



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2019

City of Kent, Washington





Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2019

Prepared by:

Finance Department
Financial Reporting Division

Special Recognition:

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COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON



Our vision

**Kent – where people choose to live
and businesses change the world**

mission

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

values

Integrity

Do the right thing

Teamwork

Work together

Caring

Care for those we serve

Innovation

Find a way

Communication

Connect to understand

Achievement

Be the difference

goals

Thriving City

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

Innovative Government

Delivering outstanding customer service, developing leaders and fostering innovation

Evolving Infrastructure

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

Sustainable Services

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

Inclusive Community

Embracing our diversity and advancing equity through genuine community engagement

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON



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FINANCE ADMINISTRATION

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September 28, 2020

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

We are pleased to present to you the City of Kent's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2019. 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 5-24 has a different focus than the transmittal letter and should be read in conjunction with this letter.

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

THE REPORTING ENTITY

The City of Kent is located in southern King County, Washington State's most populous county. The City is centrally located in the Green River Valley, 18 miles south of Seattle and 18 miles northeast of Tacoma. Kent now serves approximately 129,800 residents, making it the sixth largest city in the state.

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

The City of Kent provides a full range of governmental services. At December 31, 2019, the City of Kent had 729.59 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 226.28 budgeted police officers and non-uniformed personnel providing police and correction services to an expanding business and residential area. The Public Works Department provides engineering services for the City and maintains the City streets. In addition, Public Works operates the water, sewer, and drainage utilities that also serve many outside customers. The Parks, Recreation and Community Services Department maintains parks and recreation fields located throughout the City and provides numerous opportunities for organized recreational activities for the greater Kent area. It ensures human service resources are delivered effectively and efficiently to Kent residents by developing and implementing policies that guide the funding of human service programs, providing housing assistance, and participating in regional and local issues affecting Kent residents. The department also operates a senior center for social and recreational programs as well as an 18-hole golf course and driving range. In the cultural area, the City has established cultural arts and sports programs. The Kent Special Events Center Public Facilities District is included in this report as a discretely presented component unit.

The biennial budget serves as the foundation for the City of Kent's financial planning and control. The City Council establishes direction for the City through its adopted strategic goals and values. Those Strategic Goals are reviewed quarterly and are used in developing a biennial budget. The budget kick-off typically starts in May. However, the 2021/2022 biennial budget process was delayed due to COVID-19 and kick-off occurred in July. Departments met with the finance department and developed their budgets during July and August. Departments made their requests to Administration in August. A public hearing was held on the budget in September and the preliminary budget will be prepared and submitted for Council review in late September. A second public hearing will be held in October and the final budget will be developed and submitted for Council approval no later than 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 65,500 people who work within Kent's city limits. Large private sector employers within city limits include Amazon with 3,519 employees, the Boeing Company (aircraft manufacturer) with 2,480 employees, Blue Origin (engineering and manufacturing for space exploration) with 1,600 employees, Exotic Metals Forming (aircraft parts manufacturer) with 1,186 employees, REI Inc. (a recreational clothing and equipment retailer) with 874 employees, Columbia Distributing (beverage distributors) with 620 employees, Carlisle Interconnect Technologies (electronic component manufacturing) with 615 employees.

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

In 2007, the Legislature adopted SSB 5089 which brought Washington State into full compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) switching the State's sales tax methodology from origin based sourcing to a destination based sourcing for purposes of sales tax determination with respect to retail deliveries. The State also established mitigation for negatively

impacted local governments based on the sourcing loss determination conducted in 2009. Since then, the City of Kent has received approximately \$5 million annually due to the sourcing loss. The amount of mitigation has continued to decrease over the years.

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

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

At the end of the legislative session in April of 2019, the City learned that the streamlined sales tax mitigation payments were added back to the State's 2019-2020 biennial budget and the following four-year forecast. Because of the uncertainty of these revenues moving forward, the City has dedicated these funds for capital or other one-time uses. However, during the legislative session the Governor vetoed Engross House Bill (EHB) 1948 which resulted in the discontinuation of streamlined sales tax mitigation payments with the last payment occurring June 30, 2020.

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly virus (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The Governor's Stay Home Stay Safe order included closing many businesses, which has impacted the City's tax revenues. The City has undergone an extensive budget reduction process to counter an anticipated \$15.7 million revenue reduction. This plan included some use of fund balance as well as expenditure and position reductions. The length of the time these measures will be in place and the full extent of the financial impact on the city remains unknown at this time.

The projected \$15.7 million dollar revenue shortfall would be addressed through a combination of use of fund balance, one-time and ongoing personnel and operating reductions, and reductions in non-departmental capital transfers. In addition, capital projects have been prioritized allowing Administration the ability to adjust capital spending should revenue declines require it.

During this process the Federal Government passed the CARES Act which provides money to state, county and local governments. However, the funds are limited in their use and can only be used on things like new costs directly associated with COVID-19. They cannot be used for revenue loss or to address the revenue shortfalls impacting our budget.

The revenue shortfalls from COVID-19 only exacerbated the structural deficit we were facing for the 2021-2022 budget. Therefore, we looked for long-term solutions that would address our immediate budget crisis but also fill in the future deficit, thereby eliminating our need to make additional reductions during the next budget process. The General Fund budgetary imbalance occurs as

expenses annually increase by roughly 2.2% and City revenues increase by roughly 1.1%. This imbalance isn't unique to the City of Kent and is something most local government jurisdictions grapple with annually.

The City's budget philosophy is to forecast ongoing revenues realistically, albeit conservatively, and match our expenses to those revenue forecasts. The City recognized the revenue limitations associated with the budget, both in amount and source. Property tax collections are capped at 1% growth, plus new construction, and the City's other revenues such as Real Estate Excise Tax and Sales Tax while improving, are volatile. Along with budgeting realistic revenues, the City also budgets realistic expenditure levels which maintain service levels as well as contractual and debt obligations first and new programs or expansion of service levels only as resources permit.

MAJOR INITIATIVES

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

Thriving City

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

Evolving Infrastructure

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

Inclusive Community

Embracing our diversity and advancing equity through genuine community engagement.

Innovative Government

Delivering outstanding customer service, developing leaders and fostering innovation.

Sustainable Services

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

In 2018, the City began an initiative to create meaningful performance measures for which to compare our performance year over year. The City hired a Government Performance Analyst and contracted with an outside professional group to help the City understand and help departments to create performance measures and to help the City move from workload measures as the sole measurement of performance. The first of these performance measures were published in the 2019-2020 Adopted Biennial Budget and included at least one measure tied to each of the Council goals. This initiative is continuing during the 2021-2022 budget process.

Other major initiatives of the City include:

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

Street; and the Federal Way Station will be located adjacent to the Federal Way Transit Center. All stations will include a parking garage.

This project will be completed using a design build process which commenced in June 2019 and with an anticipated completion date of April 2024 when revenue service will begin. Heavy construction on the project began in 2020. Once complete, service is expected every 6-8 minutes during peak hours taking 42 minutes to downtown Seattle. Sound Transit expects 29,000-34,000 daily riders by 2026.

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

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

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

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 2019, 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 is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2019 are free of material misstatement and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The audit is also designed to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2019 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, 2018. That was the 18th year the City had achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Paula Painter, CPA
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

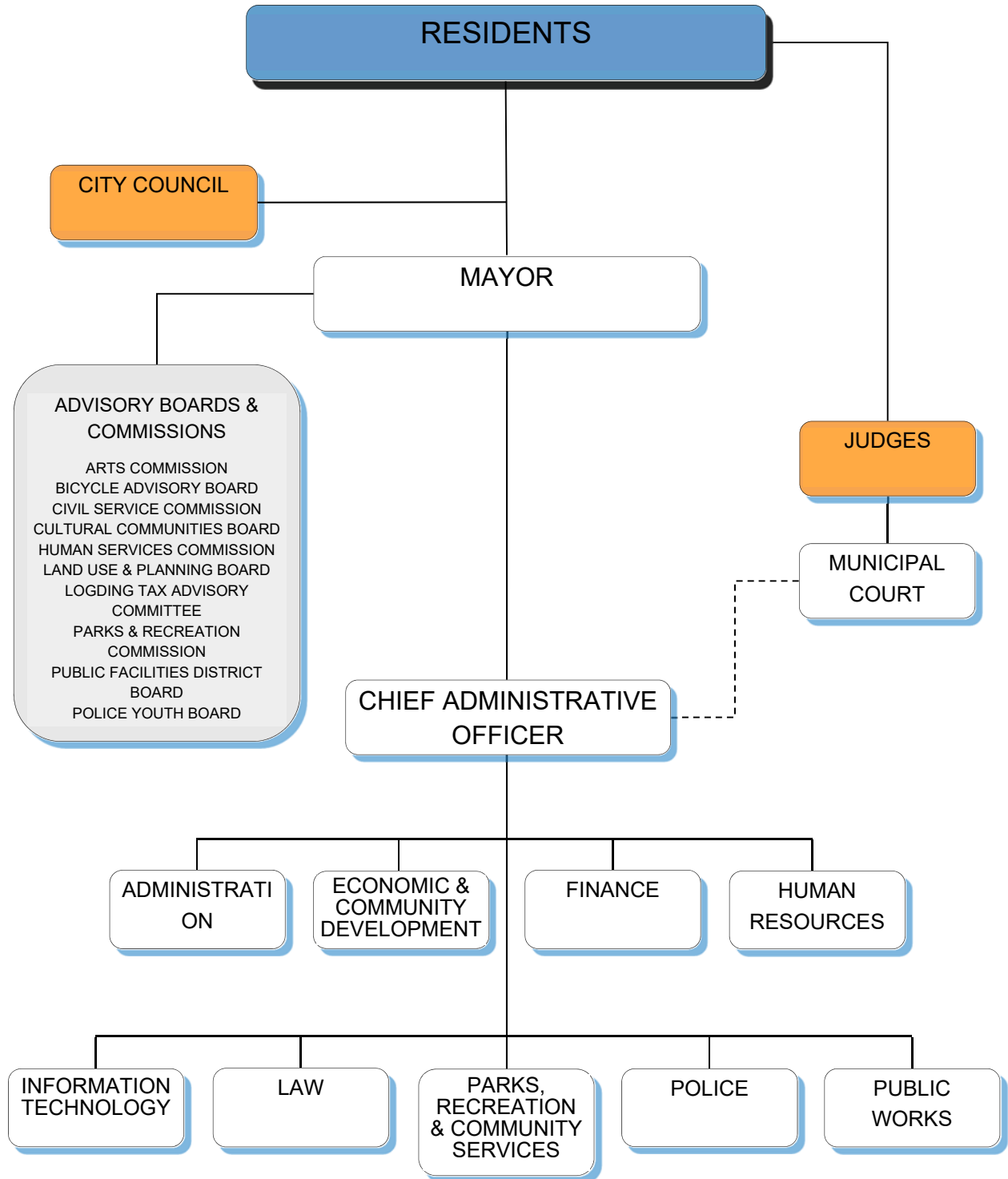
December 31, 2018

Christopher P. Morill

Executive Director/CEO

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON



PRINCIPAL OFFICIALS

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

	Term Expiration
MAYOR	
Dana Ralph	12-31-2021
COUNCIL MEMBERS	
Toni Troutner, President	12-31-2021
Bill Boyce	12-31-2023
Brenda Fincher	12-31-2021
Satwinder Kaur	12-31-2021
Marli Larimer	12-31-2023
Zandria Michaud	12-31-2023
Les Thomas	12-31-2023

GENERAL GOVERNMENT

Derek Matheson, Chief Administrative Officer
Pat Fitzpatrick, City Attorney
Paula Painter, Finance Director
Teri Smith, Human Resources Director
Michael Carrington, Information Technology Director

ECONOMIC AND COMMUNITY DEVELOPMENT

Kurt Hanson, Economic and Community Development Director

PARKS AND RECREATION

Julie Parascondola, Parks, Recreation and Community Services Director

PUBLIC SAFETY

Rafael Padilla, Police Chief

PUBLIC WORKS

Tim LaPorte, Public Works Director





**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

September 28, 2020

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, as of and for the year ended December 31, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kent, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Capital Resources funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 21 to the financial statements, in February 2020, a state of emergency was declared which could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information


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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated September 28, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



Pat McCarthy

State Auditor

Olympia, WA



Management's Discussion and Analysis For the Year Ended December 31, 2019

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, 2019. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS:

- Net position (\$1.26 billion) increased by \$74.8 million or 6.3 percent from 2018 levels, comprised of a \$53.1 million or 6.7 percent increase resulting from governmental activities and a \$21.7 million or 5.5 percent increase from business-type activities. Approximately \$202.3 million or 16.1 percent of the total net position may be used to meet the City's ongoing obligations to citizens and creditors.
- City revenues increased \$31.9 million in 2019 while expenses decreased \$2.1 million.
- Non-current liabilities (\$180.9 million) decreased by \$22.0 million or 10.9 percent from 2018 levels with the defeasance of \$15.9 million in 2009 revenue bonds with the 2017 crossover refunding, an increase of \$0.9 million in the OPEB liability, a decrease of \$4.3 million in the net pension liability, a reduction of \$1.5 million in the contingent loan guarantee, and 2019 debt payments.
- During fiscal year 2019, the City split the sewer and drainage operations that were previously combined into the Sewerage Fund, into two funds. The cumulative effect of this change is shown as a prior period adjustment on the proprietary fund statement of revenues, expenses and changes in fund net position of \$61,860,085 on the Sewer Fund and (61,860,085) on the Drainage Fund.

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.

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows (excluding fiduciary funds), both current and long-term, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the City may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the City may have used previously accumulated funds (i.e. cash funding of capital projects). To assess the overall health of the City, other indicators, including non-financial indicators such as the City's property tax base and condition of its infrastructure, should also be considered.

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

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

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

The government-wide financial statements can be found on pages 25-27 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kent, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Kent can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The focus of governmental funds is narrow and it is useful to compare the information provided by the government-wide financial statements for governmental activities with the governmental funds

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

statements. This may give the reader a better understanding of how long-term impacts are affected by near-term financing decisions. To facilitate this comparison, reconciliations between the governmental funds and the governmental activities are provided immediately following the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances.

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

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

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

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the activities that are business-like in nature, and are included in the business-type activities in the government-wide financial statements. Enterprise funds primarily serve customers outside of the governmental unit. The City maintains five Enterprise funds: (1) Water Fund, (2) Sewerage Fund, (3) Drainage Fund, (4) Solid Waste Fund and (5) Golf Complex Fund. Internal service funds are used to report business-type functions that operate internally within the City and allocate their services to the City's various functions. The City maintains four Internal Service Funds: (1) Equipment Rental Fund, (2) Central Services Fund (postage, central stores, copiers, print shop, media services, telephone services, and data processing services), (3) Facilities Fund, and (4) Insurance Fund (unemployment, workers' compensation, medical and dental, liability and property insurance programs). Since these services mainly benefit governmental rather than business-type functions, their assets and liabilities have been included within governmental activities in the government-wide statement of net position, but their functions are prorated as to their usage between governmental and business-type activities in the government-wide statement of activities.

Proprietary funds provide detailed information of the same type of information found in the government-wide financial statements. The City reports the Water, Sewer, Drainage and Golf Complex funds as major funds, and includes the internal service funds in a single column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 138-145.

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

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

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

The basic fiduciary fund financial statements can be found on pages 44-45 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 48-112 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 113-122 of this report.

Combining statements for non-major governmental funds are also presented on pages 124-131 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 132-136. The combining statements for the custodial funds are found on pages 148-149 of this report. Individual statements for the self-insurance plans can be found on pages 152-155.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The following table reflects the condensed Statement of Net Position of the City for December 31, 2019, 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other Assets	\$ 195,497	\$ 161,897	\$ 97,527	\$ 111,784	\$ 293,024	\$ 273,681
Capital Assets	776,174	752,141	367,826	350,166	1,144,000	1,102,307
Total Assets	971,671	914,038	465,353	461,950	1,437,024	1,375,988
Deferred Outflows	51,724	54,951	1,023	994	52,747	55,945
Total Assets & Deferred Outflows	1,023,395	968,989	466,376	462,944	1,489,771	1,431,933
Liabilities						
Other liabilities	26,669	23,732	8,242	6,999	34,911	30,731
Long-term liabilities	138,481	140,880	42,369	62,016	180,850	202,896
Total Liabilities	165,150	164,612	50,611	69,015	215,761	233,627
Deferred Inflows	15,501	14,791	1,815	1,641	17,316	16,432
Total Liabilities & Deferred Inflows	180,651	179,403	52,426	70,656	233,077	250,059
Net Position						
Net Investment in Capital Assets	724,754	706,613	325,325	289,305	1,050,079	995,918
Restricted	4,333	4,353	-	928	4,333	5,281
Unrestricted	113,657	78,620	88,625	102,055	202,282	180,675
Total Net Position	\$ 842,744	\$ 789,586	\$ 413,950	\$ 392,288	\$1,256,694	\$1,181,874

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2019, assets and deferred inflows exceeded liabilities and deferred outflows by \$1,256.7 million.

By far the largest portion of the City of Kent's net position (\$1,050.1 million or 83.6 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, \$4.3 million (0.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$202.3 million (16.1 percent), may be used to meet the city's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased \$21.6 million in fiscal year 2019.

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

CITY OF KENT'S CHANGES IN NET POSITION

For the Years Ended December 31*

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Service	\$ 25,429	\$ 22,571	\$ 79,195	\$ 78,160	\$ 104,624	\$ 100,731
Operating Grants	9,265	8,223	499	380	9,764	8,603
Capital Grants	24,149	10,068	10,171	11,454	34,320	21,522
General Revenues:						
Taxes:						
Property Taxes	30,744	30,101	-	-	30,744	30,101
Sales Taxes	36,098	32,843	-	-	36,098	32,843
Utility Taxes	30,597	29,823	-	-	30,597	29,823
Business & Occupation Taxes	13,000	9,422	-	-	13,000	9,422
Other Taxes	10,861	9,077	-	-	10,861	9,077
Unrestricted Grants	5,778	6,346	-	-	5,778	6,346
Investment Earnings	5,198	2,177	3,363	1,789	8,561	3,966
Miscellaneous	1,016	1,051	-	-	1,016	1,051
Total Revenues	192,135	161,702	93,228	91,783	285,363	253,485

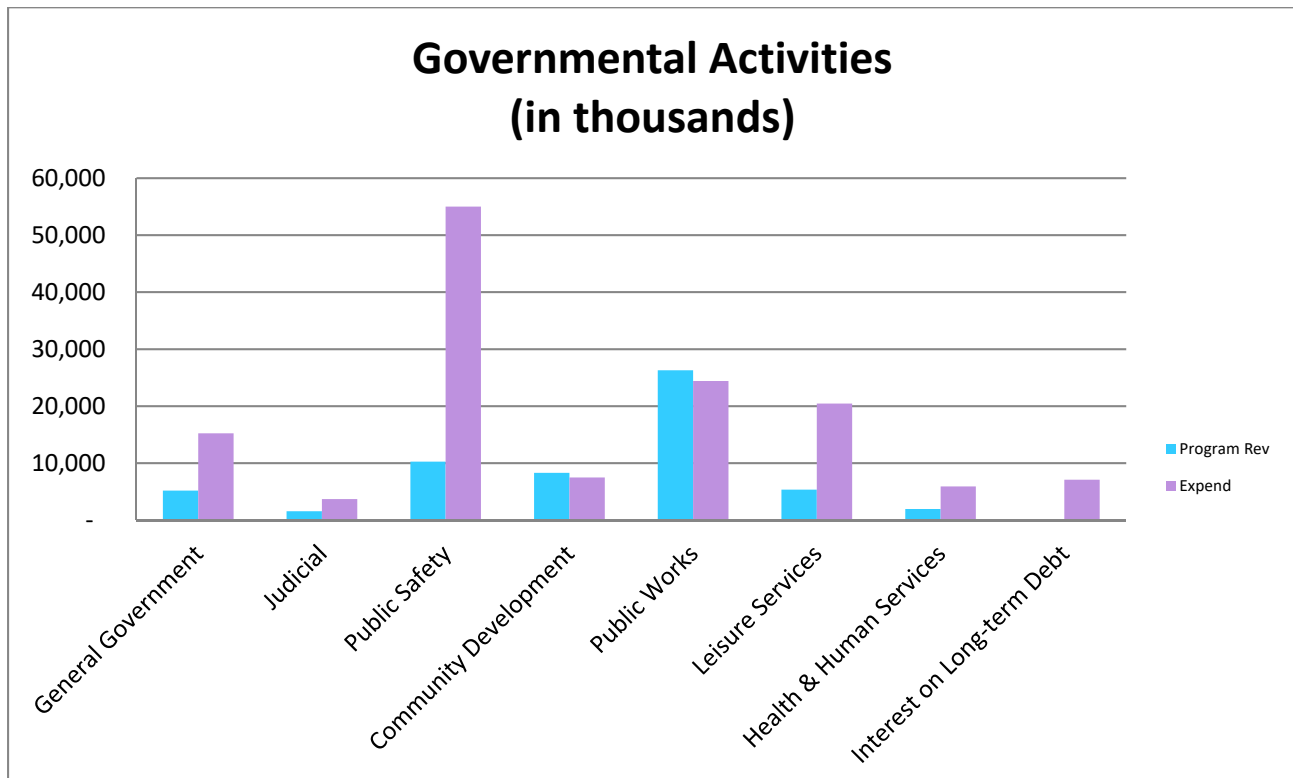
COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Management's Discussion and Analysis For the Year Ended December 31, 2019

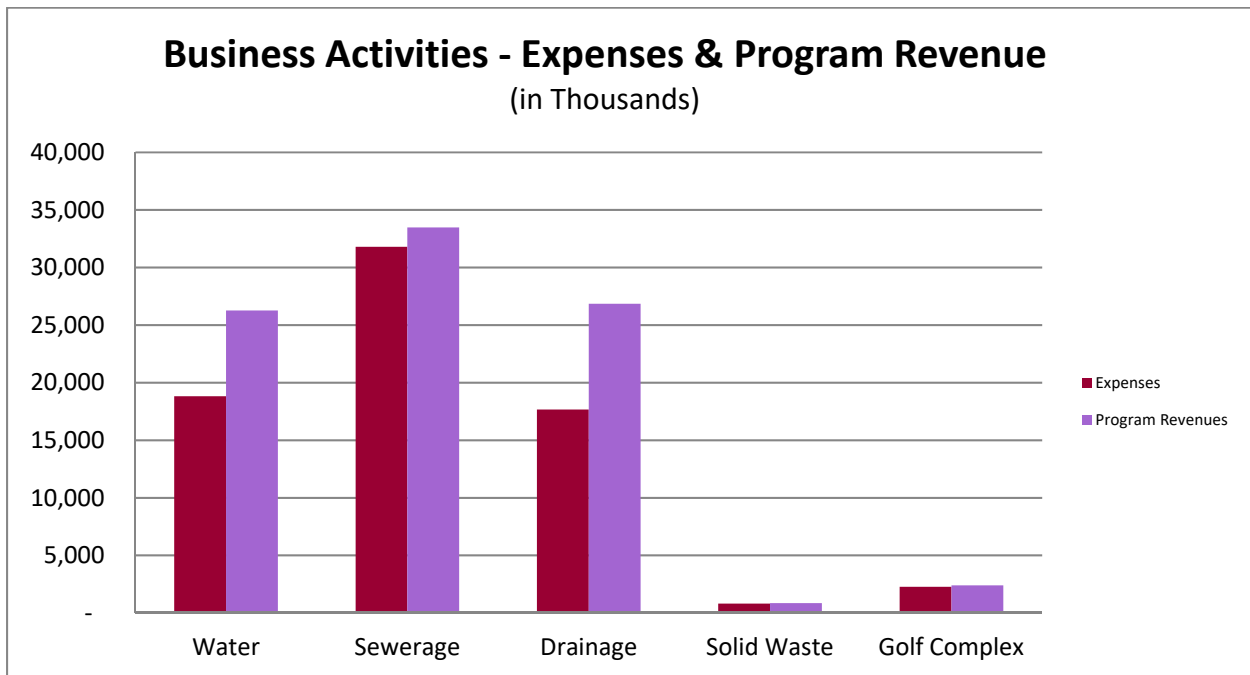
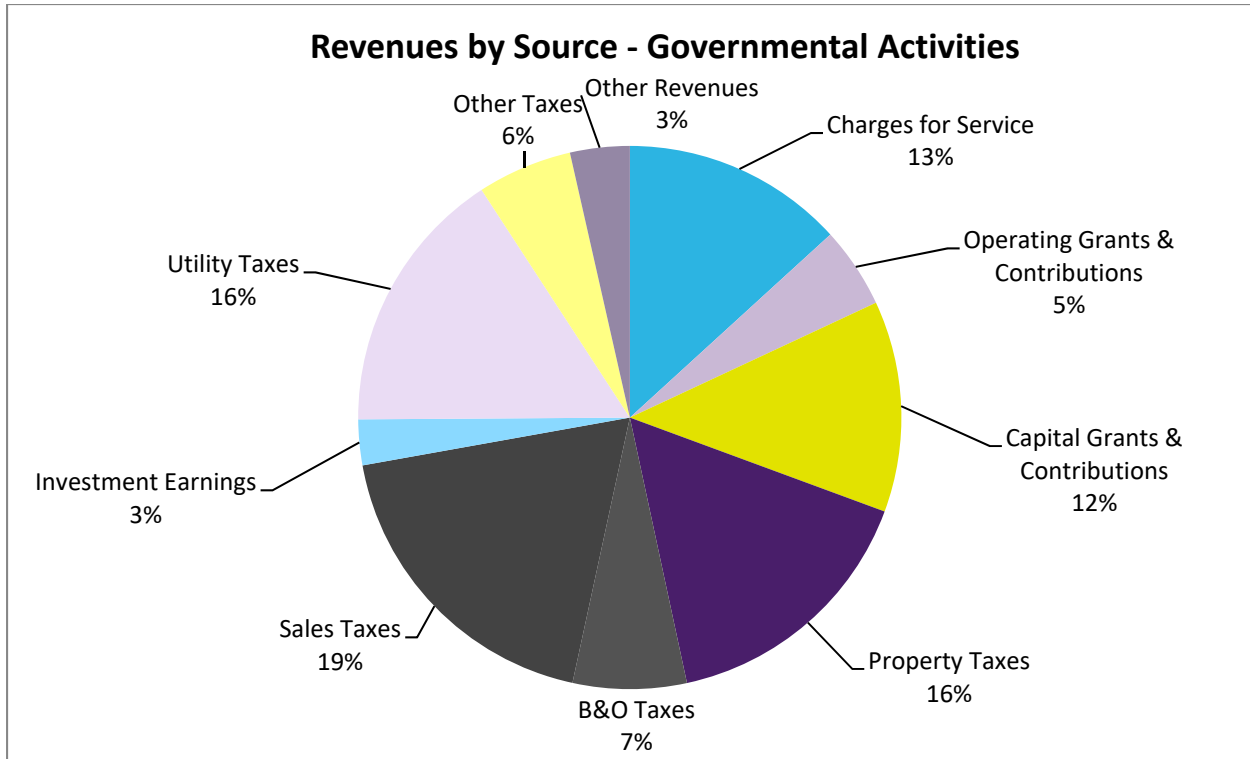
City of Kent

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Expenses:						
General Government	15,229	16,281	-	-	15,229	16,281
Judicial	3,689	3,355	-	-	3,689	3,355
Public Safety	54,948	54,367	-	-	54,948	54,367
Community Development	7,477	7,845	-	-	7,477	7,845
Public Works	24,404	23,755	-	-	24,404	23,755
Leisure Services	20,443	20,227	-	-	20,443	20,227
Health & Human Services	5,909	6,663	-	-	5,909	6,663
Interest on Long-Term Debt	7,085	7,247	-	-	7,085	7,247
Water Utility	-	-	18,820	19,180	18,820	19,180
Sewerage Utility	-	-	31,799	32,225	31,799	32,225
Drainage Utility	-	-	17,664	18,874	17,664	18,474
Solid Waste Utility	-	-	804	648	804	648
Golf Complex	-	-	2,272	2,348	2,272	2,348
Total Expenses	139,184	139,740	71,359	72,875	210,543	212,615
Increase in Net Position before Transfers						
Transfers	52,951	21,962	21,869	18,908	74,820	40,870
Transfers	207	804	(207)	(804)	-	-
Change in Net Position	53,158	22,766	21,662	18,104	74,820	40,870
Net Position – January 1	789,586	790,176	392,288	374,184	1,181,874	1,164,360
Prior Period Adjustment	-	(23,356)	-	-	-	(23,356)
Net Position – January 1 - Restated	789,586	766,820	392,288	374,184	1,181,874	1,141,004
Net Position – December 31	\$ 842,744	\$ 789,586	\$ 413,950	\$ 392,288	\$ 1,256,694	\$ 1,181,874

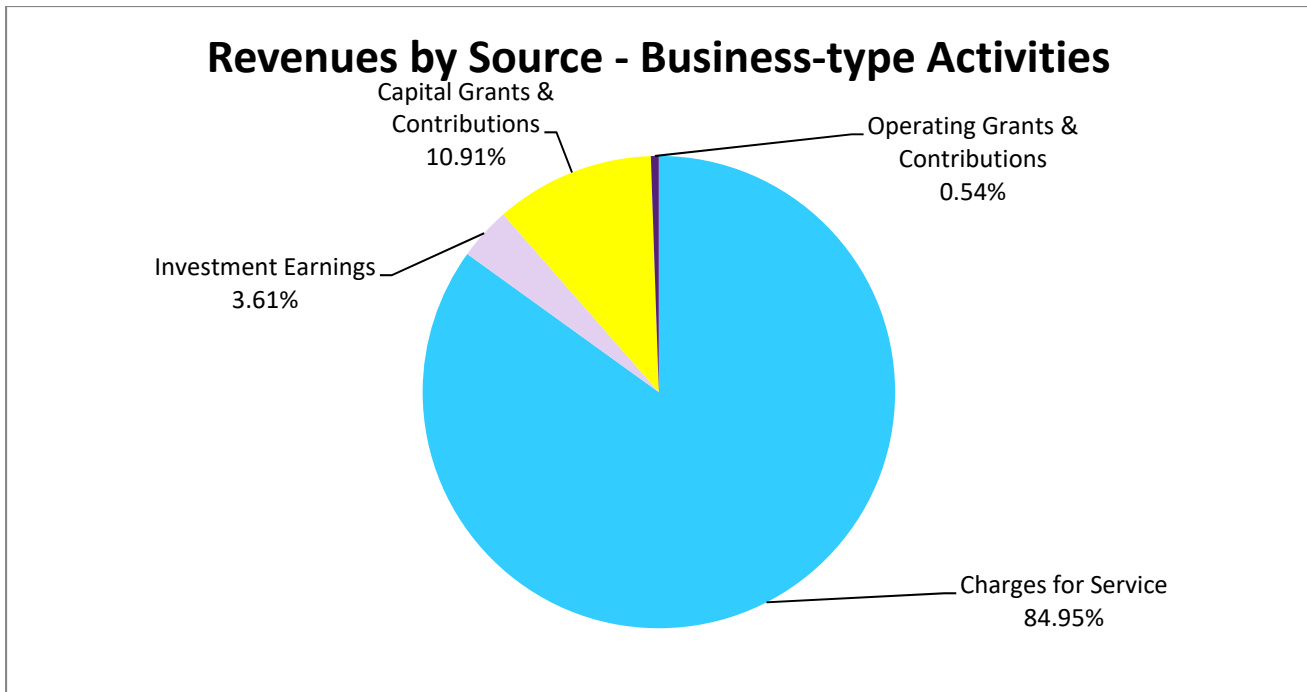


Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent



City of Kent



Governmental activities. Governmental activities net position increased \$53.1 million (6.7 percent) in fiscal year 2019. Some key revenue and expenditure highlights of governmental activities for fiscal year 2019 are as follows:

- **Taxes** – Property Taxes (\$30.7 million), Sales & Use Taxes (\$36.1 million), Utility Taxes (\$30.6 million), Business & Occupation Taxes (\$13.0 million) and Other Taxes (\$10.9 million) increased by \$0.6 million or 2.1 percent, \$3.3 million or 9.9 percent, \$0.8 million or 2.6 percent, \$3.6 million or 38.0 percent, and \$1.8 million or 19.7 percent, respectively with continuing economic growth.

Property tax revenues are dependent on both the assessed valuation of property (provided by the King County Assessor) and the tax rate. Assessed valuation of properties has continued to increase (up 11.5% in 2019). While state law limits the maximum growth in property taxes on existing property to the lesser of one percent or the percentage increase in the Implicit Price Deflator, the law also allows governments to “bank” property taxes not levied. The increase in assessed value in 2019 is offset by a decrease in the City’s property tax rate from \$1.627 in 2018 to \$1.491 in 2019 due to the 2018 property tax levy included \$6.4 million of banked capacity, which was the entirety of banked capacity available.

- **Investment earnings** – (\$5.2 million) increased \$3.0 million due to higher investment balances and an improving investment environment.
- **Charges for Service program revenues** (\$25.4 million) increased by \$2.8 million or 12.7 percent.
 - Public Safety increased \$1.8 million (33.9 percent) due to \$1.2 million in increased fines and \$.5 million in increased fire plans review fees. School zone camera fines increased \$.5 million and red light camera fines, began in September 2019, brought in \$.8 million in fines.

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

- General Government increased \$0.2 million (4.8 percent) primarily due to the Internal Service Fund outside revenues.
- Community Development increased \$0.8 million (10.8 percent) primarily due to increased plan checking fees.
- *Grants and Contributions* –operating grants and contributions increased \$1.0 million (12.7 percent) and capital grants increased by \$14.1 million (139.9 percent). The increase in capital grants and contributions is in public works (\$12.6 million) and leisure services (\$1.5 million) due to higher federal and state grants for street construction projects, and state and local grants for parks projects.
- Governmental Activities expenses decreased \$0.5 million (0.4 percent) in 2019. Judicial, Public Safety, Public Works and Leisure Services had increases of \$0.3 million (10.0 percent), \$0.6 million (1.2 percent), \$0.6 million (2.7 percent) and \$0.2 million (1.1 percent) respectively. General Government, Community Development and Health & Human Services decreased \$1.0 million (6.5 percent), \$0.4 million (4.7 percent), and \$0.7 million (11.3 percent) respectively. Interest on long-term debt decreased \$0.2 million (2.2 percent) with decreasing debt.
 - The 2019 budget included \$2 million in non-public safety expenditure reductions in the General Fund to cover an anticipated structural deficit with the reality that government expenses continue to increase at a faster rate than revenues. Generally, staff received wage increases of 2.1–6.0 percent, depending on the bargaining unit, effective 1/1/19.
 - *General Government expenses* (\$15.2 million) decreased by \$1.0 million or 6.5 percent as compared to 2018. Salaries increased \$0.2 million primarily due to the COLA, partially offset by lower overtime, while benefits increased \$0.4 million primarily due to higher medical insurance and pension costs. Commodities increased \$0.3 million and contractual services decreased \$1.8 million. The decrease in contractual services is primarily due to 2018 had \$1.8 million in losses on disposal of capital assets (buildings). The increase in commodities is primarily due to increased computer equipment and software purchases.
 - *Judicial expenses* (\$3.7 million) increased \$0.3 million primarily salaries and benefits due to a 2.1 percent COLA, offset by a reduction of one position, and increased medical insurance and pension costs.
 - *Public Safety expenses* (\$55.0 million) increased \$0.6 million. Salaries increased \$2.5 million due to a 4.5-6.0 percent COLA and four new positions. Benefits decreased \$2.8 million due to a \$6.5 million 2018 OPEB charge from the implementation of GASB Statement No. 75 offset by higher medical insurance and pension costs. Contractual services increased by \$0.8 million, primarily due to increased internal allocations of central services.
 - *Community Development expenses* (\$7.5 million) decreased \$0.4 million, primarily in contractual services. The effect of the 2.1 percent COLA were largely offset by reductions in temporary part-time positions added in 2018. The decrease in contractual services is due to lower contractor services with the completion of a downtown project as well some restructuring of internal allocations.

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

- *Public Works expenses* (\$24.4 million) increased \$0.6 million primarily in commodities. Reductions in part-time salaries partially offset the impact of the COLA and increased medical insurance and pension costs. The increase in commodities was primarily higher construction supplies and sand/gravel/asphalt supplies for street maintenance.
- *Leisure Services expenses* (\$20.4 million) increased \$0.2 primarily due to higher depreciation expense. Decreases in salaries and benefits and commodities offset increases in contractual services. The COLA and increased medical insurance costs were offset by reductions in part-time staff and a lower allocation of the pension liability. Commodities decreased with lower maintenance and construction supplies, while services increased primarily due to a 2019 loss on disposal of land donated to the YMCA.
- *Health and Human Services expenses* (\$5.9 million) decreased \$0.7 million due to lower benefits expenses. While salaries decreased slightly with the reduction of one position, partially offset by the 2019 COLA, benefits decreased with lower pension liabilities and deferrals.

Business-type activities. Business-type activities net position increased \$21.7 million (5.5 percent) in fiscal year 2019. Key highlights of the change in net position are as follows:

- *Charges for Service (Operating Revenues)* (\$79.2 million) increased by \$1.0 million or 1.3 percent. The Water Utility rates were restructured for 2017, a new dedicated fire line charge was added, and an annual cost of living increase was added to the water, sewer and storm drainage utility rates based on the regional consumer price index (CPI). The increases are capped at the lower of the CPI or 2.4 percent until January 1, 2023, after which the cap expires and the CPI applies. For 2019, the increase was the 2.4 percent cap. Water Utility charges for service increased \$0.3 million, or 1.5 percent. In the Sewer Utility, the pass through rate from King County METRO for sewer increased 2.5 percent for 2019, while the City sewer fees increased by 2.4 percent. Charges for service in the Sewer Utility remained substantially level with 2018 because the effect of the increased rates were offset by the 2018 receipt of a \$1.1 million excise tax refund from the State based on a State audit of the excise tax payments. The Drainage Utility charges for service increased \$0.6 million with the 2.4 percent rate increase and continuing review of the drainage calculations for customers (based on impervious surface calculations). The charges for service in the Solid Waste Utility remained substantially unchanged. The Golf Complex charges for service increased slightly in 2019 with higher customer counts. Refer to the analysis of the Proprietary Funds for further detail.
- *Operating Grants/Contributions* (\$0.5 million) increased by \$0.1 million with a damage recovery and increased rental income from cell tower sites in the Water Utility, slightly higher King County solid waste grant and lease of part of the par 3 land at the golf complex.
- *Capital Grants/Contributions* (\$10.2 million) decreased \$1.3 million (11.2 percent). The Water Fund increased \$0.9 million with increased system development fees and capital contributions, partially offset by decreased connection fees. The Sewerage Fund increased \$0.7 million with reimbursement monies received from a developer as well as higher developer contributed assets and charge in lieu assessments. The Drainage Utility increased \$2.0 million with higher developer contributed assets and connection charges partially offset by lower grants from the State and King County for drainage infrastructure projects. The Golf Complex had a net gain of \$4.9 million on the sale of part of the par 3 property in 2018 with no capital grants and contributions in 2019.

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

- *Expenses* – Water Utility expenses (operating and non-operating) (\$18.8 million) decreased \$0.4 million (1.9 percent), Sewerage Utility expenses (\$31.8 million) decreased \$0.4 million (1.3 percent), Drainage Utility expenses (\$17.7 million) decreased \$0.8 million (4.4 percent), the Golf Complex expenses (\$2.3 million) decreased \$0.1 million (3.2 percent), and the Solid Waste Utility expenses (0.8 million) increased 0.2 million. Refer to the analysis of the Proprietary Funds for further detail on the changes.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

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

At the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of \$121.5 million, an increase of \$25.4 million in comparison with the prior fiscal year balances. Of this amount, the unassigned fund balance is \$33.1 million, up \$13.4 million from the previous year. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$2 million), 2) restricted for particular purposes (\$24.1 million), 3) committed for particular purposes (\$47.1 million), or 4) assigned for particular purposes (\$17.0 million).

The *General Fund* is the chief operating fund of the City of Kent. At the end of the current fiscal year, fund balance of the General Fund was \$39.6 million, representing a \$10.6 million or 36.8 percent increase from 2018. 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 \$8.3 million (7.4 percent) from the previous year, generally due to continued economic growth. The major changes are discussed below.
- Property taxes of \$30.7 million were up \$0.8 million from the previous year due to increased assessed value and new construction offset. In 2018, the City's levy included \$6.4 million of "banked" property taxes so the tax rate decreased from \$1.627 in 2018 to \$1.491 in 2019.
- Sales and use taxes (\$27.1 million) increased \$2.4 million (9.8 percent) with continued economic growth, primarily a strong development and construction environment and also growing sales tax revenues from on-line sales since the adoption of the Marketplace Fairness Act.
- Utility taxes (\$19.6 million) increased \$0.3 million (1.6 percent) from the previous year. Taxes on water, sewer and drainage services, including City utilities, as well as garbage, gas and telephone all had small increases, while taxes on cable, electric had small decreases. There were no tax rate changes in 2019.

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

- Business & occupation taxes (\$13.0 million) increased \$3.6 million (38.0 percent) primarily due to an increase in the square footage tax rate as of 1/1/19.
- Charges for service increased \$1.4 million, primarily with increased construction related charges (plan checking, fire plan reviews, etc.), while licenses and permits and fines and forfeitures had small decreases.
- Intergovernmental revenues decreased \$1.3 million primarily due to lower state shared streamlined sales tax mitigation monies. These funds from the State anticipated to stop mid 2019 with the State budget year, but the final State budget did include continued mitigation funds. Because of the uncertainty of the continuation of these funds, the City determined that these funds would only be used for construction projects, not ongoing operational purposes, so the fourth quarter 2019 payment (\$0.9 million) was received into the Capital Resources Fund, not the General Fund. Also, as taxes on on-lines sales increase under the Marketplace Fairness Act, the mitigation payments from the State decrease.
- Miscellaneous revenues increased \$1.4 million, principally with higher interest income due to higher investment balances and an improving investment environment.
- General Fund expenditures increased \$5.9 million (6.8 percent) from the previous year with the largest increases in public safety (\$4.8 million increase), leisure services (\$0.5 million increase), community development (\$0.4 million increase) and general government (\$0.3 million increase). Overall, while the City faced increasing costs due to inflation and increased costs of employee benefits, the City has continued to closely monitor services and budgets to maintain adequate reserves and create sustainable programs.
 - The increase in public safety is \$3.9 million in salaries and benefits due to a COLA (4.5 percent for officers and 6.0 percent for sergeants), higher overtime, and salaries and benefits for four new positions as well as increased medical insurance costs. Contractual services expenditures are also \$0.8 million higher with increased internal liability insurance charges due to claims history, higher internal motor pool charges with an increased number of police vehicles, and higher intergovernmental services for charges provided by Valley Communications for 911 and dispatch services, emergency management, fire prevention and fire investigation services provided by Puget Sound Regional Fire Authority and a contract with another government for prisoner housing.
 - The increase in leisure services salaries and benefits (\$0.2 million) is due to a 2.1 percent COLA and increased medical insurance costs. Commodities are higher \$0.1 million for small equipment replacements at the ShoWare Events Center. Contractual Services increased \$0.2 million primarily due to higher contractor services as well as internal allocations for liability insurance and multimedia services.
 - Community development expenditures increased in salaries and benefits with a 2.1 percent COLA and higher medical insurance costs.
 - The increase in general government expenditures is primarily in salaries and benefits due to a 2.1 percent COLA, partially offset by reduction of part-time staff and increased medical insurance and pension costs. Contractual services expenditures decreased due to higher allocations of central services to other areas.

