

Comprehensive Annual Financial Report

City of Kent, Washington

For the Fiscal Year Ended
December 31, 2016





Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2016

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



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 27, 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, 2016. 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. It now serves 124,435 residents.

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

The City of Kent provides a full range of governmental services. At December 31, 2016, the City of Kent had 690 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 201 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

City of Kent Finance Department

the greater Kent area. It ensures human service resources are delivered effectively and efficiently to Kent residents by developing and implementing policies that guide the funding of human service programs, providing housing assistance, and participating in regional and local issues affecting Kent residents. The department also operates a senior center for social and recreational programs as well as an 18-hole and par-3 golf course, and driving range. In the cultural area, the City has established cultural arts and sports programs. The Kent Special Events Center Public Facilities District is included in this report as a 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 2016 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 2,000 employees, the Boeing Company (aircraft manufacturer) with 2,000 employees, REI Inc. (a recreational clothing and equipment retailer) with 1,657 employees, Carlisle Interconnect Technologies (electronic component manufacturing) with 850 employees, Blue Origin with 750 employees, Exotic Metals Forming (aircraft parts manufacturer) with 675 employees, and Coho Distributing (a beverage distributor) with 620 employees.

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

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. The City of Kent receives approximately \$5 million annually due to the sourcing loss.

In March 2015 the Puget Sound Regional Council issued its Industrial Lands Analysis report. This report provided an updated assessment of the economic activity on industrial land in the central Puget Sound region, including an analysis of industry forecasts and the regions ability to accommodate economic growth on industrial lands. According to the report, the \$5 million mitigation from the State is equal to 39% of the estimated annual sourcing loss of \$12.7 million cited in the report. The sourcing loss determination conducted by the State was based on

comparison fiscal year 2008 and 2009 activities and did not include an adjustment factor for subsequent recovery and growth in sales tax revenues.

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 potential loss of state shared revenues, including the streamlined sales tax mitigation discussed above, could result in a negative impact of over \$12 million, or about 12.5%, 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 2018 mid-biennium budget process and in the coming 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.

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 new biennial budget process in 2013 which complements longer-term planning. In 2015 the City established an 18 member resident Financial Sustainability Task Force charged with representing, educating, and engaging the community to provide detailed recommendations to the mayor and city council regarding the city's long-term financial sustainability. The Task Force presented their findings to the City Council in early summer 2016 and those findings helped guide the 2017 – 2018 budget process.

The City recognized the revenue limitations associated with the budget, both in amount and source. Property tax collections are capped at 1% growth, plus new construction, and the City's other revenues such as Real Estate Excise Tax and Sales Tax while improving, are volatile, and the City budget reflects a realistic, albeit slightly conservative, budget approach to these sources. Along with budgeting realistic revenues, the City also budgets realistic expenditure levels which maintain service levels as well as contractual and debt obligations first and new programs or expansion of service levels only as resources permit.

The City, at the request of the City of Kent's Public Facilities District (PFD), defeased the PFD's \$53 million Sales Tax bond and formally took that debt onto the City's books. The PFD, an independent entity from the City, issued bonds in 2008 to construct the City of Kent Event Center (ShoWare Center) and through agreement the City is financially responsible for debt service payment the PFD is unable to pay. To date, the PFD has contributed only a small portion to the payment of this bond and the City assumes that trend will continue through the life of the bond, which will be retired in 2037. The refunding saved approximately \$8 million in interest costs on this bond. Under the terms of an Interlocal Financing Agreement, the PFD has given the City a Note Payable for the amount of the defeased PFD bonds. The City assumes that the PFD is unlikely to be able to repay the City and the City carries an allowance for doubtful accounts for the amount of the note and is anticipating a future write-off of the debt owed to the City from the PFD.

Actual revenue collections in 2016 exceeded budget in all fund classifications while expenditures came in at or below budgeted levels. This resulted in slightly over a \$16.6 million increase in fund balances for the City's governmental funds over 2015 levels. The improved financial standing of the City resulted in a bond rating upgrade from both Standard & Poor's (from an AA rating to a AA+) and Moody's (from a A2 rating to an A1) rating agencies.

In 2016 the City continued to look for ways to improve financial reporting. The City's Budget Document was significantly updated and revised based on the Government Finance Officers Association (GFOA) best practices. The resulting 2017 – 2018 Biennium Budget was submitted to GFOA for consideration of their Distinguished Budget Presentation award. The City also began the process of creating our first ever Debt Manual which was completed in spring 2017. The Debt Manual provides City residents, elected officials, and staff with information on the City's outstanding debt obligations.

The City of Kent has surplusd approximately 20 acres of land known as the Riverbend Golf Course – Par 3 site. The negotiated sale price of the land is \$10.5 million dollars and is expected to close in later 2017. Please see Note 20 for more detailed information.

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 2016, the City reported on 25 individual funds. These are summarized into seven standard fund types to comply with the aforementioned standards of the Governmental Accounting Standards Board. The individual funds, in addition to being the basis of the accounting system, provide the legal budgetary control level for City expenditures. Certain funds operate on an annual budget. Other funds are project oriented or controlled by bond indentures or state law. 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 to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The 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 unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2016, 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

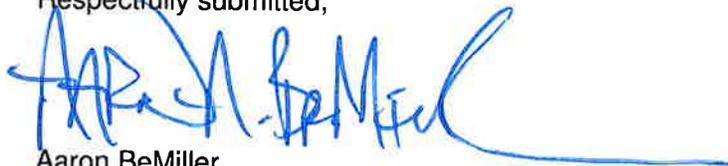
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kent for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. That was the 15th year the 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

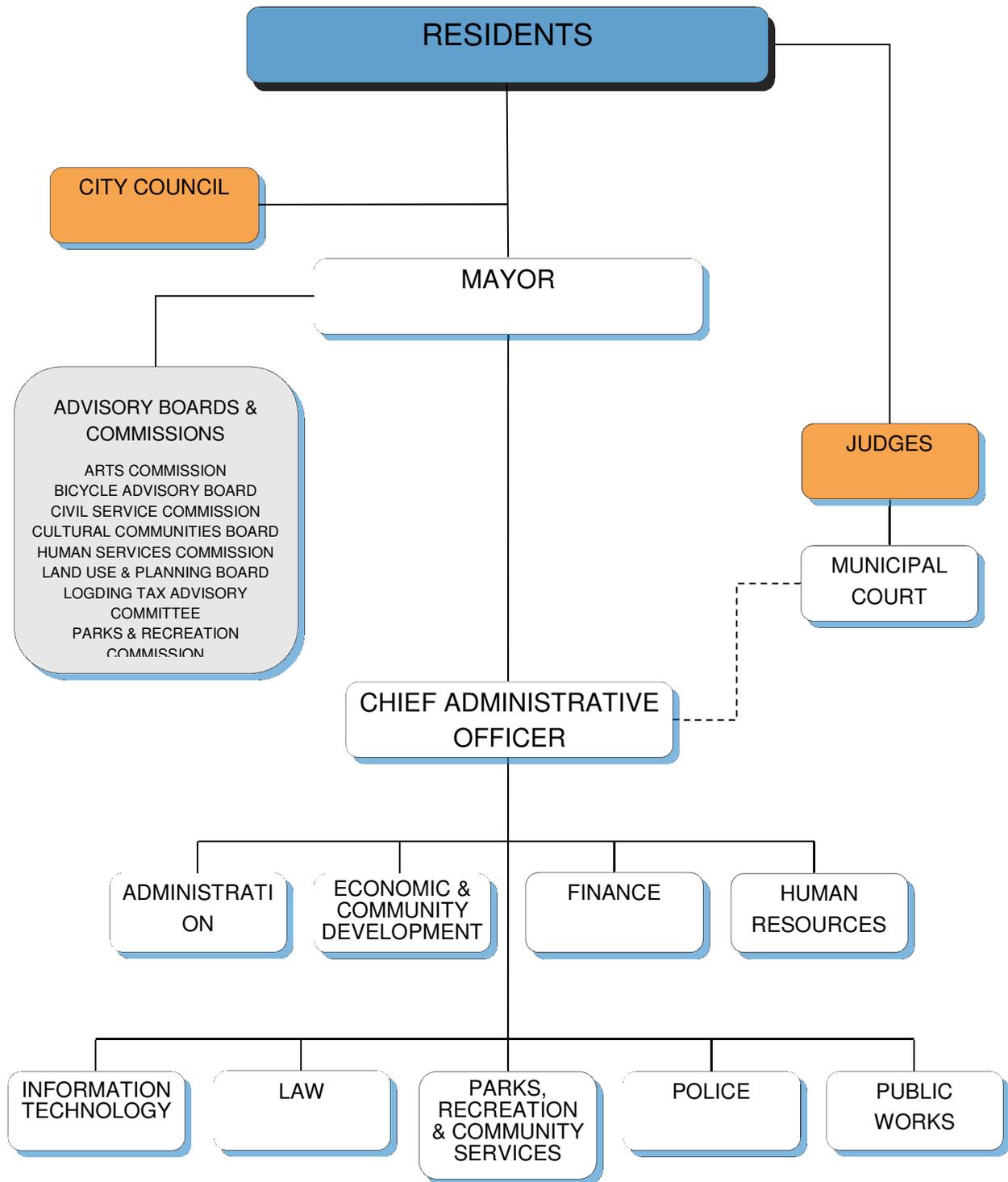
**City of Kent
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, which appears to read 'Jeffrey R. Emen', is positioned above the title of the signatory.

Executive Director/CEO



PRINCIPAL OFFICIALS

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

	Term Expiration
MAYOR	
Suzette Cooke	12-31-2017
COUNCIL MEMBERS	
Bill Boyce, President	12-31-2019
Jim Berrios	12-31-2017
Tina Budell	12-31-2019
Brenda Fincher	12-31-2017
Dennis Higgins	12-31-2017
Dana Ralph	12-31-2019
Les Thomas	12-31-2019

GENERAL GOVERNMENT

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

PARKS AND RECREATION

Julie Parascondola, Parks, Recreation and Community Services Director

PUBLIC SAFETY

Ken Thomas, Police Chief

ECONOMIC AND COMMUNITY DEVELOPMENT

Ben Wolters, Economic and Community Development Director

PUBLIC WORKS

Tim LaPorte, Public Works Director



Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 27, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kent, King County, Washington, as of December 31, 2016, 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 on pages 5 through 22, information on postemployment benefits other than pensions on page 111 and pension plan information on pages 112 through 117 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 119 through 168 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA



Management's Discussion and Analysis For the Year Ended December 31, 2016

City of Kent

As management of the City of Kent, Washington (the City), we offer this narrative overview and analysis of the financial activities of the City of Kent for the fiscal year ended December 31, 2016. 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 – A9 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 (\$1.13 billion) increased by \$107.2 million or 10.5 percent from 2015 restated levels, comprised of a \$97.2 million or 14.4 percent increase resulting from governmental activities and a \$10.0 million or 2.9 percent increase from business-type activities. Approximately \$114.9 million or 10.2 percent of the total net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City issued \$64.6 million in LTGO Bonds in 2016. Series A of the bonds (\$15.5 million) refunded \$16.9 million of 2008 LTGO Bonds, while Series B (\$49.1 million) defeased \$53.2 million of 2008 Sales Tax Bonds issued by the Public Facilities District.
- Since the City issued LTGO debt to replace the Sales Tax Bonds of the Public Facilities District, the City's Contingent loan guarantee obligation dropped from \$71.6 million to \$5.0 million. This \$66.6 million reduction is shown as a special item on the statement of activities.
- Non-current liabilities (\$209.3 million) decreased by \$9.4 million or 4.3 percent from 2015 levels with an increase of \$7.3 million in the net pension liability, and the new bonds offset by 2015 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

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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

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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 15 individual governmental funds. Information is provided separately for six funds that the City considers to be major funds, and combines the other 9 funds into one column for a single aggregated report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The six major funds are the General Fund, Capital Resources Fund, Special Assessments Fund, Non-Voted General Obligation Debt Fund, Street Capital Projects Fund and Other Capital Projects Fund.

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

The governmental major funds financial statements are found on pages 26-35 of this report.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the activities that are business-like in nature, and are included in the business-type activities in the government-wide financial statements. Enterprise funds primarily serve customers outside of the governmental unit. The City maintains four Enterprise funds: (1) Water Fund, (2) Sewerage Fund (Sewer and Storm Drainage utilities), (3) Solid Waste Utility 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). Since these services mainly benefit governmental rather than business-type functions, their assets and liabilities have been included within governmental activities in the government-wide statement of net position, but their functions are prorated as to their usage between governmental and business-type activities in the government-wide statement of activities.

Proprietary funds provide detailed information of the same type of information found in the government-wide financial statements. The City reports each enterprise fund as a major fund, and includes the internal service funds in a single column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 136-143.

The proprietary fund financial statements can be found on pages 36-45 of this report.

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

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The basic fiduciary fund financial statements can be found on pages 46-47 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 50-110 of this report.

Other information. This report also includes required supplementary information concerning the City of Kent's employer contributions, money-weighted rate of return, and changes in net pension liability and related ratios for its Firemen's Relief and Pension Fund as well as certain required information for other pension plans. In addition, it provides information on the funding of the other post-employment benefits (including long-term care). This information can be found on pages 111-117 of this report.

Combining statements for non-major governmental funds are also presented on pages 120-127 immediately following the other information mentioned above. Included with the combining statements are budgetary comparison schedules for the various non-major special revenue funds, which are found on pages 128-133. The combining statements for the agency funds are found on pages 147-152 of this report.

Additionally, budgetary comparison schedules for three funds separately budgeted but combined into the General Fund for financial reporting are included on pages 154-156 as well as supplementary schedules for governmental capital assets, additional information on transfers between funds and additional information on changes in long-term liabilities on pages 158-167.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following table reflects the condensed Statement of Net Position of the City for December 31, 2016, compared to the prior year.

CITY OF KENT'S NET POSITION

As of December 31*

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other Assets	\$ 119,659	\$ 106,989	\$ 64,608	\$ 58,026	\$ 184,267	\$ 165,015
Capital Assets	754,825	750,042	354,789	350,323	1,109,614	1,100,365
Total Assets	874,484	857,031	419,397	408,349	1,293,881	1,265,380
Deferred Outflows	66,380	5,273	1,570	646	67,950	5,919
Total Assets & Deferred Outflows	940,864	862,304	420,967	408,995	1,361,831	1,271,299
Liabilities						
Other liabilities	13,458	13,892	2,233	2,320	15,691	16,212
Long-term liabilities	149,704	161,635	59,638	57,115	209,342	218,750
Total Liabilities	163,162	175,527	61,871	59,435	225,033	234,962
Deferred Inflows	5,974	12,205	136	633	6,110	12,838
Total Liabilities & Deferred Inflows	169,136	187,732	62,007	60,068	231,143	247,800
Net Position						
Net Investment in Capital Assets	704,250	694,789	305,688	298,203	1,009,938	992,992
Restricted	4,870	6,132	1,026	1,071	5,896	7,203
Unrestricted	62,608	(26,349)	52,246	49,653	114,854	23,304
Total Net Position	\$ 771,728	\$ 674,572	\$ 358,960	\$ 348,927	\$1,130,688	\$1,023,499

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2016, assets and deferred inflows exceeded liabilities and deferred outflows by \$1,130.7 million.

By far the largest portion of the City of Kent's net position (\$1,009.9 million or 89.3 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, site improvements, and equipment) less depreciation and any related outstanding debt used to acquire or construct those assets. The City of Kent uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets and they are therefore not available for future spending. Although the City of Kent's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

Of the City of Kent's net position, \$5.9 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, \$114.9 million (10.2 percent), may be used to meet the city's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased \$91.6 million in fiscal year 2016.

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

CITY OF KENT'S CHANGES IN NET POSITION

For the Years Ended December 31*

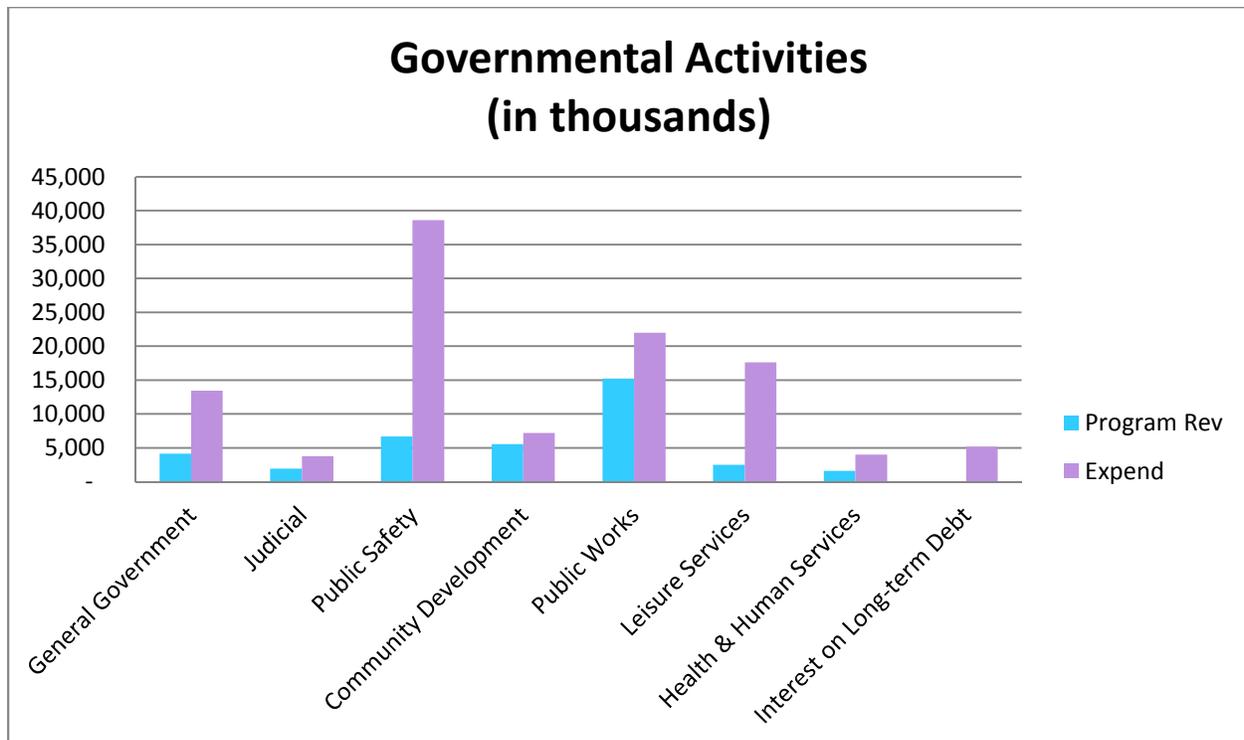
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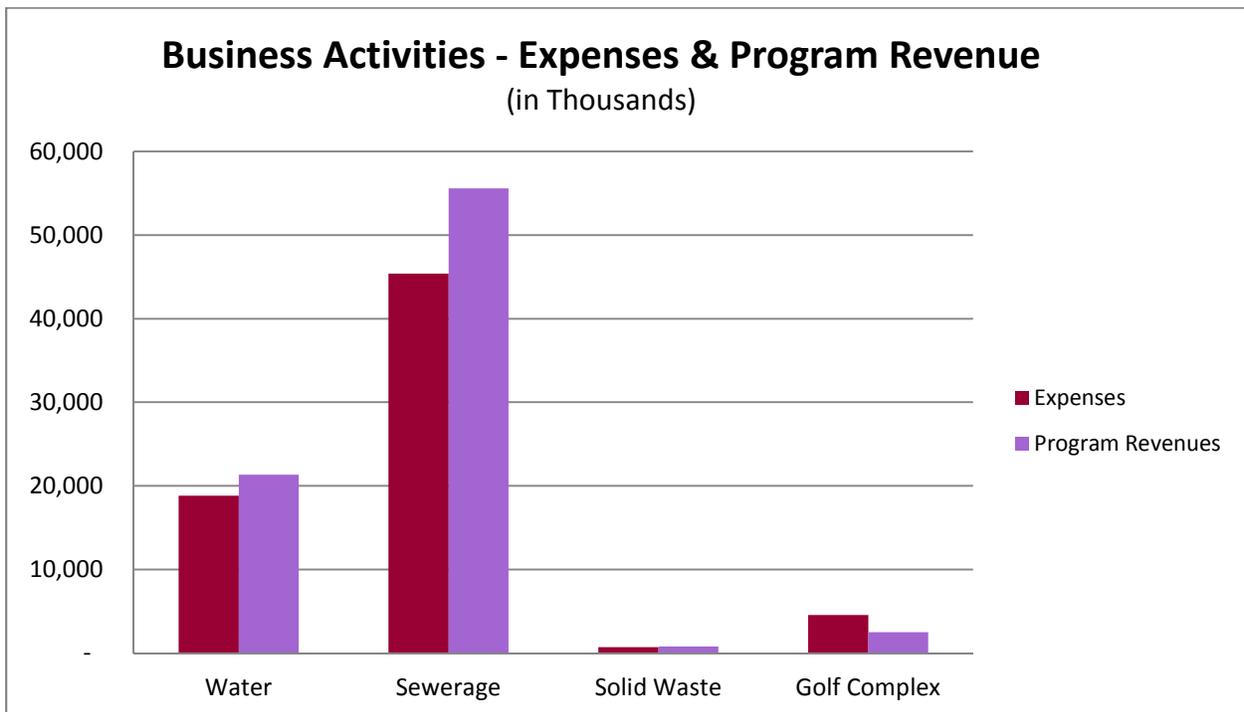
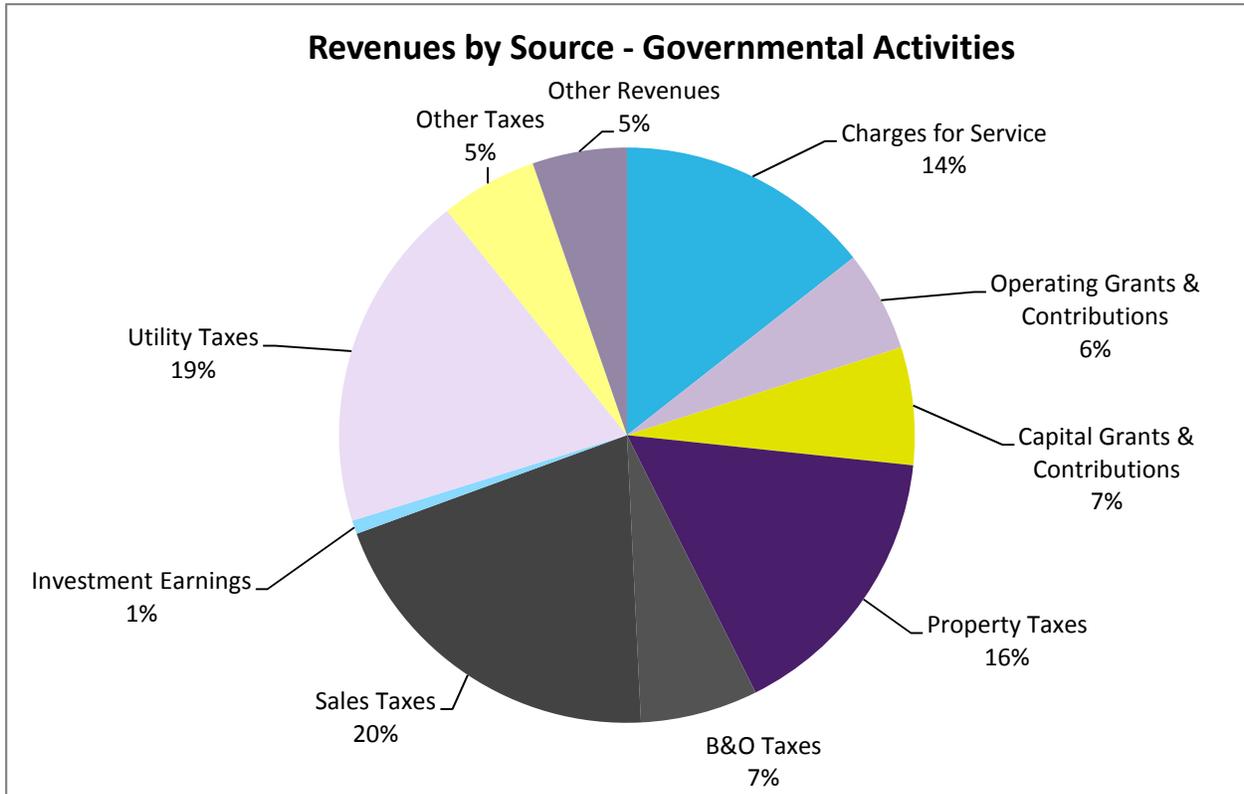
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Service	\$ 20,341	\$ 19,705	\$ 69,505	\$ 68,024	\$ 89,846	\$ 87,729
Operating Grants	7,982	7,021	1,023	234	9,005	7,255
Capital Grants	9,351	5,256	9,629	10,057	18,980	15,313
General Revenues:						
Taxes:						
Property Taxes	22,557	21,999	-	-	22,557	21,999
Sales Taxes	28,551	26,654	-	-	28,551	26,654
Utility Taxes	26,923	26,377	-	-	26,923	26,377
Business & Occupation Taxes	9,311	7,656	-	-	9,311	7,656
Other Taxes	7,683	7,738	-	-	7,683	7,738
Unrestricted Grants	6,600	6,417	-	-	6,600	6,417
Investment Earnings	1,074	1,243	357	98	1,431	1,341
Miscellaneous	909	(1,528)	-	-	909	(1,528)
Total Revenues	141,282	128,538	80,514	78,413	221,796	206,951

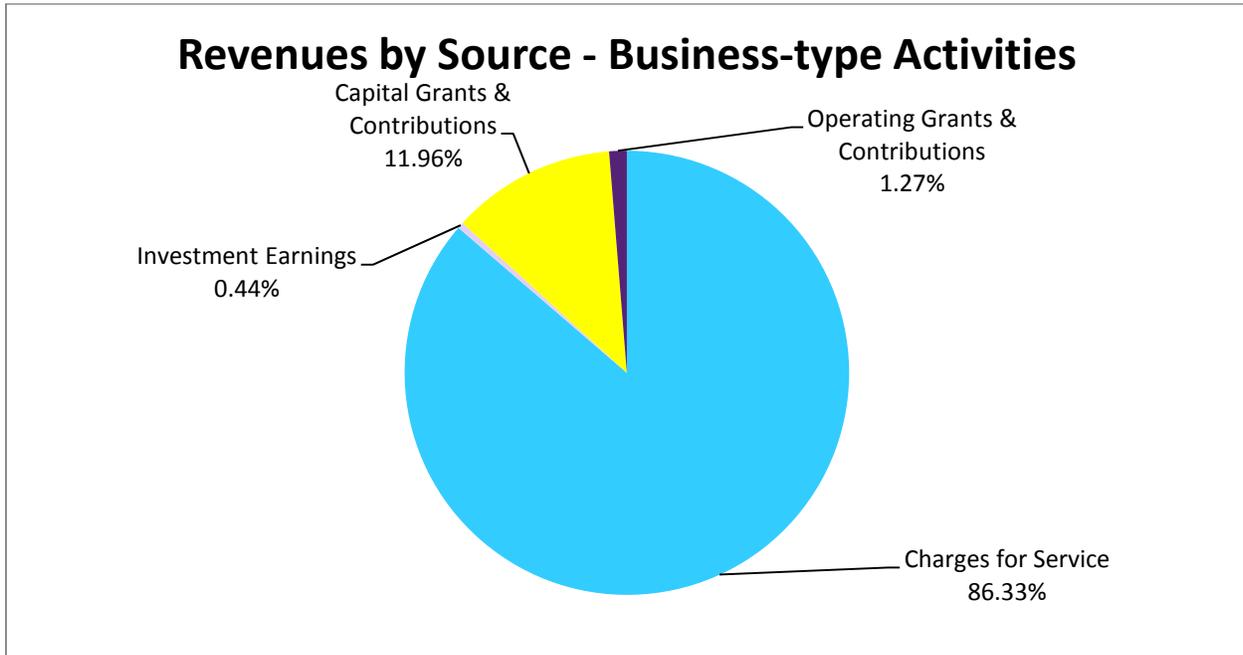
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	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Expenses:						
General Government	13,430	9,212	-	-	13,430	9,212
Judicial	3,771	2,972	-	-	3,771	2,972
Public Safety	38,593	41,189	-	-	38,593	41,189
Community Development	7,178	5,535	-	-	7,178	5,535
Public Works	22,003	18,804	-	-	22,003	18,804
Leisure Services	17,603	16,859	-	-	17,603	16,859
Health & Human Services	4,003	5,893	-	-	4,003	5,893
Interest on Long-Term Debt	5,195	2,501	-	-	5,195	2,501
Water Utility	-	-	18,828	17,157	18,828	17,157
Sewerage Utility	-	-	45,413	41,405	45,413	41,405
Solid Waste Utility	-	-	687	-	687	-
Golf Complex	-	-	4,560	3,055	4,560	3,055
Total Expenses	111,776	102,965	69,488	61,617	181,264	164,582
Increase in Net Position before						
Transfers & Special Item	29,506	25,573	11,026	16,796	40,532	42,369
Transfers	993	127	(993)	(127)	-	-
Special Item	66,657	-	-	-	66,657	-
Change in Net Position	97,156	25,700	10,033	16,669	107,189	42,369
Net Position – January 1	674,572	648,872	348,927	332,258	1,023,499	981,130
Net Position – December 31	\$ 771,728	\$ 674,572	\$ 358,960	\$ 348,927	\$ 1,130,688	\$ 1,023,499







Governmental activities. Governmental activities net position increased \$97.2 million (14.4 percent over the 2015 net position) in fiscal year 2016. Some key revenue and expenditure highlights of governmental activities for fiscal year 2016 are as follows:

- *Taxes* – Property Taxes (\$22.6 million), Sales & Use Taxes (\$28.6 million), Utility Taxes (\$26.9 million), and Business & Occupation Taxes (\$9.3 million) increased by \$0.6 million or 2.5 percent, \$1.9 million or 7.1 percent, \$0.5 million or 2.1 percent, and \$1.7 million or 21.6 percent, respectively as the economy continues slow growth. The City began collecting business & occupation taxes in 2013 and is continuing a strong education program, coupled with enforcement efforts to educate businesses on this new tax.
- *Charges for Service program revenues* (\$20.3 million) increased by \$.6 million or 3.2 percent.
 - General Government decreased \$.6 million (14.7 percent) while Public Works increased \$.4 million (16.1 percent) primarily due to the reclassification of the Internal Service Fund outside revenues for charges to the regional fire authority for building maintenance and other services provided by the City from general government to public works.
 - Public Safety increased \$.5 million (15.1 percent) due to increased fire plan reviews and increased fines, especially school zone camera fines.
 - Community Development increased \$.6 million (12.6 percent) due to increased building permit revenues and plan check fees.
- *Grants and Contributions* –operating grants and contributions increased \$1.0 million (13.7 percent) and capital grants increased by \$4.1 million (77.9 percent). The increase in operating grants and contributions was primarily in public works due to a grant for regional trail maintenance and health & human services due to higher block grant revenues. The increase in capital grants and contributions is primarily in public works due to new grants for street construction projects.

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- Governmental Activities expenses increased \$8.8 million (8.6 percent) with General Government, Judicial, Community Development, Public Works, and Leisure Services increasing \$4.2 million, \$0.8 million, \$1.6 million, \$3.2 and \$0.7 million respectively with Public Safety and Health & Human Services decreasing \$2.6 million and \$1.9 million respectively. Interest on long-term debt increased \$2.7 million with higher debt payments in 2016.
 - *General Government expenses* (\$13.4 million) increased by \$4.2 million or 45.8 percent as compared to 2015. Salaries and benefits increased \$1.3 million primarily due to a 1.1 percent COLA as well as a full year of salaries and benefits for staff added in 2015. Commodities increased \$0.2 million primarily due to the purchase of computers and software, and contractual services increased \$2.7 million. Significant increases in contractual services include a \$0.8 million settlement paid to a developer and \$0.7 million in increased internal service allocations.
 - *Public Safety expenses* (\$38.6 million) decreased \$2.6 million. Salaries and benefits decreased \$4.2 million due to a \$5.7 million reduction in pension expense with the reallocation of pension expense (see note 1.i on page 161) offset by 3.6 percent wage increase. Contractual services increased \$1.4 million with higher expenditures in multiple accounts, including internal charges for computer services and liability insurance.
 - *Community Development* (\$7.2 million) increased \$1.6 million mostly in salaries and benefits with the 1.1 percent COLA and \$1.1 million higher pension expense allocation.
 - *Public Works expenses* (\$22.0 million) increased \$3.2 million due to increased salary and benefits including a \$3.1 million adjustment to pension expense with the reallocation of the closed pension plans.

Business-type activities. Business-type activities net position increased \$10.0 million (2.9 percent increase from the 2015 net position) in fiscal year 2016. Key highlights of the change in net position are as follows:

- *Charges for Service (Operating Revenues)* (\$69.5 million) increased by \$1.5 million or 2.2 percent. While the water utility rates did not change in in fiscal year 2015 or 2016, the Sewer utility had a four percent increase in the City's rate in 2016, with no increase in the pass through rate from King County METRO. The drainage fees did not change from the previous year. The Solid Waste Fund was created in 2016 by pulling in operating revenues and expenses previously in the General Fund and grants previously in the Environmental Mitigation Fund. The Golf Complex charges for service revenues decreased 6.9 percent with a decrease in rounds played from the previous year. Refer to the analysis of the Proprietary Funds for further detail.
- *Operating Grants/Contributions* (\$1.0 million) increased by \$0.8 million with higher non-operating revenues in 2016 in the Sewer Fund and the addition of the Solid Waste Fund.
- *Capital Grants/Contributions* (\$9.6 million) decreased \$0.4 million (4.3 percent). While the Water Fund increased \$1.2 million due to increased capital contributions and connection and system development fees, the Sewerage Fund decreased \$1.6 million with lower grant monies received from the State Department of Ecology and King County for drainage infrastructure.

