 10,050,701	$ 10,050,701

The net internal balances shown on the Statement of Net Position is $71,510, due from business-type activities to governmental activities.

In December 2017, the Mayor approved a $4,000,000 one-year interfund loan from the Insurance Fund to the Golf Complex Fund to cover working capital. This loan is bearing interest at the City's daily funds rate.

Also executed by the City on December 31, 2017, was a non-interest bearing loan for $520,000 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, 2017, the unpaid balances on these loans are $1,298,143 to Water, $1,298,144 to Sewer and $1,163,374 to Insurance for a total of $3,759,661.

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. At December 31, 2017, the outstanding loans balances are $548,546 to Sewer and $438,838 to Insurance for a total of $987,384.

During fiscal year 2016, the City established interfund loans to the Street Capital Projects Fund for $1,000,000 from the Sewer Fund to fund a street improvement project. This loan is to be repaid over a period not to exceed nine years, beginning in 2016 and accrue 1.25% interest. At December 31, 2017, $783,656 remains outstanding on this loan.

TRANSFERS

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
Governmental Funds:		
Major Funds:		
General Fund	$ 1,234,128	$ 20,393,218
Capital Resources Fund	5,815,343	14,233,662
Special Assessment Fund	-	1,957,330
Non-voted Debt	9,893,283	-
Street Capital Projects Fund	13,100,504	1,602,821
Other Capital Projects Fund	2,004,888	-
Subtotal	$ 32,048,146	$ 38,187,031

	Transfers In	Transfers Out
Governmental Funds (continued)**:**		
Non-major Funds:		
Street	$ 5,579,496	$ 5,546,044
Youth/Teen Programs	-	900,000
Criminal Justice	1,187,185	942
Parks Capital Projects	4,516,815	-
Technology Capital Projects	2,745,460	-
Facilities Capital Projects	-	1,082,185
Subtotal	$ 14,028,956	$ 7,529,171
Total Governmental	$ 46,077,102	$ 45,716,202
Proprietary Funds:		
Major Funds:		
Water Utility	$ -	$ 46,860
Sewerage Utility	4,238	131,422
Subtotal	$ 4,238	$ 178,282
Internal Service Funds:		
Equipment Rental	$ 58,742	$ 138
Central Services	-	995,460
Insurance	750,000	-
Subtotal	$ 808,742	$ 995,598
Total Proprietary	$ 812,980	$ 1,173,880
Total Transfers	$ 46,890,082	$ 46,890,082

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 2017 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 168-169.

7. CAPITAL ASSETS AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2017 changes in governmental capital assets:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Governmental Activities:				
Capital Assets not being depreciated:				
Land	$ 227,002,521	$ 1,053,580	$ -	$ 228,056,101
Construction in Progress	26,448,259	14,931,288	(15,301,407)	26,078,140
Total non-depreciable assets	253,450,780	15,984,868	(15,301,407)	254,134,241

(continued)

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Capital Assets being depreciated:				
Buildings	136,006,159			136,006,159
Site Improvements	58,966,461	332,668	(22,145)	59,276,984
Equipment	60,260,951	4,031,151	(465,428)	63,826,674
Infrastructure	633,525,062	10,508,191	-	644,033,253
Total depreciable assets, gross	888,758,633	14,872,010	(487,573)	903,143,070
Less Accumulated Depreciation for:				
Buildings	(37,638,630)	(3,415,322)	-	(41,053,952)
Site Improvements	(24,985,301)	(2,523,833)	22,145	(27,486,989)
Equipment	(46,542,704)	(3,106,637)	457,201	(49,192,140)
Infrastructure	(278,217,328)	(12,499,426)	-	(290,716,754)
Total Accumulated Depreciation	(387,383,963)	(21,545,218)	479,346	(408,449,835)
Total depreciable assets, net	501,374,670	(6,673,208)	(8,227)	494,693,235
Governmental Activities Capital Assets, net	$ 754,825,450	$ 9,311,660	$(15,309,634)	$ 748,827,476

b. **BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS**

A summary of Business-type Property, Plant, and Equipment at December 31, 2017 follows:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Business-type Activities:				
Capital Assets not being depreciated:				
Land	$ 16,192,641	$ 1,510,383	$ -	$ 17,703,024
Construction in Progress	25,107,298	6,373,840	(11,296,112)	20,185,026
Total non-depreciable assets	41,299,939	7,884,223	(11,296,112)	37,888,050
Capital Assets being depreciated:				
Buildings	5,181,604	-	-	5,181,604
Site Improvements	430,132,347	12,319,348	-	442,451,695
Equipment	5,571,602	519,766	-	6,091,368
Total depreciable assets, gross	440,885,553	12,839,114	-	453,724,667
Less Accumulated Depreciation for:				
Buildings	(4,808,598)	(66,156)	-	(4,874,754)
Site Improvements	(118,983,768)	(10,122,481)	-	(129,106,249)
Equipment	(3,603,841)	(247,329)	-	(3,851,170)
Total Accumulated Depreciation	(127,396,207)	(10,435,966)	-	(137,832,173)
Total depreciable assets, net	313,489,346	2,403,148	-	315,892,494
Business-type Activities Capital Assets, net	$ 354,789,285	$ 10,287,371	$ (11,296,112)	$ 353,780,544

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

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

Governmental Activities:	
General Government	$ 2,046,249
Judicial	49,728
Public Safety	468,731
Community Development	12,252
Public Works	12,661,649
Leisure Services	6,272,552
Health and Human Services	34,057
Total Depreciation Expense – Governmental Activities	$ 21,545,218
Business-type Activities:	
Water	$ 4,101,405
Sewerage	6,213,196
Golf Complex	121,365
Total Depreciation Expense – Business-type Activities	$ 10,435,966

8. LEASES

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

Operating Leases

The City leases space from Charlie Perkins for storage space on Smith Street. The current lease commenced on April 1, 2014 and continues for a period of five years. The City pays $4,750 per month for the first two years and $5,000 per month for the remaining three years of the lease. Additionally, the City reimburses Charlie Perkins for all property taxes applicable to the property during the lease term. The City paid $69,084 in 2017 for this lease.

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

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

Fiscal Year	Amount
2018	123,904
2019	78,904
2020	63,904
2021	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 or non-voted funds while debt service for business-type activities bonds is paid from the appropriate proprietary fund.

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

Total additional general obligation capacity for all purposes at December 31, 2017 is $1,145,567,329. For further detail on debt margin, refer to Schedule 16 in the Statistical Section of this report. The general obligation bonds have various interest rates between 2.0 percent and 5.5 percent with maturity dates to 2037. The City's general obligation bonds carry a Moody's "Aa3" rating as of December 7, 2017 and Standard and Poor's "AA+" rating as of April 21, 2016.

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

Special Assessment Bonds are issued to finance construction of local improvement district (LID) projects. The bonds are paid through the collection of assessments levied against the benefited properties located within the boundaries of the LID. Special Assessment Bonds are not a general obligation of the City and neither the full faith and credit nor the taxing authority of the City is pledged to the payment of the bonds. Although the bonds are secured by liens against assessed properties, the City is required under state law to establish a guaranty fund to provide a means of paying LID bond debt services in the event there are insufficient resources in the LID debt service fund. In accordance with GASB Statement No. 6, special assessment debt is reported in the government's financial statements because the government is contingently liable for the debt. The City is responsible for collection of the assessments levied and for disbursement of these amounts for the retirement of the respective bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2017, the LID guaranty reserve was $16,000, 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 document for further information about pledged revenue coverage. The Water and Sewerage Funds' outstanding Combined Utility System Revenue Bonds, Series 2009A and Series 2009B

Taxable (Build America Bonds) and Series 2017 Refunding Bonds at December 31, 2017, totaled $32,664,929, including unamortized premium, split equally between each fund. The interest rates of the revenue bonds range from 3.0 percent to 6.12 percent with maturity dates to 2029. The bonds have been assigned a rating of AA by Standard & Poor's Ratings Services as of December 6, 2017.

b. **NON-BONDED DEBT**

Other long-term debt includes contracts, 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.

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 31, 2017, has no outstanding arbitrage liability.

e. **ADVANCE AND CURRENT REFUNDINGS**

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

As of December 31, 2017 the following bonds have been previously defeased in advanced refundings by placing funds with an escrow agent in an irrevocable trust, but are not yet callable:

Description	Amount	Call Date
2008 General Obligation Bonds	$ 16,945,000	12/1/18
2008 Public Facilities District Sales Tax Bonds	53,150,000	6/1/18

f. DEBT SCHEDULES

The following tables are a summary of long-term debt transactions of the City for the year ended December 31, 2017:

LONG-TERM DEBT - GOVERNMENTAL ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/17	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS							
LTGO Councilmanic Bonds:							
Various purposes-taxable	2003	2018	2.3-5.5%	$ 7,518,000	$ 7,341,000	$ 177,000	$ 177,000
Refund various purposes	2005	2020	4.05%	2,252,000	1,333,000	919,000	283,000
Various purposes	2008	2025	4.1-5.2%	24,000,000	23,205,000	795,000	795,000
Refund 1999 various purposes	2009	2019	3.0-4.0%	8,410,000	6,435,000	1,975,000	970,000
Plus: Unamortized premium				347,076	284,223	62,853	-
Refund various purposes	2012	2022	2.0-4.5%	10,840,000	5,755,000	5,085,000	1,125,000
Plus: Unamortized premium				540,320	276,856	263,464	-
Refund 2004 various purposes	2014	2021	2.0-4.0%	8,671,070	4,860,195	3,810,875	818,895
Plus: Unamortized premium				547,704	267,900	279,804	-
Refund 2006 land-taxable	2015	2021	0.6-2.85%	4,380,000	1,820,000	2,560,000	820,000
Refund 2006 park improve	2015	2024	3.0%	4,240,000	-	4,240,000	-
Plus: Unamortized premium				261,619	64,215	197,404	-
Refund 2008 various purposes	2016	2025	2.0/5.5%	15,470,000	235,000	15,235,000	150,000
Plus: Unamortized premium				2,950,117	206,623	2,743,494	-
Refund 2008 PFD sales tax	2016	2037	2.0/5.5%	49,105,000	810,000	48,295,000	495,000
Plus: Unamortized premium				9,364,284	655,864	8,708,420	-
Total General Obligation – LTGO (Net)				148,897,190	53,549,876	95,347,314	5,633,895
OTHER LONG-TERM DEBT:							
Public Works Trust Fund Loans:							
Street improvements	2003	2023	0.5%	1,000,000	679,824	320,176	53,363
Street improvements	2004	2024	0.5%	8,500,000	5,319,117	3,180,883	454,412
Street improvements	2008	2028	0.5%	5,000,000	2,050,987	2,949,013	268,092
SMG capital loan	2015	2024	0.0%	395,413	26,854	368,559	52,651
Total other governmental debt				14,895,413	8,076,782	6,818,631	828,518
TOTAL GOVERNMENTAL ACTIVITIES (Net)				$ 163,792,603	$ 61,626,658	$102,165,945	$ 6,462,413

SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/17	Due Within One Year
SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES:							
LID 353 et. al.	2004	2019	2.5-4.7%	$ 11,758,557	$ 11,598,557	$ 160,000	$ 160,000
TOTAL SPECIAL ASSESSMENT BONDS				$ 11,758,557	$ 11,598,557	$ 160,000	$ 160,000

LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/17	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS:							
LTGO Councilmanic Bonds:							
Sewerage Fund:							
Drainage – 04 Refunding	2014	2021	2.0-4.0%	$ 3,558,930	$ 1,994,805	$ 1,564,125	$ 336,105
Plus: Unamortized Premium				224,798	109,955	114,843	-
Total General Obligation LTGO (Net)				3,783,728	2,104,760	1,678,968	336,105

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/17	Due Within One Year
REVENUE BONDS:							
Water Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	4,560,000	3,990,000	570,000	570,000
Plus: Unamortized Premium				286,845	258,296	28,549	
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	-
Revenue Refunding Bonds	2017	2029	5.0%	6,590,000	-	6,590,000	-
Plus: Unamortized Premium				1,205,019	1,103	1,203,916	
Subtotal (Net)				20,581,864	4,249,399	16,332,465	570,000
Sewerage Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	4,560,000	3,990,000	570,000	570,000
Plus: Unamortized Premium				286,845	258,297	28,548	
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	-
Revenue Refunding Bonds	2017	2029	5.0%	6,590,000	-	6,590,000	-
Plus: Unamortized Premium				1,205,019	1,103	1,203,916	
Subtotal (Net)				20,581,864	4,249,400	16,332,464	570,000
Total Revenue Bonds (Net)				41,163,728	8,498,799	32,664,929	1,140,000
Total Bonded Debt				44,947,456	10,603,559	34,343,897	1,476,105
OTHER LONG-TERM DEBT:							
Water Fund:							
Contract-Tacoma Pipeline	2010	2040	2.0-5.62%	11,400,000	1,350,000	10,050,000	290,000
Contract-Regional Water	2013	2032	4.0-5.0%	14,790,000	860,000	13,930,000	125,000
Public Works Trust Fund Loans:							
Water system improvements	2001	2021	0.5%	10,000,000	7,888,889	2,111,111	527,778
Water system improvements	2002	2022	0.5%	10,000,000	7,343,750	2,656,250	531,250
Subtotal – Water Fund				46,190,000	17,442,639	28,747,361	1,474,028
Sewerage Fund:							
Public Works Trust Fund Loans:							
Drainage system improv	2004	2024	0.5%	1,500,000	975,000	525,000	75,000
Subtotal – Sewerage Fund				1,500,000	975,000	525,000	75,000
Total other business type debt				47,690,000	18,417,639	29,272,361	1,549,028
TOTAL BUSINESS TYPE ACTIVITIES (Net)				$ 92,637,456	$ 29,021,198	$ 63,616,258	$ 3,025,133

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

	Governmental Activities		Business-type Activities		
Year	Principal	interest	principal	interest	Total
2018	$ 5,633,895	$ 3,625,111	$ 336,105	$ 62,565	$ 9,657,676
2019	5,545,350	3,413,587	334,650	49,121	9,342,708
2020	4,621,010	3,219,471	549,990	35,735	8,426,206
2021	4,476,620	3,036,665	343,380	13,735	7,870,400
2022	4,885,000	2,847,000	-	-	7,732,000
2023-2027	20,950,000	10,979,850	-	-	31,929,850
2028-2032	21,065,000	6,399,250	-	-	27,464,250
2033-2037	15,915,000	1,861,500	-	-	17,776,500
Total	$ 83,091,875	$ 35,382,434	$ 1,564,125	$ 161,156	$ 120,199,590

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

	Governmental Activities		
Year	Principal	Interest	Total
2018	$ 160,000	$ 7,440	$ 167,440
Total	$ 160,000	$ 7,440	$ 167,440

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

Revenue bond debt service requirements to maturity are as follows:

Year	Water Revenue Bonds Principal	Water Revenue Bonds interest	Sewerage Revenue Bonds principal	Sewerage Revenue Bonds interest	Total
2018	$ 570,000	$ 795,860	$ 570,000	$ 795,860	$ 2,731,720
2019	600,000	792,072	600,000	792,072	2,784,144
2020	1,150,000	761,712	1,150,000	761,712	3,823,424
2021	1,197,500	700,430	1,197,500	700,430	3,795,860
2022	1,247,500	636,636	1,247,500	636,636	3,768,272
2023-2027	7,060,000	2,118,778	7,060,000	2,118,778	18,357,556
2028-2032	3,275,000	276,075	3,275,000	276,075	7,102,150
Total	$ 15,100,000	$ 6,081,563	$15,100,000	$ 6,081,563	$ 42,363,126

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

Year	Governmental Activities Principal	Governmental Activities interest	Business-type Activities principal	Business-type Activities interest	Total
2018	$ 828,518	$ 33,697	$ 1,549,028	$ 1,040,435	$ 3,451,678
2019	828,518	29,573	1,779,028	1,019,793	3,656,912
2020	828,518	25,449	1,809,028	987,850	3,650,845
2021	828,518	21,325	1,829,027	954,608	3,633,478
2022	828,518	17,200	1,336,250	917,316	3,099,284
2023-2027	2,407,949	34,092	7,125,000	3,842,959	13,410,000
2028-2032	268,092	1,340	9,395,000	1,977,217	11,641,649
2033-2037	-	-	2,630,000	627,698	3,257,698
2038-2042	-	-	1,820,000	134,637	1,954,637
Total	$ 6,818,631	$ 162,676	$ 29,272,361	$11,502,513	$ 47,756,181

DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:

The City of Kent Special Events Center Public Facilities District (PFD) has outstanding bonded debt of $3,330,000.

The following is a summary of bonded debt issuance and redemption information as of December 31, 2017:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/17	Due Within One Year
BONDED DEBT:							
Revenue Bonds	2008	2020	3.16-5.75%	$ 10,130,000	$ 6,800,000	$ 3,330,000	$ 1,250,000
Total bonded debt (Net)				10,130,000	6,800,000	3,330,000	1,250,000
OTHER NON-BONDED DEBT:							
Note payable	2008	2020	0.19-1.2%	28,533,536	-	28,533,536	-
Note payable	2016	2037		49,105,000	810,000	48,295,000	495,000
Total non-bonded debt				77,638,536	810,000	76,828,536	495,000
TOTAL PFD (Net)				$ 87,768,536	$ 7,610,000	$ 80,158,536	$ 1,745,000

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

Year	Special Events Center Public Facilities District Principal	Interest	Total
2018	$ 1,250,000	$ 187,083	$ 1,437,083
2019	1,400,000	118,283	1,518,283
2020	680,000	39,127	719,127
Total	$ 3,330,000	$ 344,493	$ 3,674,493

The following is a summary of changes in non-current liabilities reported in the government-wide financial statements for the year ended December 31, 2017

	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	$ 88,777,205	$ -	$ 5,685,330	$ 83,091,875	$ 5,633,895	$ 77,457,980
Premiums	13,016,791	-	761,352	12,255,439	-	12,255,439
Net general obligation bonds	101,793,996	-	6,446,682	95,347,314	5,633,895	89,713,419
Special assessment bonds with Governmental commitment	750,000	-	590,000	160,000	160,000	-
Total bonds payable (net)	102,543,996	-	7,036,682	95,507,314	5,793,895	89,713,419
Non-bonded long-term liabilities:						
Installment loans & contracts	7,424,302	194,990	800,661	6,818,631	828,518	5,990,113
Contingent loan guarantee obligation	4,991,478	-	1,333,498	3,657,980	-	3,657,980
Net Pension Liability	30,331,333	23,476,448	30,331,333	23,476,448	-	23,476,448
Compensated Absences:						
General government	4,000,975	4,920,964	4,747,258	4,174,681	2,203,435	1,971,246
Internal service funds	412,076	511,287	458,388	464,975	287,443	177,532
Total compensated absences	4,413,051	5,432,251	5,205,646	4,639,656	2,490,878	2,148,778
Total non-bonded long-term liabilities	47,160,164	29,103,689	37,671,138	38,592,715	3,319,396	35,273,319
Total	$149,704,160	$ 29,103,689	$ 44,707,820	$ 134,100,029	$ 9,113,291	$124,986,738
BUSINESS TYPE ACTIVITIES:						
Bonds payable:						
General obligation bonds	$ 1,962,795	$ -	$ 398,670	$ 1,564,125	$ 336,105	$ 1,228,020
Premiums	144,164	-	29,321	114,843	-	114,843
Net general obligation bonds	2,106,959	-	427,991	1,678,968	336,105	1,342,863
Revenue bonds	18,120,000	13,180,000	1,100,000	30,200,000	1,140,000	29,060,000
Premiums	119,122	2,410,039	64,232	2,464,929	-	2,464,929
Net revenue bonds	18,239,122	15,590,039	1,164,232	32,664,929	1,140,000	31,524,929
Total bonds payable (net)	20,346,081	15,590,039	1,592,223	34,343,897	1,476,105	32,867,792
Non-bonded long-term liabilities:						
Installment loans & contracts	30,821,389	-	1,549,028	29,272,361	1,549,028	27,723,333
Net Pension Liability	7,808,926	5,641,581	7,808,926	5,641,581	-	5,641,581
Compensated absences	661,696	836,613	809,273	689,036	456,646	232,390
Total non-bonded long-term liabilities	39,292,011	6,478,194	10,167,227	35,602,978	2,005,674	33,597,304
Total	$ 59,638,092	$ 22,068,233	$ 11,759,450	$ 69,946,875	$ 3,481,779	$ 66,465,096
SPECIAL EVENTS CENTER PFD:						
Bonds payable:						
Revenue bonds	$ 4,430,000	$ -	$ 1,100,000	$ 3,330,000	$ 1,250,000	$ 2,080,000
Total bonds payable (net)	4,430,000	-	1,100,000	3,330,000	1,250,000	2,080,000
Non-bonded long-term liabilities:						
Interlocal financing agreement	48,780,000	-	485,000	48,295,000	495,000	47,800,000
Instalment loans & contracts	25,121,554	3,411,982	-	28,533,536	-	28,533,536
Total non-bonded long-term liabilities	73,901,554	3,411,982	485,000	76,828,536	495,000	76,333,536
Total	$78,331,554	$ 3,411,982	$ 1,585,000	$80,158,536	$ 1,745,000	$ 78,413,536

10. FUND BALANCE

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

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

Restricted – amounts constrained for specific purposes imposed by (a) external parties or (b) imposed by law through constitutional provisions or enabling legislation. The restriction must be able to be legally enforced by a party external to the government.

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

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

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

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

11. INFORMATION ON ENTERPRISE FUNDS

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

a. WATER

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

b. SEWERAGE

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

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

The drainage operation started in May 1985 and collects revenue to fund operating charges. The drainage fee for single family residences is a flat monthly fee while the rate for multi-family and

commercial establishments varies based on the property size, percentage of impervious surface, and the basin or basins in which the property is located. For more detail on current rates, see Schedule 13 in the Statistical Section of this document.

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

	Sewer	Drainage	Total
Operating Revenue	$ 30,499,895	$ 19,609,578	$ 50,109,473
Operating Expenses	30,560,547	14,822,481	45,383,028
Operating Income	$ (60,652)	$ 4,787,097	$ 4,726,445

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 Capital Resources Funds receivables at December 31, 2017 include $413,582 for delinquent property taxes. No estimate of uncollectible taxes is made since state law allows for sale of property for failure to pay taxes.

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

a. The Washington State Constitution limits the total statutory property tax levy to $10.00 per $1,000 of assessed valuation. This 1 percent value limit is subject to additional reduction of 10 percent on all regular taxing rates except for Port and Utility Districts, Conservation Futures, Emergency Medical Services and State levies. The effective levy limit is $5.55 per $1,000 assessed valuation as follows: $1.80 for the County, $3.60 for the City and $.15 is a floating limitation where applicable. In addition, the City has given $.50 to the County to fund the library and $1.00 to the Puget Sound Regional Fire Authority.

b. Washington State law in RCW 84.55.010 limits the growth of regular property tax revenue. If total city assessed valuation increases by more than the allowable rate, the levy rate is proportionally decreased.

c. Referendum 47 passed in November 1997 limited the growth of the property tax levy to the lesser of 6% or inflation.

d. Initiative 747 passed in November 2001 further limits property tax levy growth by the lesser of 1% or inflation. As a result of Initiative 747, Washington State law in RCW 84.55.0101 limits the growth of regular property tax revenue to 1%.

e. The City may voluntarily levy taxes below the legal limit.