Other major funds are the *Capital Resources Fund*, the *Special Assessments Fund*, and the *Street Capital Projects Fund*. Analysis of changes in net position from 2018 levels:

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City of Kent

- *Capital Resources Fund.* Fund balance increased by \$3.2 million. Revenues are up \$4.1 million (28.6 percent). Sales taxes increased \$0.7 million, while real estate excise taxes (REET) increased \$1.9 with a strong housing market. Because of its potential volatility, the City conservatively budgets REET, and makes budget overages available for capital projects in the following budget. Because the streamline sales tax revenues the City receives from the State were expected to end in mid-2019, but were restored during the State budget negotiations, the City made the decision to use those state shared revenues for capital purposes. Thus, \$0.9 million of these funds were placed into the Capital Resources fund in 2019 to be available for capital purposes in future budgets. This fund is responsible for transfers to the debt service fund for the General Fund debt service payments, which accounts for \$6.5 million of the \$20.3 million in 2019 transfers out. The balance of the transfers out were generally to fund various capital projects.
- *Special Assessments Fund.* Fund balance increased by \$0.2 million as the fund transfers to fund capital projects being constructed for the Local Improvement Districts (LIDs) lagged behind revenue collections. Revenue in the fund is primarily collected from property owners for special assessments related to their property and that money is used for payment of debt service related to those assessments as well as transfers to capital projects being funded by the LIDs. The last of the outstanding LID bonds were paid off in 2018. In 2019, revenues decreased \$0.1 million due to improvement districts being completed and closed. Transfers out to capital projects decreased \$0.3 million, again as projects are completed.
- *Street Capital Projects Fund.* Fund balance increased \$0.8 million to \$10.2 million. Revenues increased \$10.0 million primarily due to several large grants received for capital projects. Expenditures on capital projects increased \$8.2 million.

Proprietary Funds. The City of Kent's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's Enterprise utility funds continued to provide sufficient working capital to service their debt and fund capital outlays. With the defeasance of the 2009 revenue bonds in 2019 (from the 2017 cross-over refunding) the City no longer has required bond reserves. Of the enterprise funds \$413.9 million net position, \$325.3 million is net investment in capital assets and \$88.6 million is unrestricted. Analysis of changes in net position from prior fiscal year levels:

- *Water Fund.* Net position increased by \$8.4 million or 5.8 percent over the 2018 net position. This increase was due to net operating income of \$5.7 million, less non-operating net expenses, including transfers in/out, of \$0.5 million, plus capital contributions of \$3.2 million. Operating revenues increased \$0.3 million or 1.5 percent with 2.4 percent rate increase and new customers. Operating expenses decreased \$0.2 million. Salaries and benefits increased \$0.2 million with a 2.1 percent COLA and higher medical insurance costs offset by lower pension liabilities and deferrals. Services and charges expenses decreased \$0.4 million primarily due to in 2018 some capital project costs were expensed rather than capitalized. The operating income for 2019 was \$0.5 million higher than 2018. Capital contributions increased \$0.9 million with higher developer contributed capital and system development fees.
- *Sewerage Fund.* In previous years, the sewer and drainage utilities were both in the Sewer fund. In 2019, the sewer and drainage utilities were split into separate funds. This resulted in a prior period adjustment of \$61.9 million between the two funds. For the purposes of this analysis, the

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City of Kent

prior year numbers are restated for comparative purposes. Fiscal year 2019 net position increased by \$9.0 million or 14.6 percent over the 2018 restated net position. While operating revenues remained substantially level with the prior year, operating expenses decreased \$0.4 million compared to 2018. The City's rate for sewer and drainage fees increased 2.4 percent in 2019 and the pass through rate from King County METRO increased 2.5 percent. In 2018, the Sewer Fund received a \$1.1 million refund from the State for overpaid excise taxes from previous years. Salary and benefits increased \$0.6 million in 2019 due to a 2.1 percent COLA and increased medical insurance costs. Services and charges expenses also increased \$0.6 million with increased METRO charges, and increased internal charges for certain services. Capital contributions in the Sewerage Fund increased \$0.7 million with higher developer donated capital contributions and in-lieu charges.

- *Drainage Fund.* In previous years, the sewer and drainage utilities were both in the Sewer fund. In 2019, the sewer and drainage utilities were split into separate funds. This resulted in a prior period adjustment of \$61.9 million between the two funds. For the purposes of this analysis, the prior year numbers are restated for comparative purposes. Fiscal year 2019 net position increased by \$3.8 million or 2.1 percent over the 2018 restated net position. While operating revenues remained substantially level with the prior year, operating expenses decreased \$1.9 million compared to 2018. The drainage charges for service increased \$0.6 million with a 2.4 percent rate increase and continuing review of the drainage calculations for customers (based on impervious surface calculations). Salaries and benefits increased \$0.6 million with the 2.01 COLA and increased medical insurance costs, offset by lower pension liabilities and deferrals. Services and charges expenses decreased \$2.2 million primarily because of some capital projects that were expensed in 2018. The drainage fund had a \$1.8 million loss on disposal of capital assets in 2019 due to land transferred to parks and land deeded to King County.
- *Solid Waste Fund.* The Solid Waste Fund is a non-major fund, but since it is the only non-major proprietary fund, it is presented in the basic financial statements. The Solid Waste Fund was created in 2016 pulling revenues and expenditures previously in the General Fund and the Environmental Mitigation Fund. In 2019, net position increased \$0.1 million with small increases in operating and non-operating revenues and operating expenses.
- *Golf Complex.* Net position increased by \$0.4 million in 2019. In 2018, the Par 3 course at the complex was closed and the land was sold to a developer. The negotiated sale price of the land was \$10.5 million to close in two phases. The City received \$6.1 million in 2018 for Phase I of the sale. In 2019, the operating and non-operating revenues increased slightly, while operating expenses decreased slightly. The City is using the funds from the sale to upgrade the other facilities at the complex.

Additional information on the City of Kent's Enterprise funds can be found in Note 11 on pages 81-82 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The General Fund's expenditure budget, including transfers out, (see Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 32) was increased by \$3.3 million from the original budget.

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

- Adjustments of \$439,560 were made to the Public Safety budget to cover the additional costs above the adopted budget estimates of wage increases for police personnel covered under the KPOA contract.
- Adjustments were made to the Community Development and Public Safety budgets of \$(358,960) and \$358,960 respectively to move the code compliance function from community development to police.
- An adjustment of \$45,000 was made to the General Government budget to fund the executive search for the Finance Director and Human Resources Director positions.
- The Leisure Services and Health and Human Services budgets were increased by \$120,500 and \$165,367 respectively to cover carryover items from the previous budget.
- The General Government budget was increased \$223,030 to fund a position to be the liaison between the City and Sound Transit on the light rail extension through Kent.
- A budget adjustment of \$12,830 was added to various budgets to cover additional costs of telephone services.
- The Public Safety budget was increased by \$786,330 for additional jail services costs.
- Various budgets were realigned and reduced \$180,910 for adjustments to a project with Sound Transit.
- The Leisure Services budget was increased by \$37,000 to allow expenditure of three grants received in 2019. This increase is offset by grant revenues.
- The Public Safety budget was increased by \$45,260 for additional costs associated with police body-worn cameras.
- The Public safety budget was increased by \$250,000 to cover additional overtime costs.
- The General Government budget was increased by \$21,000 to cover costs of the charitable giving program.
- Transfers out from the General Fund to the Technology Capital Projects Fund were increased by \$1,200,000 for additional capital funding for the replacement of the human capital management system (human resources and payroll).
- Transfers out from the General Fund to the Self-Insurance Fund were increased by \$360,000 to fund increased liability insurance costs.
- Transfers out from the General Fund to various funds were increased by \$1,540,000 to fund various capital projects.
- Transfers out from the General Fund to the ShoWare operating fund were increased by \$100,000.

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CITY OF KENT'S GENERAL FUND BUDGET ACTIVITY BY FUNCTION

For the Year Ended December 31, 2019

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 12,069,800	\$ 114,480	\$ 12,184,280
Judicial	3,517,560	(1,480)	3,516,080
Public Safety	45,733,550	1,165,750	46,899,300
Community Development	7,720,130	(345,980)	7,374,150
Public Works	1,142,280	-	1,142,280
Leisure Services	12,790,030	154,880	12,944,910
Health & Human Services	5,950,130	104,237	6,054,367
	\$ 88,923,480	\$ 1,191,887	\$ 90,115,367

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

- *Taxes.* Actual tax collections were \$7.7 million over budget. While all tax classifications were above budget, sales and use tax comprised the majority of the overage at nearly \$5.4 million or 24.6 percent over budget. The increased collections are largely the result of a strong construction economy.
- *Licenses and Permits.* Licenses and permits were \$0.4 million or 5.7 percent over budget. Both building permits and other licenses and permits ended the year above budget, largely as a result of continuing development activity. Anticipating continued development activity, the City had increased the 2019 budget for these revenues.
- *Charges for Services.* Charges for services were \$2.1 million or 32.6 percent above budget largely in planning related fees.
- *Functional Expenditures.* Overall, salaries and benefits ended the year under budget by \$427,613 despite increases in police overtime. Although medical insurance and pension costs were up from the previous year, the increases were lower than budgeted. Departments continue to closely monitor supplies and services expenditures to maintain savings wherever possible, so the general fund functions, except Public Safety, Judicial and Public Works, had budget savings in fiscal year 2019.
 - *General Government Expenditures* - The general government expenditures were \$630,648 or 5.2 percent under budget with small savings in various divisions and accounts.
 - *Community Development Expenditures* - Saved \$329,933 (4.5 percent), primarily in salary and benefits but also some savings in supplies and services.
 - *Leisure Services Expenditures* - Were \$578,436 (4.5 percent) below budget with savings in all categories, but the largest savings in contractual services.
 - *Health and Human Services Expenditures* - Had budget savings of \$227,658 (4.5 percent) including salary and benefit savings as well as various other savings throughout the programs.

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

- *Public Safety Expenditures* - Exceeded budget by \$755,897 (1.6 percent) due to increased overtime partially offset by savings in other areas.
- *Judicial Expenditures* – Exceeded budget by \$130,195 with primarily in services including higher costs for court interpreter services.
- *Public Works Expenditures* – Exceeded budget by \$66,555 (5.8 percent) due to higher internal allocations to annexation from the Streets Fund.

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, 2019, were \$1.1 billion (net of accumulated depreciation), comprising 79.6 percent of the primary government's total assets at year-end. This investment in capital assets includes land, buildings, site improvements, equipment, infrastructure, and construction in progress as of that date.

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

Governmental Activities:

- *Infrastructure.* During 2019, infrastructure decreased \$11.7 million with \$1.4 million in additions offset by \$13.1 million in 2019 depreciation. \$0.1 million in streets projects were closed and capitalized in 2019. In addition, the City received developer contributed streets with a value of \$1.3 million in 2019.
- *Land.* Land assets were increased by \$1.9 million in 2019 with the purchase of land for streets projects as well as parks land offset by some parks land transferred to the YMCA.
- *Buildings.* Net buildings decreased \$3.3 million in 2019 with the capitalization of a minor building remodel less \$3.3 million in 2019 depreciation.
- *Site Improvements.* Net site improvements increased by \$8.1 million as compared to 2018 with \$10.7 million in additions for parks projects, especially Morrill Meadows Park improvements in conjunction with the new YMCA facility, offset by \$2.6 million in 2019 depreciation.
- *Equipment.* Net equipment increased by \$2.2 million in 2019. This was additions of \$5.7 million less net disposals of \$0.2 million and depreciation of \$3.3 million. The additions include \$4.7 million in various fleet equipment and \$1.0 million in various other equipment.
- *Construction in Progress.* Construction in progress (\$61.6 million) increased \$26.9 million from 2018. While 2019 spending on projects was \$43.3 million, \$12.9 million of completed projects were recorded as land, building, site improvements or infrastructure, while \$3.5 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 noted above under land and site improvements.

Business Type Activities:

- *Construction in Progress.* Compared to 2018, construction in progress increased \$24.4 million in 2019 as the City constructed and capitalized or expensed projects. While 2019 spending on

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City of Kent

projects was \$27.1 million, \$1.4 million in projects were completed and capitalized from CIP into other capital asset categories, and \$1.3 million were determined to be non-capital in nature and were expensed.

- Some projects that were completed and capitalized in 2019 are:
 - \$0.6 million LID 363 – 224th-228th drainage (land)
 - \$0.4 million Modular building @ the shops (buildings)
 - \$0.3 million GRNRA south pump station (equipment)
 - \$0.1 million 132nd Ave drainage (site improvement)
- *Land.* Land assets were increased by \$0.6 million in 2019 with the purchase of \$0.8 million in various parcels for water and sewer and drainage projects and the swap of land between parks and drainage (\$0.5 million transferred in and \$0.7 million transferred out).
- *Site Improvements.* Additions to site improvements for 2019 were \$2.9 million, less depreciation of \$10.5 million resulting in a net decrease of \$7.6 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress mentioned above plus \$0.6 million in developer contributed sewer assets and \$2.2 million in developer contributed drainage assets.
- *Equipment.* Net equipment decreased by \$0.1 million in 2019. This was additions of \$0.3 million less depreciation of \$0.4 million. The additions to equipment are the capitalization of equipment from the GRNRA pump station project.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 230,848	\$ 228,970	\$ 18,567	\$ 17,949	\$ 249,415	\$ 246,919
Buildings	86,867	90,201	432	46	87,299	90,247
Site Improvements	42,237	34,138	300,970	308,615	343,207	342,753
Equipment	18,412	16,225	2,726	2,856	21,138	19,081
Infrastructure	336,199	347,936	-	-	336,199	347,936
Construction in Progress	61,611	34,671	45,132	20,700	106,743	55,371
Total Capital Assets	\$ 776,174	\$ 752,141	\$ 367,827	\$ 350,166	\$ 1,144,001	\$ 1,102,307

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 \$86.0 million. Of this amount, \$72.8 million or 84.7 percent comprises general obligation debt backed by the full faith and credit of the government. The City intends \$0.1 million or 1.2% 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 (\$13.2 million) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Management's Discussion and Analysis For the Year Ended December 31, 2019

City of Kent

CITY OF KENT'S OUTSTANDING BONDED DEBT*

As of December 31

(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 71,913	\$ 77,458	\$ 893	\$ 1,228	\$ 72,806	\$ 78,686
Revenue Bonds	-	-	13,180	29,060	13,180	29,060
Total Bonded Debt	\$ 71,913	\$ 77,458	\$ 14,073	\$ 30,288	\$ 85,986	\$ 107,746

* Gross debt - does not include discounts or premiums

The City of Kent's total bonded debt decreased by \$21.8 million or 20.2 percent during the current fiscal year. No new bonded debt was issued in 2019. The crossover date for the 2017 Revenue Bond crossover refunding occurred in 2019 defeasing \$15.9 million in 2009 Revenue Bonds. All required debt service payments were made during 2019.

At December 31, 2019, the City of Kent carried an "AA+" rating from Standard and Poor's as of April 21, 2016 and an "Aa3" rating from Moody's as of November 22, 2019 on the general obligation debt and a rating of AA by Standard & Poor's Ratings Services as of December 6, 2017 on the revenue bonds.

The State of Washington limits the amount of general obligation debt a governmental entity may issue with and without a vote. The City's remaining unused debt capacity at year-end was \$1,482 million.

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

ECONOMIC FACTORS AND BUDGETARY IMPACTS:

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

The adopted 2019-2020 budget of \$676.8 million was an increase of 7.3 percent from the previous biennium and subsequent 2018 mid-biennium update. The original budget process presented some significant challenges and required difficult decisions in order to create a balanced budget. The City was faced with the loss of the state-shared Streamlined Sales Tax (SST) mitigation revenues coupled with the expiration of the Panther Lake Annexation Sales Tax Credit equating to nearly 10% of the City's General Fund revenues. Although the City was able to later take steps to secure the SST Mitigation revenue for another two years, the City determined it would not be fiscally prudent to use that revenue stream to support ongoing operating expenses but instead to use it for one-time capital opportunities. Although the 2019-2020 budget faced much hardship, with the collaborative effort amongst City leadership, City Council, City staff and the Kent community, a balanced budget was achieved.

The 2020 mid-biennium budget adjustment increased the 2020 budget by \$23.1 million to \$345.9 million for the second half of the biennium. The mid-biennium budget adjustment provides an opportunity to modify the budget to account for changes in fiscal events. The City's focus was on changes in revenue projections and unforeseeable changes in expenditures which may have arisen since the adoption of the original budget. The mid-biennium budget adjustment also allows an opportunity to invest in capital projects that were not included when the original budget was developed.

Management's Discussion and Analysis For the Year Ended December 31, 2019

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The City did not budget for receipt of any SST mitigation within the original adopted 2019-20 budget as it was uncertain if those funds would continue. This resulted in shifting the use of some capital funding to sustain operations. After much effort, the City was able to secure SST revenue for another two years. As a result, the City had \$3.85 million available for additional projects in 2020.

During 2019, due to the strong construction economy, sales tax collections continue to be in excess of budget. However, it remains an area that is closely monitored as each month's collections are received and any excess revenues are allocated to one-time purposes. Development and construction activities within the City remain robust and are expected to continue into 2020, generating strong building permit and plan check fees revenues. However, these somewhat volatile revenues are estimated cautiously, with a bias toward underestimating. Any excess revenues collected during the year are used strategically for one-time purposes or to increase reserves. City policy establishes a target of 18% of General Fund expenditures be maintained in fund balance as a reserve. The City ended 2019 with 38.04% or \$34.0 million in reserves.

All positions, whether filled or vacant, are budgeted for the full year. Vacant positions are conservatively budgeted, assuming the family plan selection for medical insurance benefits. Labor contracts with AFSCME and Teamsters were settled in 2019, effective 1/1/20 – 12/31/22. Wage increases of 3.0 percent for AFSCME, Teamsters and non-represented employees were effective in January 2020. Raises under the AFSCME contract effective 1/1/21 and 1/1/22 are based on 100 percent of the Seattle-Bellevue-Everett CPI-W with 1 percent minimum and 4 percent maximum. Teamsters raises 1/1/21 and 1/1/22 are based on 100 percent of the Seattle-Bellevue-Tacoma CPI-W with 2.5 percent minimum and 3.5 percent maximum. The KPOA Sergeants and Officers contract, as well as the contract for the Commanders and Assistant Chiefs call for 1/1/20 and 1/1/21 raises based on the Seattle-Bellevue-Everett CPI-W with 1 percent minimum and 4.25 percent maximum.

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 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
STATEMENT OF NET POSITION
December 31, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Special Events Center PFD
ASSETS				
Cash and cash equivalents (Note 4)	\$ 65,615,666	\$ 39,666,069	\$ 105,281,735	\$ 78,581
Investments, at fair value (Note 4)	73,753,102	44,726,570	118,479,672	88,610
Receivables (net of allowances) (Note 5)	29,508,885	9,398,162	38,907,047	181,898
Internal balances (Note 6)	(2,395,338)	2,395,338	-	-
Due from other governments	1,197,281	-	1,197,281	-
Inventory, at cost	187,555	640,608	828,163	-
Prepaid items	756,063	14,678	770,741	9,296
Investment in Joint Venture (Note 15)	8,797,965	-	8,797,965	-
Restricted assets:				
Cash with fiscal agent/trustee	3,782,719	80,659	3,863,378	-
Cash and cash equivalents (Note 4)	-	286,842	286,842	-
Investments (Note 4)	-	317,986	317,986	-
Note receivable from component unit (Note 5)	83,319,507	-	83,319,507	-
Less: Allowance for uncollectible	(83,319,507)	-	(83,319,507)	-
Property, plant, and equipment: (Note 7)				
Not being depreciated	292,458,264	63,698,769	356,157,033	-
Being depreciated, net of depreciation	483,715,629	304,127,178	787,842,807	-
Net pension asset	14,293,249	-	14,293,249	-
TOTAL ASSETS	971,671,040	465,352,859	1,437,023,899	358,385
DEFERRED OUTFLOWS				
Deferred loss on refundings	45,503,711	15,412	45,519,123	-
Deferred outflows related to pension	6,219,853	1,007,937	7,227,790	-
TOTAL DEFERRED OUTFLOWS	51,723,564	1,023,349	52,746,913	-
TOTAL ASSETS & DEFERRED OUTFLOWS	1,023,394,604	466,376,208	1,489,770,812	358,385
LIABILITIES				
Vouchers payable	4,733,282	1,952,557	6,685,839	-
Accounts/payroll payable	9,056,060	1,717,938	10,773,998	-
Incurred but not reported claims payable	2,058,472	-	2,058,472	-
Due to other governments	40,261	-	40,261	-
Accrued interest payable	278,336	121,944	400,280	3,207
Unearned revenue	1,743,882	340,118	2,084,000	-
Non-current liabilities:				
Due within one year (Note 9)				
Compensated absences-current	2,957,415	532,892	3,490,307	-
Contracts, leases, notes-current	1,179,923	1,966,640	3,146,563	140,000
General obligation bonds payable-current	4,621,010	549,990	5,171,000	-
Revenue bonds payable-current	-	1,060,000	1,060,000	680,000
Total OPEB liability - current	1,555,655	-	1,555,655	-
Due in more than one year (Note 9)				
Compensated absences-long term	2,463,663	272,125	2,735,788	-
Contracts, leases, notes-long term	13,095,883	24,416,262	37,512,145	83,179,507
General obligation bonds payable-long term (net of unamortized discounts & premiums)	78,027,092	399,580	78,426,672	-
Revenue bonds payable-long term (net of unamortized discounts & premiums)	-	14,123,946	14,123,946	-
Net pension liability	13,500,043	3,157,194	16,657,237	-
Contingent loan guarantee obligation (Note 17)	717,334	-	717,334	-
Total OPEB liability - long-term	29,120,874	-	29,120,874	-
TOTAL LIABILITIES	165,149,185	50,611,186	215,760,371	84,002,714
DEFERRED INFLOWS				
Deferred revenue	3,518,468	-	3,518,468	-
Deferred inflows related to pensions	11,982,883	1,814,799	13,797,682	-
TOTAL DEFERRED INFLOWS	15,501,351	1,814,799	17,316,150	-
TOTAL LIABILITIES & DEFERRED INFLOWS	180,650,536	52,425,985	233,076,521	84,002,714
NET POSITION				
Net investment in capital assets	724,753,696	325,324,941	1,050,078,637	-
Restricted net position for:				
Debt service	4,333,199	-	4,333,199	-
Unrestricted net position	113,657,173	88,625,282	202,282,455	(83,644,329)
TOTAL NET POSITION	\$ 842,744,068	\$ 413,950,223	\$ 1,256,694,291	\$ (83,644,329)

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 15,229,074	\$ 5,025,834	\$ 131,463	\$ 2,113
Judicial	3,689,235	1,341,160	210,210	-
Public Safety	54,947,750	6,966,767	3,291,551	-
Community Development	7,476,751	8,087,187	210,870	-
Public Works	24,404,558	1,664,229	3,005,495	21,615,472
Leisure services	20,442,888	1,516,333	1,302,264	2,531,778
Health and human services	5,908,829	827,488	1,113,151	-
Interest on long-term debt	7,084,948	-	-	-
Total governmental activities	139,184,033	25,428,998	9,265,004	24,149,363
Business-type Activities:				
Water	18,819,898	22,869,950	227,089	3,173,904
Sewerage	31,798,523	32,608,980	5,282	870,387
Drainage	17,663,742	20,723,689	4,105	6,126,444
Golf Complex	2,272,468	2,350,513	48,793	-
Solid Waste	804,474	642,056	213,466	-
Total business type activities	71,359,105	79,195,188	498,735	10,170,735
Total Primary Government	\$ 210,543,138	\$ 104,624,186	\$ 9,763,739	\$ 34,320,098
Component Unit:				
Special Events Center PFD	\$ 3,064,890	\$ -	\$ -	\$ -
Total Component Units	\$ 3,064,890	\$ -	\$ -	\$ -

General revenues:

Taxes:

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

Grants and contributions not restricted to specific programs

Interest income

Miscellaneous

Gain on disposal of capital asset

Transfers

Total general revenues, special items, and transfers

Change in net position

Net position - beginning

Net position-ending

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Net (Expenses) Revenue and Changes in Net Position

			Component Unit	
Primary Government			Special Events	
Governmental Activities	Business-Type Activities	Total	Center PFD	
\$ (10,069,664)		\$ (10,069,664)		
(2,137,865)		(2,137,865)		
(44,689,432)		(44,689,432)		
821,306		821,306		
1,880,638		1,880,638		
(15,092,513)		(15,092,513)		
(3,968,190)		(3,968,190)		
(7,084,948)		(7,084,948)		
<u>(80,340,668)</u>		<u>(80,340,668)</u>		
	\$ 7,451,045	7,451,045		
	1,686,126	1,686,126		
	9,190,496	9,190,496		
	126,838	126,838		
	51,048	51,048		
	<u>18,505,553</u>	<u>18,505,553</u>		
\$ <u>(80,340,668)</u>	\$ <u>18,505,553</u>	\$ <u>(61,835,115)</u>		
			\$ <u>(3,064,890)</u>	
			\$ <u>(3,064,890)</u>	
30,744,334	-	30,744,334	-	
36,097,807	-	36,097,807	1,149,950	
30,597,119	-	30,597,119	-	
12,999,563	-	12,999,563	-	
9,590,643	-	9,590,643	-	
306,055	-	306,055	-	
963,837	-	963,837	-	
5,777,671	-	5,777,671	-	
5,198,451	3,363,362	8,561,813	16,494	
997,507	-	997,507	-	
18,796	-	18,796	-	
206,644	(206,644)	-	-	
<u>133,498,427</u>	<u>3,156,718</u>	<u>136,655,145</u>	<u>1,166,444</u>	
<u>53,157,759</u>	<u>21,662,271</u>	<u>74,820,030</u>	<u>(1,898,446)</u>	
<u>789,586,309</u>	<u>392,287,952</u>	<u>1,181,874,261</u>	<u>(81,745,883)</u>	
\$ <u>842,744,068</u>	\$ <u>413,950,223</u>	\$ <u>1,256,694,291</u>	\$ <u>(83,644,329)</u>	

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2019**

	General Fund	Capital Resources Fund	Special Assessments Fund	Street Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 15,280,381	\$ 7,552,354	\$ 331,908	\$ 4,758,244	\$ 24,565,219	\$ 52,488,106
Investments, at fair value	17,055,242	8,519,481	367,947	5,356,884	27,651,276	58,950,830
Receivables (net of allowances for estimated uncollectibles):						
Taxes	10,979,498	2,594,159	-	-	1,748,106	15,321,763
Accounts	1,949,518	-	-	5,063,524	1,184,639	8,197,681
Special assessments						
Current	-	-	546,238	-	-	546,238
Delinquent	-	-	146,732	-	-	146,732
Unavailable	-	-	3,602,787	-	-	3,602,787
Penalty and Interest	-	-	329,842	-	-	329,842
Accrued interest	580,250	-	-	-	-	580,250
Due from other funds	275,000	-	-	-	-	275,000
Due from other governments - current	182,438	-	-	93,221	392,073	667,732
Prepaid items	53,862	-	-	-	145,160	199,022
Restricted assets:						
Cash with fiscal agent	3,743,521	-	-	-	-	3,743,521
Due from other governments - long-term	-	-	-	529,549	-	529,549
TOTAL ASSETS	<u>50,099,710</u>	<u>18,665,994</u>	<u>5,325,454</u>	<u>15,801,422</u>	<u>55,686,473</u>	<u>145,579,053</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 50,099,710</u>	<u>\$ 18,665,994</u>	<u>\$ 5,325,454</u>	<u>\$ 15,801,422</u>	<u>\$ 55,686,473</u>	<u>\$ 145,579,053</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE						
LIABILITIES						
Vouchers payable	\$ 1,211,457	\$ 17,668	\$ -	\$ 1,313,963	\$ 1,212,510	\$ 3,755,598
Accounts/payroll payable	7,380,091	5,233	-	368,788	880,043	8,634,155
Due to other funds	-	-	-	-	275,000	275,000
Due to other governments	22,583	395	-	-	17,283	40,261
Interfund loans payable - current	-	-	-	618,281	258,931	877,212
Incurred but not reported claims payable	41,400	-	-	-	-	41,400
Deposits and advances	1,346,940	-	-	224,756	170,936	1,742,632
Interfund loan payable - non-current	-	-	-	3,108,152	529,730	3,637,882
TOTAL LIABILITIES	<u>10,002,471</u>	<u>23,296</u>	<u>-</u>	<u>5,633,940</u>	<u>3,344,433</u>	<u>19,004,140</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	447,477	-	4,625,599	-	-	5,073,076
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>447,477</u>	<u>-</u>	<u>4,625,599</u>	<u>-</u>	<u>-</u>	<u>5,073,076</u>
TOTAL LIABILITIES & DEFERRED INFLOWS	<u>10,449,948</u>	<u>23,296</u>	<u>4,625,599</u>	<u>5,633,940</u>	<u>3,344,433</u>	<u>24,077,216</u>
FUND BALANCE						
Nonspendable:						
Prepaid items	53,862	-	-	-	145,160	199,022
Restricted:						
Annexation	1,417,228	-	-	-	-	1,417,228
Street capital projects	-	-	-	458,870	-	458,870
Lodging tax purposes	-	-	-	-	185,825	185,825
Criminal justice programs	-	-	-	-	5,246,081	5,246,081
Impact fees	-	-	-	-	3,016,866	3,016,866
Parks capital projects	-	6,078,466	-	-	6,377,152	12,455,618
Bond retirement	-	-	-	-	1,912,628	1,912,628
Special assessment debt	-	-	581,924	-	-	581,924
Assessment debt guaranty	-	-	117,931	-	-	117,931
Economic and community development	119,502	-	-	-	-	119,502
Human Services	4,996	-	-	-	-	4,996
Committed:						
Street operations	-	-	-	-	7,824,309	7,824,309
Youth/Teen program	-	-	-	-	75,355	75,355
Criminal justice programs	-	-	-	-	2,665,858	2,665,858
City arts program	568,356	-	-	-	-	568,356
Human services	139,696	-	-	-	-	139,696
Kent events center replacement	422,633	-	-	-	-	422,633
Economic & community development	-	-	-	-	2,233,189	2,233,189
B&O tax purposes	1,705,612	-	-	-	-	1,705,612
Street capital projects	-	-	-	9,708,612	-	9,708,612
Parks capital projects	-	-	-	-	11,792,122	11,792,122
Technology systems	-	-	-	-	9,295,018	9,295,018
Facilities capital projects	-	-	-	-	2,340,980	2,340,980
Assigned:						
Public safety retiree OPEB	1,921,274	-	-	-	-	1,921,274
Capital projects	-	12,564,232	-	-	-	12,564,232
Kent Events Center operations	2,507,375	-	-	-	-	2,507,375
Unassigned:	<u>30,789,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(768,503)</u>	<u>30,020,725</u>
Total Fund Balance	<u>39,649,762</u>	<u>18,642,698</u>	<u>699,855</u>	<u>10,167,482</u>	<u>52,342,040</u>	<u>121,501,837</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 50,099,710</u>	<u>\$ 18,665,994</u>	<u>\$ 5,325,454</u>	<u>\$ 15,801,422</u>	<u>\$ 55,686,473</u>	<u>\$ 145,579,053</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES December 31, 2019

Fund balance - total governmental funds		\$	121,501,837
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	\$	1,194,066,179	
Accumulated depreciation		<u>(430,049,250)</u>	764,016,929
Investment in Joint Venture (Note 15)			8,797,965
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.			37,132,879
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			(278,336)
Revenues earned but not received within 60 days (property tax) or 90 days (other revenue) of year-end, and therefore not available to pay current year liabilities are deferred inflows on the governmental statements, but is recognized as revenue for the government-wide statements			
General Fund			447,476
Deferred inflows for long-term special assessments is shown on the government funds balance sheet, but is not a deferred inflow on the statement of net position			1,107,132
Unamortized bond costs are not reported on the governmental fund statements, but are reported on the statement of net position			
Prepaid bond insurance		-	
Deferred loss on refunding		45,503,711	
Unamortized bond (premium)/discount		<u>(10,735,472)</u>	34,768,239
Long-term assets do not provide current financial resources and are therefore not reported in the governmental funds, but are reported in the government-wide statements			
Deferred outflows related to pensions		5,550,649	
Net pension asset		<u>14,293,249</u>	19,843,898
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		(71,912,630)	
Contracts, leases and notes		(14,275,806)	
Compensated absences		(4,829,806)	
Deferred inflows related to pensions		(10,777,976)	
Net pension liability		(11,403,870)	
Total OPEB liability		(30,676,529)	
Contingent loan guarantee		<u>(717,334)</u>	(144,593,951)
Net Position of governmental activities			<u>842,744,068</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2019**

	General Fund	Capital Resources Fund	Special Assessments Fund	Street Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 30,731,786	\$ -	\$ -	\$ -	\$ -	\$ 30,731,786
Sales and use	27,121,400	5,826,240	-	-	3,150,167	36,097,807
Utility	19,600,347	1,553,742	-	-	8,043,129	29,197,218
Business & occupation	12,999,563	-	-	-	-	12,999,563
Real estate excise tax	-	9,590,643	-	-	-	9,590,643
Lodging	-	-	-	-	306,055	306,055
Other	963,837	-	-	-	-	963,837
Licenses and permits:						
Building permits	4,002,597	-	-	-	-	4,002,597
Other licenses and permits	3,481,046	-	-	-	548,815	4,029,861
Intergovernmental revenue						
Federal grants	120,646	-	-	6,444,858	1,277,914	7,843,418
State grants	194,175	29,971	-	8,681,750	891,933	9,797,829
State shared revenues	5,879,957	934,663	-	-	2,777,589	9,592,209
Other governments	451,184	-	-	670,133	2,535,983	3,657,300
Charges for services:						
Park and recreation fees	1,566,965	-	-	-	6,060	1,573,025
Other fees and charges	6,795,364	-	-	2,924	3,722,993	10,521,281
Fines and forfeitures	1,289,334	-	13,557	-	2,573,307	3,876,198
Miscellaneous revenue:						
Special assessments	-	-	1,069,714	-	-	1,069,714
Interest income	1,589,295	604,972	256,061	433,365	1,367,622	4,251,315
Rent/Leases income	783,099	-	-	-	164,175	947,274
Contributions and donations	1,197,115	30,000	-	263,629	91,306	1,582,050
Other miscellaneous revenue	834,495	6,411	-	100,705	494,251	1,435,862
TOTAL REVENUES	119,602,205	18,576,642	1,339,332	16,597,364	27,951,299	184,066,842
EXPENDITURES						
Current:						
General government	11,554,382	82,430	933	-	2,126,291	13,764,036
Judicial	3,646,275	-	-	-	-	3,646,275
Public safety	49,007,821	-	-	-	5,261,778	54,269,599
Community development	7,044,217	11,649	-	-	572,217	7,628,083
Public works	1,208,835	-	-	453,206	10,032,821	11,694,862
Leisure services	13,538,603	1,776,511	-	-	240,712	15,555,826
Health and human services	5,872,901	-	-	-	1,062,877	6,935,778
Debt service:						
Principal	-	-	-	-	6,426,192	6,426,192
Interest	-	-	-	101,730	3,571,920	3,673,650
Capital outlay	96,354	165,145	-	28,776,924	11,990,827	41,029,250
TOTAL EXPENDITURES	91,969,388	2,035,735	933	29,331,860	41,285,635	164,623,551
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,632,817	16,540,907	1,338,399	(12,734,496)	(13,334,336)	19,443,291
OTHER FINANCING SOURCES (USES)						
Issuance of installment note	-	-	-	-	8,891,708	8,891,708
Transfers in	1,284,411	6,990,487	-	14,358,857	26,199,807	48,833,562
Transfers out	(18,254,136)	(20,303,310)	(1,118,460)	(731,460)	(11,401,906)	(51,809,272)
TOTAL OTHER FINANCING SOURCES (USES)	(16,969,725)	(13,312,823)	(1,118,460)	13,627,397	23,689,609	5,915,998
NET CHANGE IN FUND BALANCE	10,663,092	3,228,084	219,939	892,901	10,355,273	25,359,289
FUND BALANCE, January 1	28,986,670	15,414,614	479,916	9,274,581	41,986,767	96,142,548
FUND BALANCE (DEFICIT), December 31	\$ 39,649,762	\$ 18,642,698	\$ 699,855	\$ 10,167,482	\$ 52,342,040	\$ 121,501,837

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2019**

Net change in fund balance - total governmental funds	\$	25,359,289
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	\$	41,029,250
Depreciation expense		<u>(21,558,933)</u>
		19,470,317
The net effect of various miscellaneous transactions involving capital assets is to increase net position.		1,291,979
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	12,548	
Other revenues	(15,895)	(3,347)
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.		(613,584)
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.		(8,891,708)
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities on the government-wide statements.		
Principal repayments	6,426,192	
Reduction in contingent loan agreement		<u>1,512,708</u>
		7,938,900
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	(4,355)	
Amortization of premium/discount	758,615	
Amortization of loss on refunding	<u>(4,185,354)</u>	(3,431,094)
Certain pension transactions are not reported in the governmental funds but are reported in the government-wide statements		5,037,502
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.		
		8,231,296
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	(432,495)	
Interest expense accrual	19,796	
Total OPEB obligation	<u>(882,073)</u>	(1,294,772)
Change in net position of governmental activities		<u><u>53,094,778</u></u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2019**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 29,978,040	\$ 29,978,040	\$ 30,731,786	\$ 753,746
Sales and use	21,770,980	21,770,980	27,121,400	5,350,420
Utility	19,596,150	19,596,150	19,600,347	4,197
Business & occupation	11,500,000	11,500,000	12,999,563	1,499,563
Other	882,650	882,650	963,837	81,187
Licenses and permits:				
Building permits	3,772,370	3,751,910	4,002,597	250,687
Other licenses and permits	3,310,000	3,330,460	3,481,046	150,586
Intergovernmental revenue:				
Other grants and shared revenue	6,713,830	6,757,580	6,645,962	(111,618)
Charges for services:				
Park and recreation fees	1,601,830	1,503,890	1,566,965	63,075
Other fees and charges	4,804,170	4,804,170	6,795,364	1,991,194
Fines and forfeitures	1,113,790	1,113,790	1,289,334	175,544
Miscellaneous revenue:				
Interest income	535,240	535,240	1,530,876	995,636
Rent/lease income	636,920	636,920	783,099	146,179
Contributions and donations	22,270	56,850	91,248	34,398
Other miscellaneous revenue	536,280	643,220	816,274	173,054
TOTAL REVENUES	106,774,520	106,861,850	118,419,698	11,557,848
EXPENDITURES				
Current:				
General government	12,069,800	12,184,280	11,554,382	629,898
Judicial	3,517,560	3,516,080	3,646,275	(130,195)
Public safety	45,733,550	46,899,300	47,655,197	(755,897)
Community development	7,720,130	7,374,150	7,044,217	329,933
Public works	1,142,280	1,142,280	1,208,835	(66,555)
Leisure services	12,790,030	12,944,910	12,366,474	578,436
Health and human services	5,950,130	6,054,367	5,826,709	227,658
Capital outlay	-	-	46,354	(46,354)
TOTAL EXPENDITURES	88,923,480	90,115,367	89,348,443	766,924
DEFICIENCY OF REVENUES OVER EXPENDITURES	17,851,040	16,746,483	29,071,255	12,324,772
OTHER FINANCING SOURCES (USES)				
Transfers in	915,730	960,990	984,411	23,421
Transfers out	(18,766,770)	(20,826,770)	(19,815,547)	1,011,223
TOTAL OTHER FINANCING SOURCES (USES)	(17,851,040)	(19,865,780)	(18,831,136)	1,034,644
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(3,119,297)	10,240,119	13,359,416
FUND BALANCE, January 1	23,409,868	23,409,868	23,750,173	340,305
Prior period correction	-	-	-	-
ADJUSTED FUND BALANCE, January 1	23,409,868	23,409,868	23,750,173	340,305
FUND BALANCE, December 31	\$ 23,409,868	\$ 20,290,571	\$ 33,990,292	\$ 13,699,721

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

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
CAPITAL RESOURCES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended December 31, 2019**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 4,594,420	\$ 4,594,420	\$ 5,826,240	\$ 1,231,820
Utility	1,534,060	1,534,060	1,553,742	19,682
Real estate excise tax	3,400,000	3,400,000	9,590,643	6,190,643
Intergovernmental:				
State Shared		950,000	934,663	(15,337)
State grants		30,000	29,971	(29)
Miscellaneous revenue:				
Interest income	52,400	52,400	604,972	552,572
Contributions and donations	-	-	30,000	30,000
Other miscellaneous revenue	-	-	6,411	6,411
TOTAL REVENUES	9,580,880	10,560,880	18,576,642	8,015,762
EXPENDITURES				
Current:				
General government	25,000	225,000	82,430	(142,570)
Community development	-	30,000	11,649	(18,351)
Leisure services	2,018,280	2,272,280	1,776,511	(495,769)
Capital outlay	-	61,130	165,145	104,015
TOTAL EXPENDITURES	2,043,280	2,588,410	2,035,735	(552,675)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,537,600	7,972,470	16,540,907	8,568,437
OTHER FINANCING SOURCES (USES)				
Transfers in	6,613,430	6,928,560	6,990,487	61,927
Transfer Out	(18,548,570)	(20,583,570)	(20,303,310)	280,260
TOTAL OTHER FINANCING SOURCES (USES)	(11,935,140)	(13,655,010)	(13,312,823)	342,187
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(4,397,540)	(5,682,540)	3,228,084	8,910,624
FUND BALANCES, January 1	15,331,621	15,331,621	15,414,614	82,993
FUND BALANCES, December 31	\$ 10,934,081	\$ 9,649,081	\$ 18,642,698	\$ 8,993,617

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2019**

	Business-type Activities - Enterprise Funds		
	Water Utility Fund	Sewer Utility Fund	Drainage Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 19,357,654	\$ 2,899,992	\$ 15,513,745
Investments, at fair value	21,827,464	3,272,869	17,488,628
Restricted cash, cash equivalents, & investments:			
Cash with fiscal agent	80,659	-	-
Cash and cash equivalents	42,484	-	14,643
Investments, at fair value	47,097	-	16,232
Receivables (net of allowances for estimated uncollectibles):			
Taxes	-	-	-
Accounts	2,193,890	3,747,150	3,360,751
Due from other funds	-	-	-
Interfund loan receivable	89,405	-	611,259
Inventory, at cost	383,618	22,714	37,542
Prepaid expenses	-	-	-
Total Current Assets	44,022,271	9,942,725	37,042,800
Noncurrent Assets:			
Interfund loan receivable - non-current portion	182,906	-	3,136,768
Property, plant and equipment			
Land	3,352,308	452,694	10,388,945
Buildings	785,006	-	392,184
Site Improvements	176,847,733	103,005,106	166,423,339
Equipment	3,039,660	1,205,918	1,749,393
Less: Accumulated Depreciation	(56,324,744)	(44,964,392)	(49,715,637)
Construction In Progress	17,584,148	2,037,351	25,180,352
Total noncurrent assets	145,467,017	61,736,677	157,555,344
TOTAL ASSETS	\$ 189,489,288	\$ 71,679,402	\$ 194,598,144
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	-	15,412
Deferred outflows related to pensions	264,377	107,403	264,377
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 264,377	\$ 107,403	\$ 279,789
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 189,753,665	\$ 71,786,805	\$ 194,877,933