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- *Expenses* – Water fund expenses (operating and non-operating) (\$18.8 million) increased \$1.6 million (9.5 percent) while Sewerage Fund expenses (\$45.4 million) increased \$4.0 million (9.6 percent) and the Golf Complex expenses (\$4.6 million) increased \$1.5 million (49.3 percent). As noted earlier, the Solid Waste Fund was created in 2016. Refer to the analysis of the Proprietary Funds for further detail.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

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

At the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of \$63.5 million, an increase of \$16.6 million in comparison with the prior fiscal year balances. Of this amount, the unassigned fund balance is \$12.0 million, up \$6.6 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 (\$25.3 million), 3) committed for particular purposes (\$14.6 million), or 4) assigned for particular purposes (\$11.5 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 \$23.9 million, representing a \$5.3 million or 28.7 percent increase from 2015. 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 \$4.6 million (5.0 percent) from the previous year, generally due to continued economic growth. The major changes are discussed below.
- Property taxes of \$22.5 million were up \$0.5 million from the previous year primarily due to increased assessed values.
- Sales and use taxes (\$19.8 million) increased \$1.2 million (6.6 percent) with continued economic growth.
- Business and occupation taxes (\$9.3 million) increased \$1.7 million from the previous year with additional staff to continue the education and enforcement program for this relatively new tax.
- Other licenses and permits, showed a \$0.5 million increase in 2016, primarily in business licenses with stronger enforcement, while charges for service and fines and forfeitures experienced small decreases.

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- General Fund expenditures increased \$1.4 million (1.9 percent) from the previous year with the largest increases in public safety (\$1.9 million increase), general government (\$1.5 million increase) and leisure services (\$0.9 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 increase in general government is primarily in salaries and benefits with a 1.1 percent COLA in 2016. The increase in leisure services is primarily due to an increase in maintenance projects at the ShoWare Center.

Other major funds are the *Capital Resources Fund*, the *Special Assessments Fund*, the *Non-voted General Obligation Debt Fund*, the *Street Capital Projects Fund* and the *Other Capital Projects Fund*. Analysis of changes in net position from 2015 levels:

- *Capital Resources Fund*. Fund balance increased by \$5.6 million with the fourth year of a plan to rebuild fund balance in this fund by dedicating portions of certain revenues to this fund, as well as a budgeted transfer of \$1.0 million from the general fund in 2016. The primary revenue sources for the Capital Improvement Fund are sales and use tax, utility tax and real estate excise tax. Sales taxes and utility taxes both increased in 2016 while real estate taxes remained substantially even. The B&O tax is all reported in the general fund and a portion is transferred to the capital resources fund. The B&O tax transferred into this fund in 2016 was \$1.6 million higher than the 2015 transfers. This fund is responsible for transfers to the debt service fund for the General Fund debt service payments, which accounts for \$6.8 million of the \$12.2 million in 2016 transfers out. The balance of the transfers out were generally to fund various capital projects.
- *Special Assessments Fund*. Fund balance decreased by \$0.9 million as funds were transferred to fund capital projects being constructed for the LIDs. Revenue in the fund is primarily collected from property owners for special assessments related to their property and that money is used for payment of debt service related to those assessments as well as transfers to capital projects being funded by special assessments. In 2016, revenues decreased \$0.4 million from 2015 revenues due to improvement districts being completed and closed. Transfers out to capital projects decreased \$1.8 million after large transfers were processed in 2015.
- *Non-voted General Obligation Debt Fund*. This fund pays the principal and interest payments on non-voted general obligation debt of the City. Funding is transfers in from various operating funds as well as, beginning in 2016, intergovernmental revenues from the Public Facilities District (a discretely presented component unit of the City) to be applied to the debt service on the 2016 LTGO Refunding Bonds. The City issued 2016 LTGO Refunding Bonds causing \$76.9 million in other financing sources and \$76.5 million in other financing uses in 2016.
- *Street Projects Fund*. Fund balance decreased \$1.3 million to \$10.3 million. Revenues increased \$1.9 million primarily due to grants. Expenditures on capital projects increased \$6.9 million.
- *Other Capital Projects Fund*. This capital projects fund accounts for the resources and payments for miscellaneous general government projects and related improvements. The fund's resources include bonds, interfund loans and transfers. In 2016, the sources include \$1.3

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million transfer in from the capital resources fund of the internal utility tax which is dedicated for pay down of internal debt.

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 (\$359.0 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 \$2.4 million or 1.9 percent over the 2015 net position. This increase was due to net operating income of \$1.5 million, less non-operating net expenses of \$0.8 million, plus capital contributions of \$2.0 million. Operating revenues remained substantially unchanged from 2015 levels. Operating expenses increased \$1.7 million or 11.0 percent. Depreciation expense increased \$2.9 million after several large projects were capitalized in 2015. Benefits also increased \$0.9 million due to a reallocation of pension expense. Services and charges expenses decreased \$2.4 million after the 2015 review of capital projects resulted in several projects being expensed, rather than capitalized, thus resulting in higher 2015 expenses. The operating income for 2016 was \$1.5 million as compared to \$3.3 million in 2015. Capital contributions increased \$.8 million with higher developer contributed capital and system development fees.
- *Sewerage Fund.* Fiscal year 2016 net position increased by \$9.6 million or 4.5 percent over the 2015 net position. While operating revenues increased \$1.2 million (2.5 percent), operating expenses increased \$4.0 million (9.9 percent) compared to 2015. A four percent rate increase was effective January 1, 2016 for single family sewer fees with no change in the pass through rate from King County METRO. There was no change to the storm drainage fees in 2016. Salary and benefits increased \$1.7 million in 2016 with \$1.3 million due to the reallocation of pension expenses. Depreciation expense increased \$1.2 million with the capitalization in 2015 of several large projects. Services and charges expenses also increased \$1.2 million with \$.5 million in increased METRO charges and generally increasing costs.
- *Solid Waste Fund.* The Solid Waste Fund was created in 2016 pulling revenues and expenditures previously in the General Fund and the Environmental Mitigation Fund.
- *Golf Complex.* Net position decreased by \$2.1 million from the 2015 net position. Operating revenues decreased \$0.2 million (7.0 percent), while expenses increased by \$1.5 million or 49.0 percent due to the reallocation of the pension liabilities. Without the pension adjustments, the facility continues to have a net operating loss in 2016.

Additional information on the City of Kent's Enterprise funds can be found in Note 11 on page 81 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The General Fund's expenditure budget, including transfers out, was increased by \$4.4 million from the original budget.

Management's Discussion and Analysis For the Year Ended December 31, 2016

City of Kent

- An adjustment of \$560,020 was made to the Police budget to cover the costs of a 3.6 percent wage increase effective January 1, 2016 with the signing of a new three year contract.
- An adjustment of \$125,000 was made to the Economic and Community Development (ECD) budget to carry over expenditure authority for several previously awarded contracts, including retail retention strategy, downtown strategic action plan implementation, and economic development strategic planning.
- The ECD budget was also increased \$110,000 for a contract with Sound Transit for use of the transit center parking garage. These costs are passed through to local business.
- An adjustment of \$90,820 was made to the Leisure Services budget to carryover expenditure authority for the YMCA feasibility study, parks plan update and human service agency funding. The contracts were previously awarded, but the work was not fully completed in 2015.
- The Leisure Services and Health and Human Services budgets were also increased by \$31,375 for various grants. This increase is offset by grant revenues.
- An adjustment of \$61,400 was made to the general government (Human Resources) budget for the addition of a HR Business Strategy and Performance Analyst position authorized by Council in May 2016.
- An adjustment of \$523,730 was made to the budget for Street and Criminal Justice allocations for the annexation budget.
- Transfers out were increased by \$2.8 million to transfer increased B&O tax revenues to the Capital Resources Fund.

CITY OF KENT'S GENERAL FUND BUDGET ACTIVITY BY FUNCTION For the Year Ended December 31, 2016

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 9,226,380	\$ 268,692	\$ 9,495,072
Judicial	3,041,440	600	3,042,040
Public Safety	37,532,930	841,320	38,374,250
Community Development	5,790,770	235,800	6,026,570
Public Works	1,436,120	-	1,436,120
Leisure Services	11,139,090	154,550	11,293,640
Health & Human Services	5,459,840	46,113	5,505,953
	\$ 73,626,570	\$1,547,075	\$ 75,173,645

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

- *Taxes.* Actual tax collections were \$1.7 million over budget. While most tax classifications were above budget, sales and use tax comprised the majority of the overage at nearly \$1.2 million or 6.3 percent over budget. The increased collections are largely the result of a strengthening economy.

Management's Discussion and Analysis For the Year Ended December 31, 2016

City of Kent

- *Licenses and Permits.* Licenses and permits were \$1.1 million or 22.0 percent over budget. Both building permits and other licenses and permits ended the year above budget, largely as a result of increasing development activity.
- *Charges for Services.* Charges for services were \$0.7 million or 15.0 percent above budget largely in planning related fees.
- *Functional Expenditures.* Overall, salaries and benefits ended the year slightly under budget (\$118,500 or 0.3 percent). Departments continue to closely monitor supplies and services expenditures to maintain savings wherever possible, so all of the general fund functions, except Judicial and Public Safety, had budget savings in fiscal year 2016.
 - *General Government Expenditures.* The general government expenditures were \$381,474 or 4.0 percent under budget with small savings in various divisions and accounts.
 - *Community Development Expenditures.* Saved \$504,806 (8.4 percent), primarily salary and benefits as well as in other professional services for consulting contracts that were awarded and begun in 2016, but the work is not fully completed.
 - *Public Works Expenditures.* Public works had \$162,256 (11.3 percent) in budget savings due to lower internal allocations to annexation.
 - *Leisure Services Expenditures.* Were \$467,451 below budget with savings in animal control costs and various other programs.
 - *Health and Human Services Expenditures.* Had budget savings of \$228,920 including lower part-time wages and various other expenditures throughout the programs.
 - *Judicial Expenditures.* Exceeded budget by \$37,175 primarily due to increased part-time wages and overtime as well as drug screening costs in probation services.
 - *Public Safety Expenditures.* Exceeded budget by \$208,221 due to increased overtime, offset by budget savings in tools and minor equipment, uniforms and prisoner food costs.

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, 2016, were \$1.1 billion (net of accumulated depreciation), comprising 85.8 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:

City of Kent

Governmental Activities:

- *Infrastructure.* During 2016, infrastructure increased as streets projects were closed and capitalized totaling \$49.8 million. In addition, the City received developer contributions totaling \$2.1 million. The annual depreciation of \$12.0 million was also recorded resulting in the net increase to infrastructure of \$39.9 million as compared to 2015. Some significant projects capitalized in 2016 include \$30.4 million for LID 353 – 224th-228th Corridor, \$6.7 million for 272nd Street Extension, \$4.2 million Central Ave street project, \$2.3 for LED Street Lighting Conversion and \$2.3 million for BNSF Grade Separation.
- *Land.* Land assets were increased by \$4.2 million in 2016 with the purchase of \$1.3 million in parks land and \$2.9 million for streets projects.
- *Buildings.* Buildings decreased \$2.5 million in 2016 with \$1.0 million in additions less \$3.5 million 2016 depreciation expense.
- *Site Improvements.* Net site improvements decreased by \$0.9 million as compared to 2015 with \$1.6 million in additions (Regional Trails Connector project) and \$2.5 million in 2016 depreciation.
- *Equipment.* Net equipment increased by \$.2 million in 2016. This was additions of \$2.5 million less net disposals of \$41,835 and depreciation of \$2.3 million. The additions include \$1.7 million in various fleet equipment and \$0.8 million in various other equipment.
- *Construction in Progress.* Construction in progress (\$26.4 million) decreased \$36.1 million from 2015. While 2016 spending on projects was \$24.5 million, \$54.9 million of completed projects were recorded as land, building, site improvements or infrastructure, while \$5.5 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: \$32.3 million LID 352 (land and infrastructure), \$6.7 million 272nd Street Extension, \$4.2 million Central Ave street project, \$2.3 million LED Street Lighting Conversion, \$2.3 million for BNSF Grade Separation, and \$1.3 million Parks land acquisition.

Business Type Activities:

- *Construction in Progress.* Compared to 2015, construction in progress decreased \$17.1 million in 2016 as the City capitalized or expensed numerous projects. While 2016 spending on projects was \$12.7 million, \$29.1 million in projects were completed and capitalized from CIP into other capital asset categories, and \$.05 million were determined to be non-capital in nature and were expensed.
 - Some projects that were completed and capitalized in 2016 are:
 - \$1.3 million for Central Avenue (Willis to Green River) Drainage
 - \$2.1 million Hawley Road Levee
 - \$2.4 million for Riverview Park Levee
 - \$13.8 million for Milwaukee Foster Levees
 - \$1.8 million for Misc sewer improvements
 - \$1.5 million for 224th-228th Corridor Drainage
 - \$1.2 million for Central Avenue (Willis to Green River) Sewer

Management's Discussion and Analysis For the Year Ended December 31, 2016

City of Kent

- *Land.* Land assets were increased by \$4.6 million in 2016 with the purchase of various parcels for water and sewer/drainage projects.
- *Site Improvements.* Additions to site improvements for 2016 were \$26.8 million and depreciation was \$10.2 million resulting in a net increase of \$16.6 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress mentioned above plus \$2.5 million in developer contributed assets.
- *Equipment.* Net equipment increased by \$0.4 million in 2016. This was additions of \$0.6 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	
	2016	2015	2016	2015	2016	2015
Land	\$ 227,003	\$ 222,781	\$ 16,193	\$ 11,589	\$ 243,196	\$ 234,370
Buildings	98,368	100,899	373	440	98,741	101,339
Site Improvements	33,981	34,922	311,148	294,538	345,129	329,460
Equipment	13,718	13,525	1,968	1,583	15,686	15,108
Infrastructure	355,308	315,399	-	-	355,308	315,399
Construction in Progress	26,448	62,516	25,107	42,173	51,555	104,689
Total Capital Assets	\$ 754,826	\$ 750,042	\$ 354,789	\$ 350,323	\$1,109,615	\$1,100,365

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 72-73 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of \$109.6 million. Of this amount, \$90.7 million or 82.8 percent comprises general obligation debt backed by the full faith and credit of the government and \$0.8 million or 0.7 percent is special assessment debt. The special assessment bonds are supported solely by the property owners and the Local Improvement Guarantee Fund and are not a general obligation of the City. The City intends \$2.0 million or 2.2% 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 (\$18.1 million) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF KENT'S OUTSTANDING BONDED DEBT* As of December 31

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 88,777	\$ 46,654	\$ 1,963	\$ 2,424	\$ 90,740	\$ 49,078
Special Assessment Bonds	750	1,395	-	-	750	1,395
Revenue Bonds	-	-	18,120	19,175	18,120	19,175
Total Bonded Debt	\$ 89,527	\$ 48,049	\$ 20,083	\$ 21,599	\$ 109,610	\$ 69,648

* Gross debt - does not include discounts or premiums

Management's Discussion and Analysis For the Year Ended December 31, 2016

City of Kent

The City of Kent's total bonded debt increased by \$40.0 million or 57.4 percent during the current fiscal year. The City issued \$64.6 million in general obligation bonds in 2016 that refunded \$16.9 million in outstanding 2008 series general obligation bonds and replaced \$53.1 of Sales Tax Bonds from the Public Facilities District with City general obligation debt. All required debt service payments were made during 2016.

At December 31, 2015, the City of Kent carried an "AA+" rating from Standard and Poor's as of April 21, 2016 and an "A2" rating from Moody's as of April 17, 2015.

The State of Washington limits the amount of general obligation debt a governmental entity may issue with and without a vote. The City's remaining unused debt capacity at year-end was \$1,038 million.

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

ECONOMIC FACTORS AND BUDGETARY IMPACTS:

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

The 2016 budget, as adjusted during the mid-biennium review, closed the \$2.1 million gap originally adopted with a combination of revenue increases and expenditure reductions. With continued moderate growth in revenues, General Fund revenue budgets were increased by \$1,311,960 or approximately 1.6% over the original General Fund revenue budgets adopted during the 2015-16 biennial budget process. Expenditure budgets were reduced by \$848,040, largely due to COLA, DRS retirement, and medical costs coming in less than originally budgeted. The 2016 adjusted budget continues the City's focus on incorporating efficiencies, maintaining the public's safety, reducing internal debt obligations, building reserves and honoring the strategic goals set by Council.

The adopted 2017-18 budget reflects a continued commitment to providing valuable government services in a cost-effective and efficient manner, progresses the City's strategic plan and respects the opinions of Kent residents. 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.

Through careful financial management and a deliberate strategy for smart growth of City programs, the adopted budget allows the City to maintain services and programs at their current level. 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.

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% wage increase effective January 2017. Additional wage increases effective in July are 2% for

Management's Discussion and Analysis For the Year Ended December 31, 2016

City of Kent

Teamsters and .5% for AFSCME and non-represented employees. The KPOA Sergeants and Officers contract called for a 3% pay increase effective in January, while the Commanders and Assistant Chiefs contract contains wage increases based on CPI-W July to June.

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

The City continues to experience strong building permit and plan check fees revenues as development and construction activities remain robust, which is expected to continue into 2018. 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.

REQUESTS FOR INFORMATION:

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

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

Comprehensive Annual Financial Report 2016

CITY OF KENT
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Special Events Center PFD
ASSETS				
Cash and cash equivalents (Note 4)	\$ 69,811,924	\$ 40,947,528	\$ 110,759,452	\$ 126,210
Cash with fiscal agent/trustee	524,775	64,996	589,771	-
Investments, at fair value (Note 4)	12,475,399	5,949,120	18,424,519	-
Receivables (net of allowances) (Note 5)	24,340,423	11,657,744	35,998,167	164,002
Internal balances (Note 6)	(1,114,113)	1,114,113	-	-
Due from other governments	880,000	-	880,000	-
Inventory, at cost	122,044	587,753	709,797	-
Prepaid items	676,768	-	676,768	39,710
Investment in Joint Venture (Note 15)	6,314,604	-	6,314,604	-
Restricted assets:				
Cash and cash equivalents (Note 4)	1,190,752	4,286,688	5,477,440	-
Investments (Note 4)	-	-	-	-
Note receivable from component unit (Note 5)	73,901,554	-	73,901,554	-
Less: Allowance for uncollectible	(73,901,554)	-	(73,901,554)	-
Property, plant, and equipment: (Note 7)				
Not being depreciated	253,450,780	41,299,939	294,750,719	-
Being depreciated, net of depreciation	501,374,670	313,489,346	814,864,016	-
Net OPEB asset	118,375	-	118,375	-
Net pension asset	4,318,030	-	4,318,030	-
TOTAL ASSETS	874,484,431	419,397,227	1,293,881,658	329,922
DEFERRED OUTFLOWS				
Deferred loss on refundings	58,202,353	73,425	58,275,778	-
Deferred outflows related to pension	8,178,105	1,497,002	9,675,107	-
TOTAL DEFERRED OUTFLOWS	66,380,458	1,570,427	67,950,885	-
TOTAL ASSETS & DEFERRED OUTFLOWS	940,864,889	420,967,654	1,361,832,543	329,922
LIABILITIES				
Vouchers payable	2,888,189	478,691	3,366,880	-
Accounts/payroll payable	5,326,682	1,154,682	6,481,364	-
Incurred but not reported claims payable	3,893,979	-	3,893,979	-
Due to other governments	33,691	-	33,691	-
Accrued interest payable	340,636	168,069	508,705	20,502
Unearned revenue	974,409	431,873	1,406,282	-
Non-current liabilities:				
Due within one year (Note 9)				
Compensated absences-current	1,663,150	402,824	2,065,974	-
Contracts, leases, notes-current	800,662	1,549,028	2,349,690	485,000
General obligation bonds payable-current	5,685,330	398,670	6,084,000	-
Special assessment bonds payable with governmental commitment-current	475,000	-	475,000	-
Revenue bonds payable-current	-	1,100,000	1,100,000	1,100,000
Due in more than one year (Note 9)				
Compensated absences-long term	2,749,901	258,872	3,008,773	-
Contracts, leases, notes-long term	6,623,640	29,272,361	35,896,001	73,416,554
General obligation bonds payable-long term (net of unamortized discounts & premiums)	96,108,666	1,708,289	97,816,955	-
Special assessment bonds payable- long term	275,000	-	275,000	-
Revenue bonds payable-long term (net of unamortized discounts & premiums)	-	17,139,122	17,139,122	3,330,000
Net pension liability	30,331,333	7,808,926	38,140,259	-
Contingent loan guarantee obligation (Note 17)	4,991,478	-	4,991,478	-
TOTAL LIABILITIES	163,161,746	61,871,407	225,033,153	78,352,056
DEFERRED INFLOWS				
Unavailable revenue	5,344,226	-	5,344,226	-
Deferred inflows related to pensions	630,240	136,232	766,472	-
TOTAL DEFERRED INFLOWS	5,974,466	136,232	6,110,698	-
TOTAL LIABILITIES & DEFERRED INFLOWS	169,136,212	62,007,639	231,143,851	78,352,056
NET POSITION				
Net investment in capital assets	704,250,257	305,687,715	1,009,937,972	-
Restricted net position for:				
Debt service	4,870,358	3,018,619	7,888,977	-
Unrestricted net position	62,608,062	50,253,681	112,861,743	(78,022,134)
TOTAL NET POSITION	\$ 771,728,677	\$ 358,960,015	\$ 1,130,688,692	\$ (78,022,134)

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 13,429,528	\$ 3,645,563	\$ 512,818	\$ 428
Judicial	3,771,365	1,724,181	222,331	-
Public Safety	38,593,097	4,097,976	2,593,040	-
Community Development	7,178,348	5,478,504	69,782	1,000
Public Works	22,002,693	3,165,390	3,687,442	8,358,607
Leisure services	17,602,824	1,465,975	33,484	990,681
Health and human services	4,002,920	763,593	863,518	-
Interest on long-term debt	5,194,899	-	-	-
Total governmental activities	111,775,674	20,341,182	7,982,415	9,350,716
Business-type Activities:				
Water	18,828,316	18,780,129	170,434	2,374,843
Sewerage	45,412,945	47,640,854	687,304	7,254,157
Solid Waste	686,887	608,685	165,387	-
Golf Complex	4,559,588	2,475,135	544	-
Total business type activities	69,487,736	69,504,803	1,023,669	9,629,000
Total Primary Government	\$ 181,263,410	\$ 89,845,985	\$ 9,006,084	\$ 18,979,716
Component Unit:				
Special Events Center PFD	\$ 2,436,746	\$ -	\$ -	\$ -
Total Component Units	\$ 2,436,746	\$ -	\$ -	\$ -

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
Special item
Transfers
Total general revenues, special items, and transfers
Change in net position
Net position - beginning
Net position-ending

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

Net (Expenses) Revenue and Changes in Net Position

			Component Unit
Primary Government			Special Events
Governmental Activities	Business-Type Activities	Total	Center PFD
\$ (9,270,719)		\$ (9,270,719)	
(1,824,853)		(1,824,853)	
(31,902,081)		(31,902,081)	
(1,629,062)		(1,629,062)	
(6,791,254)		(6,791,254)	
(15,112,684)		(15,112,684)	
(2,375,809)		(2,375,809)	
(5,194,899)		(5,194,899)	
<u>(74,101,361)</u>		<u>(74,101,361)</u>	
	\$ 2,497,090	2,497,090	
	10,169,370	10,169,370	
	87,185	87,185	
	<u>(2,083,909)</u>	<u>(2,083,909)</u>	
	10,669,736	10,669,736	
\$ <u>(74,101,361)</u>	\$ <u>10,669,736</u>	\$ <u>(63,431,625)</u>	
			\$ <u>(2,436,746)</u>
			\$ <u>(2,436,746)</u>
22,556,458	-	22,556,458	-
28,551,033	-	28,551,033	900,659
26,923,348	-	26,923,348	-
9,311,445	-	9,311,445	-
6,427,334	-	6,427,334	-
293,347	-	293,347	-
961,833	-	961,833	-
6,600,212	-	6,600,212	-
1,073,989	356,773	1,430,762	1,826
908,862	-	908,862	-
66,656,930	-	66,656,930	4,045,000
993,208	(993,208)	-	-
<u>171,257,999</u>	<u>(636,435)</u>	<u>170,621,564</u>	<u>4,947,485</u>
<u>97,156,638</u>	<u>10,033,301</u>	<u>107,189,939</u>	<u>2,510,739</u>
674,572,039	348,926,714	1,023,498,753	(80,532,873)
\$ <u>771,728,677</u>	\$ <u>358,960,015</u>	\$ <u>1,130,688,692</u>	\$ <u>(78,022,134)</u>

Comprehensive Annual Financial Report 2016

**CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2016**

	General Fund	Capital Resources Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
ASSETS				
Cash and cash equivalents	\$ 13,433,551	\$ 8,775,488	\$ 1,189,017	\$ 521,394
Cash with fiscal agent	410,582	-	-	-
Investments, at fair value	5,716,769	803,935	-	-
Restricted cash and cash equivalents	-	-	-	-
Receivables (net of allowances for estimated uncollectibles):				
Taxes	8,772,192	2,008,730	-	-
Accounts	719,803	-	-	-
Special assessments				
Current	-	-	1,078,672	-
Delinquent	-	-	179,503	-
Unavailable	-	-	6,687,411	-
Penalty and Interest	-	-	554,731	-
Accrued interest	2,446	935	-	-
Due from other funds	425,000	-	-	-
Due from other governments - current	-	-	-	-
Prepaid items	55,588	-	-	-
Due from other governments - long-term	-	-	-	-
TOTAL ASSETS	<u>29,535,931</u>	<u>11,589,088</u>	<u>9,689,334</u>	<u>521,394</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 29,535,931</u>	<u>\$ 11,589,088</u>	<u>\$ 9,689,334</u>	<u>\$ 521,394</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Vouchers payable	\$ 731,174	\$ 3,534	\$ 111	\$ -
Accounts/payroll payable	3,713,922	-	-	-
Due to other funds	-	-	-	-
Due to other governments	8,366	-	-	-
Interfund loans payable - current	-	-	-	-
Incurred but not reported claims payable	43,600	-	-	-
Deposits and advances	717,482	-	-	-
Interfund loan payable - non-current	-	-	-	-
Total Liabilities	5,214,544	3,534	111	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	410,723	-	8,500,317	-
Total Deferred Inflows of Resources	410,723	-	8,500,317	-
TOTAL LIABILITIES & DEFERRED INFLOWS	<u>5,625,267</u>	<u>3,534</u>	<u>8,500,428</u>	<u>-</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	55,588	-	-	-
Restricted:				
Annexation	2,828,573	-	-	-
Street capital projects	-	-	-	-
Fuel tax purposes	-	-	-	-
Lodging tax purposes	-	-	-	-
Criminal justice programs	-	-	-	-
Impact fees	-	-	-	-
Parks capital projects	-	3,050,688	-	-
Facility capital projects	-	-	-	-
Bond retirement	-	-	-	521,394
Special assessment debt	-	-	1,113,906	-
Assessment debt guaranty	-	-	75,000	-
Economic and community development	30,140	-	-	-
Human Services	7,086	-	-	-
Committed:				
Street operations	-	-	-	-
Youth/Teen program	-	-	-	-
Criminal justice programs	-	-	-	-
City arts program	436,914	-	-	-
Human services	10,000	-	-	-
Kent events center replacement	465,920	-	-	-
Street capital projects	-	-	-	-
Parks capital projects	-	-	-	-
Technology systems	-	-	-	-
Facilities capital projects	-	-	-	-
Assigned:				
Public safety retiree OPEB	1,174,261	-	-	-
Human services	117,649	-	-	-
Criminal justice programs	-	-	-	-
Capital projects	-	8,534,866	-	-
Technology systems	-	-	-	-
Kent Events Center operations	1,681,154	-	-	-
Unassigned:				
Total Fund Balance	<u>23,910,664</u>	<u>11,585,554</u>	<u>1,188,906</u>	<u>521,394</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 29,535,931</u>	<u>\$ 11,589,088</u>	<u>\$ 9,689,334</u>	<u>\$ 521,394</u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

Street Capital Projects Fund	Other Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 9,978,504	664,008	\$ 17,785,869	\$ 52,347,831
-	-	-	410,582
1,297,418	-	774,798	8,592,920
-	-	1,190,752	1,190,752
-	-	1,516,160	12,297,082
1,362,992	1,000	1,200,345	3,284,140
-	-	-	1,078,672
-	-	-	179,503
-	-	-	6,687,411
-	-	-	554,731
1,130	-	869	5,380
-	-	-	425,000
82,160	-	-	82,160
-	-	-	55,588
797,840	-	-	797,840
<u>13,520,044</u>	<u>665,008</u>	<u>22,468,793</u>	<u>87,989,592</u>
\$ <u>13,520,044</u>	\$ <u>665,008</u>	\$ <u>22,468,793</u>	\$ <u>87,989,592</u>
\$ 574,370	\$ 26,580	\$ 594,042	\$ 1,929,811
578,331	-	608,104	4,900,357
-	-	425,000	425,000
60	-	25,265	33,691
324,409	825,571	-	1,149,980
-	-	-	43,600
-	-	255,677	973,159
1,771,040	4,319,945	-	6,090,985
<u>3,248,210</u>	<u>5,172,096</u>	<u>1,908,088</u>	<u>15,546,583</u>
-	-	-	8,911,040
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,911,040</u>
<u>3,248,210</u>	<u>5,172,096</u>	<u>1,908,088</u>	<u>24,457,623</u>
-	-	-	55,588
-	-	-	2,828,573
4,778,268	-	126,173	4,904,441
-	-	2,035,614	2,035,614
-	-	469,386	469,386
-	-	3,567,607	3,567,607
-	-	1,126,738	1,126,738
-	-	3,886,565	6,937,253
-	638,429	1,082,185	1,720,614
-	-	-	521,394
-	-	-	1,113,906
-	-	-	75,000
-	-	-	30,140
-	-	-	7,086
-	-	753,310	753,310
-	-	91,130	91,130
-	-	2,160,497	2,160,497
-	-	-	436,914
-	-	-	10,000
-	-	-	465,920
5,493,566	-	-	5,493,566
-	-	339,757	339,757
-	-	4,751,123	4,751,123
-	-	145,972	145,972
-	-	-	1,174,261
-	-	-	117,649
-	-	24,169	24,169
-	-	-	8,534,866
-	-	479	479
-	-	-	1,681,154
<u>-</u>	<u>(5,145,517)</u>	<u>-</u>	<u>11,957,862</u>
<u>10,271,834</u>	<u>(4,507,088)</u>	<u>20,560,705</u>	<u>63,531,969</u>
\$ <u>13,520,044</u>	\$ <u>665,008</u>	\$ <u>22,468,793</u>	\$ <u>87,989,592</u>



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

Fund balance - total governmental funds		\$	63,531,969
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	\$	1,118,402,384	
Accumulated depreciation		<u>(368,058,471)</u>	750,343,913
Investment in Joint Venture (Note 15)			6,314,604
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.			23,754,669
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			(340,636)
Property tax revenue earned but not received within 60 days of year-end, and therefore not available to pay current year liabilities, are deferred inflows on the governmental statements, but is recognized as revenue for the government-wide statements			
General Fund			406,756
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			3,160,058
Unamortized bond costs are not reported on the governmental fund statements, but are reported on the statement of net position			
Prepaid bond insurance		13,847	
Deferred loss on refunding		58,202,353	
Unamortized bond (premium)/discount		<u>(13,016,791)</u>	45,199,409
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		118,375	
Deferred outflows related to pensions		7,330,964	
Net pension asset		<u>4,318,030</u>	11,767,369
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		(88,777,205)	
Special assessment bonds		(750,000)	
Contracts, leases and notes		(7,424,302)	
Compensated absences		(4,000,975)	
Deferred inflows related to pensions		(553,147)	
Net pension liability		(25,912,327)	
Contingent loan guarantee		<u>(4,991,478)</u>	(132,409,434)
Net Position of governmental activities			<u><u>771,728,677</u></u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

**CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016**

	General Fund	Capital Resources Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
REVENUES				
Taxes:				
Property	\$ 22,534,441	\$ -	\$ -	\$ -
Sales and use	19,814,047	6,118,329	-	-
Utility	18,490,458	1,325,005	-	-
Business & occupation	9,311,445	-	-	-
Real estate excise tax	-	6,427,334	-	-
Lodging	-	-	-	-
Other	961,833	-	-	-
Licenses and permits:				
Building permits	2,892,483	-	-	-
Other licenses and permits	3,377,042	-	-	-
Intergovernmental revenue				
Federal grants	158,283	-	-	-
State grants	6,033	-	-	-
State shared revenues	7,551,034	-	-	-
Other governments	356,993	-	-	506,817
Charges for services:				
Park and recreation fees	1,536,362	-	-	-
Other fees and charges	4,142,071	-	-	-
Fines and forfeitures	1,551,720	-	9,761	-
Miscellaneous revenue:				
Special assessments	-	-	1,677,275	-
Interest income	383,726	38,019	463,354	-
Rent/Leases income	654,535	34,660	-	-
Contributions and donations	810,934	-	-	-
Other miscellaneous revenue	1,219,899	5	-	-
TOTAL REVENUES	95,753,339	13,943,352	2,150,390	506,817
EXPENDITURES				
Current:				
General government	9,115,079	828,562	4,305	-
Judicial	3,079,215	-	-	-
Public safety	39,537,032	-	-	-
Community development	5,521,764	-	-	-
Public works	1,273,864	-	-	-
Leisure services	11,650,301	2,241,728	-	-
Health and human services	5,301,570	-	-	-
Debt service:				
Principal	2,058	-	645,000	6,282,631
Interest	-	-	64,550	3,245,643
Capital outlay	386,932	247,797	-	-
TOTAL EXPENDITURES	75,867,815	3,318,087	713,855	9,528,274
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,885,524	10,625,265	1,436,535	(9,021,457)
OTHER FINANCING SOURCES (USES)				
Issuance of LTGO Refunding Bonds	-	-	-	64,575,000
Payment to Refunded Bond Escrow Agent	-	-	-	(76,539,984)
Premium on general obligation bonds	-	-	-	12,314,401
Issuance of installment note	181,900	-	-	-
Transfers in	1,262,261	7,183,293	-	9,185,105
Transfers out	(15,999,613)	(12,247,287)	(2,318,063)	-
TOTAL OTHER FINANCING SOURCES (USES)	(14,555,452)	(5,063,994)	(2,318,063)	9,534,522
NET CHANGE IN FUND BALANCE	5,330,072	5,561,271	(881,528)	513,065
FUND BALANCE, January 1	18,580,592	6,024,283	2,070,434	8,329
FUND BALANCE (DEFICIT), December 31	\$ 23,910,664	\$ 11,585,554	\$ 1,188,906	\$ 521,394