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

For 2017, the City's regular tax levy was $1.411 per $1,000 of assessed valuation based on the 2016 assessed valuation of $16,402,977,700 for a total regular levy of $23,056,215.

13. PERSONNEL BENEFITS

a. SICK, VACATION AND COMPENSATORY LEAVE

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

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

In the Governmental Activities Statement of Net Position, the current portion of compensated absences plus estimated benefits, including internal services, is estimated to be $2,490,878 and the estimated long term portion, including internal services is $2,148,778. 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 $456,646 and the estimated long-term portion is $232,390.

b. RETIREMENT

The City's contributions to retirement programs in 2017 were:

To Federal Social Security System	$ 4,478,991
To State administered employee retirement systems	6,017,484
Total	$ 10,496,475

Retirement payments to City employees from all City funds in 2017 were:

From Firemen's Relief and Pension Fund	$ 362,442

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 2017.

Aggregate Pension Amounts – All Plans		
Pension assets	$	9,281,366
Deferred outflows of resources		5,970,139
Pension liabilities		(29,118,029)
Deferred inflows of resources		(7,361,309)
Pension expense/expenditures		2,654,177

Substantially, all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost sharing multiple employer public employee defined benefit and defined contribution retirement plans. The City of Kent contributes semi-monthly to the Public Employees Retirement System (PERS), the Law Enforcement Officers and Fire Fighters Retirement System (LEOFF), and the Public Safety Employees' Retirement System (PSERS). The State legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of the Legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

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

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3

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

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

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2017	11.18%	6.00%
July through December 2017	12.70%	6.00%

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

The city's actual contributions to the plan were $2,088,586 for the year ended December 31, 2017, including contributions towards the unfunded actuarially accrued liability.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are

eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council 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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2017	11.18%	6.12%
July through December 2017	12.70%	7.38%
Employee PERS Plan 3		Varies

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July – December 2017

The city's actual contributions to the plan were $2,722,456 for the year ended December 31, 2017.

(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 2017. 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 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
State and local governments	5.23%	8.41%
Ports and Universities	5.43%	8.75%

The city's actual contributions to the plan were $860,463 for the year ended December 31, 2017.

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, 2017, the state contributed $62,155,262 to LEOFF Plan 2. The City recognized $533,503 in intergovernmental revenues and pension expense in 2017 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. In addition to the regular change in contributions rates on July 1, 2017, PSERS contribution rates changed again on September 1m 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2017	11.54%	6.59%
July through August 2017	11.94%	6.73%
September through December 2017	11.95%	6.74%

The city's actual contributions to the plan were $139,395 for the year ended December 31, 2017.

(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 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, 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 changes in methods and assumptions since the last valuation.

- For all plans, except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, 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%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.5 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	$ 18,515,874	$ 15,199,481	$ 12,326,775
PERS 2/3	35,996,017	13,361,031	(5,184,982)
PSERS 2	734,594	109,403	(380,785)
LEOFF 1	(1,525,677)	(2,056,819)	(2,512,949)
LEOFF 2	1,563,381	(7,224,547)	(14,384,583)

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, 2017, the city reported a total pension liability of $28,669,915 (plus $448,114 for the Firemen's Pension for a total pension liability of $29,118,029) and a total pension asset of $9,281,366 for its proportionate share of the DRS net pension liabilities as follows:

Plan	Liability (Asset)
PERS 1	$ 15,199,481
PERS 2/3	13,361,031
PSERS 2	109,403
LEOFF 1	(2,056,819)
LEOFF 2	(7,224,547)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	$ (2,056,819)	$ (7,224,547)
State's proportionate share of the net pension liability (asset) associated with the employer	(13,912,273)	$ (4,686,429)
TOTAL	$ (15,969,092)	$ (11,910,976)

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

Plan	Proportionate Share 6/30/17	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.320321%	0.331119%	-0.010798%
PERS 2/3	0.384543%	0.395840%	-0.011297%
PSERS 2	0.558376%	0.573616%	-0.015240%
LEOFF 1	0.135565%	0.133759%	0.001806%
LEOFF 2	0.520622%	0.505464%	0.015158%

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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the city recognized pension expense as follows for the DRS plans:

Plan	Pension Expense
PERS 1	$ 358,583
PERS 2/3	2,037,003
PSERS 2	150,562
LEOFF 1	(347,511)
LEOFF 2	224,001
	$ 2,422,638

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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	-	567,202
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,186,411	-
TOTAL	$ 1,186,411	$ 567,202

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,353,787	$ 439,421
Net difference between projected and actual investment earnings on pension plan investments	-	3,561,730
Changes of assumptions	141,919	-
Changes in proportion and differences between contributions and proportionate share of contributions	513,057	415,801
Contributions subsequent to the measurement date	1,623,792	-
TOTAL	$ 3,632,555	$ 4,416,952

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 64,705	$ 7,773
Net difference between projected and actual investment earnings on pension plan investments	-	76,732
Changes of assumptions	927	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	8,234
Contributions subsequent to the measurement date	76,893	-
TOTAL	$ 142,525	$ 92,739

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	-	191,126
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	$ -	$ 191,126

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 317,533	$ 273,967
Net difference between projected and actual investment earnings on pension plan investments	-	1,621,961
Changes of assumptions	8,700	-
Changes in proportion and differences between contributions and proportionate share of contributions	85,937	197,362
Contributions subsequent to the measurement date	494,646	-
TOTAL	$ 906,816	$ 2,093,290

Total – All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,736,025	$ 721,161
Net difference between projected and actual investment earnings on pension plan investments	-	6,018,751
Changes of assumptions	151,546	-
Changes in proportion and differences between contributions and proportionate share of contributions	598,994	621,397
Contributions subsequent to the measurement date	3,381,742	-
TOTAL	$ 5,868,307	$ 7,361,309

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, 2018. 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
2018	$ (383,392)	$ (1,197,175)	$ (17,590)	$ (119,948)	$ (764,786)
2019	121,043	510,646	12,557	32,350	149,093
2020	(28,105)	(348,175)	2,578	(12,918)	(130,981)
2021	(276,748)	(1,498,538)	(17,250)	(90,610)	(704,746)
2022	-	54,374	(1,589)	-	(41,017)
Thereafter	-	70,685	(5,816)	-	(188,680)
Totals	$ (567,202)	$ (2,408,183)	$ (27,110)	$ (191,126)	$ (1,681,117)

(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, 2017 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, 2017, the Plan held investments in the Federal Home Loan Mortgage Corporation and FICO Strips (federal government backed securities) with a fair market value of $957,182.

Net Pension Liability

Firefighters' Pension Fund
GASB Statement No. 67 Net Pension Liability

	December 31, 2016	December 31, 2017
Total pension liability	$ 2,665,344	$ 2,810,898
Fiduciary net position *	2,481,741	2,362,784
Net pension liability (asset)	183,603	448,114
Fiduciary net position as a % of total pension liability	93.11%	84.06%

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, 2016	January 1, 2017
Measurement Date	December 31, 2016	December 31, 2017
Inflation	2.25 %	2.25%
Salary increases Including inflation	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry age normal	Entry age normal

Money-Weighted Rate of Return

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

money-weighted rate of return is calculated net of investment expenses.

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

Discount Rate

	December 31, 2016	December 31, 2017
Discount rate	3.75%	3.50%
Long-term expected rate of return, Net of investment expense	3.75%	3.50%
Municipal bond rate	3.75%	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, 2017 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 3.44% as of December 31, 2017. 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	$ 3,082,364	$ 2,810,898	$ 2,576,495
Fiduciary net position *	2,362,784	2,362,784	2,362,784
Net pension liability (asset)	$ 719,580	$ 448,114	$ 213,711

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, 2017.

Asset Class	Index	Long-term Expected Real Rate of Return
Cash	BAML 90 Day T-Bills	0.18%
Long-term Bonds	Barclays 1-3 Year Gov/Cred	1.34%
Assumed Inflation – Mean		2.25%
Long-Term Expected Rate of Return		**3.50%**

Firefighters' Pension Fund
Changes in Net Pension Liability

	Increase (Decrease)		
Changes in Net Pension Liability	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances as of December 31, 2016	$ 2,665,344	$ 2,481,741	$ 183,603
Changes for the year:			
Service costs	-		-
Interest on total pension liability	96,923		96,923
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	149,761		149,761
Effects of assumptions changes or inputs	61,812		61,812
Benefit payments	(162,942)	(162,942)	-
Medical payments from fund		(200,000)	200,000
Employer contributions		-	-
Contributions from state fire insurance premium tax		222,783	(222,783)
Net investment income		24,202	(24,202)
Administrative expenses		(3,000)	3,000
Balance as of December 31, 2017	$ 2,810,898	$ 2,362,784	$ 448,114

For the year ended December 31, 2017, the City recognized pension expense of $594,481. At December 31, 2017, 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	-	101,832
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	$ -	$ 101,832

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
2018	$ 33,232
2019	33,234
2020	22,126
2021	13,240

(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 $70,515 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 assets in the December 31, 2017 statement of net position. The effect of GASB No. 45 for the current fiscal year was to decrease the City’s excess of revenue over expenses and the City’s net position for the year ended December 31, 2017 by approximately $47,860.

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, 2017, the City contributed $1,144,618 to the Health Plan.

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:

	12/31/17
Amortization of unfunded actuarial accrued liability (UAAL)	$ 1,176,047
ARC	1,176,047
Interest on net OPEB obligation	(2,238)
Adjustment to annual required contribution	18,669
Annual OPEB cost (expense)	1,192,478
Contributions made	(1,144,618)
Increase(decrease) in net OPEB obligation	47,860
Net OPEP obligation (asset)-beginning of year	(118,375)
Net OPEB obligation (asset)-end of year	$ (70,515)

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(Asset)
December 31, 2017	$ 1,192,478	96.0%	$ (70,515)
December 31, 2016	1,192,478	83.5%	(169,623)
December 31, 2015	1,243,726	102.5%	(366,923)
December 31, 2014	1,256,035	79.1%	(335,218)

Funded Status and Funding Progress: The funded status of the Health Plan as of December 31, 2016, the date of the last actuarial valuation, follows:

Actuarial accrued liability (AAL) – Unit Credit	$23,285,620
Actuarial value of plan assets	1,174,261
Unfunded actuarial accrued liability (UAAL)	22,111,359
Funded ratio (actuarial value of plan assets/AAL)	5.0%

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, 2016 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 0.61% 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, reduced by decrements to ultimate rates of 3.9% after 58 years. The dental/vision and long-term care trend rates are 4.0% and 5.0% for all years, respectively. 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, 2016 was 20.0 years.

c. **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 $106,466 during 2017 for this coverage.

d. **DEFERRED COMPENSATION**

In 1984 the City established a deferred compensation program for its employees in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) deposited to a trust. The City has no claim to these assets and does not record the fair value of the assets of the deferred compensation 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 2017 and 2016 as carried in the City's Internal Service Funds and the General Fund:

	Worker's Compensation		Medical and Dental		Liability		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Claims liabilities, 1/1	$ 1,668,825	$ 1,493,961	$ 789,000	$ 628,300	$ 1,436,154	$ 1,438,705	$ 3,893,579	$ 3,560,966
Less: Claims paid	(832,557)	(1,144,016)	(13,511,737)	(11,932,113)	(1,840,202)	$ (1,233,706)	(16,184,496)	(14,309,835)
Plus claims and Changes in estimates	894,861	1,318,880	13,575,137	12,092,813	1,167,296	1,231,155	15,637,694	14,642,448
Claims Liabilities 12/31	$ 1,731,129	$ 1,668,825	$ 852,400	$ 789,000	$ 763,248	$ 1,436,154	$ 3,346,777	$ 3,893,579

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 $46,950 in unemployment compensation claims in fiscal year 2017. At December 31, 2017, fund equity was $1,415,641.

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, 2015 projected ultimate loss for 2017 of $928,125. At December 31, 2017, incurred but not reported and claims payable were estimated at $1,731,129. At December 31, 2017 fund equity was $2,338,863. 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 a public official bonds.

At December 31, 2017, the City booked a liability for open and incurred but not reported claims to equal estimated outstanding claims liability of $763,248. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2017.

At December 31, 2017, fund equity was $1,625,671. In 2017, the City expensed $2,180,680 for its liability claims, insurance coverage and costs of administering the risk management program.

d. **PROPERTY**

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

At December 31, 2017 fund equity was $648,168. In 2017, the City expensed $436,283 for its property claims, insurance coverage and administration.

e. **MEDICAL AND DENTAL**

The City is self insured for three medical plans administered by Premera Blue Cross, two dental plans administered by Washington Dental Service (WDS), and a vision plan administered by Vision Service Plan (VSP). Claims exceeding $175,000 per occurrence are covered by a stop loss policy.

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 2017, Premera Blue Cross covered approximately 95 percent of the employees for a cost of $12,053,659. The City authorizes an actuarial study every year to determine the fund's actuarial soundness and the impact on future rates. The City's incurred but not reported claims liabilities increased from $789,000 as of December 31, 2016 to $852,400 as of December 31, 2017. These amounts include the estimated IBNR for LEOFF1 Retirees, reported in the General Fund, of $43,600 as of December 31, 2016 and $46,000 as of December 31, 2017.

Group Health Cooperative provided health care to approximately five percent of the employees for 2017 premiums of $400,294.

The fund's net position decreased by $1,773,671 to $3,041,228 at December 31, 2017. In 2017, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

f. FINANCIAL HIGHLIGHTS

The 2017 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	$ 998,025	$ 1,136,688	$1,306,105	$ 841,490	$ 326,704	$ 4,609,012
Cash with fiscal agent	-	35,000	-	72,845	-	107,845
Investments	428,775	743,222	561,133	361,524	140,360	2,235,014
Receivables:						
Accrued interest	-	1,049	-	-	-	1,049
Due from other funds	-	2,000,000	1,000,000	1,000,000	-	4,000,000
Interfund loans receivable	-	219,418	1,163,374	219,419	-	1,602,211
Prepaid expenses	-	-	-	31,597	194,836	226,433
Deferred outflows related to pensions	1,487	5,950	-	5,950	1,487	14,874
Total assets & deferred outflows	$1,428,287	$ 4,141,327	$4,030,612	$2,532,825	$ 663,387	$12,796,438
LIABILITIES & DEFERRED INFLOWS						
Current:						
Vouchers Payable	$ -	$ -	$ 182,984	$ 93,324	$ 2,573	$ 278,881
Accrued expenses	235	21,693	-	940	235	23,103
Claims payable	-	1,731,129	806,400	763,248	-	3,300,777
Compensated absences - current	1,076	4,302	-	4,302	1,076	10,756
Long-term:						
Compensated absences – non-current	982	3,927	-	3,927	982	9,818
Net pension liability	8,815	35,260	-	35,260	8,814	88,149
Deferred inflows related to pensions	1,538	6,153	-	6,153	1,539	15,383
Total liabilities & deferred inflows	12,646	1,802,464	989,384	907,154	15,219	3,726,867
NET POSITION	1,415,641	2,338,863	3,041,228	1,625,671	648,168	9,069,571
TOTAL LIABILITIES & NET POSITION	$1,428,287	$ 4,141,327	$ 4,030,612	$2,532,825	$ 663,387	$12,796,438
INCOME STATEMENT						
OPERATING REVENUES	$ 152,568	$ 1,040,079	$10,935,380	$2,065,778	$ 558,094	$14,751,899
OPERATING EXPENSES	74,024	1,008,752	13,516,800	2,181,153	430,152	17,210,881
OPERATING INCOME	78,544	31,327	(2,581,420)	(115,375)	127,942	(2,458,982)
NON-OPERATING REVENUES (EXPENSES)	14,647	42,013	57,749	21,976	3,677	140,062
NET INCOME	93,191	73,340	(2,523,671)	(93,399)	131,619	(2,318,920)
TRANSFERS IN/(OUT)	-	-	750,000	-	-	750,000
CHANGE IN NET POSITION	93,191	73,340	(1,773,671)	(93,399)	131,619	(1,568,920)
NET POSITION 1/1	1,322,450	2,265,523	4,814,899	1,719,070	516,549	10,638,491
NET POSITION 12/31	$1,415,641	$ 2,338,863	$ 3,041,228	$1,625,671	$ 648,168	$ 9,069,571

15. JOINT VENTURE

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

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

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

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

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

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

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

In 2017 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	115,303	26.55%
Renton	87,220	20.08%
Auburn	100,554	23.16%
Tukwila	36,635	8.44%
Federal Way	94,522	21.77%
Totals	434,234	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	29.31%	21.17%	21.49%	10.88%	17.15%	100.00%
Equity 12/31/16	$ 6,314,604	$ 4,531,544	$ 4,504,828	$2,391,872	$ 3,484,567	$ 21,227,415
Current Year Increase	900,497	681,177	785,309	286,110	738,205	3,391,298
Equity 12/31/17	$ 7,215,101	$ 5,212,721	$ 5,290,137	$2,677,982	$ 4,222,772	$ 24,618,713

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

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

16. COMPONENT UNITS

City of Kent Special Events Center Public Facilities District

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

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

For the fiscal year ended December 31, 2017, the PFD generated $920,156 in revenue and had net position of $(79,821,961).

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

17. CONTINGENCIES AND LITIGATIONS

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

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

On February 20, 2008, The City entered into a Contingent Loan and Support Agreement with the Kent Public Facilities District, a discretely presented component unit of the City. The agreement was authorized by City Council under Ordinance No. 3863. Under the agreement, in the event that the District is unable to provide for the payment of principal or interest on any bonds issued by the District for the construction of the Kent Special Events Center, the City shall loan to the District the amount necessary to make such timely payment. The District issued $10,130,000 in Revenue Bonds and $53,150,000 in Sales Tax Bonds in 2008 (see Note 9 – *Long-Term Indebtedness*). The Contingent Loan and Support Agreement remains in effect for the life of bonds. In 2016, the City refinanced the 2008 Sales Tax Bonds with General Obligation Bonds (LTGO Series 2016B). Concurrently, the City and the PFD entered into an interlocal agreement that all sales tax collected by the PFD is to be paid to the City to be used for the debt payments on the 2016B GO Bonds. The 2008 Revenue Bonds mature annually on December 1 until 2020 with semiannual interest payments. There is $3,330,000 outstanding on these bonds at December 31, 2017. As of December 31, 2017, the City has loaned the District $27,873,219 and accrued interest of $660,317 for a total of $28,533,536. The City loaned the District $3,411,982, in 2017. As discussed in Note 5 – *Receivables*, although the City has booked a receivable from the District for the cumulative amounts loaned under the agreement, the City believes that the District will be unable to repay the City and therefore has offset 100 percent of the receivable with an allowance for uncollectibles. The City anticipates that District revenues will continue to fall short of the debt service requirements and the City will continue to make contingent payments on the District's outstanding bonds. In compliance with GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the City has recorded a liability on the government-wide Statement of Net Position for $3,657,980, the present value of estimated future payments under the guarantee agreement.

The liability recognized for the financial guarantee at December 31, 2017 is as follows:

Beginning of year	Increases	Decreases	End of Year
$ 4,991,478	$ -	$ 1,333,498	$ 3,657,980

18. COMMITMENTS

As of December 31, 2017, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	$ 36,597,612
Parks Capital Projects	7,554,094
Miscellaneous Projects	958,999
Technology Capital Projects	6,578,456
Facilities Fund Capital Projects	19,633
Facilities Fund	1,503,257
Water Capital Projects	20,535,883
Sewerage Capital Projects	30,064,387
Golf Capital Projects	350,000
Total	$ 104,162,321

19. TAX ABATEMENTS

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

The City has the following tax abatement agreement(s) in place as of December 31, 2017:

Ad valorem property tax abatements:

Name: Dwell at Kent Station (Apartments)

1. Taxes abated: Ad valorem property taxes for eight years
2. Authority: Chapter 84.14 RCW and Kent City Code (KCC) 3.25
   Chapter 84.14 RCW provides limited eight year exemptions from ad valorem property taxation for multifamily housing in designated urban centers to:
   a. Encourage increased residential opportunities within urban centers designated by the city council as residential targeted areas, and
   b. Stimulate new construction on vacant and underutilized sites for multifamily housing in residential targeted areas to increase and improve housing opportunities, and
   c. Assist in directing future population growth in designated urban centers, thereby reducing development pressure on single-family residential neighborhoods, and
   d. Achieve development densities which are more conducive to transit use in designated urban centers.
3. Criteria: A proposed project must meet the following requirements for consideration for a property tax exemption:
   a. *Location* – The project must be located within a designated residential targeted area as defined in KCC 3.25.020. If a part of any legal lot is within the residential targeted area, then the entire lot shall be deemed to lie within the residential targeted area.
   b. *Tenant displacement* – Prior to approval of an application under KCC 3.25.060, the applicant shall provide the city administrator with documentation satisfactory to the administrator of the following:
      1. All tenants of residential rental structures on the project site have been notified per state statute of the termination of their tenancy

2. The applicant's efforts to refer tenants to similar, alternative housing resources, and
3. Any other actions the applicant has taken to minimize the hardship on tenants whose tenancies will be terminated.

c. *Size* – The project must include at least 30 units of new multifamily housing within a multi-story development. At least 50 percent of the space within the proposed project shall be intended for permanent residential occupancy.

d. *Proposed completion date* – New construction of multifamily housing must be completed within three years from the date of approval of the application.

e. *Compliance with guidelines and standards* – the project must be designed to comply with the city's comprehensive plan, building, fire, housing, and zoning codes, downtown design review, multifamily design review, mixed use design review as applicable, and any other applicable regulations. The project must be LEED certifiable as confirmed by a LEED certified independent third party reviewer or must be Built GREEN certified, and must also comply with any other standards and guidelines adopted by the city council for the residential targeted area.

f. *Parking* – For projects located in the downtown residential targeted are, all required residential parking shall be located within structured parking garages, under buildings, or underground. Projects located in the Riverbend Gateway residential targeted are shall provide structured parking garages under buildings or underground, though parking may also be allowed in surface lots.

g. *Class A pedestrian street* – For buildings adjacent to a class A pedestrian street, the first floor of the building facing the street shall consist of residential units, commercial uses, and/or residential amenity uses.

h. *Mixed use development* – The project shall be a mixed use project, unless the mixed use component is waived by the city administrator.