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>	
<u>Golf</u>	<u>Non-major</u>		<u>Internal Service Funds</u>	
<u>Complex Fund</u>	<u>Solid Waste</u>	<u>Totals</u>		
	<u>Fund</u>			
\$ 1,628,858	265,820	\$ 39,666,069	\$ 13,127,560	
1,837,868	299,741	44,726,570	14,802,272	
-	-	80,659	39,198	
229,715	-	286,842	-	
254,657	-	317,986	-	
-	-	-	116,234	
13,464	82,907	9,398,162	667,358	
-	-	-	1,625,000	
-	-	700,664	176,549	
196,734	-	640,608	187,555	
14,678	-	14,678	557,041	
<u>4,175,974</u>	<u>648,468</u>	<u>95,832,238</u>	<u>31,298,767</u>	
-	-	3,319,674	318,207	
4,372,836	-	18,566,783	-	
425,191	-	1,602,381	108,702	
4,563,881	-	450,840,059	361,951	
1,246,734	-	7,241,705	29,823,746	
(4,552,194)	-	(155,556,967)	(18,526,726)	
330,135	-	45,131,986	389,291	
<u>6,386,583</u>	<u>-</u>	<u>371,145,621</u>	<u>12,475,171</u>	
\$ <u>10,562,557</u>	<u>648,468</u>	\$ <u>466,977,859</u>	\$ <u>43,773,938</u>	
-	-	15,412	-	
313,947	57,833	1,007,937	669,204	
\$ <u>313,947</u>	<u>57,833</u>	\$ <u>1,023,349</u>	\$ <u>669,204</u>	
\$ <u>10,876,504</u>	<u>706,301</u>	\$ <u>468,001,208</u>	\$ <u>44,443,142</u>	

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2019**

	Business-type Activities - Enterprise Funds		
	Water Utility Fund	Sewer Utility Fund	Drainage Utility Fund
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Vouchers payable	\$ 706,459	\$ 50,960	\$ 1,041,883
Accounts/payroll payable	560,481	204,776	832,137
Incurring but not reported claims payable	-	-	-
Due to other funds	-	-	-
Accrued interest payable	89,581	-	30,875
Compensated absences payable - current portion	199,370	71,729	204,985
Leases payable - current portion	-	-	-
Notes payable - current portion	1,734,028	-	75,000
General obligation bonds payable - current portion	-	-	549,990
Revenue bonds payable - current portion	530,000	-	530,000
Deposits and unearned revenue	69,083	38,802	72,078
	<u>3,889,002</u>	<u>366,267</u>	<u>3,336,948</u>
Total Current Liabilities			
Noncurrent Liabilities:			
Compensated absences payable- non-current portion	110,098	16,836	91,469
Leases payable - non-current portion	-	-	-
Notes payable - non-current portion	23,835,278	-	300,000
General obligation bonds payable - non-current portion net of unamortized discounts and premiums	-	-	399,580
Revenue bonds payable - non-current portion net of unamortized discounts and premiums	7,061,973	-	7,061,973
Net pension liability	828,116	336,422	828,116
	<u>31,835,465</u>	<u>353,258</u>	<u>8,681,138</u>
Total noncurrent liabilities			
TOTAL LIABILITIES	<u>\$ 35,724,467</u>	<u>\$ 719,525</u>	<u>\$ 12,018,086</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	476,013	193,380	476,013
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 476,013</u>	<u>\$ 193,380</u>	<u>\$ 476,013</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 36,200,480</u>	<u>\$ 912,905</u>	<u>\$ 12,494,099</u>
NET POSITION			
Net investment in capital assets	112,122,832	61,736,677	145,517,445
Unrestricted	41,430,353	9,137,223	36,866,389
	<u>153,553,185</u>	<u>70,873,900</u>	<u>182,383,834</u>
TOTAL NET POSITION	<u>\$ 153,553,185</u>	<u>\$ 70,873,900</u>	<u>\$ 182,383,834</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>	
<u>Golf</u>	<u>Non-major</u>		<u>Internal Service Funds</u>	
<u>Complex Fund</u>	<u>Solid Waste</u>	<u>Totals</u>		
	<u>Fund</u>			
\$ 139,274	13,981	\$ 1,952,557	\$ 977,684	
92,003	28,541	1,717,938	460,281	
-	-	-	2,017,072	
1,625,000	-	1,625,000	-	
1,488	-	121,944	-	
35,613	21,195	532,892	353,686	
157,612	-	157,612	-	
-	-	1,809,028	-	
-	-	549,990	-	
-	-	1,060,000	-	
160,155	-	340,118	1,250	
<u>2,211,145</u>	<u>63,717</u>	<u>9,867,079</u>	<u>3,809,973</u>	
43,965	9,757	272,125	199,210	
280,984	-	280,984	-	
-	-	24,135,278	-	
-	-	399,580	-	
-	-	14,123,946	-	
983,389	181,151	3,157,194	2,096,173	
<u>1,308,338</u>	<u>190,908</u>	<u>42,369,107</u>	<u>2,295,383</u>	
\$ <u>3,519,483</u>	<u>254,625</u>	\$ <u>52,236,186</u>	\$ <u>6,105,356</u>	
<u>565,265</u>	<u>104,128</u>	<u>1,814,799</u>	<u>1,204,907</u>	
\$ <u>565,265</u>	<u>104,128</u>	\$ <u>1,814,799</u>	\$ <u>1,204,907</u>	
\$ <u>4,084,748</u>	<u>358,753</u>	\$ <u>54,050,985</u>	\$ <u>7,310,263</u>	
5,947,987	-	325,324,941	12,156,964	
843,769	347,548	88,625,282	24,975,915	
<u>\$ 6,791,756</u>	<u>347,548</u>	<u>\$ 413,950,223</u>	<u>\$ 37,132,879</u>	

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2019**

	Business-type Activities - Enterprise Funds		
	Water Utility Fund	Sewer Utility Fund	Drainage Utility Fund
OPERATING REVENUES			
Sales	\$ 20,776,776	\$ -	\$ -
Charges for services	2,085,878	32,594,316	20,723,000
Contributions	-	-	-
Rental and lease income	-	-	-
Other operating revenue	7,296	14,664	689
TOTAL OPERATING REVENUES	22,869,950	32,608,980	20,723,689
OPERATING EXPENSES			
Salaries and benefits	3,181,137	1,876,444	2,946,552
Supplies	644,231	207,479	248,432
Services and charges	9,192,333	27,264,699	8,468,083
Depreciation	4,158,341	2,449,901	4,197,494
TOTAL OPERATING EXPENSES	17,176,042	31,798,523	15,860,561
OPERATING INCOME (LOSS)	5,693,908	810,457	4,863,128
NON-OPERATING REVENUES (EXPENSES)			
Interest income	1,152,796	76,883	1,131,667
Unrealized net gain/(loss) in fair value of investments	437,085	57,996	357,296
Miscellaneous non-operating revenues	227,089	5,282	4,105
Interest expense	(1,643,856)	-	(688,874)
Gain (loss) on disposal of capital assets	-	-	(1,825,519)
TOTAL NON-OPERATING REVENUES (EXPENSES)	173,114	140,161	(1,021,325)
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	5,867,022	950,618	3,841,803
Capital contributions	3,173,904	870,387	6,717,580
Transfers in	-	7,227,729	1,079,924
Transfers out	(644,767)	(34,919)	(7,882,841)
INCREASE (DECREASE) IN NET POSITION	8,396,159	9,013,815	3,756,466
NET POSITION, January 1	145,157,026	-	240,487,453
Prior period adjustment (Note 19)	-	61,860,085	(61,860,085)
ADJUSTED NET POSITION, January 1	145,157,026	61,860,085	178,627,368
NET POSITION, December 31	\$ 153,553,185	\$ 70,873,900	\$ 182,383,834

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
<u>Golf</u>	<u>Non-major</u>		
<u>Complex Fund</u>	<u>Solid Waste</u>	<u>Totals</u>	<u>Internal Service Funds</u>
	<u>Fund</u>		
\$ 385,985	\$ -	\$ 21,162,761	\$ 1,098,682
1,964,528	640,601	58,008,323	16,154,874
-	-	-	18,529,197
-	-	-	72,865
-	1,455	24,104	2,178,427
<u>2,350,513</u>	<u>642,056</u>	<u>79,195,188</u>	<u>38,034,045</u>
942,743	533,070	9,479,946	8,631,974
447,406	25,098	1,572,646	2,146,694
661,449	246,306	45,832,870	24,846,938
157,065	-	10,962,801	989,068
<u>2,208,663</u>	<u>804,474</u>	<u>67,848,263</u>	<u>36,614,674</u>
141,850	(162,418)	11,346,925	1,419,371
94,942	12,590	2,468,878	685,947
36,055	6,052	894,484	292,346
48,793	213,466	498,735	1,488,245
(63,805)	-	(2,396,535)	-
-	-	(1,825,519)	(9,407)
<u>115,985</u>	<u>232,108</u>	<u>(359,957)</u>	<u>2,457,131</u>
<u>257,835</u>	<u>69,690</u>	<u>10,986,968</u>	<u>3,876,502</u>
-	-	10,761,871	1,292,516
168,306	-	8,475,959	3,062,278
-	-	(8,562,527)	-
<u>426,141</u>	<u>69,690</u>	<u>21,662,271</u>	<u>8,231,296</u>
6,365,615	277,858	392,287,952	28,901,583
-	-	-	-
<u>6,365,615</u>	<u>277,858</u>	<u>392,287,952</u>	<u>28,901,583</u>
\$ <u>6,791,756</u>	\$ <u>347,548</u>	\$ <u>413,950,223</u>	\$ <u>37,132,879</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

	Business-type Activities - Enterprise Funds		
	Water Utility Fund	Sewerage Utility Fund	Drainage Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 22,842,374	\$ 28,885,968	\$ 25,213,229
Cash received from other funds for services	-	-	-
Cash payments to employees	(3,359,811)	(1,252,131)	(3,805,834)
Cash payments to suppliers	(9,632,725)	(27,352,505)	(8,094,722)
Other cash received	7,296	14,664	689
Net cash provided by operating activities	<u>9,857,134</u>	<u>295,996</u>	<u>13,313,362</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loan issued for noncapital purposes	-	-	-
Interfund loan payment for noncapital purposes	-	-	-
Operating grants/non-operating revenue received	227,089	5,282	4,105
Interest paid on interfund loan	-	-	-
Interest income on interfund loan	-	-	-
Transfers in	-	-	-
Transfers out	(124,767)	(9,625)	(154,362)
Net cash provided by (used for) noncapital financing	<u>102,322</u>	<u>(4,343)</u>	<u>(150,257)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	-	-	-
Principal repayment on interfund capital loan	-	-	-
Acquisition and construction of capital assets	(8,707,750)	(2,055,922)	(15,959,180)
Interfund loan for capital outlays	524,369	-	1,034,433
Interest income on interfund capital loans	12,110	-	104,253
Principal paid on bonds and equipment contracts	(9,644,028)	-	(8,349,648)
Interest paid on bonds and equipment contracts	(1,787,853)	-	(843,444)
Transfers in	-	7,227,729	1,079,924
Transfers out	(520,000)	(25,294)	(7,728,479)
Capital contributed by subdividers, capital grants, local impr. districts	2,840,087	599,816	3,915,537
Net cash provided by (used for) capital & related financing	<u>(17,283,065)</u>	<u>5,746,329</u>	<u>(26,746,604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(8,899,816)	(3,272,869)	(7,123,706)
Proceeds from sale and maturities of investments	9,833,370	-	11,394,711
Interest and dividends on investments	1,577,771	134,879	1,384,710
Net cash provided by (used for) investing activities	<u>2,511,325</u>	<u>(3,137,990)</u>	<u>5,655,715</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,812,284)	2,899,992	(7,927,784)
CASH AND CASH EQUIVALENTS, January 1	24,293,081	-	23,456,172
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 19,480,797</u>	<u>\$ 2,899,992</u>	<u>\$ 15,528,388</u>
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:			
Cash and cash equivalents	\$ 19,357,654	\$ 2,899,992	\$ 15,513,745
Restricted cash and cash equivalents, cash with fiscal agent	123,143	-	14,643
	<u>\$ 19,480,797</u>	<u>\$ 2,899,992</u>	<u>\$ 15,528,388</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Business-type Activities - Enterprise Funds			Governmental Activities	
Golf Complex	Non-major Solid Waste Fund	Totals	Internal Service Funds	
\$ 2,356,176	\$ 640,783	\$ 79,938,530	\$ 17,322,364	
-	-	-	18,140,599	
(1,412,034)	(514,493)	(10,344,303)	(8,894,321)	
(1,031,092)	(279,944)	(46,390,988)	(27,918,355)	
-	1,455	24,104	2,178,427	
<u>(86,950)</u>	<u>(152,199)</u>	<u>23,227,343</u>	<u>828,714</u>	
1,625,000	-	1,625,000	(1,625,000)	
(1,650,000)	-	(1,650,000)	1,650,000	
48,793	213,466	498,735	1,488,245	
(38,049)	-	(38,049)	-	
-	-	-	38,049	
168,306	-	168,306	529,328	
-	-	(288,754)	-	
<u>154,050</u>	<u>213,466</u>	<u>315,238</u>	<u>2,080,622</u>	
-	-	-	160,747	
-	-	-	564,179	
(319,100)	-	(27,041,952)	(5,137,423)	
-	-	1,558,802	-	
-	-	116,363	18,800	
(149,870)	-	(18,143,546)	-	
(26,264)	-	(2,657,561)	-	
-	-	8,307,653	2,532,950	
-	-	(8,273,773)	-	
-	-	7,355,440	-	
<u>(495,234)</u>	<u>-</u>	<u>(38,778,574)</u>	<u>(568,231)</u>	
(1,151,506)	(121,996)	(20,569,893)	(6,022,280)	
1,510,856	102,354	22,841,291	5,442,466	
130,997	18,642	3,246,999	921,444	
<u>490,347</u>	<u>(1,000)</u>	<u>5,518,397</u>	<u>341,630</u>	
62,213	60,267	(9,717,596)	2,682,735	
1,796,360	205,553	49,751,166	10,484,023	
<u>\$ 1,858,573</u>	<u>\$ 265,820</u>	<u>\$ 40,033,570</u>	<u>\$ 13,166,758</u>	
\$ 1,628,858	\$ 265,820	\$ 39,666,069	\$ 13,127,560	
229,715	-	367,501	39,198	
<u>\$ 1,858,573</u>	<u>\$ 265,820</u>	<u>\$ 40,033,570</u>	<u>\$ 13,166,758</u>	

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

	Business-type Activities - Enterprise Funds		
	Water Utility Fund	Sewerage Utility Fund	Drainage Utility Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 5,693,908	\$ 810,457	\$ 4,863,128
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,158,341	2,449,901	4,197,494
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	(3,778)	(3,747,150)	4,497,228
(Increase) Decrease in inventory	20,383	(22,714)	11,390
(Increase) Decrease in prepaid expenses	-	-	-
(Increase) Decrease in pension deferred outflows	(17,933)	(107,403)	79,151
Increase (Decrease) in vouchers payable	56,576	50,960	554,567
Increase (Decrease) in accounts/payroll payable	169,999	204,776	(10,927)
Increase (Decrease) in incurred but not reported claims payable	-	-	-
Increase (Decrease) in deposits and deferred revenues	(16,502)	38,802	(6,999)
Increase (Decrease) in compensated absences	14,333	88,565	(53,774)
Increase (Decrease) in pension liabilities	(274,333)	336,422	(708,631)
Increase (Decrease) in pension deferred inflows	56,140	193,380	(109,265)
Total Adjustments	4,163,226	(514,461)	8,450,234
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,857,134	\$ 295,996	\$ 13,313,362
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets contributed	\$ 333,817	\$ 270,571	\$ 2,802,043
Amortization of debt related costs, net	100,971	-	114,991
Increase(Decrease) in fair value of investments	437,085	57,996	357,296

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Business-type Activities - Enterprise Funds			Governmental Activities	
Golf Complex	Non-major Solid Waste Fund	Totals	Internal Service Funds	
\$ 141,850	\$ (162,418)	\$ 11,346,925	\$ 1,419,371	
157,065	-	10,962,801	989,068	
3,641	182	750,123	(392,655)	
(10,462)	-	(1,403)	(49,339)	
(14,678)	-	(14,678)	(333,460)	
14,645	(13,025)	(44,565)	(101,636)	
103,564	(7,937)	757,730	36,667	
16,074	10,157	390,079	(35,831)	
-	-	-	(542,421)	
2,022	-	17,323	-	
(19,562)	12,349	41,911	43,822	
(486,543)	(19,294)	(1,152,379)	(442,798)	
5,434	27,787	173,476	237,926	
(228,800)	10,219	11,880,418	(590,657)	
<u>\$ (86,950)</u>	<u>\$ (152,199)</u>	<u>\$ 23,227,343</u>	<u>\$ 828,714</u>	
\$ -	\$ -	\$ 3,406,431	\$ 1,292,516	
-	-	215,962	-	
36,055	6,052	894,484	292,346	

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2019**

	Firemen's Relief & Pension Trust	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 1,063,136	\$ 1,139,848
Cash with fiscal agent	-	75,500
Investments, at fair value	1,198,796	1,270,604
Receivables (net of allowances for estimated uncollectibles):		
Accounts Receivables	-	18,773
Due from other governments	-	117,058
TOTAL ASSETS	<u>2,261,932</u>	<u>2,621,783</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>2,261,932</u>	<u>2,621,783</u>
LIABILITIES		
Vouchers payable	-	815,004
Accounts/payroll payable	7,424	4,856
Due to Other Governments	-	120
Deposits and unearned revenue	-	664,383
TOTAL LIABILITIES	<u>7,424</u>	<u>1,484,363</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>7,424</u>	<u>1,484,363</u>
NET POSITION RESTRICTED FOR:		
Pensions	2,254,508	-
Organizations & other governments		1,137,420
Total net position	<u>\$ 2,254,508</u>	<u>\$ 1,137,420</u>

The accompanying notes are an integral part of the financial statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2019**

	Firemen's Relief & Pension Trust	Custodial Funds
ADDITIONS		
Contributions:		
State insurance fees	\$ 305,467	\$ -
Impact fees	-	3,092,207
Federal grant	-	71,255
Seizure funds	-	610,534
Other governments	-	79,277
Investment earnings:		
Interest	105,357	20,183
Unrealized net gain/(loss) in fair value of investments	(98,742)	9,158
Investment expense	(599)	-
Net investment income	<u>6,016</u>	<u>29,341</u>
TOTAL ADDITIONS	<u>311,483</u>	<u>3,882,614</u>
DEDUCTIONS		
Benefits	380,967	-
Administrative Expense	3,300	479,065
Payment of impact fees to other governments	-	3,097,514
TOTAL DEDUCTIONS	<u>384,267</u>	<u>3,576,579</u>
CHANGE IN NET POSITION	(72,784)	306,035
NET POSITION RESTRICTED, January 1	2,327,292	-
Cummulative effect of a change in accounting principle (note 20)	-	831,385
NET POSITION RESTRICTED, January 1 restated	2,327,292	831,385
NET POSITION RESTRICTED, December 31	<u>\$ 2,254,508</u>	<u>\$ 1,137,420</u>

The accompanying notes are an integral part of the financial statements



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City of Kent

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Effective for fiscal year 2019, The City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84 – *Fiduciary Activities*. This statement establishes standards of accounting and financial reporting for fiduciary activities.

GASB Statement No. 88 – *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements.

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

City of Kent

Code 12.15) under RCW 36.70A on development activities. The fees are passed through to the RFA. The RFA's board is comprised of six voting members and three non-voting members. Three of the voting members are from the current Kent City Council: Bill Boyce, Les Thomas and Toni Troutner. In addition, the board has three members from Fire District 37 and one non-voting member from the Covington City Council, one non-voting member from the SeaTac City Council and one non-voting member from the King County Fire District #43 Board of Commissioners. Through an interlocal agreement, the RFA provides emergency management, fire prevention and fire inspection services for the City and the City provides some staff services for the RFA. Provided services are billed to the other agency.

b. BASIC FINANCIAL STATEMENTS

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

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

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions, programs and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, program or segment. Interest on governmental activities long-term debt is not allocated to the various functions or programs. Program revenues include: 1) charges to customers or users (user charges) who purchase, use or directly benefit from goods, services or privileges provided by a particular function, program or segment and 2) grants and contributions that are restricted to meeting the operational or capital

City of Kent

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. The general revenues support the net costs of the functions, programs or segments not covered by program revenues.

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements use the economic resources measurement focus, and the accrual basis of accounting, as do the proprietary fund and fiduciary 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

City of Kent

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.

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

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

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

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

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

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

PROPRIETARY FUNDS: Proprietary funds account for the activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Enterprise Funds are used to

City of Kent

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

The City reports the following proprietary funds:

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

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

Drainage Utility Fund - This enterprise fund accounts for the storm drainage system of the City. The utility recovers its costs through user charges.

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

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

Additionally, the City reports the following fund types:

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

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

Pension and Other Employee Benefit 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 Firemen's Relief & Pension Fund, accounts for pension benefits for eligible former City firefighters.

City of Kent

The City's custodial funds function primarily as a clearing mechanism for cash resources which are collected by the City of Kent, held for a period of time and then disbursed to authorized recipients or funds. Although the custodial funds are presented in one column on the fiduciary fund financial statements, combining statements are provided as supplementary information, but are not part of the basic financial statements.

d. **BUDGETARY INFORMATION**

Budget Process

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

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

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

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

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

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

The steps in the budget process are as follows:

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

City of Kent

- (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.

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

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

Fund	Original Budget	Supplemental Appropriations	Final Budget
General Fund	\$ 91,882,940	\$ 1,271,887	\$ 93,154,827
Special Revenue Funds:			
Capital Resources	2,043,280	545,130	2,588,410
Street	12,215,970	(2,646,750)	9,569,220
Lodging Tax	291,190	219,600	510,790
Youth/Teen Programs	42,000	-	42,000
Criminal Justice	5,853,460	262,140	6,115,600
Housing & Community Development	1,175,190	(64,169)	1,111,021
Total	\$ 113,504,030	\$ (412,162)	\$ 113,091,868

Reconciliation of Budgetary Information to GAAP

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

Notes to the Financial Statements December 31, 2019

City of Kent

the Public Safety Retiree, Other Operating Grants and Projects, or Kent Events Center Funds. Separate budgetary schedules are also presented for the Public Safety Retiree, Other Operating Grants and Projects, and Kent Events Center funds on pages 158-160. The table below shows the combining of these funds with the General Fund for reporting purposes on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

	General Fund	Public Safety Retiree	Operating Grants & Projects	Kent Events Center Fund	Eliminations	Revised General Fund
Revenues:						
Taxes	\$ 91,416,933	-	-	-	-	\$ 91,416,933
Licenses & permits	7,483,643	-	-	-	-	7,483,643
Other grants/shared revenue	6,645,962	-	-	-	-	6,645,962
Charges for service	8,362,329	-	-	-	-	8,362,329
Fines and forfeitures	1,289,334	-	-	-	-	1,289,334
Interest income	1,530,876	58,419	-	-	-	1,589,295
Rent/lease income	783,099	-	-	-	-	783,099
Contributions & donations	91,248	1,093,367	12,500	-	-	1,197,115
Other miscellaneous revenue	816,274	-	-	18,221	-	834,495
Total Revenues	118,419,698	1,151,786	12,500	18,221	-	119,602,205
Expenditures:						
General Government	11,554,382	-	-	-	-	11,554,382
Judicial	3,646,275	-	-	-	-	3,646,275
Public Safety	47,655,197	1,352,624	-	-	-	49,007,821
Community development	7,044,217	-	-	-	-	7,044,217
Public works	1,208,835	-	-	-	-	1,208,835
Leisure services	12,366,474	-	82,367	1,089,762	-	13,538,603
Health & human services	5,826,709	-	46,192	-	-	5,872,901
Capital outlay	46,354	-	50,000	-	-	96,354
Total Expenditures	89,348,443	1,352,624	178,559	1,089,762	-	91,969,388
Excess (Deficiency) of Revenues over (under) Expenditures	29,071,255	(200,838)	(166,059)	(1,071,541)	-	27,632,817
Other Financing Sources (uses)						
Transfers in	984,411	250,000	173,321	1,438,090	(1,561,411)	1,284,411
Transfers out* (see below)	(19,815,547)	-	-	-	1,561,411	(18,254,136)
Total Other Financing Sources (Uses)	(18,831,136)	250,000	173,321	1,438,090	-	(16,969,725)
Net Change in Fund Balance	10,240,119	49,162	7,262	366,549	-	10,663,092
Fund Balance, January 1	23,750,173	1,872,112	800,926	2,563,459	-	28,986,670
Fund Balance, December 31	\$ 33,990,292	\$ 1,921,274	\$ 808,188	\$ 2,930,008	\$ -	\$ 39,649,762

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

Transfers Out per Budgetary Statement	\$ 19,815,547
Less Intrafund Transfer to: Public Safety Retiree	250,000
Other Operating Grants & Projects	173,321
Kent Events Center Fund	1,138,090
	<u>\$ 18,254,136</u>

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

(1) Deposits and Investments

Cash and Cash Equivalents

The City of Kent has defined cash and cash equivalents as cash on hand, demand deposits, and

City of Kent

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).

Investments (refer to Note 4)

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

Investment Income

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

(2) Receivables (refer to Note 5)

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

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

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

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

(3) Restricted Assets

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

(4) Inventory and prepaid items

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

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

(5) Deferred outflows

Deferred outflows of resources represent a consumption of net position (expenditure/expense)

City of Kent

that applies to a future period and thus is shown on the Balance Sheet/Statement of Net Position until the period that it becomes an expenditure/expense.

(6) Deferred inflows

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

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

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

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

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

(8) Refunded (Defeased) Bonds

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

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

f. **ENCUMBRANCES**

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

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

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

(1) Interfund Transactions

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

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

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

(2) **Interfund Transfers**

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

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

h. **CAPITAL ASSETS**

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

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

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

Depreciation Schedule

Buildings	10-50 Years
Site Improvements	10-50 Years
Infrastructure	15-50 Years
Equipment	3-25 Years

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

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

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

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

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

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

The net pension assets, deferred outflows, net pension liabilities and deferred inflows of the various pension plans are allocated on the proprietary fund statements and government-wide statements based on the number of City employees by fund participating in the plans. Since PERS 1 and LEOFF 1 are closed plans, PERS 1 is allocated using the PERS 2/3 allocation percentages. LEOFF 1 is 100 percent police.

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

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City Retiree Benefits Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Since the Plan is not a qualifying trust under GASB Statement No. 75, there are no deferred inflows or outflows, or plan assets.

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of

City of Kent

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

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

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual basis of accounting. Reconciliations 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	\$ 52,488,106	-	13,127,560	-	65,615,666
Investments at fair value	58,950,830	-	14,802,272	-	73,753,102
Receivables, net	28,725,293	-	783,592	-	29,508,885
Due from other funds	275,000	-	1,625,000	(1,900,000)	-
Internal balances	-	-	-	(2,395,338)	(2,395,338)
Due from other governments	1,197,281	-	-	-	1,197,281
Inventory, at cost	-	-	187,555	-	187,555
Prepaid items	199,022	-	557,041	-	756,063
Interfund loan receivable	-	-	494,756	(494,756)	-
Investment in joint venture	-	8,797,965	-	-	8,797,965
Restricted cash & cash equivalents					
Cash with fiscal agent	3,743,521	-	39,198	-	3,782,719
Note receivable from component unit	-	83,319,507	-	-	83,319,507
Less: Allowance for uncollectible	-	(83,319,507)	-	-	(83,319,507)
Net pension asset	-	14,293,249	-	-	14,293,249
Capital assets, net	-	764,016,929	12,156,964	-	776,173,893
Total Assets	\$ 145,579,053	787,108,143	43,773,938	(4,790,094)	971,671,040
Deferred outflows of resources:					
Deferred loss on bond refunding	-	45,503,711	-	-	45,503,711
Deferred outflows related to pensions	-	5,550,649	669,204	-	6,219,853
Total deferred outflows	-	51,054,360	669,204	-	51,723,564
Total assets & deferred outflows	\$ 145,579,053	838,162,503	44,443,142	(4,790,094)	1,023,394,604
Liabilities:					
Vouchers payable	\$ 3,755,598	-	977,684	-	4,733,282
Accounts/payroll payable	8,634,155	(38,376)	460,281	-	9,056,060
Incurred but not reported claims payable	41,400	-	2,017,072	-	2,058,472
Due to other funds	275,000	-	-	(275,000)	-
Due to other governments	40,261	-	-	-	40,261
Accrued interest payable	-	278,336	-	-	278,336
Unearned revenue	1,742,632	-	1,250	-	1,743,882
Interfund loan payable – current	877,212	-	-	(877,212)	-
Compensated absences – current	-	2,603,729	353,686	-	2,957,415
Contracts, leases, notes – current	-	1,179,923	-	-	1,179,923
General obligation bonds – current	-	4,621,010	-	-	4,621,010
Total OPEB liability – current	-	1,555,655	-	-	1,555,655
Interfund loan payable – long-term	3,637,882	-	-	(3,637,882)	-
Compensated absences – long-term	-	2,264,453	199,210	-	2,463,663
Contracts, leases, notes – long-term	-	13,095,883	-	-	13,095,883
General obligation bonds – long-term	-	78,027,092	-	-	78,027,092
Net pension liability	-	11,403,870	2,096,173	-	13,500,043
Total OPEB liability – long-term	-	29,120,874	-	-	29,120,874

Notes to the Financial Statements December 31, 2019

City of Kent

	Total Governmental Funds	Long-term Assets / Liabilities (1)	Internal Service Funds (2)	Eliminations/ Reclass (3)	Statement of Net Position
Contingent loan guarantee	-	717,334	-	-	717,334
Total Liabilities	\$ 19,004,140	144,829,783	6,105,356	(4,790,094)	165,149,185
Deferred Outflows:					
Unavailable revenue	5,073,076	(1,554,608)	-	-	3,518,468
Deferred inflows related to pensions	-	10,777,976	1,204,907	-	11,982,883
Total deferred inflows	5,073,076	9,223,368	1,204,907	-	15,501,351
Total Liabilities & Deferred Inflows	\$ 24,077,216	154,053,151	7,310,263	(4,790,094)	180,650,536
Fund Balance/Net Position:					
Total fund balance/net position	\$ 121,501,837	684,109,352	37,132,879	-	842,744,068
Total liabilities, deferred inflows & fund Balance/net position	\$ 145,579,053	838,162,503	44,443,142	(4,790,094)	1,023,394,604

- (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	\$1,194,066,179
Accumulated Depreciation	<u>(430,049,250)</u>
	764,016,929

The investment in joint venture is not a financial resource and therefore is not reported in the governmental funds, but is included in the statement of net position. \$ 8,797,965

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. \$ (278,336)

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

Compensated absences – current	\$ (2,565,353)
Contracts, leases, notes – current	(1,179,923)
Total OPEB liability – current	(1,555,655)
General obligation bonds – current	(4,621,010)
Compensated absences – long-term	(2,264,453)
Contracts, leases, notes – long-term	(13,095,883)
General obligation bonds (net) – long-term	(78,027,092)
Deferred inflows related to pensions	(10,777,976)
Net pension liability	(11,403,870)
Total OPEB liability – long-term	(29,120,874)
Contingent loan guarantee obligation	<u>(717,334)</u>
	\$ (155,329,423)

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

Deferred outflows related to pensions	\$ 5,550,649
Net pension asset	<u>14,293,249</u>
	\$ 19,843,898

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. \$ 45,503,711

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

Unavailable special assessment revenue	\$ 1,107,132
Deferred property tax revenue	407,020
Deferred other revenue	<u>40,456</u>
	\$ 1,554,608

- (2) Internal service funds are used by management to charge the costs of certain activities, such as fleet

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Notes to the Financial Statements December 31, 2019

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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	\$ 37,132,879
(3)	Certain interfund transactions between governmental activities are eliminated in the consolidation of those activities for the statement of net position.	
	Interfund receivables	\$ 4,790,094
	Interfund payables	<u>(4,790,094)</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	\$ 30,731,786	12,548	-	-	-	-	30,744,334
Sales & use taxes	36,097,807	-	-	-	-	-	36,097,807
Utility taxes	29,197,218	-	-	-	1,399,901	-	30,597,119
Business & occupancy taxes	12,999,563	-	-	-	-	-	12,999,563
Real estate excise taxes	9,590,643	-	-	-	-	-	9,590,643
Lodging taxes	306,055	-	-	-	-	-	306,055
Other taxes	963,837	-	-	-	-	-	963,837
Licenses & permits:							
Building permits	4,002,597	-	-	-	-	-	4,002,597
Other licenses & permits	4,029,861	-	-	-	-	-	4,029,861
Intergovernmental revenues	30,890,756	-	-	601,365	-	-	31,492,121
Charges for service:							
Park & recreation fees	1,573,025	-	-	-	-	-	1,573,025
Other fees & charges	10,521,281	-	-	-	277,184	-	10,798,465
Fines & forfeitures	3,876,198	-	41,643	-	-	-	3,917,841
Miscellaneous revenue:							
Special assessments	1,069,714	(582,427)	-	-	-	-	487,287
Interest income	4,251,315	(31,157)	-	-	978,293	-	5,198,451
Gain(loss) on disposal of capital assets	-	-	(539,591)	-	(9,407)	567,794	18,796
Rent/lease income	947,274	-	-	-	72,865	-	1,020,139
Contributions & donations	1,582,050	-	-	-	122,901	-	1,704,951
Other miscellaneous revenue	1,435,862	(15,895)	-	-	2,209,922	-	3,629,889
Total Revenue	\$ 184,066,842	(616,931)	(497,948)	601,365	5,051,659	567,794	189,172,781
Expenditures/Expenses:							
Current:							
General government	13,764,036	2,111	1,470,322	(417,982)	410,587	-	15,229,074
Judicial	3,646,275	31,665	49,576	(98,731)	60,450	-	3,689,235
Public safety	54,269,599	1,161,459	244,766	(984,005)	316,493	2,419	55,010,731
Community development	7,628,083	(5,703)	-	(265,339)	119,710	-	7,476,751
Public works	11,694,862	80,348	13,364,857	(746,659)	10,347	803	24,404,558
Leisure services	15,555,826	22,300	6,423,231	(2,290,989)	167,948	564,572	20,442,888
Health & human services	6,935,778	22,388	6,181	(1,145,140)	89,622	-	5,908,829
Debt service:							
Principal	6,426,192	-	-	(6,426,192)	-	-	-
Interest	3,673,650	(19,796)	-	3,431,094	-	-	7,084,948
Capital outlay	41,029,250	-	(41,029,250)	-	-	-	-
Total expenditures/expenses	\$ 164,623,551	1,294,772	(19,470,317)	(8,943,943)	1,175,157	567,794	139,247,014
Other sources/(uses):							
Issuance of installment note	8,891,708	-	-	(8,891,708)	-	-	-
Change in investment in joint venture	-	-	707,890	-	-	-	707,890
Contributed capital	-	-	961,961	-	1,292,516	-	2,254,477
Transfers in	48,833,562	-	711,212	-	3,062,278	(52,400,408)	206,644
Transfers out	(51,809,272)	-	(591,136)	-	-	52,400,408	-
Total other sources/(uses)	\$ 5,915,998	-	1,789,927	(8,891,708)	4,354,794	-	3,169,011
Net change in fund balance/ net position	\$ 25,359,289	(1,911,703)	20,762,296	653,600	8,231,296	-	53,094,778

Notes to the Financial Statements December 31, 2019

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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	\$ (432,495)
Interest expense accrual	19,796
Total OPEB obligation	<u>(882,073)</u>
	\$ (1,294,772)

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	\$ 12,548
Other revenue	<u>(15,895)</u>
	\$ (3,347)

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.

\$ (613,584)

- (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	\$ 41,029,250
Depreciation expense	<u>(21,558,933)</u>
	\$ 19,470,317

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	\$ (539,591)
----------------------------------------	--------------

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	\$ 961,961
Seized assets	<u>41,643</u>
	\$ 1,003,604

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.

\$ 707,890

The transfer of capital assets between governmental and proprietary funds is not shown on the governmental fund statements, but is a transfer in/out on the statement of activities.

Transfer out	\$ 711,212
Transfer in	<u>(591,136)</u>
	\$ 120,076

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

Principal payments	\$ 6,426,192
Reduction in contingent loan guarantee obligation	<u>1,512,708</u>
	\$ 7,938,900

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

Issuance of notes	\$ (8,891,708)
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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	\$ (4,355)
Amortization of premium/discount	758,615

Notes to the Financial Statements December 31, 2019

City of Kent

	Amortization of loss on refunding	(4,185,354)
		\$ (3,431,094)
<p>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.</p>		
	State on-behalf payments	\$ 601,365
	Change in pension expense	4,436,137
		\$ 5,037,502
<p>(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.</p>		
		\$ 8,231,296
<p>(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.</p>		
	Transfers in	\$ (52,400,408)
	Transfers out	52,400,408
		\$ -
<p>Some transactions are reclassified due to different accounting treatment under modified accrual accounting used in the governmental funds and full accrual accounting used for the statement of activities.</p>		
	Revenues	\$ (567,794)
	Expenses	567,794
		\$ -

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City has complied with all material finance-related legal or contractual provisions. For fiscal year 2019, expenditures are within legal budget appropriations for all City funds.

4. DEPOSITS AND INVESTMENTS

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

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

PRIMARY GOVERNMENT

From Statement of Net Position:

Cash & cash equivalents	\$ 105,281,735
Investments, at fair value	118,479,672
Restricted cash with fiscal agent/trustee	3,863,378
Restricted cash & cash equivalents	286,842
Restricted investments	317,986
Total from Statement of Net Position	\$ 228,229,613

City of Kent

Summary by Type:

Cash on hand and in bank	\$	17,344,755
State Pool (cash equivalents)		88,223,820
Deposits with fiscal agent/trustee		3,863,378
Investments		118,797,660
Total by Type	\$	228,229,613

COMPONENT UNIT

Special Events Center PFD:		
Cash on hand and in bank	\$	78,581
Investments		88,610
Total Cash & Investments	\$	167,191

A. DEPOSITS

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

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

B. INVESTMENTS

1. Investments Measured at Amortized Costs:

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

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

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

2. Investments Measured at Fair Value:

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt instruments will

Notes to the Financial Statements December 31, 2019

City of Kent

adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy: (1) sets maximum maturities for the various allowable investment types (generally none exceed five years); (2) directs structuring the investment portfolio so that securities mature to meet cash requirements, when known, for ongoing operations, thereby avoiding need to sell securities on the open market prior to maturity; and (3) requires investing liquidity funds primarily in short-term instruments (i.e. investments maturing in less than one year). As of December 31, 2019, the weighted average maturity for the portfolio was 959 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, 2019, the LGIP had a weighted average maturity of 51 days.

As of December 31, 2019, the City held the following investments:

Investment Type	Book Value	Fair Market Value	Fair Value Investment Maturities			% of Portfolio
			<1 Year	1-2 Years	3-5 Years	
U.S. Treasuries	\$ 67,504,335	\$ 68,614,280	\$ 2,963,781	\$ 22,063,198	\$ 43,587,301	56.54%
U.S. Agency Securities	14,100,769	14,320,897	4,310,185	4,548,014	5,462,698	11.80%
Bank Note	494,991	500,988	-	500,988	-	0.41%
Corporate Notes	28,512,834	29,142,930	492,229	7,824,213	20,826,488	24.01%
Supranational	5,255,646	5,330,864	-	5,330,864	-	4.40%
Municipal Bond/Note	3,485,006	3,445,710	-	460,897	2,984,813	2.84%
Total investments	119,353,581	121,355,669	7,766,195	40,728,174	72,861,300	100.0%
Less restricted investments		317,986				
Less: investments held by						
Fiduciary Funds		2,469,401				
Component unit		88,610				
Statement of net position		\$ 118,479,672				

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

Investment Type	Ratings		% of Investments
	Moody's	S&P	
U.S. Treasuries ¹			Total 56.54%
U.S. Treasury Notes	Aaa	AA+	56.54%
U.S. Agency Securities			Total 11.80%
Federal Home Loan Bank	Aaa	AA+	4.90%
Federal Home Loan Mortgage Corporation	Aa2	AA	0.53%
Federal National Mortgage Association	Aaa	AA+	4.64%
Resolution Funding	NR	NR	1.73%
Corporate Notes			Total 24.01%
American Honda Finance	A3	A	0.64%
Bank of Nova Scotia Houston	A2	A-	0.72%
Apple Inc	Aa1	AA+	0.18%
Boeing Company	A3	A-	1.01%
Merck & Co Inc	A1	AA-	0.52%
Comcast Corporation	A3	A-	0.20%
Home Depot Inc	A2	A	0.28%

City of Kent

Investment Type	Moody's	Ratings		% of Investments
		S&P		
Corporate Notes - continued				
National Rural Utilities Co Finance Corp		A2	A	0.27%
JP Morgan Chase & Co		A2	A-	1.13%
Royal Bank of Canada		A2	A	1.02%
US Bancorp		A1	A+	0.84%
PNC Financial Services Group		A3	A-	0.79%
The Walt Disney Corporation		A2	A-	1.02%
Texas Instruments Inc		A1	A+	0.98%
The Bank of New York Mellon		A1	AA+	1.69%
Toyota Motor Corporation		A1	AA-	1.07%
Bank of Montreal CAGO		A2	A-	0.41%
Westpac Banking Corp		Aa3	AA-	0.78%
Caterpillar Inc, L Services Corp		A3	A	0.64%
Deere & Company ORP		A2	A	1.07%
Glaxosmithkline PLC TAL		A2	A	0.26%
Charles Schwab		A2	A	1.21%
3M Company		A1	A+	0.27%
Toronto-Dominion Bank		AA1	AA-	1.10%
Unilever PLC		A1	A+	0.93%
Bank of America Co		A2	A-	1.15%
Blackrock Inc		Aa3	AA-	0.34%
Intel Corporation		A1	A+	0.65%
Oracle Corp		A3	A+	1.67%
Royal Dutch Shell Plc		Aa2	AA-	1.17%
Supranational				4.40%
Asian Development Bank		Aaa	AAA	0.42%
Inter-American Development Bank		Aaa	AAA	1.42%
International Finance corporation		Aaa	AAA	1.62%
Intl Bank of Reconstruction & Dev		Aaa	AAA	0.94%
Municipal				2.84%
State of California		Aa2	AA-	0.38%
Honolulu HI		Aa1	NR	0.90%
New York NY		Aa1	AA	1.56%
Bank Note				0.41%
PNC Financial Services Group		A2	A	0.41%

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

Concentration of Credit Risk: According to the City's investment policy, with the exception of U.S. Treasuries, U.S. Agencies, and the LGIP, no more than 25% of the City's total investment portfolio will be invested in securities offered by a single issuer. In accordance with GASB Statement No. 40, the City will report any investment in any one issuer that is 5% or more of the total City portfolio. As of December 31, 2019, the City did not have any investments meeting that criterion.

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

City of Kent

risk.