The accompanying notes are an integral part of the financial statements

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Street Capital Projects Fund	Other Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 22,534,441
-	-	2,618,657	28,551,033
-	-	7,107,885	26,923,348
-	-	-	9,311,445
-	-	-	6,427,334
-	-	293,347	293,347
-	-	-	961,833
-	-	-	2,892,483
-	-	383,030	3,760,072
775,456	-	1,954,404	2,888,143
3,383,232	-	63,569	3,452,834
-	-	2,492,698	10,043,732
1,014,180	-	454,916	2,332,906
-	-	-	1,536,362
243	-	1,780,358	5,922,672
-	-	1,413,939	2,975,420
-	-	-	1,677,275
47,919	323	36,284	969,625
84	-	123,251	812,530
198,008	-	50,309	1,059,251
128,402	1,000	243,340	1,592,646
<u>5,547,524</u>	<u>1,323</u>	<u>19,015,987</u>	<u>136,918,732</u>
-	-	275,343	10,223,289
-	-	-	3,079,215
-	-	3,209,789	42,746,821
-	142,002	219,989	5,883,755
-	-	5,954,965	7,228,829
-	-	171,280	14,063,309
-	-	839,392	6,140,962
-	-	-	6,929,689
34,100	96,879	-	3,441,172
<u>17,662,172</u>	<u>238,881</u>	<u>4,117,116</u>	<u>22,414,017</u>
<u>17,696,272</u>	<u>238,881</u>	<u>14,787,874</u>	<u>122,151,058</u>
(12,148,748)	(237,558)	4,228,113	14,767,674
-	-	-	64,575,000
-	-	-	(76,539,984)
-	-	-	12,314,401
-	-	-	181,900
12,770,630	2,125,005	10,534,743	43,061,037
<u>(1,930,473)</u>	<u>(199,710)</u>	<u>(9,055,399)</u>	<u>(41,750,545)</u>
<u>10,840,157</u>	<u>1,925,295</u>	<u>1,479,344</u>	<u>1,841,809</u>
(1,308,591)	1,687,737	5,707,457	16,609,483
11,580,425	(6,194,825)	14,853,248	46,922,486
<u>\$ 10,271,834</u>	<u>\$ (4,507,088)</u>	<u>\$ 20,560,705</u>	<u>\$ 63,531,969</u>



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**CITY OF KENT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balance - total governmental funds	\$	16,609,483
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	\$	22,414,017
Depreciation expense		<u>(19,489,569)</u>
		2,924,448
The net effect of various miscellaneous transactions involving capital assets is to increase net position.		2,876,830
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		22,017
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.		
		(893,122)
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.		
		66,125,613
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities on the government-wide statements.		
Principal repayments		<u>6,929,689</u>
		6,929,689
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		427,865
Amortization of loss on refunding		<u>(2,070,733)</u>
		(1,647,614)
The deferred loss on refunding of bonds does not create financial resources and is therefore not reported on the governmental fund statements, but is a deferred outflow amortized over the life of the bonds on the government-wide statements		
		45,992
Certain pension transactions are not reported in the governmental funds but are reported in the government-wide statements		
		6,523,519
Internal Service Funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and self-insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		
		(1,849,530)
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		(110,034)
Interest expense accrual		(152,105)
Net OPEB obligation		<u>(248,548)</u>
		(510,687)
Change in net position of governmental activities (page 23)		<u><u>97,156,638</u></u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

**CITY OF KENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 22,210,230	22,210,230	22,534,441	\$ 324,211
Sales and use	18,633,990	18,633,990	19,814,047	1,180,057
Utility	18,140,150	18,140,150	18,490,458	350,308
Business & occupation	6,500,000	9,300,000	9,311,445	11,445
Other	1,100,100	1,100,100	961,833	(138,267)
Licenses and permits:				
Building permits	2,431,080	2,431,080	2,892,483	461,403
Other licenses and permits	2,708,040	2,708,040	3,377,042	669,002
Intergovernmental revenue:				
Other grants and shared revenue	7,419,970	7,451,345	8,072,343	620,998
Charges for services:				
Park and recreation fees	1,491,790	1,491,790	1,536,362	44,572
Other fees and charges	3,447,460	3,447,460	4,142,071	694,611
Fines and forfeitures	1,565,970	1,565,970	1,551,720	(14,250)
Miscellaneous revenue:				
Interest income	113,460	113,460	377,818	264,358
Rent/lease income	473,230	583,230	654,535	71,305
Contributions and donations	42,570	42,570	15,088	(27,482)
Other miscellaneous revenue	342,430	342,430	939,356	596,926
TOTAL REVENUES	86,620,470	89,561,845	94,671,042	5,109,197
EXPENDITURES				
Current:				
General government	9,226,380	9,495,072	9,113,598	381,474
Judicial	3,041,440	3,042,040	3,079,215	(37,175)
Public safety	37,532,930	38,374,250	38,582,471	(208,221)
Community development	5,790,770	6,026,570	5,521,764	504,806
Public works	1,436,120	1,436,120	1,273,864	162,256
Leisure services	11,139,090	11,293,640	10,826,189	467,451
Health and human services	5,459,840	5,505,953	5,277,033	228,920
Capital outlay	-	-	52,585	(52,585)
TOTAL EXPENDITURES	73,626,570	75,173,645	73,726,719	1,446,926
DEFICIENCY OF REVENUES OVER EXPENDITURES	12,993,900	14,388,200	20,944,323	6,556,123
OTHER FINANCING SOURCES (USES)				
Transfers in	931,590	931,590	962,261	30,671
Transfers out	(13,925,490)	(16,813,490)	(17,290,890)	(477,400)
TOTAL OTHER FINANCING SOURCES (USES)	(12,993,900)	(15,881,900)	(16,328,629)	(446,729)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(1,493,700)	4,615,694	6,109,394
FUND BALANCE, January 1	15,239,597	15,239,597	15,371,846	132,249
FUND BALANCE, December 31	\$ 15,239,597	\$ 13,745,897	\$ 19,987,540	\$ 6,241,643

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

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**CITY OF KENT
CAPITAL RESOURCES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended December 31, 2016**

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 5,124,520	\$ 5,124,520	\$ 6,118,329	\$ 993,809
Utility	1,225,500	1,225,500	1,325,005	99,505
Real estate excise tax	3,010,000	3,010,000	6,427,334	3,417,334
Miscellaneous revenue:				
Interest income	1,140	1,140	38,019	36,879
Rental/lease income	-	-	34,660	34,660
Other miscellaneous revenue	-	-	5	5
TOTAL REVENUES	9,361,160	9,361,160	13,943,352	4,582,192
EXPENDITURES				
Current:				
General government	175,000	784,970	828,562	43,592
Leisure services	3,200,000	3,200,000	2,241,728	(958,272)
Capital outlay	-	500,000	247,797	(252,203)
TOTAL EXPENDITURES	3,375,000	4,484,970	3,318,087	(1,166,883)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,986,160	4,876,190	10,625,265	5,749,075
OTHER FINANCING SOURCES (USES)				
Transfers in	4,702,960	7,852,960	7,183,293	(669,667)
Transfer Out	(10,697,330)	(12,486,590)	(12,247,287)	239,303
TOTAL OTHER FINANCING SOURCES (USES)	(5,994,370)	(4,633,630)	(5,063,994)	(430,364)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(8,210)	242,560	5,561,271	5,318,711
FUND BALANCES, January 1	5,775,064	5,775,064	6,024,283	249,219
FUND BALANCES, December 31	\$ 5,766,854	\$ 6,017,624	\$ 11,585,554	\$ 5,998,294

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2016**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 20,702,257	\$ 19,558,586	\$ 444,383
Cash with fiscal agent	64,996	-	-
Investments, at fair value	3,736,548	2,212,572	-
Restricted cash, cash equivalents, & investments:			
Cash and cash equivalents	1,407,438	753,106	-
Receivables (net of allowances for estimated uncollectibles):			
Taxes	-	-	-
Accounts	1,684,518	9,791,687	96,289
Accrued interest	1,871	2,751	-
Due from other funds	-	-	-
Interfund loan receivable	285,055	513,657	-
Inventory, at cost	339,732	55,685	192,336
Prepaid expenses	-	-	-
Total Current Assets	28,222,415	32,888,044	733,008
Noncurrent Assets:			
Restricted cash, cash equivalents, and investments:			
Cash and cash equivalents	1,063,072	1,063,072	-
Interfund loan receivable - non-current portion	1,491,599	2,823,802	-
Property, plant and equipment			
Land	2,350,706	8,499,427	5,342,508
Buildings	2,151,264	75,522	2,954,818
Site Improvements	173,966,766	251,625,359	4,540,222
Equipment	2,691,130	2,294,680	585,792
Less: Accumulated Depreciation	(45,207,746)	(75,349,751)	(6,838,710)
Construction In Progress	7,099,728	17,775,693	231,877
Total noncurrent assets	145,606,519	208,807,804	6,816,507
TOTAL ASSETS	\$ 173,828,934	\$ 241,695,848	\$ 7,549,515
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	73,425	-
Deferred outflows related to pensions	359,744	510,605	568,629
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 359,744	\$ 584,030	\$ 568,629
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 174,188,678	\$ 242,279,878	\$ 8,118,144

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste</u>		<u>Internal Service Funds</u>	
<u>Fund</u>	<u>Totals</u>		
\$ 242,302	\$ 40,947,528	\$ 17,464,093	
-	64,996	114,193	
-	5,949,120	3,882,479	
-	2,160,544	-	
-	-	126,133	
80,628	11,653,122	123,252	
-	4,622	4,119	
-	-	4,000,000	
-	798,712	351,268	
-	587,753	122,044	
-	-	607,333	
<u>322,930</u>	<u>62,166,397</u>	<u>26,794,914</u>	
-	2,126,144	-	
-	4,315,401	1,775,584	
-	16,192,641	-	
-	5,181,604	1,008,269	
-	430,132,347	361,953	
-	5,571,602	22,430,348	
-	(127,396,207)	(19,325,492)	
-	<u>25,107,298</u>	<u>6,459</u>	
-	361,230,830	6,257,121	
\$ <u>322,930</u>	\$ <u>423,397,227</u>	\$ <u>33,052,035</u>	
-	73,425	-	
<u>58,024</u>	<u>1,497,002</u>	<u>847,141</u>	
\$ <u>58,024</u>	\$ <u>1,570,427</u>	\$ <u>847,141</u>	
\$ <u>380,954</u>	\$ <u>424,967,654</u>	\$ <u>33,899,176</u>	

Continued

Comprehensive Annual Financial Report 2016

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2016**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewerage Fund</u>	<u>Golf Complex Fund</u>
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Vouchers payable	\$ 116,766	\$ 314,954	\$ 42,289
Accounts/payroll payable	360,066	700,449	88,076
Incurred but not reported claims payable	-	-	-
Interfund loans payable	-	-	4,000,000
Accrued interest payable	117,505	50,564	-
Compensated absences payable - current portion	156,012	190,789	46,394
Notes payable - current portion	1,474,028	75,000	-
General obligation bonds payable - current portion	-	398,670	-
Revenue bonds payable - current portion	550,000	550,000	-
Deposits and unearned revenue	64,087	111,532	256,254
	<u>2,838,464</u>	<u>2,391,958</u>	<u>4,433,013</u>
Total Current Liabilities			
Noncurrent Liabilities:			
Compensated absences payable- non-current portion	89,682	125,210	43,980
Notes payable - non-current portion	28,747,361	525,000	-
General obligation bonds payable - non-current portion net of unamortized discounts and premiums	-	1,708,289	-
Revenue bonds payable - non-current portion net of unamortized discounts and premiums	8,569,561	8,569,561	-
Net pension liability	1,876,562	2,663,509	2,966,183
	<u>39,283,166</u>	<u>13,591,569</u>	<u>3,010,163</u>
Total noncurrent liabilities			
TOTAL LIABILITIES	<u>\$ 42,121,630</u>	<u>\$ 15,983,527</u>	<u>\$ 7,443,176</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	32,738	46,467	51,747
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 32,738</u>	<u>\$ 46,467</u>	<u>\$ 51,747</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 42,154,368</u>	<u>\$ 16,029,994</u>	<u>\$ 7,494,923</u>
NET POSITION			
Net investment in capital assets	105,000,831	193,870,377	6,816,507
Restricted for debt service	1,803,005	1,215,614	-
Unrestricted	25,230,474	31,163,893	(6,193,286)
	<u>132,034,310</u>	<u>226,249,884</u>	<u>623,221</u>
TOTAL NET POSITION	<u>\$ 132,034,310</u>	<u>\$ 226,249,884</u>	<u>\$ 623,221</u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste</u>		<u>Internal Service Funds</u>	
<u>Fund</u>	<u>Totals</u>		
\$ 4,682	\$ 478,691	\$ 958,378	
6,091	1,154,682	426,325	
-	-	3,850,379	
-	4,000,000	-	
-	168,069	-	
9,629	402,824	197,006	
-	1,549,028	-	
-	398,670	-	
-	1,100,000	-	
-	431,873	1,250	
<u>20,402</u>	<u>9,683,837</u>	<u>5,433,338</u>	
-	258,872	215,070	
-	29,272,361	-	
-	1,708,289	-	
-	17,139,122	-	
302,672	7,808,926	4,419,006	
<u>302,672</u>	<u>56,187,570</u>	<u>4,634,076</u>	
\$ <u>323,074</u>	\$ <u>65,871,407</u>	\$ <u>10,067,414</u>	
<u>5,280</u>	<u>136,232</u>	<u>77,093</u>	
\$ <u>5,280</u>	\$ <u>136,232</u>	\$ <u>77,093</u>	
\$ <u>328,354</u>	\$ <u>66,007,639</u>	\$ <u>10,144,507</u>	
-	305,687,715	4,481,537	
-	3,018,619	-	
52,600	50,253,681	19,273,132	
<u>52,600</u>	<u>358,960,015</u>	<u>23,754,669</u>	

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Comprehensive Annual Financial Report 2016

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2016**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
OPERATING REVENUES			
Sales	\$ 18,298,940	\$ -	\$ 416,932
Charges for services	448,801	47,616,344	1,813,902
Contributions	-	-	100
Rental and lease income	1,358	166	243,333
Other operating revenue	31,030	24,344	868
TOTAL OPERATING REVENUES	18,780,129	47,640,854	2,475,135
OPERATING EXPENSES			
Salaries and wages	2,094,420	3,187,439	1,019,800
Benefits	1,833,509	2,578,648	1,934,815
Supplies	745,453	460,465	569,184
Services and charges	7,864,967	32,916,532	898,795
Depreciation	4,718,587	5,679,669	122,247
TOTAL OPERATING EXPENSES	17,256,936	44,822,753	4,544,841
OPERATING INCOME (LOSS)	1,523,193	2,818,101	(2,069,706)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	169,632	176,837	2
Unrealized net gain/(loss) in fair value of investments	3,424	6,878	-
Miscellaneous non-operating revenues	170,434	687,304	544
Interest expense	(1,571,380)	(590,192)	(14,747)
Gain (loss) on disposal of capital assets	384,447	2,899	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(843,443)	283,726	(14,201)
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	679,750	3,101,827	(2,083,907)
Capital contributions	1,990,396	7,251,258	-
Transfers in	-	14,855	-
Transfers out	(251,794)	(721,684)	-
INCREASE (DECREASE) IN NET POSITION	2,418,352	9,646,256	(2,083,907)
NET POSITION, January 1	129,615,958	216,603,628	2,707,128
NET POSITION, December 31	\$ 132,034,310	\$ 226,249,884	\$ 623,221

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste</u>		<u>Internal Service Funds</u>	
<u>Fund</u>	<u>Totals</u>		
\$ 46	\$ 18,715,918	\$ 1,125,820	
607,071	50,486,118	14,526,946	
-	100	13,447,379	
-	244,857	68,536	
1,568	57,810	1,176,775	
<hr/>	<hr/>	<hr/>	<hr/>
608,685	69,504,803	30,345,456	
184,212	6,485,871	4,831,013	
325,081	6,672,053	4,027,582	
3,749	1,778,851	1,794,760	
173,845	41,854,139	21,401,032	
-	10,520,503	772,168	
<hr/>	<hr/>	<hr/>	<hr/>
686,887	67,311,417	32,826,555	
<hr/>	<hr/>	<hr/>	<hr/>
(78,202)	2,193,386	(2,481,099)	
-	346,471	161,139	
-	10,302	11,821	
165,387	1,023,669	1,541,616	
-	(2,176,319)	-	
-	387,346	(1,017,814)	
<hr/>	<hr/>	<hr/>	<hr/>
165,387	(408,531)	696,762	
<hr/>	<hr/>	<hr/>	<hr/>
87,185	1,784,855	(1,784,337)	
-	9,241,654	252,091	
-	14,855	1,141,106	
(34,585)	(1,008,063)	(1,458,390)	
<hr/>	<hr/>	<hr/>	<hr/>
52,600	10,033,301	(1,849,530)	
-	348,926,714	25,604,199	
<hr/>	<hr/>	<hr/>	<hr/>
\$ 52,600	\$ 358,960,015	\$ 23,754,669	

Comprehensive Annual Financial Report 2016

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 18,826,226	\$ 47,349,825	\$ 2,464,716
Cash received from other funds for services	-	-	-
Cash payments to employees	(2,922,084)	(4,350,729)	(1,409,132)
Cash payments to suppliers	(8,669,737)	(33,465,936)	(1,473,451)
Other cash received	31,030	24,344	868
Net cash provided by operating activities	<u>7,265,435</u>	<u>9,557,504</u>	<u>(416,999)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due from other funds for noncapital purposes	-	50,000	-
Interfund loan issued for noncapital purposes	-	-	4,000,000
Interfund loan payment for noncapital purposes	399,072	613,980	(3,000,000)
Operating grants/non-operating revenue received	554,881	690,203	544
Interest paid on interfund loan	-	-	(14,747)
Transfers in	-	3,826	-
Transfers out	(46,894)	(72,738)	-
Net cash provided by (used for) noncapital financing	<u>907,059</u>	<u>1,285,271</u>	<u>985,797</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital asset removal	-	-	-
Principal repayment on interfund capital loan	-	-	-
Transfer of plant to Governmental Capital Assets	-	-	-
Acquisition and construction of capital assets	(3,636,235)	(8,658,368)	(175,088)
Interfund loan for capital outlays	424,050	(136,755)	-
Principal paid on bonds and equipment contracts	(1,971,528)	(1,063,736)	-
Interest paid on bonds and equipment contracts	(1,608,161)	(626,108)	-
Transfers in	-	11,029	-
Transfers out	(204,900)	(648,946)	-
Capital contributed by subdividers, capital grants, local impr. districts	1,646,051	5,078,389	-
Net cash (used for) capital & related financing	<u>(5,350,723)</u>	<u>(6,044,495)</u>	<u>(175,088)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(847,424)	(600,496)	-
Proceeds from sale and maturities of investments	199,681	136	-
Interest and dividends on investments	138,291	161,839	2
Net cash provided by (used for) investing activities	<u>(509,452)</u>	<u>(438,521)</u>	<u>2</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,312,319	4,359,759	393,712
CASH AND CASH EQUIVALENTS, January 1	20,925,444	17,015,005	50,671
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 23,237,763</u>	<u>\$ 21,374,764</u>	<u>\$ 444,383</u>
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:			
Current Assets: Cash and cash equivalents	\$ 20,702,257	\$ 19,558,586	\$ 444,383
Current Assets: Cash with fiscal agent	64,996	-	-
Restricted Cash and cash equivalents	2,470,510	1,816,178	-
	<u>\$ 23,237,763</u>	<u>\$ 21,374,764</u>	<u>\$ 444,383</u>

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>	
\$ 526,489	\$ 69,167,256	\$ 15,860,986	
-	-	13,480,835	
(243,645)	(8,925,590)	(6,777,959)	
(172,912)	(43,782,036)	(22,855,372)	
1,568	57,810	1,176,775	
<hr/>	<hr/>	<hr/>	
111,500	16,517,440	885,265	
-	50,000	-	
-	4,000,000	(4,000,000)	
-	(1,986,948)	3,000,000	
165,387	1,411,015	1,541,616	
-	(14,747)	-	
-	3,826	660,000	
(20,925)	(140,557)	-	
<hr/>	<hr/>	<hr/>	
144,462	3,322,589	1,201,616	
-	-	163,289	
-	-	645,382	
-	-	252,091	
-	(12,469,691)	(1,711,026)	
-	287,295	-	
-	(3,035,264)	-	
-	(2,234,269)	-	
-	11,029	481,106	
(13,660)	(867,506)	(1,458,390)	
-	6,724,440	-	
<hr/>	<hr/>	<hr/>	
(13,660)	(11,583,966)	(1,627,548)	
-	(1,447,920)	(952,700)	
-	199,817	454,506	
-	300,132	132,797	
<hr/>	<hr/>	<hr/>	
-	(947,971)	(365,397)	
242,302	7,308,092	93,936	
-	37,991,120	17,484,350	
<hr/>	<hr/>	<hr/>	
\$ 242,302	\$ 45,299,212	\$ 17,578,286	
<hr/>	<hr/>	<hr/>	
\$ 242,302	\$ 40,947,528	\$ 17,464,093	
-	64,996	114,193	
-	4,286,688	-	
<hr/>	<hr/>	<hr/>	
\$ 242,302	\$ 45,299,212	\$ 17,578,286	

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Comprehensive Annual Financial Report 2016

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016**

	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)	\$ 1,523,193	\$ 2,818,101	\$ (2,069,706)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,718,587	5,679,669	122,247
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	63,150	(318,079)	(26,415)
(Increase) Decrease in inventory	59,987	4,078	(22,185)
(Increase) Decrease in prepaid expenses	138	213	-
(Increase) Decrease in pension deferred outflows	(218,158)	(306,555)	(368,743)
Increase (Decrease) in vouchers payable	(189,944)	(238,627)	14,772
Increase (Decrease) in accounts/payroll payable	79,076	162,502	1,395
Increase (Decrease) in incurred but not reported claims payable	-	-	-
Increase (Decrease) in deposits and deferred revenues	13,977	51,394	16,864
Increase (Decrease) in compensated absences	85,725	118,368	(2,550)
Increase (Decrease) in pension liabilities	1,261,230	1,776,707	2,097,478
Increase (Decrease) in pension deferred inflows	(131,526)	(190,267)	(180,156)
Total Adjustments	<u>5,742,242</u>	<u>6,739,403</u>	<u>1,652,707</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,265,435</u>	<u>\$ 9,557,504</u>	<u>\$ (416,999)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets contributed	\$ 344,345	\$ 2,172,869	\$ -
(Decrease) in fair value of investments	3,424	6,878	-
Amortization of premium/discount on investment purchases	31,702	14,998	-

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Non-major Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>	
\$ (78,202)	\$ 2,193,386	\$	(2,481,099)
-	10,520,503		772,168
(80,628)	(361,972)		173,140
-	41,880		(9,814)
-	351		977,098
(58,024)	(951,480)		(509,834)
4,682	(409,117)		(564,826)
6,091	249,064		(419,275)
-	-		343,313
-	82,235		-
9,629	211,172		(34,429)
302,672	5,438,087		(314,244)
<u>5,280</u>	<u>(496,669)</u>		<u>2,953,067</u>
189,702	14,324,054		3,366,364
<u>\$ 111,500</u>	<u>\$ 16,517,440</u>	<u>\$</u>	<u>885,265</u>
\$ -	\$ 2,517,214	\$	252,091
-	10,302		11,821
-	46,700		28,197

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Comprehensive Annual Financial Report 2016

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2016**

	Firemen's Relief & Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 719,114	\$ 2,123,797
Investments, at fair value		
Government Agencies	1,769,223	-
Due from other governments	-	16,307
Prepaid items	-	6,383
TOTAL ASSETS	<u>2,488,337</u>	<u>2,146,487</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>2,488,337</u>	<u>2,146,487</u>
LIABILITIES		
Vouchers payable	-	445,788
Accounts/payroll payable	6,596	4,248
Due to Other Governments	-	378,949
Deposits and unearned revenue	-	1,317,502
Total Liabilities	<u>6,596</u>	<u>2,146,487</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>6,596</u>	<u>2,146,487</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 2,481,741</u>	

The accompanying notes are an integral part of the financial statements

Comprehensive Annual Financial Report 2016

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2016**

	Firemen's Relief & Pension Fund
<hr/>	
ADDITIONS	
Contributions:	
State insurance fees	\$ 227,666
Investment earnings:	
Interest	76,527
Unrealized net gain/(loss) in fair value of investments	(32,646)
TOTAL ADDITIONS	<hr/> 271,547
DEDUCTIONS	
Benefits	384,944
Administrative Expense	11,825
TOTAL DEDUCTIONS	<hr/> 396,769
CHANGE IN NET POSITION	(125,222)
NET POSITION RESTRICTED FOR PENSIONS, January 1	2,606,963
Prior period adjustment (Note 19)	
NET POSITION RESTRICTED FOR PENSIONS, January 1 restated	2,606,963
NET POSITION RESTRICTED FOR PENSIONS, December 31	<u>\$ 2,481,741</u>

The accompanying notes are an integral part of the financial statements



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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.

Effective for fiscal year 2016, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 72 – *Fair Value Measurement and Application*. This statement defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Identifies the hierarchy of generally accepted accounting principles for governmental financial reporting and establishes the framework for selecting those principles.

GASB Statement No. 77 – *Tax Abatement Disclosures*. This statement defines tax abatements and provides accounting and reporting requirements for tax abatements.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. This statement establishes accounting and reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized costs and for state and local governments that participate in these qualifying pools.

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 include capital assets and the recognition of depreciation does not reduce net financial resources, depreciation is not considered an expenditure in governmental funds.

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

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

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

General Fund - The General Fund is the principal operating fund of the City and accounts for the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are comprised of property taxes, sales and use taxes, utility taxes, licenses and permits, state shared revenues, charges for services, 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.

General Obligation Debt Fund – This debt service fund records the principal and interest payments on non-voted Councilmanic General Obligation Bonds as well as other general governmental debt. Funding is transfers from other funds.

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

Other Capital Projects Fund – This capital projects fund accounts for the resources and payments

for miscellaneous general government projects and related improvements. The fund's resources include bonds and interfund loans.

PROPRIETARY FUNDS: Proprietary funds account for the activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Enterprise Funds are used to account for those operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 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.

Additionally, the City reports the following fund types:

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

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The reporting focus is on net 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 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

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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	\$ 75,408,670	\$ 2,132,075	\$ 77,540,745
Special Revenue Funds:			
Capital Resources	3,375,000	1,109,970	4,484,970
Street	6,180,670	1,351,392	7,532,062
Lodging Tax	188,500	83,000	271,500
Youth/Teen Programs	42,000	-	42,000
Criminal Justice	2,971,050	1,362,086	4,333,136
Housing & Community Development	914,740	142,032	1,056,772
Total	\$ 89,080,630	\$ 6,180,555	\$ 95,261,185

Reconciliation of Budgetary Information to GAAP

For managerial purposes, the City of Kent treats the General Fund, Public Safety Retiree, Other Operating Grants and Projects, and Kent Events Center funds separately. However, the latter three funds do not meet the criteria of a special revenue fund as set forth in GASB Statement No. 54 and for reporting purposes are presented in combination with the General Fund in order to comply with GAAP. However, the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual on page 34 compares only the General Fund as adopted in the budget along with the

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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 154-156. 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	\$ 71,112,224	-	-	-	-	\$ 71,112,224
Licenses & permits	6,269,525	-	-	-	-	6,269,525
Other grants/shared revenue	8,072,343	-	-	-	-	8,072,343
Charges for service	5,678,433	-	-	-	-	5,678,433
Fines and forfeitures	1,551,720	-	-	-	-	1,551,720
Interest income	377,818	5,908	-	-	-	383,726
Rent/lease income	654,535	-	-	-	-	654,535
Contributions & donations	15,088	779,382	16,464	-	-	810,934
Other miscellaneous revenue	939,356	-	-	280,543	-	1,219,899
Total Revenues	94,671,042	785,290	16,464	280,543	-	95,753,339
Expenditures:						
General Government	9,113,598	-	1,481	-	-	9,115,079
Judicial	3,079,215	-	-	-	-	3,079,215
Public Safety	38,582,471	954,561	-	-	-	39,537,032
Community development	5,521,764	-	-	-	-	5,521,764
Public works	1,273,864	-	-	-	-	1,273,864
Leisure services	10,826,189	-	63,059	761,053	-	11,650,301
Health & human services	5,277,033	-	24,537	-	-	5,301,570
Debt service principal	-	-	-	2,058	-	2,058
Capital outlay	52,585	-	-	334,347	-	386,932
Total Expenditures	73,726,719	954,561	89,077	1,097,458	-	75,867,815
Excess (Deficiency) of Revenues over (under) Expenditures	20,944,323	(169,271)	(72,613)	(816,915)	-	19,885,524
Other Financing Sources (uses)						
Issuance of installment note	-	-	-	181,900	-	181,900
Transfers in	962,261	250,000	155,731	1,185,546	(1,291,277)	1,262,261
Transfers out* (see below)	(17,290,890)	-	-	-	1,291,277	(15,999,613)
Total Other Financing Sources (Uses)	(16,328,629)	250,000	155,731	1,367,446	-	(14,555,452)
Net Change in Fund Balance	4,615,694	80,729	83,118	550,531	-	5,330,072
Fund Balance, January 1	15,371,846	1,093,532	518,671	1,596,543	-	18,580,592
Fund Balance, December 31	\$ 19,987,540	\$ 1,174,261	\$ 601,789	\$ 2,147,074	\$ -	\$ 23,910,664

*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	\$ 17,797,420
Less Intrafund Transfer to: Public Safety Retiree	250,000
Other Operating Grants & Projects	155,731
Kent Events Center Fund	885,546
	<u>\$ 16,506,143</u>

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

(1) Cash and Cash Equivalents

The City of Kent has defined cash and cash equivalents as cash on hand, demand deposits, and all short-term investments, including restricted assets, with original maturities of three months or less from the date of purchase. Included in this category are all funds invested in the Local Government Investment Pool (LGIP). Excluded from this category are cash balances held by fiscal Agents since the City does not have discretionary use of these funds.

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

(2) Investments (refer to Note 4)

The City generally reports investments at fair value and recognizes the corresponding change in fair value of investments in the year in which the change occurred. It is generally the City's policy to hold investments to maturity.