1. The purpose of the mixed use requirement is to implement the intent of the land use district, maximize the efficient use of land, support transit use, and encourage the development of well-balanced, attractive, convenient, and vibrant urban residential neighborhoods. The additional use excludes any accessory functions related to the residential use. Unless otherwise modified or waived in writing by the administrator, the nonresidential mixed use shall occupy at a minimum the ground floor along the street frontage with a depth of at least 30 feet for any building in the project. The administrator may not modify or waive the mixed use requirement, as provided in subsection (H)(2) of this section, in the DC zoning district, which is governed by KCC 15.04.030(4) and (5).
2. The administrator may waive the mixed use requirement for the purposes of this chapter, if the applicant can demonstrate that mixed use development is impractical or infeasible due to the following factors:
    a. Size or other physical characteristic of the project's lot(s);
    b. Project site is not conducive to commercial use;
    c. Classification of street(s) abutting the project; or
    d. Other similar type of circumstance that makes mixed use impractical for the project.

4. Mechanism: The value of improvements qualifying under this chapter is exempt from ad valorem property taxation for eight successive years beginning January 1st of the year immediately following the calendar year after issuance of the final certificate of tax exemption. The exemption does not apply to the value of land or to the value of improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and non-qualifying improvements. This chapter does not apply to increases in assessed valuation made by the assessor on non-qualifying portions of buildings and value of land nor to increases made by lawful order of a county board of equalization, the Department of Revenue, or a county, to a class of property throughout the county or specific area of the county to achieve the uniformity of

assessment or appraisal required by law. At the conclusion of the exemption period, the new housing cost shall be considered as new construction for the purposes of Chapter 84.55 RCW.

5. At the conclusion of the exemption period, the new housing costs shall be considered as new construction for the purposes of Chapter 84.55 RCW.
6. Within 30 calendar days after the first anniversary of the date the city issued the final certificate of tax exemption and each year thereafter for the duration of the tax exemption period, the property owner shall file a notarized declaration and annual report with the administrator indicating the following:
    A. A statement of occupancy and vacancy of the multifamily units during the previous 12 months;
    B. A certification that the property has not changed use and continues to be in compliance with the contract with the city and this chapter;
    C. A description of any subsequent improvements or changes to the property made after the city issued the final certificate of tax exemption;
    D. The total monthly rent of each multifamily housing unit rented or the total sale amount of each multifamily housing unit sold to an initial purchaser during the 12 months ending with the anniversary date;
    E. A breakdown of the number, type, and specific multifamily housing units rented or sold during the 12 months ending with the anniversary date; and
    F. Any additional information requested by the city pursuant to meeting any reporting requirements under Chapter 84.14 RCW.

   City staff may also conduct onsite verification of the declaration and reporting. Failure to submit the annual declaration and report shall result in a review of the exemption per RCW 84.14.110.
7. The amount of taxes abated for 2017 under this program was $26,845.

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

- High-Technology Sales and Use Tax Deferral – Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.
- Aerospace Incentives - The purchase and use of computer hardware, software, or peripherals, including installation charges is exempt from sales and use tax per RCWs 82-08.975 and 82.12.975 if the buyer uses the purchased items primarily in developing, designing, and engineering aerospace products.
- Future churches, parsonages and convents – RCW 84.36-020(2) grants a property tax exemption for churches, personal property, and the ground, not exceeding five acres in area, upon which a church of any nonprofit recognized religious denomination is or will be built, together with a parsonage, convent, and buildings and improvements required for the maintenance and safeguarding of such property.

The following table shows the impact to the City of Kent for taxes abated by the State of Washington during the calendar year ended December 31, 2016 (the latest information available):

Tax Abatement Program	Amount of Taxes Abated
High-technology sales & use tax deferral	$ *
Aerospace incentives – computer hardware, software, & peripherals	
Sales & use tax exemption	*
Future churches, parsonages & convents property tax exemption	1,832
Total	$ 1,832

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

20. PRIOR PERIOD ADJUSTMENT

During a review of the City's construction in progress projects, it was determined that some expenditures that had previously been capitalized in construction in progress were not capital in nature and should have been expensed as incurred. Beginning net position for governmental activities was restated by $12,391,589 to correct this error.

21. SUBSEQUENT EVENTS

In 2017, the City surplused approximately 20 acres of land known as the Riverbend Golf Course – Par 3 site. The property was declared surplus by the City council as part of a series of actions proposed by the Parks, Recreation and Human Services Department to eliminate the Golf Fund's deficit cash balance and, at the same time, generate cash for reinvestment in much needed capital improvements at the remaining 18-hole Riverbend Golf Course. The surplus property was marketed nationally by JLL as a mixed use development opportunity that could include a mix of uses such as retail, office, hospitality, and residential. Ultimately, the City selected a proposal from the development team of FNW/Landmark and their capital partners HAL. Marquee on Meeker is the name of their development which is now under construction. It will consist of approximately 490 units of market rate residential split between two phases. Each phase will also include ground floor retail and be built around a central promenade that leads through the site and links to the existing Green River Trail network. The negotiated sale price of the land was $10.5 million dollars. The City closed on Phase I of the project on April 2, 2017 and received $6,146,415. Phase II is expected to close within two years.

KENT
WASHINGTON

RETIREMENT HEALTH CARE BENEFITS -- LEOFF 1 RETIREMENT SYSTEM
Schedule of Funding Progress
As of December 31, 2017

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, 2007	$ 251,263	$ 8,609,653	$ 8,358,390	2.9%	$ 113,000	7397%
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, 2016 *	1,174,261	23,285,620	22,111,359	5.0%	-	N/A

* Most recent actuarial study

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

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

	Fiscal Year Ending December 31		
	2008	2009	2010
Actuarially determined contribution	$ (59,543)	$ (62,265)	$ (64,151)
Actual employer contribution *	(59,543)	(62,265)	(64,151)
Contribution deficiency (excess)	-	-	-

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

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

Firefighters' retiree medical and long-term care benefits may be paid from the Firefighters' Pension Fund. As noted above, payments for retiree medical and long-term care benefits are subtracted from other contributions, leaving a negative total contribution for years prior to 2016. The City has been budgeting a portion of the excess plan assets to pay these benefits based on an actuarially determined amount. The City limits the amount of retiree medical and long-term care benefits paid from the Fund to the budgeted amounts, and thus the actual employer contributions are equal to the actuarially determined contributions prior to 2016 in the table above. In the last actuarial study of December 31, 2015, the actuaries no longer assume a continuation of the state fire insurance premium and therefore no longer provide an actuarial determined amount available for medical payments from the plan. The City has, however, continued to receive the insurance premium and make medical payments from the fund in 2016 and 2017, causing the deficiency.

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

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

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

* 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						
2011	2012	2013	2014	2015	2016	2017 **
$ (48,662)	$ (59,033)	$ (41,988)	$ (47,101)	$ (6,968)	$ 33,825	$ -
(48,662)	(59,033)	(41,988)	(47,101)	(6,968)	1,666	22,782
-	-	-	-	-	(32,159)	-

City of Kent **Required Supplementary Information**

Firefighters' Pension Fund
Schedule of Changes in Pension Liability and Related Ratios
Last Four Fiscal Years *
(Thousands $)

	Fiscal Year Ending December 31		
	2014	2015	2016
Total Pension Liability			
Service cost	$ -	$ -	$ -
Interest on total pension liability	77	75	95
Effect of plan changes	-	-	-
Effect of economic/demographic gains (losses)	-	357	-
Effect of assumption changes or inputs	67	296	(62)
Benefit payments	(143)	(157)	(159)
Net change in total pension liability	1	571	(126)
Total pension liability - beginning	2,220	2,221	2,792
Total pension liability - ending (a)	$ 2,221	$ 2,792	$ 2,666
Fiduciary Net Position			
Employer contributions	$ -	$ -	$ -
Contribution for state fire insurance premium tax	179	219	228
Investment income net of investment expenses	55	37	44
Benefit payments	(144)	(157)	(159)
Medical payments from fund	(226)	(226)	(226)
Administrative expenses	(8)	(3)	(12)
Net change in fiduciary net position	(144)	(130)	(125)
Fiduciary net position - beginning	2,881	2,737	2,607
Fiduciary net position - ending (b)	$ 2,737	$ 2,607	$ 2,482
Net pension liability (asset) - ending = (a) - (b)	$ (516)	$ 185	$ 184
Fiduciary net position as a percentage of total pension liability	123.23%	93.37%	93.10%

* 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]

2017
$ -
97
-
149
62
(163)
145
2,666
$ 2,811
$ -
223
24
(163)
(200)
(3)
(119)
2,482
$ 2,363
$ 448
84.06%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
As of December 31
Last Three Fiscal Years *

	2015	2016	2017
PERS 1			
Statutorily or contractually required contributions	$ 1,482,318	$ 1,877,764	$ 1,926,812
Contributions in relation to the statutorily or contractually required contributions	1,482,318	1,877,764	1,926,812
Contribution deficiency (excess)	-	-	-
Covered employee payroll	36,351,206	39,440,428	39,988,417
Contributions as a percentage of covered employee payroll	4.08%	4.76%	4.82%
PERS 2/3			
Statutorily or contractually required contributions	$ 1,701,232	$ 2,285,149	$ 2,348,750
Contributions in relation to the statutorily or contractually required contributions	1,701,232	2,285,149	2,348,750
Contribution deficiency (excess)	-	-	-
Covered employee payroll	33,923,217	37,251,975	37,700,604
Contributions as a percentage of covered employee payroll	5.01%	6.13%	6.23%
PSERS 2			
Statutorily or contractually required contributions	$ 121,431	$ 122,368	$ 130,282
Contributions in relation to the statutorily or contractually required contributions	121,431	122,368	130,282
Contribution deficiency (excess)	-	-	-
Covered employee payroll	1,907,865	1,859,634	1,976,972
Contributions as a percentage of covered employee payroll	6.36%	6.58%	6.59%
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	N/A	N/A
LEOFF 2			
Statutorily or contractually required contributions	$ 764,215	$ 773,286	$ 822,443
Washington state contributions on behalf of City	505,299	504,126	533,503
Contributions in relation to the statutorily or contractually required contributions	1,269,514	1,277,412	1,355,946
Contribution deficiency (excess)	-	-	-
Covered employee payroll	15,132,938	15,312,604	16,286,027
Contributions as a percentage of covered employee payroll	8.39%	8.34%	8.33%

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

Note: Contribution and covered payroll on this schedule is based on the plans' fiscal year - July 1-June 30

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of June 30
Last Three Fiscal Years *

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

Continued

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of June 30
Last Three Fiscal Years *

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

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

* The City implemented GASB Statement No. 68 in fiscal year 2015. Information is not available for prior years. This schedule is to be built prospectively until it contains 10 years of data.
** The LEOFF 1 plan is closed and has no further covered payroll.

Concluded

NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2017

	Special Revenue		
	Street	**Lodging Tax**	**Youth/Teen Programs**
ASSETS			
Cash and cash equivalents	$ 5,791,909	$ 294,468	$ 20,638
Investments, at fair value	2,488,341	126,510	8,866
Receivables (net of allowances for estimated uncollectibles):			
Taxes	890,415	36,579	75,383
Accounts	39,826	-	-
TOTAL ASSETS	9,210,491	457,557	104,887
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 9,210,491	$ 457,557	$ 104,887
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Vouchers payable	$ 288,710	$ -	$ -
Accounts/payroll payable	236,231	-	-
Due to other funds	-	-	-
Due to other governments	3,384	-	-
Interfund loans payable - current	-	-	-
Deposits and advances	-	-	-
Interfund loans payable - non-current	-	-	-
TOTAL LIABILITIES	528,325	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	528,325	-	-
FUND BALANCE			
Restricted:			
Street capital projects	99,667	-	-
Fuel Tax	2,099,494	-	-
Impact Fees	1,701,533	-	-
Lodging tax purposes	-	457,557	-
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Bond retirement	-	-	-
Committed:			
Street operations	4,781,472	-	-
Youth/Teen programs	-	-	104,887
Criminal justice programs	-	-	-
Economic & community development	-	-	-
Parks capital projects	-	-	-
Technology systems	-	-	-
Facilty capital projects	-	-	-
Assigned:			
Criminal justice programs	-	-	-
Unassigned	-	-	-
Total Fund Balance	8,682,166	457,557	104,887
TOTAL LIABILITIES, DEFFERED INFLOWS, & FUND BALANCE	$ 9,210,491	$ 457,557	$ 104,887

	Special Revenue			Debt Service	
Criminal Justice	Housing & Community Development	Total Non-Major Special Revenue Funds	Non-voted	Total Non-Major Debt Service Funds
$ 5,067,318	$ 3,737	$ 11,178,070	$ 689,846	$ 689,846
2,168,770	1,606	4,794,093	296,374	296,374
605,408	-	1,607,785	-	-
53,788	601,971	695,585	-	-
7,895,284	607,314	18,275,533	$ 986,220	$ 986,220
$ 7,895,284	$ 607,314	$ 18,275,533	986,220	986,220
$ 120,572	$ 21,365	$ 430,647	$ -	$ -
182,240	64,632	483,103	-	-
-	520,000	520,000	-	-
34,873	1,317	39,574	-	-
-	-	-	-	-
298,603	-	298,603	-	-
-	-	-	-	-
636,288	607,314	1,771,927	-	-
636,288	607,314	1,771,927		
-	-	99,667	-	-
-	-	2,099,494	-	
-	-	1,701,533	-	
-	-	457,557	-	-
4,369,757	-	4,369,757	-	-
-	-	-	-	-
-	-	-	986,220	986,220
				-
-	-	4,781,472	-	-
-	-	104,887	-	-
2,886,511	-	2,886,511	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
		-		
2,728	-	2,728	-	-
-	-	-	-	-
7,258,996	-	16,503,606	986,220	986,220
$ 7,895,284	$ 607,314	$ 18,275,533	$ 986,220	$ 986,220

Continued

CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2017

	Capital Projects			
	Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects
ASSETS				
Cash and equity in pooled investments	$ 4,115,412	$ 675,678	$ 4,712,646	$ 19,355
Investments, at fair value	1,768,078	290,287	2,024,664	8,315
Receivables (net of allowances for estimated uncollectibles):				
Taxes	1,654	-	-	-
Accounts	2,134,724	86,960	-	-
TOTAL ASSETS	8,019,868	1,052,925	6,737,310	27,670
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 8,019,868	$ 1,052,925	$ 6,737,310	$ 27,670
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Vouchers payable	$ 510,506	$ 19,502	$ 112,124	$ 1,149
Accounts/payroll payable	339,991	597	933	-
Due to other funds	-	-	-	-
Due to other governments	455	3,081	2,584	-
Interfund loans payable	-	729,418	-	-
Deposits and advances	-	-	-	-
Interfund loans payable - non-current	-	3,030,243	-	-
TOTAL LIABILITIES	850,952	3,782,841	115,641	1,149
TOTAL LIABILITIES AND DEFERRED INFLOWS	850,952	3,782,841	115,641	1,149
FUND BALANCE				
Restricted:				
Street Projects	-	-	-	-
Fuel Tax	-	-	-	-
Impact Fees	-	-	-	-
Lodging Tax Purposes	-	-	-	-
Criminal Justice Programs	-	-	-	-
Parks Capital Projects	4,301,330	-	-	-
Bond retirement	-	-	-	-
Committed:				
Street Operating Programs	-	-	-	-
Youth/Teen Programs	-	-	-	-
Criminal justice programs	-	-	-	-
Economic & community development	-	1,029,745	-	-
Parks capital projects	2,867,586	-	-	-
Technology systems	-	-	6,621,669	-
Facilty capital projects	-	-	-	26,521
Assigned:				
Criminal Justice Programs	-	-	-	-
Unassigned:	-	(3,759,661)	-	-
Total Fund Balance	7,168,916	(2,729,916)	6,621,669	26,521
TOTAL LIABILITIES, DEFFERED INFLOWS, & FUND BALANCE	$ 8,019,868	$ 1,052,925	$ 6,737,310	$ 27,670

Capital Projects Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
$ 9,523,091	$ 21,391,007
4,091,344	9,181,811
1,654	1,609,439
2,221,684	2,917,269
15,837,773	35,099,526
$ 15,837,773	$ 35,099,526
$ 643,281	$ 1,073,928
341,521	824,624
-	520,000
6,120	45,694
729,418	729,418
-	298,603
3,030,243	3,030,243
4,750,583	6,522,510
4,750,583	6,522,510
-	99,667
-	2,099,494
-	1,701,533
-	457,557
-	4,369,757
4,301,330	4,301,330
-	986,220
-	4,781,472
-	104,887
-	2,886,511
1,029,745	1,029,745
2,867,586	2,867,586
6,621,669	6,621,669
26,521	26,521
-	2,728
(3,759,661)	(3,759,661)
11,087,190	28,577,016
$ 15,837,773	$ 35,099,526

Concluded

CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2017

	Special Revenue		
	Street	**Lodging Tax**	**Youth/Teen Programs**
REVENUES			
Taxes:			
Sales and use	$ -	$ -	$
Utility	6,569,349	-	955,757
Lodging tax	-	312,980	-
Licenses and permits	537,391	-	-
Intergovernmental revenue:			
Federal grants	333,632	-	-
State shared fuel tax	2,099,494	-	-
State shared revenue-criminal justice	-	-	-
State shared revenue-other	130,891	-	-
State grants	17,153	-	-
Local government grants	-	-	-
Charges for services	2,439,915	-	-
Fines and forfeitures	-	-	-
Miscellaneous revenue:			
Interest income	113,169	3,995	-
Rent/lease income	1,606	-	-
Contributions and donations	-	-	-
Other miscellaneous revenue	27,943	-	-
TOTAL REVENUES	12,270,543	316,975	955,757
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	328,804	-
Public works	7,513,613	-	-
Leisure services	-	-	42,000
Health and human services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	150,051	-	-
TOTAL EXPENDITURES	7,663,664	328,804	42,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,606,879	(11,829)	913,757
OTHER FINANCING SOURCES (USES)			
Transfers in	5,579,496	-	-
Transfers out	(5,546,044)	-	(900,000)
TOTAL OTHER FINANCING SOURCES (USES)	33,452	-	(900,000)
NET CHANGE IN FUND BALANCES	4,640,331	(11,829)	13,757
FUND BALANCES (DEFICIT), January 1	4,041,835	469,386	91,130
FUND BALANCES, December 31	$ 8,682,166	$ 457,557	$ 104,887

Special Revenue			Debt Service	
Criminal Justice	Housing & Community Development	Total Non-Major Special Revenue Funds	Non-voted	Total Non-Major Debt Service Funds
$ 2,724,734	$ -	$ 2,724,734	$ -	$ -
-	-	7,525,106	-	-
-	-	312,980	-	-
-	-	537,391	-	-
232,113	895,427	1,461,172	-	-
-	-	2,099,494	-	-
388,983	-	388,983	-	-
50,067	-	180,958	-	
54,111	-	71,264	-	-
33,444	-	33,444	887,946	887,946
81,124	-	2,521,039	-	-
1,517,733	-	1,517,733	-	-
		-		
35,654	-	152,818	-	-
-	-	1,606	-	
15,248	-	15,248	-	-
7,472	-	35,415	-	-
5,140,683	895,427	19,579,385	887,946	887,946
-	-	-	-	-
4,193,128	-	4,193,128	-	-
-	-	328,804	-	-
-	-	7,513,613	-	-
-	-	42,000	-	-
-	895,427	895,427	-	-
-	-	-	6,461,196	6,461,196
-	-	-	3,855,207	3,855,207
627,075	-	777,126	-	-
4,820,203	895,427	13,750,098	10,316,403	10,316,403
320,480	-	5,829,287	(9,428,457)	(9,428,457)
1,187,185	-	6,766,681	9,893,283	9,893,283
(942)	-	(6,446,986)	-	-
1,186,243	-	319,695	9,893,283	9,893,283
1,506,723	-	6,148,982	464,826	464,826
5,752,273	-	10,354,624	521,394	521,394
$ 7,258,996	$ -	$ 16,503,606	$ 986,220	$ 986,220

Continued

CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2017

	Capital Projects			
	Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects
REVENUES				
Taxes:				
Sales and use	$ -	$ -	$ -	$ -
Utility	-	-	-	-
Lodging tax	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue:				
Federal grants	251,245	-	-	-
State shared fuel tax	10,605	-	-	-
State shared revenue-criminal justice	-	-	-	-
State shared revenue-other	-	-	-	-
State grants	1,350,453	-	-	-
Local government grants	971,833	-	-	-
Charges for services	5,110	86,959	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous revenue:				
Interest income	(1,041)	-	42,728	6,887
Rent/lease income	128,663	-	-	-
Contributions and Donations	198,979	-	-	-
Other miscellaneous revenue	5	-	-	-
TOTAL REVENUES	2,915,852	86,959	42,728	6,887
EXPENDITURES				
Current:				
General government	-	-	168,813	-
Public safety	-	-	-	-
Community development	-	236,463	-	-
Public works	-	-	-	126,338
Leisure services	580,727	-	-	-
Health and human services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	78,212	-	-
Capital outlay	3,909,346	-	749,308	-
TOTAL EXPENDITURES	4,490,073	314,675	918,121	126,338
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,574,221)	(227,716)	(875,393)	(119,451)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,516,815	2,004,888	2,745,460	-
Transfers out	-	-	-	(1,082,185)
TOTAL OTHER FINANCING SOURCES (USES)	4,516,815	2,004,888	2,745,460	(1,082,185)
SOURCES OVER EXPENDITURES AND OTHER USES	2,942,594	1,777,172	1,870,067	(1,201,636)
FUND BALANCES, January 1	4,226,322	(4,507,088)	4,751,602	1,228,157
FUND BALANCES, December 31	$ 7,168,916	$ (2,729,916)	$ 6,621,669	$ 26,521

Capital Projects Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
$ -	$ 2,724,734
-	7,525,106
-	312,980
-	537,391
251,245	1,712,417
10,605	2,110,099
-	388,983
-	180,958
1,350,453	1,421,717
971,833	1,893,223
92,069	2,613,108
-	1,517,733
48,574	201,392
128,663	130,269
198,979	214,227
5	35,420
3,052,426	23,519,757
168,813	168,813
-	4,193,128
236,463	565,267
126,338	7,639,951
580,727	622,727
-	895,427
-	6,461,196
78,212	3,933,419
4,658,654	5,435,780
5,849,207	29,915,708
(2,796,781)	(6,395,951)
9,267,163	25,927,127
(1,082,185)	(7,529,171)
8,184,978	18,397,956
5,388,197	12,002,005
5,698,993	16,575,011
$ 11,087,190	$ 28,577,016

Concluded

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Taxes:				
Utility	$ 6,127,060	$ 6,127,060	$ 6,569,349	$ 442,289
Licenses and permits	319,210	319,210	537,391	218,181
Intergovernmental:				
Federal grants	-	300,000	333,632	33,632
State shared - fuel tax	2,049,840	2,049,840	2,099,494	49,654
State shared - other	-	-	130,891	130,891
State grants	-	106,010	17,153	(88,857)
Charges for services	444,560	1,189,560	2,439,915	1,250,355
Miscellaneous revenue:				
Interest income	4,450	77,810	113,169	35,359
Rent/lease income	-	-	1,606	1,606
Other miscellaneous revenue	15,190	15,190	27,943	12,753
TOTAL REVENUES	8,960,310	10,184,680	12,270,543	2,085,863
EXPENDITURES				
Current:				
Public works	8,797,170	10,328,970	7,513,613	(2,815,357)
Capital outlay	120,000	165,000	150,051	(14,949)
TOTAL EXPENDITURES	8,917,170	10,493,970	7,663,664	(2,830,306)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,140	(309,290)	4,606,879	4,916,169
OTHER FINANCING SOURCES (USES)				
Transfers in	5,117,120	6,080,880	5,579,496	(501,384)
Transfer Out	(5,388,660)	(6,133,660)	(5,546,044)	587,616
TOTAL OTHER FINANCING SOURCES (USES)	(271,540)	(52,780)	33,452	86,232
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(228,400)	(362,070)	4,640,331	5,002,401
FUND BALANCES, January 1	4,981,413	4,981,413	4,041,835	(939,578)
FUND BALANCES, December 31	$ 4,753,013	$ 4,619,343	$ 8,682,166	$ 4,062,823

Note: Budgeted transfers of $305,911 between business units with the fund have been eliminated for financial reporting purposes.