3. Fair value hierarchy:

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

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

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

	Amount	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities:				
U.S. Treasury Securities	\$ 68,614,280	\$ 68,614,280	\$ -	\$ -
U.S. Agency Securities	14,320,897	-	14,320,897	-
Bank Notes	500,988	-	500,988	-
Corporate Notes	29,142,930	-	29,142,930	-
Supranational	5,330,864	-	5,330,864	-
Municipal Bond/Notes	3,445,710	-	3,445,710	-
Sub-totals	\$ 121,355,669	\$ 68,614,280	\$ 52,741,389	\$ -
Investments measured at amortized costs				
State LGIP (cash equivalents)	\$ 90,133,905	\$ 90,133,905	\$ -	\$ -
Total investments (incl LGIP)	\$ 211,489,574	\$ 158,748,185	\$ 52,741,389	\$ -

5. RECEIVABLES

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

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Governmental Activities:						
General Fund	\$10,979,498	\$ 2,031,756	\$ (82,238)	\$ -	\$580,250	\$ 13,509,266
Capital Resources Fund	2,594,159	-	-	-	-	2,594,159
Special Assessments Fund	-	-	-	4,625,599	-	4,625,599
Street Capital Projects Fund	-	5,063,524	-	-	-	5,063,524
Other Governmental Funds	1,748,106	1,186,601	(1,962)	-	-	2,932,745
Internal Service Funds	116,234	667,869	(511)	-	-	783,592
Subtotal	\$15,437,997	\$ 8,949,750	\$ (84,711)	\$ 4,625,599	\$580,250	\$ 29,508,885

Notes to the Financial Statements December 31, 2019

City of Kent

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Business-Type Activities:						
Water Fund	\$ -	\$ 2,197,355	\$ (3,465)	\$ -	\$ -	\$ 2,193,890
Sewerage Fund	-	3,760,951	(13,801)	-	-	3,747,150
Drainage Fund	-	3,364,292	(3,541)	-	-	3,360,751
Solid Waste Fund	-	82,907	-	-	-	82,907
Golf Complex Fund	-	13,464	-	-	-	13,464
Subtotal	\$ -	\$ 9,418,969	\$ (20,807)	\$ -	\$ -	\$ 9,398,162
Total Primary Government	\$15,437,997	\$ 18,368,719	\$ (105,518)	\$ 4,625,599	\$580,250	\$ 38,907,047

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Component Unit:						
Special Events Center PFD	\$ 181,898	\$ -	\$ -	\$ -	\$ -	\$ 181,898
Total Component Unit	\$ 181,898	\$ -	\$ -	\$ -	\$ -	\$ 181,898

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, 2019, the unearned revenue reported in the governmental funds related to special assessments was \$4,625,599. Of that amount, \$146,732 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.

City of Kent

c. ASSESSMENTS AND NOTES RECEIVABLE

The Special Assessments 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 \$33,995,552 in debt payments on behalf of the District. At December 31, 2019, the City has recorded a note receivable of \$36,029,507 (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, 2019, this note is \$47,290,000. 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 \$580,250 was recognized at December 31, 2019.

6. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCES

The following interfund balances are shown in the fund statements as of December 31, 2019:

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
Governmental Funds:		
General Fund	\$ 275,000	\$ -
Street Capital Projects Fund	-	3,726,433
Other Capital Projects Fund	-	788,661
Other Governmental Funds	-	275,000
Internal Service Funds:		
Insurance Fund	2,119,756	-
Business-type Activities:		
Proprietary Funds:		
Enterprise Funds:		
Water Utility Fund	272,311	-
Drainage Utility Fund	3,748,027	-
Golf Complex Fund	-	1,625,000
Totals	\$ 6,415,094	\$ 6,415,094

The net internal balances shown on the Statement of Net Position is \$2,395,338, due from governmental activities to business-type activities.

In December 2019, the Mayor approved a \$1,625,000 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, 2019, was a non-interest bearing one-day loan for \$275,000 from the General Fund to the Housing & Community Development Fund to cover year-end

City of Kent

expenditures and temporary cash flow shortages.

During fiscal year 2012, the City established loans payable from the Other Capital Project Fund totaling \$9,702,213 to the Water Utility Fund (\$3,350,000), Drainage Utility Fund (\$3,350,000) and Insurance Fund (\$3,002,213). These loans are payable over a period not to exceed ten years and accrue 1.52% interest. At December 31, 2019, the unpaid balances on these loans are \$272,311 to Water, \$272,311 to Drainage and \$244,040 to Insurance for a total of \$788,662.

During fiscal year 2015, the City established interfund loans to the Street Capital Project Fund totaling \$1,800,000 (\$1,000,000 from the Drainage Utility Fund and \$800,000 from the Insurance Fund) to fund a street lighting conversion project. These loans are to be paid back over a period not to exceed nine years beginning in fiscal year 2016 and currently accrue 2.3% interest. At December 31, 2019, the outstanding loans balances are \$313,395 to Drainage and \$250,716 to Insurance for a total of \$564,111.

During fiscal year 2016, the City established an interfund loan to the Street Capital Projects Fund for \$1,000,000 from the Drainage Utility Fund to fund a street improvement project. This loan is to be repaid over a period not to exceed nine years, beginning in 2016 and currently accrues 2.3% interest. At December 31, 2019, \$574,252 remains outstanding on this loan.

During fiscal year 2018, the City established an interfund loan to the Street Capital Projects Fund for \$3,200,000 from the Drainage Utility Fund to fund a LID 363 street improvement project. This loan is to be repaid over a period not to exceed ten years, beginning in 2018 and currently accrues 2.3% interest. At December 31, 2019, \$2,588,070 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	\$ 1,284,411	\$ 18,254,136
Capital Resources Fund	6,990,487	20,303,310
Special Assessment Fund	-	1,118,460
Street Capital Projects Fund	14,358,857	731,460
Subtotal	\$ 22,633,755	\$ 40,407,366
<u>Non-major Funds:</u>		
Street	\$ 3,392,765	\$ 8,645,865
Youth/Teen Programs	-	915,730
Criminal Justice	105,000	31,050
Non-voted Debt	9,099,482	-
Parks Capital Projects	3,896,000	1,212,311
Other Capital Projects	2,116,562	-
Technology Capital Projects	5,239,998	589,000
Facilities Capital Projects	2,350,000	7,950
Subtotal	\$ 26,199,807	\$ 11,401,906
Total Governmental	\$ 48,833,562	\$ 51,809,272

City of Kent

	Transfers In	Transfers Out
Proprietary Funds:		
Major Funds:		
Water Utility	\$ -	\$ 644,767
Sewerage Utility	7,227,729	34,919
Drainage Utility	1,079,924	7,882,841
Golf Complex	168,306	-
Subtotal	\$ 8,475,959	\$ 8,562,527
Internal Service Funds:		
Equipment Rental	\$ 2,105,328	\$ -
Central Services	589,000	-
Facilities Fund	7,950	-
Insurance	360,000	-
Subtotal	\$ 3,062,278	\$ -
Total Proprietary	\$ 11,538,237	\$ 8,562,527
Total Transfers	\$ 60,371,799	\$ 60,371,799

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 2019 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer. For further detail on interfund transfers, refer to the Schedule of Interfund Transfers on pages 170-172.

7. CAPITAL ASSETS AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2019 changes in governmental capital assets:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 228,970,056	\$ 2,871,728	\$ (994,188)	\$ 230,847,596
Construction in Progress	34,671,176	28,355,650	(1,416,158)	61,610,668
Total non-depreciable assets	263,641,232	31,227,378	(2,410,346)	292,458,264
Capital Assets being depreciated:				
Buildings	132,142,107	14,699	-	132,156,806
Site Improvements	64,145,264	10,724,206	-	74,869,470
Equipment	67,786,094	5,727,762	(1,140,077)	72,373,779
Infrastructure	651,499,897	1,391,653	-	652,891,550
Total depreciable assets, gross	915,573,362	17,858,320	(1,140,077)	932,291,605
Less Accumulated Depreciation for:				
Buildings	(41,940,827)	(3,348,669)	-	(45,289,496)
Site Improvements	(30,007,624)	(2,625,232)	-	(32,632,856)
Equipment	(51,561,311)	(3,353,609)	953,487	(53,961,433)
Infrastructure	(303,563,545)	(13,128,646)	-	(316,692,191)
Total Accumulated Depreciation	(427,073,307)	(22,456,156)	953,487	(448,575,976)
Total depreciable assets, net	488,500,055	(4,597,836)	(186,590)	483,715,629
Governmental Activities Capital Assets, net	\$ 752,141,287	\$ 26,629,542	\$ (2,596,936)	\$ 776,173,893

City of Kent

b. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

A summary of Business-type Property, Plant, and Equipment at December 31, 2019 follows:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Business-type Activities:				
Capital Assets not being depreciated:				
Land	\$ 17,948,605	\$ 1,329,390	\$ (711,212)	\$ 18,566,783
Construction in Progress	20,700,290	25,402,967	(971,271)	45,131,986
Total non-depreciable assets	38,648,895	26,732,357	(1,682,483)	63,698,769
Capital Assets being depreciated:				
Buildings	1,210,197	392,184	-	1,602,381
Site Improvements	447,905,454	2,934,605	-	450,840,059
Equipment	6,995,504	246,201	-	7,241,705
Total depreciable assets, gross	456,111,155	3,572,990	-	459,684,145
Less Accumulated Depreciation for:				
Buildings	(1,163,806)	(6,899)	-	(1,170,705)
Site Improvements	(139,290,887)	(10,579,377)	-	(149,870,264)
Equipment	(4,139,473)	(376,525)	-	(4,515,998)
Total Accumulated Depreciation	(144,594,166)	(10,962,801)	-	(155,556,967)
Total depreciable assets, net	311,516,989	(7,389,811)	-	304,127,178
Business-type Activities Capital Assets, net	\$ 350,165,884	\$ 19,342,546	\$ (1,682,483)	\$ 367,825,947

c. DEPRECIATION EXPENSE BY FUNCTION/PROGRAM

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

Governmental Activities:	
General Government	\$ 1,754,657
Judicial	49,576
Public Safety	726,885
Community Development	17,242
Public Works	13,364,304
Leisure Services	6,523,706
Health and Human Services	19,786
Total Depreciation Expense – Governmental Activities	\$ 22,456,156
Business-type Activities:	
Water	\$ 4,158,341
Sewerage	2,449,901
Drainage	4,197,494
Golf Complex	157,065
Total Depreciation Expense – Business-type Activities	\$ 10,962,801

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.

City of Kent

Operating Leases

The City leases space from Charlie Perkins for storage space on Smith Street. The current lease commenced on September 1, 2019 and continues for a period of five years and may be extended an additional five years. The City pays \$5,250 per month for the first two years and \$5,407.50 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 \$70,647 in 2019 for this lease.

In December 2016, the City negotiated a new lease to replace the Yamaha Lease with De Lage Landen Public Finance. Under the new four year lease, the City will be leasing 74 golf carts and 3 utility vehicles with payments of \$7,988 per month beginning in February 2017. No lease payments are due for the months of November through February of each lease year. The City paid \$63,904 under this lease in 2019.

In January 2018, the City signed a lease with MailFinance, Inc to provide a postage meter machine. The lease will continue for a period of five years. Lease payments are made quarterly in the amount of \$2,318 (includes tax). The City paid \$9,272 under this lease in 2019.

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

<u>Fiscal Year</u>	<u>Amount</u>
2020	126,904
2021	63,630
2022	64,890
2023	64,890
2024	43,260

Capital Leases

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

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

Lease payments for the year ended December 31, 2019 were \$181,466. The capital lease debt outstanding at December 31, 2019 is \$577,241 (Note 9). The future minimum lease obligations under the capital leases as of December 31, 2019 are as follows:

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

9. LONG-TERM OBLIGATIONS

The City of Kent has the following types of long-term obligations: (a) bonded debt (net of unamortized premiums/discounts), (b) non-bonded debt consisting of installment loans and contracts and capital leases, and (c) other non-current liabilities including contingent loan guarantee obligation, compensated absences,

City of Kent

OPEB liability and net pension liability. Long-term liabilities other than debt are expected to be liquidated by the operating funds that incur the liability as they come due.

a. **BONDED DEBT**

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

(1) **General Obligation Bonds**

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

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

Total additional general obligation capacity for all purposes at December 31, 2019 is \$1,481,877,277. For further detail on debt margin, refer to Schedule 16 in the Statistical Section of this report. The general obligation bonds have various interest rates between 2.0 percent and 5.5 percent with maturity dates to 2037. The City's general obligation bonds carry a Moody's "Aa3" rating as of November 22, 2019 and Standard and Poor's "AA+" rating as of April 21, 2016.

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

Special Assessment Bonds are issued to finance construction of local improvement district (LID) projects. The bonds are paid through the collection of assessments levied against the benefited properties located within the boundaries of the LID. Special Assessment Bonds are not a general obligation of the City and neither the full faith and credit nor the taxing authority of the City is pledged to the payment of the bonds. Although the bonds are secured by liens against assessed properties, the City is required under state law to establish a guaranty fund to provide a means of paying LID bond debt services in the event there are insufficient resources in the LID debt service fund. In accordance with GASB Statement No. 6, special assessment debt is reported in the government's financial statements because the government is contingently liable for the debt. The City is responsible for collection of the assessments levied and for disbursement of these amounts for the retirement of the respective bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. The reserve account is funded as a cost of establishing a LID, as well as interest income earned on assessment prepayments. As of December 31, 2019, the LID guaranty reserve was \$117,931.

(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 2017 Refunding Bonds at

City of Kent

December 31, 2019, totaled \$15,183,946, including unamortized premium, split equally between each fund. The interest rates of the revenue bonds range from 5.0 percent to 6.12 percent with maturity dates to 2029. The bonds have been assigned a rating of AA by Standard & Poor's Ratings Services as of December 6, 2017.

b. **NON-BONDED DEBT**

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

(1) **Installment Loans and Contracts**

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

As part of the construction of the Kent YMCA completed in 2019, improvements were made to a City park and a contract was entered into for the City to make installment payments on the value of the improvements, plus interest. The interest rate on the note is 3.95 percent. The maximum term of the contract is 20 years, with no penalty for early payoff.

c. **OTHER NON-CURRENT LIABILITIES**

Includes items like compensated absences (Note 13a), claims and judgments (Note 14), contingent loan guarantee obligation (Note 17), and other post-employment benefits (OPEB) obligation and net pension liability (Note 13), if applicable. These liabilities are typically liquidated by the general fund or other operating funds giving rise to the liability.

d. **ARBITRAGE**

Under U.S. Treasury Department regulations, all tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. In general the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed interest expenditures on the related debt, must be remitted to the Federal government on every fifth anniversary of each bond issue. At the fund level, the City recognizes this liability only when it is due and payable. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement and, as of December 31, 2019, has no outstanding arbitrage liability.

e. **ADVANCE AND CURRENT REFUNDINGS**

During fiscal year 2017, the City issued \$13,180,000 Combined Utility System Revenue Refunding Bonds, 2017 for the purpose of a crossover refunding of a portion of the outstanding balance of the Combined Utility System Revenue Bonds, Series 2009B Taxable (Build America Bonds – Direct Payment) on December 1, 2019 (the "Crossover Date") and pay interest on the new bonds on and prior to the crossover date. The bond proceeds, along with the premium on the bonds, were placed with an escrow agent in an irrevocable trust. The interest earnings on the invested proceeds in the trust was used to pay debt service on the refunding bonds until the crossover date. The revenue stream originally pledged to secure the 2009B bonds continued to be used to pay the debt service on

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those bonds until the crossover date at which time, the pledged revenues “crossover” to pay debt service on the refunding bonds. The balance in the escrow account at the crossover date was used to call and defease the remaining balance of the 2009B bonds.

As of December 31, 2019 all bonds previously defeased in advanced refundings by placing funds with an escrow agent in an irrevocable trust, have been called.

f. **DEBT SCHEDULES**

The following tables are a summary of long-term debt transactions of the City for the year ended December 31, 2019:

LONG-TERM DEBT - GOVERNMENTAL ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/19	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS							
<u>LTGO Councilmanic Bonds:</u>							
Refund various purposes	2012	2022	2.0-4.5%	\$ 9,330,000	\$ 6,530,000	\$ 2,800,000	\$ 1,195,000
Plus: Unamortized premium				540,320	384,026	156,294	-
Refund 2004 various purposes	2014	2021	2.0-4.0%	8,671,070	6,494,440	2,176,630	1,340,010
Plus: Unamortized premium				547,704	410,780	136,924	-
Refund 2006 land-taxable	2015	2021	0.6-2.85%	4,380,000	3,340,000	1,040,000	790,000
Refund 2006 park improve	2015	2024	3.0%	4,240,000	-	4,240,000	-
Plus: Unamortized premium				261,619	121,295	140,324	-
Refund 2008 various purposes	2016	2025	2.0/5.5%	15,470,000	1,435,000	14,035,000	825,000
Plus: Unamortized premium				2,950,117	482,121	2,467,996	-
Refund 2008 PFD sales tax	2016	2037	2.0/5.5%	49,105,000	1,815,000	47,290,000	140,000
Plus: Unamortized premium				9,364,284	1,530,350	7,833,934	-
<u>LTGO Councilmanic Bonds – direct borrowings:</u>							
Refund various purposes	2005	2020	4.05%	2,252,000	1,921,000	331,000	331,000
Total General Obligation – LTGO (Net)				107,112,114	24,464,012	82,648,102	4,621,010
OTHER LONG-TERM DEBT:							
Direct borrowings:							
<u>Public Works Trust Fund Loans:</u>							
Street improvements	2003	2023	0.5%	1,000,000	786,550	213,450	53,363
Street improvements	2004	2024	0.5%	8,500,000	6,227,941	2,272,059	454,412
Street improvements	2008	2028	0.5%	5,000,000	2,587,171	2,412,829	268,092
YMCA Note	2019	2039	3.95%	8,891,708	73,380	8,818,328	300,860
Capital lease	2018	2023	4.7%	172,808	34,163	138,645	33,114
SMG capital loan	2015	2024	0.0%	500,000	79,505	420,495	70,082
Total other governmental debt				24,064,516	9,788,710	14,275,806	1,179,923
TOTAL GOVERNMENTAL ACTIVITIES (Net)				\$ 131,176,630	\$ 34,252,722	\$ 96,923,908	\$ 5,800,933

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LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/18	Due Within One Year
BONDED DEBT:							
GENERAL OBLIGATION BONDS:							
<u>LTGO Councilmanic Bonds:</u>							
Sewerage Fund:							
Drainage – 04 Refunding	2014	2021	2.0-4.0%	\$ 3,558,930	\$ 2,665,560	\$ 893,370	\$ 549,990
Plus: Unamortized Premium				224,798	168,598	56,200	-
Total General Obligation LTGO (Net)				3,783,728	2,834,158	949,570	549,990
REVENUE BONDS:							
Water Fund:							
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	7,940,000	-	-
Revenue Refunding Bonds	2017	2029	5.0%	6,590,000	-	6,590,000	530,000
Plus: Unamortized Premium				1,205,019	203,046	1,001,973	-
Subtotal (Net)				15,735,019	8,143,046	7,591,973	530,000
Drainage Fund:							
Revenue Bonds Series B	2009	2029	5.06-6.12%	7,940,000	7,940,000	-	-
Revenue Refunding Bonds	2017	2029	5.0%	6,590,000	-	6,590,000	530,000
Plus: Unamortized Premium				1,205,019	203,046	1,001,973	-
Subtotal (Net)				15,735,019	8,143,046	7,591,973	530,000
Total Revenue Bonds (Net)				31,470,038	16,286,092	15,183,946	1,060,000
Total Bonded Debt				35,253,766	19,120,250	16,133,516	1,609,990
OTHER LONG-TERM DEBT:							
Water Fund:							
Contract-Tacoma Pipeline	2010	2040	2.0-5.62%	11,400,000	1,940,000	9,460,000	310,000
Contract-Regional Water	2013	2032	4.0-5.0%	14,790,000	1,330,000	13,460,000	365,000
Public Works Trust Fund Loans—direct borrowings:							
Water system improvements	2001	2021	0.5%	10,000,000	8,944,444	1,055,556	527,778
Water system improvements	2002	2022	0.5%	10,000,000	8,406,250	1,593,750	531,250
Subtotal – Water Fund				46,190,000	20,620,694	25,569,306	1,734,028
Drainage Fund:							
Public Works Trust Fund Loans—direct borrowings:							
Drainage improvements	2004	2024	0.5%	1,500,000	1,125,000	375,000	75,000
Subtotal – Sewerage Fund				1,500,000	1,125,000	375,000	75,000
Golf Complex Fund:							
Capital lease—direct borrowings	2018	2022	5.05%	639,447	200,851	438,596	157,612
Subtotal – Golf Complex Fund				639,447	200,851	438,596	157,612
Total other business type debt				48,329,447	21,946,545	26,382,902	1,966,640
TOTAL BUSINESS TYPE ACTIVITIES (Net)				\$ 83,583,213	\$ 41,066,795	\$ 42,516,418	\$ 3,576,630

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

Year	Governmental Activities		Business-type Activities		Totals			
	Principal	Interest	Principal	Interest	Principal	Interest		
2020	\$ 4,290,010	\$ 3,206,065	\$ 331,000	\$ 13,406	\$ 549,990	\$ 35,735	\$ 5,171,000	\$ 3,255,206
2021	4,476,620	3,036,665	-	-	343,380	13,735	4,820,000	3,050,400
2022	4,885,000	2,847,000	-	-	-	-	4,885,000	2,847,000
2023	4,805,000	2,630,050	-	-	-	-	4,805,000	2,630,050
2024	4,665,000	2,416,600	-	-	-	-	4,665,000	2,416,600
2025-2029	18,915,000	9,010,500	-	-	-	-	18,915,000	9,010,500
2030-2034	19,340,000	4,494,750	-	-	-	-	19,340,000	4,494,750
2035-2039	10,205,000	688,700	-	-	-	-	10,205,000	688,700
Totals	\$71,581,630	\$28,330,330	\$ 331,000	\$ 13,406	\$ 893,370	\$ 49,470	\$72,806,000	\$28,393,206

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Revenue bond debt service requirements to maturity are as follows:

Year	Water Revenue Bonds		Drainage Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2020	\$ 530,000	\$ 329,500	\$ 530,000	\$ 329,500	\$ 1,719,000
2021	555,000	303,000	555,000	303,000	1,716,000
2022	582,500	275,250	582,500	275,250	1,715,500
2023	610,000	246,125	610,000	246,125	1,712,250
2024	640,000	215,625	640,000	215,625	1,711,250
2025-2029	3,672,500	568,750	3,672,500	568,750	8,482,500
Total	\$ 6,590,000	\$ 1,938,250	\$ 6,590,000	\$ 1,938,250	\$ 17,056,500

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

Year	Governmental Activities		Business-type Activities				Totals	
	Direct borrowings		Principal	Interest	Direct borrowings		Principal	Interest
	Principal	Interest			Principal	Interest		
2020	\$ 1,179,923	\$ 374,174	\$ 675,000	\$ 972,619	\$ 1,291,639	\$ 33,755	\$ 3,146,562	\$ 1,380,548
2021	1,193,615	356,358	695,000	945,069	1,299,781	19,921	3,188,396	1,321,348
2022	1,207,869	337,979	730,000	913,469	721,482	6,039	2,659,351	1,257,487
2023	1,219,051	319,015	765,000	880,269	75,000	794	2,059,051	1,200,078
2024	1,144,852	300,463	1,445,000	845,469	75,000	397	2,664,852	1,146,329
2025-2029	3,128,068	1,246,670	8,325,000	3,147,358	-	-	11,453,068	4,394,028
2030-2034	2,418,397	800,484	6,830,000	1,253,161	-	-	9,248,397	2,053,645
2035-2039	2,784,031	273,906	2,825,000	432,045	-	-	5,609,031	705,951
2035-2039	-	-	630,000	23,018	-	-	630,000	23,018
Totals	\$14,275,806	\$ 4,009,049	\$22,920,000	\$ 9,412,477	\$ 3,462,902	\$ 60,906	\$40,658,708	\$13,482,432

DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:

The City of Kent Special Events Center Public Facilities District (PFD) has outstanding bonded debt of \$680,000.

The following is a summary of bonded and non-bonded debt issuance and redemption information as of December 31, 2019:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/17	Due Within One Year
BONDED DEBT:							
Revenue Bonds	2008	2020	3.16-5.75%	\$ 10,130,000	\$ 9,450,000	\$ 680,000	\$ 680,000
Total bonded debt (Net)				10,130,000	9,450,000	680,000	680,000
OTHER NON-BONDED DEBT:							
Note payable	2008	2020	0.19-1.2%	36,029,507	-	36,029,507	-
Note payable	2016	2037		49,105,000	1,815,000	47,290,000	140,000
Total non-bonded debt				85,134,507	1,815,000	83,319,507	140,000
TOTAL PFD (Net)				\$ 95,264,507	\$ 11,265,000	\$ 83,999,507	\$ 820,000

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

Year	Special Events Center Public Facilities District		
	Principal	Interest	Total
2020	\$ 680,000	\$ 39,127	\$ 719,127
Total	\$ 680,000	\$ 39,127	\$ 719,127

The following is a summary of changes in non-current liabilities reported in the government-wide financial statements for the year ended December 31, 2019

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	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	\$ 76,821,980	\$ -	\$ 5,240,350	\$ 71,581,630	\$ 4,290,010	\$ 67,291,620
Premiums	11,494,087	-	758,615	10,735,472	-	10,735,472
General obligation bonds-direct borrowings	636,000	-	305,000	331,000	331,000	-
Total bonds payable (net)	88,952,067	-	6,303,965	82,648,102	4,621,010	78,027,092
Non-bonded long-term liabilities:						
Installment loans & contracts-direct borrowings	6,264,941	8,891,708	880,843	14,275,806	1,179,923	13,095,883
Contingent loan guarantee obligation	2,230,042	-	1,512,708	717,334	-	717,334
Net Pension Liability	17,837,837	13,500,043	17,837,837	13,500,043	-	13,500,043
Post-Employment Health Care Liability	29,794,456	1,863,853	981,780	30,676,529	1,555,655	29,120,874
Compensated Absences:						
General government	4,429,143	6,107,413	5,668,374	4,868,182	2,603,729	2,264,453
Internal service funds	509,074	600,374	556,552	552,896	353,686	199,210
Total compensated absences	4,938,217	6,707,787	6,224,926	5,421,078	2,957,415	2,463,663
Total non-bonded long-term liabilities	61,065,493	30,963,391	27,438,094	64,590,790	5,692,993	58,897,797
Total	\$ 150,017,560	\$ 30,963,391	\$ 33,742,059	\$ 147,238,892	\$ 10,314,003	\$ 136,924,889
BUSINESS TYPE ACTIVITIES:						
Bonds payable:						
General obligation bonds	\$ 1,228,020	\$ -	\$ 334,650	\$ 893,370	\$ 549,990	\$ 343,380
Premiums	85,521	-	29,321	56,200	-	56,200
Net general obligation bonds	1,313,541	-	363,971	949,570	549,990	399,580
Revenue bonds	29,060,000	-	15,880,000	13,180,000	1,060,000	12,120,000
Premiums	2,205,888	-	201,942	2,003,946	-	2,003,946
Net revenue bonds	31,265,888	-	16,081,942	15,183,946	1,060,000	14,123,946
Total bonds payable (net)	32,579,429	-	16,445,913	16,133,516	1,609,990	14,523,526
Non-bonded long-term liabilities:						
Installment loans & contracts	23,565,000	-	645,000	22,920,000	675,000	22,245,000
Installment loans & contracts-direct borrowings	4,746,800	-	1,283,898	3,462,902	1,291,640	2,171,262
Net Pension Liability	4,309,573	3,157,194	4,309,573	3,157,194	-	3,157,194
Compensated absences	763,106	958,769	916,858	805,017	532,892	272,125
Total non-bonded long-term liabilities	33,384,479	4,115,963	7,155,329	30,345,113	2,499,532	27,845,581
Total	\$ 65,963,908	\$ 4,115,963	\$ 23,601,242	\$ 46,478,629	\$ 4,109,522	\$ 42,369,107
SPECIAL EVENTS CENTER PFD:						
Bonds payable:						
Revenue bonds	\$ 2,080,000	\$ -	\$ 1,400,000	\$ 680,000	\$ 680,000	\$ -
Total bonds payable (net)	2,080,000	-	1,400,000	680,000	680,000	-
Non-bonded long-term liabilities:						
Interlocal financing agreement	47,800,000	-	510,000	47,290,000	140,000	47,150,000
Instalment loans & contracts	32,225,870	3,803,637	-	36,029,507	-	36,029,507
Total non-bonded long-term liabilities	80,025,870	3,803,637	510,000	83,319,507	140,000	83,179,507
Total	\$ 82,105,870	\$ 3,803,637	\$ 1,910,000	\$ 83,999,507	\$ 820,000	\$ 83,179,507

10. FUND BALANCE

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

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

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

City of Kent

enforced by a party external to the government.

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

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

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

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

11. INFORMATION ON ENTERPRISE FUNDS

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

a. WATER UTILITY

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

b. SEWER UTILITY

The Sewer Utility Fund collects all revenues for the utility, pays the expenses of the utility, and expends certain monies to fund sewer system improvements.

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

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c. DRAINAGE UTILITY

The drainage operation started in May 1985 and collects revenue to fund operating charges. The drainage fee for single family residences is a flat monthly fee while the rate for multi-family and commercial establishments varies based on the property size, percentage of impervious surface, and the basin or basins in which the property is located. For more detail on current rates, see Schedule 13 in the Statistical Section of this document.

12. PROPERTY TAXES

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

Tax bills are mailed in February and are due on April 30. They may be paid in two equal installments on April 30 and October 31. If not remitted by April 30, the whole amount becomes delinquent with penalties and delinquent interest assessed on that amount. The County Treasurer remits collections to the individual taxing districts daily by electronic funds transfer as amounts are received and allocated to taxing districts. The General Fund and Capital Resources Fund receivables at December 31, 2019 include \$500,961 for delinquent property taxes. No estimate of uncollectible taxes is made since state law allows for sale of property for failure to pay taxes.

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

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

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

For 2019, the City's regular tax levy was \$1.49065 per \$1,000 of assessed valuation based on the 2018 assessed valuation of \$20,729,110,364 for a total regular levy of \$30,786,766.

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

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

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

For the Governmental Activities on the Statement of Net Position, the current portion of compensated absences plus estimated benefits, including internal services, is estimated to be \$2,957,415 and the estimated long term portion, including internal services, is \$2,463,663. The liabilities are typically liquidated by the general fund or streets fund, with exception to those related to internal services. In the Proprietary Funds, the current portion is that amount which is anticipated to be paid within the next fiscal period. The Proprietary Funds fully accrue compensated absences plus estimated benefits thereon, and separate current and long-term portions for balance sheet purposes only. For the Business-type Activities on the Statement of Net Position, as well as the Enterprise Funds on the Proprietary Fund statements, the estimated current amount is \$532,892 and the estimated long-term portion is \$272,125.

b. LIFE and AD&D INSURANCE

Life insurance and AD&D insurance are provided for full time employees through Cigna Corporation. Full-time employees are covered immediately. All employees have paid life and AD&D insurance equal to their annual salary up to a maximum of \$150,000. Spouses and children are also covered by \$5,000 and \$2,000 respectively of life insurance. The City paid \$417,865 during 2019 for this coverage.

c. DEFERRED COMPENSATION

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

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the International City Managers Association (ICMA) plan.

d. RETIREMENT

The City's contributions to retirement programs in 2019 were:

To Federal Social Security System	\$ 5,092,072
To State administered employee retirement systems	<u>7,216,824</u>
Total	<u>\$ 12,308,896</u>

Retirement payments to City employees from all City funds in 2019 were:

From Firemen's Relief and Pension Fund	<u>\$ 380,967</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 2019, as well as the City's Firemen's Pension Fund.

Aggregate Pension Amounts – All Plans	
Pension assets	\$ 14,293,249
Deferred outflows of resources	7,227,790
Pension liabilities	(16,657,237)
Deferred inflows of resources	(13,797,682)
Pension expense/expenditures	1,228,950

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

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 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

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 is comprised of three separate pension plans for membership purposes. PERS plans 1 & 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative fee	0.18%	
Total	12.83%	6.00%
July through December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative fee	0.18%	
Total	12.86%	6.00%

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

The city’s actual contributions to the plan were \$2,378,910 (including the UAAL contributions from PERS Plan 2/3 and PSERS for the year ended December 31, 2019, 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

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- 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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%
July through December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% for January – June 2019 and 19.75% for July – December 2019

The city's actual PERS Plan contributions were \$2,242,735 to PERS Plan 1 and \$3,501,969 to PERS Plan 2/3 for the year ended December 31, 2019.

(2) 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 Cannabis 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.

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The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2019 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2019		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative fee	0.18%	
Total	12.38%	7.07%
July through December 2019		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative fee	0.18%	
Total	12.14%	7.20%

The city's actual plan contributions were \$166,854 to PSERS Plan 2 and \$115,737 to PERS Plan 1 for the year ended December 31, 2019.

(3) 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 2019. 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

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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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and the state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2019		
State and local governments	5.25%	8.75%
Administrative fee	0.18%	
Total	5.43%	8.75%
July through December 2019		
State and local governments	5.15%	8.59%
Administrative fee	0.18%	
Total	5.33%	8.59%

The city's actual contributions to the plan were \$1,010,251 for the year ended December 31, 2019.

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, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$601,365.

(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 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018 to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to

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simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the city’s proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the city’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

Pension Trust	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 1	\$ 15,592,220	\$ 12,450,683	\$ 9,724,986
PERS 2/3	29,351,436	3,826,982	(17,117,518)
PSERS 2	650,208	(62,981)	(623,251)
LEOFF 1	(2,201,784)	(2,691,492)	(3,114,308)
LEOFF 2	(2,145,545)	(11,538,776)	(19,205,802)

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, 2019, the city reported a total pension liability of \$16,277,665 (plus \$379,572 for the Firemen’s Pension for a total pension liability of \$16,657,237) and a total pension asset of \$14,923,249 for its proportionate share of the DRS net pension liabilities (assets) as follows:

Plan	Liability (Asset)
PERS 1	\$ 12,450,683
PERS 2/3	3,826,982
PSERS 2	(62,981)
LEOFF 1	(2,691,492)
LEOFF 2	(11,538,776)

Notes to the Financial Statements December 31, 2019

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (2,691,492)	\$ (11,538,776)
State's proportionate share of the net pension liability (asset) associated with the employer	(18,205,185)	\$ (7,556,352)
TOTAL	\$ (20,896,677)	\$ (19,095,128)

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

Plan	Proportionate Share 6/30/19	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.323785%	0.335336%	-0.011551%
PERS 2/3	0.393990%	0.402499%	-0.008509%
PSERS 2	0.484319%	0.553617%	-0.069298%
LEOFF 1	0.136167%	0.135862%	0.000305%
LEOFF 2	0.498071%	0.518038%	-0.019967%

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 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, 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 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the city recognized pension expense as follows for the DRS plans:

City of Kent

<u>Plan</u>	<u>Pension Expense</u>
PERS 1	\$ 32,797
PERS 2/3	1,000,181
PSERS 2	100,691
LEOFF 1	(146,138)
LEOFF 2	215,137
	<u>\$ 1,202,668</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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

<u>PERS 1</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	831,810
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,353,513	-
TOTAL	\$ 1,353,513	\$ 831,810

<u>PERS 2/3</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,096,440	\$ 822,780
Net difference between projected and actual investment earnings on pension plan investments	-	5,570,528
Changes of assumptions	97,997	1,605,674
Changes in proportion and differences between contributions and proportionate share of contributions	562,545	525,835
Contributions subsequent to the measurement date	2,086,163	-
TOTAL	\$ 3,843,145	\$ 8,524,817

City of Kent

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 53,186	\$ 5,570
Net difference between projected and actual investment earnings on pension plan investments	-	109,369
Changes of assumptions	507	33,848
Changes in proportion and differences between contributions and proportionate share of contributions	-	17,531
Contributions subsequent to the measurement date	96,732	-
TOTAL	\$ 150,425	\$ 166,318

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	-	279,027
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 279,027

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 830,318	\$ 207,498
Net difference between projected and actual investment earnings on pension plan investments	-	2,365,810
Changes of assumptions	19,009	1,298,482
Changes in proportion and differences between contributions and proportionate share of contributions	326,705	123,920
Contributions subsequent to the measurement date	606,602	-
TOTAL	\$ 1,782,634	\$ 3,995,710

Notes to the Financial Statements December 31, 2019

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Total – All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,979,944	\$ 1,035,848
Net difference between projected and actual investment earnings on pension plan investments	-	9,156,544
Changes of assumptions	117,513	2,938,004
Changes in proportion and differences between contributions and proportionate share of contributions	889,250	667,286
Contributions subsequent to the measurement date	4,143,010	-
TOTAL	\$ 7,129,717	\$ 13,797,682

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

Year Ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2020	\$ (183,626)	\$ (1,684,102)	\$ (20,658)	\$ (64,810)	\$ (607,885)
2021	(434,959)	(2,862,051)	(37,856)	(142,848)	(1,155,963)
2022	(155,219)	(1,270,990)	(24,242)	(51,835)	(521,693)
2023	(58,006)	(681,648)	(13,018)	(19,534)	(270,798)
2024	-	(271,786)	(2,912)	-	(81,234)
Thereafter	-	2,742	(13,939)	-	(182,105)
Totals	\$ (831,810)	\$ (6,767,835)	\$ (112,625)	\$ (279,027)	\$ (2,819,678)

(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

Notes to the Financial Statements December 31, 2019

City of Kent

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, 2019 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). 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, 2019, the Plan held \$1,198,796 in pooled investments.

Net Pension Liability

Firefighters' Pension Fund				
GASB Statement No. 67 Net Pension Liability				
	<u>December 31, 2018</u>		<u>December 31, 2019</u>	
Total pension liability	\$	2,619,311	\$	2,634,679
Fiduciary net position *		2,327,292		2,255,107
Net pension liability		292,019		379,572
Fiduciary net position as a % of total pension liability		88.85%		85.59%
Covered payroll		0		0
Net pension liability as a % of covered Payroll		N/A		N/A

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

Other key actuarial assumptions:

Valuation Date	January 1, 2018	January 1, 2020
Measurement Date	December 31, 2017	December 31, 2019
Inflation	2.25 %	2.25%
Salary increases		

Notes to the Financial Statements December 31, 2019

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Including inflation Mortality	3.25% 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)	3.25% RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry age normal	Entry age normal

Money-Weighted Rate of Return

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

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2014	1.96%
2015	1.40%
2016	1.72%
2017	1.00%
2018	5.20%
2019	-0.72%

Discount Rate

	December 31, 2018	December 31, 2019
Discount rate	4.00%	2.75%
Long-term expected rate of return, Net of investment expense	4.00%	2.75%
Municipal bond rate	4.00%	2.75%

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

The Actuaries believe that the assumption of 2.75% as of December 31, 2019 is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation 20-year municipal bond index for bonds that mature in 20 years is 2.74% as of December 26, 2019. Rounding this to the nearest ¼% results in a discount rate of 2.75%. Using 2.75% for both the long-term expected rate of return and the bond index means 2.75% may be used as the single discount rate. This will need to be re-evaluated as of later valuation dates.

City of Kent

Sensitivity Analysis

The following presents the net pension liability of the Plan, calculated using the discount rate of 2.75%, 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 (1.75%) or one percentage point higher (3.75%) than the current rate.

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total pension liability	\$ 2,883,666	\$ 2,634,679	\$ 2,418,979
Fiduciary net position	2,255,107	2,255,107	2,255,107
Net pension liability	\$ 628,559	\$ 379,572	\$ 163,872

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, 2019.

<u>Asset Class</u>	<u>Index</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	BAML 90 Day T-Bills	0.09%
Short-term Bonds	Bloomberg Barclays 1-3 YR Gvt/Credit	0.77%
US Mortgages	Bloomberg Barclays MBS	1.53%
Assumed Inflation – Mean		2.25%
Long-Term Expected Rate of Return		2.75%

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

	<u>Increase (Decrease)</u>		
Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2018	\$ 2,619,311	\$ 2,327,292	\$ 292,019
Changes for the year:			
Service costs	-	-	-
Interest on total pension liability	101,188	-	101,188
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(69,406)	-	(69,406)
Effects of assumptions changes or inputs	164,553	-	164,553
Benefit payments	(180,967)	(180,967)	-
Medical payments from fund	-	(200,000)	200,000
Employer contributions	-	-	-
Contributions from state fire insurance premium tax	-	305,467	(305,467)
Net investment income	-	6,615	(6,615)
Administrative expenses	-	(3,300)	3,300
Balance as of December 31, 2019	\$ 2,634,679	\$ 2,255,107	\$ 379,572

For the year ended December 31, 2019, the City recognized pension expense of \$407,249. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	-	98,073
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 98,073

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
2020	\$ 35,816
2021	26,930
2022	13,688
2023	21,639

e. Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year 2019:

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$ 30,676,529
OPEB Assets	-
Deferred outflows of resources	-
Deferred inflows of resources	-
OPEB expenses/expenditures	2,184,090

(1) Retirement Healthcare Benefits-LEOFF I Retirement System

Plan Description:

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

Benefits Provided:

As mandated by RCW 41.26, RCW 41.18, and RCW 41.20, the City reimburses 100% of allowable healthcare costs for LEOFF 1 retirees. All firefighters and law enforcement officers employed

City of Kent

between 3/1/1970 and 10/31/1977 are members of a single employer defined benefit OPEB plan and are provided lifetime insurance coverage for medical, hospital and nursing care costs. These benefits are accounted for in Police and Fire Pension and Relief Funds and are considered, in substance, a postemployment healthcare plan administered by, but not part of, the Police and Fire Pension Plans. Extraordinary health and dental expenses, as determined by the Pension Board, require prior approval. Insurance policies for this benefit are underwritten as part of the City's overall insurance program. The LEOFF 1 OPEB plans are closed to new entrants.

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

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

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

Employees covered by benefit terms;

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

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

Contributions:

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

Total OPEB Liability

The City's total OPEB liability was valued as of December 31, 2018 and was used to calculate the total liability as of December 31, 2019.

Actuarial Assumptions:

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

Measurement Date:	December 31, 2018	December 31, 2019
Discount rate	3.75%	2.75%
Inflation	2.50%	2.50%
Healthcare cost rate	N/A	6.00% trending down to 3.84% over 55 years
Mortality rates	Based on tables from the Society of Actuaries	

- Projections of the sharing of benefit-related costs are based on established pattern of practice.
- Experience studies come from the State of Washington.
- Inactive employees (retirees) pay 0% of the cost of benefits.

Notes to the Financial Statements December 31, 2019

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- There are no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate:

The discount rate used to measure the total OPEB liability is 2.75%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high quality 20 municipal bonds, as of the valuation date.

Changes in the Total OPEB Liability

	(increase/Decrease) Total OPEB Liability
Balance as of 12/31/18	\$ 29,794,456
Changes for the year:	
Service costs	-
Interest	1,092,910
Changes in benefit terms	-
Difference between expected and actual experience	(261,502)
Changes in assumptions	(512,771)
Benefit payments	(1,300,417)
Net changes	(981,780)
Balance as of 12/31/19	\$ 28,812,676

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

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current discount rate:

	1% Decrease 1.75%	Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$ 32,076,845	\$ 28,812,676	\$ 26,039,184

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current healthcare cost trend rates:

	1% Decrease 5.00%	Trend Rate 6.00%	1% Increase 7.00%
	Decreasing to 2.84%	Decreasing to 3.84%	Decreasing to 4.84%
Total OPEB liability	\$ 25,942,368	\$ 28,812,676	\$ 32,125,416

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

For the year ended December 31, 2019, the City recognized an OPEB expense of \$318,637. Since there are no active employees in the plan, no plan assets, and the measurement date is the same as the reporting date, there are no deferred inflows or outflows of resources as of December 31, 2019. Differences between actual and expected experience and changes in assumptions for the year ended December 31, 2019 are included in the 2019 OPEB expense.

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(2) Kent Police Officer's Association VEBA Plan

Plan Description:

The City administers a single-employer defined-benefit post-employment healthcare plan (the Plan). No spouses or dependents are eligible to enroll.