(3) Receivables (refer to Note 5)

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

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 14)

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

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

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

(9) Refunded (Defeased) Bonds

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

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

f. **ENCUMBRANCES**

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

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

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

(1) **Interfund Transactions**

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

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

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

(2) **Interfund Transfers**

Transfers are required where revenue is generated in one fund and expenditures are paid for in other funds. The majority of transfers occur with respect to capital projects where certain General and Special Revenue Fund revenues are transferred to finance various capital projects. Other operating transfers of a recurring nature are required to fund debt service. A summary of transfers by fund type is shown in Note 6. More detail on transfers may also be found on the Schedule of Interfund Transfers on pages 166-167 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 in the case of donated assets. Purchase and construction of such assets are recorded as expenditures in the appropriate Governmental Fund and capitalized for government-wide reporting. Property, Plant and Equipment in the Proprietary Funds is stated at cost, or in the case of donated assets at estimated market value at the date of donation. Depreciation is recorded in the 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, beginning in 2016 PERS 1 is allocated using the PERS 2/3 allocation percentages. This was a change in the allocation methodology from 2015. Changing the allocation methodology caused the following effects on net position in the proprietary fund statements and government-wide statements:

Proprietary Funds:	Water Utility	\$ (838,051)
	Sewerage Utility	(1,189,492)
	Solid Waste Utility	(135,170)
	Golf Complex	(1,324,662)
	Internal Service Funds	(1,973,476)
Government-wide:	Governmental Activities	3,487,375
	Business-Type Activities	(3,487,375)

City of Kent

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	\$ 52,347,831	-	17,464,093	-	69,811,924
Cash with fiscal agent	410,582	-	114,193	-	524,775
Investments at fair value	8,592,920	-	3,882,479	-	12,475,399
Receivables, net	24,086,919	-	253,504	-	24,340,423
Due from other funds	425,000	-	4,000,000	(4,425,000)	-
Internal balances	-	-	-	(1,114,113)	(1,114,113)
Due from other governments	880,000	-	-	-	880,000
Inventory, at cost	-	-	122,044	-	122,044
Prepaid items	55,588	13,847	607,333	-	676,768
Interfund loan receivable – current	-	-	2,126,852	(2,126,852)	-
Investment in joint venture	-	6,314,604	-	-	6,314,604
Restricted cash & cash equivalents	1,190,752	-	-	-	1,190,752
Note receivable from component unit	-	73,069,961	-	-	73,069,961
Less: Allowance for uncollectible	-	(73,069,961)	-	-	(73,069,961)
Net OPEB asset	-	118,375	-	-	118,375
Net pension asset	-	4,318,030	-	-	4,318,030
Capital assets, net	-	750,343,913	4,481,537	-	754,825,450
Total Assets	\$ 87,989,592	761,108,769	33,052,035	(7,665,965)	874,484,431
Deferred outflows of resources:					
Deferred loss on bond refunding	-	58,202,353	-	-	58,202,353
Deferred outflows related to pensions	-	7,330,964	847,141	-	8,178,105
Total Assets & Deferred Inflows	\$ 87,989,592	826,642,086	33,899,176	(7,665,965)	940,864,889
Liabilities:					
Vouchers payable	\$ 1,929,811	-	958,378	-	2,888,189
Accounts/payroll payable	4,900,357	-	426,325	-	5,326,682
Incurred but not reported claims payable	43,600	-	3,850,379	-	3,893,979
Due to other funds	425,000	-	-	(425,000)	-
Due to other governments	33,691	-	-	-	33,691
Accrued interest payable	-	340,636	-	-	340,636
Unearned revenue	973,159	-	1,250	-	974,409
Interfund loan payable – current	1,149,980	-	-	(1,149,980)	-
Compensated absences – current	-	1,466,144	197,006	-	1,663,150
Contracts, leases, notes – current	-	800,662	-	-	800,662
General obligation bonds – current	-	5,685,330	-	-	5,685,330
Special assessment bonds – current	-	475,000	-	-	475,000
Interfund loan payable – long-term	6,090,985	-	-	(6,090,985)	-
Compensated absences – long-term	-	2,534,831	215,070	-	2,749,901
Contracts, leases, notes – long-term	-	6,623,640	-	-	6,623,640
General obligation bonds – long-term	-	96,108,666	-	-	96,108,666
Special assessment bonds – long-term	-	275,000	-	-	275,000
Net pension liability	-	25,912,327	4,419,006	-	30,331,333
Contingent loan guarantee	-	4,991,478	-	-	4,991,478
Total Liabilities	\$ 15,546,583	145,213,714	10,067,414	(7,665,965)	163,161,746
Deferred Outflows:					
Unavailable revenue	8,911,040	(3,566,814)	-	-	5,344,226
Deferred inflows related to pensions	-	553,147	77,093	-	630,240
Total Liabilities & Deferred Inflows	\$ 24,457,623	142,200,047	10,144,507	(7,665,965)	169,136,212

Notes to the Financial Statements December 31, 2016

City of Kent

	Total Governmental Funds	Long-term Assets / Liabilities (1)	Internal Service Funds (2)	Eliminations/ Reclass (3)	Statement of Net Position
Fund Balance/Net Position:					
Total fund balance/net position	\$ 63,531,969	684,442,039	23,754,669	-	771,728,677
Total liabilities, deferred inflows & fund Balance/net position	\$ 87,989,592	826,642,086	33,899,176	(7,665,965)	940,864,889

- (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	\$1,118,402,384
Accumulated Depreciation	(368,058,471)
	<u>750,343,913</u>

The investment in joint venture is not a financial resource and therefore is not reported in the governmental funds, but is included in the statement of net position. \$ 6,314,604

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. \$ (340,636)

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

Compensated absences – current	\$ (1,466,144)
Contracts, leases, notes – current	(800,662)
General obligation bonds – current	(5,685,330)
Special assessment bonds – current	(475,000)
Compensated absences – long-term	(2,534,831)
Contracts, leases, notes – long-term	(6,623,640)
General obligation bonds (net) – long-term	(96,108,666)
Special assessment bonds – long-term	(275,000)
Deferred inflows related to pensions	(553,147)
Net pension liability	(25,912,327)
Contingent loan guarantee obligation	(4,991,478)
	<u>\$ (145,426,225)</u>

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	\$ 118,375
Deferred outflows related to pensions	7,330,964
Net pension asset	4,318,030
	<u>\$ 11,767,369</u>

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. \$ 58,202,353

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. \$ 13,847

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	\$ 3,160,058
Deferred property tax revenue	406,756
	<u>\$ 3,566,814</u>

- (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	\$ 23,754,669
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Notes to the Financial Statements December 31, 2016

City of Kent

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

Interfund receivables	\$ 6,551,852
Interfund payables	(7,665,965)
	<u>\$ (1,114,113)</u>

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	\$ 22,534,441	22,017	-	-	-	-	22,556,458
Sales & use taxes	28,551,033	-	-	-	-	-	28,551,033
Utility taxes	26,923,348	-	-	-	-	-	26,923,348
Business & occupancy taxes	9,311,445	-	-	-	-	-	9,311,445
Real estate excise taxes	6,427,334	-	-	-	-	-	6,427,334
Lodging taxes	293,347	-	-	-	-	-	293,347
Other taxes	961,833	-	-	-	-	-	961,833
Licenses & permits:							
Building permits	2,892,483	-	-	-	-	-	2,892,483
Other licenses & permits	3,760,072	-	-	-	-	-	3,760,072
Intergovernmental revenues	18,717,615	-	-	504,126	-	-	19,221,741
Charges for service:							
Park & recreation fees	1,536,362	-	-	-	-	-	1,536,362
Other fees & charges	5,922,672	-	-	-	594,330	-	6,517,002
Fines & forfeitures	2,975,420	-	-	-	-	-	2,975,420
Miscellaneous revenue:							
Special assessments	1,677,275	(824,526)	-	-	-	-	852,749
Interest income	969,625	(68,596)	-	-	172,960	-	1,073,989
Gain(loss) on disposal of capital assets	-	-	180,021	-	(1,017,814)	837,793	-
Rent/lease income	812,530	-	-	-	68,536	-	881,066
Contributions & donations	1,059,251	-	-	-	-	-	1,059,251
Other miscellaneous revenue	1,592,646	-	-	-	1,197,786	-	2,790,432
Total Revenue	\$ 136,918,732	(871,105)	180,021	504,126	1,015,798	837,793	138,585,365
Expenditures/Expenses:							
Current:							
General government	10,223,289	69,144	1,754,497	242,600	444,474	695,524	13,429,528
Judicial	3,079,215	3,106	49,712	518,133	121,199	-	3,771,365
Public safety	42,746,821	333,220	181,378	(5,936,607)	1,268,285	-	38,593,097
Community development	5,883,755	(4,892)	-	1,080,103	219,382	-	7,178,348
Public works	7,228,829	(25,222)	12,010,013	3,083,725	(409,939)	115,287	22,002,693
Leisure services	14,063,309	(21,640)	5,471,133	(2,550,829)	613,869	26,982	17,602,824
Health & human services	6,140,962	4,866	22,836	(2,456,518)	290,774	-	4,002,920
Debt service:							
Principal	6,929,689	-	-	(6,929,689)	-	-	-
Interest	3,441,172	152,105	-	1,601,622	-	-	5,194,899
Capital outlay	22,414,017	-	(22,414,017)	-	-	-	-
Total expenditures/expenses	\$ 122,151,058	510,687	(2,924,448)	(11,347,460)	2,548,044	837,793	111,775,674
Other sources/(uses):							
Issuance of LTGO refunding bonds	64,575,000	-	-	(64,575,000)	-	-	-
Payment to refunding escrow agent	(76,539,984)	-	-	76,539,984	-	-	-
Premium on general obligation bonds	12,314,401	-	-	(12,314,401)	-	-	-
Issuance of installment note	181,900	-	-	(181,900)	-	-	-
Change in investment in joint venture	-	-	775,712	-	-	-	775,712
Contributed capital	-	-	1,921,097	-	-	-	1,921,097
Special item	-	-	-	66,656,930	-	-	66,656,930
Transfers in	43,061,037	-	-	-	1,141,106	(44,202,143)	-
Transfers out	(41,750,545)	-	-	-	(1,458,390)	44,202,143	993,208
Total other sources/(uses)	\$ 1,841,809	-	2,696,809	66,125,613	(317,284)	-	70,346,947
Net change in fund balance/ net position	\$ 16,609,483	(1,381,792)	5,801,278	77,977,199	(1,849,530)	-	97,156,638

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(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	\$ (110,034)
		Interest expense accrual	(152,105)
		Net OPEB obligation	<u>(248,548)</u>
			\$ (510,687)
	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	\$ 22,017
	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.		
			\$ (893,122)
(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	\$ 22,414,017
		Depreciation expense	<u>(19,489,569)</u>
			\$ 2,924,448
	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	\$ 180,021
	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	\$ 1,921,097
	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.		
			\$ 775,712
(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.		\$ 6,929,689
	The issuance of long-term debt provides current financial resources in the governmental funds, but creates a long-term liability on the statement of net position and does not provide revenues on the statement of activities.		
		Issuance of general obligation bonds	\$ (64,575,000)
		Issuance of notes	(181,900)
		Bond premiums	(12,314,401)
		Contingent loan guarantee obligation	<u>66,656,930</u>
			\$ (10,414,371)
	The payment to an escrow agent for refunding debt creates an other financing use in the governmental funds, but is not an expense on the statement of activities.		
			\$ 76,539,984
	The deferred loss on the refunding of bonds does not create or use current financial resources and is therefore not reported on the governmental fund financial statements, but is a deferred outflow amortized over the life of the bonds on the government-wide statements.		
			\$ 45,992

City of Kent

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	427,865
Amortization of loss on refunding	<u>(2,070,733)</u>
	\$ (1,647,614)

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	\$ 504,126
Change in pension expense	<u>6,019,393</u>
	\$ 6,523,519

- (4) Internal service funds are used by management to charge the costs of certain activities, such as fleet management, central services, facilities management, and self-insurance, to the individual operating funds. The net revenue, or expense of the internal service funds is reported with governmental activities on the statement of activities. \$ (1,849,530)
- (5) Interfund transfers between governmental activities are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities.

Transfers in	\$ (45,658,663)
Transfers out	<u>45,658,663</u>
	\$ -

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At December 31, 2016, one fund was in a deficit fund balance position. The Other Capital Projects Fund, a major fund, had a deficit fund balance of \$4,507,088. 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. According to the investment policy presented in the Kent City Code Chapter 3.02, allowable investments consist of the State Treasurer's Investment Pool, banker's acceptances, certificates of deposit, U.S. government securities, U.S. governmental agency securities, and bonds of the State of Washington or any local government in the State of Washington.

A. DEPOSITS

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

B. INVESTMENTS

1. Investments Measured at Amortized Costs:

Investments in the State Treasurer's Local Government Investment Pool (LGIP) are valued at amortized cost, which approximates fair value. 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

City of Kent

measure, for financial reporting purposes, investments at amortized costs. Each month, earnings from the LGIP are deposited to the City's bank account. The State Investment Pool was created by State statute, and is governed by the State Finance Committee and administered by the State Treasurer. Participants in the LGIP are offered 100 percent liquidity on a daily basis, provided notification is made within specified times.

2. Investments Measured at Fair Value:

The City measures and reports investments at fair value. As of December 31, 2016, the City held the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)		
		<1	1-5	6-10
Investments				
Government Agencies (various)	\$ 19,938,868	\$ 2,927,880	\$ 17,010,988	\$ -
Certificates of Deposit	254,874	254,874	-	-
Total investments	20,193,742	3,182,754	17,010,988	-
Less investments held by				
Fiduciary Funds	(1,769,223)	-	(1,769,223)	-
Total Primary Government	\$ 18,424,519	\$ 3,182,754	\$ 15,241,765	\$ -

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

PRIMARY GOVERNMENT

From Statement of Net Position:

Cash & cash equivalents	\$ 110,759,452
Cash with fiscal agent/trustee	589,771
Investments, at fair value	18,424,519
Restricted cash & cash equivalents	5,477,440
Total from Statement of Net Position	\$ 135,251,182

Summary by Type:

Cash on hand and in bank	\$ 16,898,793
State Pool (cash equivalents)	99,338,099
Deposits with fiscal agent/trustee	589,771
Investments	18,424,519
Total by Type	\$ 135,251,182

COMPONENT UNIT

Special Events Center PFD:

Cash on hand and in bank	\$ 126,210
Total Cash & Investments	\$ 126,210

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 limits, to the extent possible, the average life of the portfolio not to exceed five years. As of December 31, 2016, the weighted average of maturity for the portfolio was 614 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, 2016, the LGIP had a weighted average maturity of 30 days.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statute, as well as City policy, requires at the time of purchase that an investment carry a rating of one of the three highest credit ratings of a nationally recognized rating agency. As of December 31, 2016, the ratings for all fixed rate non-callable and callable agency securities were AAA. The credit risk of

City of Kent

the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand accounts and certificates of deposit.

Concentration of Credit Risk: According to the City's investment policy, with the exception of US Treasuries and the LGIP, no more than 25% of the City's total investment portfolio will be invested in securities offered by a single issuer. In accordance with GASB Statement No. 40, the City will report any investment in any one issuer that is 5% or more of the total City portfolio. As of December 31, 2016, the City did not have any investments meeting that criterion.

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

3. Fair value hierarchy:

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Securities classified as Level 1 in the fair value hierarchy are valued using prices quoted in active markets for identical securities; Level 2 securities are valued using observable inputs; Level 3 securities are valued using unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2016:

- Certificates of Deposit are valued using quoted prices in active markets (Level 1)
- All U.S Treasury securities are valued using other observable inputs (Level 2)
- All agency coupon securities are valued using other observable inputs (Level 2)

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	\$ 8,772,192	\$ 729,702	\$ (9,899)	\$ -	\$ 2,446	\$ 9,494,441
Capital Resources Fund	2,008,730	-	-	-	935	2,009,665
Special Assessments Fund	-	-	-	8,500,317	-	8,500,317
Street Capital Projects Fund	-	1,365,304	(2,312)	-	1,130	1,364,122
Other Capital Projects Fund	-	1,000	-	-	-	1,000
Other Governmental Funds	1,516,160	1,200,345	-	-	869	2,717,374
Internal Service Funds	126,133	123,298	(46)	-	4,119	253,504
Subtotal	\$12,423,215	\$ 3,419,649	\$ (12,257)	\$ 8,500,317	\$ 9,499	\$ 24,340,423
Business-Type Activities:						
Water Fund	\$ -	\$ 1,712,517	\$ (27,999)	\$ -	\$ 1,871	\$ 1,686,389
Sewerage Fund	-	9,853,120	(61,433)	-	2,751	9,794,438
Solid Waste Fund	-	80,647	(19)	-	-	80,628
Golf Complex Fund	-	99,913	(3,624)	-	-	96,289
Subtotal	\$ -	\$ 11,746,197	\$ (93,075)	\$ -	\$ 4,622	\$ 11,657,744
Total Primary Government	\$12,423,215	\$ 15,165,846	\$ (105,332)	\$ 8,500,317	\$14,121	\$ 35,998,167

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Component Unit Activities:						
Special Events Center PFD	\$ 164,002	\$ -	\$ -	\$ -	\$ -	\$ 164,002
Total Component Unit	\$ 164,002	\$ -	\$ -	\$ -	\$ -	\$ 164,002

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, 2016, the unearned revenue reported in the governmental funds related to special assessments was \$8,500,317. Of that amount, \$179,503 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 \$24,747,188 in debt payments on behalf of the District. At December 31, 2016, the City has recorded a note receivable of \$25,121,554 (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, 2016, this note is \$48,780,000. 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 \$14,121 was recognized at December 31, 2016. This interest was recorded in each fund based on its investment position.

6. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCES

The following interfund balances are shown in the fund statements as of December 31, 2016:

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
Governmental Funds:		
General Fund	\$ 425,000	\$ -
Street Capital Projects Fund	-	2,095,449
Other Capital Projects Fund	-	5,145,516
Other Governmental Funds	-	425,000
Internal Service Funds:		
Insurance Fund	6,126,852	-
Business-type Activities:		
Proprietary Funds:		
Enterprise Funds:		
Water Fund	1,776,654	-
Sewerage Fund	3,337,459	-
Golf Complex Fund	-	4,000,000
Totals	\$ 11,665,965	\$ 11,665,965

The net internal balances shown on the Statement of Net Position is \$1,114,113, due from governmental activities to business-type activities.

In December 2016, 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, 2016, was a non-interest bearing loan for \$425,000 from the General Fund to the Housing & Community Development Fund to cover year-end expenditures and temporary cash flow shortages.

During fiscal year 2012, the City established loans payable from the Other Capital Project Fund totaling \$9,702,213 to the Water Fund (\$3,350,000), Sewer Fund (\$3,350,000) and Insurance Fund (\$3,002,213). These loans are payable over a period not to exceed ten years and accrue 1.52% interest. At December 31, 2016, the unpaid balances on these loans are \$1,776,654 to Water, \$1,776,654 to Sewer and \$1,592,208 to Insurance for a total of \$5,145,517.

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

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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, 2016, the outstanding loans balances are \$668,305 to Sewer and \$534,644 to Insurance for a total of \$1,202,949.

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, 2016, \$892,500 remains outstanding on this loan.

TRANSFERS

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
Governmental Funds:		
<u>Major Funds:</u>		
General Fund	\$ 1,262,261	\$ 15,999,613
Capital Resources Fund	7,183,293	12,247,287
Special Assessment Fund	-	2,318,063
Non-voted Debt	9,185,105	-
Street Capital Projects Fund	12,770,630	1,930,473
Other Capital Projects Fund	2,125,005	199,710
Subtotal	\$ 32,526,294	\$ 32,695,146
<u>Non-major Funds:</u>		
Street	\$ 3,959,428	\$ 7,975,938
Youth/Teen Programs	-	900,000
Criminal Justice	105,000	-
Environmental Mitigation	20,925	3,826
Parks Capital Projects	3,240,000	175,635
Technology Capital Projects	3,121,390	-
Facilities Capital Projects	88,000	-
Subtotal	\$ 10,534,743	\$ 9,055,399
Total Governmental	\$ 43,061,037	\$ 41,750,545
Proprietary Funds:		
<u>Major Funds:</u>		
Water Utility	\$ -	\$ 251,794
Sewerage Utility	14,855	721,684
Solid Waste Utility	-	34,585
Subtotal	\$ 14,855	\$ 1,008,063
<u>Internal Service Funds:</u>		
Equipment Rental	\$ 321,106	\$ -
Central Services	-	1,438,390
Facilities	160,000	20,000
Insurance	660,000	-
Subtotal	\$ 1,141,106	\$ 1,458,390
Total Proprietary	\$ 1,155,961	\$ 2,466,453
Total Transfers	\$ 44,216,998	\$ 44,216,998

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 2016 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 166-167.

7. CAPITAL ASSETS AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2016 changes in governmental capital assets:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 222,780,610	\$ 4,221,911	\$ -	\$ 227,002,521
Construction in Progress	62,515,904	10,547,925	(46,615,570)	26,448,259
Total non-depreciable assets	285,296,514	14,769,836	(46,615,570)	253,450,780
Capital Assets being depreciated:				
Buildings	135,050,097	956,062	-	136,006,159
Site Improvements	57,347,660	1,618,801	-	58,966,461
Equipment	58,185,444	2,487,442	(411,935)	60,260,951
Infrastructure	581,654,742	51,870,320	-	633,525,062
Total depreciable assets, gross	832,237,943	56,932,625	(411,935)	888,758,633
Less Accumulated Depreciation for:				
Buildings	(34,151,465)	(3,487,165)	-	(37,638,630)
Site Improvements	(22,425,043)	(2,560,258)	-	(24,985,301)
Equipment	(44,660,728)	(2,252,076)	370,100	(46,542,704)
Infrastructure	(266,255,093)	(11,962,235)	-	(278,217,328)
Total Accumulated Depreciation	(367,492,329)	(20,261,734)	370,100	(387,383,963)
Total depreciable assets, net	464,745,614	36,670,891	(41,835)	501,374,670
Governmental Activities Capital Assets, net	\$ 750,042,128	\$ 51,440,727	\$(46,657,405)	\$ 754,825,450

b. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

A summary of Business-type Property, Plant, and Equipment at December 31, 2016 follows:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Business-type Activities:				
Capital Assets not being depreciated:				
Land	\$ 11,589,014	\$ 4,603,627	\$ -	\$ 16,192,641
Construction in Progress	42,173,030	6,888,105	(23,953,837)	25,107,298
Total non-depreciable assets	53,762,044	11,491,732	(23,953,837)	41,299,939
Capital Assets being depreciated:				
Buildings	5,181,604	-	-	5,181,604
Site Improvements	403,281,149	26,851,198	-	430,132,347
Equipment	4,973,790	597,812	-	5,571,602
Total depreciable assets, gross	413,436,543	27,449,010	-	440,885,553

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Less Accumulated Depreciation for:				
Buildings	(4,741,759)	(66,839)	-	(4,808,598)
Site Improvements	(108,742,988)	(10,240,780)	-	(118,983,768)
Equipment	(3,390,957)	(212,884)	-	(3,603,841)
Total Accumulated Depreciation	(116,875,704)	(10,520,503)	-	(127,396,207)
Total depreciable assets, net	296,560,839	16,928,507	-	313,489,346
Business-type Activities Capital Assets, net	\$ 350,322,883	\$ 28,420,239	\$ (23,953,837)	\$ 354,789,285

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

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

Governmental Activities:	
General Government	\$ 1,804,258
Judicial	53,090
Public Safety	439,448
Community Development	14,875
Public Works	12,331,124
Leisure Services	5,580,078
Health and Human Services	38,864
Total Depreciation Expense – Governmental Activities	\$ 20,261,737
Business-type Activities:	
Water	\$ 4,718,587
Sewerage	5,679,669
Golf Complex	122,247
Total Depreciation Expense – Business-type Activities	\$ 10,520,503

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 \$67,998 in 2016 for this lease.

The Golf Complex has leases with Yamaha Leasing for 76 Golf carts with payments of \$6,369 per month ending October 2016. No lease payments are due for the months of November 2016 through February 2017. Additionally the City pays the annual property tax on the rented carts. The City paid \$54,631 in 2016 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

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November through February of each lease year. In addition to the monthly lease, the City is responsible for the annual property taxes on the rented equipment.

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

<u>Fiscal Year</u>	<u>Amount</u>
2017	123,904
2018	123,904
2019	78,904
2020	63,904

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, 2016 is \$1,037,733,016. For further detail on debt margin, refer to Schedule 15 in the Statistical Section of this report. The general obligation bonds have various interest rates between 2.0 percent and 5.5 percent with maturity dates to 2025. The City's general obligation bonds carry a Moody's "A2" rating as of April 17, 2015 and Standard and Poor's "AA+" rating as of April 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, 2016, the LID guaranty reserve was \$75,000, 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) at December 31, 2016, totaled \$18,239,122, including unamortized premium, for the 2009 issue, split equally between each fund. The interest rates of the revenue bonds range from 3.0 percent to 6.12 percent with maturity dates to 2029. The bonds have been assigned a rating of AA by Standard & Poor's Ratings Services.

b. NON-BONDED DEBT

Other long-term debt includes contracts, leases and notes payable.

(1) Installment Loans and Contracts

The City has various installment loans issued by the State of Washington Department of Commerce Public Works Trust Fund to finance designated capital construction projects. These loans are direct obligations of the City for which the full faith and credit of the City is pledged. They are being repaid by the streets fund or proprietary funds depending on the projects funded with the proceeds. The loans are for twenty years and have an interest rate of 0.5 percent.

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

c. OTHER NON-CURRENT LIABILITIES

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

d. ARBITRAGE

Under U.S. Treasury Department regulations, all tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. In general the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed interest expenditures on the related debt, must be remitted to the Federal government on every fifth anniversary of each bond issue. At the fund level, the City recognizes this liability only when it is due and payable. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement and, as of December 30, 2016, has no outstanding arbitrage liability

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e. **ADVANCE AND CURRENT REFUNDINGS**

During fiscal year 2016, the City issued \$64,575,000 Series 2016 General Obligation Bonds – Series A & B for the purpose of an advance refunding of a portion of the outstanding balance of the Series 2008 General Obligation Bonds (bonds due December 1, 2019 – 2025) and an advance refunding of the outstanding balance of the 2008 Special Events Center Sales Tax Bonds of the City of Kent Special Events Center Public Facilities District. Under the terms of the refunding bonds, sufficient assets to pay the principal and interest on the refunded bonds were placed in an irrevocable trust account at a commercial bank and invested in U.S. Government Securities which, together with interest earned thereon, provided amounts sufficient to call the outstanding bonds at December 1, 2018. The City had a \$12,408,379 cash flow savings and an economic gain (the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate) of \$10,692,489.

As of December 31, 2016 the following bonds have been defeased by placing funds with an escrow agent in an irrevocable trust, but are not yet callable:

2008 General Obligation Bonds	\$ 16,945,000
2008 Public Facilities District Sales Tax Bonds	53,150,000

f. **DEBT SCHEDULES**

The following tables are a summary of long-term debt transactions of the City for the year ended December 31, 2016:

LONG-TERM DEBT - GOVERNMENTAL ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/16	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS							
<u>LTGO Councilmanic Bonds:</u>							
Various purposes-taxable	2003	2018	2.3-5.5%	\$ 7,518,000	\$ 7,173,000	\$ 345,000	\$ 168,000
Refund various purposes	2005	2020	4.05%	2,252,000	1,067,000	1,185,000	266,000
Various purposes	2008	2025	4.1-5.2%	24,000,000	22,415,000	1,585,000	790,000
Less: Unamortized discount				(79,223)	(79,223)	-	-
Refund 1999 various purposes	2009	2019	3.0-4.0%	8,410,000	5,505,000	2,905,000	930,000
Plus: Unamortized premium				347,076	251,428	95,648	-
Refund various purposes	2012	2022	2.0-4.5%	10,840,000	4,665,000	6,175,000	1,090,000
Plus: Unamortized premium				540,320	223,271	317,049	-
Refund 2004 various purposes	2014	2021	2.0-4.0%	8,671,070	3,888,865	4,782,205	971,330
Plus: Unamortized premium				547,704	196,460	351,244	-
Refund 2006 land-taxable	2015	2021	0.6-2.85%	4,380,000	980,000	3,400,000	840,000
Refund 2006 park improve	2015	2024	3.0%	4,240,000	-	4,240,000	-
Plus: Unamortized premium				261,619	35,675	225,944	-
Refund 2008 various purposes	2016	2025	2.0/5.5%	15,470,000	90,000	15,380,000	145,000
Plus: Unamortized premium				2,950,117	68,874	2,881,243	-
Refund 2008 PFD sales tax	2016	2037	2.0/5.5%	49,105,000	325,000	48,780,000	485,000
Plus: Unamortized premium				9,364,284	218,621	9,145,663	-
Total General Obligation – LTGO (Net)				148,817,967	47,023,971	101,793,996	5,685,330
OTHER LONG-TERM DEBT:							
Public Works Trust Fund Loans:							
Street improvements	2003	2023	0.5%	1,000,000	626,462	373,538	53,362
Street improvements	2004	2024	0.5%	8,500,000	4,864,706	3,635,294	454,412
Street improvements	2008	2028	0.5%	5,000,000	1,782,895	3,217,105	268,092
SMG capital loan	2015	2024	0.0%	200,423	2,058	198,365	24,796
Total other governmental debt				14,700,423	7,276,121	7,424,302	800,662
TOTAL GOVERNMENTAL ACTIVITIES (Net)				\$ 163,518,390	\$ 54,300,092	\$109,218,298	\$ 6,485,992

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SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/16	Due Within One Year
SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES:							
LID 353 et. al.	2004	2019	2.5-4.7%	\$ 11,758,557	\$ 11,008,557	\$ 750,000	\$ 475,000
TOTAL SPECIAL ASSESSMENT BONDS				\$ 11,758,557	\$ 11,008,557	\$ 750,000	\$ 475,000

LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/16	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	\$ 1,596,135	\$ 1,962,795	\$ 398,670
Plus: Unamortized Premium				224,798	80,634	144,164	-
Total General Obligation LTGO (Net)				3,783,728	1,676,769	2,106,959	398,670
REVENUE BONDS:							
Water Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	4,560,000	3,440,000	1,120,000	550,000
Plus: Unamortized Premium				286,845	227,284	59,561	-
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	-
Subtotal (Net)				12,786,845	3,667,284	9,119,561	550,000
Sewerage Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	4,560,000	3,440,000	1,120,000	550,000
Plus: Unamortized Premium				286,845	227,284	59,561	-
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	-	7,940,000	-
Subtotal (Net)				12,786,845	3,667,284	9,119,561	550,000
Total Revenue Bonds (Net)				25,573,690	7,334,568	18,239,122	1,100,000
Total Bonded Debt				29,357,418	9,011,337	20,346,081	1,498,670
OTHER LONG-TERM DEBT:							
Water Fund:							
Contract-Tacoma Pipeline	2010	2040	2.0-5.62%	11,400,000	1,070,000	10,330,000	280,000
Contract-Regional Water	2013	2032	4.0-5.0%	14,790,000	725,000	14,065,000	135,000
Public Works Trust Fund Loans:							
Water system improvements 2001	2001	2021	0.5%	10,000,000	7,361,111	2,638,889	527,778
Water system improvements 2002	2002	2022	0.5%	10,000,000	6,812,500	3,187,500	531,250
Subtotal – Water Fund				46,190,000	15,968,611	30,221,389	1,474,028
Sewerage Fund:							
Public Works Trust Fund Loans:							
Drainage system improv	2004	2024	0.5%	1,500,000	900,000	600,000	75,000
Subtotal – Sewerage Fund				1,500,000	900,000	600,000	75,000
Total other business type debt				47,690,000	16,868,611	30,821,389	1,549,028
TOTAL BUSINESS TYPE ACTIVITIES (Net)				\$ 77,047,418	\$ 25,879,948	\$ 51,167,470	\$ 3,047,698

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	interest	principal	interest	
2017	\$ 5,685,330	\$ 3,819,260	\$ 398,670	\$ 74,525	\$ 9,977,785
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
2022-2026	22,565,000	12,035,700	-	-	34,600,700
2027-2031	19,425,000	7,289,750	-	-	26,714,750
2032-2036	17,220,000	2,654,000	-	-	19,874,000
2037-2041	3,605,000	108,150	-	-	3,713,150
Total	\$ 88,777,205	\$ 39,201,694	\$ 1,962,795	\$ 235,681	\$ 130,177,375

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

Year	Governmental Activities		
	Principal	Interest	Total
2017	\$ 475,000	\$ 34,875	\$ 509,875
2018	275,000	12,788	287,788
Total	\$ 750,000	\$ 47,663	\$ 797,663

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		Sewerage Revenue Bonds		Total
	Principal	interest	principal	interest	
2017	\$ 550,000	\$ 513,072	\$ 550,000	\$ 513,072	\$ 2,126,144
2018	570,000	491,072	570,000	491,072	2,122,144
2019	600,000	462,572	600,000	462,572	2,125,144
2020	620,000	432,212	620,000	432,212	2,104,424
2021	642,500	397,430	642,500	397,430	2,079,860
2022-2026	3,580,000	1,416,067	3,580,000	1,416,067	9,992,134
2027-2031	2,497,500	309,672	2,497,500	309,672	5,614,344
Total	\$ 9,060,000	\$ 4,022,097	\$ 9,060,000	\$ 4,022,097	\$ 26,164,194

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	interest	principal	interest	
2017	\$ 800,662	\$ 37,821	\$ 1,549,028	\$ 1,061,277	\$ 3,448,788
2018	800,662	33,697	1,549,028	1,040,435	3,423,822
2019	800,662	29,573	1,779,028	1,019,793	3,629,056
2020	800,662	25,449	1,809,028	987,850	3,622,989
2021	800,862	21,325	1,829,027	954,608	3,605,622
2022-2026	2,884,808	48,611	6,801,250	4,127,365	13,862,034
2027-2031	536,184	4,021	9,110,000	2,371,367	12,021,572
2032-2036	-	-	4,010,000	779,318	4,789,318
2037-2041	-	-	2,385,000	221,777	2,606,777
Total	\$ 7,424,302	\$ 200,497	\$ 30,821,389	\$ 12,563,790	\$ 51,009,978

DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:

The City of Kent Special Events Center Public Facilities District (PFD) has outstanding bonded debt of \$4,430,000.

Notes to the Financial Statements December 31, 2016

City of Kent

The following is a summary of bonded debt issuance and redemption information as of December 31, 2016:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/16	Due Within One Year
BONDED DEBT:							
Sales Tax Bonds	2008	2037	4-5.25%	\$ 53,150,000	\$ 53,150,000	\$ -	\$ -
Plus: Unamortized Premium				910,604	910,604	-	-
Revenue Bonds	2008	2020	3.16-5.75%	10,130,000	5,700,000	4,430,000	1,100,000
Total bonded debt (Net)				64,190,604	59,760,604	4,430,000	1,100,000
OTHER NON-BONDED DEBT:							
Note payable	2008	2020	0.19-1.2%	25,121,554	-	25,121,554	-
Note payable	2016	2037		49,105,000	325,000	48,780,000	485,000
Total non-bonded debt				74,226,554	325,000	73,901,554	485,000
TOTAL PFD (Net)				\$ 138,417,158	\$ 60,085,604	\$ 78,331,554	\$ 1,585,000

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

Special Events Center Public Facilities District			
Year	Principal	Interest	Total
2017	\$ 1,100,000	\$ 245,977	\$ 1,345,977
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	\$ 4,430,000	\$ 590,470	\$ 5,020,470

The following is a summary of changes in non-current liabilities reported in the government-wide financial statements for the year ended December 31, 2016

	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	\$ 46,653,970	\$ 64,575,000	\$ 22,451,765	\$ 88,777,205	\$ 5,685,330	\$ 83,091,875
Premiums	1,176,245	12,314,401	473,855	13,016,791	-	13,016,791
Discounts	(45,991)	-	(45,991)	-	-	-
Net general obligation bonds	47,784,224	76,889,401	22,879,629	101,793,996	5,685,330	96,108,666
Special assessment bonds with Governmental commitment	1,395,000	-	645,000	750,000	475,000	275,000
Total bonds payable (net)	49,179,224	76,889,401	23,524,629	102,543,996	6,160,330	96,383,666
Non-bonded long-term liabilities:						
Installment loans & contracts	8,020,328	181,899	777,925	7,424,302	800,662	6,623,640
Contingent loan guarantee obligation	71,648,408	-	66,656,930	4,991,478	-	4,991,478
Net Pension Liability	28,449,807	30,331,333	28,449,807	30,331,333	-	30,331,333
Compensated Absences:						
General government	3,890,940	4,034,482	3,924,447	4,000,975	1,466,144	2,534,831
Internal service funds	446,505	324,067	358,496	412,076	197,006	215,070
Total compensated absences	4,337,445	4,358,549	4,282,943	4,413,051	1,663,150	2,749,901
Total non-bonded long-term liabilities	112,455,988	34,871,781	100,167,608	47,160,164	2,463,812	44,696,352
Total	\$161,635,212	\$111,761,182	\$123,692,234	\$ 149,704,160	\$ 8,624,142	\$141,080,018

Notes to the Financial Statements December 31, 2016

City of Kent

	Beginning Balances	Additions	Reductions	Ending Balances	Amount Due Within One Year	Amount Due In More Than One Year
BUSINESS TYPE ACTIVITIES:						
Bonds payable:						
General obligation bonds	\$ 2,424,030	\$ -	\$ 461,235	\$ 1,962,795	\$ 398,670	\$ 1,564,125
Premiums	173,486	-	29,322	144,164	-	144,164
Net general obligation bonds	2,597,516	-	490,557	2,106,959	398,670	1,708,289
Revenue bonds	19,175,000	-	1,055,000	18,120,000	1,100,000	17,020,000
Premiums	181,148	-	62,026	119,122	-	119,122
Net revenue bonds	19,356,148	-	1,117,026	18,239,122	1,100,000	17,139,122
Total bonds payable (net)	21,953,664	-	1,607,583	20,346,081	1,498,670	18,847,411
Non-bonded long-term liabilities:						
Installment loans & contracts	32,340,417	-	1,519,028	30,821,389	1,549,028	29,272,361
Net Pension Liability	2,370,839	7,808,926	2,370,839	7,808,926	-	7,808,926
Compensated absences	450,524	852,032	640,860	661,696	402,824	258,872
Total non-bonded long-term liabilities	35,161,780	8,660,958	4,530,727	39,292,011	1,951,852	37,340,159
Total	\$ 57,115,444	\$ 8,660,958	\$ 6,138,310	\$ 59,638,092	\$ 3,450,522	\$ 56,187,570
SPECIAL EVENTS CENTER PFD:						
Bonds payable:						
Sales tax bonds	\$53,150,000	\$ -	\$ 53,150,000	\$ -	\$ -	\$ -
Premium	870,869	-	870,869	-	-	-
Revenue bonds	5,410,000	-	980,000	4,430,000	1,100,000	3,330,000
Total bonds payable (net)	59,430,869	-	55,000,869	4,430,000	1,100,000	3,330,000
Non-bonded long-term liabilities:						
Interlocal financing agreement	-	49,105,000	325,000	48,780,000	-	48,780,000
Instalment loans & contracts	21,938,203	2,351,758	-	24,289,961	-	24,289,961
Total	\$81,369,072	\$51,456,758	\$ 55,325,869	\$77,499,961	\$ 1,100,000	\$ 76,399,961

10. FUND BALANCE

Fund Balance

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

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

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

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. 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

City of Kent

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. Water rates did not change in 2015 or 2016. This follows a three percent increase in fees on January 1, 2014.