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Taxes:				
Lodging Tax	$ 280,500	$ 280,500	$ 312,980	$ 32,480
Miscellaneous revenue:				
Interest income	500	500	3,995	3,495
TOTAL REVENUES	281,000	281,000	316,975	35,975
EXPENDITURES				
Current:				
Community Development	278,060	338,060	328,804	(9,256)
TOTAL EXPENDITURES	278,060	338,060	328,804	(9,256)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,940	(57,060)	(11,829)	45,231
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,940	(57,060)	(11,829)	45,231
FUND BALANCES, January 1	469,387	469,387	469,386	(1)
FUND BALANCES, December 31	$ 472,327	$ 412,327	$ 457,557	$ 45,230

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Taxes:				
Utility	$ 928,250	$ 928,250	$ 955,757	$ 27,507
Miscellaneous revenue:				
Interest income	350	350	-	(350)
TOTAL REVENUES	928,600	928,600	955,757	27,157
EXPENDITURES				
Current:				
Leisure services	42,000	42,000	42,000	-
TOTAL EXPENDITURES	42,000	42,000	42,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	886,600	886,600	913,757	27,157
OTHER FINANCING SOURCES (USES)				
Transfers out	(900,000)	(900,000)	(900,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(900,000)	(900,000)	(900,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(13,400)	(13,400)	13,757	27,157
FUND BALANCES, January 1	91,130	91,130	91,130	-
FUND BALANCES, December 31	$ 77,730	$ 77,730	$ 104,887	$ 27,157

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Taxes:				
Sales and use	$ 2,457,910	$ 2,457,910	$ 2,724,734	$ 266,824
Intergovernmental revenue:				
Federal grants	-	249,365	232,113	(17,252)
State shared - criminal justice	179,780	128,780	388,983	260,203
State shared - other	-	51,000	50,067	(933)
State grants	-	191,190	54,111	(137,079)
Local government grants	75,000	112,560	33,444	(79,116)
Charges for services	144,000	144,000	81,124	(62,876)
Fines and forfeitures	1,144,500	1,144,500	1,517,733	373,233
Miscellaneous revenue:				
Interest income	3,120	3,120	35,654	32,534
Contributions and donations	-	2,000	15,248	13,248
Other miscellaneous revenue	1,000	-	7,472	7,472
TOTAL REVENUES	4,005,310	4,484,425	5,140,683	656,258
EXPENDITURES				
Current:				
Public safety	3,527,610	5,038,805	4,193,128	(845,677)
Capital outlay	-	680,880	627,075	(53,805)
TOTAL EXPENDITURES	3,527,610	5,719,685	4,820,203	(899,482)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	477,700	(1,235,260)	320,480	1,555,740
OTHER FINANCING SOURCES (USES)				
Transfers in	121,500	1,203,680	1,187,185	(16,495)
Transfers out	(16,500)	(16,500)	(942)	15,558
TOTAL OTHER FINANCING SOURCES (USES)	105,000	1,187,180	1,186,243	(937)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	582,700	(48,080)	1,506,723	1,554,803
FUND BALANCES, January 1	5,697,717	5,697,717	5,752,273	54,556
FUND BALANCES, December 31	$ 6,280,417	$ 5,649,637	$ 7,258,996	$ 1,609,359

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

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental revenue:				
Federal grants	$ 1,056,260	$ 1,056,020	$ 895,427	$ (160,593)
TOTAL REVENUES	1,056,260	1,056,020	895,427	(160,593)
EXPENDITURES				
Current:				
Health and human services	1,056,260	1,056,020	895,427	(160,593)
TOTAL EXPENDITURES	1,056,260	1,056,020	895,427	(160,593)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCES, January 1	-	-	-	-
FUND BALANCES, December 31	$ -	$ -	$ -	$ -

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.

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2017

		Equipment Rental		Central Services
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	4,452,258	$	2,530,741
Investments, at fair value		1,912,795		1,087,266
Restricted cash, cash equivalents, and investments:				
Cash with fiscal agent		-		-
Receivables (net of allowances for estimated uncollectibles):				
Taxes		-		130,325
Accounts		597		98,104
Accrued interest		-		-
Due from other funds		-		-
Interfund loan receivable		-		-
Inventory, at cost		77,012		66,467
Prepaid expenses		-		385,566
Total Current Assets		6,442,662		4,298,469
NONCURRENT ASSETS:				
Interfund loan receivable non-current		-		-
Property plant and equipment:				
Buildings		108,702		675,071
Site improvements		253,568		28,964
Equipment		18,199,367		5,628,632
Less: accumulated depreciation		(12,842,641)		(6,331,219)
Construction in progress		162		-
Total noncurrent assets		5,719,158		1,448
TOTAL ASSETS	$	12,161,820	$	4,299,917
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions		66,930		260,284
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	66,930	$	260,284
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	12,228,750	$	4,560,201
LIABILITIES AND FUND EQUITY				
CURRENT LIABILITIES				
Vouchers payable	$	478,471	$	278,329
Accounts/payroll payable		51,587		272,531
Incurred but not reported claims payable		-		-
Compensated absences payable - current portion		43,617		157,429
Deposits and unearned revenue		-		-
Total Current Liabilities		573,675		708,289
LONG-TERM LIABILITIES				
Compensated absences payable - non-current		15,517		77,571
Net Pension Liability		396,674		1,542,619
Total Long-Term Liabilities		412,191		1,620,190
TOTAL LIABILITIES		985,866		2,328,479
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions		69,225		269,206
TOTAL DEFERRED INFLOWS OF RESOURCES	$	69,225	$	269,206
TOTAL LIABILITIES AND DEFERRED INFLOWS	$	1,055,091	$	2,597,685
NET POSITION				
Net investment in capital assets		5,719,158		1,448
Unrestricted		5,454,501		1,961,068
TOTAL NET POSITION	$	11,173,659	$	1,962,516

Facilities	Insurance	Totals
$ 2,906,593	$ 4,609,012	$ 14,498,604
1,248,741	2,235,014	6,483,816
-	107,845	107,845
-	-	130,325
41,253	-	139,954
-	1,049	1,049
-	4,000,000	4,000,000
-	322,664	322,664
-	-	143,479
-	226,433	611,999
4,196,587	11,502,017	26,439,735
-	1,279,547	1,279,547
224,496	-	1,008,269
79,420	-	361,952
105,348	-	23,933,347
(379,063)	-	(19,552,923)
-	-	162
30,201	1,279,547	7,030,354
$ 4,226,788	$ 12,781,564	$ 33,470,089
185,917	14,874	528,005
$ 185,917	$ 14,874	$ 528,005
$ 4,412,705	$ 12,796,438	$ 33,998,094
$ 187,947	$ 278,881	$ 1,223,628
100,972	23,103	448,193
-	3,300,777	3,300,777
75,641	10,756	287,443
1,250	-	1,250
365,810	3,613,517	5,261,291
74,626	9,818	177,532
1,101,870	88,149	3,129,312
1,176,496	97,967	3,306,844
1,542,306	3,711,484	8,568,135
192,290	15,383	546,104
$ 192,290	$ 15,383	$ 546,104
$ 1,734,596	$ 3,726,867	$ 9,114,239
30,201	-	5,750,807
2,647,908	9,069,571	19,133,048
$ 2,678,109	$ 9,069,571	$ 24,883,855

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2017

	Equipment Rental	Central Services
OPERATING REVENUES		
Sales	$ 925,003	$ 168,769
Charges for services	3,797,791	6,788,712
Contributions	-	-
Rental and lease income	-	-
Other operating revenue	-	16
TOTAL OPERATING REVENUES	4,722,794	6,957,497
OPERATING EXPENSES		
Salaries and wages	680,546	3,204,470
Benefits	194,958	1,155,551
Supplies	899,890	595,104
Services and charges	847,555	2,516,850
Depreciation	682,037	1,447
TOTAL OPERATING EXPENSES	3,304,986	7,473,422
OPERATING INCOME (LOSS)	1,417,808	(515,925)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	70,180	47,913
Unrealized net gain/(loss) in fair value of investments	(7,975)	(9,687)
Gain/(loss) on disposal of capital assets	39,183	-
Miscellaneous non-operating revenues	69,375	1,528,357
TOTAL NON-OPERATING REVENUES (EXPENSES)	170,763	1,566,583
NET INCOME (LOSS)	1,588,571	1,050,658
Contributed capital	469,168	-
Transfers in	58,742	-
Transfers out	(138)	(995,460)
CHANGE IN NET POSITION	2,116,343	55,198
NET POSITION, January 1	9,057,316	1,907,318
NET POSITION, December 31	$ 11,173,659	$ 1,962,516

Facilities	Insurance	Totals
$ -	$ -	$ 1,093,772
4,477,750	-	15,064,253
-	13,591,308	13,591,308
71,192	-	71,192
144,243	1,160,591	1,304,850
4,693,185	14,751,899	31,125,375
1,362,366	189,704	5,437,086
173,860	54,149	1,578,518
313,242	26,783	1,835,019
2,274,881	16,940,245	22,579,531
1,148	-	684,632
4,125,497	17,210,881	32,114,786
567,688	(2,458,982)	(989,411)
46,624	140,510	305,227
(3,489)	(448)	(21,599)
(85,458)	-	(46,275)
1,200	-	1,598,932
(41,123)	140,062	1,836,285
526,565	(2,318,920)	846,874
-	-	469,168
-	750,000	808,742
-	-	(995,598)
526,565	(1,568,920)	1,129,186
2,151,544	10,638,491	23,754,669
$ 2,678,109	$ 9,069,571	$ 24,883,855

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	Equipment Rental	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 4,722,211	$ 6,950,428
Cash received from other funds for services	-	-
Cash payments to employees	(973,847)	(4,313,138)
Cash payments to suppliers	(1,393,881)	(3,051,536)
Other cash received	-	16
Net cash provided by (used for) operating activities	2,354,483	(414,230)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan issued for noncapital purposes	-	-
Interfund loan repayment for noncapital purposes	-	-
Operating grants/non-operating revenue received	69,375	1,528,357
Transfers in	-	-
Net cash provided by noncapital financing	69,375	1,528,357
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal repayment on interfund loan	-	-
Proceeds on disposal of capital assets	47,410	-
Acquisition and construction of capital assets	(1,968,588)	-
Transfers in	58,742	-
Transfers out	(138)	(995,460)
Capital contributed by subdividers, capital grants, local improvement districts	469,168	-
Net cash used for capital and related financing	(1,393,406)	(995,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(4,355,737)	(2,480,985)
Proceeds from sale and maturities of investment securities	3,268,315	1,384,032
Interest and dividends on investments	71,171	47,913
Net cash provided by (used for) investing activities	(1,016,251)	(1,049,040)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,201	(930,373)
CASH AND CASH EQUIVALENTS, January 1	4,438,057	3,461,114
CASH AND CASH EQUIVALENTS, December 31	$ 4,452,258	$ 2,530,741
CASH AND EQUITY IN POOLED CASH AND CASH EQUIVALENTS AT DECEMBER 31 CONSISTS OF:		
Current assets:		
Cash and cash equivalents	4,452,258	2,530,741
Restricted cash with fiscal agent	-	-
	4,452,258	2,530,741

Facilities	Insurance	Total
$ 4,535,684	$ -	$ 16,208,323
-	13,591,308	13,591,308
(1,928,836)	(259,587)	(7,475,408)
(2,548,841)	(17,697,721)	(24,691,979)
144,243	1,160,591	1,304,850
202,250	(3,205,409)	(1,062,906)
-	(4,000,000)	(4,000,000)
-	4,000,000	4,000,000
1,200	-	1,598,932
-	750,000	750,000
1,200	750,000	2,348,932
-	524,641	524,641
(78,999)	-	(31,589)
-	-	(1,968,588)
-	-	58,742
-	-	(995,598)
-	-	469,168
(78,999)	524,641	(1,943,224)
(2,841,543)	(4,755,677)	(14,433,942)
2,268,347	4,890,312	11,811,006
47,503	141,710	308,297
(525,693)	276,345	(2,314,639)
(401,242)	(1,654,423)	(2,971,837)
3,307,835	6,371,280	17,578,286
$ 2,906,593	$ 4,716,857	$ 14,606,449
2,906,593	4,609,012	14,498,604
-	107,845	107,845
2,906,593	4,716,857	14,606,449

Continued

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	Equipment Rental	Central Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 1,417,808	$ (515,925)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	682,037	1,447
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(583)	(7,053)
(Increase) Decrease in inventory	11,611	(33,046)
(Increase) Decrease in prepaid expenses	-	(32,870)
(Increase) Decrease in pension deferred outflows	49,117	99,460
Increase (Decrease) in vouchers payable	342,186	106,608
Increase (Decrease) in accounts/payroll payable	(3,382)	44,799
(Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in compensated absences	5,695	19,825
Increase (Decrease) in pension deferred inflows	58,664	236,468
Increase (Decrease) in pension liabilities	(208,670)	(333,943)
Total Adjustments	936,675	101,695
Net cash provided by operating activities	$ 2,354,483	$ (414,230)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	$ 469,168	$ -
Increase (Decrease) in fair value of investments	(7,975)	(9,687)

Facilities	Insurance	Total
$ 567,688	$ (2,458,982)	$ (989,411)
1,148	-	684,632
(13,258)	-	(20,894)
-	-	(21,435)
-	28,204	(4,666)
162,223	8,336	319,136
35,584	(219,128)	265,250
(24,996)	5,447	21,868
-	(549,602)	(549,602)
27,413	(34)	52,899
160,608	13,271	469,011
(714,160)	(32,921)	(1,289,694)
(365,438)	(746,427)	(73,495)
$ 202,250	$ (3,205,409)	$ (1,062,906)
$ -	$ -	$ 469,168
(3,489)	(448)	(21,599)

Concluded

KENT
WASHINGTON

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.

KENT
WASHINGTON

CITY OF KENT
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS & LIABILITIES
December 31, 2017

	Trust Funds	Impact Fees	Municipal Court	VNET	Total
ASSETS					
Cash and equity in pooled investments	$ 22,114	$ 447,306	$ 726,953	$ 1,178,195	$ 2,374,568
Cash with fiscal agent	-	-	-	-	-
Investments, at fair value	9,501	192,173	6,696	473,744	682,114
Receivables (net of allowances for estimated uncollectables)	-	-	-	-	-
Due from other funds	-	-	-	-	-
Interfund loans receivable	-	-	-	-	-
Due from other governments	-	-	-	35,822	35,822
Prepaid items	-		-	-	-
TOTAL ASSETS	$ 31,615	$ 639,479	$ 733,649	$ 1,687,761	$ 3,092,504
LIABILITIES					
Vouchers payable	$ -	$ 638,996	$ 467,725	$ 42,012	$ 1,148,733
Accounts/payroll payable	-	483	-	4,808	5,291
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	29	29
Interfund loans payable	-	-	-	-	-
Deposits and unearned revenue	31,615	-	265,924	1,640,912	1,938,451
TOTAL LIABILITIES	$ 31,615	$ 639,479	$ 733,649	$ 1,687,761	$ 3,092,504

CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2017

	Trust Funds			
	Balance January 1,	Increases	Decreases	Balance December 31,
ASSETS				
Cash and cash equivalents	$ 74,818	$ 129,976	$ 182,680	$ 22,114
Investments, at fair value	-	9,501	-	9,501
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
TOTAL ASSETS	$ 74,818	$ 139,477	$ 182,680	$ 31,615
LIABILITIES				
Vouchers payable	$ -	$ 172,816	$ 172,816	$ -
Accounts/payroll payable	-	-	-	-
Due to other governments	-	-	-	-
Deposits and unearned revenue	74,818	86,408	129,611	31,615
TOTAL LIABILITIES	$ 74,818	$ 259,224	$ 302,427	$ 31,615

Impact Fees			
Balance January 1,	Increases	Decreases	Balance December 31,
$ 167,899	$ 2,977,639	$ 2,698,232	$ 447,306
-	192,173	-	192,173
-	-	-	-
6,383		6,383	-
$ 174,282	$ 3,169,812	$ 2,704,615	639,479
$ 174,282	$ 2,962,481	$ 2,497,767	$ 638,996
-	483	-	483
-	-	-	-
-	-	-	-
$ 174,282	$ 2,962,964	$ 2,497,767	$ 639,479

Continued

CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2017

	Municipal Court			
	Balance January 1,	Increases	Decreases	Balance December 31,
ASSETS				
Cash and equity in pooled investments	$ 767,930	$ 5,101,057	$ 5,142,034	$ 726,953
Investments, at fair value	-	6,696	-	6,696
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
TOTAL ASSETS	$ 767,930	$ 5,107,753	$ 5,142,034	$ 733,649
LIABILITIES				
Vouchers payable	$ 252,898	$ 5,398,789	$ 5,183,962	$ 467,725
Accounts/payroll payable	-		-	-
Due to other governments	297,262	4,267,413	4,564,675	-
Deposits and unearned revenue	217,770	48,154	-	265,924
TOTAL LIABILITIES	$ 767,930	$ 9,714,356	$ 9,748,637	$ 733,649

VNET			
Balance January 1,	Increases	Decreases	Balance December 31,
$ 1,113,150	$ 1,110,953	$ 1,045,908	$ 1,178,195
-	473,744	-	473,744
16,307	424,983	405,468	35,822
-	-	-	-
$ 1,129,457	$ 2,009,680	$ 1,451,376	$ 1,687,761
$ 18,608	$ 484,359	$ 460,955	$ 42,012
4,248	98,078	97,518	4,808
81,687	26,025	107,683	29
1,024,914	930,532	314,534	1,640,912
$ 1,129,457	$ 1,538,994	$ 980,690	$ 1,687,761

Continued

CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2017

	Total			
	Balance January 1,	Increases	Decreases	Balance December 31,
ASSETS				
Cash and equity in pooled investments	$ 2,123,797	$ 9,319,625	$ 9,068,854	$ 2,374,568
Investments, at fair value	-	682,114	-	682,114
Due from other governments	16,307	424,983	405,468	35,822
Prepaid items	6,383	-	6,383	-
TOTAL ASSETS	$ 2,146,487	$ 10,426,722	$ 9,480,705	$ 3,092,504
LIABILITIES				
Vouchers payable	$ 445,788	$ 9,018,445	$ 8,315,500	$ 1,148,733
Accounts/payroll payable	4,248	98,561	97,518	5,291
Due to other governments	378,949	4,293,438	4,672,358	29
Deposits and unearned revenue	1,317,502	1,065,094	444,145	1,938,451
TOTAL LIABILITIES	$ 2,146,487	$ 14,475,538	$ 13,529,521	$ 3,092,504

Concluded

INSURANCE FUND DETAILED SCHEDULES

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

CITY OF KENT
INSURANCE FUND
COMBINING STATEMENT OF NET POSITION
December 31, 2017

	Unemployment Compensation Insurance	Workers' Compensation Insurance
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 998,025	$ 1,136,688
Investments, at fair value	428,775	743,222
Restricted cash, cash equivalents, & investments:		
Cash with fiscal agent	-	35,000
Receivables (net of allowances for estimated uncollectibles):		
Accrued interest	-	1,049
Due from other funds	-	2,000,000
Interfund loan receivable	-	48,478
Prepaid expenses	-	-
Total Current Assets	1,426,800	3,964,437
NONCURRENT ASSETS:		
Interfund loan receivable non-current	-	170,940
Total noncurrent assets	-	170,940
TOTAL ASSETS	$ 1,426,800	$ 4,135,377
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,487	5,950
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 1,487	$ 5,950
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,428,287	$ 4,141,327
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	$ -	$ -
Accounts/payroll payable	235	21,693
Incurred but not reported claims payable	-	1,731,129
Compensated absences payable - current portion	1,076	4,302
Deposits and unearned revenue		
Total Current Liabilities	1,311	1,757,124
LONG-TERM LIABILITIES		
Compensated absences payable - non-current	982	3,927
Net Pension Liability	8,815	35,260
Total Long-Term Liabilities	9,797	39,187
TOTAL LIABILITIES	11,108	1,796,311
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	1,538	6,153
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 1,538	$ 6,153
TOTAL LIABILITIES AND DEFERRED INFLOWS	$ 12,646	$ 1,802,464
NET POSITION		
Unrestricted	1,415,641	2,338,863
TOTAL NET POSITION	$ 1,415,641	$ 2,338,863

Medical & Dental Insurance	Liability Insurance	Property Insurance	Totals
$ 1,306,105	$ 841,490	$ 326,704	$ 4,609,012
561,133	361,524	140,360	2,235,014
-	72,845	-	107,845
-	-	-	1,049
1,000,000	1,000,000	-	4,000,000
225,708	48,478	-	322,664
-	31,597	194,836	226,433
3,092,946	2,355,934	661,900	11,502,017
937,666	170,941	-	1,279,547
937,666	170,941	-	1,279,547
$ 4,030,612	2,526,875	$ 661,900	$ 12,781,564
-	5,950	1,487	14,874
$ -	5,950	$ 1,487	$ 14,874
$ 4,030,612	2,532,825	$ 663,387	$ 12,796,438
$ 182,984	93,324	$ 2,573	$ 278,881
-	940	235	23,103
806,400	763,248	-	3,300,777
-	4,302	1,076	10,756
			-
989,384	861,814	3,884	3,613,517
-	3,927	982	9,818
-	35,260	8,814	88,149
-	39,187	9,796	97,967
989,384	901,001	13,680	3,711,484
-	6,153	1,539	15,383
$ -	6,153	$ 1,539	$ 15,383
$ 989,384	907,154	$ 15,219	$ 3,726,867
3,041,228	1,625,671	648,168	9,069,571
$ 3,041,228	1,625,671	$ 648,168	$ 9,069,571

CITY OF KENT
INSURANCE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2017

	Unemployment Compensation Insurance	Workers' Compensation Insurance
OPERATING REVENUES		
Contributions	$ 152,568	$ 1,033,144
Other operating revenue	-	6,935
TOTAL OPERATING REVENUES	152,568	1,040,079
OPERATING EXPENSES		
Salaries and wages	18,870	75,480
Benefits	5,408	21,627
Supplies	-	16,784
Services and charges	49,746	894,861
TOTAL OPERATING EXPENSES	74,024	1,008,752
OPERATING INCOME (LOSS)	78,544	31,327
NON-OPERATING REVENUES (EXPENSES)		
Interest income	16,229	41,123
Unrealized net gain/(loss) in fair value of investments	(1,582)	890
TOTAL NON-OPERATING REVENUES (EXPENSES)	14,647	42,013
NET INCOME (LOSS)	93,191	73,340
Transfers in	-	-
Transfers out	-	-
CHANGE IN NET POSITION	93,191	73,340
NET POSITION, January 1	1,322,450	2,265,523
Cumulative effect of change in accounting principal (note 19)		
ADJUSTED NET POSITION, January 1	1,322,450	2,265,523
NET POSITION, December 31	$ 1,415,641	$ 2,338,863

Medical & Dental Insurance	Liability Insurance	Property Insurance	Totals
$ 10,604,502	$ 1,243,000	$ 558,094	$ 13,591,308
330,878	822,778		1,160,591
10,935,380	2,065,778	558,094	14,751,899
1,004	75,480	18,870	189,704
80	21,627	5,407	54,149
9,999	-	-	26,783
13,505,717	2,084,046	405,875	16,940,245
13,516,800	2,181,153	430,152	17,210,881
(2,581,420)	(115,375)	127,942	(2,458,982)
53,168	25,159	4,831	140,510
4,581	(3,183)	(1,154)	(448)
57,749	21,976	3,677	140,062
(2,523,671)	(93,399)	131,619	(2,318,920)
750,000	-	-	750,000
-	-	-	-
(1,773,671)	(93,399)	131,619	(1,568,920)
4,814,899	1,719,070	516,549	10,638,491
			-
4,814,899	1,719,070	516,549	10,638,491
$ 3,041,228	1,625,671	$ 648,168	$ 9,069,571

KENT
WASHINGTON

OTHER BUDGETARY SCHEDULES

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

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Contributions and Donations	$ 896,980	$ 896,980	$ 1,023,194	$ 126,214
Miscellaneous revenue:				
Interest income	1,750	1,750	12,091	10,341
TOTAL REVENUES	898,730	898,730	1,035,285	136,555
EXPENDITURES				
Current:				
Public safety	1,163,220	1,163,220	1,163,174	(46)
TOTAL EXPENDITURES	1,163,220	1,163,220	1,163,174	(46)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(264,490)	(264,490)	(127,889)	136,601
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	250,000	-
TOTAL OTHER FINANCING SOURCES (USES)	250,000	250,000	250,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(14,490)	(14,490)	122,111	136,601
FUND BALANCES, January 1	1,174,261	1,174,261	1,174,261	-
FUND BALANCES, December 31	$ 1,159,771	$ 1,159,771	$ 1,296,372	$ 136,601

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.