Benefits Provided:

Eligibility for retiree health benefits requires retirement from the City on or after age 53 with at least 15 years of service as a Kent Police Officer. Eligible employees are ranked by their total age plus years of service and only the top three will be permitted to retire and enroll in the plan each year. Additional retirements will be evaluated on a case-by-case basis. Approved retiree will receive a medical stipend of \$800 per month from the month of their retirement until the month they attain 65 years of age.

Employees covered by benefit terms:

At December 31, 2019 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	145
Total	146

Contributions:

The City pays benefits as they come due.

Contribution rate:	Benefits due
Reporting period contributions:	\$ 1,600

Financial Report:

The City does not currently issue a stand-alone financial report that is available to the public.

Total OPEB Liability

The City's total OPEB liability was values as of December 31, 2019 and was used to calculate the total liability as of December 31, 2019.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2019
Discount rate	2.75%
Inflation	2.50%
Healthcare cost trend rate	N/A
Salary increases	3.00%
Mortality rates	Based on tables from the Society of Actuaries

- Projections of the sharing of benefit-related costs are based on established pattern of practice.
- Experience studies come from the State of Washington.
- Inactive employees (retirees) pay 0% of the cost of benefits.
- There are no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

City of Kent

Discount Rate:

The discount rate used to measure the total OPEB liability is 2.75%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high quality 20 municipal bonds, as of the valuation date.

Changes in the Total OPEB Liability

	Increase/(Decrease) Total OPEB Liability
Balance as of 12/31/18	\$ -
Service costs	136,698
Interest	5,096
Changes in benefit terms	1,723,659
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(1,600)
Net changes	1,863,853
Balance as of 12/31/19	\$ 1,863,853

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current discount rate:

	1% Decrease 1.75%	Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$ 2,002,489	\$ 1,863,853	\$ 1,730,019

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

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

	1% Decrease N/A	Trend Rate N/A	1% Increase N/A
Total OPEB liability	\$ 1,863,853	\$ 1,863,853	\$ 1,863,853

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

For the year ended December 31, 2019, the City recognized an OPEB expense of \$1,865,453. Since there are no plan assets, and the measurement date is the same as the reporting date, there are no deferred inflows or outflows of resources as of December 31, 2019. Differences between actual and expected experience and changes in assumptions for the year ended December 31, 2019, if any, are included in the 2019 OPEB expense.

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

Notes to the Financial Statements December 31, 2019

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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 2019 and 2018 as carried in the City's Internal Service Funds and the General Fund:

	Worker's Compensation		Medical and Dental *		Liability		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Claims liabilities, 1/1	\$ 301,224	\$ 1,731,129	\$ 955,400	\$ 852,400	\$ 1,345,169	\$ 763,248	\$ 2,601,793	\$ 3,346,777
Less: Claims paid	(1,197,265)	(2,024,480)	(13,865,388)	(12,845,381)	(1,898,080)	\$ (1,128,781)	(16,960,733)	(15,998,642)
Plus claims and								
Changes in estimates	1,765,743	594,575	13,841,988	12,948,381	809,681	1,710,702	16,417,412	15,253,658
Claims Liabilities 12/31	\$ 869,702	\$ 301,224	\$ 932,000	\$ 955,400	\$ 256,770	\$ 1,345,169	\$ 2,058,472	\$ 2,601,793

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

a. UNEMPLOYMENT COMPENSATION

The City self-insures its unemployment compensation program through the Washington State Employment Security Department. Reserves are set each year based on estimates of employment activity. The City paid \$183,807 in unemployment compensation claims in fiscal year 2019. At December 31, 2019, fund equity was \$1,352,339.

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, 2017 projected ultimate loss for 2019 of \$770,000. At December 31, 2019, incurred but not reported and claims payable were estimated at \$869,702. At December 31, 2019 fund equity was \$2,814,000. 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 \$500,000 combined with two layers of reinsurance, a \$5 million primary layer and a \$15 million secondary layer for a total of \$20 million. The reinsurance layers are through the Washington Public Entity Group (WAPEG), a risk purchase group organized through the City's broker, Alliant Insurance Services, Inc. Coverage is occurrence based and includes general, automobile, police, public officials' errors and omissions, employment practices, stop gap, and employee benefits liability. Loss reserves are maintained by the City on the basis of annual actuarial studies.

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

At December 31, 2019, the City booked a liability for open and incurred but not reported claims to equal estimated outstanding claims liability of \$256,770. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2019.

Notes to the Financial Statements December 31, 2019

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At December 31, 2019, fund equity was \$1,897,267. In 2019, the City expensed \$1,752,980 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, 2019 fund equity was \$721,500. In 2019, the City expensed \$1,212,917 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 Delta Dental of Washington, and a vision plan administered by Vision Service Plan (VSP). Claims exceeding \$175,000 per occurrence are covered by a stop loss policy. Kaiser Permanente is offered as a Health Maintenance Organization (HMO) additional plan. The 100% Preferred Provider plan provides comprehensive benefits with co-pays, the 80/20 Preferred Provider plan is a deductible plan with co-insurance, and the Health Savings Account (HSA) plan is a high deductible plan with a HSA attached. The two dental plans offered by Delta Dental are both Preferred Provider Plans with different maximums depending on the plan enrolled. In 2019, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$12,289,263. The City authorizes an actuarial study every year to determine the fund's actuarial soundness and the impact on future rates. The City's incurred but not reported claims liabilities decreased from \$955,400 as of December 31, 2018 to \$932,000 as of December 31, 2019. These amounts include the estimated IBNR for LEOFF1 Retirees, reported in the General Fund, of \$42,300 as of December 31, 2018 and \$41,400 as of December 31, 2019.

Kaiser Permanente provided health care to approximately five percent of the employees for 2019 premiums of \$568,795.

The fund's net position increased by \$1,882,740 to \$5,815,497 at December 31, 2019. In 2019, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

f. **FINANCIAL HIGHLIGHTS**

The 2019 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	\$ 641,364	\$ 1,293,716	\$2,668,802	\$ 787,482	\$ 230,153	\$ 5,621,517
Cash with fiscal agent	-	35,000	-	4,198	-	39,198
Investments	723,206	1,459,294	3,008,503	887,969	259,523	6,338,495
Receivables:						
Accounts	-	-	150,858	355,437	-	506,295
Due from other funds	-	812,500	812,500	-	-	1,625,000
Interfund loans receivable	-	125,358	244,040	125,358	-	494,756
Prepaid expenses	-	-	52,431	36,198	243,177	331,806
Deferred outflows related to pensions	1,652	6,610	-	6,610	1,652	16,524
Total assets & deferred outflows	\$1,366,222	\$ 3,732,478	\$6,937,134	\$2,203,252	\$ 734,505	\$14,973,591

City of Kent

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
LIABILITIES & DEFERRED INFLOWS						
Current:						
Vouchers Payable	\$ -	\$ -	\$ 231,037	\$ 2,228	\$ -	\$ 233,265
Accrued expenses	3,564	7,501	-	5,711	2,686	19,462
Claims payable	-	869,702	890,600	256,770	-	2,017,072
Compensated absences - current	2,168	8,672	-	8,672	2,168	21,680
Long-term:						
Net pension liability	5,176	20,703	-	20,703	5,176	51,758
Deferred inflows related to pensions	2,975	11,900	-	11,901	2,975	29,751
Total liabilities & deferred inflows	13,883	918,478	1,121,637	305,985	13,005	2,372,988
NET POSITION	1,352,339	2,814,000	5,815,497	1,897,267	721,500	12,600,603
TOTAL LIABILITIES & NET POSITION	\$1,366,222	\$ 3,732,478	\$6,937,134	\$2,203,252	\$ 734,505	\$14,973,591
INCOME STATEMENT						
OPERATING REVENUES	\$ 130,880	\$ 1,172,473	\$15,545,291	\$2,376,100	\$1,304,535	\$20,529,279
OPERATING EXPENSES	219,616	1,923,164	13,847,308	1,748,609	1,212,021	18,950,718
OPERATING INCOME	(88,736)	(750,691)	1,697,983	627,491	92,514	1,578,561
NON-OPERATING REVENUES (EXPENSES)	47,586	116,892	184,757	62,392	24,182	435,809
NET INCOME	(41,150)	(633,799)	1,882,740	689,883	116,696	2,014,370
TRANSFERS IN/(OUT)	-	-	-	360,000	-	360,000
CHANGE IN NET POSITION	(41,150)	(633,799)	1,882,740	1,049,883	116,696	2,374,370
NET POSITION 1/1	1,393,489	3,447,799	3,932,757	847,384	604,804	10,226,233
NET POSITION 12/31	\$1,352,339	\$ 2,814,000	\$ 5,815,497	\$1,897,267	\$ 721,500	\$12,600,603

15. JOINT VENTURE

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

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

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

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

Notes to the Financial Statements December 31, 2019

City of Kent

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 2019 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	117,225	27.077%
Renton	90,760	20.964%
Auburn	98,169	22.675%
Tukwila	36,163	8.353%
Federal Way	90,616	20.931%
Totals	432,933	100.000%

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

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

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

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

	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Percent of Equity	28.86%	21.10%	21.76%	10.40%	17.88%	100.00%
Equity 12/31/18	\$ 8,090,075	\$ 5,882,811	\$ 6,040,861	\$ 2,950,969	\$ 4,904,391	\$ 27,869,107
Current Year Increase	707,890	548,074	592,819	218,376	547,205	2,614,364
Equity 12/31/19	\$ 8,797,965	\$ 6,430,885	\$ 6,633,680	\$ 3,169,345	\$ 5,451,596	\$ 30,483,471

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.

City of Kent**16. COMPONENT UNITS****City of Kent Special Events Center Public Facilities District**

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

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

For the fiscal year ended December 31, 2019, the PFD generated \$1,166,444 in revenue and had net position of \$(83,644,329).

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

17. CONTINGENCIES AND LITIGATIONS

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

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

On February 20, 2008, The City entered into a Contingent Loan and Support Agreement with the Kent Public Facilities District, a discretely presented component unit of the City. The agreement was authorized by City Council under Ordinance No. 3863. Under the agreement, in the event that the District is unable to provide for the payment of principal or interest on any bonds issued by the District for the construction of the Kent Special Events Center, the City shall loan to the District the amount necessary to make such timely payment. The District issued \$10,130,000 in Revenue Bonds and \$53,150,000 in Sales Tax Bonds in 2008 (see Note 9 – *Long-Term Indebtedness*). The Contingent Loan and Support Agreement remains in effect for the life of bonds. In 2016, the City refinanced the 2008 Sales Tax Bonds with General Obligation Bonds (LTGO Series 2016B). Concurrently, the City and the PFD entered into an interlocal agreement that all sales tax collected by the PFD is to be paid to the City to be used for the debt payments on the 2016B GO Bonds. The 2008 Revenue Bonds mature annually on December 1 until 2020 with semiannual interest payments. There is \$680,000 outstanding on these bonds at December 31, 2019. As of December 31, 2019, the City has loaned the District \$33,995,552 and accrued interest of \$2,033,955 for a total of \$36,029,507. The City loaned the District \$3,803,637, including interest, in 2019. 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

Notes to the Financial Statements December 31, 2019

City of Kent

outstanding bonds. In compliance with GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the City has recorded a liability on the government-wide Statement of Net Position for \$2,230,042, the present value of estimated future payments under the guarantee agreement.

The liability recognized for the financial guarantee at December 31, 2019 is as follows:

Beginning of year	Increases	Decreases	End of Year
\$ 2,230,042	\$ -	\$ 1,512,708	\$ 717,334

18. COMMITMENTS

As of December 31, 2019, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$ 28,839,812
Parks Capital Projects	9,473,590
Miscellaneous Projects	2,217,526
Technology Capital Projects	9,092,786
Facilities Fund Capital Projects	2,295,891
Equipment Rental Fund	1,583,412
Facilities Fund	2,130,922
Water Capital Projects	28,286,209
Sewerage Capital Projects	7,687,727
Drainage Capital Projects	29,443,527
Golf Capital Projects	2,552,124
Total	\$ 123,603,526

19. TAX ABATEMENTS

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

The City has the following tax abatement agreement(s) in place as of December 31, 2019:

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.

City of Kent

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.

City of Kent

4. Mechanism: The value of improvements qualifying under this chapter is exempt from ad valorem property taxation for eight successive years beginning January 1st of the year immediately following the calendar year after issuance of the final certificate of tax exemption. The exemption does not apply to the value of land or to the value of improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and non-qualifying improvements. This chapter does not apply to increases in assessed valuation made by the assessor on non-qualifying portions of buildings and value of land nor to increases made by lawful order of a county board of equalization, the Department of Revenue, or a county, to a class of property throughout the county or specific area of the county to achieve the uniformity of assessment or appraisal required by law. At the conclusion of the exemption period, the new housing cost shall be considered as new construction for the purposes of Chapter 84.55 RCW.
5. At the conclusion of the exemption period, the new housing costs shall be considered as new construction for the purposes of Chapter 84.55 RCW.
6. Within 30 calendar days after the first anniversary of the date the city issued the final certificate of tax exemption and each year thereafter for the duration of the tax exemption period, the property owner shall file a notarized declaration and annual report with the administrator indicating the following:
 - A. A statement of occupancy and vacancy of the multifamily units during the previous 12 months;
 - B. A certification that the property has not changed use and continues to be in compliance with the contract with the city and this chapter;
 - C. A description of any subsequent improvements or changes to the property made after the city issued the final certificate of tax exemption;
 - D. The total monthly rent of each multifamily housing unit rented or the total sale amount of each multifamily housing unit sold to an initial purchaser during the 12 months ending with the anniversary date;
 - E. A breakdown of the number, type, and specific multifamily housing units rented or sold during the 12 months ending with the anniversary date; and
 - F. Any additional information requested by the city pursuant to meeting any reporting requirements under Chapter 84.14 RCW.City staff may also conduct onsite verification of the declaration and reporting. Failure to submit the annual declaration and report shall result in a review of the exemption per RCW 84.14.110.
7. The amount of taxes abated for 2019 under this program was \$34,924.

The City has issued conditional certificates of acceptance of tax exemption for two additional multi-family housing projects, Madison Plaza and Marquee on Meeker, but the projects are still under construction at December 31, 2019. No certificates of occupancy or final tax exemption certificates have been issued for these projects.

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

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

The following table shows the impact to the City of Kent for taxes abated by the State of Washington during the calendar year ended June 30, 2019 (the latest information available):

City of Kent

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

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

20. PRIOR PERIOD ADJUSTMENT

With the implementation of GASB Statement No. 84 *Fiduciary* Activities in fiscal year 2019, the City reported a prior period adjustment of \$831,385 on its fiduciary financial statements for the effects of new guidance converting agency funds, which did not measure results of operations and thus did not present a statement of changes in net position, to custodial funds, which employ accounting principles similar to proprietary funds and do present results of operation and a statement of changes in net position.

During fiscal year 2019, the City also split the sewer and drainage operations that were previously combined into the Sewerage Fund, into two funds. The cumulative effect of this change is shown as a prior period adjustment on the proprietary fund statement of revenues, expenses and changes in fund net position of \$61,860,085 on the Sewer Fund and (61,860,085) on the Drainage Fund.

21. SUBSEQUENT EVENTS

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The Governor’s Stay Home Stay Safe order included closing many businesses, which has impacted the City’s tax revenues. The City has undergone an extensive budget reduction process to counter an anticipated \$15.7 million revenue reduction. This plan included some use of fund balance as well as expenditure and position reductions. The length of the time these measures will be in place and the full extent of the financial impact on the city remains unknown at this time.

On April 3, 2020, because of the fiscal threat posed by COVID-19, the Governor vetoed Engrossed House Bill (EHB) 1948, including the funding appropriation. EHB 1948 replaced the Streamlined Sales Tax (SST) Mitigation Program with the Warehouse and Manufacturing Jobs Center Assistance Program. The SST Mitigation Program aided communities that lost revenue when the state switched to destination-based sales tax sourcing in 2007. For the City of Kent, this veto will reduce revenue to the City by approximately \$3.5 million annually. The last SST Mitigation payment was received by the City on June 30, 2020.

In May 2020, the Governor awarded approximately \$300 million to local governments in Coronavirus Relief Funds (CRF) from the state’s allocation of Federal CARES Act funding. Cities and counties received \$30 per capita. For the City of Kent, that equates to nearly \$3.9 million. The funding can be used to reimburse local governments for costs incurred in response to COVID-19. The restrictions surrounding the expenditure reimbursements include that costs incurred are in direct response to the emergency or economic support to those suffering from employment or business interruption due to the pandemic. The expenditures must occur during the period of March 1, 2020 through November 30, 2020. In August 2020, the Governor announced an increase of the \$125 million in awards to local governments for a total of \$420 million. For the City of Kent, that increases its share of CFR monies by \$1.9 million for a total of \$5.8 million

City of Kent

Required Supplementary Information

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

	2018	2019
Total OPEB liability - beginning	\$ 23,285,620	\$ 29,794,456
Changes for the year:		
Service costs	-	-
Interest	1,100,973	1,092,910
Changes in benefit terms	-	-
Differences between expected and actual experience	(1,156,067)	(261,502)
Changes in assumptions	7,895,527	(512,771)
Benefit payments	(1,331,597)	(1,300,417)
Implicit rate subsidy fulfilled	-	-
Other changes	-	-
Net changes	6,508,836	(981,780)
Total OPEB liability - ending	\$ 29,794,456	\$ 28,812,676
Covered payroll **	-	-
Total OPEB liability as a % of covered payroll	N/A	N/A

Notes:

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

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

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



**Schedule of Changes in Total OPEB Liability and Related Ratios
Kent Police Officer's Association VEBA Plan
For the Year Ended December 31
Last One Fiscal Years ***

	<u>2019</u>
Total OPEB liability - beginning	\$ -
Changes for the year:	
Service costs	136,698
Interest	5,096
Changes in benefit terms	1,723,659
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(1,600)
Implicit rate subsidy fulfilled	-
Other changes	-
Net changes	<u>1,863,853</u>
Total OPEB liability - ending	<u>\$ 1,863,853</u>
Covered employee payroll	13,667,496
Total OPEB liability as a % of covered payroll	13.64%

Notes:

* The City began this plan in fiscal year 2019. This schedule is to be built prospectively until it contains 10 years of data.

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

City of Kent

Required Supplementary Information

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

	Fiscal Year Ending December 31		
	2010	2011	2012
Actuarially determined contribution	\$ (64,151)	\$ (48,662)	\$ (59,033)
Actual employer contribution *	(64,151)	(48,662)	(59,033)
Contribution deficiency (excess)	-	-	-

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

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

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

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

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

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2014	1.96%
2015	1.40%
2016	1.72%
2017	1.00%
2018	5.20%
2019	-0.72%

* 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.

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City of Kent

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		Fiscal Year Ended December 31						
2013	2014	2015	2016	2017 **	2018 **	2019 **		
\$ (41,988)	\$ (47,101)	\$ (6,968)	\$ 33,825	\$ -	\$ -	\$ -		
(41,988)	(47,101)	(6,968)	1,666	22,782	30,881	105,467		
-	-	-	(32,159)	-	-	-		

City of Kent

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Changes in Pension Liability and Related Ratios

Last Six Fiscal Years *

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

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

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

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Fiscal Year Ending December 31

2017	2018	2019
\$ -	\$ -	\$ -
96,923	95,357	101,188
-	-	-
149,761	-	(69,406)
61,812	(112,645)	164,553
(162,942)	(174,299)	(180,967)
145,554	(191,587)	15,368
2,665,344	2,810,898	2,619,311
<u>\$ 2,810,898</u>	<u>\$ 2,619,311</u>	<u>\$ 2,634,679</u>

\$ -	\$ -	\$ -
222,783	230,881	305,467
24,202	119,751	6,615
(162,942)	(174,299)	(180,967)
(200,000)	(200,000)	(200,000)
(3,000)	(11,825)	(3,300)
(118,957)	(35,492)	(72,185)
2,481,741	2,362,784	2,327,292
<u>\$ 2,362,784</u>	<u>\$ 2,327,292</u>	<u>\$ 2,255,107</u>
<u>\$ 448,114</u>	<u>\$ 292,019</u>	<u>\$ 379,572</u>

84.06% 88.85% 85.59%

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SCHEDULE OF EMPLOYER CONTRIBUTIONS

As of December 31

Last Five Years *

	2015	2016	2017	2018	2019
PERS 1					
Statutorily or contractually required contributions	\$ 1,638,189	\$ 1,870,232	\$ 2,088,586	\$ 2,351,328	\$ 2,378,910
Contributions in relation to the statutorily or contractually required contributions	1,638,189	1,870,232	2,088,586	2,351,328	2,378,910
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	37,181,456	38,923,470	42,065,397	46,207,660	47,859,344
Contributions as a percentage of covered payroll	4.41%	4.80%	4.97%	5.09%	4.97%
PERS 2/3					
Statutorily or contractually required contributions	\$ 1,945,990	\$ 2,282,752	\$ 2,722,404	\$ 3,283,933	\$ 3,502,030
Contributions in relation to the statutorily or contractually required contributions	1,945,990	2,282,752	2,722,404	3,283,933	3,502,030
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	34,908,875	36,752,683	39,599,277	43,777,402	45,359,059
Contributions as a percentage of covered payroll	5.57%	6.21%	6.87%	7.50%	7.72%
PSERS 2					
Statutorily or contractually required contributions	\$ 121,367	\$ 122,102	\$ 139,395	\$ 155,310	\$ 166,854
Contributions in relation to the statutorily or contractually required contributions	121,367	122,102	139,395	155,310	166,854
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	1,882,765	1,860,488	2,091,657	2,266,941	2,338,909
Contributions as a percentage of covered payroll	6.45%	6.56%	6.66%	6.85%	7.13%
LEOFF 1					
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	-	-	-	-	-
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
LEOFF 2					
Statutorily or contractually required contributions	\$ 749,213	\$ 804,269	\$ 860,463	\$ 911,355	\$ 1,017,230
Washington state contributions on behalf of City	505,299	504,126	533,503	581,650	601,365
Contributions in relation to the statutorily or contractually required contributions	1,254,512	1,308,395	1,393,966	1,493,005	1,618,595
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	14,854,927	15,966,559	16,608,310	17,172,460	19,434,574
Contributions as a percentage of covered payroll	8.45%	8.19%	8.39%	8.69%	8.33%

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

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CITY OF KENT, WASHINGTON

City of Kent

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SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY As of June 30 (Measurement Date) Last Five Fiscal Years *

	2015	2016	2017	2018	2019
PERS 1					
City's proportionate share of the net pension liability (asset)	0.322525%	0.331119%	0.320321%	0.335336%	0.323785%
City's proportionate share of the net pension liability (asset)	16,871,057	17,782,650	15,199,481	14,976,220	12,450,683
City's covered payroll	36,351,206	39,440,428	39,988,417	44,217,988	45,216,917
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.41%	45.09%	38.01%	33.87%	27.54%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	57.03%	63.22%	63.22%
PERS 2/3					
City's proportionate share of the net pension liability (asset)	0.381911%	0.395840%	0.384543%	0.402499%	0.393990%
City's proportionate share of the net pension liability (asset)	13,645,898	19,930,231	13,161,031	6,872,312	3,826,982
City's covered payroll	33,923,217	37,251,975	37,700,604	41,742,402	42,827,869
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.23%	53.50%	34.91%	16.46%	8.94%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	85.82%	95.77%	95.77%
PSERS 2					
City's proportionate share of the net pension liability (asset)	0.651624%	0.573616%	0.558376%	0.553617%	0.484319%
City's proportionate share of the net pension liability (asset)	118,934	243,775	109,403	6,859	(62,981)
City's covered payroll	1,907,865	1,859,634	1,976,972	2,171,586	2,230,396
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	6.23%	13.11%	5.53%	0.32%	-2.82%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%	90.41%	99.79%	99.79%

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

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City of Kent

Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY As of June 30 (Measurement Date) Last Five Fiscal Years *

	2015	2016	2017	2018	2019
LEOFF 1					
City's proportionate share of the net pension liability (asset)	0.132902%	0.133759%	0.135565%	0.135862%	0.131670%
City's proportionate share of the net pension liability (asset)	(1,601,763)	(1,378,100)	(2,056,819)	(2,466,577)	(2,691,492)
City's covered payroll **	-	-	-	-	-
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%	123.74%	144.42%	144.42%
LEOFF 2					
City's proportionate share of the net pension liability (asset)	0.521396%	0.505464%	0.520622%	0.518038%	0.498071%
City's proportionate share of the net pension liability (asset)	(5,358,908)	(2,939,930)	(7,224,547)	(10,517,301)	(11,538,776)
City's covered payroll	15,132,938	15,312,604	16,286,027	16,977,973	17,337,346
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.41%	19.20%	44.36%	61.95%	66.55%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%	106.04%	118.50%	118.50%

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

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

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

Concluded

NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2019**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
ASSETS			
Cash and cash equivalents	\$ 5,175,590	\$ 73,627	\$ 773
Investments, at fair value	5,827,627	83,022	857
Receivables (net of allowances for estimated uncollectibles):			
Taxes	980,301	35,089	73,725
Accounts	93,345	-	-
Due from other governments	-	-	-
Prepaid items	268	-	-
TOTAL ASSETS	<u>12,077,131</u>	<u>191,738</u>	<u>75,355</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 12,077,131</u>	<u>\$ 191,738</u>	<u>\$ 75,355</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$ 634,530	\$ 5,913	\$ -
Accounts/payroll payable	593,901	-	-
Due to other funds	-	-	-
Due to other governments	2,762	-	-
Interfund loans payable - current	-	-	-
Deposits and advances	4,495	-	-
Interfund loans payable - non-current	-	-	-
TOTAL LIABILITIES	<u>1,235,688</u>	<u>5,913</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1,235,688</u>	<u>5,913</u>	<u>-</u>
FUND BALANCE			
Nonspendable:			
Prepaid items	268	-	-
Restricted:			
Impact Fees	3,016,866	-	-
Lodging tax purposes	-	185,825	-
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Bond retirement	-	-	-
Committed:			
Street operations	7,824,309	-	-
Youth/Teen programs	-	-	75,355
Criminal justice programs	-	-	-
Economic & community development	-	-	-
Parks capital projects	-	-	-
Technology systems	-	-	-
Facility capital projects	-	-	-
Unassigned	-	-	-
Total Fund Balance	<u>10,841,443</u>	<u>185,825</u>	<u>75,355</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCE	<u>\$ 12,077,131</u>	<u>\$ 191,738</u>	<u>\$ 75,355</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

	Special Revenue		Debt Service		
	Criminal Justice	Housing & Community Development	Total Non-Major Special Revenue Funds	Total Non-Major Debt Service Funds	
\$	3,537,852	\$ 8,458	\$ 8,796,300	\$ 907,069	\$ 907,069
	3,966,636	9,376	9,887,518	1,005,559	1,005,559
	657,377	-	1,746,492	-	-
	56,460	374,426	524,231	-	-
	392,073	-	392,073	-	-
	-	-	268	3,244	3,244
	<u>8,610,398</u>	<u>392,260</u>	<u>21,346,882</u>	<u>1,915,872</u>	<u>1,915,872</u>
\$	<u>8,610,398</u>	<u>392,260</u>	<u>21,346,882</u>	<u>1,915,872</u>	<u>1,915,872</u>
\$	341,195	\$ 83,716	\$ 1,065,354	\$ -	\$ -
	182,801	32,227	808,929	-	-
	-	275,000	275,000	-	-
	8,022	1,317	12,101	-	-
	-	-	-	-	-
	166,441	-	170,936	-	-
	-	-	-	-	-
	<u>698,459</u>	<u>392,260</u>	<u>2,332,320</u>	<u>-</u>	<u>-</u>
	<u>698,459</u>	<u>392,260</u>	<u>2,332,320</u>	<u>-</u>	<u>-</u>
	-	-	268	3,244	3,244
	-	-	3,016,866	-	-
	-	-	185,825	-	-
	5,246,081	-	5,246,081	-	-
	-	-	-	-	-
	-	-	-	1,912,628	1,912,628
	-	-	7,824,309	-	-
	-	-	75,355	-	-
	2,665,858	-	2,665,858	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>7,911,939</u>	<u>-</u>	<u>19,014,562</u>	<u>1,915,872</u>	<u>1,915,872</u>
\$	<u>8,610,398</u>	<u>392,260</u>	<u>21,346,882</u>	<u>1,915,872</u>	<u>1,915,872</u>

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2019**

	Capital Projects			
	Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects
ASSETS				
Cash and equity in pooled investments	\$ 8,276,677	\$ 1,060,120	\$ 4,421,142	\$ 1,103,911
Investments, at fair value	9,332,768	1,195,389	4,985,273	1,244,769
Receivables (net of allowances for estimated uncollectibles):				
Taxes	1,614	-	-	-
Accounts	660,408	-	-	-
Due from other governments	-	-	-	-
Prepaid items	53,648	-	88,000	-
TOTAL ASSETS	<u>18,325,115</u>	<u>2,255,509</u>	<u>9,494,415</u>	<u>2,348,680</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 18,325,115</u>	<u>\$ 2,255,509</u>	<u>\$ 9,494,415</u>	<u>\$ 2,348,680</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Vouchers payable	\$ 56,219	\$ 1,187	\$ 82,400	\$ 7,350
Accounts/payroll payable	44,426	975	25,363	350
Due to other funds	-	-	-	-
Due to other governments	1,548	-	3,634	-
Interfund loans payable	-	258,931	-	-
Deposits and advances	-	-	-	-
Interfund loans payable - non-current	-	529,730	-	-
TOTAL LIABILITIES	<u>102,193</u>	<u>790,823</u>	<u>111,397</u>	<u>7,700</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>102,193</u>	<u>790,823</u>	<u>111,397</u>	<u>7,700</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	53,648	-	88,000	-
Restricted:				
Impact Fees	-	-	-	-
Lodging Tax Purposes	-	-	-	-
Criminal Justice Programs	-	-	-	-
Parks Capital Projects	6,377,152	-	-	-
Bond retirement	-	-	-	-
Committed:				
Street Operating Programs	-	-	-	-
Youth/Teen Programs	-	-	-	-
Criminal justice programs	-	-	-	-
Economic & community development	-	2,233,189	-	-
Parks capital projects	11,792,122	-	-	-
Technology systems	-	-	9,295,018	-
Facility capital projects	-	-	-	2,340,980
Unassigned:	-	(768,503)	-	-
Total Fund Balance	<u>18,222,922</u>	<u>1,464,686</u>	<u>9,383,018</u>	<u>2,340,980</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, & FUND BALANCE	<u>\$ 18,325,115</u>	<u>\$ 2,255,509</u>	<u>\$ 9,494,415</u>	<u>\$ 2,348,680</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

<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>	
\$	14,861,850	\$	24,565,219
	16,758,199		27,651,276
	1,614		1,748,106
	660,408		1,184,639
	-		392,073
	141,648		145,160
	<u>32,423,719</u>		<u>55,686,473</u>
\$	<u>32,423,719</u>	\$	<u>55,686,473</u>
\$	147,156	\$	1,212,510
	71,114		880,043
	-		275,000
	5,182		17,283
	258,931		258,931
	-		170,936
	529,730		529,730
	<u>1,012,113</u>		<u>3,344,433</u>
	<u>1,012,113</u>		<u>3,344,433</u>
	141,648		145,160
	-		3,016,866
	-		185,825
	-		5,246,081
	6,377,152		6,377,152
	-		1,912,628
	-		7,824,309
	-		75,355
	-		2,665,858
	2,233,189		2,233,189
	11,792,122		11,792,122
	9,295,018		9,295,018
	2,340,980		2,340,980
	(768,503)		(768,503)
	<u>31,411,606</u>		<u>52,342,040</u>
\$	<u>32,423,719</u>	\$	<u>55,686,473</u>

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2019**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
REVENUES			
Taxes:			
Sales and use	\$ -	\$ -	\$ -
Utility	7,101,889	-	941,240
Lodging tax	-	306,055	-
Licenses and permits	548,815	-	-
Intergovernmental revenue:			
Federal grants	41,392	-	-
State shared fuel tax	2,108,772	-	-
State shared revenue-criminal justice	-	-	-
State shared revenue-other	178,445	-	-
State grants	57,506	-	-
Other governments	727	-	-
Charges for services:			
Park and recreation fees	-	-	-
Other fees and charges	3,583,641	-	-
Fines and forfeitures	-	-	-
Miscellaneous revenue:			
Interest income	277,522	8,533	-
Rent/lease income	2,260	-	-
Contributions and donations	-	-	-
Other miscellaneous revenue	72,405	-	-
TOTAL REVENUES	<u>13,973,374</u>	<u>314,588</u>	<u>941,240</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	465,528	-
Public works	10,015,197	-	-
Leisure services	-	-	42,000
Health and human services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	148,562	-	-
TOTAL EXPENDITURES	<u>10,163,759</u>	<u>465,528</u>	<u>42,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,809,615	(150,940)	899,240
OTHER FINANCING SOURCES (USES)			
Issuance of installment note	-	-	-
Transfers in	3,392,765	-	-
Transfers out	(8,645,865)	-	(915,730)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,253,100)</u>	<u>-</u>	<u>(915,730)</u>
NET CHANGE IN FUND BALANCES	(1,443,485)	(150,940)	(16,490)
FUND BALANCES (DEFICIT), January 1	12,284,928	336,765	91,845
FUND BALANCES, December 31	<u>\$ 10,841,443</u>	<u>\$ 185,825</u>	<u>\$ 75,355</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

	Special Revenue		Debt Service	
	Criminal Justice	Housing & Community Development	Total Non-Major Special Revenue Funds	Total Non-Major Debt Service Funds
\$	3,150,167	\$ -	\$ 3,150,167	\$ -
	-	-	8,043,129	-
	-	-	306,055	-
	-	-	548,815	-
	173,645	1,062,877	1,277,914	-
	-	-	2,108,772	-
	413,734	-	413,734	-
	65,986	-	244,431	-
	103,663	-	161,169	-
	37,011	-	37,738	1,167,441
	-	-	-	-
	139,352	-	3,722,993	-
	2,573,307	-	2,573,307	-
	-	-	-	-
	232,455	-	518,510	-
	-	-	2,260	-
	3,630	-	3,630	-
	39,772	-	112,177	-
	<u>6,932,722</u>	<u>1,062,877</u>	<u>23,224,801</u>	<u>1,167,441</u>
	-	-	-	-
	5,261,778	-	5,261,778	-
	-	-	465,528	-
	-	-	10,015,197	-
	-	-	42,000	-
	-	1,062,877	1,062,877	-
	-	-	-	6,352,813
	-	-	-	3,449,284
	1,123,049	-	1,271,611	-
	<u>6,384,827</u>	<u>1,062,877</u>	<u>18,118,991</u>	<u>9,802,097</u>
	547,895	-	5,105,810	(8,634,656)
	-	-	-	-
	105,000	-	3,497,765	9,099,482
	(31,050)	-	(9,592,645)	-
	<u>73,950</u>	<u>-</u>	<u>(6,094,880)</u>	<u>9,099,482</u>
	621,845	-	(989,070)	464,826
	7,290,094	-	20,003,632	1,451,046
\$	<u><u>7,911,939</u></u>	<u><u>-</u></u>	<u><u>19,014,562</u></u>	<u><u>1,915,872</u></u>

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2019**

	Capital Projects			
	Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects
REVENUES				
Taxes:				
Sales and use	\$ -	\$ -	\$ -	\$ -
Utility	-	-	-	-
Lodging tax	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue:				
Federal grants	-	-	-	-
State shared fuel tax	10,652	-	-	-
State shared revenue-criminal justice	-	-	-	-
State shared revenue-other	-	-	-	-
State grants	730,764	-	-	-
Other governments	1,241,203	89,601	-	-
Charges for services:				
Park and recreation fees	6,060	-	-	-
Other fees and charges	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous revenue:				
Interest income	508,265	58,658	253,223	28,966
Rent/lease income	161,915	-	-	-
Contributions and Donations	87,676	-	-	-
Other miscellaneous revenue	293,498	-	88,576	-
TOTAL REVENUES	3,040,033	148,259	341,799	28,966
EXPENDITURES				
Current:				
General government	-	-	2,126,291	-
Public safety	-	-	-	-
Community development	-	106,689	-	-
Public works	-	-	-	17,624
Leisure services	198,712	-	-	-
Health and human services	-	-	-	-
Debt service:				
Principal	73,379	-	-	-
Interest and fiscal charges	87,565	35,071	-	-
Capital outlay	9,916,858	-	752,907	49,451
TOTAL EXPENDITURES	10,276,514	141,760	2,879,198	67,075
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,236,481)	6,499	(2,537,399)	(38,109)
OTHER FINANCING SOURCES (USES)				
Issuance of installment note	8,891,708	-	-	-
Transfers in	3,896,000	2,116,562	5,239,998	2,350,000
Transfers out	(1,212,311)	-	(589,000)	(7,950)
TOTAL OTHER FINANCING SOURCES (USES)	11,575,397	2,116,562	4,650,998	2,342,050
SOURCES OVER EXPENDITURES AND OTHER USES	4,338,916	2,123,061	2,113,599	2,303,941
FUND BALANCES, January 1	13,884,006	(658,375)	7,269,419	37,039
FUND BALANCES, December 31	\$ 18,222,922	\$ 1,464,686	\$ 9,383,018	\$ 2,340,980

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

<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>		
\$	-	\$ 3,150,167
	-	8,043,129
	-	306,055
	-	548,815
	-	1,277,914
	10,652	2,119,424
	-	413,734
	-	244,431
	730,764	891,933
	1,330,804	2,535,983
	6,060	6,060
	-	3,722,993
	-	2,573,307
	849,112	1,367,622
	161,915	164,175
	87,676	91,306
	382,074	494,251
	<u>3,559,057</u>	<u>27,951,299</u>
	2,126,291	2,126,291
	-	5,261,778
	106,689	572,217
	17,624	10,032,821
	198,712	240,712
	-	1,062,877
	73,379	6,426,192
	122,636	3,571,920
	10,719,216	11,990,827
	<u>13,364,547</u>	<u>41,285,635</u>
	(9,805,490)	(13,334,336)
	8,891,708	8,891,708
	13,602,560	26,199,807
	(1,809,261)	(11,401,906)
	<u>20,685,007</u>	<u>23,689,609</u>
	10,879,517	10,355,273
	20,532,089	41,986,767
\$	<u><u>31,411,606</u></u>	\$ <u><u>52,342,040</u></u>

Concluded

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

STREET SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 6,664,910	\$ 6,664,910	\$ 7,101,889	\$ 436,979
Licenses and permits	524,700	524,700	548,815	24,115
Intergovernmental:				
Federal grants	-	-	41,392	41,392
State shared - fuel tax	2,159,300	2,159,300	2,108,772	(50,528)
State shared - other	175,000	175,000	178,445	3,445
State grants	-	126,010	57,506	(68,504)
Local government grants	-	-	727	727
Charges for services	721,700	721,700	3,583,641	2,861,941
Miscellaneous revenue:				
Interest income	20,000	20,000	277,522	257,522
Rent/lease income	-	-	2,260	2,260
Other miscellaneous revenue	18,000	18,000	72,405	54,405
TOTAL REVENUES	10,283,610	10,409,620	13,973,374	3,563,754
EXPENDITURES				
Current:				
Public works	12,067,970	9,421,220	10,015,197	593,977
Capital outlay	148,000	148,000	148,562	562
TOTAL EXPENDITURES	12,215,970	9,569,220	10,163,759	594,539
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,932,360)	840,400	3,809,615	2,969,215
OTHER FINANCING SOURCES (USES)				
Transfers in	7,361,810	4,629,930	3,392,765	(1,237,165)
Transfer Out	(5,429,450)	(7,755,102)	(8,645,865)	(890,763)
TOTAL OTHER FINANCING SOURCES (USES)	1,932,360	(3,125,172)	(5,253,100)	(2,127,928)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(2,284,772)	(1,443,485)	841,287
FUND BALANCES, January 1	5,404,355	5,404,355	12,284,928	6,880,573
FUND BALANCES, December 31	\$ 5,404,355	\$ 3,119,583	\$ 10,841,443	\$ 7,721,860

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

LODGING TAX SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Lodging Tax	\$ 291,830	\$ 291,830	\$ 306,055	\$ 14,225
Miscellaneous revenue:				
Interest income	3,000	3,000	8,533	5,533
TOTAL REVENUES	<u>294,830</u>	<u>294,830</u>	<u>314,588</u>	<u>19,758</u>
EXPENDITURES				
Current:				
Community Development	291,190	510,790	465,528	(45,262)
TOTAL EXPENDITURES	<u>291,190</u>	<u>510,790</u>	<u>465,528</u>	<u>(45,262)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,640	(215,960)	(150,940)	65,020
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	3,640	(215,960)	(150,940)	65,020
FUND BALANCES, January 1	338,217	338,217	336,765	(1,452)
FUND BALANCES, December 31	<u>\$ 341,857</u>	<u>\$ 122,257</u>	<u>\$ 185,825</u>	<u>\$ 63,568</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

YOUTH/TEEN PROGRAMS SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 957,550	\$ 957,550	\$ 941,240	\$ (16,310)
Miscellaneous revenue:				
Interest income	180	180	-	(180)
TOTAL REVENUES	<u>957,730</u>	<u>957,730</u>	<u>941,240</u>	<u>(16,490)</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	915,730	915,730	899,240	(16,490)
OTHER FINANCING SOURCES (USES)				
Transfers out	(915,730)	(915,730)	(915,730)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(915,730)</u>	<u>(915,730)</u>	<u>(915,730)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	(16,490)	(16,490)
FUND BALANCES, January 1	87,733	87,733	91,845	4,112
FUND BALANCES, December 31	<u>\$ 87,733</u>	<u>\$ 87,733</u>	<u>\$ 75,355</u>	<u>\$ (12,378)</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

CRIMINAL JUSTICE SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Sales and use	\$ 2,911,390	\$ 2,911,390	\$ 3,150,167	\$ 238,777
Intergovernmental revenue:				
Federal grants	-	-	173,645	173,645
State shared - criminal justice	392,560	392,560	413,734	21,174
State shared - other	50,800	50,800	65,986	15,186
State grants	-	9,400	103,663	94,263
Local government grants	-	5,240	37,011	31,771
Charges for services	94,200	94,200	139,352	45,152
Fines and forfeitures	2,690,080	2,765,080	2,573,307	(191,773)
Miscellaneous revenue:				
Interest income	39,600	39,600	232,455	192,855
Contributions and donations	-	-	3,630	3,630
Other miscellaneous revenue	-	-	39,772	39,772
TOTAL REVENUES	6,178,630	6,268,270	6,932,722	664,452
EXPENDITURES				
Current:				
Public safety	4,985,460	5,247,600	5,261,778	14,178
Capital outlay	868,000	868,000	1,123,049	255,049
TOTAL EXPENDITURES	5,853,460	6,115,600	6,384,827	269,227
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	325,170	152,670	547,895	395,225
OTHER FINANCING SOURCES (USES)				
Transfers in	121,500	121,500	105,000	(16,500)
Transfers out	(16,500)	(61,760)	(31,050)	30,710
TOTAL OTHER FINANCING SOURCES (USES)	105,000	59,740	73,950	14,210
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	430,170	212,410	621,845	409,435
FUND BALANCES, January 1	7,207,406	7,207,406	7,290,094	82,688
FUND BALANCES, December 31	\$ 7,637,576	\$ 7,419,816	\$ 7,911,939	\$ 492,123

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

HOUSING & COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental revenue:				
Federal grants	\$ 1,175,190	\$ 1,111,021	\$ 1,062,877	\$ (48,144)
TOTAL REVENUES	<u>1,175,190</u>	<u>1,111,021</u>	<u>1,062,877</u>	<u>(48,144)</u>
EXPENDITURES				
Current:				
Health and human services	1,175,190	1,111,021	1,062,877	(48,144)
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>1,175,190</u>	<u>1,111,021</u>	<u>1,062,877</u>	<u>(48,144)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-	-
FUND BALANCES, January 1	-	-	-	-
FUND BALANCES, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INTERNAL SERVICE FUNDS