Shown below are the water rates effective as of January 1, 2014 through 2016:

Meter Access Fee Rates (monthly)

<u>Meter Size</u>	<u>Rates</u>
3/4" or 5/8"	\$ 13.10
1"	22.26
1½"	33.98
2"	45.04
3"	95.50
4"	115.72
6"	171.90
8"	220.40
10"	281.47

Usage Rates

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

b. SEWERAGE

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

The sewer operation is a collection system which pumps waste to METRO, a regional treatment agency under King County. All collection districts in King County contract with METRO for sewage treatment. There was a 4 percent increase in the single family residential sewer fee for 2016 with no change in the METRO fee. For fiscal year 2016 the single family residential rates for sewer were a City fee of \$19.43 per month and a METRO fee of \$42.03 per month for a total monthly fee of \$61.46. All other than single family residential customers pay a sewer rate of \$8.19 per 100 cubic feet of their water consumption with a minimum base rate of \$61.46 per month.

The drainage operation started in May 1985 and collects revenue to fund operating charges. Effective January 1, 2015, the drainage fee for single family residences increased five percent from \$11.64 to \$12.22 per month. The rate did not change in 2016. The rate for multi-family and commercial establishments varies based on the property size, percentage of impervious surface, and the basin or basins in which the property is located.

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

Amounts shown in thousands			
	Sewer	Drainage	Total
Operating Revenue	\$ 28,298	\$ 19,343	\$ 47,641
Operating Expenses	31,140	13,683	44,823
Operating Income	\$ (2,842)	\$ 5,660	\$ 2,818

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, 2016 include \$449,236 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.

City of Kent

- 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 2016, the City's regular tax levy was \$1.511 per \$1,000 of assessed valuation based on the 2015 assessed valuation of \$15,046,306,884 for a total regular levy of \$22,657,939.

13. PERSONNEL BENEFITS

a. SICK, VACATION AND COMPENSATORY LEAVE

Eligible employees earn twelve days sick leave and twelve to twenty-two days vacation leave per year depending on the employee's length of service and union agreement. Law enforcement officers and firefighters hired on or before September 30, 1977 receive unlimited sick leave. Maximum sick leave accruable for other employees is 130 days. Compensatory leave is time off in lieu of pay, but is due and owing to employees upon termination. Employees leaving the City of Kent are entitled to be paid for all unused vacation and compensatory leave. Upon termination, police officers hired prior to January 1, 2008, who retire or separate in good standing, will be compensated for the hours, up to 1,040 hours, remaining in their sick leave bank based on their tenure as commissioned officers with the Kent Police Department. The compensation is calculated, based on their tenure, at a percentage (between 20 and 80 percent) of the employee's hourly rate. Compensated absences payable includes the sick leave buy-out for retired and separated police officers as well as vacation and compensatory leave for all employees per GASB Statement No. 16.

There are some sick leave benefits which are not paid to the employees upon termination, but instead are due in January following the year earned. Police officers 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 \$1,663,150 and the estimated long term portion, including internal services is \$2,749,901. 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 \$402,824 and the estimated long-term portion is \$258,872.

City of Kent

b. RETIREMENT

The City's contributions to retirement programs in 2016 were:

To Federal Social Security System	\$4,151,523
To State administered employee retirement systems	<u>5,181,016</u>
Total	<u>\$9,332,539</u>

Retirement payments to City employees from all City funds in 2016 were:

From Firemen's Relief and Pension Fund	<u>\$ 384,944</u>
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The following table represents the aggregate pension amounts for all plans administered by the Washington Department of Retirement Systems that the City participates in that are subject to the requirements of GASB Statement No. 68- Accounting and Financial Reporting for Pensions for the year 2016.

Aggregate Pension Amounts – All Plans	
Pension assets	\$ 4,318,030
Deferred outflows of resources	9,675,107
Pension liabilities	(38,140,259)
Deferred inflows of resources	(766,472)
Pension expense/expenditures	5,219,716

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2016	11.18%	6.00%
July through December 2016	11.18%	6.00%

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

The city's actual contributions to the plan were \$1,870,232 for the year ended December 31, 2016, 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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2016	11.18%	6.12%
July through December 2016	11.18%	6.12%
Employee PERS Plan 3		Varies

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

The city's actual contributions to the plan were \$2,282,752 for the year ended December 31, 2016.

(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 2016. 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 2016 were as follows:

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

The city's actual contributions to the plan were \$804,269 for the year ended December 31, 2016.

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, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The City recognized \$504,126 in intergovernmental revenues and pension expense in 2016 for the City's share of the state funding.

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

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

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

PSERS membership includes:

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

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2016 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2016	11.54%	6.59%
July through December 2016	11.54%	6.59%

The city's actual contributions to the plan were \$122,102 for the year ended December 31, 2016.

(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 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's

(OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the non-duty disability benefits for LEOFF Plan 2 active members are calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB)

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of 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	\$ 21,444,088	\$ 17,782,650	\$ 14,631,758
PERS 2/3	36,695,140	19,930,231	(10,374,836)
PSERS 2	1,058,511	243,775	(336,563)
LEOFF 1	(818,648)	(1,378,100)	(1,856,307)
LEOFF 2	8,244,376	(2,939,930)	(11,369,649)

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, 2016, the city reported a total pension liability of \$37,956,656 (plus \$183,603 for the Firemen's Pension for a total pension liability of \$38,140,259) and a total pension asset of \$4,318,030 for its proportionate share of the DRS net pension liabilities as follows:

<u>Plan</u>	<u>Liability (Asset)</u>
PERS 1	\$ 17,782,650
PERS 2/3	19,930,231
PSERS 2	243,775
LEOFF 1	(1,378,100)
LEOFF 2	(2,939,930)

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:

	<u>LEOFF 1 Asset</u>	<u>LEOFF 2 Asset</u>
Employer's proportionate share	\$ (1,378,100)	\$ (2,939,930)
State's proportionate share of the net pension liability (asset) associated with the employer	(9,321,434)	\$ (1,916,621)
TOTAL	\$ (10,699,534)	\$ (4,856,551)

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

<u>Plan</u>	<u>Proportionate Share 6/30/16</u>	<u>Proportionate Share 6/30/15</u>	<u>Change in Proportion</u>
PERS 1	0.331119%	0.322525%	0.008594%
PERS 2/3	0.395840%	0.381911%	0.013929%
PSERS 2	0.573616%	0.651624%	-0.078008%
LEOFF 1	0.133759%	0.132902%	-0.000857%
LEOFF 2	0.505464%	0.521396%	-0.015932%

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 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, 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 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

City of Kent

Pension Expense

For the year ended December 31, 2016, the city recognized pension expense as follows for the DRS plans:

Plan	Pension Expense
PERS 1	\$ 1,344,126
PERS 2/3	2,971,691
PSERS 2	167,564
LEOFF 1	(186,828)
LEOFF 2	923,163
	<u>\$ 5,219,716</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, 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	447,739	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,024,636	-
TOTAL	\$ 1,472,375	\$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,061,271	\$ 657,930
Net difference between projected and actual investment earnings on pension plan investments	2,438,885	-
Changes of assumptions	205,995	-
Changes in proportion and differences between contributions and proportionate share of contributions	801,044	-
Contributions subsequent to the measurement date	1,250,137	-
TOTAL	\$ 5,757,332	\$ 657,930

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 83,037	\$ -
Net difference between projected and actual investment earnings on pension plan investments	50,277	-
Changes of assumptions	946	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	6,716
Contributions subsequent to the measurement date	67,781	-
TOTAL	\$ 202,041	\$ 6,716

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	140,082	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ 140,082	\$ -

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 402,850	\$ -
Net difference between projected and actual investment earnings on pension plan investments	1,056,435	-
Changes of assumptions	11,085	-
Changes in proportion and differences between contributions and proportionate share of contributions	107,421	101,826
Contributions subsequent to the measurement date	456,626	-
TOTAL	\$ 2,034,417	\$ 101,826

Total – All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,547,158	\$ 657,930
Net difference between projected and actual investment earnings on pension plan investments	4,133,418	-
Changes of assumptions	218,026	-
Changes in proportion and differences between contributions and proportionate share of contributions	908,465	108,542
Contributions subsequent to the measurement date	2,799,180	-
TOTAL	\$ 9,606,247	\$ 766,472

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, 2017. 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
2017	\$ (110,243)	\$ 301,754	\$ 15,236	\$ (28,948)	\$ (17,100)
2018	(110,243)	301,754	15,236	(28,948)	(17,100)
2019	411,200	2,062,403	46,212	121,321	870,171
2020	257,025	1,183,353	35,961	76,657	598,247
2021	-	-	15,592	-	41,746
Thereafter	-	-	(691)	-	-
Totals	\$ 447,739	\$ 3,849,264	\$ 127,546	\$ 140,082	\$ 1,475,964

(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, 2016 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, 2016, the Plan held investments in the Federal Home Loan Mortgage Corporation and FICO Strips (federal government backed securities) with a fair market value of \$1,769,223.

Net Pension Liability

	Firefighters' Pension Fund	
	GASB Statement No. 67 Net Pension Liability	
	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Total pension liability	\$ 2,791,720	\$ 2,665,344
Fiduciary net position *	2,606,963	2,481,741
Net pension liability (asset)	184,757	183,603
Fiduciary net position as a % of total pension liability	93.38%	93.11

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, 2016
Measurement Date	December 31, 2015	December 31, 2016
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%

Discount Rate

	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Discount rate	3.50%	3.75%
Long-term expected rate of return, Net of investment expense	3.50%	3.75%
Municipal bond rate	3.50%	3.75%

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 3.75% as of December 31, 2016 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 3.78% as of December 31, 2016. Rounding this to the nearest ¼% results in a discount rate of 3.75%. Using 3.75% for both the long-term expected rate of return and the bond index means 3.75% 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 3.75%, 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 (2.75%) or one percentage point higher (4.75%) than the current rate.

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total pension liability	\$ 2,929,823	\$ 2,665,344	\$ 2,437,687
Fiduciary net position *	2,481,741	2,481,741	2,481,741
Net pension liability (asset)	\$ 448,082	\$ 183,603	\$ (44,054)

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, 2016.

Asset Class	Index	Long-term Expected Real Rate of Return
Cash	Citigroup 90 Day T-Bills	0.50%
Long-term Bonds	Barclays Long Gov/Cred	2.97%
Assumed Inflation – Mean		2.25%
Long-Term Expected Rate of Return		3.75%

Firefighters' Pension Fund Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2015	\$ 2,791,720	\$ 2,606,963	\$ 184,757
Changes for the year:			
Service costs	-	-	-
Interest on total pension liability	94,952	-	94,952
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effects of assumptions changes or inputs	(62,384)	-	(62,384)
Benefit payments	(158,944)	(158,944)	-
Medical payments from fund	-	(226,000)	226,000
Employer contributions	-	-	-
Contributions from state fire insurance premium tax	-	227,666	(227,666)
Net investment income	-	43,881	(43,881)
Administrative expenses	-	(11,825)	11,825
Balance as of December 31, 2016	\$ 2,665,344	\$ 2,481,741	\$ 183,603

For the year ended December 31, 2016, the City recognized pension expense of \$923,163. At December 31, 2016, 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	68,860	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ 68,860	\$ -

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
2017	\$ 19,991
2018	19,991
2019	19,993
2020	8,885

(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 \$118,375 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, 2016 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, 2016 by approximately \$248,548.

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, 2016, the City contributed \$995,178 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:

	12/31/16
Amortization of unfunded actuarial accrued liability (UAAL)	\$ 1,229,119
ARC	1,229,119
Interest on net OPEB obligation	(1,341)
Adjustment to annual required contribution	15,948
Annual OPEB cost (expense)	1,243,726
Contributions made	(995,178)
Increase(decrease) in net OPEB obligation	248,548
Net OPEB obligation (asset)-beginning of year	(366,923)
Net OPEB obligation (asset)-end of year	\$ (118,375)

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, 2016	\$ 1,243,726	80.0%	\$ (118,375)
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, 2015, the date of the last actuarial valuation, follows:

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

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

Actuarial methods and Assumptions: The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the City and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and members of the Health Plan to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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 \$93,978 during 2016 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 2016 and 2015 as carried in the City's Internal Service Funds and the General Fund:

	Worker's Compensation		Medical and Dental		Liability		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Claims liabilities, 1/1	\$ 1,493,961	\$ 1,789,935	\$ 628,300	\$ 780,700	\$ 1,438,705	\$ 1,662,291	\$ 3,560,966	\$ 4,232,926
Less: Claims paid	(1,144,016)	(873,745)	(11,932,113)	(10,670,352)	(1,233,706)	\$ (511,268)	(14,309,835)	(12,055,365)
Plus claims and Changes in estimates	1,318,880	577,771	12,049,213	10,517,952	1,231,155	287,682	14,599,248	11,383,405
Claims Liabilities 12/31	\$ 1,668,825	\$ 1,493,961	\$ 745,400	\$ 628,300	\$ 1,436,154	\$ 1,438,705	\$ 3,850,379	\$ 3,560,966

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 \$100,433 in unemployment compensation claims in fiscal year 2016. At December 31, 2016, fund equity was \$1,282,460.

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, 2014 projected ultimate loss for 2016 of \$777,000. At December 31, 2016, incurred but not reported and claims payable were estimated at \$1,668,825. At December 31, 2016 fund equity was \$2,255,528. A contingency reserve of \$123,078 was set up for a worker's compensation claim. The City carries excess workers' compensation insurance coverage with a private carrier for losses exceeding \$500,000 per occurrence to a maximum indemnity in accordance with statutory limits.

c. LIABILITY

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

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practices, stop gap, and employee benefits liability. Loss reserves are maintained by the City on the basis of annual actuarial studies.

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

At December 31, 2016, the City booked a liability for open and incurred but not reported claims to equal estimated outstanding claims liability of \$1,436,154. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2016.

At December 31, 2016, fund equity was \$1,754,056. In 2016, the City expensed \$2,145,627 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, 2016 fund equity was \$531,548. In 2016, the City expensed \$445,135 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 2016, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$10,731,880. 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 \$628,300 as of December 31, 2015 to \$789,000 as of December 31, 2016. These amounts include the estimated IBNR for LEOFF1 Retirees of \$53,900 as of December 31, 2015 and \$43,600 as of December 31, 2016.

Group Health Cooperative provided health care to approximately five percent of the employees for 2016 premiums of \$313,447.

The fund's net position decreased by \$1,360,390 to \$4,814,899 at December 31, 2016. In 2016, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

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f. FINANCIAL HIGHLIGHTS

The 2016 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	\$1,135,572	\$ 985,685	\$1,946,855	\$1,864,172	\$ 324,803	\$ 6,257,087
Cash with fiscal agent	-	35,000	-	79,193	-	114,193
Other investments	198,895	711,946	1,459,256	-	-	2,370,097
Receivables:						
Accrued interest	242	1,149	858	-	-	2,249
Due from other funds	-	2,000,000	1,000,000	1,000,000	-	4,000,000
Interfund loans receivable	-	267,322	1,592,208	267,322	-	2,126,852
Prepaid expenses	-	-	7,194	38,436	209,007	254,637
Deferred outflows related to pensions	11,605	11,605	-	-	-	23,210
Total assets & deferred outflows	\$1,346,314	\$ 4,012,707	\$6,006,371	\$3,249,123	\$ 533,810	\$15,148,325
LIABILITIES & DEFERRED INFLOWS						
Current:						
Vouchers Payable	\$ -	\$ 2,075	\$ 446,072	\$ 49,862	\$ -	\$ 498,009
Accrued expenses	202	16,445	-	808	201	17,656
Claims payable	-	1,668,825	745,400	1,436,154	-	3,850,379
Compensated absences - current	2,061	8,243	-	8,243	2,061	20,608
Long-term:						
Net pension liability	60,535	60,535	-	-	-	121,070
Deferred inflows related to pensions	1,056	1,056	-	-	-	2,112
Total liabilities & deferred inflows	63,854	1,757,179	1,191,472	1,495,067	2,262	4,509,834
NET POSITION	1,282,460	2,255,528	4,814,899	1,754,056	531,548	10,638,491
TOTAL LIABILITIES & NET POSITION	\$1,346,314	\$ 4,012,707	\$ 6,006,371	\$3,249,123	\$ 533,810	\$15,148,325

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
INCOME STATEMENT						
OPERATING REVENUES	\$ 412,779	\$ 1,172,951	\$10,326,599	\$1,130,060	\$ 627,267	\$13,669,656
OPERATING EXPENSES	176,703	1,392,935	12,112,901	2,145,627	445,136	16,273,302
OPERATING INCOME	236,076	(219,984)	(1,786,302)	(1,015,567)	182,131	(2,603,646)
NON-OPERATING REVENUES (EXPENSES)	7,446	27,525	65,912	16,968	838	118,689
NET INCOME	243,522	(192,459)	(1,720,390)	(998,599)	182,969	(2,484,957)
TRANSFERS IN/(OUT)	-	-	360,000	300,000	-	660,000
CHANGE IN NET POSITION	243,522	(192,459)	(1,360,390)	(698,599)	182,969	(1,824,957)
NET POSITION 1/1	1,038,938	2,447,987	6,175,289	2,452,655	348,579	12,463,448
NET POSITION 12/31	\$1,282,460	\$ 2,255,528	\$ 4,814,899	\$1,754,056	\$ 531,548	\$10,638,491

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

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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 2016 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	114,769	26.82%
Renton	86,799	20.28%
Auburn	96,406	22.52%
Tukwila	37,375	8.73%
Federal Way	92,658	21.65%
Totals	428,007	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.

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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	29.75%	21.35%	21.22%	11.26%	16.42%	100.00%
Equity 12/1/15	\$ 5,538,892	\$ 3,944,879	\$ 3,853,230	\$2,139,261	\$ 2,858,305	\$ 18,334,567
Current Year Increase	775,712	586,665	651,598	252,611	626,262	2,892,848
Equity 12/31/15	\$ 6,314,604	\$ 4,531,544	\$ 4,504,828	\$2,391,872	\$ 3,484,567	\$ 21,227,415

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, an 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. This transaction yielded a \$4,045,000 special item on the 2016 PFD financial statements for the difference between the defeased debt (\$53,150,000) and the interlocal note (\$49,105,000).

For the fiscal year ended December 31, 2016, the PFD generated \$902,484 in revenue and had net position of \$(77,190,541).

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.

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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 \$4,430,000 outstanding on these bonds at December 31, 2016. As of December 31, 2016, the City has loaned the District \$24,747,188 and accrued interest of \$374,366 for a total of \$25,121,554. The City loaned the District \$3,069,514, in 2016. 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 \$4,991,478, the present value of estimated future payments under the guarantee agreement. In 2016, the City has shown the decrease in the financial guarantee liability caused by the refinancing of the PFD sales tax bonds as a special item on the statement of activities.

The liability recognized for the financial guarantee at December 31, 2016 is as follows:

Beginning of year	Increases	Decreases	End of Year
\$ 71,648,408	\$ -	\$ 66,656,930	\$ 4,991,478

18. COMMITMENTS

As of December 31, 2016, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$ 19,685,260
Parks Capital Projects	4,217,480
Miscellaneous Projects	654,642
Technology Capital Projects	4,751,122
Facilities Fund Capital Projects	1,228,157
Facilities Fund	1,335,983
Water Capital Projects	15,714,727
Sewerage Capital Projects	26,100,157
Golf Capital Projects	168,123
Total	\$ 73,855,651

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

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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, 2016:

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.

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- 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 tax abated under this agreement will begin in tax year 2017.

20. **SUBSEQUENT EVENTS**

On February 15, 2017 the City received an upgrade on the General Obligation Bonds of the City from Moody's Investor Services from A2 to A1.

The City of Kent has 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 proposed development which 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 is \$10.5 million dollars. In May 2017, the Council authorized the Mayor to sign all documents to complete the sale. The sale is expected to close in later 2017.

RETIREMENT HEALTH CARE BENEFITS -- LEOFF 1 RETIREMENT SYSTEM
Schedule of Funding Progress
As of December 31, 2016

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Liabilities (AAL) Entry Age (b)	Accrued Actuarial Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll¹ (c)	UAAL as a Percentage of Covered Payroll¹ [(b-a)/c]
December 31, 2010	\$ 647,099	\$ 20,959,291	\$ 20,312,192	3.1%	119,207	17039%
December 31, 2013	862,223	28,375,494	27,513,271	3.0%	-	N/A
December 31, 2015 *	1,109,532	25,696,355	24,586,823	4.3%	-	N/A

* Most recent actuarial study

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

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Required Supplementary Information

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

	Fiscal Year Ending December 31		
	2007	2008	2009
Actuarially determined contribution	\$ (70,193)	\$ (59,543)	\$ (62,265)
Actual employer contribution *	(70,193)	(59,543)	(62,265)
Contribution deficiency (excess)	-	-	-

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

Firefighters' retiree medical and long-term care benefits may be paid from the Firefighters' Pension Fund. As noted above, payments for retiree medical and long-term care benefits are subtracted from other contributions, leaving a negative total contribution 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 did, however, receive the insurance premium and make medical payment from the fund in 2016, 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 Three Fiscal Years *

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

* 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						
2010	2011	2012	2013	2014	2015	2016
\$ (64,151)	\$ (48,662)	\$ (59,033)	\$ (41,988)	\$ (47,101)	\$ (6,968)	\$ 33,825
(64,151)	(48,662)	(59,033)	(41,988)	(47,101)	(6,968)	1,666
-	-	-	-	-	-	(32,159)

City of Kent

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Changes in Pension Liability and Related Ratios

Last Three 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]

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City of Kent

Required Supplementary Information

SCHEDULE OF EMPLOYER CONTRIBUTIONS

As of December 31

Last Two Fiscal Years *

	2015	2016
PERS 1		
Statutorily or contractually required contributions	\$ 1,482,318	\$ 1,877,764
Contributions in relation to the statutorily or contractually required contributions	1,482,318	1,877,764
Contribution deficiency (excess)	-	-
Covered employee payroll	520,124	353,209
Contributions as a percentage of covered employee payroll	284.99%	531.63%
PERS 2/3		
Statutorily or contractually required contributions	\$ 1,701,232	\$ 2,285,149
Contributions in relation to the statutorily or contractually required contributions	1,701,232	2,285,149
Contribution deficiency (excess)	-	-
Covered employee payroll	33,923,217	40,396,466
Contributions as a percentage of covered employee payroll	5.01%	5.66%
PSERS 2		
Statutorily or contractually required contributions	\$ 121,431	\$ 122,368
Contributions in relation to the statutorily or contractually required contributions	121,431	122,368
Contribution deficiency (excess)	-	-
Covered employee payroll	1,907,865	2,016,371
Contributions as a percentage of covered employee payroll	6.36%	6.07%
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
LEOFF 2		
Statutorily or contractually required contributions	\$ 764,215	\$ 773,286
Washington state contributions on behalf of City	505,299	504,126
Contributions in relation to the statutorily or contractually required contributions	1,269,514	1,277,412
Contribution deficiency (excess)	-	-
Covered employee payroll	15,132,938	16,644,124
Contributions as a percentage of covered employee payroll	8.39%	7.67%

* 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

City of Kent

Required Supplementary Information

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

As of June 30

Last Two Fiscal Years *

	2015	2016
PERS 1		
City's proportionate share of the net pension liability (asset)	0.322525%	0.331119%
City's proportionate share of the net pension liability (asset)	16,871,057	17,782,650
City's covered-employee payroll	520,124	353,209
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	3243.66%	5034.60%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%
PERS 2/3		
City's proportionate share of the net pension liability (asset)	0.381911%	0.395840%
City's proportionate share of the net pension liability (asset)	13,645,898	19,930,231
City's covered-employee payroll	33,923,217	40,396,466
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.23%	49.34%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%
PSERS 2		
City's proportionate share of the net pension liability (asset)	0.651624%	0.573616%
City's proportionate share of the net pension liability (asset)	118,934	243,775
City's covered-employee payroll	1,907,865	2,016,371
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.23%	12.09%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%

Continued

City of Kent

Required Supplementary Information

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

As of June 30

Last Two Fiscal Years *

	<u>2015</u>	<u>2016</u>
LEOFF 1		
City's proportionate share of the net pension liability (asset)	0.132902%	0.133759%
City's proportionate share of the net pension liability (asset)	(1,601,763)	(1,378,100)
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%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%
LEOFF 2		
City's proportionate share of the net pension liability (asset)	0.521396%	0.505464%
City's proportionate share of the net pension liability (asset)	(5,358,908)	(2,939,930)
City's covered-employee payroll	15,132,938	16,644,124
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.41%	17.66%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	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

The SPECIAL REVENUE FUNDS are used to account for proceeds of specific taxes or other earmarked revenues. This revenue is segregated into individual SPECIAL REVENUE FUNDS to insure expenditures for a specific purpose. The Street Fund uses 1.0% of 6.0% local utility taxes to fund transfers for street debt service and construction projects. The Lodging Tax Fund uses a 1% tax on the rental of any hotel, motel, rooming house, tourist court or trailer camp to be utilized for the acquisition of, or operation of, tourism-related facilities. The Youth/Teen Programs Fund uses .3% of 6.0% local utility taxes to fund youth/teen programs. The Criminal Justice Fund uses state grants and a King County voter approved sales tax levy of .1% to fund criminal justice activity. The Environmental Mitigation Fund was closed into a new Solid Waste Utility Fund in 2016. The Housing and Community Development Fund uses federal grant monies to fund designated programs.

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

Comprehensive Annual Financial Report 2016

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2016**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
ASSETS			
Cash and cash equivalents	\$ 2,751,553	\$ 441,463	\$ 11,961
Investments, at fair value	540,566	-	-
Restricted cash and cash equivalents	-	-	-
Receivables (net of allowances for estimated uncollectibles):			
Taxes	844,824	33,637	79,169
Accounts	507,291	-	-
Accrued interest	598	-	-
TOTAL ASSETS	<u>4,644,832</u>	<u>475,100</u>	<u>91,130</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,644,832</u>	<u>\$ 475,100</u>	<u>\$ 91,130</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$ 154,040	\$ 5,714	\$ -
Accounts/payroll payable	448,142	-	-
Due to other funds	-	-	-
Due to other governments	815	-	-
Deposits and advances	-	-	-
Total Liabilities	<u>602,997</u>	<u>5,714</u>	<u>-</u>
FUND BALANCE			
Restricted:			
Street capital projects	126,173	-	-
Fuel Tax	2,035,614	-	-
Impact Fees	1,126,738	-	-
Lodging tax purposes	-	469,386	-
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Facility capital projects	-	-	-
Committed:			
Street operations	753,310	-	-
Youth/Teen programs	-	-	91,130
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Technology systems	-	-	-
Facility capital projects	-	-	-
Assigned:			
Criminal justice programs	-	-	-
Technology systems	-	-	-
Total Fund Balance	<u>4,041,835</u>	<u>469,386</u>	<u>91,130</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCE	<u>\$ 4,644,832</u>	<u>\$ 475,100</u>	<u>\$ 91,130</u>

Comprehensive Annual Financial Report 2016

Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 5,430,858	\$ -	\$ 15,525	\$ 8,651,360
234,232	-	-	774,798
-	-	-	-
556,965	-	-	1,514,595
67,887	-	603,772	1,178,950
271	-	-	869
<u>6,290,213</u>	<u>-</u>	<u>619,297</u>	<u>12,120,572</u>
<u>\$ 6,290,213</u>	<u>\$ -</u>	<u>\$ 619,297</u>	<u>\$ 12,120,572</u>
\$ 167,711	\$ -	\$ 146,468	\$ 473,933
105,759	-	35,318	589,219
-	-	425,000	425,000
8,793	-	12,511	22,119
255,677	-	-	255,677
<u>537,940</u>	<u>-</u>	<u>619,297</u>	<u>1,765,948</u>
-	-	-	126,173
-	-	-	2,035,614
-	-	-	1,126,738
-	-	-	469,386
3,567,607	-	-	3,567,607
-	-	-	-
-	-	-	-
-	-	-	753,310
-	-	-	91,130
2,160,497	-	-	2,160,497
-	-	-	-
-	-	-	-
24,169	-	-	24,169
-	-	-	-
<u>5,752,273</u>	<u>-</u>	<u>-</u>	<u>10,354,624</u>
<u>\$ 6,290,213</u>	<u>\$ -</u>	<u>\$ 619,297</u>	<u>\$ 12,120,572</u>

Continued

Comprehensive Annual Financial Report 2016

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2016**

	Capital Projects		
	Parks Capital Projects	Technology Capital Projects	Facility Capital Projects
ASSETS			
Cash and equity in pooled investments	\$ 3,074,717	\$ 4,804,787	\$ 1,255,005
Investments, at fair value	-	-	-
Restricted cash and cash equivalents	1,190,752	-	-
Receivables (net of allowances for estimated uncollectables):			
Taxes	1,565	-	-
Accounts	21,395	-	-
Accrued interest	-	-	-
TOTAL ASSETS	<u>4,288,429</u>	<u>4,804,787</u>	<u>1,255,005</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 4,288,429</u>	<u>\$ 4,804,787</u>	<u>\$ 1,255,005</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$ 60,779	\$ 50,494	\$ 8,836
Accounts/payroll payable	873	-	18,012
Due to other funds	-	-	-
Due to other governments	455	2,691	-
Deposits and advances	-	-	-
Total Liabilities	<u>62,107</u>	<u>53,185</u>	<u>26,848</u>
FUND BALANCE			
Restricted:			
Street Projects	-	-	-
Fuel Tax	-	-	-
Impact Fees	-	-	-
Lodging Tax Purposes	-	-	-
Criminal Justice Programs	-	-	-
Parks Capital Projects	3,886,565	-	-
Facility Capital Projects	-	-	1,082,185
Committed:			
Street Operating Programs	-	-	-
Youth/Teen Programs	-	-	-
Criminal justice programs	-	-	-
Parks capital projects	339,757	-	-
Technology systems	-	4,751,123	-
	-	-	145,972
Assigned:			
Criminal Justice Programs	-	-	-
Technology Capital Projects	-	479	-
Total Fund Balance	<u>4,226,322</u>	<u>4,751,602</u>	<u>1,228,157</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,288,429</u>	<u>\$ 4,804,787</u>	<u>\$ 1,255,005</u>

Comprehensive Annual Financial Report 2016

<u>Capital Projects</u>		<u>Total Non-Major</u>	
<u>Total Non-Major</u>		<u>Governmental</u>	
<u>Capital Projects</u>		<u>Funds</u>	
<u>Funds</u>		<u>Funds</u>	
\$	9,134,509	\$	17,785,869
	-		774,798
	1,190,752		1,190,752
	1,565		1,516,160
	21,395		1,200,345
	-		869
	<u>10,348,221</u>		<u>22,468,793</u>
\$	<u>10,348,221</u>	\$	<u>22,468,793</u>
\$	120,109	\$	594,042
	18,885		608,104
	-		425,000
	3,146		25,265
	-		255,677
	<u>142,140</u>		<u>1,908,088</u>
	-		126,173
	-		2,035,614
	-		1,126,738
	-		469,386
	-		3,567,607
	3,886,565		3,886,565
	1,082,185		1,082,185
	-		753,310
	-		91,130
	-		2,160,497
	339,757		339,757
	4,751,123		4,751,123
	145,972		145,972
	-		24,169
	479		479
	<u>10,206,081</u>		<u>20,560,705</u>
\$	<u>10,348,221</u>	\$	<u>22,468,793</u>

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Comprehensive Annual Financial Report 2016

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2016**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
REVENUES			
Taxes:			
Sales and use	\$ -	\$ -	\$ -
Utility	6,197,599	-	910,286
Lodging tax	-	293,347	-
Licenses and permits	383,030	-	-
Intergovernmental revenue:			
Federal grants	871,640	-	-
State shared fuel tax	2,035,614	-	-
State shared revenue-criminal justice	-	-	-
State grants	62,825	-	-
Local government grants	126,795	-	-
Charges for services	1,663,379	-	-
Fines and forfeitures	-	-	-
Miscellaneous revenue:			
Interest income	18,694	1,512	1,569
Rent/lease income	-	-	-
Contributions and donations	-	-	-
Other miscellaneous revenue	45,937	-	-
TOTAL REVENUES	11,405,513	294,859	911,855
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	219,989	-
Public works	5,857,611	-	-
Leisure services	-	-	42,000
Health and human services	-	-	-
Capital outlay	1,606,157	-	-
TOTAL EXPENDITURES	7,463,768	219,989	42,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,941,745	74,870	869,855
OTHER FINANCING SOURCES (USES)			
Transfers in	3,959,428	-	-
Transfers out	(7,975,938)	-	(900,000)
TOTAL OTHER FINANCING SOURCES (USES)	(4,016,510)	-	(900,000)
NET CHANGE IN FUND BALANCES	(74,765)	74,870	(30,145)
FUND BALANCES (DEFICIT), January 1	4,116,600	394,516	121,275
FUND BALANCES, December 31	\$ 4,041,835	\$ 469,386	\$ 91,130

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Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 2,618,657	\$ -	\$ -	\$ 2,618,657
-	-	-	7,107,885
-	-	-	293,347
-	-	-	383,030
243,372	-	839,392	1,954,404
-	-	-	2,035,614
446,802	-	-	446,802
544	-	-	63,369
21,614	-	-	148,409
109,660	-	-	1,773,039
1,413,939	-	-	1,413,939
-	-	-	-
13,978	-	-	35,753
-	-	-	-
39,809	-	-	39,809
1,918	-	-	47,855
<u>4,910,293</u>	<u>-</u>	<u>839,392</u>	<u>18,361,912</u>
-	-	-	-
3,209,789	-	-	3,209,789
-	-	-	219,989
-	168	-	5,857,779
-	-	-	42,000
-	-	839,392	839,392
253,694	-	-	1,859,851
<u>3,463,483</u>	<u>168</u>	<u>839,392</u>	<u>12,028,800</u>
1,446,810	(168)	-	6,333,112
105,000	20,925	-	4,085,353
-	(3,826)	-	(8,879,764)
<u>105,000</u>	<u>17,099</u>	<u>-</u>	<u>(4,794,411)</u>
1,551,810	16,931	-	1,538,701
4,200,463	(16,931)	-	8,815,923
<u>\$ 5,752,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,354,624</u>