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental revenue:				
Local grants	$ -	$ -	$ 65,000	$ 65,000
Miscellaneous revenue:				
Contributions and Donations	-	-	18,720	18,720
TOTAL REVENUES	-	-	83,720	83,720
EXPENDITURES				
Current:				
Community development	-	-	65,000	65,000
Leisure services	116,520	116,520	36,459	(80,061)
Health and human services	-	-	33,831	33,831
TOTAL EXPENDITURES	116,520	116,520	135,290	18,770
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(116,520)	(116,520)	(51,570)	64,950
OTHER FINANCING SOURCES (USES)				
Transfers in	116,520	116,520	129,338	12,818
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	116,520	116,520	129,338	12,818
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	77,768	77,768
FUND BALANCES, January 1	436,914	436,914	601,789	164,875
FUND BALANCES, December 31	$ 436,914	$ 436,914	$ 679,557	$ 242,643

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.

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, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Miscellaneous revenue:				
Other miscellaneous revenue	$ -	$ -	$ 13,128	13,128
TOTAL REVENUES	-	-	13,128	13,128
EXPENDITURES				
Current:				
Leisure services	1,064,320	981,900	470,844	(511,056)
Debt service:				
Principal	25,000	25,000	24,796	(204)
Capital outlay	-	307,220	487,767	180,547
TOTAL EXPENDITURES	1,089,320	1,314,120	983,407	(330,713)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,089,320)	(1,314,120)	(970,279)	343,841
OTHER FINANCING SOURCES (USES)				
Issuance of installment note	-	214,800	194,990	(19,810)
Transfers in	1,150,000	1,460,000	1,147,109	(312,891)
Transfers out	-	310,000	-	(310,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,150,000	1,984,800	1,342,099	(642,701)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	60,680	670,680	371,820	(298,860)
FUND BALANCES, January 1	2,147,074	2,147,074	2,147,074	-
FUND BALANCES, December 31	$ 2,207,754	$ 2,817,754	$ 2,518,894	$ (298,860)

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.
Transfers into this fund of $885,546 are 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.

CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
December 31, 2017
With Comparison to December 31, 2016

	2017	2016
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	$ 228,056,101	$ 227,002,521
Buildings	134,997,890	134,997,890
Site improvements	58,915,032	58,604,508
Equipment	39,893,327	37,830,603
Infrastructure	644,033,253	633,525,062
Construction in progress	26,077,978	26,441,800
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,131,973,581	$ 1,118,402,384
INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:		
General governmental revenues	$ 287,130,185	$ 281,404,620
General obligation bonds	215,399,481	213,950,984
Federal grants	76,664,510	75,458,702
State grants	339,262,521	336,035,139
County and local grants	20,571,370	20,714,243
Special assessments	44,204,318	43,904,994
Gifts and contributions	148,741,196	146,933,702
TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS	$ 1,131,973,581	$ 1,118,402,384

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.

CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2017

	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	39,385,041	4,826,207	2,946,801	-	51,809,884
Other	247,797	-	-	24,773,171	-	25,020,968
Total	5,139,214	39,625,896	4,859,760	28,281,809	-	77,906,679
PUBLIC SAFETY						
Police	450,258	2,305,187	585,206	3,941,381	-	7,282,032
Fire	283,568	3,150,113	125,122	330,669	-	3,889,472
Total	733,826	5,455,300	710,328	4,272,050	-	11,171,504
PUBLIC WORKS						
Engineering	2,650,000	-	1,302,586	570,692	-	4,523,278
Streets	163,590,685	-	210,179	566,512	644,033,253	808,400,629
Total	166,240,685	-	1,512,765	1,137,204	644,033,253	812,923,907
PARKS, RECREATION AND CULTURE						
Parks and recreation	51,564,145	1,556,893	50,628,227	157,937	-	103,907,202
Senior center	1,955,066	3,821,545	32,875	56,542	-	5,866,028
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	-	4,792,698	-	81,248,862
Cultural arts	-	-	756,648	709,019	-	1,465,667
Total	53,719,915	85,981,940	51,832,179	6,155,850	-	197,689,884
LIBRARY	2,222,461	3,934,754	-	46,414	-	6,203,629
Total	2,222,461	3,934,754	-	46,414	-	6,203,629
TOTAL	228,056,101	134,997,890	58,915,032	39,893,327	644,033,253	1,105,895,603
Construction in progress	-	-	-	-	-	26,077,978
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 228,056,101	$ 134,997,890	$ 58,915,032	$ 39,893,327	$ 644,033,253	$ 1,131,973,581

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

CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended December 31, 2017

	Governmental Fund Capital Assets 01/01/17	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12/31/17
GENERAL GOVERNMENT				
Administration	$ 532,538	$ -	$ -	$ 532,538
Attorney	51,966	-	-	51,966
Finance	316,779	-	-	316,779
Planning	174,544	-	-	174,544
Public office buildings	51,809,884	-	-	51,809,884
Other	24,271,660	749,308	-	25,020,968
Total	77,157,371	749,308	-	77,906,679
PUBLIC SAFETY				
Police	6,981,071	300,961	-	7,282,032
Fire	3,889,472	-	-	3,889,472
Total	10,870,543	300,961	-	11,171,504
PUBLIC WORKS				
Engineering	4,523,278	-	-	4,523,278
Streets	797,074,623	11,326,006	-	808,400,629
Total	801,597,901	11,326,006	-	812,923,907
PARKS, RECREATIONS AND CULTURE				
Parks and recreation	102,872,630	1,056,717	(22,145)	103,907,202
Senior center	5,829,623	36,405	-	5,866,028
Parks maintenance	570,803	-	-	570,803
Kent commons	4,631,322	-	-	4,631,322
ShoWare Center	80,761,095	491,329	(3,562)	81,248,862
Cultural arts	1,465,667	-	-	1,465,667
Total	196,131,140	1,584,451	(25,707)	197,689,884
LIBRARY	6,203,629	-	-	6,203,629
Total	6,203,629	-	-	6,203,629
Construction in progress	26,441,800	14,931,126	(15,294,948)	26,077,978
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 1,118,402,384	$ 28,891,852	$ (15,320,655)	$ 1,131,973,581

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

DEBT SERVICE SCHEDULES

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

CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2017

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2003	$ 345,000	$ -	$ 168,000	$ 177,000
Series 2005	1,185,000	-	266,000	919,000
Series 2008	1,585,000	-	790,000	795,000
Series 2009	2,905,000	-	930,000	1,975,000
Plus: unamortized premium	95,648	-	32,795	62,853
Series 2012	6,175,000	-	1,090,000	5,085,000
Plus: unamortized premium	317,049	-	53,585	263,464
Series 2014	4,782,205	-	971,330	3,810,875
Plus: unamortized premium	351,244	-	71,440	279,804
Series 2015A Taxable	3,400,000	-	840,000	2,560,000
Series 2015B	4,240,000	-	-	4,240,000
Plus: unamortized premium	225,944	-	28,540	197,404
Series 2016A	15,380,000	-	145,000	15,235,000
Plus: unamortized premium	2,881,243	-	137,749	2,743,494
Series 2016B	48,780,000	-	485,000	48,295,000
Plus: unamortized premium	9,145,663	-	437,243	8,708,420
Total	101,793,996	-	6,446,682	95,347,314
Special Assessment Bonds with Governmental Commitment:				
LID 353 et. al.	750,000	-	590,000	160,000
Total Bonds Payable	102,543,996	-	7,036,682	95,507,314
Contracts, Lease, Notes Payable:				
General Obligation Contracts, Notes:				
Public Works Trust Fund Loan 2003	373,538	-	53,362	320,176
Public Works Trust Fund Loan 2004	3,635,294	-	454,411	3,180,883
Public Works Trust Fund Loan 2008	3,217,105	-	268,092	2,949,013
SMG Capital Loan	198,365	194,990	24,796	368,559
Total	7,424,302	194,990	800,661	6,818,631
Other Non-Current Liabilities				
Compensated Absences				
General Government	4,000,975	4,920,964	4,747,258	4,174,681
Internal Service Funds	412,076	511,287	458,388	464,975
Contingent Loan Guarantee Obligation	4,991,478	-	1,333,498	3,657,980
Net Pension Liability	30,331,333	23,476,448	30,331,333	23,476,448
Total	39,735,862	28,908,699	36,870,477	31,774,084
Total Governmental Debt	$ 149,704,160	$ 29,103,689	$ 44,707,820	$ 134,100,029

CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2017

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2014 [1]	$ 1,962,795	-	398,670	$ 1,564,125
Plus: unamortized premium	144,164	-	29,321	114,843
Total	2,106,959	-	427,991	1,678,968
Revenue Bonds: [2]				
Series 2009 A	2,240,000	-	1,100,000	1,140,000
Plus: unamortized premium	119,122	-	62,025	57,097
Series 2009 B	15,880,000	-	-	15,880,000
Series 2017 Refunding	-	13,180,000	-	13,180,000
Plus: unamortized premium	-	2,410,039	2,207	2,407,832
Total	18,239,122	15,590,039	1,164,232	32,664,929
Total Bonds Payable	20,346,081	15,590,039	1,592,223	34,343,897
Contracts, Lease, Notes Payable:				
Public Works Trust Fund Loan 2001 - Water	2,638,889	-	527,778	2,111,111
Public Works Trust Fund Loan 2002 - Water	3,187,500	-	531,250	2,656,250
Public Works Trust Fund Loan 2004 - Sewer	600,000	-	75,000	525,000
Contract - Tacoma Pipeline 2010 - Water	10,330,000	-	280,000	10,050,000
Contract - Tacoma Pipeline 2013 Ref - Water	14,065,000	-	135,000	13,930,000
Total	30,821,389	-	1,549,028	29,272,361
Other Non-Current Liabilities				
Compensated Absences				
Water Utility	245,694	310,661	300,090	256,265
Sewer Utility	315,999	412,560	415,760	312,799
Solid Waste Utility	9,629	36,079	19,466	26,242
Golf Complex	90,374	77,313	73,957	93,730
Total compensated absences	661,696	836,613	809,273	689,036
Pension Liability	7,808,926	5,641,581	7,808,926	5,641,581
Total Business-Type Debt	$ 59,638,092	$22,068,233	$11,759,450	$ 69,946,875

CITY OF KENT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY
BY BOND TYPE
As of December 31, 2017

Fiscal Year	General Obligation Bonds		Special Assessment Bonds		Water & Sewer Revenue Bonds		Total Debt Service Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	5,970,000	3,687,676	160,000	7,440	1,140,000	1,591,720	7,270,000	5,286,836
2019	5,880,000	3,462,708	-	-	1,200,000	1,584,144	7,080,000	5,046,852
2020	5,171,000	3,255,206	-	-	2,300,000	1,523,424	7,471,000	4,778,630
2021	4,820,000	3,050,400	-	-	2,395,000	1,400,860	7,215,000	4,451,260
2022	4,885,000	2,847,000	-	-	2,495,000	1,273,272	7,380,000	4,120,272
2023	4,805,000	2,630,050	-	-	2,600,000	1,140,410	7,405,000	3,770,460
2024	4,665,000	2,416,600	-	-	2,710,000	1,001,992	7,375,000	3,418,592
2025	5,225,000	2,201,650	-	-	2,810,000	857,768	8,035,000	3,059,418
2026	2,985,000	1,940,400	-	-	2,935,000	700,692	5,920,000	2,641,092
2027	3,270,000	1,791,150	-	-	3,065,000	536,694	6,335,000	2,327,844
2028	3,560,000	1,627,650	-	-	3,205,000	365,524	6,765,000	1,993,174
2029	3,875,000	1,449,650	-	-	3,345,000	186,626	7,220,000	1,636,276
2030	4,200,000	1,294,650	-	-	-	-	4,200,000	1,294,650
2031	4,520,000	1,126,650	-	-	-	-	4,520,000	1,126,650
2032	4,910,000	900,650	-	-	-	-	4,910,000	900,650
2033	2,750,000	655,150	-	-	-	-	2,750,000	655,150
2034	2,960,000	517,650	-	-	-	-	2,960,000	517,650
2035	3,175,000	369,650	-	-	-	-	3,175,000	369,650
2036	3,425,000	210,900	-	-	-	-	3,425,000	210,900
2037	3,605,000	108,150	-	-	-	-	3,605,000	108,150
Totals	$ 84,656,000	$ 35,543,590	$ 160,000	$ 7,440	$ 30,200,000	$ 12,163,126	$ 115,016,000	$ 47,714,156

TRANSFERS

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

CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
For the Year Ended December 31, 2017

Fund Out/Fund In	Purpose	Transfers In	Transfers Out
Governmental Funds:			
General Fund			
Capital Resources Fund	Showare Lifecycle funding	300,000	-
Capital Resources Fund	Planning Services	33,186	-
Capital Resources Fund	Neighborhood matching grants	-	25,000
Capital Resources Fund	Property acquisition	-	275,000
Capital Resources Fund	Capital projects	-	2,700,000
Capital Resources Fund	Interal utility tax allocation	-	2,815,343
Streets Capital Projects Fund	B&O tax projects	-	7,325,380
Streets Capital Projects Fund	Various capital projects	-	330,000
Other Capital Projects Fund	Various capital projects	-	90,820
Other Govlt Funds-Streets Fund	Gen'l Fd subsidy of Streets services	-	2,480,440
Other Govlt Funds-Streets Fund	B&O streets funding	-	1,496,235
Other Govtl Funds-Youth/Teen Fund	Youth/Teen funding	900,000	-
Other Govtl Funds-Criminal Justice Fund	Street Racing Program	942	-
Other Govtl Funds-Criminal Justice Fund	Drug Task Force	-	105,000
Other Govtl Funds-Parks Capital Projects	Various capital projects	-	2,000,000
Internal Service Funds-Insurance Fund	Fund excess liability insurance costs	-	750,000
subtotals		1,234,128	20,393,218
Capital Resources Fund			
General Fund	Planning Services	-	33,186
General Fund	Neighborhood matching grants	25,000	-
General Fund	Property sales	275,000	-
General Fund	Fund Balance & Capital Projects	2,700,000	-
General Fund	Interal utility tax allocation	2,815,343	-
General Fund	Showare Lifecycle funding	-	300,000
Streets Capital Projects Fund	Funding for various capital projects	-	250,000
Other Capital Projects	Funding for various capital projects	-	1,914,068
Voted GO Debt Service Fund	Clear debt service fund	-	7,469,593
Other Govtl Funds-Parks Capital Projects	Funding for various parks capital projects	-	2,516,815
Other Govtl Funds-Technology Capital Projects	Funding for various technology projects	-	1,750,000
subtotals		5,815,343	14,233,662
Special Assessments Fund			
Streets Capital Projects	LID funding - streets capital projects	-	1,953,230
Sewerage Fund	Sewer & drainage LID project funding	-	4,100
subtotals		-	1,957,330
Streets Capital Projects Fund			
General Fund	B&O tax projects	7,325,380	-
General Fund	Various capital projects	330,000	-
Special Assessments Fund	LID funding - streets capital projects	1,953,230	-
Capital Resources Fund	Funding various street capital projects	250,000	
Other Govtl Funds-Streets Fund	Funding various street capital projects	3,241,894	1,602,821
Other Govtl Funds-Parks Capital Projects	Transfer GO Bond proceeds to Parks proj	-	
subtotals		13,100,504	1,602,821
Non-major Governmental:			
Street Fund			
General Fund	Gen'l Fd subsidy of Streets services	2,480,440	-
General Fund	B&O streets funding	1,496,235	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	2,304,150
Street Capital Project Fund	Funding for various streets capital projects	1,602,821	3,241,894
subtotals		5,579,496	5,546,044
Youth/Teem Program Fund			
General Fund	Youth/Teen funding	-	900,000
subtotals		-	900,000

CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
For the Year Ended December 31, 2017

Fund Out/Fund In	Purpose	Transfers In	Transfers Out
Criminal Justice Fund			
General Fund	Street Racing Program	-	942
General Fund	Drug Task Force	105,000	-
Other Govtl Funds-Facilities Capital Projects	Close project-corrections operating	1,082,185	-
subtotals		1,187,185	942
Non-voted Debt Service			
Capital Resources Fund	Funding for debt payments	7,469,593	-
Other Govtl Funds-Street Fund	Funding for debt payments	2,304,150	-
Water Fund	Funding for debt payments	46,860	-
Sewerage Fund	Funding for debt payments	72,680	-
subtotals		9,893,283	-
Parks Capital Projects			
General Fund	Funding for various parks capital projects	2,000,000	-
Capital Resources Fund	Funding for various parks capital projects	2,516,815	-
subtotals		4,516,815	-
Other Capital Projects			
General Fund	Various capital projects	90,820	-
Capital Resources Fund	Various capital projects	1,914,068	-
subtotals		2,004,888	-
Technology Capital Projects			
Capital Resources Fund	Funding for various technology projects	1,750,000	-
Internal Service-Central Services Fund	Utility tax funding of technology projects	995,460	-
subtotals		2,745,460	-
Facilities Capital Projects			
Other Govtl Funds-Criminal Justice	Close project-corrections operating	-	1,082,185
subtotals		-	1,082,185
subtotals - Governmental Funds		**46,077,102**	**45,716,202**
Enterprise Funds:			
Water			
Non-Voted GO Debt Service Fund	Funding for debt payments	-	46,860
subtotals		-	46,860
Sewerage			
Special Assessments Fund	Sewer & drainage LID project funding	4,100	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	72,680
Internal Service-Equipment Rental	Capital asset transfer	138	58,742
subtotals		4,238	131,422
subtotals - Enterprise Funds		**4,238**	**178,282**
Internal Service Funds:			
Equipment Rental			
Sewer Fund	Capital asset transfer	58,742	138
subtotals		58,742	138
Central Services			
Other Govtl Funds-Technology Capital Proj	Utility tax funding of technology projects	-	995,460
subtotals		-	995,460
Insurance			
General Fund	Fund excess liability insurance costs	750,000	-
subtotals		750,000	-
subtotals - Internal Service Funds		**808,742**	**995,598**
Grand totals		**46,890,082**	**46,890,082**

KENT
WASHINGTON

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.

Contents **Page**

Financial Trends **174**

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity **184**

These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.

Debt Capacity **202**

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.

Demographic and Economic Information **208**

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.

Operating Information **210**

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.

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

KENT
WASHINGTON

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	$ 713,371,701	$ 710,700,685	$ 727,782,834	$ 708,913,377
Restricted	17,491,729	14,297,401	12,145,319	10,034,770
Unrestricted	20,686,229	11,612,766	(14,550,823)	(5,370,367)
Total governmental activities net position	$ 751,549,659	$ 736,610,852	$ 725,377,330	$ 713,577,780
Business-type activities				
Net investment in capital assets	$ 200,774,256	$ 184,890,067	$ 214,631,648	$ 241,629,839
Restricted	803,354	2,119,806	3,065,319	4,497,103
Unrestricted	25,617,802	49,908,497	38,662,226	27,073,691
Total business-type activities net position	$ 227,195,412	$ 236,918,370	$ 256,359,193	$ 273,200,633
Primary government				
Net investment in capital assets	$ 914,145,957	$ 895,590,752	$ 942,414,482	$ 950,543,216
Restricted	18,295,083	16,417,207	15,210,638	14,531,873
Unrestricted	46,304,031	61,521,263	24,111,403	21,703,324
Total primary government net position	$ 978,745,071	$ 973,529,222	$ 981,736,523	$ 986,778,413

Note: Unreserved net position of governmental activities dropped in FY14 with the implemntation of GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. In 2016, most of the debt that the City had guaranteed was refinanced, reducing the contingent loan guarantee obligation.