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2019**

	Equipment Rental	Central Services
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,884,980	\$ 1,902,360
Investments, at fair value	3,253,052	2,145,099
Restricted cash, cash equivalents, and investments:		
Cash with fiscal agent	-	-
Receivables (net of allowances for estimated uncollectibles):		
Taxes	-	116,234
Accounts	8,520	114,804
Due from other funds	-	-
Interfund loan receivable	-	-
Inventory, at cost	94,575	92,980
Prepaid expenses	-	225,235
Total Current Assets	<u>6,241,127</u>	<u>4,596,712</u>
NONCURRENT ASSETS:		
Interfund loan receivable non-current	-	-
Property plant and equipment:		
Buildings	108,702	-
Site improvements	253,568	28,963
Equipment	24,102,379	5,628,632
Less: accumulated depreciation	(12,696,976)	(5,657,595)
Construction in progress	352,588	-
Total noncurrent assets	<u>12,120,261</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 18,361,388</u>	<u>\$ 4,596,712</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	82,618	313,947
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 82,618</u>	<u>\$ 313,947</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 18,444,006</u>	<u>\$ 4,910,659</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ 195,449	\$ 324,067
Accounts/payroll payable	64,554	274,109
Incurred but not reported claims payable	-	-
Compensated absences payable - current portion	46,210	214,190
Deposits and unearned revenue	-	-
Total Current Liabilities	<u>306,213</u>	<u>812,366</u>
LONG-TERM LIABILITIES		
Compensated absences payable - non-current	17,944	112,321
Net Pension Liability	258,788	983,389
Total Long-Term Liabilities	<u>276,732</u>	<u>1,095,710</u>
TOTAL LIABILITIES	<u>582,945</u>	<u>1,908,076</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	148,754	565,265
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 148,754</u>	<u>\$ 565,265</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 731,699</u>	<u>\$ 2,473,341</u>
NET POSITION		
Net investment in capital assets	12,120,261	-
Unrestricted	5,592,046	2,437,318
TOTAL NET POSITION	<u>\$ 17,712,307</u>	<u>\$ 2,437,318</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

	Facilities	Insurance	Totals
\$	2,718,703	\$ 5,621,517	\$ 13,127,560
	3,065,626	6,338,495	14,802,272
	-	39,198	39,198
	-	-	116,234
	37,739	506,295	667,358
	-	1,625,000	1,625,000
	-	176,549	176,549
	-	-	187,555
	-	331,806	557,041
	<u>5,822,068</u>	<u>14,638,860</u>	<u>31,298,767</u>
	-	318,207	318,207
	-	-	108,702
	79,420	-	361,951
	92,735	-	29,823,746
	(172,155)	-	(18,526,726)
	36,703	-	389,291
	<u>36,703</u>	<u>318,207</u>	<u>12,475,171</u>
\$	<u>5,858,771</u>	<u>\$ 14,957,067</u>	<u>\$ 43,773,938</u>
	<u>256,115</u>	<u>16,524</u>	<u>669,204</u>
\$	<u>256,115</u>	<u>\$ 16,524</u>	<u>\$ 669,204</u>
\$	<u>6,114,886</u>	<u>\$ 14,973,591</u>	<u>\$ 44,443,142</u>
\$	224,903	\$ 233,265	\$ 977,684
	102,156	19,462	460,281
	-	2,017,072	2,017,072
	71,606	21,680	353,686
	1,250	-	1,250
	<u>399,915</u>	<u>2,291,479</u>	<u>3,809,973</u>
	68,945	-	199,210
	<u>802,238</u>	<u>51,758</u>	<u>2,096,173</u>
	871,183	51,758	2,295,383
	<u>1,271,098</u>	<u>2,343,237</u>	<u>6,105,356</u>
	<u>461,137</u>	<u>29,751</u>	<u>1,204,907</u>
\$	<u>461,137</u>	<u>\$ 29,751</u>	<u>\$ 1,204,907</u>
\$	<u>1,732,235</u>	<u>\$ 2,372,988</u>	<u>\$ 7,310,263</u>
	36,703	-	12,156,964
	<u>4,345,948</u>	<u>12,600,603</u>	<u>24,975,915</u>
\$	<u>4,382,651</u>	<u>\$ 12,600,603</u>	<u>\$ 37,132,879</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2019

	Equipment Rental	Central Services
OPERATING REVENUES		
Sales	\$ 946,192	\$ 152,490
Charges for services	4,036,496	7,148,906
Contributions	-	-
Rental and lease income	-	-
Other operating revenue	-	-
TOTAL OPERATING REVENUES	<u>4,982,688</u>	<u>7,301,396</u>
OPERATING EXPENSES		
Salaries and benefits	1,145,890	5,053,059
Supplies	1,203,222	520,448
Services and charges	718,759	3,260,088
Depreciation	989,068	-
TOTAL OPERATING EXPENSES	<u>4,056,939</u>	<u>8,833,595</u>
OPERATING INCOME (LOSS)	<u>925,749</u>	<u>(1,532,199)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	143,965	97,368
Unrealized net gain/(loss) in fair value of investments	68,521	43,655
Gain/(loss) on disposal of capital assets	18,796	-
Miscellaneous non-operating revenues	88,344	1,399,901
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>319,626</u>	<u>1,540,924</u>
NET INCOME (LOSS)	<u>1,245,375</u>	<u>8,725</u>
Contributed capital	1,292,516	-
Transfers in	2,105,328	589,000
CHANGE IN NET POSITION	<u>4,643,219</u>	<u>597,725</u>
NET POSITION, January 1	13,069,088	1,839,593
NET POSITION, December 31	<u>\$ 17,712,307</u>	<u>\$ 2,437,318</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

	Facilities	Insurance	Totals
\$	-	\$ -	\$ 1,098,682
	4,969,472	-	16,154,874
	-	18,529,197	18,529,197
	72,865	-	72,865
	178,345	2,000,082	2,178,427
	<u>5,220,682</u>	<u>20,529,279</u>	<u>38,034,045</u>
	2,128,798	304,227	8,631,974
	360,785	62,239	2,146,694
	2,283,839	18,584,252	24,846,938
	-	-	989,068
	<u>4,773,422</u>	<u>18,950,718</u>	<u>36,614,674</u>
	<u>447,260</u>	<u>1,578,561</u>	<u>1,419,371</u>
	128,628	315,986	685,947
	60,347	119,823	292,346
	(28,203)	-	(9,407)
	-	-	1,488,245
	<u>160,772</u>	<u>435,809</u>	<u>2,457,131</u>
	<u>608,032</u>	<u>2,014,370</u>	<u>3,876,502</u>
	-	-	1,292,516
	7,950	360,000	3,062,278
	<u>615,982</u>	<u>2,374,370</u>	<u>8,231,296</u>
	3,766,669	10,226,233	28,901,583
\$	<u><u>4,382,651</u></u>	<u><u>12,600,603</u></u>	<u><u>37,132,879</u></u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

	Equipment Rental	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,990,825	\$ 7,283,134
Cash received from other funds for services	-	-
Cash payments to employees	(1,209,899)	(5,162,133)
Cash payments to suppliers	(2,042,418)	(3,860,952)
Other cash received	-	-
Net cash provided by (used for) operating activities	<u>1,738,508</u>	<u>(1,739,951)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan issued for noncapital purposes	-	-
Interfund loan repayment for noncapital purposes	-	-
Interest income from interfund loan	-	-
Operating grants/non-operating revenue received	88,344	1,399,901
Transfers in	169,328	-
Net cash provided by noncapital financing	<u>257,672</u>	<u>1,399,901</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal repayment on interfund loan	-	-
Interest income on interfund capital loans	-	-
Proceeds on disposal of capital assets	160,747	-
Acquisition and construction of capital assets	(5,089,981)	-
Transfers in	1,936,000	589,000
Net cash used for capital and related financing	<u>(1,700,718)</u>	<u>589,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(1,323,687)	(872,744)
Proceeds from sale and maturities of investment securities	1,316,859	837,100
Interest and dividends on investments	212,486	141,023
Net cash provided by (used for) investing activities	<u>205,658</u>	<u>105,379</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	501,120	354,329
CASH AND CASH EQUIVALENTS, January 1	2,383,860	1,548,031
CASH AND CASH EQUIVALENTS, December 31	\$ <u>2,884,980</u>	\$ <u>1,902,360</u>
CASH AND EQUITY IN POOLED CASH AND CASH EQUIVALENTS AT DECEMBER 31 CONSISTS OF:		
Current assets:		
Cash and cash equivalents	2,884,980	1,902,360
Restricted cash with fiscal agent	-	-
	<u>2,884,980</u>	<u>1,902,360</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Facilities	Insurance	Total
\$ 5,048,405	\$ -	\$ 17,322,364
-	18,140,599	18,140,599
(2,212,432)	(309,857)	(8,894,321)
(2,587,072)	(19,427,913)	(27,918,355)
178,345	2,000,082	2,178,427
427,246	402,911	828,714
-	(1,625,000)	(1,625,000)
-	1,650,000	1,650,000
-	38,049	38,049
-	-	1,488,245
-	360,000	529,328
-	423,049	2,080,622
-	564,179	564,179
-	18,800	18,800
-	-	160,747
(47,442)	-	(5,137,423)
7,950	-	2,532,950
(39,492)	582,979	(568,231)
(1,247,130)	(2,578,719)	(6,022,280)
1,185,841	2,102,666	5,442,466
188,975	378,960	921,444
127,686	(97,093)	341,630
515,440	1,311,846	2,682,735
2,203,263	4,348,869	10,484,023
\$ 2,718,703	\$ 5,660,715	\$ 13,166,758
2,718,703	5,621,517	13,127,560
-	39,198	39,198
2,718,703	5,660,715	13,166,758

Continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	Equipment Rental	Central Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 925,749	\$ (1,532,199)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	989,068	-
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	8,137	(18,262)
(Increase) Decrease in inventory	(27,430)	(21,909)
(Increase) Decrease in prepaid expenses	-	(225,235)
(Increase) Decrease in pension deferred outflows	(7,938)	(37,631)
Increase (Decrease) in vouchers payable	(55,896)	162,001
Increase (Decrease) in accounts/payroll payable	(33,511)	37,831
(Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in compensated absences	(5,904)	53,644
Increase (Decrease) in pension deferred inflows	21,520	94,498
Increase (Decrease) in pension liabilities	(75,287)	(252,689)
Total Adjustments	<u>812,759</u>	<u>(207,752)</u>
Net cash provided by operating activities	<u>\$ 1,738,508</u>	<u>\$ (1,739,951)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ 1,292,516	\$ -
Increase (Decrease) in fair value of investments	68,521	43,655

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Facilities	Insurance	Total
\$ 447,260	\$ 1,578,561	\$ 1,419,371
-	-	989,068
6,068	(388,598)	(392,655)
-	-	(49,339)
-	(108,225)	(333,460)
(54,479)	(1,588)	(101,636)
62,296	(131,734)	36,667
(44,738)	4,587	(35,831)
-	(542,421)	(542,421)
(7,000)	3,082	43,822
117,604	4,304	237,926
<u>(99,765)</u>	<u>(15,057)</u>	<u>(442,798)</u>
<u>(20,014)</u>	<u>(1,175,650)</u>	<u>(590,657)</u>
<u>\$ 427,246</u>	<u>\$ 402,911</u>	<u>\$ 828,714</u>
\$ -	\$ -	\$ 1,292,516
60,347	119,823	292,346

Concluded



CUSTODIAL FUNDS

The CUSTODIAL 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. The Custodial Funds are the School Impact Fee Fund, Fire Impact Fee Fund and Valley Narcotics Enforcement Team (VNET) Fund.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
CUSTODIAL FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2019**

	School Impact Fees	Fire Impact Fees	VNET	Total
ASSETS				
Cash and equity in pooled investments	\$ 209,793	\$ 126,926	\$ 803,129	\$ 1,139,848
Cash with fiscal agent	-	-	75,500	75,500
Investments, at fair value	232,572	140,708	897,324	1,270,604
Receivables (net of allowances for estimated uncollectables)	-	-	18,773	18,773
Due from other governments	-	-	117,058	117,058
TOTAL ASSETS	<u>\$ 442,365</u>	<u>\$ 267,634</u>	<u>\$ 1,911,784</u>	<u>\$ 2,621,783</u>
LIABILITIES				
Vouchers payable	\$ 442,365	\$ 267,634	\$ 105,005	\$ 815,004
Accounts/payroll payable	-	-	4,856	4,856
Due to other governments	-	-	120	120
Deposits and unearned revenue	-	-	664,383	664,383
TOTAL LIABILITIES	<u>\$ 442,365</u>	<u>\$ 267,634</u>	<u>\$ 774,364</u>	<u>\$ 1,484,363</u>
NET POSITION				
Restricted for organizations and other governments	<u>\$ -</u>	<u>\$ -</u>	<u>1,137,420</u>	<u>1,137,420</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended December 31, 2019**

	School Impact Fees	Fire Impact Fees	VNET	Total
ADDITIONS				
Contributions:				
Impact fees	\$ 1,383,541	\$ 1,708,666	\$ -	\$ 3,092,207
Federal grants	-	-	71,255	71,255
Seisure funds	-	-	610,534	610,534
Other governments	-	-	79,277	79,277
Investment earnings:				
Interest income	2,103	3,204	14,876	20,183
Unrealized net gani/(loss) in fair value of investments	-	-	9,158	9,158
Investment expenses	-	-	-	-
Net investment income	2,103	3,204	24,034	29,341
TOTAL ADDITIONS	1,385,644	1,711,870	785,100	3,882,614
DEDUCTIONS				
Administrative expenses	-	-	479,065	479,065
Payment of impact fees to other governments	1,385,644	1,711,870	-	3,097,514
TOTAL DEDUCTIONS	1,385,644	1,711,870	479,065	3,576,579
CHANGE IN NET POSITION	-	-	306,035	306,035
NET POSITION January 1	-	-	-	-
Cummulative effect of a change in accounting principle	-	-	831,385	831,385
NET POSITION January 1-Restated	-	-	831,385	831,385
NET POSITION December 31	-	-	1,137,420	1,137,420



INSURANCE FUND DETAILED SCHEDULES

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
INSURANCE FUND
COMBINING STATEMENT OF NET POSITION
December 31, 2019**

	Unemployment Compensation Insurance	Workers' Compensation Insurance
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 641,364	\$ 1,293,716
Investments, at fair value	723,206	1,459,294
Restricted cash, cash equivalents, & investments:		
Cash with fiscal agent	-	35,000
Receivables (net of allowances for estimated uncollectibles):		
Accounts	-	-
Due from other funds	-	812,500
Interfund loan receivable	-	48,213
Prepaid expenses	-	-
Total Current Assets	<u>1,364,570</u>	<u>3,648,723</u>
NONCURRENT ASSETS:		
Interfund loan receivable non-current	-	77,145
Total noncurrent assets	<u>-</u>	<u>77,145</u>
TOTAL ASSETS	\$ <u>1,364,570</u>	\$ <u>3,725,868</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,652	6,610
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>1,652</u>	\$ <u>6,610</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ <u>1,366,222</u>	\$ <u>3,732,478</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ -	\$ -
Accounts/payroll payable	3,564	7,501
Incurred but not reported claims payable	-	869,702
Compensated absences payable - current portion	2,168	8,672
Total Current Liabilities	<u>5,732</u>	<u>885,875</u>
LONG-TERM LIABILITIES		
Net Pension Liability	5,176	20,703
Total Long-Term Liabilities	<u>5,176</u>	<u>20,703</u>
TOTAL LIABILITIES	<u>10,908</u>	<u>906,578</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	2,975	11,900
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>2,975</u>	\$ <u>11,900</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ <u>13,883</u>	\$ <u>918,478</u>
NET POSITION		
Unrestricted	1,352,339	2,814,000
TOTAL NET POSITION	\$ <u>1,352,339</u>	\$ <u>2,814,000</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

	Medical & Dental Insurance	Liability Insurance	Property Insurance	Totals
\$	2,668,802	\$ 787,482	\$ 230,153	\$ 5,621,517
	3,008,503	887,969	259,523	6,338,495
	-	4,198	-	39,198
	150,858	355,437	-	506,295
	812,500	-	-	1,625,000
	80,123	48,213	-	176,549
	52,431	36,198	243,177	331,806
	<u>6,773,217</u>	<u>2,119,497</u>	<u>732,853</u>	<u>14,638,860</u>
	163,917	77,145	-	318,207
	<u>163,917</u>	<u>77,145</u>	<u>-</u>	<u>318,207</u>
\$	<u>6,937,134</u>	<u>2,196,642</u>	<u>732,853</u>	<u>14,957,067</u>
	-	6,610	1,652	16,524
\$	<u>-</u>	<u>6,610</u>	<u>1,652</u>	<u>16,524</u>
\$	<u>6,937,134</u>	<u>2,203,252</u>	<u>734,505</u>	<u>14,973,591</u>
\$	231,037	2,228	\$ -	\$ 233,265
	-	5,711	2,686	19,462
	890,600	256,770	-	2,017,072
	-	8,672	2,168	21,680
	<u>1,121,637</u>	<u>273,381</u>	<u>4,854</u>	<u>2,291,479</u>
	-	20,703	5,176	51,758
	<u>-</u>	<u>20,703</u>	<u>5,176</u>	<u>51,758</u>
	<u>1,121,637</u>	<u>294,084</u>	<u>10,030</u>	<u>2,343,237</u>
	-	11,901	2,975	29,751
\$	<u>-</u>	<u>11,901</u>	<u>2,975</u>	<u>29,751</u>
\$	<u>1,121,637</u>	<u>305,985</u>	<u>13,005</u>	<u>2,372,988</u>
	5,815,497	1,897,267	721,500	12,600,603
\$	<u>5,815,497</u>	<u>1,897,267</u>	<u>721,500</u>	<u>12,600,603</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
INSURANCE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2019**

	Unemployment Compensation Insurance	Workers' Compensation Insurance
OPERATING REVENUES		
Contributions	\$ 130,880	\$ 1,061,538
Other operating revenue	-	110,935
TOTAL OPERATING REVENUES	<u>130,880</u>	<u>1,172,473</u>
OPERATING EXPENSES		
Salaries and benefits	32,424	120,065
Supplies	-	36,167
Services and charges	187,192	1,766,932
TOTAL OPERATING EXPENSES	<u>219,616</u>	<u>1,923,164</u>
OPERATING INCOME (LOSS)	<u>(88,736)</u>	<u>(750,691)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	32,379	88,584
Unrealized net gain/(loss) in fair value of investments	15,207	28,308
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>47,586</u>	<u>116,892</u>
NET INCOME (LOSS)	<u>(41,150)</u>	<u>(633,799)</u>
Transfers in	-	-
CHANGE IN NET POSITION	<u>(41,150)</u>	<u>(633,799)</u>
NET POSITION, January 1	1,393,489	3,447,799
NET POSITION, December 31	<u>\$ 1,352,339</u>	<u>\$ 2,814,000</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

	Medical & Dental Insurance	Liability Insurance	Property Insurance	Totals
\$	14,966,219	\$ 1,804,690	\$ 565,870	\$ 18,529,197
	579,072	571,410	738,665	2,000,082
	<u>15,545,291</u>	<u>2,376,100</u>	<u>1,304,535</u>	<u>20,529,279</u>
	-	120,192	31,546	304,227
	3,414	17,192	5,466	62,239
	13,843,894	1,611,225	1,175,009	18,584,252
	<u>13,847,308</u>	<u>1,748,609</u>	<u>1,212,021</u>	<u>18,950,718</u>
	<u>1,697,983</u>	<u>627,491</u>	<u>92,514</u>	<u>1,578,561</u>
	131,157	44,955	18,911	315,986
	53,600	17,437	5,271	119,823
	<u>184,757</u>	<u>62,392</u>	<u>24,182</u>	<u>435,809</u>
	<u>1,882,740</u>	<u>689,883</u>	<u>116,696</u>	<u>2,014,370</u>
	-	360,000	-	360,000
	<u>1,882,740</u>	<u>1,049,883</u>	<u>116,696</u>	<u>2,374,370</u>
	3,932,757	847,384	604,804	10,226,233
\$	<u><u>5,815,497</u></u>	<u><u>1,897,267</u></u>	<u><u>721,500</u></u>	<u><u>12,600,603</u></u>



OTHER BUDGETARY SCHEDULES

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

PUBLIC SAFETY RETIREE SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Contributions and Donations	\$ 922,790	\$ 922,790	\$ 1,093,367	\$ 170,577
Miscellaneous revenue:				
Interest income	6,800	6,800	58,419	51,619
TOTAL REVENUES	<u>929,590</u>	<u>929,590</u>	<u>1,151,786</u>	<u>222,196</u>
EXPENDITURES				
Current:				
Public safety	1,423,000	1,423,000	1,352,624	(70,376)
TOTAL EXPENDITURES	<u>1,423,000</u>	<u>1,423,000</u>	<u>1,352,624</u>	<u>(70,376)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(493,410)	(493,410)	(200,838)	292,572
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	(243,410)	(243,410)	49,162	292,572
FUND BALANCES, January 1	1,868,412	1,868,412	1,872,112	3,700
FUND BALANCES, December 31	<u>\$ 1,625,002</u>	<u>\$ 1,625,002</u>	<u>\$ 1,921,274</u>	<u>\$ 296,272</u>

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT

OPERATING GRANTS & ARTS FUND

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

For the Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous revenue:				
Contributions and Donations	4	-	\$ 12,500	12,500
TOTAL REVENUES			<u>12,500</u>	<u>12,500</u>
EXPENDITURES				
Current:				
Leisure services	112,670	112,670	82,367	(30,303)
Health and human services	-	60,000	46,192	(13,808)
Capital Outlay	-	20,000	50,000	30,000
TOTAL EXPENDITURES	<u>112,670</u>	<u>192,670</u>	<u>178,559</u>	<u>(14,111)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(112,670)	(192,670)	(166,059)	26,611
OTHER FINANCING SOURCES (USES)				
Transfers in	112,670	172,670	173,321	651
TOTAL OTHER FINANCING SOURCES (USES)	<u>112,670</u>	<u>172,670</u>	<u>173,321</u>	<u>651</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(20,000)	7,262	27,262
FUND BALANCES, January 1	587,401	587,401	800,926	213,525
FUND BALANCES, December 31	<u>\$ 587,401</u>	<u>\$ 567,401</u>	<u>\$ 808,188</u>	<u>\$ 240,787</u>

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
EVENTS CENTER OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended December 31, 2019**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous revenue:				
Other miscellaneous revenue	\$ -	\$ -	\$ 18,221	18,221
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>18,221</u>	<u>18,221</u>
EXPENDITURES				
Current:				
Leisure services	1,398,990	1,398,990	1,089,762	(309,228)
Debt service:				
Principal	24,800	24,800	-	(24,800)
TOTAL EXPENDITURES	<u>1,423,790</u>	<u>1,423,790</u>	<u>1,089,762</u>	<u>(334,028)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,423,790)	(1,423,790)	(1,071,541)	352,249
OTHER FINANCING SOURCES (USES)				
Transfers in	1,150,000	1,250,000	1,438,090	188,090
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,150,000</u>	<u>1,250,000</u>	<u>1,438,090</u>	<u>188,090</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(273,790)	(173,790)	366,549	540,339
FUND BALANCES, January 1	2,386,387	2,386,387	2,563,459	177,072
FUND BALANCES, December 31	<u>\$ 2,112,597</u>	<u>\$ 2,212,597</u>	<u>\$ 2,930,008</u>	<u>\$ 717,411</u>

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.
 Transfers into this fund of \$988,638 are eliminated when combined with the General Fund for financial reporting.
 Budgeted transfers of \$84,430 between business units within this fund have been eliminated for financial reporting purposes.

GOVERNMENTAL CAPITAL ASSET SCHEDULES

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2019**

	Land	Buildings	Site Improvements	Equipment	Infrastructure	Total
GENERAL GOVERNMENT						
Administration	\$ 239,582	\$ 240,855	\$ -	\$ 52,101	\$ -	\$ 532,538
Attorney	-	-	-	51,966	-	51,966
Finance	-	-	-	316,779	-	316,779
Planning	-	-	33,553	140,991	-	174,544
Public office buildings	4,651,835	38,303,706	4,826,207	2,962,221	-	50,743,969
Other	247,797	-	-	25,713,796	-	25,961,593
Total	5,139,214	38,544,561	4,859,760	29,237,854	-	77,781,389
PUBLIC SAFETY						
Police	450,258	2,180,222	585,206	4,050,902	-	7,266,588
Fire	283,568	2,536,016	125,122	330,669	-	3,275,375
Total	733,826	4,716,238	710,328	4,381,571	-	10,541,963
PUBLIC WORKS						
Engineering	2,650,000	-	1,302,586	658,692	-	4,611,278
Streets	165,596,658	-	429,075	1,198,118	652,891,550	820,115,401
Total	168,246,658	-	1,731,661	1,856,810	652,891,550	824,726,679
PARKS, RECREATION AND CULTURE						
Parks and recreation	52,349,667	1,174,206	66,001,818	679,572	-	120,205,263
Senior center	1,955,066	3,521,545	32,875	63,447	-	5,572,933
Parks maintenance	-	101,218	167,599	332,160	-	600,977
Kent commons	200,704	3,599,418	246,830	137,668	-	4,184,620
ShoWare Center	-	76,456,164	-	5,105,518	-	81,561,682
Cultural arts	-	-	756,648	709,019	-	1,465,667
Total	54,505,437	84,852,551	67,205,770	7,027,384	-	213,591,142
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	230,847,596	132,048,104	74,507,519	42,550,033	652,891,550	1,132,844,802
Construction in progress	-	-	-	-	-	61,221,377
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 230,847,596</u>	<u>\$ 132,048,104</u>	<u>\$ 74,507,519</u>	<u>\$ 42,550,033</u>	<u>\$ 652,891,550</u>	<u>\$ 1,194,066,179</u>

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended December 31, 2019**

	Governmental Fund Capital Assets 01/01/19	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12/31/19
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	50,728,549	15,420	-	50,743,969
Other	25,320,131	649,487	(8,025)	25,961,593
Total	<u>77,124,507</u>	<u>664,907</u>	<u>(8,025)</u>	<u>77,781,389</u>
PUBLIC SAFETY				
Police	7,234,148	62,131	(29,691)	7,266,588
Fire	3,275,375	-	-	3,275,375
Total	<u>10,509,523</u>	<u>62,131</u>	<u>(29,691)</u>	<u>10,541,963</u>
PUBLIC WORKS				
Engineering	4,523,278	88,000	-	4,611,278
Streets	816,679,400	3,436,001	-	820,115,401
Total	<u>821,202,678</u>	<u>3,524,001</u>	<u>-</u>	<u>824,726,679</u>
PARKS, RECREATIONS AND CULTURE				
Parks and recreation	109,584,571	10,991,857	(371,165)	120,205,263
Senior center	5,572,933	-	-	5,572,933
Parks maintenance	570,803	30,174	-	600,977
Kent commons	4,184,620	-	-	4,184,620
ShoWare Center	81,561,682	-	-	81,561,682
Cultural arts	1,465,667	-	-	1,465,667
Total	<u>202,940,276</u>	<u>11,022,031</u>	<u>(371,165)</u>	<u>213,591,142</u>
LIBRARY				
	6,203,629	-	-	6,203,629
Total	<u>6,203,629</u>	<u>-</u>	<u>-</u>	<u>6,203,629</u>
Construction in progress	34,615,622	28,021,913	(1,416,158)	61,221,377
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 1,152,596,235</u>	<u>\$ 43,294,983</u>	<u>\$ (1,825,039)</u>	<u>\$ 1,194,066,179</u>

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



DEBT SERVICE SCHEDULES

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2019

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2005	636,000	-	305,000	331,000
Series 2009	1,005,000	-	1,005,000	-
Plus: unamortized premium	30,058	-	30,058	-
Series 2012	3,960,000	-	1,160,000	2,800,000
Plus: unamortized premium	209,879	-	53,585	156,294
Series 2014	2,991,980	-	815,350	2,176,630
Plus: unamortized premium	208,364	-	71,440	136,924
Series 2015A Taxable	1,740,000	-	700,000	1,040,000
Series 2015B	4,240,000	-	-	4,240,000
Plus: unamortized premium	168,864	-	28,540	140,324
Series 2016A	15,085,000	-	1,050,000	14,035,000
Plus: unamortized premium	2,605,745	-	137,749	2,467,996
Series 2016B	47,800,000	-	510,000	47,290,000
Plus: unamortized premium	8,271,177	-	437,243	7,833,934
Total	<u>88,952,067</u>	<u>-</u>	<u>6,303,965</u>	<u>82,648,102</u>
Contracts, Lease, Notes Payable:				
General Obligation Contracts, Notes:				
Public Works Trust Fund Loan 2003	266,813	-	53,363	213,450
Public Works Trust Fund Loan 2004	2,726,471	-	454,412	2,272,059
Public Works Trust Fund Loan 2008	2,680,921	-	268,092	2,412,829
YMCA Note	-	8,891,708	73,380	8,818,328
SMG Capital Loan	420,495	-	-	420,495
Capital Lease	170,241	-	31,596	138,645
Total	<u>6,264,941</u>	<u>8,891,708</u>	<u>880,843</u>	<u>14,275,806</u>
Other Non-Current Liabilities				
Compensated Absences				
General Government	4,429,143	6,107,413	5,668,374	4,868,182
Internal Service Funds	509,074	600,374	556,552	552,896
Contingent Loan Guarantee Obligation	2,230,042	-	1,512,708	717,334
Net Pension Liability	17,837,837	13,500,043	17,837,837	13,500,043
Net OPEB Obligation	29,794,456	1,863,853	981,780	30,676,529
Total	<u>54,800,552</u>	<u>22,071,683</u>	<u>26,557,251</u>	<u>50,314,984</u>
Total Governmental Debt	<u>\$ 150,017,560</u>	<u>\$ 30,963,391</u>	<u>\$ 33,742,059</u>	<u>\$ 147,238,892</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2019

	Balances January 1	Issued	Retired	Balances December 31
Bonds Payable:				
Limited Tax General Obligation Bonds - Non-voted:				
Series 2014 ¹	\$ 1,228,020	-	334,650	\$ 893,370
Plus: unamortized premium	85,521	-	29,321	56,200
Total	<u>1,313,541</u>	<u>-</u>	<u>363,971</u>	<u>949,570</u>
Revenue Bonds: ²				
Series 2009 B	15,880,000	-	15,880,000	-
Series 2017 Refunding	13,180,000	-	-	13,180,000
Plus: unamortized premium	2,205,888	-	201,942	2,003,946
Total	<u>31,265,888</u>	<u>-</u>	<u>16,081,942</u>	<u>15,183,946</u>
 Total Bonds Payable	 <u>32,579,429</u>	 <u>-</u>	 <u>16,445,913</u>	 <u>16,133,516</u>
Contracts, Lease, Notes Payable:				
Public Works Trust Fund Loan 2001 - Water	1,583,334	-	527,778	1,055,556
Public Works Trust Fund Loan 2002 - Water	2,125,000	-	531,250	1,593,750
Public Works Trust Fund Loan 2004 - Sewer	450,000	-	75,000	375,000
Contract - Tacoma Pipeline 2010 - Water	9,760,000	-	300,000	9,460,000
Contract - Tacoma Pipeline 2013 Ref - Water	13,805,000	-	345,000	13,460,000
Capital Lease	588,466	-	149,870	438,596
Total	<u>28,311,800</u>	<u>-</u>	<u>1,928,898</u>	<u>26,382,902</u>
Other Non-Current Liabilities				
Compensated Absences				
Water Utility	295,135	356,680	342,347	309,468
Sewer Utility	85,058	131,028	127,521	88,565
Drainage Utility	265,170	384,682	353,398	296,454
Solid Waste Utility	18,603	42,070	29,721	30,952
Golf Complex	99,140	44,309	63,871	79,578
Total compensated absences	<u>763,106</u>	<u>958,769</u>	<u>916,858</u>	<u>805,017</u>
Pension Liability	4,309,573	3,157,194	4,309,573	3,157,194
 Total Business-Type Debt	 <u>\$ 65,963,908</u>	 <u>\$ 4,115,963</u>	 <u>\$ 23,601,242</u>	 <u>\$ 46,478,629</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS TO MATURITY BY BOND TYPE As of December 31, 2019

Fiscal Year	General Obligation Bonds		Water & Sewer Revenue Bonds		Total Debt Service Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	5,171,000	3,255,206	1,060,000	659,000	6,231,000	3,914,206
2021	4,820,000	3,050,400	1,110,000	606,000	5,930,000	3,656,400
2022	4,885,000	2,847,000	1,165,000	550,500	6,050,000	3,397,500
2023	4,805,000	2,630,050	1,220,000	492,250	6,025,000	3,122,300
2024	4,665,000	2,416,600	1,280,000	431,250	5,945,000	2,847,850
2025	5,225,000	2,201,650	1,330,000	367,250	6,555,000	2,568,900
2026	2,985,000	1,940,400	1,395,000	300,750	4,380,000	2,241,150
2027	3,270,000	1,791,150	1,465,000	231,000	4,735,000	2,022,150
2028	3,560,000	1,627,650	1,540,000	157,750	5,100,000	1,785,400
2029	3,875,000	1,449,650	1,615,000	80,750	5,490,000	1,530,400
2030	4,200,000	1,294,650	-	-	4,200,000	1,294,650
2031	4,520,000	1,126,650	-	-	4,520,000	1,126,650
2032	4,910,000	900,650	-	-	4,910,000	900,650
2033	2,750,000	655,150	-	-	2,750,000	655,150
2034	2,960,000	517,650	-	-	2,960,000	517,650
2035	3,175,000	369,650	-	-	3,175,000	369,650
2036	3,425,000	210,900	-	-	3,425,000	210,900
2037	3,605,000	108,150	-	-	3,605,000	108,150
Totals	<u>\$ 72,806,000</u>	<u>\$28,393,206</u>	<u>\$ 13,180,000</u>	<u>\$ 3,876,500</u>	<u>\$ 85,986,000</u>	<u>\$32,269,706</u>

TRANSFERS

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
For the Year Ended December 31, 2019

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:			
General Fund			
Capital Resources Fund	Structural imbalance strategy	-	200,000
Capital Resources Fund	Neighborhood matching grants	-	25,000
Capital Resources Fund	B&O tax capital projects	-	6,650,357
Capital Resources Fund	ShoWare lifecycle funding	300,000	-
Streets Capital Projects Fund	B&O tax projects	-	4,821,348
Streets Capital Projects Fund	Capital projects	-	10,000
Other Capital Projects Fund	Capital projects	-	390,000
Other Govtl Funds-Streets Fund	B&O streets funding	-	4,684,125
Other Govtl Funds-Youth/Teen Fund	Youth/Teen funding	915,730	-
Other Govtl Funds-Criminal Justice Fund	Various police operations	31,050	-
Other Govtl Funds-Criminal Justice Fund	Drug Task Force	-	105,000
Other Govtl Funds-Parks Capital Projects	Capital projects	37,631	-
Other Govtl Funds-Technology Capital Projects	Funding for various technology projects	-	840,000
Golf Complex	Subsidy of golf complex	-	168,306
Internal Service Funds-Insurance Fund	Fund excess liability insurance costs	-	360,000
subtotals		<u>1,284,411</u>	<u>18,254,136</u>
Capital Resources Fund			
General Fund	Neighborhood matching grants	25,000	-
General Fund	B&O tax capital projects	6,650,357	-
General Fund	Structural imbalance strategy	200,000	-
General Fund	ShoWare lifecycle funding	-	300,000
Streets Capital Projects Fund	228th Street grade separations	-	1,700,000
Other Govtl Funds-Streets Fund	Railroad quiet zone study unfunded	-	(1,700,000)
Other Govtl Funds-Non-Voted GO Debt Service	Funding for debt payments	-	6,537,570
Other Govtl Funds-Parks Capital Projects	Funding for various parks capital projects	-	3,376,000
Other Govtl Funds-Parks Capital Projects	Parks Lifecycle funding	115,130	-
Other Govtl Funds-Other Capital Projects	Funding for various capital projects	-	1,403,742
Other Govtl Funds-Technology Capital Projects	Funding for various technology projects	-	4,399,998
Other Govtl Funds-Facility Capital Projects	Funding for various facilities projects	-	2,350,000
Internal Service Funds-Equipment Rental Fund	Funding for various capital projects	-	1,936,000
subtotals		<u>6,990,487</u>	<u>20,303,310</u>
Special Assessments Fund			
Streets Capital Projects	LID funding - streets capital projects	-	1,113,380
Drainage Fund	Drainage LID project funding	-	5,080
subtotals		<u>-</u>	<u>1,118,460</u>
Streets Capital Projects Fund			
General Fund	B&O tax projects	4,821,348	-
General Fund	Capital projects	10,000	-
Special Assessments Fund	LID funding - streets capital projects	1,113,380	-
Capital Resources Fund	228th Street grade separations	1,700,000	-
Other Govtl Funds-Parks Capital Projects	4th & Willis roundabout capital project	10,000	-
Other Govtl Funds-Other Capital Projects	Realign funding for projects	-	322,820
Other Govtl Funds-Streets Fund	Various street capital projects	6,203,379	408,640
Drainage Utility Fund	Capital projects	500,750	-
subtotals		<u>14,358,857</u>	<u>731,460</u>
Non-major Governmental:			
Street Fund			
General Fund	B&O streets funding	4,684,125	-
Capital Resources Fund	Railroad quiet zone study unfunded	(1,700,000)	-
Non-Voted GO Debt Service Fund	Funding for debt payments	-	2,442,486
Street Capital Project Fund	Various street capital projects	408,640	6,203,379
subtotals		<u>3,392,765</u>	<u>8,645,865</u>
Youth/Teen Program Fund			
General Fund	Youth/Teen funding	-	915,730
subtotals		<u>-</u>	<u>915,730</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
For the Year Ended December 31, 2019**

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Criminal Justice Fund			
General Fund	Various police operations	-	31,050
General Fund	Drug Task Force	105,000	-
subtotals		<u>105,000</u>	<u>31,050</u>
Non-voted Debt Service			
Capital Resources Fund	Funding for debt payments	6,537,570	-
Other Govtl Funds-Street Fund	Funding for debt payments	2,442,486	-
Water Utility	Funding for debt payments	46,814	-
Drainage Utility	Funding for debt payments	72,612	-
subtotals		<u>9,099,482</u>	<u>-</u>
Parks Capital Projects			
General Fund	Parks maintenance funding	-	37,631
Capital Resources Fund	Capital projects	3,376,000	-
Capital Resources Fund	Parks Lifecycle funding	-	115,130
Streets Capital Projects Fund	4th & Willis roundabout capital project	-	10,000
Water Utility Fund	Proceeds from land swap	520,000	-
Drainage Utility Fund	Various Drainage Capital Projects	-	1,049,550
subtotals		<u>3,896,000</u>	<u>1,212,311</u>
Other Capital Projects			
General Fund	Capital projects	390,000	-
Capital Resources Fund	Various capital projects	1,403,742	-
Street Capital Project Fund	Meet Me on Meeker project	322,820	-
subtotals		<u>2,116,562</u>	<u>-</u>
Technology Capital Projects			
General Fund	Funding for various technology projects	840,000	-
Capital Resources Fund	Funding for various technology projects	4,399,998	-
Internal Service-Central Services Fund	Project moved to operating	-	589,000
subtotals		<u>5,239,998</u>	<u>589,000</u>
Facilities Capital Projects			
Capital Resources Fund	Various building capital projects	2,350,000	-
Internal Service Fund-Facilities Fund	Project moved to operating	-	7,950
subtotals		<u>2,350,000</u>	<u>7,950</u>
subtotals - Governmental Funds		<u>48,833,562</u>	<u>51,809,272</u>
Enterprise Funds:			
Water Utility			
Non-Voted GO Debt Service Fund	Funding for debt payments	-	46,814
Other Govtl Funds-Parks Capital Projects	Proceeds from land swap	-	520,000
Internal Service-Equipment Rental Fund	Capital asset transfer	-	77,953
subtotals		<u>-</u>	<u>644,767</u>
Sewerage Utility			
Drainage Utility	Split Sewer/Drainage capital projects	7,227,729	25,294
Internal Service-Equipment Rental	Capital asset transfer	-	9,625
subtotals		<u>7,227,729</u>	<u>34,919</u>
Drainage Utility			
Special Assessments Fund	Drainage LID project funding	5,080	-
Streets Capital Projects	Capital projects	-	500,750
Non-Voted GO Debt Service Fund	Funding for debt payments	-	72,612
Other Govtl Funds-Parks Capital Projects	Various drainage capital projects	1,049,550	-
Sewerage Utility	Split Sewer/Drainage capital projects	25,294	7,227,729
Internal Service-Equipment Rental	Capital asset transfer	-	81,750
subtotals		<u>1,079,924</u>	<u>7,882,841</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**CITY OF KENT
SCHEDULE OF INTERFUND TRANSFERS
For the Year Ended December 31, 2019**

<u>Fund Out/Fund In</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Golf Complex			
General Fund	Subsidy of golf complex	168,306	-
subtotals		<u>168,306</u>	<u>-</u>
subtotals - Enterprise Funds		<u>8,475,959</u>	<u>8,562,527</u>
Internal Service Funds:			
Equipment Rental			
Capital Resources Fund	Funding for various capital projects	1,936,000	
Water Utility	Capital asset transfer	77,953	-
Sewerage Utility	Capital asset transfer	9,625	
Drainage Utility	Capital asset transfer	81,750	
subtotals		<u>2,105,328</u>	<u>-</u>
Central Services			
Other Govtl Funds-Technology Capital Proj	Project moved to operating	589,000	-
subtotals		<u>589,000</u>	<u>-</u>
Facilities			
Other Govtl Funds-Facilities Capital Projects Fund	Project moved to operating	7,950	-
subtotals		<u>7,950</u>	<u>-</u>
Insurance			
General Fund	Fund excess liability insurance costs	360,000	-
subtotals		<u>360,000</u>	<u>-</u>
subtotals - Internal Service Funds		<u>3,062,278</u>	<u>-</u>
Grand totals		<u>60,371,799</u>	<u>60,371,799</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	176
<i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
Revenue Capacity	186
<i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</i>	
Debt Capacity	204
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
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<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>	
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<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 2019

CITY OF KENT, WASHINGTON

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

	Fiscal Year			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities				
Net investment in capital assets	\$ 727,782,834	\$ 708,913,377	\$ 697,830,001	\$ 682,946,045
Restricted	12,145,319	10,034,770	10,288,377	10,721,573
Unrestricted	(14,550,823)	(5,370,367)	16,025,424	35,230,567
Total governmental activities net position	<u>\$ 725,377,330</u>	<u>\$ 713,577,780</u>	<u>\$ 724,143,802</u>	<u>\$ 728,898,185</u>
Business-type activities				
Net investment in capital assets	\$ 214,631,648	\$ 241,629,839	\$ 253,742,128	\$ 264,927,149
Restricted	3,065,319	4,497,103	2,463,535	3,631,223
Unrestricted	38,662,226	27,073,691	29,259,929	36,074,921
Total business-type activities net position	<u>\$ 256,359,193</u>	<u>\$ 273,200,633</u>	<u>\$ 285,465,592</u>	<u>\$ 304,633,293</u>
Primary government				
Net investment in capital assets	\$ 942,414,482	\$ 950,543,216	\$ 951,572,129	\$ 947,873,194
Restricted	15,210,638	14,531,873	12,751,912	14,352,796
Unrestricted	24,111,403	21,703,324	45,285,353	71,305,488
Total primary government net position	<u>\$ 981,736,523</u>	<u>\$ 986,778,413</u>	<u>\$ 1,009,609,394</u>	<u>\$ 1,033,531,478</u>