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Comprehensive Annual Financial Report 2016

CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2016

	Capital Projects		
	Parks Capital Projects	Technology Capital Projects	Facility Capital Projects
REVENUES			
Taxes:			
Sales and use	\$ -	\$ -	\$ -
Utility	-	-	-
Lodging tax	-	-	-
Licenses and permits	-	-	-
Intergovernmental revenue:			
Federal grants	-	-	-
State shared fuel tax	10,282	-	-
State shared revenue-criminal justice	-	-	-
State grants	200	-	-
Local government grants	306,507	-	-
Charges for services	7,319	-	-
Fines and forfeitures	-	-	-
Miscellaneous revenue:			
Interest income	531	-	-
Rent/lease income	123,251	-	-
Contributions and Donations	10,500	-	-
Other miscellaneous revenue	195,057	428	-
TOTAL REVENUES	<u>653,647</u>	<u>428</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	-	275,343	-
Public safety	-	-	-
Community development	-	-	-
Public works	-	-	97,186
Leisure services	129,280	-	-
Health and human services	-	-	-
Capital outlay	2,115,265	142,000	-
TOTAL EXPENDITURES	<u>2,244,545</u>	<u>417,343</u>	<u>97,186</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,590,898)	(416,915)	(97,186)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,240,000	3,121,390	88,000
Transfers out	(175,635)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,064,365</u>	<u>3,121,390</u>	<u>88,000</u>
SOURCES OVER EXPENDITURES AND OTHER USES	1,473,467	2,704,475	(9,186)
FUND BALANCES, January 1	2,752,855	2,047,127	1,237,343
FUND BALANCES, December 31	<u>\$ 4,226,322</u>	<u>\$ 4,751,602</u>	<u>\$ 1,228,157</u>

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<u>Capital Projects</u>			
<u>Total Non-Major Capital Projects Funds</u>		<u>Total Non-Major Governmental Funds</u>	
\$	-	\$	2,618,657
	-		7,107,885
	-		293,347
	-		383,030
	-		1,954,404
	10,282		2,045,896
	-		446,802
	200		63,569
	306,507		454,916
	7,319		1,780,358
	-		1,413,939
	531		36,284
	123,251		123,251
	10,500		50,309
	195,485		243,340
	<u>654,075</u>		<u>19,015,987</u>
	275,343		275,343
	-		3,209,789
	-		219,989
	97,186		5,954,965
	129,280		171,280
	-		839,392
	2,257,265		4,117,116
	<u>2,759,074</u>		<u>14,787,874</u>
	(2,104,999)		4,228,113
	6,449,390		10,534,743
	(175,635)		(9,055,399)
	<u>6,273,755</u>		<u>1,479,344</u>
	4,168,756		5,707,457
	6,037,325		14,853,248
\$	<u>10,206,081</u>	\$	<u>20,560,705</u>

Concluded

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 5,541,150	\$ 5,931,150	\$ 6,197,599	\$ 266,449
Licenses and permits	248,400	248,400	383,030	134,630
Intergovernmental:				
Federal grants	-	902,360	871,640	(30,720)
State Shared fuel tax	2,078,470	2,078,470	2,035,614	(42,856)
State grants	-	122,109	62,825	(59,284)
Local government grants	-	120,000	126,795	6,795
Charges for services	314,570	307,040	1,663,379	1,356,339
Miscellaneous revenue:				
Interest income	800	800	18,694	17,894
Other miscellaneous revenue	1,580	-	45,937	45,937
TOTAL REVENUES	8,184,970	9,710,329	11,405,513	1,695,184
EXPENDITURES				
Current:				
Public works	6,135,670	6,253,157	5,857,611	(395,546)
Capital outlay	45,000	1,278,905	1,606,157	327,252
TOTAL EXPENDITURES	6,180,670	7,532,062	7,463,768	(68,294)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,004,300	2,178,267	3,941,745	1,763,478
OTHER FINANCING SOURCES (USES)				
Transfers in	3,250,170	3,851,715	3,959,428	107,713
Transfer Out	(7,473,680)	(8,759,740)	(7,975,938)	783,802
TOTAL OTHER FINANCING SOURCES (USES)	(4,223,510)	(4,908,025)	(4,016,510)	891,515
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(2,219,210)	(2,729,758)	(74,765)	2,654,993
FUND BALANCES, January 1	4,092,055	4,092,055	4,116,600	24,545
FUND BALANCES, December 31	\$ 1,872,845	\$ 1,362,297	\$ 4,041,835	\$ 1,788,023

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

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Lodging Tax	\$ 210,140	\$ 275,000	\$ 293,347	\$ 18,347
Miscellaneous revenue:				
Interest income	90	90	1,512	1,422
TOTAL REVENUES	<u>210,230</u>	<u>275,090</u>	<u>294,859</u>	<u>19,769</u>
EXPENDITURES				
Current:				
Community Development	188,500	271,500	219,989	(51,511)
TOTAL EXPENDITURES	<u>188,500</u>	<u>271,500</u>	<u>219,989</u>	<u>(51,511)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,730	3,590	74,870	71,280
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	21,730	3,590	74,870	71,280
FUND BALANCES, January 1	394,516	394,516	394,516	-
FUND BALANCES, December 31	<u>\$ 416,246</u>	<u>\$ 398,106</u>	<u>\$ 469,386</u>	<u>\$ 71,280</u>

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 912,340	\$ 912,340	\$ 910,286	\$ (2,054)
Miscellaneous revenue:				
Interest income	260	260	1,569	1,309
TOTAL REVENUES	<u>912,600</u>	<u>912,600</u>	<u>911,855</u>	<u>(745)</u>
EXPENDITURES				
Current:				
Leisure services	42,000	42,000	42,000	-
TOTAL EXPENDITURES	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	870,600	870,600	869,855	(745)
OTHER FINANCING SOURCES (USES)				
Transfers out	(900,000)	(900,000)	(900,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(29,400)	(29,400)	(30,145)	(745)
FUND BALANCES, January 1	121,275	121,275	121,275	-
FUND BALANCES, December 31	<u>\$ 91,875</u>	<u>\$ 91,875</u>	<u>\$ 91,130</u>	<u>\$ (745)</u>

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 2,137,310	\$ 2,137,310	\$ 2,618,657	\$ 481,347
Intergovernmental revenue:				
Federal grants	-	106,336	243,372	137,036
State shared - criminal justice	253,760	253,760	446,802	193,042
State grants	-	39,000	544	(38,456)
Local government grants	146,040	184,105	21,614	(162,491)
Charges for services	-	144,000	109,660	(34,340)
Fines and forfeitures	30,000	1,144,500	1,413,939	269,439
Miscellaneous revenue:				
Interest income	1,380	1,380	13,978	12,598
Contributions and donations	-	41,320	39,809	(1,511)
Other miscellaneous revenue	2,500	5,500	1,918	(3,582)
TOTAL REVENUES	2,570,990	4,057,211	4,910,293	853,082
EXPENDITURES				
Current:				
Public safety	2,912,050	3,715,136	3,209,789	(505,347)
Capital outlay	59,000	618,000	253,694	(364,306)
TOTAL EXPENDITURES	2,971,050	4,333,136	3,463,483	(869,653)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(400,060)	(275,925)	1,446,810	1,722,735
OTHER FINANCING SOURCES (USES)				
Transfers in	121,500	121,500	105,000	(16,500)
Transfers out	(16,500)	(16,500)	-	16,500
TOTAL OTHER FINANCING SOURCES (USES)	105,000	105,000	105,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(295,060)	(170,925)	1,551,810	1,722,735
FUND BALANCES, January 1	3,981,628	3,981,628	4,200,463	218,835
FUND BALANCES, December 31	\$ 3,686,568	\$ 3,810,703	\$ 5,752,273	\$ 1,941,570

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

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**CITY OF KENT
 ENVIRONMENTAL MITIGATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 For the Year Ended December 31, 2016**

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental revenue:				
State grants	\$ -	\$ -	\$ -	\$ -
Local government grants	-	-	-	-
Miscellaneous revenue:				
Interest income			-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	-	-	168	168
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>168</u>	<u>168</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(168)	(168)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	20,925	20,925	-
Transfers out	-	(3,826)	(3,826)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>17,099</u>	<u>17,099</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	17,099	16,931	(168)
FUND BALANCES, January 1	3,826	3,826	(16,931)	(20,757)
FUND BALANCES, December 31	<u>\$ 3,826</u>	<u>\$ 20,925</u>	<u>\$ -</u>	<u>\$ (20,925)</u>

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Federal grants	\$ 914,740	\$ 1,056,772	\$ 839,392	\$ (217,380)
TOTAL REVENUES	<u>914,740</u>	<u>1,056,772</u>	<u>839,392</u>	<u>(217,380)</u>
EXPENDITURES				
Current:				
Health and human services	914,740	1,056,772	839,392	(217,380)
TOTAL EXPENDITURES	<u>914,740</u>	<u>1,056,772</u>	<u>839,392</u>	<u>(217,380)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCES, January 1	-	-	-	-
FUND BALANCES, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



INTERNAL SERVICE FUNDS

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

Comprehensive Annual Financial Report 2016

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2016

	Equipment Rental	Central Services
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,438,057	\$ 3,461,114
Cash with fiscal agent	-	-
Investments, at fair value	833,348	-
Receivables (net of allowances for estimated uncollectibles):		
Taxes	-	126,133
Accounts	14	95,243
Accrued interest	991	-
Due from other funds	-	-
Interfund loan receivable	-	-
Inventory, at cost	88,623	33,421
Prepaid expenses	-	352,696
Total Current Assets	<u>5,361,033</u>	<u>4,068,607</u>
NONCURRENT ASSETS:		
Interfund loan receivable non-current	-	-
Property plant and equipment		
Buildings	108,702	675,071
Site improvements	253,569	28,964
Equipment	16,696,368	5,628,632
Less: accumulated depreciation	(12,617,805)	(6,329,772)
Construction in progress	-	-
Total noncurrent assets	<u>4,440,834</u>	<u>2,895</u>
TOTAL ASSETS	<u>\$ 9,801,867</u>	<u>\$ 4,071,502</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	116,047	359,744
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 116,047</u>	<u>\$ 359,744</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 9,917,914</u>	<u>\$ 4,431,246</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ 136,285	\$ 171,721
Accounts/payroll payable	54,969	227,732
Incurred but not reported claims payable	-	-
Compensated absences payable - current portion	35,356	92,107
Deposits and unearned revenue	-	-
Total Current Liabilities	<u>226,610</u>	<u>491,560</u>
LONG-TERM LIABILITIES		
Compensated absences payable - non-current	18,083	123,068
Net Pension Liability	605,344	1,876,562
Total Long-Term Liabilities	<u>623,427</u>	<u>1,999,630</u>
TOTAL LIABILITIES	<u>850,037</u>	<u>2,491,190</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	10,561	32,738
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 10,561</u>	<u>\$ 32,738</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 860,598</u>	<u>\$ 2,523,928</u>
NET POSITION		
Net investment in capital assets	4,440,834	2,895
Unrestricted	4,616,482	1,904,423
TOTAL NET POSITION	<u>\$ 9,057,316</u>	<u>\$ 1,907,318</u>

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	Facilities	Insurance	Totals
\$	3,307,835	\$ 6,257,087	\$ 17,464,093
	-	114,193	114,193
	679,034	2,370,097	3,882,479
	-	-	126,133
	27,995	-	123,252
	879	2,249	4,119
	-	4,000,000	4,000,000
	-	351,268	351,268
	-	-	122,044
	-	254,637	607,333
	<u>4,015,743</u>	<u>13,349,531</u>	<u>26,794,914</u>
	-	1,775,584	1,775,584
	224,496	-	1,008,269
	79,420	-	361,953
	105,348	-	22,430,348
	(377,915)	-	(19,325,492)
	6,459	-	6,459
	<u>37,808</u>	<u>1,775,584</u>	<u>6,257,121</u>
\$	<u>4,053,551</u>	<u>\$ 15,125,115</u>	<u>\$ 33,052,035</u>
	<u>348,140</u>	<u>23,210</u>	<u>847,141</u>
\$	<u>348,140</u>	<u>\$ 23,210</u>	<u>\$ 847,141</u>
\$	<u>4,401,691</u>	<u>\$ 15,148,325</u>	<u>\$ 33,899,176</u>
\$	152,363	\$ 498,009	\$ 958,378
	125,968	17,656	426,325
	-	3,850,379	3,850,379
	48,935	20,608	197,006
	1,250	-	1,250
	<u>328,516</u>	<u>4,386,652</u>	<u>5,433,338</u>
	73,919	-	215,070
	1,816,030	121,070	4,419,006
	<u>1,889,949</u>	<u>121,070</u>	<u>4,634,076</u>
	<u>2,218,465</u>	<u>4,507,722</u>	<u>10,067,414</u>
	<u>31,682</u>	<u>2,112</u>	<u>77,093</u>
\$	<u>31,682</u>	<u>\$ 2,112</u>	<u>\$ 77,093</u>
\$	<u>2,250,147</u>	<u>\$ 4,509,834</u>	<u>\$ 10,144,507</u>
	37,808	-	4,481,537
	2,113,736	10,638,491	19,273,132
\$	<u>2,151,544</u>	<u>\$ 10,638,491</u>	<u>\$ 23,754,669</u>

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CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2016

	Equipment Rental	Central Services
OPERATING REVENUES		
Sales	\$ 953,942	\$ 171,878
Charges for services	3,765,123	6,409,816
Contributions	-	-
Rental and lease income	-	-
Other operating revenue	-	-
TOTAL OPERATING REVENUES	<u>4,719,065</u>	<u>6,581,694</u>
OPERATING EXPENSES		
Salaries and wages	706,844	2,503,246
Benefits	681,322	1,791,620
Supplies	1,098,422	353,574
Services and charges	718,517	2,077,204
Depreciation	704,086	4,362
TOTAL OPERATING EXPENSES	<u>3,909,191</u>	<u>6,730,006</u>
OPERATING INCOME (LOSS)	<u>809,874</u>	<u>(148,312)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	28,574	-
Unrealized net gain/(loss) in fair value of investments	1,883	-
Gain/(loss) on disposal of capital assets	(3,552)	(33,609)
Miscellaneous non-operating revenues	23,031	1,518,585
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>49,936</u>	<u>1,484,976</u>
NET INCOME (LOSS)	<u>859,810</u>	<u>1,336,664</u>
Contributed capital	252,091	-
Transfers in	321,106	-
Transfers out	-	(1,438,390)
CHANGE IN NET POSITION	<u>1,433,007</u>	<u>(101,726)</u>
NET POSITION, January 1	7,624,309	2,009,044
NET POSITION, December 31	<u>\$ 9,057,316</u>	<u>\$ 1,907,318</u>

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	Facilities	Insurance	Totals
\$	-	\$ -	\$ 1,125,820
	4,352,007	-	14,526,946
	-	13,447,379	13,447,379
	68,536	-	68,536
	954,498	222,277	1,176,775
	<hr/> 5,375,041	<hr/> 13,669,656	<hr/> 30,345,456
	1,488,108	132,815	4,831,013
	1,552,608	2,032	4,027,582
	311,576	31,188	1,794,760
	2,498,044	16,107,267	21,401,032
	63,720	-	772,168
	<hr/> 5,914,056	<hr/> 16,273,302	<hr/> 32,826,555
	<hr/> (539,015)	<hr/> (2,603,646)	<hr/> (2,481,099)
	21,143	111,422	161,139
	2,671	7,267	11,821
	(980,653)	-	(1,017,814)
	-	-	1,541,616
	<hr/> (956,839)	<hr/> 118,689	<hr/> 696,762
	<hr/> (1,495,854)	<hr/> (2,484,957)	<hr/> (1,784,337)
	-	-	252,091
	160,000	660,000	1,141,106
	(20,000)	-	(1,458,390)
	<hr/> (1,355,854)	<hr/> (1,824,957)	<hr/> (1,849,530)
	3,507,398	12,463,448	25,604,199
\$	<u><u>2,151,544</u></u>	<u><u>\$ 10,638,491</u></u>	<u><u>\$ 23,754,669</u></u>

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CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	Equipment Rental	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,719,113	\$ 6,616,956
Cash received from other funds for services	-	-
Cash payments to employees	(1,004,664)	(3,402,258)
Cash payments to suppliers	(1,825,551)	(2,233,191)
Other cash received	-	-
Net cash provided by (used for) operating activities	<u>1,888,898</u>	<u>981,507</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan issued for noncapital purposes	-	-
Interfund loan repayment for noncapital purposes	-	-
Operating grants/non-operating revenue received	23,031	1,518,585
Transfers in	-	-
Net cash provided by noncapital financing	<u>23,031</u>	<u>1,518,585</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal repayment on interfund loan	-	-
Proceeds on disposal of capital assets	38,283	(33,610)
Transfer of plant from Governmental Capital Assets	252,091	-
Acquisition and construction of capital assets	(1,711,026)	-
Transfers in	321,106	-
Transfers out	-	(1,438,390)
Net cash used for capital and related financing	<u>(1,099,546)</u>	<u>(1,472,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(252,936)	-
Proceeds from sale and maturities of investment securities	-	-
Interest and dividends on investments	22,947	-
Net cash provided by (used for) investing activities	<u>(229,989)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	582,394	1,028,092
CASH AND CASH EQUIVALENTS, January 1	3,855,663	2,433,022
CASH AND CASH EQUIVALENTS, December 31	\$ <u>4,438,057</u>	\$ <u>3,461,114</u>

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Facilities	Insurance	Total
\$ 4,524,917	\$ -	\$ 15,860,986
-	13,480,835	13,480,835
(2,118,388)	(252,649)	(6,777,959)
(3,269,297)	(15,527,333)	(22,855,372)
954,498	222,277	1,176,775
91,730	(2,076,870)	885,265
-	(4,000,000)	(4,000,000)
-	3,000,000	3,000,000
-	-	1,541,616
-	660,000	660,000
-	(340,000)	1,201,616
-	645,382	645,382
158,616	-	163,289
-	-	252,091
-	-	(1,711,026)
160,000	-	481,106
(20,000)	-	(1,458,390)
298,616	645,382	(1,627,548)
(163,116)	(536,648)	(952,700)
-	454,506	454,506
16,524	93,326	132,797
(146,592)	11,184	(365,397)
243,754	(1,760,304)	93,936
3,064,081	8,131,584	17,484,350
\$ 3,307,835	\$ 6,371,280	\$ 17,578,286

Continued

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CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	Equipment Rental	Central Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 809,874	\$ (148,312)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	704,086	4,362
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	48	35,262
(Increase) Decrease in inventory	(11,402)	1,588
(Increase) Decrease in prepaid expenses	3,799	192,361
(Increase) Decrease in pension deferred outflows	(86,897)	(213,994)
Increase (Decrease) in vouchers payable	(2,208)	224
Increase (Decrease) in accounts/payroll payable	1,936	(14,549)
(Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in compensated absences	14,262	17,791
Increase (Decrease) in pension liabilities & deferred inflows	455,400	1,106,774
Total Adjustments	<u>1,079,024</u>	<u>1,129,819</u>
Net cash provided by operating activities	<u>\$ 1,888,898</u>	<u>\$ 981,507</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ 252,091	\$ -
Increase (Decrease) in fair value of investments	1,883	-
Amortization of (premium) discount on investment purchases	5,627	-

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Facilities	Insurance	Total
\$ (539,015)	\$ (2,603,646)	\$ (2,481,099)
63,720	-	772,168
104,374	33,456	173,140
-	-	(9,814)
9,951	770,987	977,098
(219,047)	10,104	(509,834)
(59,807)	(503,035)	(564,826)
(396,547)	(10,115)	(419,275)
-	343,313	343,313
(8,801)	(57,681)	(34,429)
1,136,902	(60,253)	2,638,823
630,745	526,776	3,366,364
\$ 91,730	\$ (2,076,870)	\$ 885,265
\$ -	\$ -	\$ 252,091
2,671	7,267	11,821
4,620	17,950	28,197

Concluded



AGENCY FUNDS

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



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**CITY OF KENT
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS & LIABILITIES
December 31, 2016**

	Trust Funds	Impact Fees	Municipal Court	VNET	Total
ASSETS					
Cash and equity in pooled investments	\$ 74,818	\$ 167,899	\$ 767,930	\$ 1,113,150	\$ 2,123,797
Due from other governments	-	-	-	16,307	16,307
Prepaid items	-	6,383	-	-	6,383
TOTAL ASSETS	<u>\$ 74,818</u>	<u>\$ 174,282</u>	<u>\$ 767,930</u>	<u>\$ 1,129,457</u>	<u>\$ 2,146,487</u>
LIABILITIES					
Vouchers payable	\$ -	\$ 174,282	252,898	18,608	\$ 445,788
Accounts/payroll payable	-	-	-	4,248	4,248
Due to other governments	-	-	297,262	81,687	378,949
Deposits and unearned revenue	74,818	-	217,770	1,024,914	1,317,502
TOTAL LIABILITIES	<u>\$ 74,818</u>	<u>\$ 174,282</u>	<u>\$ 767,930</u>	<u>\$ 1,129,457</u>	<u>\$ 2,146,487</u>

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**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2016**

	Trust Funds			Balance December 31, 2016
	Balance January 1, 2016	Increases	Decreases	
ASSETS				
Cash and cash equivalents	\$ 148,955	\$ 2,852,371	\$ 2,926,508	\$ 74,818
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 148,955</u>	<u>\$ 2,852,371</u>	<u>\$ 2,926,508</u>	<u>\$ 74,818</u>
LIABILITIES				
Vouchers payable	\$ 73,682	\$ 71,311	\$ 144,993	\$ -
Accounts/payroll payable	-	-	-	-
Due to other governments	-	-	-	-
Deposits and unearned revenue	75,273	-	455	74,818
TOTAL LIABILITIES	<u>\$ 148,955</u>	<u>\$ 71,311</u>	<u>\$ 145,448</u>	<u>\$ 74,818</u>

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Impact Fees				
Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016	
\$ 728,354	\$ 3,005,645	\$ 3,566,100	\$ 167,899	
-	-	-	-	
-	6,383	-	6,383	
<u>\$ 728,354</u>	<u>\$ 3,012,028</u>	<u>\$ 3,566,100</u>	<u>\$ 174,282</u>	
\$ 728,354	\$ 1,240,185	\$ 1,794,257	\$ 174,282	
-	-	-	-	
-	-	-	-	
<u>\$ 728,354</u>	<u>\$ 1,240,185</u>	<u>\$ 1,794,257</u>	<u>\$ 174,282</u>	

Continued

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**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2016**

	Municipal Court			Balance December 31, 2016
	Balance January 1, 2016	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 877,753	\$ 5,419,158	\$ 5,528,981	\$ 767,930
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 877,753</u>	<u>\$ 5,419,158</u>	<u>\$ 5,528,981</u>	<u>\$ 767,930</u>
LIABILITIES				
Vouchers payable	\$ 279,023	\$ 5,493,918	\$ 5,520,043	\$ 252,898
Accounts/payroll payable	-	-	-	-
Due to other governments	348,443	-	51,181	297,262
Deposits and unearned revenue	250,287	-	32,517	217,770
TOTAL LIABILITIES	<u>\$ 877,753</u>	<u>\$ 5,493,918</u>	<u>\$ 5,603,741</u>	<u>\$ 767,930</u>

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VNET			
Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
\$ 1,324,920	\$ 3,414,311	\$ 3,626,081	\$ 1,113,150
17,762	483,535	484,990	16,307
-	-	-	-
<u>\$ 1,342,682</u>	<u>\$ 3,897,846</u>	<u>\$ 4,111,071</u>	<u>\$ 1,129,457</u>
\$ -	\$ 912,565	\$ 893,957	\$ 18,608
-	78,794	74,546	4,248
-	-	(81,687)	81,687
1,342,682	499,902	817,670	1,024,914
<u>\$ 1,342,682</u>	<u>\$ 1,491,261</u>	<u>\$ 1,704,486</u>	<u>\$ 1,129,457</u>

Continued

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**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2016**

	Total			Balance December 31, 2016
	Balance January 1, 2016	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 3,079,982	\$ 14,691,485	\$ 15,647,670	\$ 2,123,797
Due from other governments	17,762	483,535	484,990	16,307
Prepaid items	-	6,383	-	6,383
TOTAL ASSETS	<u>\$ 3,097,744</u>	<u>\$ 15,181,403</u>	<u>\$ 16,132,660</u>	<u>\$ 2,146,487</u>
LIABILITIES				
Vouchers payable	\$ 1,081,059	\$ 7,717,979	\$ 8,353,250	\$ 445,788
Accounts/payroll payable	-	78,794	74,546	4,248
Due to other governments	348,443	-	(30,506)	378,949
Deposits and unearned revenue	1,668,242	499,902	850,642	1,317,502
TOTAL LIABILITIES	<u>\$ 3,097,744</u>	<u>\$ 8,296,675</u>	<u>\$ 9,247,932</u>	<u>\$ 2,146,487</u>

Concluded

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.

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Contributions and Donations	\$ 913,410	\$ 913,410	\$ 779,382	\$ (134,028)
Miscellaneous revenue:				
Interest income	1,100	1,100	5,908	4,808
TOTAL REVENUES	<u>914,510</u>	<u>914,510</u>	<u>785,290</u>	<u>(129,220)</u>
EXPENDITURES				
Current:				
Public safety	1,125,890	1,125,890	954,561	(171,329)
TOTAL EXPENDITURES	<u>1,125,890</u>	<u>1,125,890</u>	<u>954,561</u>	<u>(171,329)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(211,380)	(211,380)	(169,271)	42,109
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	250,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	38,620	38,620	80,729	42,109
FUND BALANCES, January 1	1,093,532	1,093,532	1,093,532	-
FUND BALANCES, December 31	<u>\$ 1,132,152</u>	<u>\$ 1,132,152</u>	<u>\$ 1,174,261</u>	<u>\$ 42,109</u>

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

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous revenue:				
Contributions and Donations	\$ -	\$ -	\$ 16,464	\$ 16,464
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>16,464</u>	<u>16,464</u>
EXPENDITURES				
Current:				
General government	-	-	1,481	1,481
Leisure services	120,280	120,280	63,059	(57,221)
Health and human services	-	20,000	24,537	4,537
TOTAL EXPENDITURES	<u>120,280</u>	<u>140,280</u>	<u>89,077</u>	<u>(51,203)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,280)	(140,280)	(72,613)	67,667
OTHER FINANCING SOURCES (USES)				
Transfers in	120,280	140,280	155,731	15,451
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>120,280</u>	<u>140,280</u>	<u>155,731</u>	<u>15,451</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	83,118	83,118
FUND BALANCES, January 1	364,242	364,242	518,671	154,429
FUND BALANCES, December 31	<u>\$ 364,242</u>	<u>\$ 364,242</u>	<u>\$ 601,789</u>	<u>\$ 222,096</u>

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

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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, 2016

	2016 Budget		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ -	\$ 280,543	280,543
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>280,543</u>	<u>280,543</u>
EXPENDITURES				
Current:				
Leisure services	535,930	835,930	761,053	(74,877)
Debt service:				
Principal	-	-	2,058	
Capital outlay	-	265,000	334,347	
TOTAL EXPENDITURES	<u>535,930</u>	<u>1,100,930</u>	<u>1,097,458</u>	<u>(74,877)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(535,930)	(1,100,930)	(816,915)	284,015
OTHER FINANCING SOURCES (USES)				
Issuance of installment note	-	-	181,900	181,900
Transfers in	765,810	1,065,810	1,185,546	119,736
TOTAL OTHER FINANCING SOURCES (USES)	<u>765,810</u>	<u>1,065,810</u>	<u>1,367,446</u>	<u>301,636</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	229,880	(35,120)	550,531	585,651
FUND BALANCES, January 1	1,596,543	1,596,543	1,596,543	-
FUND BALANCES, December 31	<u>\$ 1,826,423</u>	<u>\$ 1,561,423</u>	<u>\$ 2,147,074</u>	<u>\$ 585,651</u>

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.

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**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
December 31, 2016
With Comparison to December 31, 2015**

	2016	2015
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 227,002,521	\$ 222,780,610
Buildings	134,997,890	134,041,829
Site improvements	58,604,508	56,985,707
Equipment	37,830,603	37,062,744
Infrastructure	633,525,062	581,654,742
Construction in progress	26,441,800	61,370,175
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,118,402,384	\$ 1,093,895,807
INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:		
General governmental revenues	\$ 281,404,620	\$ 272,760,767
General obligation bonds	213,950,984	209,595,849
Federal grants	75,458,702	73,072,326
State grants	336,035,139	331,952,041
County and local grants	20,714,243	19,745,154
Special assessments	43,904,994	43,219,591
Gifts and contributions	146,933,702	143,550,079
TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS	\$ 1,118,402,384	\$ 1,093,895,807

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.

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CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
 December 31, 2016

	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	-	-	24,023,863	-	24,271,660
Total	5,139,214	39,625,896	4,859,760	27,532,501	-	77,157,371
PUBLIC SAFETY						
Police	450,258	2,305,187	585,206	3,640,420	-	6,981,071
Fire	283,568	3,150,113	125,122	330,669	-	3,889,472
Total	733,826	5,455,300	710,328	3,971,089	-	10,870,543
PUBLIC WORKS						
Engineering	2,650,000	-	1,302,586	570,692	-	4,523,278
Streets	163,210,409	-	210,179	128,973	633,525,062	797,074,623
Total	165,860,409	-	1,512,765	699,665	633,525,062	801,597,901
PARKS, RECREATION AND CULTURE						
Parks and recreation	50,890,841	1,556,893	50,326,192	98,704	-	102,872,630
Senior center	1,955,066	3,821,545	24,386	28,626	-	5,829,623
Parks maintenance	-	101,218	167,599	301,986	-	570,803
Kent commons	200,704	4,046,120	246,830	137,668	-	4,631,322
ShoWare Center	-	76,456,164	-	4,304,931	-	80,761,095
Cultural arts	-	-	756,648	709,019	-	1,465,667
Total	53,046,611	85,981,940	51,521,655	5,580,934	-	196,131,140
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	227,002,521	134,997,890	58,604,508	37,830,603	633,525,062	1,091,960,584
Construction in progress	-	-	-	-	-	26,441,800
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 227,002,521</u>	<u>\$ 134,997,890</u>	<u>\$ 58,604,508</u>	<u>\$ 37,830,603</u>	<u>\$ 633,525,062</u>	<u>\$ 1,118,402,384</u>

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

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

	Governmental Fund Capital Assets 1-1-15	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12-31-15
GENERAL GOVERNMENT				
Administration	\$ 532,538	\$ -	\$ -	\$ 532,538
Attorney	51,966	-	-	51,966
Finance	316,779	-	-	316,779
Planning	174,544	-	-	174,544
Public office buildings	50,829,232	980,652	-	51,809,884
Other	23,817,173	454,487	-	24,271,660
Total	75,722,232	1,435,139	-	77,157,371
PUBLIC SAFETY				
Police	6,823,129	157,942	-	6,981,071
Fire	3,889,472	-	-	3,889,472
Total	10,712,601	157,942	-	10,870,543
PUBLIC WORKS				
Engineering	4,523,278	-	-	4,523,278
Streets	742,498,004	54,576,619	-	797,074,623
Total	747,021,282	54,576,619	-	801,597,901
PARKS, RECREATIONS AND CULTURE				
Parks and recreation	99,941,726	2,939,461	8,557	102,872,630
Senior center	5,829,623	-	-	5,829,623
Parks maintenance	570,803	-	-	570,803
Kent commons	4,631,322	-	-	4,631,322
ShoWare Center	80,426,749	334,346	-	80,761,095
Cultural arts	1,465,667	-	-	1,465,667
Total	192,865,890	3,273,807	8,557	196,131,140
LIBRARY				
	6,203,629	-	-	6,203,629
Total	6,203,629	-	-	6,203,629
Construction in progress	61,370,175	10,541,466	45,469,841	26,441,800
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,093,895,809	\$ 69,984,973	\$ 45,478,398	\$ 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.

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 10.