Source: Statement of Net Position

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 697,830,001	$ 682,946,045	$ 687,527,061	$ 694,789,326	$ 704,250,257	$ 700,427,393
10,288,377	10,721,573	9,499,778	6,131,943	4,870,358	4,728,939
16,025,424	35,230,567	(24,252,748)	(26,349,230)	62,608,062	85,019,692
$ 724,143,802	$ 728,898,185	$ 672,774,091	$ 674,572,039	$ 771,728,677	$ 790,176,024
$ 253,742,128	$ 264,927,149	$ 287,867,561	$ 298,202,694	$ 305,687,715	$ 290,214,493
2,463,535	3,631,223	1,111,144	1,071,144	1,026,144	985,146
29,259,929	36,074,921	45,768,853	49,652,876	52,246,156	82,984,505
$ 285,465,592	$ 304,633,293	$ 334,747,558	$ 348,926,714	$ 358,960,015	$ 374,184,144
$ 951,572,129	$ 947,873,194	$ 975,394,622	$ 992,992,020	$ 1,009,937,972	$ 990,641,886
12,751,912	14,352,796	10,610,922	7,203,087	5,896,502	5,714,085
45,285,353	71,305,488	21,516,105	23,303,646	114,854,218	168,004,197
$ 1,009,609,394	$ 1,033,531,478	$ 1,007,521,649	$ 1,023,498,753	$ 1,130,688,692	$ 1,164,360,168

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General Government	$ 26,661,964	$ 7,230,905	$ 6,931,002	$ 6,400,374
Judicial	2,388,567	2,487,918	2,544,075	2,745,430
Public Safety	57,177,887	58,880,087	60,147,355	48,030,603
Community Development	5,030,233	4,487,550	5,524,342	5,441,202
Public Works	20,097,918	19,453,467	16,219,754	21,195,696
Leisure services	11,525,707	14,195,932	15,149,745	16,513,775
Health and human services	6,175,999	6,198,375	5,996,524	5,915,128
Interest on long-term debt	4,149,135	4,933,465	4,295,374	4,000,555
Total governmental activities expenses	133,207,410	117,867,699	116,808,171	110,242,763
Business-type activities:				
Water	10,250,612	10,401,686	11,241,367	11,991,035
Sewerage	27,231,263	28,947,993	29,668,499	29,194,159
Golf	2,941,512	2,896,509	3,123,644	3,226,066
Solid Waste	-	-	-	-
Total business-type activities expenses	40,423,387	42,246,188	44,033,510	44,411,260
Total primary government expenses	$ 173,630,797	$ 160,113,887	$ 160,841,681	$ 154,654,023
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	$ 392,469	$ 369,217	$ 385,644	$ 433,840
Judicial	1,847,107	1,878,098	2,128,646	2,140,781
Public Safety	1,148,454	1,092,168	1,174,585	996,471
Community Development	2,186,907	1,411,773	2,058,564	2,171,303
Public Works	1,362,739	967,622	475,866	834,042
Leisure services	1,343,048	1,308,717	1,328,562	1,549,202
Health and human services	793,590	834,782	698,819	674,983
Operating grants and contributions	10,575,098	10,298,875	9,432,962	4,402,255
Capital grants and contributions	75,635,801	12,596,207	9,459,649	5,311,483
Total governmental activities program revenues	95,285,213	30,757,459	27,143,297	18,514,360
Business-type activities				
Charges for services:				
Water	$ 8,778,926	$ 11,876,537	$ 15,426,293	$ 15,986,832
Sewerage	28,118,989	31,298,410	35,841,828	39,108,510
Golf Complex	2,895,616	2,698,663	2,394,945	2,519,852
Solid Waste	-	-	-	-
Operating grants and contributions	793,473	112,236	2,799,480	348,478
Capital grants and contributions	3,628,766	5,939,641	6,761,033	6,900,419
Total business-type activities program revenues	44,215,770	51,925,487	63,223,579	64,864,091
Total primary government program revenues	$ 139,500,983	$ 82,682,946	$ 90,366,876	$ 83,378,451

Source: Statement Activities

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 6,351,823	$ 8,959,390	$ 7,342,670	$ 9,211,576	$ 13,429,528	$ 12,346,159
2,793,914	2,743,574	2,789,535	2,972,304	3,771,365	3,157,775
37,340,409	37,378,185	38,744,658	41,189,109	38,593,097	46,517,116
5,332,561	5,096,639	5,175,651	5,535,094	7,178,348	6,523,730
17,427,549	16,993,893	17,371,560	18,803,785	22,002,693	22,020,709
16,844,202	15,908,830	13,861,675	16,859,288	17,602,824	18,370,559
5,553,369	5,275,046	5,478,974	5,893,257	4,002,920	6,448,946
3,779,473	3,250,089	2,804,432	2,500,908	5,194,899	7,491,114
95,423,300	95,605,646	93,569,155	102,965,321	111,775,674	122,876,108
12,949,247	13,972,634	13,070,155	17,157,143	18,828,316	18,100,296
36,391,713	37,680,430	37,951,697	41,404,954	45,412,945	46,014,434
3,062,851	2,917,964	2,872,165	3,055,395	4,559,588	2,453,882
-	-	-	-	686,887	638,345
52,403,811	54,571,028	53,894,017	61,617,492	69,487,736	67,206,957
$ 147,827,111	$ 150,176,674	$ 147,463,172	$ 164,582,813	$ 181,263,410	$ 190,083,065
$ 1,958,626	$ 2,044,753	$ 3,483,161	$ 4,273,658	$ 3,645,563	$ 4,472,438
1,963,025	2,108,024	1,846,731	2,032,772	1,724,181	1,570,537
1,081,323	1,811,747	3,388,295	3,560,350	4,097,976	5,409,848
3,262,546	3,841,993	5,006,297	4,863,697	5,478,504	7,608,117
1,420,839	1,810,854	2,185,990	2,725,356	3,165,390	3,401,558
1,357,619	1,380,839	1,418,600	1,479,369	1,465,975	1,385,824
814,518	709,948	841,690	769,669	763,593	707,449
4,124,615	4,177,095	6,166,500	7,021,280	7,982,415	8,254,026
11,076,621	6,655,575	2,936,731	5,256,320	9,350,716	13,656,431
27,059,732	24,540,828	27,273,995	31,982,471	37,674,313	46,466,228
$ 16,253,067	$ 17,021,951	$ 18,416,162	$ 18,904,851	$ 18,780,129	$ 21,850,641
39,562,059	42,752,458	44,969,699	46,459,410	47,640,854	50,109,473
2,570,012	2,431,782	2,485,348	2,659,643	2,475,135	2,501,596
-	-	-	-	608,685	600,608
770,997	81,404	176,984	234,397	1,023,669	315,853
5,544,456	9,195,002	15,792,479	10,057,056	9,629,000	6,595,122
64,700,591	71,482,597	81,840,672	78,315,357	80,157,472	81,973,293
$ 91,760,323	$ 96,023,425	$ 109,114,667	$ 110,297,828	$ 117,831,785	$ 128,439,521

(continued)

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

	Fiscal Year			
	2008	2009	2010	2011
Net (Expense)/Revenue				
Governmental activities	$ (37,922,197)	$ (87,110,240)	$ (89,664,874)	$ (91,728,403)
Business-type activities	3,792,383	9,679,299	19,190,069	20,452,831
Total primary government net expense	$ (34,129,814)	$ (77,430,941)	$ (70,474,805)	$ (71,275,572)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	$ 26,576,727	$ 27,048,764	$ 29,272,194	$ 19,287,114
Property taxes levied for debt service	598,922	596,696		9,750
Sales taxes	25,460,470	17,234,352	18,600,976	21,458,253
Utility taxes	17,569,974	17,379,153	17,725,934	19,365,153
Business & Occupation taxes	-	-	-	-
Real Estate taxes	3,225,515	1,888,137	1,805,871	2,235,174
Lodging taxes	207,066	145,239	162,706	182,840
Other taxes	563,989	744,187	985,257	1,130,391
Unrestricted grants and contributions	1,876,367	5,407,702	6,328,500	7,102,872
Investment earnings	2,133,806	1,173,891	818,063	495,029
Miscellaneous	1,479,608	374,306	2,825,148	4,931,321
Gain on disposal of capital assets	-	-	-	-
Special item	-	-	-	-
Transfers	(142,649)	175,974	14,400	312,344
Total governmental activities	79,549,795	72,168,401	78,539,049	76,510,241
Business-type activities				
Investment earnings	925,571	219,633	157,457	119,565
Transfers	142,649	(175,974)	(14,400)	(312,344)
Total business-type activities	1,068,220	43,659	143,057	(192,779)
Total primary government	$ 80,618,015	$ 72,212,060	$ 78,682,106	$ 76,317,462
Change in Net Position				
Governmental activities	$ 41,627,598	$ (14,941,839)	$ (11,125,825)	$ (15,218,162)
Business-type activities	4,860,603	9,722,958	19,333,126	20,260,052
Total primary government	$ 46,488,201	$ (5,218,881)	$ 8,207,301	$ 5,041,890

Source: Statement of Activities

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ (68,363,568)	$ (71,064,818)	$ (66,295,160)	$ (70,982,850)	$ (74,101,361)	$ (76,409,880)
12,296,780	16,911,569	27,946,655	16,697,865	10,669,736	14,766,336
$ (56,066,788)	$ (54,153,249)	$ (38,348,505)	$ (54,284,985)	$ (63,431,625)	$ (61,643,544)
$ 19,726,551	$ 20,085,117	$ 20,599,891	$ 21,998,657	$ 22,556,458	$ 22,857,559
8,421	-	-	-	-	-
21,908,275	22,707,244	25,332,356	26,654,493	28,551,033	29,517,990
19,868,738	22,760,019	22,962,565	26,376,844	26,923,348	28,637,522
-	5,149,172	6,208,946	7,656,220	9,311,445	9,141,800
3,547,963	3,837,948	3,184,596	6,434,689	6,427,334	7,211,140
187,971	217,618	249,377	279,466	293,347	312,980
1,116,790	1,101,844	1,106,821	1,023,499	961,833	902,557
6,845,773	6,760,236	6,851,351	6,417,339	6,600,212	6,619,515
701,443	895,815	1,052,762	1,242,815	1,073,989	1,386,281
4,907,310	1,740,638	162,971	(1,643,662)	908,862	487,428
-	1,945,741	2,433,112	115,242	-	-
-	-	-	-	66,656,930	-
110,355	762,322	(16,729)	126,875	993,208	174,044
78,929,590	87,963,714	90,128,019	96,682,477	171,257,999	107,248,816
78,534	153,554	124,777	97,795	356,773	631,837
(110,355)	(762,322)	16,729	(126,875)	(993,208)	(174,044)
(31,821)	2,218,914	141,506	(29,080)	(636,435)	457,793
$ 78,897,769	$ 90,182,628	$ 90,269,525	$ 96,653,397	$ 170,621,564	$ 107,706,609
$ 10,566,022	$ 16,898,896	$ 23,832,859	$ 25,699,627	$ 97,156,638	$ 30,838,936
12,264,959	19,130,483	28,088,161	16,668,785	10,033,301	15,224,129
$ 22,830,981	$ 36,029,379	$ 51,921,020	$ 42,368,412	$ 107,189,939	$ 46,063,065

(concluded)

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

	Fiscal Year			
	2008	2009	2010	2011*
General Fund				
Reserved	$ 256,156	$ 60,569	$ 57,586	$ -
Unreserved	6,672,432	1,999,665	768,523	-
Nonspendable	-	-	-	59,539
Restricted	-	-	-	5,028
Committed	-	-	-	283,678
Assigned	-	-	-	-
Unassigned	-	-	-	(205,783)
Total general fund	$ 6,928,588	$ 2,060,234	$ 826,109	$ 142,462
All Other Governmental Funds				
Reserved	$ 2,107,366	$ 1,278,319	$ 1,727,814	$ -
Unreserved, reported in:				
Special revenue funds	4,627,119	(3,886,045)	(9,756,662)	-
Debt service funds	-	-	-	-
Capital projects funds	11,402,348	3,782,839	(3,936,907)	-
Nonspendable	-	-	-	4,318
Restricted	-	-	-	5,602,450
Committed	-	-	-	1,849,238
Assigned	-	-	-	519,918
Unassigned	-	-	-	(22,811,500)
Total all other governmental funds	$ 18,136,833	$ 1,175,113	$ (11,965,755)	$ (14,835,576)

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

Source: Governmental Funds Balance Sheet

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
103,364	80,055	96,544	133,533	55,588	54,153
67,447	1,846,132	2,116,798	3,497,366	2,865,799	974,945
129,557	184,691	281,177	364,242	912,834	1,185,647
772,591	968,866	1,128,842	2,806,873	2,973,064	3,271,355
1,290,804	5,200,183	9,179,216	11,778,578	17,103,379	20,599,974
$ 2,363,763	$ 8,279,927	$ 12,802,577	$ 18,580,592	$ 23,910,664	$ 26,086,074
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
950	3,120	4,295	29,495	-	-
7,834,952	10,910,338	12,564,488	15,477,624	22,471,953	21,794,760
1,929,285	5,718,063	8,672,323	15,016,218	13,735,355	25,080,826
1,291,659	1,726,736	1,405,923	4,230,472	8,559,514	11,889,360
(11,178,234)	(7,448,023)	(3,023,914)	(6,411,915)	(5,145,517)	(3,759,661)
$ (121,388)	$ 10,910,234	$ 19,623,115	$ 28,341,894	$ 39,621,305	$ 55,005,285

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes (see Schedule 5)	$ 73,895,588	$ 64,986,755	$ 68,488,317	$ 63,739,861
Licenses and permits	2,364,302	1,849,252	2,091,190	2,249,021
Intergovernmental	85,192,892	24,279,630	20,956,542	14,716,457
Charges for services	3,995,114	2,874,696	3,328,744	3,622,562
Fines and forteitures	1,705,410	1,583,731	1,737,615	1,626,615
Special assessments	2,589,995	2,627,522	1,939,156	2,285,686
Investment earnings	1,732,781	1,066,402	786,379	711,753
Other revenues	2,388,171	3,069,013	3,529,510	2,680,263
Total Revenues	173,864,253	102,337,001	102,857,453	91,632,218
Expenditures				
General government	6,441,299	6,191,850	5,821,839	6,051,000
Judicial	2,266,382	2,411,494	2,415,602	2,639,800
Public safety	53,453,187	55,681,381	57,122,596	36,927,061
Community development	4,910,964	4,419,094	5,237,571	5,252,066
Public works	6,805,027	6,118,684	5,877,368	6,677,579
Leisure services	9,621,646	12,318,938	12,603,919	13,112,883
Health and human services	5,876,570	5,995,763	5,641,216	5,537,197
Debt Service				
Principal	7,707,320	7,624,942	7,246,851	7,669,145
Interest	4,005,422	4,899,979	4,126,828	3,846,564
Capital Outlay	85,302,585	21,500,239	10,754,848	11,074,228
Total expenditures	186,390,402	127,162,364	116,848,638	98,787,523
Excess of revenues over (under) expenditures	(12,526,149)	(24,825,363)	(13,991,185)	(7,155,305)
Other Financing Sources (Uses)				
Bonds issued	26,420,777	-	-	-
Refunding bonds issued	-	8,757,076	-	-
Loans/contracts issued	-	2,500,000	-	-
Issuance of installment notes	-	-	-	-
Payments to escrow agent	-	(8,140,000)	-	-
Premium/(discount) on bonds	-	-	-	-
Sale of capital assets	304,979	-	150	-
Transfers in	17,209,577	14,941,530	16,091,163	24,573,238
Transfers out	(18,133,279)	(15,066,349)	(16,262,423)	(24,390,014)
Total other financing sources (uses)	25,802,054	2,992,257	(171,110)	183,224
Net change in fund balances	$ 13,275,905	$ (21,833,106)	$ (14,162,295)	$ (6,972,081)
Debt service as a percentage of noncapital expenditures	11.6%	11.9%	10.7%	13.1%

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 66,441,273	$ 75,899,606	$ 79,740,933	$ 90,440,736	$ 95,002,781	$ 98,723,853
4,361,182	5,099,915	5,818,615	5,827,475	6,652,555	7,499,521
14,139,092	13,944,351	14,032,112	15,166,476	18,717,615	23,751,790
4,703,711	5,911,954	7,607,140	7,610,535	7,459,034	10,359,617
1,511,762	1,535,820	2,473,890	3,432,228	2,975,420	3,086,649
3,808,216	3,319,569	2,387,329	1,861,231	1,677,275	1,456,781
689,240	1,074,118	902,762	891,136	969,625	1,247,357
3,445,064	2,850,433	2,438,942	3,202,583	3,464,427	3,850,409
99,099,540	109,635,766	115,401,723	128,432,400	136,918,732	149,975,977
6,148,530	6,895,137	7,143,865	7,795,541	10,223,289	10,748,768
2,726,273	2,781,005	2,849,954	2,988,951	3,079,215	3,128,653
36,785,762	38,162,011	39,902,990	41,552,238	42,746,821	46,087,104
5,325,071	5,256,059	5,323,103	5,623,048	5,883,755	6,471,366
7,334,764	7,218,144	7,648,901	7,682,213	7,228,829	10,267,623
13,801,117	13,190,232	14,064,016	14,147,709	14,063,309	13,540,991
5,501,456	5,368,080	5,594,899	5,980,950	6,140,962	6,390,291
7,667,099	7,862,632	8,097,151	15,365,251	6,929,689	7,075,992
3,646,216	3,179,638	2,984,274	2,707,594	3,441,172	3,994,036
4,058,121	6,062,203	10,525,215	12,979,918	22,414,017	25,267,653
92,994,409	95,975,141	104,134,368	116,823,413	122,151,058	132,972,477
6,105,131	13,660,625	11,267,355	11,608,987	14,767,674	17,003,500
-	-	-	-	-	-
10,840,000	-	8,671,070	8,620,000	64,575,000	-
500,000	-	-	-	-	-
9,702,213	-	-	18,524	181,900	194,990
(10,990,000)	-	(8,929,574)	-	(76,539,984)	-
-	-	547,704	261,619	12,314,401	-
198,526	1,966,453	2,433,102	77,342	-	-
15,997,350	20,939,382	24,436,941	44,596,124	43,061,037	46,077,102
(15,417,731)	(19,618,674)	(23,164,963)	(43,125,559)	(41,750,545)	(45,716,202)
10,830,358	3,287,161	3,994,280	10,448,050	1,841,809	555,890
$ 16,935,489	$ 16,947,786	$ 15,261,635	$ 22,057,037	$ 16,609,483	$ 17,559,390
12.7%	12.3%	11.8%	17.4%	10.4%	10.3%

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
2008*	$ 26,868,574	$ 25,460,470	$17,569,974	$3,225,515	$ -	$207,066	$ 563,989	$73,895,588
2009*	27,595,687	17,234,352	17,379,153	1,888,137	-	145,239	744,187	64,986,755
2010*	29,207,573	18,600,976	17,725,934	1,805,871	-	162,706	985,257	68,488,317
2011*	19,368,050 **	21,458,253 ***	19,365,153 ***	2,235,174	-	182,840	1,130,391	63,739,861
2012*	19,811,536	21,908,275 ***	19,868,738 ***	3,547,963	-	187,971	1,116,790	66,441,273
2013*	20,125,761	22,707,244 ***	22,760,019 ***	3,837,948 ****	5,149,172	217,618	1,101,844	75,899,606
2014*	20,696,272	25,332,356 ***	22,962,565 ***	3,184,596	6,208,946	249,377	1,106,821	79,740,933
2015*	22,015,525	26,654,493 ***	26,376,844 ***	6,434,689	7,656,220	279,466	1,023,499	90,440,736
2016*	22,534,441	28,551,033 ***	26,923,348 ***	6,427,334	9,311,445	293,347	961,833	95,002,781
2017*	22,999,864	29,517,989 ***	28,637,523 ***	7,211,140	9,141,800	312,980	902,557	98,723,853
Change 2008-2017	-14.4%	15.9%	63.0%	123.6%	77.5%	51.1%	60.0%	33.6%

* 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
2016	4,958,568
2017	4,955,082

** Property tax was reduced due to the formation of the Regional Fire Authority (RFA) effective July 1, 2010. This reduced the City's levy assessment by 1 percent.

*** Increase due to Panther Lake Annexation effective July 1, 2010.
Sales & Use Tax - City receives 0.2% of state sales tax collected within the City for 10 yrs--this totaled
The City received additional revenues due to the annexation as follows:

	Sales Tax	Utility Tax
2010	$ 1,768,931	$ 551,424
2011	3,511,391	2,610,807
2012	3,666,466	2,373,378
2013	3,481,065	2,728,308
2014	4,229,130	2,685,946
2015	4,352,248	2,595,073
2016	5,354,125	2,713,375
2017	5,887,092	2,910,504

**** 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
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
2016	13,778,718,580	1,267,588,304	15,046,306,884	1.511
2017	15,147,052,037	1,255,925,663	16,402,977,700	1.441

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

Schedule 7
City of Kent
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	City Direct Rates			Overlapping Rates									
Fiscal Year	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
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
2016	1.511	-	1.511	2.169	1.440	0.040	0.170	5.344	0.500	0.477	0.282	0.130	0.909
2017	1.411	-	1.411	2.032	1.347	0.036	0.153	4.816	0.501	0.451	0.263	0.117	0.847

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 $.5 per $1,000 goes to the library. Therefore, the City is limited to assess a total of $2.10 per $1,000. Statutory levy rate cannot exceed $10 per $1,000 of assessed valuation. This 1% value limit does not include tax levies for Port and Utility Districts. This limit is subject to further reduction per State statute limiting overlapping levy rates excluding the State (school) levy to $5.90 per $1,000 of assessed valuation. Other levies not subject to the limitation are excess levies approved by the voters to pay off bonds for capital construction or for providing supplemental funds for operating purposes particularly for schools.