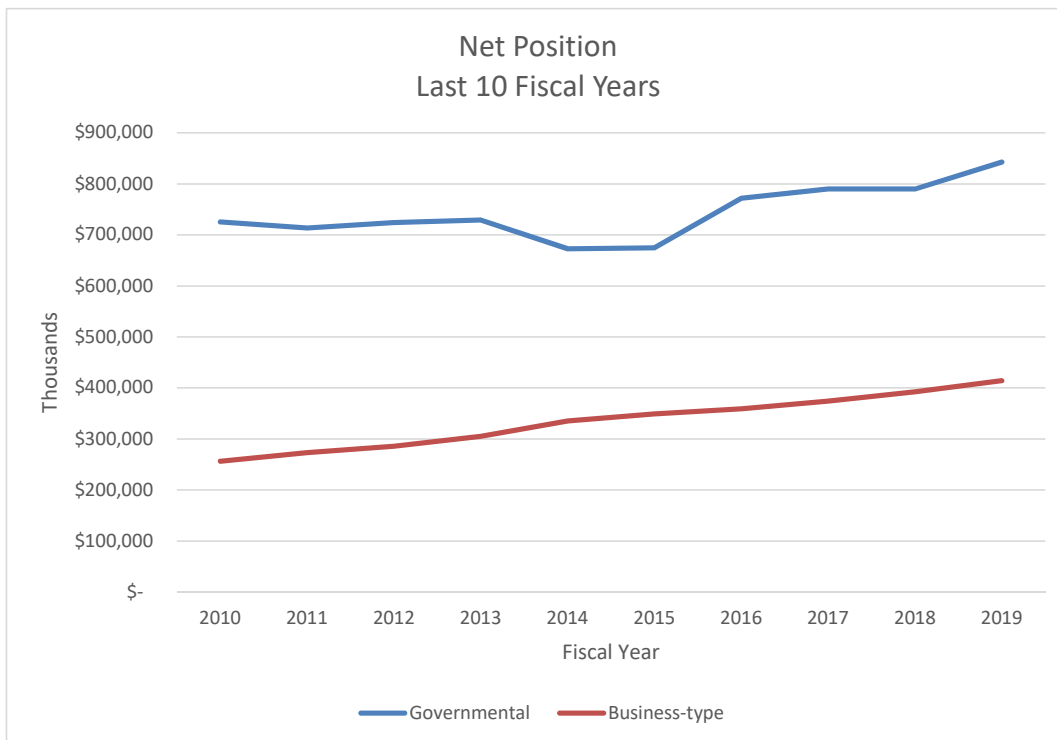
Note: Unreserved net position of governmental activities dropped in FY14 with the implementation of GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. In 2016, most of the debt that the City had guaranteed was refinanced, reducing the contingent loan guarantee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

Source: Statement of Net Position

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 687,527,061	\$ 694,789,326	\$ 704,250,257	\$ 700,427,393	\$ 706,613,344	\$ 724,753,696
9,499,778	6,131,943	4,870,358	4,728,939	4,353,472	4,333,199
(24,252,748)	(26,349,230)	62,608,062	85,019,692	78,619,493	113,657,173
\$ 672,774,091	\$ 674,572,039	\$ 771,728,677	\$ 790,176,024	\$ 789,586,309	\$ 842,744,068
\$ 287,867,561	\$ 298,202,694	\$ 305,687,715	\$ 290,214,493	\$ 289,305,370	\$ 325,324,941
1,111,144	1,071,144	1,026,144	985,146	928,307	-
45,768,853	49,652,876	52,246,156	82,984,505	102,054,275	88,625,282
\$ 334,747,558	\$ 348,926,714	\$ 358,960,015	\$ 374,184,144	\$ 392,287,952	\$ 413,950,223
\$ 975,394,622	\$ 992,992,020	\$ 1,009,937,972	\$ 990,641,886	\$ 995,918,714	\$ 1,050,078,637
10,610,922	7,203,087	5,896,502	5,714,085	5,281,779	4,333,199
21,516,105	23,303,646	114,854,218	168,004,197	180,673,768	202,282,455
\$ 1,007,521,649	\$ 1,023,498,753	\$ 1,130,688,692	\$ 1,164,360,168	\$ 1,181,874,261	\$ 1,256,694,291



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental activities:				
General Government	\$ 6,931,002	\$ 6,400,374	\$ 6,351,823	\$ 8,959,390
Judicial	2,544,075	2,745,430	2,793,914	2,743,574
Public Safety	60,147,355	48,030,603	37,340,409	37,378,185
Community Development	5,524,342	5,441,202	5,332,561	5,096,639
Public Works	16,219,754	21,195,696	17,427,549	16,993,893
Leisure services	15,149,745	16,513,775	16,844,202	15,908,830
Health and human services	5,996,524	5,915,128	5,553,369	5,275,046
Interest on long-term debt	4,295,374	4,000,555	3,779,473	3,250,089
Total governmental activities expenses	<u>116,808,171</u>	<u>110,242,763</u>	<u>95,423,300</u>	<u>95,605,646</u>
Business-type activities:				
Water	11,241,367	11,991,035	12,949,247	13,972,634
Sewerage	29,668,499	29,194,159	36,391,713	37,680,430
Drainage ¹	-	-	-	-
Golf	3,123,644	3,226,066	3,062,851	2,917,964
Solid Waste	-	-	-	-
Total business-type activities expenses	<u>44,033,510</u>	<u>44,411,260</u>	<u>52,403,811</u>	<u>54,571,028</u>
Total primary government expenses	<u>\$ 160,841,681</u>	<u>\$ 154,654,023</u>	<u>\$ 147,827,111</u>	<u>\$ 150,176,674</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 385,644	\$ 433,840	\$ 1,958,626	\$ 2,044,753
Judicial	2,128,646	2,140,781	1,963,025	2,108,024
Public Safety	1,174,585	996,471	1,081,323	1,811,747
Community Development	2,058,564	2,171,303	3,262,546	3,841,993
Public Works	475,866	834,042	1,420,839	1,810,854
Leisure services	1,328,562	1,549,202	1,357,619	1,380,839
Health and human services	698,819	674,983	814,518	709,948
Operating grants and contributions	9,432,962	4,402,255	4,124,615	4,177,095
Capital grants and contributions	9,459,649	5,311,483	11,076,621	6,655,575
Total governmental activities program revenues	<u>27,143,297</u>	<u>18,514,360</u>	<u>27,059,732</u>	<u>24,540,828</u>
Business-type activities				
Charges for services:				
Water	\$ 15,426,293	\$ 15,986,832	\$ 16,253,067	\$ 17,021,951
Sewerage	35,841,828	39,108,510	39,562,059	42,752,458
Drainage ¹	-	-	-	-
Golf Complex	2,394,945	2,519,852	2,570,012	2,431,782
Solid Waste	-	-	-	-
Operating grants and contributions	2,799,480	348,478	770,997	81,404
Capital grants and contributions	6,761,033	6,900,419	5,544,456	9,195,002
Total business-type activities program revenues	<u>63,223,579</u>	<u>64,864,091</u>	<u>64,700,591</u>	<u>71,482,597</u>
Total primary government program revenues	<u>\$ 90,366,876</u>	<u>\$ 83,378,451</u>	<u>\$ 91,760,323</u>	<u>\$ 96,023,425</u>

¹ The Sewer and Drainage activities were combined into the Sewerage Fund until 2019
 Source: Statement Activities

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 7,342,670	\$ 9,211,576	\$ 13,429,528	\$ 12,346,159	\$ 16,281,070	\$ 15,229,074
2,789,535	2,972,304	3,771,365	3,157,775	3,354,798	3,689,235
38,744,658	41,189,109	38,593,097	46,517,116	54,366,839	54,947,750
5,175,651	5,535,094	7,178,348	6,523,730	7,844,737	7,476,751
17,371,560	18,803,785	22,002,693	22,020,709	23,754,967	24,404,558
13,861,675	16,859,288	17,602,824	18,370,559	20,227,074	20,442,888
5,478,974	5,893,257	4,002,920	6,448,946	6,663,229	5,908,829
2,804,432	2,500,908	5,194,899	7,491,114	7,247,068	7,084,948
<u>93,569,155</u>	<u>102,965,321</u>	<u>111,775,674</u>	<u>122,876,108</u>	<u>139,739,782</u>	<u>139,184,033</u>
13,070,155	17,157,143	18,828,316	18,100,296	19,179,778	18,819,898
37,951,697	41,404,954	45,412,945	46,014,434	50,699,083	31,798,523
-	-	-	-	-	17,663,742
2,872,165	3,055,395	4,559,588	2,453,882	2,348,551	2,272,468
-	-	686,887	638,345	647,972	804,474
<u>53,894,017</u>	<u>61,617,492</u>	<u>69,487,736</u>	<u>67,206,957</u>	<u>72,875,384</u>	<u>71,359,105</u>
<u>\$ 147,463,172</u>	<u>\$ 164,582,813</u>	<u>\$ 181,263,410</u>	<u>\$ 190,083,065</u>	<u>\$ 212,615,166</u>	<u>\$ 210,543,138</u>

\$ 3,483,161	\$ 4,273,658	\$ 3,645,563	\$ 4,472,438	\$ 4,795,654	\$ 5,025,834
1,846,731	2,032,772	1,724,181	1,570,537	1,342,073	1,341,160
3,388,295	3,560,350	4,097,976	5,409,848	5,202,797	6,966,767
5,006,297	4,863,697	5,478,504	7,608,117	7,297,706	8,087,187
2,185,990	2,725,356	3,165,390	3,401,558	1,663,717	1,664,229
1,418,600	1,479,369	1,465,975	1,385,824	1,514,916	1,516,333
841,690	769,669	763,593	707,449	754,155	827,488
6,166,500	7,021,280	7,982,415	8,254,026	8,222,741	9,265,004
2,936,731	5,256,320	9,350,716	13,656,431	10,068,294	24,149,363
<u>27,273,995</u>	<u>31,982,471</u>	<u>37,674,313</u>	<u>46,466,228</u>	<u>40,862,053</u>	<u>58,843,365</u>

\$ 18,416,162	\$ 18,904,851	\$ 18,780,129	\$ 21,850,641	\$ 22,541,631	\$ 22,869,950
44,969,699	46,459,410	47,640,854	50,109,473	52,678,839	32,608,980
-	-	-	-	-	20,723,689
2,485,348	2,659,643	2,475,135	2,501,596	2,306,679	2,350,513
-	-	608,685	600,608	632,795	642,056
176,984	234,397	1,023,669	315,853	380,118	498,735
15,792,479	10,057,056	9,629,000	6,595,122	11,454,368	10,170,735
<u>81,840,672</u>	<u>78,315,357</u>	<u>80,157,472</u>	<u>81,973,293</u>	<u>89,994,430</u>	<u>89,864,658</u>
<u>\$ 109,114,667</u>	<u>\$ 110,297,828</u>	<u>\$ 117,831,785</u>	<u>\$ 128,439,521</u>	<u>\$ 130,856,483</u>	<u>\$ 148,708,023</u>

(continued)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
Net (Expense)/Revenue				
Governmental activities	\$ (89,664,874)	\$ (91,728,403)	\$ (68,363,568)	\$ (71,064,818)
Business-type activities	19,190,069	20,452,831	12,296,780	16,911,569
Total primary government net expense	<u>\$ (70,474,805)</u>	<u>\$ (71,275,572)</u>	<u>\$ (56,066,788)</u>	<u>\$ (54,153,249)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes

Property taxes levied for general purpose	\$ 29,272,194	\$ 19,287,114	\$ 19,726,551	\$ 20,085,117
Property taxes levied for debt service	-	9,750	8,421	-
Sales taxes	18,600,976	21,458,253	21,908,275	22,707,244
Utility taxes	17,725,934	19,365,153	19,868,738	22,760,019
Business & Occupation taxes	-	-	-	5,149,172
Real Estate taxes	1,805,871	2,235,174	3,547,963	3,837,948
Lodging taxes	162,706	182,840	187,971	217,618
Other taxes	985,257	1,130,391	1,116,790	1,101,844
Unrestricted grants and contributions	6,328,500	7,102,872	6,845,773	6,760,236
Investment earnings	818,063	495,029	701,443	895,815
Miscellaneous	2,825,148	4,931,321	4,907,310	1,740,638
Gain on disposal of capital assets	-	-	-	1,945,741
Special item	-	-	-	-
Transfers	14,400	312,344	110,355	762,322

Total governmental activities 78,539,049 76,510,241 78,929,590 87,963,714

Business-type activities

Investment earnings	157,457	119,565	78,534	153,554
Transfers	(14,400)	(312,344)	(110,355)	(762,322)

Total business-type activities 143,057 (192,779) (31,821) 2,218,914

Total primary government \$ 78,682,106 \$ 76,317,462 \$ 78,897,769 \$ 90,182,628

Change in Net Position

Governmental activities	\$ (11,125,825)	\$ (15,218,162)	\$ 10,566,022	\$ 16,898,896
Business-type activities	19,333,126	20,260,052	12,264,959	19,130,483
Total primary government	<u>\$ 8,207,301</u>	<u>\$ 5,041,890</u>	<u>\$ 22,830,981</u>	<u>\$ 36,029,379</u>

Source: Statement of Activities

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ (66,295,160)	\$ (70,982,850)	\$ (74,101,361)	\$ (76,409,880)	\$ (98,877,729)	\$ (80,340,668)
27,946,655	16,697,865	10,669,736	14,766,336	17,119,046	18,505,553
<u>\$ (38,348,505)</u>	<u>\$ (54,284,985)</u>	<u>\$ (63,431,625)</u>	<u>\$ (61,643,544)</u>	<u>\$ (81,758,683)</u>	<u>\$ (61,835,115)</u>

\$ 20,599,891	\$ 21,998,657	\$ 22,556,458	\$ 22,857,559	\$ 30,101,176	\$ 30,744,334
-	-	-	-	-	-
25,332,356	26,654,493	28,551,033	29,517,990	32,842,687	36,097,807
22,962,565	26,376,844	26,923,348	28,637,522	29,823,141	30,597,119
6,208,946	7,656,220	9,311,445	9,141,800	9,422,048	12,999,563
3,184,596	6,434,689	6,427,334	7,211,140	7,689,638	9,590,643
249,377	279,466	293,347	312,980	312,813	306,055
1,106,821	1,023,499	961,833	902,557	1,074,356	963,837
6,851,351	6,417,339	6,600,212	6,619,515	6,345,911	5,777,671
1,052,762	1,242,815	1,073,989	1,386,281	2,177,476	5,198,451
162,971	(1,643,662)	908,862	487,428	1,028,553	997,507
2,433,112	115,242	-	-	22,523	18,796
-	-	66,656,930	-	-	-
(16,729)	126,875	993,208	174,044	803,826	206,644
<u>90,128,019</u>	<u>96,682,477</u>	<u>171,257,999</u>	<u>107,248,816</u>	<u>121,644,148</u>	<u>133,498,427</u>
124,777	97,795	356,773	631,837	1,788,588	3,363,362
16,729	(126,875)	(993,208)	(174,044)	(803,826)	(206,644)
<u>141,506</u>	<u>(29,080)</u>	<u>(636,435)</u>	<u>457,793</u>	<u>984,762</u>	<u>3,156,718</u>
<u>\$ 90,269,525</u>	<u>\$ 96,653,397</u>	<u>\$ 170,621,564</u>	<u>\$ 107,706,609</u>	<u>\$ 122,628,910</u>	<u>\$ 136,655,145</u>

\$ 23,832,859	\$ 25,699,627	\$ 97,156,638	\$ 30,838,936	\$ 22,766,419	\$ 53,157,759
28,088,161	16,668,785	10,033,301	15,224,129	18,103,808	21,662,271
<u>\$ 51,921,020</u>	<u>\$ 42,368,412</u>	<u>\$ 107,189,939</u>	<u>\$ 46,063,065</u>	<u>\$ 40,870,227</u>	<u>\$ 74,820,030</u>

(concluded)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 3

City of Kent

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2010	2011*	2012	2013
General Fund				
Reserved	\$ 57,586	\$ -	\$ -	\$ -
Unreserved	768,523	-	-	-
Nonspendable	-	59,539	103,364	80,055
Restricted	-	5,028	67,447	1,846,132
Committed	-	283,678	129,557	184,691
Assigned	-	-	772,591	968,866
Unassigned	-	(205,783)	1,290,804	5,200,183
Total general fund	<u>\$ 826,109</u>	<u>\$ 142,462</u>	<u>\$ 2,363,763</u>	<u>\$ 8,279,927</u>
All Other Governmental Funds				
Reserved	\$ 1,727,814	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	(9,756,662)	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	(3,936,907)	-	-	-
Nonspendable	-	4,318	950	3,120
Restricted	-	5,602,450	7,834,952	10,910,338
Committed	-	1,849,238	1,929,285	5,718,063
Assigned	-	519,918	1,291,659	1,726,736
Unassigned	-	(22,811,500)	(11,178,234)	(7,448,023)
Total all other governmental funds	<u>\$ (11,965,755)</u>	<u>\$ (14,835,576)</u>	<u>\$ (121,388)</u>	<u>\$ 10,910,234</u>

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

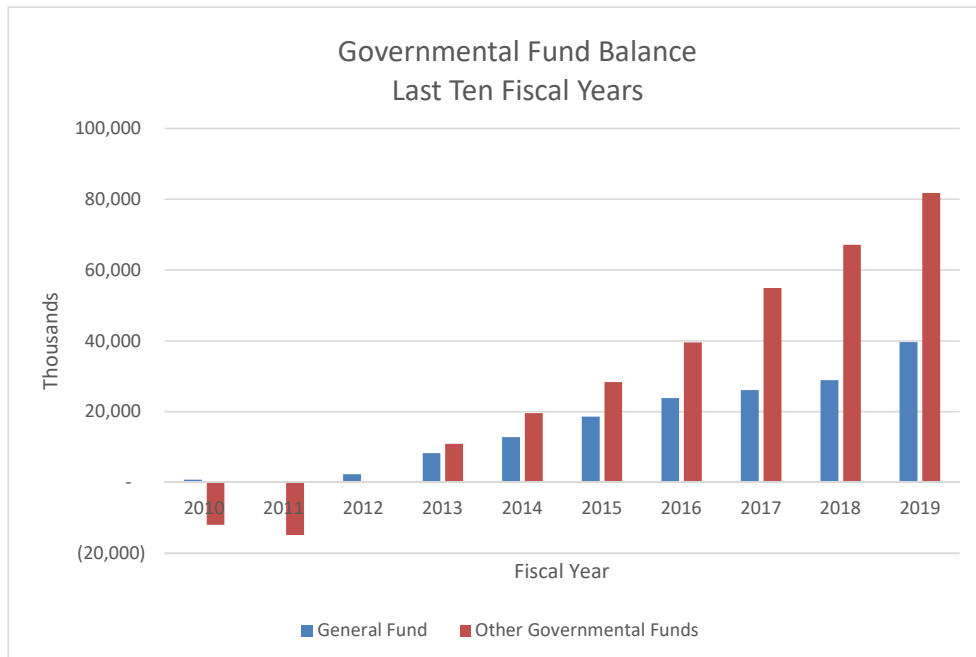
Source: Governmental Funds Balance Sheet

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
96,544	133,533	55,588	54,153	52,241	53,862
2,116,798	3,497,366	2,865,799	974,945	1,780,871	1,541,726
281,177	364,242	912,834	1,185,647	1,261,453	2,836,297
1,128,842	2,806,873	2,973,064	3,271,355	3,875,396	4,428,649
9,179,216	11,778,578	17,103,379	20,599,974	22,016,709	30,789,228
\$ 12,802,577	\$ 18,580,592	\$ 23,910,664	\$ 26,086,074	\$ 28,986,670	\$ 39,649,762

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,295	29,495	-	-	-	145,160
12,564,488	15,477,624	22,471,953	21,794,760	22,317,814	23,975,743
8,672,323	15,016,218	13,735,355	25,080,826	34,024,440	45,935,443
1,405,923	4,230,472	8,559,514	11,889,360	13,120,956	12,564,232
(3,023,914)	(6,411,915)	(5,145,517)	(3,759,661)	(2,307,332)	(768,503)
\$ 19,623,115	\$ 28,341,894	\$ 39,621,305	\$ 55,005,285	\$ 67,155,878	\$ 81,852,075



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

	Fiscal Year			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues				
Taxes (see Schedule 5)	\$ 68,488,317	\$ 63,739,861	\$ 66,441,273	\$ 75,899,606
Licenses and permits	2,091,190	2,249,021	4,361,182	5,099,915
Intergovernmental	20,956,542	14,716,457	14,139,092	13,944,351
Charges for services	3,328,744	3,622,562	4,703,711	5,911,954
Fines and forfeitures	1,737,615	1,626,615	1,511,762	1,535,820
Special assessments	1,939,156	2,285,686	3,808,216	3,319,569
Investment earnings	786,379	711,753	689,240	1,074,118
Other revenues	3,529,510	2,680,263	3,445,064	2,850,433
Total Revenues	102,857,453	91,632,218	99,099,540	109,635,766
Expenditures				
General government	5,821,839	6,051,000	6,148,530	6,895,137
Judicial	2,415,602	2,639,800	2,726,273	2,781,005
Public safety	57,122,596	36,927,061	36,785,762	38,162,011
Community development	5,237,571	5,252,066	5,325,071	5,256,059
Public works	5,877,368	6,677,579	7,334,764	7,218,144
Leisure services	12,603,919	13,112,883	13,801,117	13,190,232
Health and human services	5,641,216	5,537,197	5,501,456	5,368,080
Debt Service				
Principal	7,246,851	7,669,145	7,667,099	7,862,632
Interest	4,126,828	3,846,564	3,646,216	3,179,638
Capital Outlay	10,754,848	11,074,228	4,058,121	6,062,203
Total expenditures	116,848,638	98,787,523	92,994,409	95,975,141
Excess of revenues over (under) expenditures	(13,991,185)	(7,155,305)	6,105,131	13,660,625
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	10,840,000	-
Loans/contracts issued	-	-	500,000	-
Issuance of installment notes	-	-	9,702,213	-
Payments to escrow agent	-	-	(10,990,000)	-
Premium/(discount) on bonds	-	-	-	-
Sale of capital assets	150	-	198,526	1,966,453
Transfers in	16,091,163	24,573,238	15,997,350	20,939,382
Transfers out	(16,262,423)	(24,390,014)	(15,417,731)	(19,618,674)
Total other financing sources (uses)	(171,110)	183,224	10,830,358	3,287,161
Net change in fund balances	\$ (14,162,295)	\$ (6,972,081)	\$ 16,935,489	\$ 16,947,786
Debt service as a percentage of noncapital expenditures	10.7%	13.1%	12.7%	12.3%

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 79,740,933	\$ 90,440,736	\$ 95,002,781	\$ 98,723,853	\$ 109,704,136	\$ 119,886,909
5,818,615	5,827,475	6,652,555	7,499,521	8,119,744	8,032,458
14,032,112	15,166,476	18,717,615	23,751,790	19,633,245	30,890,756
7,607,140	7,610,535	7,459,034	10,359,617	9,543,599	12,094,306
2,473,890	3,432,228	2,975,420	3,086,649	2,704,218	3,876,198
2,387,329	1,861,231	1,677,275	1,456,781	1,123,334	1,069,714
902,762	891,136	969,625	1,247,357	1,696,085	4,251,315
2,438,942	3,202,583	3,464,427	3,850,409	3,470,791	3,965,186
115,401,723	128,432,400	136,918,732	149,975,977	155,995,152	184,066,842
7,143,865	7,795,541	10,223,289	10,748,768	12,517,199	13,764,035
2,849,954	2,988,951	3,079,215	3,128,653	3,442,107	3,646,275
39,902,990	41,552,238	42,746,821	46,087,104	48,585,879	54,269,599
5,323,103	5,623,048	5,883,755	6,471,366	7,660,083	7,628,083
7,648,901	7,682,213	7,228,829	10,267,623	10,371,450	11,694,862
14,064,016	14,147,709	14,063,309	13,540,991	15,111,812	15,555,826
5,594,899	5,980,950	6,140,962	6,390,291	6,804,579	6,935,778
8,097,151	15,365,251	6,929,689	7,075,992	6,624,979	6,426,192
2,984,274	2,707,594	3,441,172	3,994,036	3,786,574	3,673,650
10,525,215	12,979,918	22,414,017	25,267,653	25,740,137	41,029,250
104,134,368	116,823,413	122,151,058	132,972,477	140,644,799	164,623,550
11,267,355	11,608,987	14,767,674	17,003,500	15,350,353	19,443,292
8,671,070	8,620,000	64,575,000	-	-	-
-	-	-	-	-	-
-	18,524	181,900	194,990	172,808	8,891,708
(8,929,574)	-	(76,539,984)	-	-	-
547,704	261,619	12,314,401	-	-	-
2,433,102	77,342	-	-	104,587	-
24,436,941	44,596,124	43,061,037	46,077,102	56,403,715	48,833,562
(23,164,963)	(43,125,559)	(41,750,545)	(45,716,202)	(56,980,274)	(51,809,272)
3,994,280	10,448,050	1,841,809	555,890	(299,164)	5,915,998
\$ 15,261,635	\$ 22,057,037	\$ 16,609,483	\$ 17,559,390	\$ 15,051,189	\$ 25,359,290
11.8%	17.4%	10.4%	10.3%	9.1%	8.2%

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 5

City of Kent

Tax Revenue by Source - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property	Sales & Use	Utility	Real Estate Excise	Business & Occupation	Lodging	Other	Total
2010*	29,207,573	18,600,976	17,725,934	1,805,871	-	162,706	985,257	68,488,317
2011*	19,368,050 **	21,458,253 ***	19,365,153 ***	2,235,174	-	182,840	1,130,391	63,739,861
2012*	19,811,536	21,908,275 ***	19,868,738 ***	3,547,963	-	187,971	1,116,790	66,441,273
2013*	20,125,761	22,707,244 ***	22,760,019 ***	3,837,948 ****	5,149,172	217,618	1,101,844	75,899,606
2014*	20,696,272	25,332,356 ***	22,962,565 ***	3,184,596	6,208,946	249,377	1,106,821	79,740,933
2015*	22,015,525	26,654,493 ***	26,376,844 ***	6,434,689	7,656,220	279,466	1,023,499	90,440,736
2016*	22,534,441	28,551,033 ***	26,923,348 ***	6,427,334	9,311,445	293,347	961,833	95,002,781
2017*	22,999,864	29,517,989 ***	28,637,523 ***	7,211,140	9,141,800	312,980	902,557	98,723,853
2018*	29,971,155	32,842,687 ***	28,391,439 ***	7,689,638	9,422,048	312,813	1,074,356	109,704,136
2019*	30,731,786	36,097,807 ***	29,197,218 ***	9,590,643	12,999,563	306,055	963,837	119,886,909
Change								
2010-2019	5.2%	94.1%	64.7%	431.1%	152.5%	88.1%	-2.2%	75.0%

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

2010	4,891,833
2011	4,961,619
2012	4,744,454
2013	4,899,642
2014	4,822,400
2015	4,953,243
2016	4,958,568
2017	4,955,082
2018	4,621,256
2019	3,992,056

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

*** Increase due to Panther Lake Annexation effective July 1, 2010.

Sales & Use Tax - City receives 0.2% of state sales tax collected within the City for 10 yrs--this totaled The City received additional revenues due to the annexation as follows:

	Sales Tax	Utility Tax
2010	\$ 1,768,931	\$ 551,424
2011	3,511,391	2,610,807
2012	3,666,466	2,373,378
2013	3,481,065	2,728,308
2014	4,229,130	2,685,946
2015	4,352,248	2,595,073
2016	5,354,125	2,713,375
2017	5,887,092	2,910,504
2018	6,578,062	2,711,926
2019	6,591,195	2,728,303

**** Business & Occupation tax started in 2013

Source: City financial records

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

**Schedule 6
City of Kent
Assessed/Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	Total Assessed/ Estimated Actual Value	Total Direct Tax Rate
2010*	10,369,540,574	1,363,755,233	11,733,295,807	2.362
2011	11,833,000,822	1,291,484,331	13,124,485,153	1.484
2012	11,450,528,835	1,296,326,234	12,746,855,069	1.568
2013	10,844,075,182	1,165,682,338	12,009,757,520	1.694
2014	11,421,918,163	1,229,290,637	12,651,208,800	1.645
2015	12,813,126,300	1,255,087,106	14,068,213,406	1.576
2016	13,778,718,580	1,267,588,304	15,046,306,884	1.511
2017	15,147,052,037	1,255,925,663	16,402,977,700	1.411
2018	17,203,053,348	1,394,286,381	18,597,339,729	1.627
2019	19,173,020,155	1,556,090,209	20,729,110,364	1.491

Source: King County Assessor's Office

Notes: Tax rates applied to assessed valuation to determine levy. Assessed values are established by the County Assessor at 100 percent of fair market value. A reevaluation of all property is required every year and a physical inspection is required at least once every six years.

* Increased assessed value due to Panther Lake annexation

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

Fiscal Year	City Direct Rates			Overlapping Rates										
	Basic Rate	Voted Debt Service	Total Direct Rate	State	County	Voter Approved County	Sound Transit	Port of Seattle	Kent School District	Kent Hospital District	Rural Library	Emergency Medical Service	Green River Flood Zone	Kent Regional Fire
2010	2.355	-	2.355	2.223	1.285	0.074	-	0.216	4.809	0.533	0.485	0.300	0.105	-
2011	1.484	-	1.484	2.280	1.338	0.720	-	0.224	5.387	0.558	0.566	0.300	0.110	1.000
2012	1.568	-	1.568	2.422	1.416	0.071	-	0.230	5.600	0.500	0.500	0.300	0.116	1.000
2013	1.694	-	1.694	2.567	1.473	0.068	-	0.233	6.028	0.500	0.567	0.300	0.132	1.000
2014	1.645	-	1.645	2.470	1.458	0.058	-	0.215	5.735	0.500	0.562	0.335	0.154	1.000
2015	1.576	-	1.576	2.285	1.315	0.030	-	0.189	5.414	0.500	0.503	0.302	0.139	0.949
2016	1.511	-	1.511	2.169	1.440	0.040	-	0.170	5.344	0.500	0.477	0.282	0.130	0.909
2017	1.411	-	1.411	2.032	1.347	0.036	0.250	0.153	4.816	0.501	0.451	0.263	0.117	0.847
2018	1.627	-	1.627	2.918	1.295	0.033	0.227	0.135	4.187	0.457	0.412	0.239	0.107	0.771
2019	1.491	-	1.491	2.629	1.189	0.030	0.207	0.123	3.641	0.417	0.374	0.218	0.097	0.706

Source: King County Assessor's Office

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

Taxpayer	2019			2010		
	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)	\$ 449,419,100	1	2.17%	105,623,800	4	0.90%
Segale Properties (formerly La Terra Ltd)	263,412,800	2	1.27%	82,282,500	5	0.70%
PSE/Electric & Gas	237,506,794	3	1.15%	128,691,254	2	1.10%
Boeing	208,308,534	4	1.00%	\$ 419,452,044	1	3.57%
KV Industrial 2 LLC	166,292,600	5	0.80%			
Exeter Property Group Advis	165,799,500	6	0.80%			
Hill Investment Co.	148,860,900	7	0.72%			
Eproperty Tax Inc	137,818,300	8	0.66%			
CSHV Kent North LLC (formerly Ellis CB Richard)	123,275,300	9	0.59%	42,988,700	9	0.37%
GPAI Rock Creek Landing LLC	112,567,000	10	0.54%			
AMB Property	-			126,862,700	3	1.08%
Qwest Corporation (formerly U.S. West)	-			43,381,194	8	0.37%
Red Mortgage Capital Inc.	-			58,579,000	6	0.50%
Fred Meyer	-			38,976,182	10	0.33%
Starbucks	-			46,784,964	7	0.40%
	<u>\$2,013,260,828</u>		<u>6.27%</u>	<u>\$ 905,716,038</u>		<u>7.72%</u>

Source: King County Assessor's Office



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	29,273,116	28,806,516	98.41%	464,486	29,271,002	99.99%
2011*	19,298,192	18,981,959	98.36%	316,081	19,298,040	100.00%
2012	19,896,581	19,593,500	98.48%	303,081	19,896,581	100.00%
2013	20,258,863	19,948,297	98.47%	304,888	20,253,185	99.97%
2014	20,726,325	20,394,209	98.40%	329,978	20,724,187	99.99%
2015	22,091,369	21,827,665	98.81%	260,240	22,087,905	99.98%
2016	22,657,939	22,385,874	98.80%	257,543	22,643,417	99.94%
2017	23,056,215	22,816,339	98.96%	201,671	23,018,010	99.83%
2018	30,137,002	29,821,478	98.95%	236,915	30,058,393	99.74%
2019	30,786,766	30,455,702	98.92%	-	30,455,702	98.92%

Source: King County Assessor's Office

* The levy was reduced by \$1 per \$1,000 of assessed valuation due to the formation of the Regional Fire Authority (RFA) in July 2010.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

	Fiscal Year			
	2010	2011	2012	2013
Unknown	\$ 858,268	\$ 477,054	\$ 339,351	\$ 196,495
Agriculture, Forestry, Fishing	718,861	692,359	877,496	1,202,184
Mining	647,324	617,757	607,282	144,459
Utilities	17,472,906	5,078,454	7,112,634	10,873,877
Construction	188,425,022	186,982,818	224,155,491	224,529,870
Manufacturing	96,582,517	81,988,703	88,519,357	147,815,483
Wholesale Trade	217,175,584	252,503,957	232,141,988	241,905,173
Retail Trade	647,338,680	681,641,901	682,878,774	722,025,334
Transportation and Warehousing	8,256,303	6,620,144	6,843,425	7,058,638
Information	113,484,774	112,088,847	115,588,551	95,410,564
Finance and Insurance	18,871,102	16,381,423	21,585,061	25,203,335
Real Estate, Rental, Leasing	67,979,949	73,151,966	71,912,403	73,550,514
Prof, Sci, Technical Svcs	48,470,587	41,794,489	46,798,059	32,408,933
Company Management	646,516	13,351	20,847	25,943
Admin, Supp, Remed Svcs	31,230,882	42,594,079	41,021,656	42,476,396
Educational Services	3,205,201	3,968,920	3,243,933	3,711,272
Health Care Social Assistance	2,254,145	1,783,015	1,505,938	1,275,885
Arts, Entertain, Recreation	18,658,668	19,773,143	19,055,120	21,189,254
Accommodation and Food Svcs	146,494,696	159,382,256	171,055,204	182,181,720
Other Services	73,591,515	82,917,327	77,191,369	71,633,560
Public Administration	19,850,671	24,692,051	24,752,900	26,185,952
Total	<u>\$ 1,722,214,171</u>	<u>\$ 1,795,144,014</u>	<u>\$ 1,837,206,839</u>	<u>\$ 1,931,004,841</u>

City direct sales tax rate 0.85%.

Source: Taxtools 4.1.0 Database by Microflex, Inc.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 65,704	\$ 543,832	\$ 149,753	\$ 641,040	\$ 111,673	\$ 1,367,225	
1,533,526	1,723,713	1,774,495	661,383	458,376	342,866	
98,998	46,085	67,492	139,085	192,809	95,049	
6,071,984	6,292,076	7,846,892	10,457,305	11,391,629	12,377,296	
321,680,722	297,410,988	302,548,150	340,304,924	434,236,277	548,590,035	
140,966,275	130,367,834	146,226,236	134,882,163	153,848,600	220,872,536	
258,868,775	297,663,617	338,433,480	329,625,729	364,718,721	383,861,943	
752,229,005	778,287,789	816,949,999	843,953,703	905,815,060	999,565,733	
7,704,255	10,505,291	9,726,380	8,159,690	11,359,833	12,643,113	
112,338,420	121,791,265	126,016,431	123,102,696	124,377,336	118,698,722	
25,454,579	30,244,002	39,245,687	42,164,136	44,372,642	43,297,915	
87,699,058	95,997,409	103,454,935	113,932,233	120,119,139	134,138,368	
36,389,911	38,935,453	49,628,961	52,130,863	47,245,465	58,106,362	
-	78,443	17,671	9,470	4,469	4,682	
39,458,138	71,319,015	104,922,922	64,042,202	109,819,746	137,075,315	
3,712,154	4,420,229	5,094,076	4,232,992	3,942,868	4,719,372	
2,412,082	3,308,852	3,626,711	5,473,322	5,266,771	3,253,657	
21,779,009	19,808,385	22,625,489	23,053,740	23,995,011	26,166,127	
195,809,112	213,315,217	231,934,336	238,157,944	247,306,793	270,545,886	
73,587,409	81,802,712	88,021,162	94,115,793	96,543,843	98,404,947	
28,971,834	30,088,734	33,119,462	44,304,995	42,949,890	41,987,921	
\$ 2,116,830,950	\$ 2,233,950,941	\$ 2,431,430,720	\$ 2,473,545,408	\$ 2,748,076,951	\$ 3,116,115,070	

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State</u>	<u>County Transit</u>	<u>RTA</u>	<u>County¹</u>	<u>Criminal Justice</u>	<u>Stadium</u>	<u>Total Overlapping Rate</u>
2010	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.50%	10.00%
2011	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00% *	9.50%
2012	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2013	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2014	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2015	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2016	0.85%	6.50%	0.90%	0.90%	0.25%	0.10%	0.00%	9.50%
2017	0.85%	6.50%	0.90%	1.40%	0.25%	0.10%	0.00%	10.00%
2018	0.85%	6.50%	0.90%	1.40%	0.25%	0.10%	0.00%	10.00%
2019	0.85%	6.50%	0.90%	1.40%	0.25%	0.10%	0.00%	10.00%

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

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

Source: Washington State Department of Revenue

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

	Fiscal Year 2019				Fiscal Year 2010			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	25	0.1%	286,495	1.1%	17	0.1%	102,990	0.7%
Agriculture, Forestry, Fishing	48	0.2%	2,781	0.0%	48	0.3%	5,916	0.0%
Mining	14	0.1%	696	0.0%	12	0.1%	6,128	0.0%
Utilities	18	0.1%	103,493	0.4%	15	0.1%	147,432	1.0%
Construction	4,584	18.9%	4,617,927	17.6%	3,575	21.7%	1,651,070	11.5%
Manufacturing	1,702	7.0%	1,926,023	7.4%	1,170	7.1%	609,191	4.3%
Wholesale Trade	3,297	13.6%	3,328,389	12.7%	2,474	15.0%	1,847,349	12.9%
Retail Trade	7,834	32.3%	8,267,162	31.6%	4,060	24.6%	5,345,010	37.3%
Transportation and Warehousing	156	0.6%	114,309	0.4%	133	0.8%	70,505	0.5%
Information	895	3.7%	988,677	3.8%	492	3.0%	961,259	6.7%
Finance and Insurance	166	0.7%	362,326	1.4%	159	1.0%	156,864	1.1%
Real Estate, Rental, Leasing	495	2.0%	1,084,468	4.1%	433	2.6%	567,902	4.0%
Prof, Sci, Technical Svcs	1,383	5.7%	461,727	1.8%	920	5.6%	390,291	2.7%
Company Management	9	0.0%	111	0.0%	9	0.1%	763	0.0%
Admin, Supp, Remed Svcs	1,506	6.2%	1,136,906	4.3%	1,209	7.3%	258,900	1.8%
Educational Services	185	0.8%	37,391	0.1%	111	0.7%	25,930	0.2%
Health Care Social Assistance	190	0.8%	27,631	0.1%	173	1.0%	18,206	0.1%
Arts, Entertain, Recreation	156	0.6%	220,860	0.8%	101	0.6%	158,043	1.1%
Accommodation and Food Svcs	485	2.0%	2,265,171	8.6%	422	2.6%	1,230,354	8.6%
Other Services	1,066	4.4%	860,134	3.3%	966	5.9%	610,264	4.3%
Public Administration	30	0.1%	106,782	0.4%	12	0.1%	166,934	1.2%
Total	24,244	100.00%	\$ 26,199,459	100.00%	16,511	100.00%	\$ 14,331,301	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 2019

CITY OF KENT, WASHINGTON

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

Water Utility	Fiscal Year			
	2010 ¹	2011 ¹	2012	2013
Number of customer accounts				
Residential				
Single-family			10,003	10,159
Multi-family			1,491	1,490
Commercial			1,706	1,716
Industrial			84	85
Governmental			185	179
Total	13,202	13,327	13,469	13,629
Annual water usage (cubic feet)	N/A	N/A	323,260,063	322,321,057
Sewer Utility	2010 ¹	2011 ¹	2012	2013
Number of customer accounts				
Residential			12,111	12,267
Commercial			3,441	3,445
	27,000	15,352	15,552	15,712
Drainage Utility	2010 ¹	2011 ¹	2012	2013
Number of customer accounts				
Residential			22,880	23,068
Commercial			2,220	2,217
	22,122	24,750	25,100	25,285

Source: City billing records

¹ Customer breakdown by type not available for years prior to 2012

N/A Data not available

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
2014	2015	2016	2017	2018	2019
10,322	10,433	10,586	10,669	10,898	11,073
1,492	1,492	1,493	1,567	1,570	1,592
1,733	1,729	1,736	1,702	1,701	1,719
84	83	82	82	80	80
179	187	194	194	194	193
<u>13,810</u>	<u>13,924</u>	<u>14,091</u>	<u>14,214</u>	<u>14,443</u>	<u>14,657</u>
343,809,535	360,197,626	357,875,066	344,485,663	370,320,856	345,382,664
2014	2015	2016	2017	2018	2019
12,395	12,494	12,642	12,790	12,839	13,106
3,459	3,455	3,456	3,440	3,446	3,467
<u>15,854</u>	<u>15,949</u>	<u>16,098</u>	<u>16,230</u>	<u>16,285</u>	<u>16,573</u>
2014	2015	2016	2017	2018	2019
23,267	23,433	23,635	23,845	24,136	24,314
2,219	2,191	2,196	2,177	2,229	2,311
<u>25,486</u>	<u>25,624</u>	<u>25,831</u>	<u>26,022</u>	<u>26,365</u>	<u>26,625</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**Schedule 13-B
City of Kent
Utility Statistical Data
Rates
As of December 31, 2019**

Water Utility Meter Access Fees	
Meter Size (inches)	Monthly Fee
Residential	
3/4	\$ 24.28
1	38.01
1.5	72.36
2	113.56
Commercial	
3/4	\$ 30.52
1	44.25
1.5	78.59
2	119.80
3	188.48
4	284.63
6	422.00
8	559.36
10	696.73
Dedicated Fireline (pipe size)	
3/4	\$ 2.89
1	3.37
1.25	5.05
1.5	6.73
2	10.77
3	26.92
4	53.82
6	107.65
8	181.67
10	269.14
Backflow Fee	\$ 106.71

Drainage Utility Rates	
Residential	
Monthly fee	\$ 12.81
Commercial	

Fees are calculated based on impervious surfaces

Water Usage Fees per 100 Cubic Feet (748 gallons)	
0-800 cf	\$2.52/100 cf
800+ cf	\$4.96/100 cf

Water Tap Fees (new connection fee)	
Connection Size (inches)	Fee
<3/4	\$ 275.00
3/4	325.00
1	350.00
1.5	600.00
2	800.00
>2	Cost of meter & install + 25%