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**CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2003	\$ 504,000	\$ -	\$ 159,000	\$ 345,000
Series 2005	1,429,000	-	244,000	1,185,000
Series 2008	19,265,000	-	17,680,000	1,585,000
Less: unamortized discount	(45,991)	-	(45,991)	-
Series 2009	3,800,000	-	895,000	2,905,000
Plus: unamortized premium	128,443	-	32,795	95,648
Series 2012	7,245,000	-	1,070,000	6,175,000
Plus: unamortized premium	370,634	-	53,585	317,049
Series 2014	5,905,970	-	1,123,765	4,782,205
Plus: unamortized premium	422,684	-	71,440	351,244
Series 2015A Taxable	4,265,000	-	865,000	3,400,000
Series 2015B	4,240,000	-	-	4,240,000
Plus: unamortized premium	254,484	-	28,540	225,944
Series 2016A	-	15,470,000	90,000	15,380,000
Plus: unamortized premium	-	2,950,117	68,874	2,881,243
Series 2016B	-	49,105,000	325,000	48,780,000
Plus: unamortized premium	-	9,364,284	218,621	9,145,663
Total	<u>47,784,224</u>	<u>76,889,401</u>	<u>22,879,629</u>	<u>101,793,996</u>
Special Assessment Bonds with Governmental Commitment:				
LID 353 et. al.	1,395,000	-	645,000	750,000
Total Bonds Payable	<u>49,179,224</u>	<u>76,889,401</u>	<u>23,524,629</u>	<u>102,543,996</u>
Contracts, Lease, Notes Payable:				
General Obligation Contracts, Notes:				
Public Works Trust Fund Loan 2003	426,901	-	53,363	373,538
Public Works Trust Fund Loan 2004	4,089,706	-	454,412	3,635,294
Public Works Trust Fund Loan 2008	3,485,197	-	268,092	3,217,105
SMG Capital Loan	18,524	181,899	2,058	198,365
Total	<u>8,020,328</u>	<u>181,899</u>	<u>777,925</u>	<u>7,424,302</u>
Other Non-Current Liabilities				
Compensated Absences				
General Government	3,890,940	4,034,482	3,924,447	4,000,975
Internal Service Funds	446,505	324,067	358,496	412,076
Contingent Loan Guarantee Obligation	71,648,408	-	66,656,930	4,991,478
Net Pension Liability	28,449,807	30,331,333	28,449,807	30,331,333
Net OPEB Obligation	-	-	-	-
Total	<u>104,435,660</u>	<u>34,689,882</u>	<u>99,389,680</u>	<u>39,735,862</u>
Total Governmental Debt	<u>\$ 161,635,212</u>	<u>\$ 111,761,182</u>	<u>\$ 123,692,234</u>	<u>\$ 149,704,160</u>

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**CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
BUSINESS-TYPE ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2014 ¹	\$ 2,424,030	-	461,235	\$ 1,962,795
Plus: unamortized premium	173,486	-	29,322	144,164
Total	<u>2,597,516</u>	<u>-</u>	<u>490,557</u>	<u>2,106,959</u>
Revenue Bonds: ²				
Series 2009 A	3,295,000	-	1,055,000	2,240,000
Plus: unamortized premium	181,148	-	62,026	119,122
Series 2009 B	15,880,000	-	-	15,880,000
Total	<u>19,356,148</u>	<u>-</u>	<u>1,117,026</u>	<u>18,239,122</u>
 Total Bonds Payable	 <u>21,953,664</u>	 <u>-</u>	 <u>1,607,583</u>	 <u>20,346,081</u>
Contracts, Lease, Notes Payable:				
Public Works Trust Fund Loan 2001 - Water	3,166,667	-	527,778	2,638,889
Public Works Trust Fund Loan 2002 - Water	3,718,750	-	531,250	3,187,500
Public Works Trust Fund Loan 2004 - Sewer	675,000	-	75,000	600,000
Contract - Tacoma Pipeline 2010 - Water	10,605,000	-	275,000	10,330,000
Contract - Tacoma Pipeline 2013 Ref - Water	14,175,000	-	110,000	14,065,000
Total	<u>32,340,417</u>	<u>-</u>	<u>1,519,028</u>	<u>30,821,389</u>
Other Non-Current Liabilities				
Compensated Absences				
Water Utility	159,969	324,421	238,696	245,694
Sewer Utility	197,631	455,323	336,955	315,999
Solid Waste Utility	-	21,236	11,607	9,629
Golf Complex	92,924	51,052	53,602	90,374
Total compensated absences	<u>450,524</u>	<u>852,032</u>	<u>640,860</u>	<u>661,696</u>
Pension Liability	2,370,839	7,808,926	2,370,839	7,808,926
 Total Business-Type Debt	 <u>\$ 57,115,444</u>	 <u>\$ 8,660,958</u>	 <u>\$ 6,138,310</u>	 <u>\$ 59,638,092</u>

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**CITY OF KENT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY
BY BOND TYPE
AS OF DECEMBER 31, 2016**

Fiscal Year	General Obligation Bonds		Special Assessment Bonds		Water & Sewer Revenue Bonds		Total Debt Service Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	6,084,000	3,893,785	475,000	34,875	1,100,000	1,026,144	7,659,000	4,954,804
2018	5,970,000	3,687,676	275,000	12,788	1,140,000	982,144	7,385,000	4,682,608
2019	5,880,000	3,462,708	-	-	1,200,000	925,144	7,080,000	4,387,852
2020	5,171,000	3,255,206	-	-	1,240,000	864,424	6,411,000	4,119,630
2021	4,820,000	3,050,400	-	-	1,285,000	794,860	6,105,000	3,845,260
2022	4,885,000	2,847,000	-	-	1,330,000	722,772	6,215,000	3,569,772
2023	4,805,000	2,630,050	-	-	1,380,000	648,160	6,185,000	3,278,210
2024	4,665,000	2,416,600	-	-	1,430,000	570,742	6,095,000	2,987,342
2025	5,225,000	2,201,650	-	-	1,480,000	490,518	6,705,000	2,692,168
2026	2,985,000	1,940,400	-	-	1,540,000	399,942	4,525,000	2,340,342
2027	3,270,000	1,791,150	-	-	1,600,000	305,694	4,870,000	2,096,844
2028	3,560,000	1,627,650	-	-	1,665,000	207,774	5,225,000	1,835,424
2029	3,875,000	1,449,650	-	-	1,730,000	105,876	5,605,000	1,555,526
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	\$ 90,740,000	\$39,437,375	\$ 750,000	\$ 47,663	\$18,120,000	\$8,044,194	\$109,610,000	\$47,529,232

TRANSFERS

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

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**CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:			
General Fund			
Capital Resources Fund	Showare Lifecycle funding	300,000	-
Capital Resources Fund	Neighborhood grants	-	25,000
Capital Resources Fund	Property sales	-	350,000
Capital Resources Fund	B&O tax funding	-	4,225,650
Capital Resources Fund	Interal utility tax allocation	-	2,582,643
Special Assessment Fund	Excess LID guarantee funds	62,261	-
Streets Capital Projects Fund	B&O tax projects	-	4,700,000
Streets Capital Projects Fund	Various capital projects	-	230,000
Other Govtl Funds-Streets Fund	Gen'l Fd subsidy of Streets services	-	2,893,320
Other Govtl Funds-Youth/Teen Fund	Youth/Teen funding	900,000	-
Other Govtl Funds-Criminal Justice Fund	Drug Task Force	-	105,000
Other Govtl Funds-Facilities Capital Projects	City hall campus remodel project	-	68,000
Internal Service Funds-Facilities Fund	City hall campus remodel project	-	160,000
Internal Service Funds-Insurance Fund	Fund medical plan revision	-	360,000
Internal Service Funds-Insurance Fund	Fund excess liability insurance costs	-	300,000
subtotals		<u>1,262,261</u>	<u>15,999,613</u>
Capital Resources Fund			
General Fund	Neighborhood grant program	25,000	-
General Fund	Property sales	350,000	-
General Fund	B&O tax funding	4,225,650	-
General Fund	Interal utility tax allocation	2,582,643	-
General Fund	Showare Lifecycle funding	-	300,000
Other Capital Projects	Funding for various capital projects	-	1,975,005
Voted GO Debt Service Fund	Clear debt service fund	-	6,772,282
Other Govtl Funds-Parks Capital Projects	Funding for various parks capital projects	-	2,200,000
Other Govtl Funds-Technology Capital Projects	Funding for various technology projects	-	1,000,000
subtotals		<u>7,183,293</u>	<u>12,247,287</u>
Special Assessments Fund			
General Fund	Excess LID guarantee funds	-	62,261
Streets Capital Projects	LID funding - streets capital projects	-	2,244,773
Sewerage Fund	Sewer & drainage LID project funding	-	11,029
subtotals		<u>-</u>	<u>2,318,063</u>
Non-voted Debt Service			
Capital Resources Fund	Funding for debt payments	6,772,282	-
Other Govtl Funds-Street Fund	Funding for debt payments	2,293,191	-
Water Fund	Funding for debt payments	46,894	-
Sewerage Fund	Funding for debt payments	72,738	-
subtotals		<u>9,185,105</u>	<u>-</u>
Streets Capital Projects Fund			
General Fund	B&O tax projects	4,700,000	-
General Fund	Various capital projects	230,000	-
Special Assessments Fund	LID funding - streets capital projects	2,244,773	-
Other Capital Projects	Realign funding for projects	199,710	-
Other Govtl Funds-Streets Fund	Funding various street capital projects	5,396,147	890,473
Other Govtl Funds-Parks Capital Projects	Transfer GO Bond proceeds to Parks proj	-	1,040,000
subtotals		<u>12,770,630</u>	<u>1,930,473</u>
Other Capital Projects			
Capital Resources Fund	Interfund loan payment	1,975,005	-
Streets Capital Projects	Realign funding for projects	-	199,710
Other Govtl Funds-Streets Fund	Meet Me on Meeker project	150,000	-
subtotals		<u>2,125,005</u>	<u>199,710</u>

Comprehensive Annual Financial Report 2016

**CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Non-major Governmental:			
Street Fund			
General Fund	Gen'l Fd subsidy of Streets services	2,893,320	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	2,293,191
Street Capital Project Fund	Funding for various streets capital projects	890,473	5,396,147
Other Capital Projects Fund	Meet Me on Meeker project	-	150,000
Other Govtl Funds-Parks Capital Projects	Regional trails project funding	175,635	-
Other Govtl Funds-Technology Capital Projects	Public works asset management system	-	136,600
subtotals		<u>3,959,428</u>	<u>7,975,938</u>
Youth/Teem Program Fund			
General Fund	Youth/Teen funding	-	900,000
subtotals		<u>-</u>	<u>900,000</u>
Criminal Justice Fund			
General Fund	Drug Task Force	105,000	-
subtotals		<u>105,000</u>	<u>-</u>
Environmental Mitgation Fund			
Sewer Utility	Reallocate funds	-	3,826
Solid Waste Utility	Reconcile Waste Reduction program	20,925	-
subtotals		<u>20,925</u>	<u>3,826</u>
Parks Capital Projects			
Streets Capital Projects Fund	Transfer GO Bond proceeds to Parks proj	1,040,000	175,635
Other Govtl Funds-Street Fund	Regional trails project funding	2,200,000	-
subtotals		<u>3,240,000</u>	<u>175,635</u>
Technology Capital Projects			
Capital Resources Fund	Funding for various technology projects	1,000,000	-
Other Govtl Funds-Streets Fund	Public works asset management system	136,600	-
Water Utility	Public works asset management system	204,900	-
Sewer Utility	Public works asset management system	327,840	-
Solid Waste Utility	Public works asset management system	13,660	-
Internal Service-Central Services Fund	Utility tax funding of technology projects	1,438,390	-
subtotals		<u>3,121,390</u>	<u>-</u>
Facilities Capital Projects			
General Fund	City hall campus remodel project	68,000	-
Internal Service Fund-Facilities Fund	Security camera software upgrade	20,000	-
subtotals		<u>88,000</u>	<u>-</u>
subtotals - Governmental Funds		<u>43,061,037</u>	<u>41,750,545</u>
Enterprise Funds:			
Water			
Non-Voted GO Debt Service Fund	Funding for debt payments	-	46,894
Other Govtl Funds-Technology Projects	Public works asset management system	-	204,900
subtotals		<u>-</u>	<u>251,794</u>
Sewerage			
Special Assessments Fund	Sewer & drainage LID project funding	11,029	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	72,738
Other Govtl Funds-Environmental Mitigation	Reallocate funds	3,826	-
Other Govtl Funds-Technology Projects	Public works asset management system	-	327,840
Internal Service-Equipment Rental	Capital asset transfer	-	321,106
subtotals		<u>14,855</u>	<u>721,684</u>

Comprehensive Annual Financial Report 2016

**CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Solid Waste Utility			
Other Govtl Funds-Environmental Mitigation	Reconcile Waste Reduction program	-	20,925
Other Govtl Funds-Technology Projects	Public works asset management system	-	13,660
subtotals		-	34,585
 subtotals - Enterprise Funds		14,855	1,008,063
Internal Service Funds:			
Equipment Rental			
Sewer Fund	Capital asset transfer	321,106	-
subtotals		321,106	-
Central Services			
Other Govtl Funds-Technology Capital Proj	Utility tax funding of technology projects	-	1,438,390
subtotals		-	1,438,390
Facilities			
General Fund	City hall campus remodel project	160,000	-
Other Govtl Funds-Facilities Capital Projects	Security camera software upgrade	-	20,000
subtotals		160,000	20,000
Insurance			
General Fund	Fund medical plan revision	360,000	-
General Fund	Fund excess liability insurance costs	300,000	-
subtotals		660,000	-
 subtotals - Internal Service Funds		1,141,106	1,458,390
Grand totals		44,216,998	44,216,998

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	172
<i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
Revenue Capacity	182
<i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</i>	
Debt Capacity	192
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	197
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	200
<i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	

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



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Comprehensive Annual Financial Report 2016

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

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 667,980,093	\$ 713,371,701	\$ 710,700,685	\$ 727,782,834
Restricted	20,821,401	17,491,729	14,297,401	12,145,319
Unrestricted	21,120,567	20,686,229	11,612,766	(14,550,823)
Total governmental activities net position	<u>\$ 709,922,061</u>	<u>\$ 751,549,659</u>	<u>\$ 736,610,852</u>	<u>\$ 725,377,330</u>
Business-type activities				
Net investment in capital assets	\$ 191,875,855	\$ 200,774,256	\$ 184,890,067	\$ 214,631,648
Restricted	722,344	803,354	2,119,806	3,065,319
Unrestricted	29,736,610	25,617,802	49,908,497	38,662,226
Total business-type activities net position	<u>\$ 222,334,809</u>	<u>\$ 227,195,412</u>	<u>\$ 236,918,370</u>	<u>\$ 256,359,193</u>
Primary government				
Net investment in capital assets	\$ 859,855,948	\$ 914,145,957	\$ 895,590,752	\$ 942,414,482
Restricted	21,543,745	18,295,083	16,417,207	15,210,638
Unrestricted	50,857,177	46,304,031	61,521,263	24,111,403
Total primary government net position	<u>\$ 932,256,870</u>	<u>\$ 978,745,071</u>	<u>\$ 973,529,222</u>	<u>\$ 981,736,523</u>

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

Source: Statement of Net Position

Comprehensive Annual Financial Report 2016

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 708,913,377	\$ 697,830,001	\$ 682,946,045	\$ 687,527,061	\$ 694,789,326	\$ 704,250,257
10,034,770	10,288,377	10,721,573	9,499,778	6,131,943	4,870,358
(5,370,367)	16,025,424	35,230,567	(24,252,748)	(26,349,230)	62,608,062
<u>\$ 713,577,780</u>	<u>\$ 724,143,802</u>	<u>\$ 728,898,185</u>	<u>\$ 672,774,091</u>	<u>\$ 674,572,039</u>	<u>\$ 771,728,677</u>
\$ 241,629,839	\$ 253,742,128	\$ 264,927,149	\$ 287,867,561	\$ 298,202,694	\$ 305,687,715
4,497,103	2,463,535	3,631,223	1,111,144	1,071,144	1,026,144
27,073,691	29,259,929	36,074,921	45,768,853	49,652,876	52,246,156
<u>\$ 273,200,633</u>	<u>\$ 285,465,592</u>	<u>\$ 304,633,293</u>	<u>\$ 334,747,558</u>	<u>\$ 348,926,714</u>	<u>\$ 358,960,015</u>
\$ 950,543,216	\$ 951,572,129	\$ 947,873,194	\$ 975,394,622	\$ 992,992,020	\$ 1,009,937,972
14,531,873	12,751,912	14,352,796	10,610,922	7,203,087	5,896,502
21,703,324	45,285,353	71,305,488	21,516,105	23,303,646	114,854,218
<u>\$ 986,778,413</u>	<u>\$ 1,009,609,394</u>	<u>\$ 1,033,531,478</u>	<u>\$ 1,007,521,649</u>	<u>\$ 1,023,498,753</u>	<u>\$ 1,130,688,692</u>

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

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses				
Governmental activities:				
General Government	\$ 7,024,180	\$ 26,661,964	\$ 7,230,905	\$ 6,931,002
Judicial	2,147,737	2,388,567	2,487,918	2,544,075
Public Safety	50,255,708	57,177,887	58,880,087	60,147,355
Community Development	4,683,786	5,030,233	4,487,550	5,524,342
Public Works	20,483,858	20,097,918	19,453,467	16,219,754
Leisure services	10,476,159	11,525,707	14,195,932	15,149,745
Health and human services	6,004,932	6,175,999	6,198,375	5,996,524
Interest on long-term debt	4,263,751	4,149,135	4,933,465	4,295,374
Total governmental activities expenses	<u>105,340,111</u>	<u>133,207,410</u>	<u>117,867,699</u>	<u>116,808,171</u>
Business-type activities:				
Water	8,998,124	10,250,612	10,401,686	11,241,367
Sewerage	26,097,746	27,231,263	28,947,993	29,668,499
Solid Waste	-	-	-	-
Golf	3,078,174	2,941,512	2,896,509	3,123,644
Total business-type activities expenses	<u>38,174,044</u>	<u>40,423,387</u>	<u>42,246,188</u>	<u>44,033,510</u>
Total primary government expenses	<u>\$ 143,514,155</u>	<u>\$ 173,630,797</u>	<u>\$ 160,113,887</u>	<u>\$ 160,841,681</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 365,124	\$ 392,469	\$ 369,217	\$ 385,644
Judicial	1,676,314	1,847,107	1,878,098	2,128,646
Public Safety	1,105,526	1,148,454	1,092,168	1,174,585
Community Development	3,080,526	2,186,907	1,411,773	2,058,564
Public Works	2,100,155	1,362,739	967,622	475,866
Leisure services	1,301,497	1,343,048	1,308,717	1,328,562
Health and human services	1,055,544	793,590	834,782	698,819
Operating grants and contributions	8,723,491	10,575,098	10,298,875	9,432,962
Capital grants and contributions	13,389,132	75,635,801	12,596,207	9,459,649
Total governmental activities program revenues	<u>32,797,309</u>	<u>95,285,213</u>	<u>30,757,459</u>	<u>27,143,297</u>
Business-type activities				
Charges for services:				
Water	\$ 8,342,104	\$ 8,778,926	\$ 11,876,537	\$ 15,426,293
Sewerage	27,000,243	28,118,989	31,298,410	35,841,828
Solid Waste	-	-	-	-
Golf Complex	2,816,789	2,895,616	2,698,663	2,394,945
Operating grants and contributions	84,629	793,473	112,236	2,799,480
Capital grants and contributions	4,448,759	3,628,766	5,939,641	6,761,033
Total business-type activities program revenues	<u>42,692,524</u>	<u>44,215,770</u>	<u>51,925,487</u>	<u>63,223,579</u>
Total primary government program revenues	<u>\$ 75,489,833</u>	<u>\$ 139,500,983</u>	<u>\$ 82,682,946</u>	<u>\$ 90,366,876</u>

Source: Statement Activities

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Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 6,400,374	\$ 6,351,823	\$ 8,959,390	\$ 7,342,670	\$ 9,211,576	\$ 13,429,528
2,745,430	2,793,914	2,743,574	2,789,535	2,972,304	3,771,365
48,030,603	37,340,409	37,378,185	38,744,658	41,189,109	38,593,097
5,441,202	5,332,561	5,096,639	5,175,651	5,535,094	7,178,348
21,195,696	17,427,549	16,993,893	17,371,560	18,803,785	22,002,693
16,513,775	16,844,202	15,908,830	13,861,675	16,859,288	17,602,824
5,915,128	5,553,369	5,275,046	5,478,974	5,893,257	4,002,920
4,000,555	3,779,473	3,250,089	2,804,432	2,500,908	5,194,899
<u>110,242,763</u>	<u>95,423,300</u>	<u>95,605,646</u>	<u>93,569,155</u>	<u>102,965,321</u>	<u>111,775,674</u>
11,991,035	12,949,247	13,972,634	13,070,155	17,157,143	18,828,316
29,194,159	36,391,713	37,680,430	37,951,697	41,404,954	45,412,945
-	-	-	-	-	686,887
3,226,066	3,062,851	2,917,964	2,872,165	3,055,395	4,559,588
<u>44,411,260</u>	<u>52,403,811</u>	<u>54,571,028</u>	<u>53,894,017</u>	<u>61,617,492</u>	<u>69,487,736</u>
<u>\$ 154,654,023</u>	<u>\$ 147,827,111</u>	<u>\$ 150,176,674</u>	<u>\$ 147,463,172</u>	<u>\$ 164,582,813</u>	<u>\$ 181,263,410</u>

\$ 433,840	\$ 1,958,626	\$ 2,044,753	\$ 3,483,161	\$ 4,273,658	\$ 3,645,563
2,140,781	1,963,025	2,108,024	1,846,731	2,032,772	1,724,181
996,471	1,081,323	1,811,747	3,388,295	3,560,350	4,097,976
2,171,303	3,262,546	3,841,993	5,006,297	4,863,697	5,478,504
834,042	1,420,839	1,810,854	2,185,990	2,725,356	3,165,390
1,549,202	1,357,619	1,380,839	1,418,600	1,479,369	1,465,975
674,983	814,518	709,948	841,690	769,669	763,593
4,402,255	4,124,615	4,177,095	6,166,500	7,021,280	7,982,415
5,311,483	11,076,621	6,655,575	2,936,731	5,256,320	9,350,716
<u>18,514,360</u>	<u>27,059,732</u>	<u>24,540,828</u>	<u>27,273,995</u>	<u>31,982,471</u>	<u>37,674,313</u>

\$ 15,986,832	\$ 16,253,067	\$ 17,021,951	\$ 18,416,162	\$ 18,904,851	\$ 18,780,129
39,108,510	39,562,059	42,752,458	44,969,699	46,459,410	47,640,854
-	-	-	-	-	608,685
2,519,852	2,570,012	2,431,782	2,485,348	2,659,643	2,475,135
348,478	770,997	81,404	176,984	234,397	1,023,669
6,900,419	5,544,456	9,195,002	15,792,479	10,057,056	9,629,000
<u>64,864,091</u>	<u>64,700,591</u>	<u>71,482,597</u>	<u>81,840,672</u>	<u>78,315,357</u>	<u>80,157,472</u>
<u>\$ 83,378,451</u>	<u>\$ 91,760,323</u>	<u>\$ 96,023,425</u>	<u>\$ 109,114,667</u>	<u>\$ 110,297,828</u>	<u>\$ 117,831,785</u>

(continued)

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

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue				
Governmental activities	\$ (72,542,802)	\$ (37,922,197)	\$ (87,110,240)	\$ (89,664,874)
Business-type activities	4,518,480	3,792,383	9,679,299	19,190,069
Total primary government net expense	<u>\$ (68,024,322)</u>	<u>\$ (34,129,814)</u>	<u>\$ (77,430,941)</u>	<u>\$ (70,474,805)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes

Property taxes levied for general purpose	\$ 25,594,680	\$ 26,576,727	\$ 27,048,764	\$ 29,272,194
Property taxes levied for debt service	609,561	598,922	596,696	
Sales taxes	26,812,760	25,460,470	17,234,352	18,600,976
Utility taxes	17,417,969	17,569,974	17,379,153	17,725,934
Business & Occupation taxes	-	-	-	-
Real Estate taxes	4,952,380	3,225,515	1,888,137	1,805,871
Lodging taxes	195,667	207,066	145,239	162,706
Other taxes	573,306	563,989	744,187	985,257
Unrestricted grants and contributions	1,023,819	1,876,367	5,407,702	6,328,500
Investment earnings	3,904,796	2,133,806	1,173,891	818,063
Miscellaneous	737,751	1,479,608	374,306	2,825,148
Gain on disposal of capital assets	-	-	-	-
Special item	-	-	-	-
Transfers	50,690	(142,649)	175,974	14,400

Total governmental activities 81,873,379 79,549,795 72,168,401 78,539,049

Business-type activities

Investment earnings	1,558,636	925,571	219,633	157,457
Transfers	(50,690)	142,649	(175,974)	(14,400)

Total business-type activities 1,507,946 1,068,220 43,659 143,057

Total primary government \$ 83,381,325 \$ 80,618,015 \$ 72,212,060 \$ 78,682,106

Change in Net Position

Governmental activities	\$ 9,330,577	\$ 41,627,598	\$ (14,941,839)	\$ (11,125,825)
Business-type activities	6,026,426	4,860,603	9,722,958	19,333,126
Total primary government	<u>\$ 15,357,003</u>	<u>\$ 46,488,201</u>	<u>\$ (5,218,881)</u>	<u>\$ 8,207,301</u>

Source: Statement of Activities

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Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ (91,728,403)	\$ (68,363,568)	\$ (71,064,818)	\$ (66,295,160)	\$ (70,982,850)	\$ (74,101,361)
20,452,831	12,296,780	16,911,569	27,946,655	16,697,865	10,669,736
<u>\$ (71,275,572)</u>	<u>\$ (56,066,788)</u>	<u>\$ (54,153,249)</u>	<u>\$ (38,348,505)</u>	<u>\$ (54,284,985)</u>	<u>\$ (63,431,625)</u>

\$ 19,287,114	\$ 19,726,551	\$ 20,085,117	\$ 20,599,891	\$ 21,998,657	\$ 22,556,458
9,750	8,421	-	-	-	-
21,458,253	21,908,275	22,707,244	25,332,356	26,654,493	28,551,033
19,365,153	19,868,738	22,760,019	22,962,565	26,376,844	26,923,348
-	-	5,149,172	6,208,946	7,656,220	9,311,445
2,235,174	3,547,963	3,837,948	3,184,596	6,434,689	6,427,334
182,840	187,971	217,618	249,377	279,466	293,347
1,130,391	1,116,790	1,101,844	1,106,821	1,023,499	961,833
7,102,872	6,845,773	6,760,236	6,851,351	6,417,339	6,600,212
495,029	701,443	895,815	1,052,762	1,242,815	1,073,989
4,931,321	4,907,310	1,740,638	162,971	(1,643,662)	908,862
-	-	1,945,741	2,433,112	115,242	-
-	-	-	-	-	66,656,930
312,344	110,355	762,322	(16,729)	126,875	993,208
<u>76,510,241</u>	<u>78,929,590</u>	<u>87,963,714</u>	<u>90,128,019</u>	<u>96,682,477</u>	<u>171,257,999</u>
119,565	78,534	153,554	124,777	97,795	356,773
(312,344)	(110,355)	(762,322)	16,729	(126,875)	(993,208)
<u>(192,779)</u>	<u>(31,821)</u>	<u>2,218,914</u>	<u>141,506</u>	<u>(29,080)</u>	<u>(636,435)</u>
<u>\$ 76,317,462</u>	<u>\$ 78,897,769</u>	<u>\$ 90,182,628</u>	<u>\$ 90,269,525</u>	<u>\$ 96,653,397</u>	<u>\$ 170,621,564</u>

\$ (15,218,162)	\$ 10,566,022	\$ 16,898,896	\$ 23,832,859	\$ 25,699,627	\$ 97,156,638
20,260,052	12,264,959	19,130,483	28,088,161	16,668,785	10,033,301
<u>\$ 5,041,890</u>	<u>\$ 22,830,981</u>	<u>\$ 36,029,379</u>	<u>\$ 51,921,020</u>	<u>\$ 42,368,412</u>	<u>\$ 107,189,939</u>

(concluded)

Comprehensive Annual Financial Report 2016

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

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund				
Reserved	\$ 2,532,147	\$ 256,156	\$ 60,569	\$ 57,586
Unreserved	5,493,860	6,672,432	1,999,665	768,523
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 8,026,007</u>	<u>\$ 6,928,588</u>	<u>\$ 2,060,234</u>	<u>\$ 826,109</u>
All Other Governmental Funds				
Reserved	\$ 2,965,944	\$ 2,107,366	\$ 1,278,319	\$ 1,727,814
Unreserved, reported in:				
Special revenue funds	9,018,627	4,627,119	(3,886,045)	(9,756,662)
Debt service funds	-	-	-	-
Capital projects funds	(8,618,307)	11,402,348	3,782,839	(3,936,907)
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 3,366,264</u>	<u>\$ 18,136,833</u>	<u>\$ 1,175,113</u>	<u>\$ (11,965,755)</u>

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

Source: Governmental Funds Balance Sheet

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Fiscal Year						
<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
59,539	103,364	80,055	96,544	133,533	55,588	
5,028	67,447	1,846,132	2,116,798	3,497,366	2,865,799	
283,678	129,557	184,691	281,177	364,242	912,834	
-	772,591	968,866	1,128,842	2,806,873	2,973,064	
(205,783)	1,290,804	5,200,183	9,179,216	11,778,578	17,103,379	
<u>\$ 142,462</u>	<u>\$ 2,363,763</u>	<u>\$ 8,279,927</u>	<u>\$ 12,802,577</u>	<u>\$ 18,580,592</u>	<u>\$ 23,910,664</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,318	950	3,120	4,295	29,495	-	
5,602,450	7,834,952	10,910,338	12,564,488	15,477,624	22,471,953	
1,849,238	1,929,285	5,718,063	8,672,323	15,016,218	13,735,355	
519,918	1,291,659	1,726,736	1,405,923	4,230,472	8,559,514	
(22,811,500)	(11,178,234)	(7,448,023)	(3,023,914)	(6,411,915)	(5,145,517)	
<u>\$ (14,835,576)</u>	<u>\$ (121,388)</u>	<u>\$ 10,910,234</u>	<u>\$ 19,623,115</u>	<u>\$ 28,341,894</u>	<u>\$ 39,621,305</u>	

Comprehensive Annual Financial Report 2016

Schedule 4
City of Kent
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
Taxes (see Schedule 5)	\$ 75,827,108	\$ 73,895,588	\$ 64,986,755	\$ 68,488,317
Licenses and permits	2,809,392	2,364,302	1,849,252	2,091,190
Intergovernmental	17,748,774	85,192,892	24,279,630	20,956,542
Charges for services	5,110,691	3,995,114	2,874,696	3,328,744
Fines and forfeitures	1,492,780	1,705,410	1,583,731	1,737,615
Special assessments	2,439,661	2,589,995	2,627,522	1,939,156
Investment earnings	3,203,446	1,732,781	1,066,402	786,379
Other revenues	3,499,918	2,388,171	3,069,013	3,529,510
Total Revenues	112,131,770	173,864,253	102,337,001	102,857,453
Expenditures				
General government	5,798,802	6,441,299	6,191,850	5,821,839
Judicial	2,115,342	2,266,382	2,411,494	2,415,602
Public safety	48,730,640	53,453,187	55,681,381	57,122,596
Community development	4,641,802	4,910,964	4,419,094	5,237,571
Public works	7,275,763	6,805,027	6,118,684	5,877,368
Leisure services	8,808,851	9,621,646	12,318,938	12,603,919
Health and human services	5,838,255	5,876,570	5,995,763	5,641,216
Debt Service				
Principal	9,344,892	7,707,320	7,624,942	7,246,851
Interest	4,034,925	4,005,422	4,899,979	4,126,828
Capital Outlay	41,109,628	85,302,585	21,500,239	10,754,848
Total expenditures	137,698,900	186,390,402	127,162,364	116,848,638
Excess of revenues over (under) expenditures	(25,567,130)	(12,526,149)	(24,825,363)	(13,991,185)
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	311,894	304,979	-	150
Transfers in	23,932,686	17,209,577	14,941,530	16,091,163
Transfers out	(24,537,645)	(18,133,279)	(15,066,349)	(16,262,423)
Total other financing sources (uses)	(293,065)	25,802,054	2,992,257	(171,110)
Net change in fund balances	\$ (25,860,195)	\$ 13,275,905	\$ (21,833,106)	\$ (14,162,295)
Debt service as a percentage of noncapital expenditures	13.9%	11.6%	11.9%	10.7%

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

Comprehensive Annual Financial Report 2016

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 63,739,861	\$ 66,441,273	\$ 75,899,606	\$ 79,740,933	\$ 90,440,736	\$ 95,002,781
2,249,021	4,361,182	5,099,915	5,818,615	5,827,475	6,652,555
14,716,457	14,139,092	13,944,351	14,032,112	15,166,476	18,717,615
3,622,562	4,703,711	5,911,954	7,607,140	7,610,535	7,459,034
1,626,615	1,511,762	1,535,820	2,473,890	3,432,228	2,975,420
2,285,686	3,808,216	3,319,569	2,387,329	1,861,231	1,677,275
711,753	689,240	1,074,118	902,762	891,136	969,625
2,680,263	3,445,064	2,850,433	2,438,942	3,202,583	3,464,427
91,632,218	99,099,540	109,635,766	115,401,723	128,432,400	136,918,732
6,051,000	6,148,530	6,895,137	7,143,865	7,795,541	10,223,289
2,639,800	2,726,273	2,781,005	2,849,954	2,988,951	3,079,215
36,927,061	36,785,762	38,162,011	39,902,990	41,552,238	42,746,821
5,252,066	5,325,071	5,256,059	5,323,103	5,623,048	5,883,755
6,677,579	7,334,764	7,218,144	7,648,901	7,682,213	7,228,829
13,112,883	13,801,117	13,190,232	14,064,016	14,147,709	14,063,309
5,537,197	5,501,456	5,368,080	5,594,899	5,980,950	6,140,962
7,669,145	7,667,099	7,862,632	8,097,151	15,365,251	6,929,689
3,846,564	3,646,216	3,179,638	2,984,274	2,707,594	3,441,172
11,074,228	4,058,121	6,062,203	10,525,215	12,979,918	22,414,017
98,787,523	92,994,409	95,975,141	104,134,368	116,823,413	122,151,058
(7,155,305)	6,105,131	13,660,625	11,267,355	11,608,987	14,767,674
-	-	-	-	-	-
-	10,840,000	-	8,671,070	8,620,000	64,575,000
-	500,000	-	-	-	-
-	9,702,213	-	-	18,524	181,900
-	(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	-
24,573,238	15,997,350	20,939,382	24,436,941	44,596,124	43,061,037
(24,390,014)	(15,417,731)	(19,618,674)	(23,164,963)	(43,125,559)	(41,750,545)
183,224	10,830,358	3,287,161	3,994,280	10,448,050	1,841,809
\$ (6,972,081)	\$ 16,935,489	\$ 16,947,786	\$ 15,261,635	\$ 22,057,037	\$ 16,609,483
13.1%	12.7%	12.3%	11.8%	17.4%	10.4%

Comprehensive Annual Financial Report 2016

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
2007	25,875,026	26,812,760	17,417,969	4,952,380	-	195,667	573,306	75,827,108
2008*	26,868,574	25,460,470	17,569,974	3,225,515	-	207,066	563,989	73,895,588
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 ***	9,311,445 ****	6,427,334	293,347	961,833	95,002,781
Change								
2007-2016	-12.9%	6.5%	54.6%	88.0%	24.8%	49.9%	67.8%	25.3%

* 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

** 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

**** Business & Occupation tax started in 2013

Source: City financial records

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

Comprehensive Annual Financial Report 2016

**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
2007	9,190,267,772	1,075,601,911	10,265,869,683	2.562
2008	10,351,653,984	1,204,420,660	11,556,074,644	2.364
2009	11,555,227,640	1,241,561,849	12,796,789,489	2.180
2010*	10,369,540,574	1,363,755,233	11,733,295,807	2.362
2011	11,833,000,822	1,291,484,331	13,124,485,153	1.484
2012	11,450,528,835	1,296,326,234	12,746,855,069	1.568
2013	10,844,075,182	1,165,682,338	12,009,757,520	1.694
2014	11,421,918,163	1,229,290,637	12,651,208,800	1.645
2015	12,813,126,300	1,255,087,106	14,068,213,406	1.576
2016	13,778,718,580	1,267,588,304	15,046,306,884	1.511

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 revaluation of all property is required every year and a physical inspection is required at least once every six years.