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

	2017			2008		
Taxpayer	**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)	$ 566,740,600	1	3.46%	$ 110,117,100	4	0.95%
PSE/Electric & Gas	237,991,374	2	1.45%	167,388,446	2	1.45%
Boeing	185,440,544	3	1.13%	171,247,754	1	1.48%
Segale Properties (formerly La Terra Ltd)	174,878,900	4	1.07%	83,903,800	5	0.73%
Hill Investment Co.	110,488,100	5	0.67%			
Eproperty Tax Inc	108,590,500	6	0.66%			
KV Industrial 2 LLC	102,145,300	7	0.62%			
Signature Point Apt.	92,323,300	8	0.56%			
CSHV Kent North LLC (formerly Ellis CB Richard)	87,326,800	9	0.53%	45,755,200	7	0.40%
Invesco Realty Advisors	72,321,500	10	0.44%			
AMB Property	-		0.00%	136,644,500	3	1.18%
Qwest Corporation (formerly U.S. West)	-		0.00%	43,657,499	9	0.38%
Red Mortgage Capital Inc.	-		0.00%	75,877,000	6	0.66%
Fred Meyer	-		0.00%	34,122,327	10	0.30%
Starbucks			0.00%	45,197,927	8	0.39%
	$1,738,246,918		7.14%	$ 803,794,453		6.96%

Source: Hazel Gantz, King County Assessor's Office

KENT
WASHINGTON

Schedule 9
City of Kent
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	$ 27,225,624	$ 26,564,249	97.57%	$ 661,154	$ 27,225,403	100.00%
2009	27,815,136	27,136,428	97.56%	678,182	27,814,610	100.00%
2010	29,273,116	28,806,516	98.41%	463,308	29,269,824	99.99%
2011*	19,298,192	18,981,959	98.36%	309,042	19,291,001	99.96%
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%	309,197	20,257,494	99.99%
2014	20,726,325	20,394,209	98.40%	321,547	20,715,756	99.95%
2015	22,091,369	21,827,665	98.81%	222,186	22,049,851	99.81%
2016	22,657,939	22,385,874	98.80%	191,875	22,577,749	99.65%
2017	23,056,215	22,816,339	98.96%	-	22,816,339	98.96%

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			
	2008	2009	2010	2011
Unknown	$ 960,908	$ 999,746	$ 858,268	$ 477,054
Agriculture, Forestry, Fishing	421,594	518,595	718,861	692,359
Mining	1,111,403	540,569	647,324	617,757
Utilities	20,292,827	23,789,845	17,472,906	5,078,454
Construction	329,122,168	242,972,325	188,425,022	186,982,818
Manufacturing	171,095,850	69,750,959	96,582,517	81,988,703
Wholesale Trade	376,973,038	301,507,123	217,175,584	252,503,957
Retail Trade	864,206,993	616,882,158	647,338,680	681,641,901
Transportation and Warehousing	8,606,606	6,983,433	8,256,303	6,620,144
Information	138,282,101	111,604,712	113,484,774	112,088,847
Finance and Insurance	19,337,663	22,253,860	18,871,102	16,381,423
Real Estate, Rental, Leasing	87,787,763	74,188,983	67,979,949	73,151,966
Prof, Sci, Technical Svcs	47,004,048	40,297,213	48,470,587	41,794,489
Company Management	203,812	170,204	646,516	13,351
Admin, Supp, Remed Svcs	38,659,998	30,272,316	31,230,882	42,594,079
Educational Services	4,705,329	3,167,476	3,205,201	3,968,920
Health Care Social Assistance	4,134,840	2,726,198	2,254,145	1,783,015
Arts, Entertain, Recreation	15,543,553	19,222,372	18,658,668	19,773,143
Accommodation and Food Svcs	164,615,802	143,820,138	146,494,696	159,382,256
Other Services	75,835,651	66,338,283	73,591,515	82,917,327
Public Administration	30,271,537	20,201,288	19,850,671	24,692,051
Total	$ 2,399,173,484	$ 1,798,207,796	$ 1,722,214,171	$ 1,795,144,014

City direct sales tax rate 0.85%.

Source: Taxtools 4.1.0 Database by Microflex, Inc.

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 339,351	$ 196,495	$ 65,704	$ 543,832	$ 149,753	$ 641,040
877,496	1,202,184	1,533,526	1,723,713	1,774,495	661,383
607,282	144,459	98,998	46,085	67,492	139,085
7,112,634	10,873,877	6,071,984	6,292,076	7,846,892	10,457,305
224,155,491	224,529,870	321,680,722	297,410,988	302,548,150	340,304,924
88,519,357	147,815,483	140,966,275	130,367,834	146,226,236	134,882,163
232,141,988	241,905,173	258,868,775	297,663,617	338,433,480	329,625,729
682,878,774	722,025,334	752,229,005	778,287,789	816,949,999	843,953,703
6,843,425	7,058,638	7,704,255	10,505,291	9,726,380	8,159,690
115,588,551	95,410,564	112,338,420	121,791,265	126,016,431	123,102,696
21,585,061	25,203,335	25,454,579	30,244,002	39,245,687	42,164,136
71,912,403	73,550,514	87,699,058	95,997,409	103,454,935	113,932,233
46,798,059	32,408,933	36,389,911	38,935,453	49,628,961	52,130,863
20,847	25,943	-	78,443	17,671	9,470
41,021,656	42,476,396	39,458,138	71,319,015	104,922,922	64,042,202
3,243,933	3,711,272	3,712,154	4,420,229	5,094,076	4,232,992
1,505,938	1,275,885	2,412,082	3,308,852	3,626,711	5,473,322
19,055,120	21,189,254	21,779,009	19,808,385	22,625,489	23,053,740
171,055,204	182,181,720	195,809,112	213,315,217	231,934,336	238,157,944
77,191,369	71,633,560	73,587,409	81,802,712	88,021,162	94,115,793
24,752,900	26,185,952	28,971,834	30,088,734	33,119,462	44,304,995
$ 1,837,206,839	$ 1,931,004,841	$ 2,116,830,950	$ 2,233,950,941	$ 2,431,430,720	$ 2,473,545,408

Schedule 11
City of Kent
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	State	County Transit	RTA	County [1]	Criminal Justice	Stadium	Total Overlapping Rate
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%
2016	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2017	0.85%	6.50%	0.90%	1.40%	0.25%	0.10%	0.00%	10.00%

[1] Includes .15% for general purposes and .1% for chemical dependency, metal 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 2017				Fiscal Year 2008			
	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%	34,165	0.2%	35	0.2%	58,471	0.3%
Agriculture, Forestry, Fishing	40	0.2%	6,220	0.0%	38	0.2%	4,834	0.0%
Mining	7	0.0%	1,077	0.0%	9	0.1%	9,140	0.0%
Utilities	17	0.1%	81,650	0.4%	12	0.1%	168,432	0.8%
Construction	4,329	20.0%	2,799,306	13.5%	3,512	23.0%	2,777,160	12.8%
Manufacturing	1,484	6.8%	1,317,069	6.3%	1,043	6.8%	1,645,124	7.6%
Wholesale Trade	3,140	14.5%	2,681,994	12.9%	2,278	14.9%	3,576,705	16.5%
Retail Trade	6,567	30.3%	7,068,903	34.0%	3,562	23.3%	7,988,636	36.8%
Transportation and Warehousing	152	0.7%	71,866	0.3%	130	0.9%	81,840	0.4%
Information	689	3.2%	1,043,629	5.0%	447	2.9%	1,132,072	5.2%
Finance and Insurance	147	0.7%	339,824	1.6%	165	1.1%	153,810	0.7%
Real Estate, Rental, Leasing	482	2.2%	933,292	4.5%	419	2.7%	787,454	3.6%
Prof, Sci, Technical Svcs	1,258	5.8%	453,307	2.2%	824	5.4%	430,519	2.0%
Company Management	6	0.0%	63	0.0%	10	0.1%	2,099	0.0%
Admin, Supp, Remed Svcs	1,398	6.4%	553,050	2.7%	1,159	7.6%	343,525	1.6%
Educational Services	163	0.8%	37,944	0.2%	64	0.4%	45,454	0.2%
Health Care Social Assistance	177	0.8%	43,710	0.2%	127	0.8%	6,425	0.0%
Arts, Entertain, Recreation	131	0.6%	196,418	0.9%	88	0.6%	138,996	0.6%
Accommodation and Food Svcs	455	2.1%	1,968,910	9.5%	397	2.6%	1,408,887	6.5%
Other Services	1,010	4.7%	786,863	3.8%	960	6.3%	653,907	3.0%
Public Administration	24	0.1%	378,222	1.8%	14	0.1%	292,858	1.3%
Total	21,688	100.00%	$ 20,797,482	100.00%	15,293	100.00%	$ 21,706,348	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.

Schedule 13-A
City of Kent
Utility Statistical Data
Last Ten Fiscal Years

Water Utility	**2008** [1]	**2009** [1]	**2010** [1]	**2011** [1]
Number of customer accounts				
Residential				
Single-family				
Multi-family				
Commercial				
Industrial				
Governmental				
Total	13,061	13,130	13,202	13,327
Annual water usage (cubic feet)	N/A	N/A	N/A	N/A

Sewer Utility	**2008** [1]	**2009** [1]	**2010** [1]	**2011** [1]
Number of customer accounts				
Residential				
Commercial				
	26,653	26,876	27,000	15,352

Storm & Surface Water Utility	**2008** [1]	**2009** [1]	**2010** [1]	**2011** [1]
Number of customer accounts				
Residential				
Commercial				
	16,915	17,051	22,122	24,750

Source: City billing records

[1] Customer breakdown by type not available for years prior to 2012
N/A Data not available

2012	2013	2014	2015	2016	2017
10,003	10,159	10,322	10,433	10,586	10,669
1,491	1,490	1,492	1,492	1,493	1,495
1,706	1,716	1,733	1,729	1,736	1,737
84	85	84	83	82	82
185	179	179	187	194	194
13,469	13,629	13,810	13,924	14,091	14,177
323,260,063	322,321,057	343,809,535	360,197,626	357,875,066	344,485,663

2012	2013	2014	2015	2016	2017
12,111	12,267	12,395	12,494	12,642	12,790
3,441	3,445	3,459	3,455	3,456	3,440
15,552	15,712	15,854	15,949	16,098	16,230

2012	2013	2014	2015	2016	2017
22,880	23,068	23,267	23,433	23,635	23,845
2,220	2,217	2,219	2,191	2,196	2,177
25,100	25,285	25,486	25,624	25,831	26,022

Schedule 13-B
City of Kent
Utility Statistical Data
Rates
As of December 31, 2017

Water Utility Meter Access Fees

Meter Size (inches)	Monthly Fee
Residential	
3/4	$ 23.15
1	36.25
1.5	69.00
2	108.30
Commercial	
3/4	$ 29.10
1	42.20
1.5	74.95
2	114.25
3	179.75
4	271.45
6	402.45
8	533.45
10	664.45
Dedicated Fireline (pipe size)	
3/4	$ 2.75
1	3.21
1.25	4.81
1.5	6.42
2	10.27
3	25.67
4	51.33
6	102.67
8	173.25
10	256.67
Backflow Fee	$ 100.00

Storm & Surface Water Utility Rates

Residential	
Monthly fee	$ 12.22
Commercial	
Fees are calculated based on impervious surfaces	

Water Usage Fees per 100 Cubic Feet (748 gallons)

0-800 cf	$2.40/100 cf
800+ cf	$4.73/100 cf

Water Tap Fees (new connection fee)

Connection Size (inches)	Fee
<3/4	$ 275.00
3/4	325.00
1	350.00
2.5	600.00
2	800.00
>2	Cost of meter & install + 25%

Water System Development Charges

Meter Size (inches)	Fee
less than 1	$ 7,306.98
1	18,266.84
2	58,452.18
3	116,905.59
4	182,664.76
5	273,820.87
6	365,329.51
8	584,526.72
10	803,723.95

Sewer Utility Rates

Residential	
City fee	$ 22.16
King County Fee	44.22
Total	$ 66.38
Commercial [1]	
Consumption (per 100 cf/montl	$ 8.85
Minimum charge	$ 66.38

Source: City records

[1] Commercial sewer customers are billed based on the consumption of water

Schedule 13-C
City of Kent
Utility Statistical Data
Ten Largest Users
Current Year and One Year Ago *

Water Utility

		2017		2016	
Customer	**Product/Service**	**Percent of Revenue**	**Ranking**	**Percent of Revenue**	**Ranking**
Danone Waters	Bottled water	1.49%	1	1.77%	1
Air Liquide Industrial	Liquid nitrogen	0.80%	2	0.91%	3
King County Admin Building	Government	0.76%	3	0.79%	6
King Command Foods	Processed meat	0.68%	4	1.02%	2
Rexam Beverage Can Co.	Can manufacturing	0.67%	5	0.73%	7
Con Agra Food	Food processing	0.66%	6	0.83%	4
Aramark Uniform Services	Laundry service	0.63%	7	0.80%	5
Kent 228	Office space management	0.50%	8	0.57%	9
Mikron Industries	Building manufacturing	0.44%	9	0.72%	8
Alsco	Laundry service	0.42%	10	0.51%	10
		7.06%		8.65%	

Sewer Utility

		2017		2016	
Customer	**Product/Service**	**Percent of Revenue**	**Ranking**	**Percent of Revenue**	**Ranking**
Danone Waters	Bottled water	0.73%	1	0.48%	1
Northwest Centers Ins	Laundry service	0.68%	2	0.43%	2
Burlington Environmental	Hazardous waste disposal	0.33%	3	0.23%	3
Kentwood Apartments	Apartment complex	0.29%	4	0.19%	4
Air Liquide Industrial	Liquid nitrogen	0.28%	5	0.13%	7
Canyon View Mobile	Mobile homes	0.26%	6	0.14%	6
Fortress Management #1	Business park	0.22%	7		
Western Processing	Food processing	0.16%	8	0.13%	8
Fortress Management #2	Business park	0.15%	9	0.11%	10
Safeway Inc #1966	Grocery Store	0.14%	10		
Hexel Corp	Chemicals			0.15%	5
24 Hour Fitness	Fitness center			0.12%	9
		3.24%		2.11%	

Storm & Surface Water Utility

		2017		2016	
Customer	**Product/Service**	**Percent of Revenue**	**Ranking**	**Percent of Revenue**	**Ranking**
The Boeing Company	Aerospace	1.85%	1	1.44%	3
Prologis Mgmt LLC	Developer	1.62%	2	1.66%	1
City of Kent	Government	1.55%	3	1.56%	2
Amazon	Distribution center	0.79%	4	0.47%	10
UPRR Downtown Station	Automotive Distribution	0.74%	5	0.76%	4
Kent East Corp Park	Industrial office space	0.73%	6	0.74%	5
East Valley Warehouse	Warehouse office space	0.55%	7	0.56%	6
PS Business Park	Commercial office space	0.54%	8	0.55%	7
South Seattle Auto Auction	Auto auction	0.48%	9	0.49%	8
Kidder Mathews	Warehouse distribution	0.46%	10	0.47%	9
		9.32%		7.26%	

Source: City billing records

* This schedule was added in 2017. Information prior to 2016 is not available.

Schedule 13-D
City of Kent
Utility Statistical Data
Billings by Customer Type
Last Six Fiscal Years *

	2012	2013	2014	2015
Water Consumption				
Residential (single family)	$ 2,788,953	$ 2,878,919	$ 3,108,519	$ 3,219,722
Duplex	37,315	37,884	48,407	46,857
Multi-family	4,505,910	4,640,464	5,061,029	5,024,730
Commercial	4,264,591	4,482,184	4,880,396	5,117,899
Industrial	886,397	916,574	1,040,218	1,068,845
Governmental	546,999	592,828	657,203	745,027
Total Consumtion Charges	$ 13,030,165	$13,548,853	$14,795,772	$15,223,080
Water Access				
Residential (single family)	$ 1,520,346	$ 1,587,891	$ 1,661,686	$ 1,681,135
Duplex	12,631	13,475	13,946	13,974
Multi-family	548,009	564,360	582,518	583,041
Commercial	547,229	567,496	580,972	582,333
Industrial	48,478	50,665	52,555	52,635
Governmental	86,735	89,075	91,716	92,075
Total Access Charges	$ 2,763,428	$ 2,872,962	$ 2,983,393	$ 3,005,193
Hydrant Water Fees				
Commercial	$ 122,601	$ 125,197	$ 177,052	$ 228,505
Other Water Fees				
Adjustments [1]	$ (147,569)	$ (42,561)	$ (48,683)	$ (23,460)
Total Water Sales	$ 15,768,625	$16,504,451	$17,907,534	$18,433,318
Water Backflow & Firelines				
Residential (single family)	$ 80	$ 80	$ 240	$ 480
Duplex	-	-	-	-
Multi-family	34,411	36,160	36,243	37,040
Commercial	173,756	177,936	180,367	182,730
Industrial	15,440	15,760	15,760	16,080
Governmental	25,760	26,560	24,800	24,720
Total Backflow Prevention	$ 249,447	$ 256,496	$ 257,410	$ 261,050
Other Water Charges				
Dedicated Fireline Fee				
Miscellaneous Charges	$ 231,065	$ 246,133	$ 244,077	$ 205,853
Other Operating Revenue	3,930	14,871	7,141	4,630
Adjustments				
Total Other Operating Revenues	$ 234,995	$ 261,004	$ 251,218	$ 210,483
Total Water Operating Revenues	$ 16,253,067	$17,021,951	$18,416,162	$18,904,851

2016	2017
$ 3,123,128	$ 2,484,161
49,149	40,946
5,042,692	4,864,436
5,307,898	6,144,822
1,032,766	1,066,470
642,473	726,437
$ 15,198,106	$15,327,272
$ 1,702,856	$ 2,988,553
13,974	29,256
583,987	1,260,748
584,669	1,305,673
53,192	122,677
94,177	212,302
$ 3,032,855	$ 5,919,209
$ 177,409	$ 63,750
$ (109,430)	(1,400,962)
$ 18,298,940	19,909,269
$ 640	$ 897
-	-
38,484	48,692
186,739	239,062
16,400	20,100
24,640	30,600
$ 266,903	$ 339,351
-	1,395,693
$ 181,898	$ 171,504
32,388	39,674
	(4,850)
$ 214,286	$ 1,602,021
$ 18,780,129	$21,850,641

Continued

Schedule 13-D
City of Kent
Utility Statistical Data
Billings by Customer Type
Last Six Fiscal Years *

	2012	2013	2014	2015
Sewer Charges				
Residential (single family)	$ 7,466,469	$ 8,202,454	$ 8,373,244	$ 8,889,410
Duplex	123,490	139,647	143,261	150,811
Multi-family	7,537,417	8,211,588	8,406,680	8,863,264
Commercial	5,159,636	5,649,362	6,115,191	6,531,807
Industrial	1,128,810	1,248,164	1,479,639	1,406,070
Governmental	578,251	674,431	671,239	729,349
Total Sewer Billings	$ 21,994,073	$24,125,646	$25,189,254	$26,570,711
Storm Drain/Surface Water Charges				
Residential (single family)	$ 2,803,196	$ 2,975,555	$ 3,145,346	$ 3,324,793
Duplex	29,576	31,978	33,908	35,596
Multi-family	2,321,917	2,453,359	2,582,879	2,712,051
Commercial	9,053,394	9,491,417	9,937,563	10,409,583
Industrial	1,197,251	1,253,616	1,315,712	1,328,399
Governmental	1,117,890	1,146,862	1,188,441	1,221,703
Total Sewer Billings	$ 16,523,224	$17,352,787	$18,203,849	$19,032,125
Other Sewer/Storm Drainage Fees				
Sewer permits	$ 61,422	$ 50,754	$ 52,193	$ 44,281
Connection charges [2]	705,795	666,795	1,152,849	-
Charge in lieu fees [2]	47,348	-	-	60,096
Water quality surcharge	425,809	503,188	524,269	692,877
Miscellaneous charges	37,403	17,126	66,116	46,987
Other operating revenue	14,904	8,207	8,358	8,690
Adjustments [1]	(247,919)	27,955	(227,189)	3,643
Total Other Sewer/Storm Drainage	$ 1,044,762	$ 1,274,025	$ 1,576,596	$ 856,574
Total Sewer/Storm Drainage Operating Revenues	$ 39,562,059	$42,752,458	$44,969,699	$46,459,410

[1] For adjustments, including leak adjustments and misread corrections, the billing code does not distinguish between the between the type of customer
[2] Sewer connection charges and in lieu fees were coded as charges for service in some year, but are now coded as capital contributions

Source: City records

2016	2017
$ 9,085,413	$ 9,930,521
152,672	163,920
9,125,661	9,926,448
7,048,720	7,450,347
1,401,538	1,462,166
637,963	743,381
$ 27,451,967	$29,676,784
$ 3,350,939	$ 3,388,860
35,598	35,597
2,719,264	2,742,031
10,456,233	10,614,253
1,320,227	1,490,308
1,233,268	1,234,437
$ 19,115,529	$19,505,486
$ 71,219	$ 95,770
-	-
21,597	-
785,016	808,555
59,264	49,255
24,510	54,312
111,752	(80,689)
$ 1,073,358	$ 927,203
$ 47,640,854	$50,109,473

Concluded

Schedule 14
City of Kent
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	General Bonded Debt					Other Governmental Activities Debt		
Fiscal Year	General Obligation Bonds [1]	Less: Amounts Available In Debt Fund	Total	Percentage of Assessed Taxable Value of Property[a]	Per Capita[b]	Loans, Notes and Contracts[d]	Contingent Loan Guarantee [e]	Special Assessment Bonds
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	16,557,714	76,809,813	1,980,000
2015	47,784,224	-	47,784,224	0.34%	388.81	8,020,328	71,648,408	1,395,000
2016	101,793,996	521,394	101,272,602	0.67%	813.86	7,424,302	4,991,478	750,000
2017	95,347,314	986,220	94,361,094	0.58%	742.42	6,818,631	3,657,980	160,000

	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]
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	128,901,130	1.54%	1,061.79
2015	2,597,516	19,356,148	32,340,417	111,493,633	1.25%	907.19
2016	2,106,959	18,239,122	30,821,389	160,614,374	1.67%	1,290.75
2017	1,678,968	32,664,929	29,272,361	164,955,983	1.68%	1,297.84

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Bonded debt is presented in this schedule exclusive of premiums and discounts.

[1] Debt amounts include discounts and premiums.

[a] See Schedule 6 for taxable assessed property value data.

[b] See Schedule 18 for population and personal income data.

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

[d] Excludes compensated absences.

[e] In FY2014, the City implemented GASB-S 70 on contingent loan guarantee obligations.