Water System Development Charges	
Meter Size (inches)	Fee
less than 1	\$ 8,317.42
1	20,792.86
2	66,535.23
3	133,071.85
4	207,924.51
5	311,686.13
6	415,849.02
8	665,357.86
10	914,866.75

Sewer Utility Rates	
Residential	
City fee	\$ 25.01
King County Fee	45.33
Total	\$ 70.34
Commercial ¹	
Consumption-per 100 cf/month	\$ 9.38
Minimum charge	\$ 70.34

Source: City records

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 13-C

City of Kent

Utility Statistical Data

Ten Largest Users

Current Year and Three Years Ago *

Water Utility

Customer	Product/Service	2019		2016	
		Percent of		Percent of	
		Revenue	Ranking	Revenue	Ranking
Danone Waters	Bottled water	1.58%	1	1.77%	1
Air Liquide Industrial	Liquid nitrogen	0.88%	2	0.91%	3
King County Admin Building	Government	0.84%	3	0.79%	6
King Command Foods	Processed meat	0.77%	4	1.02%	2
Rexam Beverage Can Co.	Can manufacturing	0.76%	5	0.73%	7
Aramark Uniform Services	Laundry service	0.74%	6	0.80%	5
Northwest Center Ins	Laundry service	0.55%	7		
Kent 228	Office space management	0.54%	8	0.57%	9
Oberto Sausage Company	Food processing	0.45%	9		
Smith Brothers Farms	Agriculture	0.38%	10		
Con Agra Food	Food processing			0.83%	4
Mikron Industries	Building manufacturing			0.72%	8
Alsco	Laundry service			0.51%	10
		7.50%		8.65%	

Sewer Utility

Customer	Product/Service	2019		2016	
		Percent of		Percent of	
		Revenue	Ranking	Revenue	Ranking
King County Admin Building	Government	1.01%	1	0.69%	6
Rexam Beverage Can Co.	Can manufacturing	0.97%	2	0.79%	5
Aramark Uniform Services	Laundry service	0.96%	3	0.90%	2
King Command Foods	Processed meat	0.79%	4	0.87%	3
Kent 228	Office space management	0.72%	5	0.64%	7
Northwest Centers Ins	Laundry service	0.65%	6		
Oberto Sausage Company	Food processing	0.57%	7	0.47%	9
Oberto Sausage Company	Food processing	0.50%	8		
Danone Waters	Bottled water	0.49%	9	0.47%	10
Alsco	Laundry service	0.48%	10	0.58%	8
Con Agra Food	Food processing			0.92%	1
Mikron Industries	Building manufacturing			0.80%	4
		7.14%		7.13%	

Drainage Utility

Customer	Product/Service	2019		2016	
		Percent of		Percent of	
		Revenue	Ranking	Revenue	Ranking
The Boeing Company	Aerospace	1.80%	1	1.44%	3
City of Kent	Government	1.46%	2	1.56%	2
Amazon	Distribution center	0.78%	3	0.47%	10
UPRR Downtown Station	Automotive distribution	0.74%	4	0.76%	4
Kent East Corp Park	Industrial office space	0.72%	5	0.74%	5
East Valley Warehouse	Warehouse office space	0.54%	6	0.56%	6
PS Business Park	Commercial office space	0.53%	7	0.55%	7
Finlayson Logistics	Warehouse distribution	0.51%	8		
Prologis Mgmt LLC	Developer	0.48%	9	1.66%	1
South Seattle Auto Auction	Auto auction	0.48%	10	0.49%	8
Kidder Mathews	Warehouse distribution			0.47%	9
		8.04%		7.26%	

Source: City billing records

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

2016	Fiscal Year		
	2017	2018	2019
\$ 3,123,128	\$ 2,484,161	\$ 2,617,358	\$ 2,668,257
49,149	40,946	43,892	35,635
5,042,692	4,864,436	4,867,440	4,884,238
5,307,898	6,144,822	5,238,496	5,244,994
1,032,766	1,066,470	995,005	999,441
642,473	726,437	662,993	684,721
<u>\$ 15,198,106</u>	<u>\$ 15,327,272</u>	<u>\$ 14,425,184</u>	<u>\$ 14,517,286</u>
\$ 1,702,856	\$ 2,988,553	\$ 3,108,519	\$ 3,272,477
13,974	29,256	29,768	31,128
583,987	1,260,748	1,291,184	1,327,626
584,669	1,305,673	1,338,698	1,380,617
53,192	122,677	124,592	127,096
94,177	212,302	218,867	225,700
<u>\$ 3,032,855</u>	<u>\$ 5,919,209</u>	<u>\$ 6,111,628</u>	<u>\$ 6,364,644</u>
\$ 177,409	\$ 63,750	\$ 89,150	\$ 83,104
\$ (109,430)	(1,400,962)	(102,297)	(188,258)
<u>\$ 18,298,940</u>	<u>19,909,269</u>	<u>20,523,665</u>	<u>20,776,776</u>
\$ 640	\$ 897	\$ 927	\$ 1,387
-	-	-	-
38,484	48,692	51,812	55,276
186,739	239,062	259,196	276,286
16,400	20,100	21,631	24,116
24,640	30,600	30,900	33,294
<u>\$ 266,903</u>	<u>\$ 339,351</u>	<u>\$ 364,466</u>	<u>\$ 390,359</u>
\$ -	\$ 1,395,693	\$ 1,459,048	\$ 1,509,861
181,898	171,504	177,763	185,658
32,388	39,674	16,689	7,296
	(4,850)	-	-
<u>\$ 214,286</u>	<u>\$ 1,602,021</u>	<u>\$ 1,653,500</u>	<u>\$ 1,702,815</u>
<u>\$ 18,780,129</u>	<u>\$ 21,850,641</u>	<u>\$ 22,541,631</u>	<u>\$ 22,869,950</u>

(continued)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

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

	Fiscal Year			
	2012	2013	2014	2015
Sewer Charges				
Residential (single family)	\$ 7,466,469	\$ 8,202,454	\$ 8,373,244	\$ 8,889,410
Duplex	123,490	139,647	143,261	150,811
Multi-family	7,537,417	8,211,588	8,406,680	8,863,264
Commercial	5,159,636	5,649,362	6,115,191	6,531,807
Industrial	1,128,810	1,248,164	1,479,639	1,406,070
Governmental	578,251	674,431	671,239	729,349
Total Sewer Billings	\$ 21,994,073	\$24,125,646	\$25,189,254	\$26,570,711
Other Sewer Fees				
Sewer permits	\$ 61,422	\$ 50,754	\$ 52,193	\$ 44,281
Connection charges ²	705,795	666,795	1,152,849	-
Charge in lieu fees ²	47,348	-	-	60,096
Water quality surcharge	425,809	503,188	524,269	692,877
Miscellaneous charges	37,403	17,126	66,116	46,987
Other operating revenue	14,904	8,207	8,358	8,690
Adjustments ¹	(247,919)	27,955	(227,189)	3,643
Total Other Sewer Fees	\$ 1,044,762	\$ 1,274,025	\$ 1,576,596	\$ 856,574
Total Sewer Operating Revenues ³	\$ 23,038,835	\$25,399,671	\$26,765,850	\$27,427,285
Storm Drain/Surface Water Charges				
Residential (single family)	\$ 2,803,196	\$ 2,975,555	\$ 3,145,346	\$ 3,324,793
Duplex	29,576	31,978	33,908	35,596
Multi-family	2,321,917	2,453,359	2,582,879	2,712,051
Commercial	9,053,394	9,491,417	9,937,563	10,409,583
Industrial	1,197,251	1,253,616	1,315,712	1,328,399
Governmental	1,117,890	1,146,862	1,188,441	1,221,703
Adjustments ¹	-	-	-	-
Total Drainage Operating Revenues ³	\$ 16,523,224	\$17,352,787	\$18,203,849	\$19,032,125
Total Sewer/Storm Drainage Operating Revenues ³	\$ 39,562,059	\$42,752,458	\$44,969,699	\$46,459,410

¹ For adjustments, including leak adjustments and misread corrections, the billing code does not distinguish between the type of customer

² Sewer connection charges and in lieu fees were coded as charges for service in some year, but are now coded as capital contributions

³ Until 2019, the Sewer and Drainage utilities were together in the Sewer Utility Fund. In 2019, the operations were split into separate funds.

Source: City records

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year			
2016	2017	2018	2019
\$ 9,085,413	\$ 9,930,521	\$ 10,309,790	\$ 10,786,527
152,672	163,920	168,467	174,997
9,125,661	9,926,448	10,037,913	10,282,395
7,048,720	7,450,347	7,641,769	7,888,196
1,401,538	1,462,166	1,413,031	1,486,577
637,963	743,381	724,164	823,501
<u>\$ 27,451,967</u>	<u>\$29,676,784</u>	<u>\$ 30,295,134</u>	<u>\$ 31,442,193</u>
\$ 71,219	\$ 95,770	\$ 89,578	\$ 55,492
-	-	-	-
21,597	-	-	-
785,016	808,555	1,040,609	1,232,178
59,264	49,255	84,150	33,353
24,510	54,312	1,184,666	-
111,752	(80,689)	(112,304)	(154,236)
<u>\$ 1,073,358</u>	<u>\$ 927,203</u>	<u>\$ 2,286,699</u>	<u>\$ 1,166,787</u>
<u>\$ 28,525,325</u>	<u>\$30,603,987</u>	<u>\$ 32,581,833</u>	<u>\$ 32,608,980</u>
\$ 3,350,939	\$ 3,388,860	\$ 3,505,390	\$ 3,654,527
35,598	35,597	36,433	37,872
2,719,264	2,742,031	2,835,931	2,931,555
10,456,233	10,614,253	10,937,699	11,296,651
1,320,227	1,490,308	1,525,051	1,567,883
1,233,268	1,234,437	1,256,502	1,286,223
-	-	-	(51,022)
<u>\$ 19,115,529</u>	<u>\$19,505,486</u>	<u>\$ 20,097,006</u>	<u>\$ 20,723,689</u>
<u>\$ 47,640,854</u>	<u>\$50,109,473</u>	<u>\$ 52,678,839</u>	<u>\$ 53,332,669</u>
			(concluded)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 14

City of Kent

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Governmental Activities

Fiscal Year	General Obligation Bonds	Public Works Trust Fund Loans	Other Notes/ Contracts ^b	Capital Leases	Special Assessment Bonds	Contingent Loan Guarantee ^c	Total Governmental
2010	70,395,426	11,660,072	2,854,709	-	7,698,091		92,608,298
2011	65,811,861	10,777,631	2,658,709	-	5,716,053		84,964,254
2012	61,541,230	10,389,724	2,457,709	-	3,822,681		78,211,344
2013	57,903,469	9,584,624	432,000	-	2,700,000		70,620,093
2014	52,810,358	8,777,671	220,000	-	1,980,000	76,809,813	140,597,842
2015	47,784,224	8,001,804	18,524	-	1,395,000	71,648,408	128,847,960
2016	101,793,996	7,225,937	198,365	-	750,000	4,991,478	114,959,776
2017	95,347,314	6,450,072	368,559	-	160,000	3,657,980	105,983,925
2018	88,952,067	5,674,205	420,495	170,241	-	2,230,042	97,447,050
2019	82,648,102	4,898,338	9,238,824	138,645	-	717,334	97,641,243

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements

Debt amounts include discounts and premiums.

^a See Schedule 6 (Assessed/Estimated Actual Value of Taxable Property) for property tax value

^a See Schedule 19 (Demographic and Economic Factors) for population and personal income data

^b Excludes compensated absences.

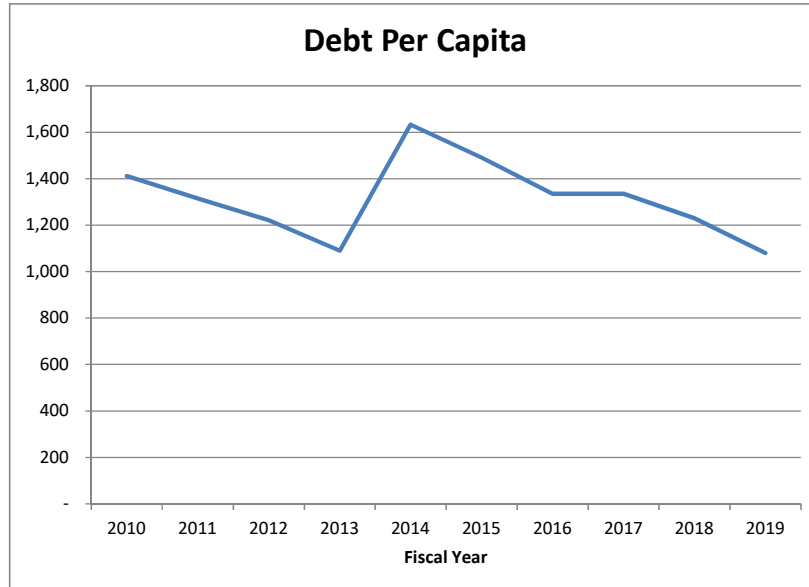
^c In FY2014, the City implemented GASB-S 70 on contingent loan guarantee obligations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Business-Type Activities

Fiscal Year	General Obligation Bonds	Revenue Bonds	Public Works Trust Fund Loans	Other Notes/ Contracts ^b	Capital Leases	Total Business- Type	Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
2010	6,713,611	24,241,262	13,305,556	29,349,115	-	73,609,544	166,217,842	2.56%	1,410.19
2011	5,734,707	23,299,522	12,171,528	29,206,578	-	70,412,335	155,376,589	2.27%	1,314.52
2012	4,788,505	22,332,423	11,037,500	29,057,632	-	67,216,060	145,427,404	2.03%	1,221.05
2013	3,665,426	21,470,198	9,828,473	25,755,000	-	60,719,097	131,339,190	1.74%	1,089.95
2014	3,140,452	20,433,172	8,694,444	25,285,000	-	57,553,068	198,150,910	2.37%	1,632.22
2015	2,597,516	19,356,148	7,560,417	24,780,000	-	54,294,081	183,142,041	2.05%	1,490.17
2016	2,106,959	18,239,122	6,426,389	24,395,000	-	51,167,470	166,127,246	1.73%	1,335.05
2017	1,678,968	32,664,929	5,292,361	23,980,000	-	63,616,258	169,600,183	1.60%	1,334.38
2018	1,313,541	31,265,888	4,158,334	23,565,000	588,466	60,891,229	158,338,279	1.36%	1,228.38
2019	949,570	15,183,946	3,024,306	22,920,000	438,596	42,516,418	140,157,661	1.19%	1,079.80



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 15

City of Kent

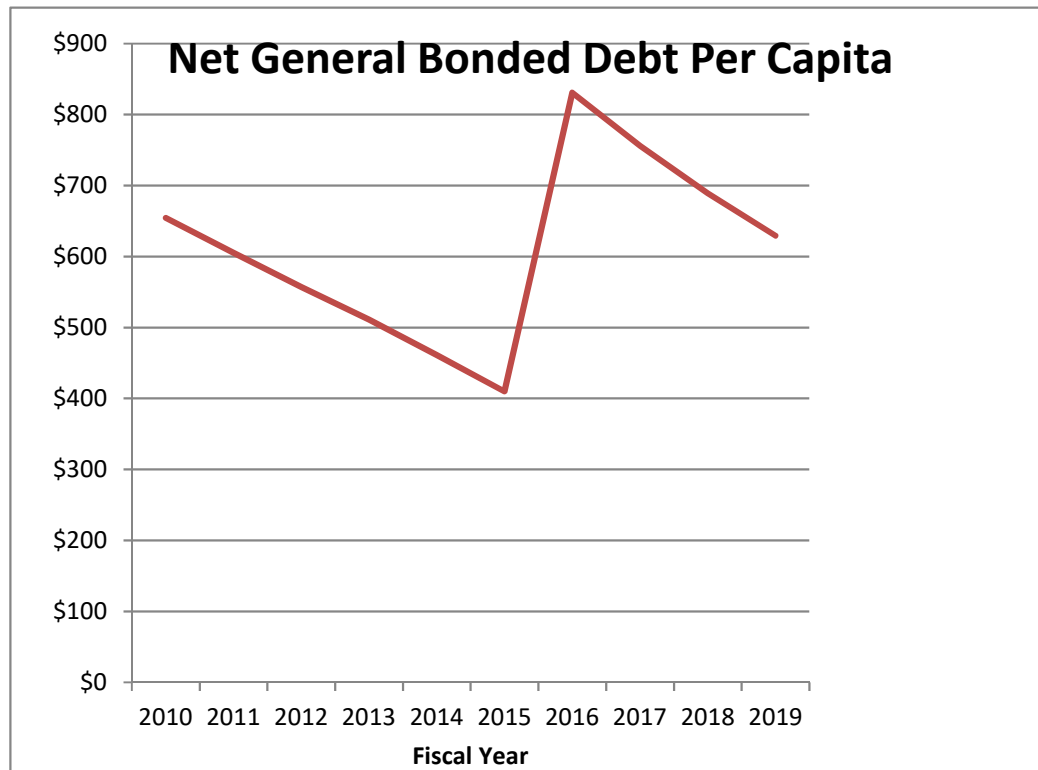
Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Estimated Actual Value of Taxable Property ^a	Per Capita ^b
2010	77,109,037	-	77,109,037	0.66%	654.19
2011	71,546,568	1,035	71,545,533	0.55%	605.29
2012	66,329,735	1,083	66,328,652	0.52%	556.92
2013	61,568,895	1,083	61,567,812	0.51%	510.94
2014	55,950,810	10	55,950,800	0.44%	460.88
2015	50,381,740	-	50,381,740	0.36%	409.94
2016	103,900,955	521,394	103,379,561	0.69%	830.79
2017	97,026,282	986,220	96,040,062	0.59%	755.63
2018	90,265,608	1,451,046	88,814,562	0.48%	689.02
2019	83,597,672	1,912,628	81,685,044	0.39%	629.31

^a See Schedule 6 (Assessed/Estimated Actual Value of Taxable Property) for property tax value

^b See Schedule 19 (Demographic and Economic Factors) for population data



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 16
City of Kent
Direct and Overlapping Governmental Activities Debt
As of December 31, 2019

	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable^a</u>	<u>Estimated</u> <u>Share of</u> <u>Direct and</u> <u>Overlapping</u> <u>Debt</u>
<u>Governmental Unit</u>			
King County	659,091,694	3.5801%	23,596,142
Port of Seattle	335,470,000	3.5801%	12,010,161
Federal Way School District No. 210	442,107,998	7.1356%	31,547,058
Highline School District No. 401	428,728,341	1.1698%	5,015,264
Renton School District No. 403	221,090,295	4.3692%	9,659,877
Auburn School District No. 408	393,976,857	1.2342%	4,862,462
Tahoma School District No. 409	148,120,835	0.0183%	27,106
Kent School District No. 415	342,164,080	67.5096%	230,993,602
Hospital District No. 1	-	34.9279%	-
Kent Regional Fire Authority No. 62	392,706	85.3401%	335,136
Rural Library District	66,743,220	6.2650%	4,181,463
Subtotal Overlapping Debt			322,228,271
City of Kent direct debt			<u>97,641,243</u>
Total direct and overlapping debt			<u><u>\$ 419,869,514</u></u>

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

Note:

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

**Schedule 17
City of Kent
Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Legal Debt Limit					
Assessed Value	\$ 11,733,295,807	\$ 13,124,485,153	\$ 12,746,855,069	\$ 12,009,757,520	\$ 12,651,208,800
Legal debt limit restrictions:					
2.5% of General purpose limit, voted & non-voted	\$ 293,332,395	\$ 328,112,129	\$ 318,671,377	\$ 300,243,938	\$ 316,280,220
2.5% Utility purpose limit, voted	293,332,395	328,112,129	318,671,377	300,243,938	316,280,220
2.5% Open Space, Park Facilities, voted	293,332,395	328,112,129	318,671,377	300,243,938	316,280,220
Total legal debt limit	<u>879,997,185</u>	<u>984,336,387</u>	<u>956,014,131</u>	<u>900,731,814</u>	<u>948,840,660</u>
Total net debt applicable to limit	<u>81,157,709</u>	<u>75,247,674</u>	<u>69,139,626</u>	<u>61,423,917</u>	<u>54,975,990</u>
Legal debt margin	<u>\$ 798,839,476</u>	<u>\$ 909,088,713</u>	<u>\$ 886,874,505</u>	<u>\$ 839,307,897</u>	<u>\$ 893,864,670</u>
Total net debt applicable to the limit as a percentage of debt limit	9.22%	7.64%	7.23%	6.82%	5.79%
Total net debt applicable to the limit as a percentage of assessed value	0.69%	0.57%	0.54%	0.51%	0.43%
Debt applicable to limit:					
Voted					
General obligation bonds	-	-	-	-	-
Non-voted					
General obligation bonds	78,303,000	72,590,000	66,683,000	60,993,000	54,756,000
Other general obligation debt	2,854,709	2,658,709	2,457,709	432,000	220,000
Less: Amount set aside for repayment of voted general obligation debt	-	(1,035)	(1,083)	(1,083)	(10)
Total net debt applicable to limit	<u>81,157,709</u>	<u>75,247,674</u>	<u>69,139,626</u>	<u>61,423,917</u>	<u>54,975,990</u>
Additional debt limit restriction:					
1.5% non-voted for all purposes	175,999,437	196,867,277	191,202,826	180,146,363	189,768,132
Non-voted debt outstanding	81,157,709	75,248,709	69,140,709	61,425,000	54,976,000
Non-voted legal debt margin	<u>94,841,728</u>	<u>121,618,568</u>	<u>122,062,117</u>	<u>118,721,363</u>	<u>134,792,132</u>
Constitutional Debt Limit					
10.0% non-voted for all purposes	1,173,329,581	1,312,448,515	1,274,685,507	1,200,975,752	1,265,120,880
Net debt applicable to legal debt limit	81,157,709	75,247,674	69,139,626	61,423,917	54,975,990
Add: State loan contracts	11,660,072	10,777,631	10,389,724	9,584,624	8,777,671
Constitutional debt margin	<u>1,080,511,800</u>	<u>1,226,423,210</u>	<u>1,195,156,157</u>	<u>1,129,967,211</u>	<u>1,201,367,219</u>
Internal Debt Limit					
Net debt applicable to legal debt limit	81,157,709	75,247,674	69,139,626	61,423,917	54,975,990
Add: State loan contracts	11,660,072	10,777,631	10,389,724	9,584,624	8,777,671
Interest on outstanding debt	28,051,396	24,443,065	20,409,417	17,426,925	14,358,462
Compensated absences	4,848,159	4,596,349	4,459,597	4,747,718	4,168,176
Total debt applicable to internal debt calculation	<u>125,717,336</u>	<u>115,064,719</u>	<u>104,398,364</u>	<u>93,183,184</u>	<u>82,280,299</u>
Total net debt applicable to the internal debt calculation as a percentage of assessed value	1.07%	0.88%	0.82%	0.78%	0.65%

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

Source: City's financial records

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year				
2015	2016	2017	2018	2019
\$ 14,068,213,406	\$ 15,046,306,884	\$ 16,402,977,700	\$ 18,597,339,729	\$ 20,729,110,364
\$ 351,705,335	\$ 376,157,672	\$ 410,074,443	\$ 464,933,493	\$ 518,227,759
351,705,335	376,157,672	410,074,443	464,933,493	518,227,759
351,705,335	376,157,672	410,074,443	464,933,493	518,227,759
1,055,116,005	1,128,473,016	1,230,223,329	1,394,800,479	1,554,683,277
49,078,000	90,740,000	84,656,000	78,686,000	72,806,000
\$ 1,006,038,005	\$ 1,037,733,016	\$ 1,145,567,329	\$ 1,316,114,479	\$ 1,481,877,277
4.65%	8.04%	6.88%	5.64%	4.68%
0.35%	0.60%	0.52%	0.42%	0.35%
-	-	-	-	-
49,078,000	90,740,000	84,656,000	78,686,000	72,806,000
-	-	-	-	-
-	-	-	-	-
49,078,000	90,740,000	84,656,000	78,686,000	72,806,000
211,023,201	225,694,603	246,044,666	278,960,096	310,936,655
49,078,000	90,740,000	84,656,000	78,686,000	72,806,000
161,945,201	134,954,603	161,388,666	200,274,096	238,130,655
1,406,821,341	1,504,630,688	1,640,297,770	1,859,733,973	2,072,911,036
49,078,000	90,740,000	84,656,000	78,686,000	72,806,000
8,001,804	7,225,937	6,450,071	5,674,205	4,898,338
1,349,741,537	1,406,664,751	1,549,191,699	1,775,373,768	1,995,206,698
49,078,000	90,740,000	84,656,000	78,686,000	72,806,000
8,001,804	7,225,937	6,450,071	5,674,205	4,898,338
11,168,487	39,402,192	35,545,110	31,984,893	28,492,613
4,337,445	4,413,051	4,639,656	4,938,217	5,421,078
72,585,736	141,781,180	131,290,837	121,283,315	111,618,029
0.52%	0.94%	0.80%	0.65%	0.54%

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 18
City of Kent
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds ¹					
	Water Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	15,426,293	9,029,965	6,396,328	432,500	628,347	6.03
2011	15,986,832	9,730,377	6,256,455	447,500	615,372	5.89
2012	16,253,067	10,697,089	5,555,978	460,000	601,947	5.23
2013	17,021,951	11,736,994	5,284,957	472,000	588,147	4.99
2014	18,416,162	10,677,318	7,738,844	487,500	573,972	7.29
2015	18,904,851	13,717,392	5,187,459	507,500	554,472	4.88
2016	18,780,129	12,538,349	6,241,780	527,500	534,172	5.88
2017	21,850,641	12,387,164	9,463,477	550,000	513,072	8.90
2018	22,541,631	13,236,320	9,305,311	570,000	795,860	6.81
2019	22,869,950	13,017,701	9,852,249	600,000	462,572	9.27

Fiscal Year	Combined Utility Revenue Bonds					
	Combined Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	51,268,121	34,225,967	17,042,154	865,000	1,256,695	8.03
2011	55,095,342	34,332,968	20,762,374	895,000	1,230,744	9.77
2012	55,815,126	42,423,801	13,391,325	920,000	1,203,894	6.31
2013	59,774,409	44,658,164	15,116,245	944,000	1,176,294	7.13
2014	63,385,861	43,946,747	19,439,114	975,000	1,147,944	9.16
2015	65,364,261	50,063,649	15,300,612	1,015,000	1,108,944	7.20
2016	66,420,983	51,681,433	14,739,550	1,055,000	1,068,344	6.94
2017	71,960,114	51,556,996	20,403,118	1,100,000	1,026,144	9.60
2018	75,220,569	56,647,152	18,573,417	1,140,000	1,591,720	6.80
2019	43,593,639	24,650,768	18,942,871	1,200,000	925,144	8.91

Fiscal Year	Special Assessment Bonds ³			
	Revenues	Debt Service		Coverage
		Principal	Interest	
2010	2,444,174	1,916,737	478,481	1.02
2011	2,397,011	2,021,715	382,060	1.00
2012	2,590,862	1,919,285	279,818	1.18
2013	4,058,344	1,203,319	180,786	2.93
2014	3,115,228	747,256	124,207	3.57
2015	2,586,437	585,000	111,840	3.71
2016	2,150,390	645,000	64,550	3.03
2017	1,979,573	590,000	34,875	3.17
2018	1,459,618	160,000	7,440	8.72
2019	1,339,332	-	-	N/A

Source: City financial records

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ 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 Drainage Fund.

² Operating expenses do not include interest, depreciation or amortization expenses.

³ 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. No outstanding bonds after 2018.

Details regarding coverage can be found in the Official Statements.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year	Drainage Revenue Bonds ¹					
	Drainage Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	35,841,828	25,196,002	10,645,826	432,500	628,347	10.04
2011	39,108,510	24,602,591	14,505,919	447,500	615,372	13.65
2012	39,562,059	31,726,712	7,835,347	460,000	601,947	7.38
2013	42,752,458	32,921,170	9,831,288	472,000	588,147	9.27
2014	44,969,699	33,269,429	11,700,270	487,500	573,972	11.02
2015	46,459,410	36,346,257	10,113,153	507,500	554,472	9.52
2016	47,640,854	39,143,084	8,497,770	527,500	534,172	8.00
2017	50,109,473	39,169,832	10,939,641	550,000	513,072	10.29
2018	52,678,938	43,410,832	9,268,106	570,000	795,860	6.79
2019	20,723,689	11,633,067	9,090,622	600,000	462,572	8.56

Schedule 19
City of Kent
Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	Population¹	County Personal Income² (thousands of dollars)	County Per Capita Income³	School Enrollment⁴	County Unemployment Rate⁵
2010	117,869	106,806,333	55,136	27,050	8.8%
2011	118,200	113,922,436	57,837	27,397	7.6%
2012	119,100	120,627,950	60,090	26,975	6.8%
2013	120,500	128,330,859	62,770	27,500	5.2%
2014	121,400	143,260,986	68,877	27,484	4.6%
2015	122,900	153,554,091	72,530	27,823	3.6%
2016	124,435	166,006,277	77,213	27,746	3.9%
2017	127,100	182,495,475	83,383	27,896	3.8%
2018	128,900	201,962,200	90,438	27,714	3.4%
2019	129,800	*	*	27,467	3.5%

¹ April 1 Population of Cities, Towns, and Counties: 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 2019: Washington State Report Card

⁵ King County Profile: Employment Security Department Washington State

*2019 information is not available, will be included in 2020 CAFR.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 20
City of Kent
Principal Employers
Current Year and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Amazon.com LLC	3,519	1	5.46%			
Kent Public Schools	2,807	2	4.35%	2,622	2	4.84%
Boeing Company	2,480	3	3.85%	4,000	1	7.38%
Blue Origin, LLC	1,600	4	2.48%			
Exotic Metals Forming Co	1,186	5	1.84%			
REI Inc.	874	6	1.36%	709	4	1.31%
City of Kent	730	7	1.13%	832	3	1.54%
King County Regional Justice Center	630	8	0.98%	630	5	1.16%
Coho Distributing LLC dba Columbia Dist.	620	9	0.86%	620	6	1.14%
Carlisle Interconnect Industries	615	10	0.95%			
Alaska Airlines				459	8	0.85%
Sysco				510	7	0.94%
Oberto Sausage				447	9	0.82%
Mikron Industries						
	<u>15,061</u>		<u>23.25%</u>	<u>8,660</u>		<u>15.98%</u>

Source: City of Kent Business License System

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 21
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									
	2010 ^a	2011	2012	2013	2014	2015	2016 ^b	2017	2018	2019
General government										
Mayor's Office	13.00	13.00	10.50	10.53	10.53	10.75	10.75	11.75	13.00	12.00
Human Resource	11.00	12.00	12.00	12.20	13.20	13.60	14.60	14.60	15.60	16.10
Finance	19.00	20.55	18.55	20.55	20.55	23.55	23.55	24.99	25.45	24.30
Information Technology	25.00	28.70	25.00	24.96	26.00	29.00	35.00	37.00	37.00	38.50
Other	43.50	45.90	41.25	37.80	39.00	42.00	42.00	42.00	41.00	41.00
Judicial	21.00	21.53	21.28	20.28	20.28	20.28	20.28	20.28	21.28	19.75
Public Safety										
Police	193.00	201.28	196.28	191.75	195.75	199.00	203.00	208.75	213.75	226.28
Law-Criminal	10.00	11.70	10.60	9.80	8.80	8.80	9.80	8.80	8.80	8.80
Community Development	43.00	43.60	36.60	36.60	38.33	40.75	40.75	42.75	47.00	46.00
Public Works										
Engineering	5.33	5.33	5.33	9.00	9.00	9.00	11.00	14.50	14.50	15.72
Operations	12.00	12.00	12.00	12.00	25.00	31.00	32.00	30.00	30.00	29.50
Streets	70.50	73.02	71.02	64.09	67.50	67.50	73.00	77.50	78.00	82.00
Leisure Services	60.00	61.63	59.13	60.16	63.91	64.38	66.63	65.63	65.63	68.13
Health and Human Services	18.00	21.34	17.53	15.73	16.06	16.53	16.53	17.53	17.53	16.53
Water	26.00	26.00	26.00	32.41	29.08	29.08	28.47	27.41	27.41	28.41
Sewerage ^c	10.33	10.33	10.33	9.08	9.08	11.08	14.48	12.83	12.83	12.83
Drainage ^c	34.34	34.34	34.34	26.42	20.09	23.09	22.30	19.76	19.76	18.84
Solid Waste	-	-	-	-	-	-	2.50	4.50	4.50	4.20
Water & Sewer Utility Billing	10.00	11.11	11.11	11.11	11.11	11.80	12.05	12.61	12.55	12.70
Golf	8.00	11.35	11.35	11.35	11.35	11.35	11.35	9.60	9.60	8.00
Total	633.00	664.71	630.20	615.81	634.61	662.54	690.04	702.79	715.19	729.59

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 Full-Time Equivalent (FTE) employees were reduced by 166 Fire Department employees that transferred to the Regional Fire Authority (RFA) on July 1, 2010.

^b Solid Waste fund was created in 2016

^c The Sewerage and Drainage functions were combined into the Sewerage Fund until 2019 when the funds were split.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 22
City of Kent
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Business licenses issued	4,183	3,658	5,048	3,767	4,243	4,164	6,113	5,460	6,480	6,686
Judicial										
Number of court filings ^a	20,330	18,377	17,992	18,531	17,184	14,628	14,685	12,663	12,406	16,340
Public Safety										
Police										
Physical arrests	4,249	4,673	4,678	4,778	4,587	4,514	4,673	5,002	4,608	5,076
Parking violations	2,115	2,367	2,272	1,479	2,066	2,037	2,515	2,280	1,888	3,702
Traffic violations ^e	15,343	13,079	12,774	18,531	14,979	13,552	7,836	6,729	7,470	8,614
School Zone Tickets [*]	N/A	N/A	N/A	N/A	8,366	8,122	9,101	9,342	9,113	13,369
Red Light Camera	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13,587
Community Development										
Building permits issued ^b	1,004	2,074	2,277	2,334	3,789	3,899	4,034	4,160	5,135	4,991
Building inspections conducted	12,883	13,375	14,050	14,067	12,443	12,974	12,333	16,076	16,414	14,867
Public Works										
Street resurfacing (sq yds)	12,200	26,190	22,488	31,100	48,350	60,944	132,112	100,159	34,444	185,659
Leisure Services										
Recreation programs offered	1,791	2,147	2,096	2,070	2,050	2,158	2,244	2,118	1,915	1,818
Number of recreation participants ^d	73,600	16,705	33,462	24,392	23,143	26,521	27,693	20,706	22,704	12,876
Health and Human Services										
Citizens served in specialized recreation setting ^d	3,150	1,575	1,632	1,512	1,704	1,688	1,639	1,507	1,585	1,675
Participants in Senior programs/workshops ^d	34,697	14,157	17,115	18,180	20,415	20,410	26,145	26,404	30,120	31,326
Water										
New connections	189	136	164	160	135	106	150	136	174	216
Average daily consumption (million gallons-estimated)	8	7.5	7.0	7.1	7.4	7.7	7.3	7.7	7.6	7.5
Golf										
Number of participants	153,750	151,950	153,800	154,100	155,260	155,870	156,220	154,695	153,450	161,200
Number of tournaments	83	76	72	63	57	51	53	46	40	41
Library										
Number of Items	159,246	159,246	159,300	159,173	107,933	112,988	108,686	112,509	105,635	105,668
Items circulated ^c	N/A	N/A	745,994	613,603	550,416	470,680	430,626	392,140	355,736	303,162

Source: Various City Departments

* January 2014 School Zone Camera Tickets implemented.

^a Includes parking violations

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

^c Information not available for years indicated.

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

^e Beginning in 2016, traffic violations are processed differently with multiple infractions processed on one ticket.



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 23
City of Kent
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	50 ^b	50 ^b	51 ^b	58 ^b	49 ^b	47 ^b	49 ^b	52 ^b	96 ^{bf}	
Public Works										
Streets (lane miles)	725	726	726	726	726	726	726	719 ^d	719 ^d	
Streetlights	6,573	6,573	6,600	6,600	6,600	6,600	6,354	6,354	6,354	
Traffic signals	119	119	119	119	119	119	120	120	119	
Traffic beacons/advisory devices	*	57	58	69	70	76	73	93	93	
Leisure Services										
Acres of parks/open space ^a	1,434	1,434	1,434	1,178	1,178	1,142	1,142	1,142	1,145	
Parks ^c	58	58	58	53	53	53	55	55	55	
Miles of trails	23	23	28	28	28	28	28	28	28	
Ball fields	21	21	21	21	21	21	21	21	21	
Tennis courts	15	15	15	15	15	12	12	12	12	
Water										
Water mains (miles)	280	280	280	280	284	284	287	287	287	
Water customers *	13,202	13,327	13,469	13,629	13,810	13,924	14,091	14,214	14,443	
Reservoir/Tanks	8	9	9	9	9	9	9	9	9	
Reservoir storage capacity (millions of gallons)	21.0	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	
Sewerage										
Sanitary sewers (miles)	209	209	215	215	215	215	215	215	216	
Sewer customers *	27,000	15,352	15,552	15,712	15,854	15,949	16,098	16,230	16,285	
Drainage										
Storm sewers (miles)	248	249	324	324	324	324	324	341	344	
Drainage customers *	22,122	24,750	25,100	25,285	25,486	25,624	25,831	26,022	26,365	
Golf										
18-Hole course (yards)	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	6,701	
Par 3 course (yards) ^e	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	-	
Driving range (stalls)	32	32	32	32	32	32	32	32	32	
Miniature golf course 18-hole	1	1	1	1	1	1	1	1	1	
Merchandise center	1	1	1	1	1	1	1	1	1	
Libraries	1	1	1	1	1	1	1	1	1	

Source: Various City Departments

Notes:

- * Information not available for years indicated.
- ^a Does not include Commons Playfield. 2007 - 2009
- ^b Includes 1 Patrol boat
- ^c Prior to 2010, counted other properties like detention basins
- ^d According to the 2016 Pavement Rating Report
- ^e Par 3 course was closed in 2018
- ^f In 2018 the City started acquiring "take home vehicles" for the patrol division

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 24
City of Kent
Kent Special Events Center Public Facilities District
Various Operating Information
Last Ten Fiscal Years

	Fiscal Year			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Special Events Center Operations: ¹				
Operating revenues	2,032,144	2,075,487	1,824,496	2,199,412
Operating expenditures ²	2,430,158	2,563,334	2,532,035	2,577,642
Net operating income/(loss)	<u>(398,014)</u>	<u>(487,847)</u>	<u>(707,539)</u>	<u>(378,230)</u>
Public Facilities District Operations ³				
PFD Sales Taxes	622,136	649,277	677,937	714,360
Interest income	880	646	561	300
Expenditures	-	-	1,505	-
Net revenue available	<u>623,016</u>	<u>649,923</u>	<u>676,993</u>	<u>714,660</u>
PFD direct debt: ⁴				
2008 PFD Revenue Bonds	1,068,663	1,059,272	1,062,462	1,136,651
2008 PFD Sales Tax Bonds ⁵	2,675,778	2,675,778	2,675,777	2,675,777
2016 LTGO Bonds allocated to PFD ⁵	-	-	-	-
Total direct PFD debt	<u>3,744,441</u>	<u>3,735,050</u>	<u>3,738,239</u>	<u>3,812,428</u>
PFD Direct Debt funding:				
PFD Sales tax revenues ⁶	615,004	641,973	674,214	707,953
City advances	3,129,437	3,093,077	3,064,025	3,104,475
Other funding	-	-	-	-
Total Funding of Direct Debt	<u>3,744,441</u>	<u>3,735,050</u>	<u>3,738,239</u>	<u>3,812,428</u>

Notes: ¹ The Showare Special Events Center is operated by SMG under a contract with the City. This information is from the operating statements of SMG for the 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 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1,989,724	2,357,964	2,775,006	2,766,369	3,117,754	3,021,390
2,742,048	2,619,402	2,914,669	3,114,736	3,314,806	3,663,224
(752,324)	(261,438)	(139,663)	(348,367)	(197,052)	(641,834)
784,330	830,283	900,659	916,139	1,018,768	1,149,950
308	665	1,825	4,017	11,454	16,490
-	-	-	-	-	-
784,638	830,948	902,484	920,156	1,030,222	1,166,440
1,120,283	1,205,275	1,277,466	1,345,977	1,437,083	1,518,283
2,675,777	2,675,778	1,337,889	-	-	-
-	-	1,334,603	2,668,000	2,668,300	2,668,450
3,796,060	3,881,053	3,949,958	4,013,977	4,105,383	4,186,733
766,236	696,831	880,444	887,946	1,002,342	1,167,441
3,029,824	3,184,222	3,069,514	3,126,031	3,103,041	3,019,292
-	-	-	-	-	-
3,796,060	3,881,053	3,949,958	4,013,977	4,105,383	4,186,733

continued

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Schedule 24
City of Kent
Kent Special Events Center Public Facilities District
Various Operating Information
Last Ten Fiscal Years

	Fiscal Year			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Event Center Operations:				
Admissions tax	199,199	193,900	281,458	251,405
Other revenues/sources	42,376	-	-	-
Expenditures	842,763	477,634	1,106,422	471,684
Net operating income (loss) ⁸	<u>(601,188)</u>	<u>(283,734)</u>	<u>(824,964)</u>	<u>(220,279)</u>
City debt related to Events Center				
2008 LTGO Bonds-Series A	253,740	318,130	344,424	330,180
2008 LTGO Bonds-Series B	959,650	183,050	-	-
2016 LTGO Refunding- Series A	-	-	-	-
2016 LTGO Refunding- Series B	-	-	-	-
Internal Loans ⁷	-	-	-	1,178,131
Total related debt	<u>1,213,390</u>	<u>501,180</u>	<u>344,424</u>	<u>1,508,311</u>
Total City Funding				
City Advances for PFD debt	615,004	641,973	674,214	707,953
Events Center net (income)loss	601,188	283,734	824,964	220,279
Related debt costs	1,213,390	501,180	344,424	1,508,311
Total City Funding	<u>2,429,582</u>	<u>1,426,887</u>	<u>1,843,602</u>	<u>2,436,543</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 has 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, \$1,000,000 in 2015, \$500,000 each year 2016-2018, and \$725,489 in 2019.

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2019

CITY OF KENT, WASHINGTON

Fiscal Year					
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
256,124	375,049	385,546	347,109	488,638	412,601
-	46,524	462,443	208,118	129,691	18,221
980,046	104,330	1,097,457	983,406	1,373,763	1,089,763
<u>(723,922)</u>	<u>317,243</u>	<u>(249,468)</u>	<u>(428,179)</u>	<u>(755,434)</u>	<u>(658,941)</u>
333,788	391,766	254,864	123,819	118,902	-
-	-	-	-	-	-
-	-	150,850	311,380	311,838	581,296
-	-	1,334,603	2,668,000	2,668,300	2,668,450
<u>1,243,121</u>	<u>1,301,516</u>	<u>1,325,005</u>	<u>1,464,068</u>	<u>1,509,476</u>	<u>1,553,742</u>
<u>1,576,909</u>	<u>1,693,282</u>	<u>3,065,322</u>	<u>4,567,267</u>	<u>4,608,516</u>	<u>4,803,488</u>
766,236	696,831	880,444	887,946	1,002,342	1,167,441
723,922	(317,243)	249,468	428,179	755,434	658,941
<u>1,576,909</u>	<u>1,693,282</u>	<u>3,065,322</u>	<u>4,567,267</u>	<u>4,608,516</u>	<u>4,803,488</u>
<u>3,067,067</u>	<u>2,072,870</u>	<u>4,195,234</u>	<u>5,883,392</u>	<u>6,366,292</u>	<u>6,629,870</u>

Concluded





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