* Increased assessed value due to Panther Lake annexation

Comprehensive Annual Financial Report 2016

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

Fiscal Year	City Direct Rates			Overlapping Rates									
	Basic Rate	Voted Debt Service	Total Direct Rate	State	County	Voter Approved County	Port of Seattle	Kent School District	Hospital District	Rural Library	Emergency Medical Service	Green River Flood Zone	Kent Regional Fire
2007	2.503	0.059	2.562	2.325	1.139	0.150	0.232	4.176	0.557	0.500	0.206	0.042	-
2008	2.312	0.052	2.364	2.132	1.208	0.119	0.224	4.393	0.509	0.453	0.300	0.100	-
2009	2.133	0.047	2.180	1.963	1.098	0.103	0.197	4.070	0.471	0.417	0.274	0.091	-
2010	2.355	-	2.355	2.223	1.285	0.074	0.216	4.809	0.533	0.485	0.300	0.105	-
2011	1.484	-	1.484	2.280	1.338	0.720	0.224	5.387	0.558	0.566	0.300	0.110	1.000
2012	1.568	-	1.568	2.422	1.416	0.071	0.230	5.600	0.500	0.500	0.300	0.116	1.000
2013	1.694	-	1.694	2.567	1.473	0.068	0.233	6.028	0.500	0.567	0.300	0.132	1.000
2014	1.645	-	1.645	2.470	1.458	0.058	0.215	5.735	0.500	0.562	0.335	0.154	1.000
2015	1.576	-	1.576	2.285	1.315	0.030	0.189	5.414	0.500	0.503	0.302	0.139	0.949
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

Source: King County Assessor's Office

Note: The City is permitted by law to levy up to \$3.60 per \$1,000 assessed valuation for general government services. Due to formation of the Regional Fire Authority (RFA) on July 1, 2010, \$1 per \$1,000 assessed valuation now goes to the RFA and \$0.5 per \$1,000 goes to the library. Therefore, the City is limited to assess a total of \$2.10 per \$1,000. Statutory levy rate cannot exceed \$10 per \$1,000 of assessed valuation. This 1% value limit does not include tax levies for Port and Utility Districts. This limit is subject to further reduction per State statute limiting overlapping levy rates excluding the State (school) levy to \$5.90 per \$1,000 of assessed valuation. Other levies not subject to the limitation are excess levies approved by the voters to pay off bonds for capital construction or for providing supplemental funds for operating purposes particularly for schools.

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

Taxpayer	2016			2007		
	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)	\$ 244,774,400	1	1.63%	102,844,100	4	1.09%
PSE/Electric & Gas	200,327,314	2	1.33%	156,672,979	2	1.67%
Boeing	197,876,424	3	1.32%	\$ 382,723,424	1	4.07%
AMB Property	116,606,500	4	0.77%	129,870,500	3	1.38%
Eproperty Tax Inc	116,202,500	5	0.77%			
Segale Properties (formerly La Terra Ltd)	100,584,200	6	0.67%	85,793,000	5	0.91%
Signature Point Apt.	91,093,000	7	0.61%			
Hill Investment Co.	81,981,500	8	0.54%			
KV Industrial 2 LLC	69,163,700	9	0.46%			
Rock Creek	67,353,000	10	0.45%			
CSHV Kent North LLC (formerly Ellis CB Richard)	-		0.00%	45,116,181	7	0.48%
Qwest Corporation (formerly U.S. West)	-		0.00%	27,726,500	9	0.30%
Red Mortgage Capital Inc.	-		0.00%	61,413,000	6	0.65%
Fred Meyer	-		0.00%	23,757,400	10	0.25%
Starbucks				43,886,916	8	0.47%
	<u>\$1,285,962,538</u>		<u>6.92%</u>	<u>\$ 956,959,900</u>		<u>10.19%</u>

Source: Hazel Gantz, King County Assessor's Office



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**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
2007	26,194,032	25,750,298	98.31%	443,239	26,193,537	100.00%
2008	27,225,624	26,564,249	97.57%	660,904	27,225,153	100.00%
2009	27,815,136	27,136,428	97.56%	677,628	27,814,056	100.00%
2010	29,273,116	28,806,516	98.41%	453,646	29,260,162	99.96%
2011*	19,298,192	18,981,959	98.36%	314,195	19,296,154	99.99%
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%	301,796	20,250,093	99.96%
2014	20,726,325	20,394,209	98.40%	290,805	20,685,014	99.80%
2015	22,091,369	21,827,665	98.81%	183,063	22,010,728	99.63%
2016	22,657,939	22,385,874	98.80%	-	22,385,874	98.80%

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.

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

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Unknown	743,328	960,908	999,746	858,268
Agriculture, Forestry, Fishing	480,758	421,594	518,595	718,861
Mining	126,143	1,111,403	540,569	647,324
Utilities	32,804,185	20,292,827	23,789,845	17,472,906
Construction	314,927,177	329,122,168	242,972,325	188,425,022
Manufacturing	271,089,687	171,095,850	69,750,959	96,582,517
Wholesale Trade	537,750,994	376,973,038	301,507,123	217,175,584
Retail Trade	1,093,635,050	864,206,993	616,882,158	647,338,680
Transportation and Warehousing	9,709,071	8,606,606	6,983,433	8,256,303
Information	114,296,024	138,282,101	111,604,712	113,484,774
Finance and Insurance	18,444,097	19,337,663	22,253,860	18,871,102
Real Estate, Rental, Leasing	100,269,365	87,787,763	74,188,983	67,979,949
Prof, Sci, Technical Svcs	34,514,927	47,004,048	40,297,213	48,470,587
Company Management	395,740	203,812	170,204	646,516
Admin, Supp, Remed Svcs	46,233,624	38,659,998	30,272,316	31,230,882
Educational Services	5,386,733	4,705,329	3,167,476	3,205,201
Health Care Social Assistance	3,882,634	4,134,840	2,726,198	2,254,145
Arts, Entertain, Recreation	14,199,392	15,543,553	19,222,372	18,658,668
Accommodation and Food Svcs	166,220,492	164,615,802	143,820,138	146,494,696
Other Services	72,939,468	75,835,651	66,338,283	73,591,515
Public Administration	21,778,264	30,271,537	20,201,288	19,850,671
Total	<u>\$ 2,859,827,153</u>	<u>\$ 2,399,173,484</u>	<u>\$ 1,798,207,796</u>	<u>\$ 1,722,214,171</u>

City direct sales tax rate 0.85%.

Source: Taxtools 4.1.0 Database by Microflex, Inc.

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Fiscal Year					
2011	2012	2013	2014	2015	2016
477,054	339,351	196,495	65,704	543,832	149,753
692,359	877,496	1,202,184	1,533,526	1,723,713	1,774,495
617,757	607,282	144,459	98,998	46,085	67,492
5,078,454	7,112,634	10,873,877	6,071,984	6,292,076	7,846,892
186,982,818	224,155,491	224,529,870	321,680,722	297,410,988	302,548,150
81,988,703	88,519,357	147,815,483	140,966,275	130,367,834	146,226,236
252,503,957	232,141,988	241,905,173	258,868,775	297,663,617	338,433,480
681,641,901	682,878,774	722,025,334	752,229,005	778,287,789	816,949,999
6,620,144	6,843,425	7,058,638	7,704,255	10,505,291	9,726,380
112,088,847	115,588,551	95,410,564	112,338,420	121,791,265	126,016,431
16,381,423	21,585,061	25,203,335	25,454,579	30,244,002	39,245,687
73,151,966	71,912,403	73,550,514	87,699,058	95,997,409	103,454,935
41,794,489	46,798,059	32,408,933	36,389,911	38,935,453	49,628,961
13,351	20,847	25,943	-	78,443	17,671
42,594,079	41,021,656	42,476,396	39,458,138	71,319,015	104,922,922
3,968,920	3,243,933	3,711,272	3,712,154	4,420,229	5,094,076
1,783,015	1,505,938	1,275,885	2,412,082	3,308,852	3,626,711
19,773,143	19,055,120	21,189,254	21,779,009	19,808,385	22,625,489
159,382,256	171,055,204	182,181,720	195,809,112	213,315,217	231,934,336
82,917,327	77,191,369	71,633,560	73,587,409	81,802,712	88,021,162
24,692,051	24,752,900	26,185,952	28,971,834	30,088,734	33,119,462
\$ 1,795,144,014	\$ 1,837,206,839	\$ 1,931,004,841	\$ 2,116,830,950	\$ 2,233,950,941	\$ 2,431,430,720

Comprehensive Annual Financial Report 2016

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State</u>	<u>County Transit</u>	<u>RTA</u>	<u>County¹</u>	<u>Criminal Justice</u>	<u>Stadium</u>	<u>Total Overlapping Rate</u>
2007	0.85%	6.50%	0.80%	0.40%	0.25%	0.10%	0.50%	9.40%
2008	0.85%	6.50%	0.90%	0.40%	0.25%	0.10%	0.50%	9.50%
2009	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.50%	10.00%
2010	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.50%	10.00%
2011	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00% *	9.50%
2012	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2013	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2014	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2015	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2016	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%

¹ Includes .15% for general purposes and .1% for chemical dependency, mental health treatment services and therapeutic court programs.

* Effective 10/1/11 the King County food and beverage tax for Stadium of 0.5% was discontinued.

Source: Washington State Department of Revenue

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

	Fiscal Year 2016				Fiscal Year 2007			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	26	0.1%	59,005	0.3%	31	0.2%	102,037	0.4%
Agriculture, Forestry, Fishing	43	0.2%	14,748	0.1%	29	0.2%	4,046	0.0%
Mining	9	0.0%	632	0.0%	9	0.1%	1,062	0.0%
Utilities	16	0.1%	61,411	0.3%	9	0.1%	276,047	1.1%
Construction	4,198	20.7%	2,547,937	13.7%	3,475	27.3%	2,650,127	11.0%
Manufacturing	1,451	7.2%	1,028,727	5.5%	666	5.2%	2,281,222	9.4%
Wholesale Trade	3,063	15.1%	2,937,755	15.8%	1,829	14.4%	4,525,182	18.7%
Retail Trade	5,567	27.4%	6,779,438	36.4%	2,478	19.4%	9,202,947	38.1%
Transportation and Warehousing	160	0.8%	86,341	0.5%	117	0.9%	81,702	0.3%
Information	641	3.2%	1,046,733	5.6%	383	3.0%	961,803	4.0%
Finance and Insurance	153	0.8%	321,509	1.7%	152	1.2%	155,208	0.6%
Real Estate, Rental, Leasing	490	2.4%	838,813	4.5%	384	3.0%	843,769	3.5%
Prof, Sci, Technical Svcs	1,188	5.9%	386,052	2.1%	616	4.8%	290,445	1.2%
Company Management	4	0.0%	138	0.0%	8	0.1%	3,330	0.0%
Admin, Supp, Remed Svcs	1,362	6.7%	1,028,991	5.5%	1,050	8.2%	389,061	1.6%
Educational Services	170	0.8%	47,608	0.3%	45	0.4%	45,330	0.2%
Health Care Social Assistance	178	0.9%	30,112	0.2%	125	1.0%	32,673	0.1%
Arts, Entertain, Recreation	120	0.6%	184,302	1.0%	76	0.6%	119,488	0.5%
Accommodation and Food Svcs	431	2.1%	1,938,080	10.4%	408	3.2%	1,398,747	5.8%
Other Services	981	4.8%	738,172	4.0%	842	6.6%	613,788	2.5%
Public Administration	32	0.2%	268,246	1.4%	13	0.1%	183,264	0.8%
Total	20,283	100.00%	\$ 20,344,750	109.26%	12,745	100.00%	\$ 24,161,278	100.00%

Source: Taxtools 4.1.0 Database by Microflex, Inc.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not provided. The categories presented are intended to provide alternate information regarding the sources of the city's revenue.

Comprehensive Annual Financial Report 2016

Schedule 13 City of Kent Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Percentage of Assessed Taxable Value of Property ^a	Per Capita ^b	Other Governmental Activities Debt	
	General Obligation Bonds ¹	Less: Amounts Available In Debt Fund	Total			Loans, Notes and Contracts ^d	Special Assessment Bonds
2007	59,181,206	42,024	59,139,182	0.58%	682.43	12,471,829	14,512,651
2008	78,826,585	26,246	78,800,339	0.68%	905.96	14,137,927	11,851,450
2009	74,582,727	3,587	74,579,140	0.58%	843.85	15,800,512	9,588,769
2010	70,395,426	-	70,395,426	0.60%	597.23	14,688,266	7,698,091
2011	65,811,861	1,035	65,810,826	0.50%	556.78	13,570,148	5,716,053
2012	61,541,230	1,083	61,540,147	0.48%	516.71	22,653,476	3,822,681
2013	57,903,469	1,083	57,902,386	0.48%	480.52	18,715,436	2,700,000
2014	52,810,358	10	52,810,348	0.42%	435.01	16,557,914	1,980,000
2015	47,784,224	-	47,784,224	0.34%	388.81	8,020,328	1,395,000
2016	101,793,996	521,394	101,272,602	0.67%	813.86	7,424,302	750,000

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
2007	10,563,721	-	35,193,351	131,880,734	2.65%	1,521.82
2008	9,282,660	-	33,738,999	147,811,375	2.92%	1,699.37
2009	8,081,562	25,152,687	32,536,165	165,738,835	3.30%	1,875.30
2010	6,713,611	24,241,262	42,654,670	166,391,326	2.56%	1,411.66
2011	5,734,707	23,299,522	41,378,106	155,509,362	2.27%	1,315.65
2012	4,788,505	22,332,423	40,095,132	155,232,364	2.17%	1,303.38
2013	3,665,426	21,470,198	35,583,473	140,036,919	1.85%	1,162.13
2014	3,140,452	20,433,172	33,979,444	128,901,330	1.69%	1,061.79
2015	2,597,516	19,356,148	32,340,417	111,493,633	1.32%	907.19
2016	2,106,959	18,239,122	30,821,389	160,614,374	1.78%	1,290.75

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

¹ Debt amounts include discounts and premiums.

^a See Schedule 6 for taxable assessed property value data.

^b See Schedule 17 for population and personal income data.

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

^d Excludes compensated absences.

Source: City financial records

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**Schedule 14
City of Kent
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Governmental Unit</u>			
King County	764,587,000	3.5292%	26,983,804
Port of Seattle	283,620,000	3.3529%	9,509,552
Federal Way School District No. 210	156,939,745	6.7793%	10,639,416
Highline School District No. 401	227,029,715	1.3982%	3,174,329
Renton School District No. 403	270,836,013	3.9199%	10,616,501
Auburn School District No. 408	143,699,943	0.8994%	1,292,437
Tahoma School District No. 409	167,174,322	0.0235%	39,286
Kent School District No. 415	116,013,205	65.8631%	76,409,893
Hospital District No. 1	-	33.3978%	-
Kent Regional Fire Authority No. 62	-	84.2854%	-
Rural Library District	97,581,556	6.0679%	5,921,151
Subtotal Overlapping Debt			144,586,370
City of Kent direct debt			<u>109,446,904</u>
Total direct and overlapping debt			<u><u>\$ 254,033,274</u></u>

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

Note:

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

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

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Legal Debt Limit				
Assessed Value	\$ 10,265,869,683	\$ 11,556,074,644	\$ 12,796,789,489	\$ 11,733,295,807
Legal debt limit restrictions:				
2.5% of General purpose limit, voted & non-voted	\$ 256,646,742	\$ 288,901,866	\$ 319,919,737	\$ 293,332,395
2.5% Utility purpose limit, voted	256,646,742	288,901,866	319,919,737	293,332,395
2.5% Open Space, Park Facilities, voted	256,646,742	288,901,866	319,919,737	293,332,395
Total legal debt limit	<u>769,940,226</u>	<u>866,705,598</u>	<u>959,759,211</u>	<u>879,997,185</u>
Total net debt applicable to limit	<u>75,346,858</u>	<u>92,785,463</u>	<u>87,079,122</u>	<u>81,157,709</u>
Legal debt margin	<u>\$ 694,593,368</u>	<u>\$ 773,920,135</u>	<u>\$ 872,680,089</u>	<u>\$ 798,839,476</u>
Total net debt applicable to the limit as a percentage of debt limit	9.79%	10.71%	9.07%	9.22%
Debt applicable to limit:				
Voted				
General obligation bonds	1,175,000	600,000	-	-
Non-voted				
General obligation bonds	70,008,999	88,973,000	84,019,000	78,303,000
Other general obligation debt	4,204,883	3,238,709	3,063,709	2,854,709
Less: Amount set aside for repayment of voted general obligation debt	(42,024)	(26,246)	(3,587)	-
Total net debt applicable to limit	<u>75,346,858</u>	<u>92,785,463</u>	<u>87,079,122</u>	<u>81,157,709</u>
Additional debt limit restriction:				
1.5% non-voted for all purposes	153,988,045	173,341,120	191,951,842	175,999,437
Non-voted debt outstanding	74,213,882	92,211,709	87,082,709	81,157,709
Non-voted legal debt margin	<u>79,774,163</u>	<u>81,129,411</u>	<u>104,869,133</u>	<u>94,841,728</u>
Constitutional Debt Limit				
10.0% non-voted for all purposes	1,026,586,968	1,155,607,464	1,279,678,949	1,173,329,581
Net debt applicable to legal debt limit	75,346,858	92,785,463	87,079,122	81,157,709
Add: State loan contracts	8,003,801	10,672,547	12,537,258	11,660,072
Constitutional debt margin	<u>943,236,309</u>	<u>1,052,149,454</u>	<u>1,180,062,569</u>	<u>1,080,511,800</u>
Internal Debt Limit				
Net debt applicable to legal debt limit	75,346,858	92,785,463	87,079,122	81,157,709
Add: State loan contracts	8,003,801	10,672,547	12,537,258	11,660,072
Interest on outstanding debt	25,544,516	37,488,088	32,687,133	28,051,396
Compensated absences	4,776,302	5,985,748	6,594,993	4,848,159
Total debt applicable to internal debt calculation	<u>113,671,477</u>	<u>146,931,846</u>	<u>138,898,506</u>	<u>125,717,336</u>
Total net debt applicable to the internal debt calculation as a percentage of assessed value	1.11%	1.27%	1.09%	1.07%

Notes:

The debt limit applies to general obligation debt of the city (debt for which the "full faith and credit" of the city is pledged to pay off the debt). The state constitution limits the debt cities are allowed to carry to 10% of the assessed valuation of the taxable properties within the city. The state legislature has further limited the outstanding debt for cities to 75% of the constitutional limit, or 7.5% of assessed valuation of taxable properties within the city. The legislature has also limited the amount of non-voted debt (not approved by a 3/5 majority of voters) to 1.0% of the assessed valuation of the taxable properties within the city. The city also calculates an internal debt margin to include other long-term obligations, like internal LID financing, internal notes and compensated absences expected to repaid from general governmental revenues.

Source: City's financial records

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Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 13,124,485,153	\$ 12,746,855,069	\$ 12,009,757,520	\$ 12,651,208,800	\$ 14,068,213,406	\$ 15,046,306,884
\$ 328,112,129	\$ 318,671,377	\$ 300,243,938	\$ 316,280,220	\$ 351,705,335	\$ 376,157,672
328,112,129	318,671,377	300,243,938	316,280,220	351,705,335	376,157,672
328,112,129	318,671,377	300,243,938	316,280,220	351,705,335	376,157,672
984,336,387	956,014,131	900,731,814	948,840,660	1,055,116,005	1,128,473,016
75,247,674	69,139,626	61,423,917	54,975,990	49,078,000	90,740,000
\$ 909,088,713	\$ 886,874,505	\$ 839,307,897	\$ 893,864,670	\$ 1,006,038,005	\$ 1,037,733,016
7.64%	7.23%	6.82%	5.79%	4.65%	8.04%
-	-	-	-	-	-
72,590,000	66,683,000	60,993,000	54,756,000	49,078,000	90,740,000
2,658,709	2,457,709	432,000	220,000	-	-
(1,035)	(1,083)	(1,083)	(10)	-	-
75,247,674	69,139,626	61,423,917	54,975,990	49,078,000	90,740,000
196,867,277	191,202,826	180,146,363	189,768,132	211,023,201	225,694,603
75,248,709	69,140,709	61,425,000	54,976,000	49,078,000	90,740,000
121,618,568	122,062,117	118,721,363	134,792,132	161,945,201	134,954,603
1,312,448,515	1,274,685,507	1,200,975,752	1,265,120,880	1,406,821,341	1,504,630,688
75,247,674	69,139,626	61,423,917	54,975,990	49,078,000	90,740,000
10,777,631	10,389,724	9,584,624	8,777,671	8,001,804	7,225,937
1,226,423,210	1,195,156,157	1,129,967,211	1,201,367,219	1,349,741,537	1,406,664,751
75,247,674	69,139,626	61,423,917	54,975,990	49,078,000	90,740,000
10,777,631	10,389,724	9,584,624	8,777,671	8,001,804	7,225,937
24,443,065	20,409,417	17,426,925	14,358,462	11,168,487	39,402,192
4,596,349	4,459,597	4,747,718	4,168,176	4,337,445	4,405,792
115,064,719	104,398,364	93,183,184	82,280,299	72,585,736	141,773,921
0.88%	0.82%	0.78%	0.65%	0.52%	0.94%

Comprehensive Annual Financial Report 2016

Schedule 16
City of Kent
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					
	Water Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007 ³	8,342,104	7,364,764	977,340	-	-	N/A
2008 ³	8,778,926	8,573,049	205,877	-	-	N/A
2009 ⁵	11,876,537	8,498,185	3,378,352	105,000	154,366	13.03
2010	15,426,293	9,029,965	6,396,328	432,500	628,347	6.03
2011	15,986,832	9,730,377	6,256,455	447,500	615,372	5.89
2012	16,253,067	10,697,089	5,555,978	460,000	601,947	5.23
2013	17,021,951	11,736,994	5,284,957	475,000	588,147	4.97
2014	18,416,162	10,677,318	7,738,844	487,500	573,972	7.29
2015	18,904,851	13,717,392	5,187,459	507,500	554,472	4.88
2016	18,780,129	12,538,349	6,241,780	527,500	534,172	5.88

Fiscal Year	Sewerage Revenue Bonds ¹					
	Sewerage Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007 ⁴	27,000,243	22,469,093	4,531,150	-	-	N/A
2008 ⁴	28,118,989	23,522,768	4,596,221	-	-	N/A
2009 ⁵	31,298,410	24,995,990	6,302,420	105,000	154,366	24.30
2010	35,841,828	25,196,002	10,645,826	432,500	628,347	10.04
2011	39,108,510	24,602,591	14,505,919	447,500	615,372	13.65
2012	39,562,059	31,726,712	7,835,347	460,000	601,947	7.38
2013	42,752,458	32,921,170	9,831,288	472,000	588,147	9.27
2014	44,969,699	33,269,429	11,700,270	487,500	573,972	11.02
2015	46,459,410	36,346,257	10,113,153	507,500	554,472	9.52
2016	47,640,854	39,143,084	8,497,770	527,500	534,172	8.00

Fiscal Year	Special Assessment Bonds				
	Revenues	Debt Service		Coverage	
		Principal	Interest		
2007	3,650,209	2,721,699	839,175	1.03	
2008	3,570,767	2,697,676	714,711	1.05	
2009	2,845,669	2,289,806	588,439	0.99	
2010	2,444,174	1,916,737	478,481	1.02	
2011	2,397,011	2,021,715	382,060	1.00	
2012	2,590,862	1,919,285	279,818	1.18	
2013 ⁶	4,058,344	1,203,319	180,786	2.93	
2014 ⁶	3,115,228	747,256	124,207	3.57	
2015 ⁶	2,586,437	585,000	111,840	3.71	
2016	2,150,390	645,000	64,550	3.03	

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.

Comprehensive Annual Financial Report 2016

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

<u>Calendar Year</u>	<u>Population</u> ¹	<u>County Personal Income</u> ² (thousands of dollars)	<u>County Per Capita Income</u> ³	<u>School Enrollment</u> ⁴	<u>County Unemployment Rate</u> ⁵
2007	86,660	106,637,605	57,409	26,861	3.7%
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	*	*	27,746	4.3%

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 Annual average for King County: US Bureau of Labor Statistics

⁶ Annual average for King County: Washington State Employment Security Department

*2016 information is not available, will be included in 2017 CAFR.

Comprehensive Annual Financial Report 2016

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Kent Public Schools	2,914	1	4.04%	3,300	1	6.77%
Amazon.com LLC	2,000	2	2.77%			
Boeing Company	2,000	3	2.77%			
REI Inc.	1,657	4	2.30%	684	3	1.40%
Carlisle Interconnect Industries	845	5	1.17%			
City of Kent	702	6	0.97%	804	2	1.65%
Exotic Metals Forming Co	675	7	0.94%			
King County Regional Justice Center	630	8	0.87%	630	5	1.29%
Coho Distributing LLC dba Columbia Dist.	620	9	0.86%			
Sysco	510	10	0.71%	593	6	1.22%
Oberto Sausage				437	9	0.90%
Mikron Industries				675	4	1.39%
Alaska Distributors Co.				510	7	1.05%
Starbucks Coffee Company				422	10	0.87%
Alaska Airlines				494	8	1.01%
	<u>12,553</u>		<u>17.39%</u>	<u>8,549</u>		<u>17.54%</u>

Source: City of Kent 2017-2018 Adopted Budget Book

Comprehensive Annual Financial Report 2016

Schedule 19
City of Kent
Full-time-Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function/Program	Full-time-Equivalent Employees as of December 31									
	2007	2008	2009 ^a	2010 ^b	2011	2012	2013	2014	2015	2016 ^c
General government										
Mayor's Office	11.00	12.00	9.00	13.00	13.00	10.50	10.53	10.53	10.75	10.75
Human Resource	13.00	13.00	11.00	11.00	12.00	12.00	12.20	13.20	13.60	14.60
Finance	22.00	21.00	19.50	19.00	20.55	18.55	20.55	20.55	23.55	23.55
Information Technology	26.00	29.00	25.00	25.00	28.70	25.00	24.96	26.00	29.00	35.00
Other	42.50	43.50	43.00	43.50	45.90	41.25	37.80	39.00	42.00	42.00
Judicial	18.00	19.00	18.00	21.00	21.53	21.28	20.28	20.28	20.28	20.28
Public Safety										
Police	183.00	187.00	179.00	193.00	201.28	196.28	191.75	195.75	199.00	203.00
Fire	176.00	177.00	169.00	-	-	-	-	-	-	-
Law-Criminal	10.50	10.50	9.50	10.00	11.70	10.60	9.80	8.80	8.80	9.80
Community Development	42.00	42.00	42.00	43.00	43.60	36.60	36.60	38.33	40.75	40.75
Public Works										
Engineering	5.58	5.58	5.33	5.33	5.33	5.33	9.00	9.00	9.00	11.00
Operations	13.00	13.00	13.00	12.00	12.00	12.00	12.00	25.00	31.00	32.00
Streets	77.75	77.75	65.50	70.50	73.02	71.02	64.09	67.50	67.50	73.00
Leisure Services	60.00	63.00	60.00	60.00	61.63	59.13	60.16	63.91	64.38	66.63
Health and Human Services	18.00	18.00	17.00	18.00	21.34	17.53	15.73	16.06	16.53	16.53
Water	26.00	27.00	25.00	26.00	26.00	26.00	32.41	29.08	29.08	28.47
Sewerage										
Sewer	10.58	10.58	10.33	10.33	10.33	10.33	9.08	9.08	11.08	14.48
Storm	27.09	27.09	26.34	34.34	34.34	34.34	26.42	20.09	23.09	22.30
Solid Waste	-	-	-	-	-	-	-	-	-	2.50
Water & Sewer Utility Billing	9.00	10.00	9.50	10.00	11.11	11.11	11.11	11.11	11.80	12.05
Golf	9.00	9.00	8.00	8.00	11.35	11.35	11.35	11.35	11.35	11.35
Total	800.00	815.00	765.00	633.00	664.71	630.20	615.81	634.61	662.54	690.04

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 In 2016 Solid Waste fund was created.

Comprehensive Annual Financial Report 2016

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Business licenses issued	3,796	3,834	3,787	4,183	3,658	5,048	3,767	4,243	4,164	6,113
Judicial										
Number of court filings ^a	19,216	21,285	23,466	20,330	18,377	17,992	18,531	17,184	14,628	14,685
Public Safety										
Police										
Physical arrests	4,808	4,658	4,704	4,249	4,673	4,678	4,778	4,587	4,514	4,673
Parking violations	2,439	2,557	2,295	2,115	2,367	2,272	1,479	2,066	2,037	2,515
Traffic violations	19,219	18,713	18,188	15,343	13,079	12,774	18,531	14,979	13,552	7,836
School Zone Tickets *	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,366	7,202	9,102
Community Development										
Building permits issued ^b	1,437	1,123	913	1,004	2,074	2,277	2,334	3,789	3,899	4,034
Building inspections conducted	16,912	16,226	15,480	12,883	13,375	14,050	14,067	12,443	12,974	12,333
Public Works										
Street resurfacing (sq yds)	126,097	156,091	467,777	12,200	26,190	22,488	31,100	48,350	60,944	132,112
Leisure Services										
Recreation programs offered	1,911	2,050	2,050	1,791	2,147	2,096	2,070	2,050	2,158	2,244
Number of recreation participants ^d	98,616	102,939	106,027	73,600	16,705	33,462	24,392	23,143	26,521	27,693
Health and Human Services										
Citizens served in specialized recreation setting ^d	3,200	3,200	3,250	3,150	1,575	1,632	1,512	1,704	1,688	1,639
Participants in Senior programs/workshops ^d	18,339	22,714	23,395	34,697	14,157	17,115	18,180	20,415	20,410	26,145
Water										
New connections	258	171	141	189	136	164	160	135	106	150
Average daily consumption (million gallons-estimated)	8	8	8	8	7.5	7.0	7.1	7.4	7.7	7.3
Golf										
Number of participants	171,033	156,580	156,950	153,750	151,950	153,800	154,100	155,260	155,870	156,220
Number of tournaments	117	100	85	83	76	72	63	57	51	53
Library										
Number of Items	150,497	156,050	151,605	159,246	159,246	159,300	159,173	107,933	112,988	108,686
Items circulated ^c	N/A	N/A	N/A	N/A	N/A	745,994	613,603	550,416	470,680	430,626

Source: Various City Departments

* January 2014 School Zone Camera Tickets implemented.

^a Includes parking violations

^b Reflects a shift in the way minor repairs are counted. Beginning in 2011, data includes all building permits issued, with no exclusions.

^c Information not available for years indicated.

^d Beginning in 2011, only registered participants are counted.

Comprehensive Annual Financial Report 2016

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	42	44 ^b	51 ^b	50 ^b	50 ^b	51 ^b	58 ^b	49 ^b	47 ^b	49 ^b
Public Works										
Streets (lane miles)	556	569	725	725	726	726	726	726	726	726
Streetlights	5,171	5,176	6,573	6,573	6,573	6,600	6,600	6,600	6,600	6,354
Traffic signals	130	103	104	119	119	119	119	119	119	120
Traffic beacons/advisory devices					57	58	69	70	76	73
Leisure Services										
Acres of parks/open space ^a	860	870	982	1,434	1,434	1,434	1,178	1,178	1,142	1,142
Parks ^c	75	90	80	58	58	58	53	53	53	55
Miles of trails	23	19	19	23	23	28	28	28	28	28
Ball fields	24	18	18	21	21	21	21	21	21	21
Tennis courts	15	12	13	15	15	15	15	15	12	12
Water										
Water mains (miles)	274	281	280	280	280	280	280	284	284	287
Water customers *	N/A	13,061	13,130	13,202	13,327	13,469	13,629	13,810	13,924	14,091
Reservoir/Tanks	8	8	8	8	9	9	9	9	9	9
Reservoir storage capacity (millions of gallons)	23.3	23.3	23.3	21.0	23.2	23.2	23.2	23.2	23.2	23.2
Sewerage										
Sanitary sewers (miles)	206	209	209	209	209	215	215	215	215	215
Storm sewers (miles)	247	248	248	248	249	324	324	324	324	324
Sewer customers *	N/A	26,653	26,876	27,000	15,352	15,552	15,712	15,854	15,949	16,098
Drainage customers *	N/A	16,915	17,051	22,122	24,750	25,100	25,285	25,486	25,624	25,831
Golf										
18-Hole course (yards)	6,666	6,666	6,666	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

Comprehensive Annual Financial Report 2016

Schedule 22
City of Kent
Kent Special Events Center Public Facilities District
Various Operating Information
Last Eight 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)	<u>(700,287)</u>	<u>(451,731)</u>	<u>(398,014)</u>	<u>(487,847)</u>
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	<u>789,155</u>	<u>576,817</u>	<u>623,016</u>	<u>649,923</u>
PFD direct debt: ⁴				
2008 PFD Revenue Bonds	371,006	1,041,038	1,068,663	1,059,272
2008 PFD Sales Tax Bonds	2,021,699	2,675,777	2,675,778	2,675,778
2016 LTGO Bonds allocated to PFD ⁵	-	-	-	-
Total direct PFD debt	<u>2,392,705</u>	<u>3,716,815</u>	<u>3,744,441</u>	<u>3,735,050</u>
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	<u>2,392,705</u>	<u>3,716,815</u>	<u>3,744,441</u>	<u>3,735,050</u>

* - The PFD issued debt and began collecting sales taxes in 2008. Schedule will build to show 10 years of data

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.

Comprehensive Annual Financial Report 2016

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

continued

Comprehensive Annual Financial Report 2016

Schedule 22
City of Kent
Kent Special Events Center Public Facilities District
Various Operating Information
Last Eight Fiscal Years *

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
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	<u>(700,287)</u>	<u>(325,636)</u>	<u>(601,188)</u>	<u>(283,734)</u>
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	<u>22,779</u>	<u>516,580</u>	<u>1,213,390</u>	<u>501,180</u>
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	<u>1,345,894</u>	<u>1,480,112</u>	<u>2,429,582</u>	<u>1,426,887</u>

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

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Fiscal Year				
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
281,458	251,405	256,124	375,049	385,546
-	-	-	46,524	462,443
1,106,422	471,684	980,046	104,330	1,097,457
<u>(824,964)</u>	<u>(220,279)</u>	<u>(723,922)</u>	<u>317,243</u>	<u>(249,468)</u>
344,424	330,180	333,788	391,766	254,864
-	-	-	-	-
-	-	-	-	1,334,603
-	1,178,131	1,243,121	1,301,516	1,325,005
<u>344,424</u>	<u>1,508,311</u>	<u>1,576,909</u>	<u>1,693,282</u>	<u>2,914,472</u>
674,214	707,953	766,236	696,831	880,444
824,964	220,279	723,922	(317,243)	249,468
344,424	1,508,311	1,576,909	1,693,282	2,914,472
<u>1,843,602</u>	<u>2,436,543</u>	<u>3,067,067</u>	<u>2,072,870</u>	<u>4,044,384</u>

Concluded





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