Source: City financial records

Schedule 15
City of Kent
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[a]	Estimated Share of Direct and Overlapping Debt
King County	724,994,000	3.4783%	25,217,466
Port of Seattle	388,360,000	3.4783%	13,508,326
Federal Way School District No. 210	160,923,057	7.0245%	11,304,040
Highline School District No. 401	420,027,654	1.2620%	5,300,749
Renton School District No. 403	251,918,774	3.9100%	9,850,024
Auburn School District No. 408	214,653,699	1.0670%	2,290,355
Tahoma School District No. 409	161,199,743	0.0208%	33,530
Kent School District No. 415	175,265,302	66.6725%	116,853,758
Hospital District No. 1	-	33.8635%	-
Kent Regional Fire Authority No. 62	-	84.4815%	-
Rural Library District	87,869,746	6.1358%	5,391,512
Subtotal Overlapping Debt			189,749,760
City of Kent direct debt			104,997,705
Total direct and overlapping debt			$ 294,747,465

Source: King County: County Assessor and Department of Finance
City financial records

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

Schedule 16
City of Kent
Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Legal Debt Limit				
Assessed Value	$ 11,556,074,644	$ 12,796,789,489	$ 11,733,295,807	$ 13,124,485,153
Legal debt limit restrictions:				
2.5% of General purpose limit, voted & non-voted	$ 288,901,866	$ 319,919,737	$ 293,332,395	$ 328,112,129
2.5% Utility purpose limit, voted	288,901,866	319,919,737	293,332,395	328,112,129
2.5% Open Space, Park Facilities, voted	288,901,866	319,919,737	293,332,395	328,112,129
Total legal debt limit	866,705,598	959,759,211	879,997,185	984,336,387
Total net debt applicable to limit	92,785,463	87,079,122	81,157,709	75,247,674
Legal debt margin	$ 773,920,135	$ 872,680,089	$ 798,839,476	$ 909,088,713
Total net debt applicable to the limit as a percentage of debt limit	10.71%	9.07%	9.22%	7.64%
Total net debt applicable to the limit as a percentage of assessed value	0.80%	0.68%	0.69%	0.57%
Debt applicable to limit:				
Voted				
General obligation bonds	600,000	-	-	-
Non-voted				
General obligation bonds	88,973,000	84,019,000	78,303,000	72,590,000
Other general obligation debt	3,238,709	3,063,709	2,854,709	2,658,709
Less: Amount set aside for repayment of voted general obligation debt	(26,246)	(3,587)	-	(1,035)
Total net debt applicable to limit	92,785,463	87,079,122	81,157,709	75,247,674
Additional debt limit restriction:				
1.5% non-voted for all purposes	173,341,120	191,951,842	175,999,437	196,867,277
Non-voted debt outstanding	92,211,709	87,082,709	81,157,709	75,248,709
Non-voted legal debt margin	81,129,411	104,869,133	94,841,728	121,618,568
Constitutional Debt Limit				
10.0% non-voted for all purposes	1,155,607,464	1,279,678,949	1,173,329,581	1,312,448,515
Net debt applicable to legal debt limit	92,785,463	87,079,122	81,157,709	75,247,674
Add: State loan contracts	10,672,547	12,537,258	11,660,072	10,777,631
Constitutional debt margin	1,052,149,454	1,180,062,569	1,080,511,800	1,226,423,210
Internal Debt Limit				
Net debt applicable to legal debt limit	92,785,463	87,079,122	81,157,709	75,247,674
Add: State loan contracts	10,672,547	12,537,258	11,660,072	10,777,631
Interest on outstanding debt	37,488,088	32,687,133	28,051,396	24,443,065
Compensated absences	5,985,748	6,594,993	4,848,159	4,596,349
Total debt applicable to internal debt calculation	146,931,846	138,898,506	125,717,336	115,064,719
Total net debt applicable to the internal debt calculation as a percentage of assessed value	1.27%	1.09%	1.07%	0.88%

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
The state constitution limits the debt cities are allowed to carry to 10% of the assessed valuation of the taxable properties
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

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 12,746,855,069	$ 12,009,757,520	$ 12,651,208,800	$ 14,068,213,406	$ 15,046,306,884	$ 16,402,977,700
$ 318,671,377	$ 300,243,938	$ 316,280,220	$ 351,705,335	$ 376,157,672	$ 410,074,443
318,671,377	300,243,938	316,280,220	351,705,335	376,157,672	410,074,443
318,671,377	300,243,938	316,280,220	351,705,335	376,157,672	410,074,443
956,014,131	900,731,814	948,840,660	1,055,116,005	1,128,473,016	1,230,223,329
69,139,626	61,423,917	54,975,990	49,078,000	90,740,000	84,656,000
$ 886,874,505	$ 839,307,897	$ 893,864,670	$ 1,006,038,005	$ 1,037,733,016	$ 1,145,567,329
7.23%	6.82%	5.79%	4.65%	8.04%	6.88%
0.54%	0.51%	0.43%	0.35%	0.60%	0.52%
-	-	-	-	-	-
66,683,000	60,993,000	54,756,000	49,078,000	90,740,000	84,656,000
2,457,709	432,000	220,000	-	-	-
(1,083)	(1,083)	(10)	-	-	-
69,139,626	61,423,917	54,975,990	49,078,000	90,740,000	84,656,000
191,202,826	180,146,363	189,768,132	211,023,201	225,694,603	246,044,666
69,140,709	61,425,000	54,976,000	49,078,000	90,740,000	84,656,000
122,062,117	118,721,363	134,792,132	161,945,201	134,954,603	161,388,666
1,274,685,507	1,200,975,752	1,265,120,880	1,406,821,341	1,504,630,688	1,640,297,770
69,139,626	61,423,917	54,975,990	49,078,000	90,740,000	84,656,000
10,389,724	9,584,624	8,777,671	8,001,804	7,225,937	6,450,071
1,195,156,157	1,129,967,211	1,201,367,219	1,349,741,537	1,406,664,751	1,549,191,699
69,139,626	61,423,917	54,975,990	49,078,000	90,740,000	84,656,000
10,389,724	9,584,624	8,777,671	8,001,804	7,225,937	6,450,071
20,409,417	17,426,925	14,358,462	11,168,487	39,402,192	35,545,110
4,459,597	4,747,718	4,168,176	4,337,445	4,405,792	4,645,940
104,398,364	93,183,184	82,280,299	72,585,736	141,773,921	131,297,121
0.82%	0.78%	0.65%	0.52%	0.94%	0.80%

Schedule 17
City of Kent
Pledged-Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds

Fiscal Year	Water Operating Revenue	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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	472,000	588,147	4.99
2014	18,416,162	10,677,318	7,738,844	487,500	573,972	7.29
2015	18,904,851	13,717,392	5,187,459	507,500	554,472	4.88
2016	18,780,129	12,538,349	6,241,780	527,500	534,172	5.88
2017	21,850,641	12,387,164	9,463,477	550,000	513,072	8.90

Combined Utility Revenue Bonds

Fiscal Year	Combined Operating Revenue	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	36,897,915	32,095,817	4,802,098	-	-	N/A
2009	43,174,947	33,494,175	9,680,772	210,000	308,732	18.66
2010	51,268,121	34,225,967	17,042,154	865,000	1,256,695	8.03
2011	55,095,342	34,332,968	20,762,374	895,000	1,230,744	9.77
2012	55,815,126	42,423,801	13,391,325	920,000	1,203,894	6.31
2013	59,774,409	44,658,164	15,116,245	944,000	1,176,294	7.13
2014	63,385,861	43,946,747	19,439,114	975,000	1,147,944	9.16
2015	65,364,261	50,063,649	15,300,612	1,015,000	1,108,944	7.20
2016	66,420,983	51,681,433	14,739,550	1,055,000	1,068,344	6.94
2017	71,960,114	51,556,996	20,403,118	1,100,000	1,026,144	9.60

Special Assessment Bonds

Fiscal Year	Revenues	Debt Service Principal	Debt Service Interest	Coverage
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
2016[8]	2,150,390	645,000	64,550	3.03
2017[8]	1,979,573	590,000	34,875	3.17

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 projects to fund construction.

Details regarding coverage can be found in the Official Statements.

	Sewerage Revenue Bonds[1]					
Fiscal Year	Sewerage Operating Revenue	Less: Operating Expenses[2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2016	47,640,854	39,143,084	8,497,770	527,500	534,172	8.00
2017	50,109,473	39,169,832	10,939,641	550,000	513,072	10.29

Schedule 18
City of Kent
Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	Population[1]	County Personal Income[2] (thousands of dollars)	County Per Capita Income[3]	School Enrollment[4]	County Unemployment Rate[5]
2008	86,980	109,551,329	58,141	27,582	4.3%
2009	88,380	109,053,408	56,904	26,764	8.1%
2010[6]	117,869	106,806,333	55,136	27,050	8.8%
2011	118,200	113,922,436	57,837	27,397	7.6%
2012	119,100	120,627,950	60,090	26,975	6.8%
2013	120,500	128,330,859	62,770	27,500	5.2%
2014	121,400	143,260,986	68,877	27,484	4.6%
2015	122,900	153,554,091	72,530	27,823	3.6%
2016	124,435	166,006,277	77,213	27,746	3.9%
2017	127,100	*	*	27,896	3.8%

[1] April 1 Population of Cities, Towns, and Countries: Washington State Office of Financial Management
[2] Personal Income for King County: US Bureau of Economic Analysis.
[3] Per Capita Income for King County: US Bureau of Economic Analysis.
[4] Kent School District - May 2016: Washington State Report Card
[5] King County Profile: Employment Security Department Washington State
[6] Annual average for King County: Washington State Employment Security Department

*2017 information is not available, will be included in 2018 CAFR.

Schedule 19
City of Kent
Principal Employers
Current Year and Nine Years Ago

	2017			2008		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Amazon.com LLC	3,991	1	5.53%			
Kent Public Schools	2,910	2	4.03%	2,581	2	4.75%
Boeing Company	2,480	3	3.44%	5,300	1	9.76%
Exotic Metals Forming Co	1,186	4	1.64%			
Blue Origin, LLC	1,037	5	1.44%			
REI Inc.	882	6	1.22%	700	4	1.29%
Carlisle Interconnect Industries	845	7	1.17%			
City of Kent	670	8	0.93%	832	3	1.53%
Alaska Airlines	648	9	0.90%	534	8	0.98%
King County Regional Justice Center	630	10	0.87%	630	6	1.16%
Coho Distributing LLC dba Columbia Dist.						
Sysco				560	7	1.03%
Oberto Sausage				474	9	0.87%
HEXCEL Corporation						
Mikron Industries				675	5	1.24%
Alaska Distributors Co.						
Property Reserve						
Food Services of America						
Patient Accounting Service Center						
Starbucks Coffee Company				455	10	0.84%
	15,279		21.17%	13,460		15.03%

Source: City of Kent Business License System

Schedule 20
City of Kent
Full-time-Equivalent City Government Employees by Function
Last Ten Fiscal Years

	Full-time-Equivalent Employees as of December 31									
Function/Program	**2008**	**2009[a]**	**2010[b]**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016[c]**	**2017**
General government										
Mayor's Office	12.00	9.00	13.00	13.00	10.50	10.53	10.53	10.75	10.75	11.75
Human Resource	13.00	11.00	11.00	12.00	12.00	12.20	13.20	13.60	14.60	14.60
Finance	21.00	19.50	19.00	20.55	18.55	20.55	20.55	23.55	23.55	24.99
Information Technology	29.00	25.00	25.00	28.70	25.00	24.96	26.00	29.00	35.00	37.00
Other	43.50	43.00	43.50	45.90	41.25	37.80	39.00	42.00	42.00	42.00
Judicial	19.00	18.00	21.00	21.53	21.28	20.28	20.28	20.28	20.28	20.28
Public Safety										
Police	187.00	179.00	193.00	201.28	196.28	191.75	195.75	199.00	203.00	208.75
Fire	177.00	169.00	-	-	-	-	-	-	-	
Law-Criminal	10.50	9.50	10.00	11.70	10.60	9.80	8.80	8.80	9.80	8.80
Community Development	42.00	42.00	43.00	43.60	36.60	36.60	38.33	40.75	40.75	42.75
Public Works										
Engineering	5.58	5.33	5.33	5.33	5.33	9.00	9.00	9.00	11.00	14.50
Operations	13.00	13.00	12.00	12.00	12.00	12.00	25.00	31.00	32.00	30.00
Streets	77.75	65.50	70.50	73.02	71.02	64.09	67.50	67.50	73.00	77.50
Leisure Services	63.00	60.00	60.00	61.63	59.13	60.16	63.91	64.38	66.63	65.63
Health and Human Services	18.00	17.00	18.00	21.34	17.53	15.73	16.06	16.53	16.53	17.53
Water	27.00	25.00	26.00	26.00	26.00	32.41	29.08	29.08	28.47	27.41
Sewerage										
Sewer	10.58	10.33	10.33	10.33	10.33	9.08	9.08	11.08	14.48	12.83
Storm	27.09	26.34	34.34	34.34	34.34	26.42	20.09	23.09	22.30	19.76
Solid Waste	-	-	-	-	-	-	-	-	2.50	4.50
Water & Sewer Utility Billing	10.00	9.50	10.00	11.11	11.11	11.11	11.11	11.80	12.05	12.61
Golf	9.00	8.00	8.00	11.35	11.35	11.35	11.35	11.35	11.35	9.60
Total	815.00	765.00	633.00	664.71	630.20	615.81	634.61	662.54	690.04	702.79

Source: City of Kent Financial Planning Department

Notes: A full-time employee is scheduled to work 2,080 hours per year (including paid leave used). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

[a] Beginning 2009, the city began to delay filling vacant employee positions. The 2009 adopted budget was adjusted, due to reductions and reorganization, down by 53 FTEs from 818 FTEs to 765 FTEs.
[b] Full-Time Equivalent (FTE) employees were reduced by 166 Fire Department employees that transferred to the Regional Fire Authority (RFA) on July 1, 2010.
[c] Solid Waste fund was created 10 2016

Schedule 21
City of Kent
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
General government										
Business licenses issued	3,834	3,787	4,183	3,658	5,048	3,767	4,243	4,164	6,113	5,460
Judicial										
Number of court filings[a]	21,285	23,466	20,330	18,377	17,992	18,531	17,184	14,628	14,685	12,663
Public Safety										
Police										
Physical arrests	4,658	4,704	4,249	4,673	4,678	4,778	4,587	4,514	4,673	5,002
Parking violations	2,557	2,295	2,115	2,367	2,272	1,479	2,066	2,037	2,515	2,280
Traffic violations	18,713	18,188	15,343	13,079	12,774	18,531	14,979	13,552	7,836	6,729
School Zone Tickets *	N/A	N/A	N/A	N/A	N/A	N/A	8,366	8,122	9,101	9,342
Community Development										
Building permits issued[b]	1,123	913	1,004	2,074	2,277	2,334	3,789	3,899	4,034	4,160
Building inspections conducted	16,226	15,480	12,883	13,375	14,050	14,067	12,443	12,974	12,333	16,076
Public Works										
Street resurfacing (sq yrds)	156,091	467,777	12,200	26,190	22,488	31,100	48,350	60,944	132,112	100,159
Leisure Services										
Recreation programs offered	2,050	2,050	1,791	2,147	2,096	2,070	2,050	2,158	2,244	2,118
Number of recreation participants[d]	102,939	106,027	73,600	16,705	33,462	24,392	23,143	26,521	27,693	20,706
Health and Human Services										
Citizens served in specialized recreation setting[d]	3,200	3,250	3,150	1,575	1,632	1,512	1,704	1,688	1,639	1,507
Participants in Senior programs/ workshops[d]	22,714	23,395	34,697	14,157	17,115	18,180	20,415	20,410	26,145	26,404
Water										
New connections	171	141	189	136	164	160	135	106	150	136
Average daily consumption (million gallons-estimated)	8	8	8	7.5	7.0	7.1	7.4	7.7	7.3	7.7
Golf										
Number of participants	156,580	156,950	153,750	151,950	153,800	154,100	155,260	155,870	156,220	154,695
Number of tournaments	100	85	83	76	72	63	57	51	53	46
Library										
Number of Items	156,050	151,605	159,246	159,246	159,300	159,173	107,933	112,988	108,686	112,509
Items circulated[c]	N/A	N/A	N/A	N/A	745,994	613,603	550,416	470,680	430,626	392,140

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.

KENT
WASHINGTON

Schedule 22
City of Kent
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	44[b]	51[b]	50[b]	50[b]	51[b]	58[b]	49[b]	47[b]	49[b]	52[b]
Public Works										
Streets (lane miles)	569	725	725	726	726	726	726	726	726	719[d]
Streetlights	5,176	6,573	6,573	6,573	6,600	6,600	6,600	6,600	6,354	6,354
Traffic signals	103	104	119	119	119	119	119	119	120	120
Traffic beacons/advisory devices	*	*	*	57	58	69	70	76	73	93
Leisure Services										
Acres of parks/open space [a]	870	982	1,434	1,434	1,434	1,178	1,178	1,142	1,142	1,142
Parks[c]	90	80	58	58	58	53	53	53	55	55
Miles of trails	19	19	23	23	28	28	28	28	28	28
Ball fields	18	18	21	21	21	21	21	21	21	21
Tennis courts	12	13	15	15	15	15	15	12	12	12
Water										
Water mains (miles)	281	280	280	280	280	280	284	284	287	287
Water customers *	13,061	13,130	13,202	13,327	13,469	13,629	13,810	13,924	14,091	14,177
Reservoir/Tanks	8	8	8	9	9	9	9	9	9	9
Reservoir storage capacity (millions of gallons)	23.3	23.3	21.0	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Sewerage										
Sanitary sewers (miles)	209	209	209	209	215	215	215	215	215	215
Storm sewers (miles)	248	248	248	249	324	324	324	324	324	341
Sewer customers *	26,653	26,876	27,000	15,352	15,552	15,712	15,854	15,949	16,098	16,230
Drainage customers *	16,915	17,051	22,122	24,750	25,100	25,285	25,486	25,624	25,831	26,022
Golf										
18-Hole course (yards)	6,666	6,666	6,701	6,701	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
[d] According to the 2016 Pavement Rating Report

Schedule 23
City of Kent
Kent Special Events Center Public Facilities District
Various Operating Information
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Special Events Center Operations: [1]				
Operating revenues	-	2,150,482	2,032,144	2,075,487
Operating expenditures [2]	700,287	2,602,213	2,430,158	2,563,334
Net operating income/(loss)	(700,287)	(451,731)	(398,014)	(487,847)
Public Facilities District Operations [3]				
PFD Sales Taxes	786,843	576,296	622,136	649,277
Interest income	2,312	1,279	880	646
Expenditures	-	758	-	-
Net revenue available	789,155	576,817	623,016	649,923
PFD direct debt: [4]				
2008 PFD Revenue Bonds	371,006	1,041,038	1,068,663	1,059,272
2008 PFD Sales Tax Bonds [5]	2,021,699	2,675,777	2,675,778	2,675,778
2016 LTGO Bonds allocated to PFD [5]	-	-	-	-
Total direct PFD debt	2,392,705	3,716,815	3,744,441	3,735,050
PFD Direct Debt funding:				
PFD Sales tax revenues [6]	622,828	637,896	615,004	641,973
City advances	-	3,072,613	3,129,437	3,093,077
Other funding	1,769,877	6,306	-	-
Total Funding of Direct Debt	2,392,705	3,716,815	3,744,441	3,735,050

Notes: [1] The Showare Special Events Center is operated by SMG under a contract with the City. This information is from the operating statements of SMG for the events center.

[2] 2008 operating costs are costs incurred prior to the opening of the Showare Events Center

[3] The Public Facilities District is a discretely presented component unit of the City of Kent. As a separate taxing authority, the PFD is authorized to impose a 0.037% sales tax for the purpose of funding debt service on PFD bonds and other obligations issued to finance the Showare Events Center.

[4] Any net operating revenues of the Showare Event Center as well as the PFD sales tax revenues are pledged for repayment of this debt.

[5] In 2016, the City issued LTGO Bonds to refund the City's 2008 LTGO Bonds as well as the 2008 PFD Sales Tax Bonds. Through an interlocal agreement with the City, the PFD is responsible for payment of the share of the refunding bonds allocated to the refunding of the 2008 PFD Sales Tax Bonds.

[6] Debt service payments are made June 1 and December 1 each year. The amount of PFD revenues applied to the debt service is based on actual cash available from net revenues plus an estimate of revenues not yet collected for the fiscal year. Any differences between final actual net revenues and the amount applied to the debt service payment are applied to the next debt payment.

Fiscal Year					
2012	2013	2014	2015	2016	2017
1,824,496	2,199,412	1,989,724	2,357,964	2,759,084	2,766,369
2,532,035	2,577,642	2,742,048	2,619,402	2,914,352	3,114,736
(707,539)	(378,230)	(752,324)	(261,438)	(155,268)	(348,367)
677,937	714,360	784,330	830,283	900,659	916,129
561	300	308	665	1,825	4,017
1,505	-	-	-	-	-
676,993	714,660	784,638	830,948	902,484	920,146
1,062,462	1,136,651	1,120,283	1,205,275	1,277,466	1,345,977
2,675,777	2,675,777	2,675,777	2,675,778	1,337,889	-
-	-	-	-	1,334,603	2,668,000
3,738,239	3,812,428	3,796,060	3,881,053	3,949,958	4,013,977
674,214	707,953	766,236	696,831	880,444	887,946
3,064,025	3,104,475	3,029,824	3,184,222	3,069,514	3,126,031
-	-	-	-	-	-
3,738,239	3,812,428	3,796,060	3,881,053	3,949,958	4,013,977

continued

Schedule 23
City of Kent
Kent Special Events Center Public Facilities District
Various Operating Information
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
City Event Center Operations:				
Admissions tax	-	290,156	199,199	193,900
Other revenues/sources	-	-	42,376	-
Expenditures	700,287	615,792	842,763	477,634
Net operating income (loss) [8]	(700,287)	(325,636)	(601,188)	(283,734)
City debt related to Events Center				
2008 LTGO Bonds-Series A	18,816	253,740	253,740	318,130
2008 LTGO Bonds-Series B	3,963	262,840	959,650	183,050
2016 LTGO Refunding- Series B	-	-	-	-
Internal Loans [7]	-	-	-	-
Total related debt	22,779	516,580	1,213,390	501,180
Total City Funding				
City Advances for PFD debt	622,828	637,896	615,004	641,973
Events Center net (income)loss	700,287	325,636	601,188	283,734
Related debt costs	22,779	516,580	1,213,390	501,180
Total City Funding	1,345,894	1,480,112	2,429,582	1,426,887

Notes [7] The City funded $9.7 million of construction and equipping costs for the Showare Center through the City Capital Resources Fund. In 2012, Council approved internal loans from the Water, Sewer and Insurance Funds to cover these costs. The internal loans are being repaid over a period not to exceed ten years from a two percent tax on City utility sales.

[8] The City transferred funds into the Showare operating fund to cover the accumulated deficits and pre-fund future maintenance needs: $500,000 in 2013, $3,200,000 in 2014 and $1,000,000 in 2015.

Fiscal Year					
2012	2013	2014	2015	2016	2017
281,458	251,405	256,124	375,049	385,546	347,109
-	-	-	46,524	462,443	208,118
1,106,422	471,684	980,046	104,330	1,097,457	983,406
(824,964)	(220,279)	(723,922)	317,243	(249,468)	(428,179)
344,424	330,180	333,788	391,766	254,864	123,819
-	-	-	-	-	-
-	-	-	-	1,334,603	2,668,000
-	1,178,131	1,243,121	1,301,516	1,325,005	1,464,068
344,424	1,508,311	1,576,909	1,693,282	2,914,472	4,255,887
674,214	707,953	766,236	696,831	880,444	887,946
824,964	220,279	723,922	(317,243)	249,468	428,179
344,424	1,508,311	1,576,909	1,693,282	2,914,472	4,255,887
1,843,602	2,436,543	3,067,067	2,072,870	4,044,384	5,572,012

Concluded

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