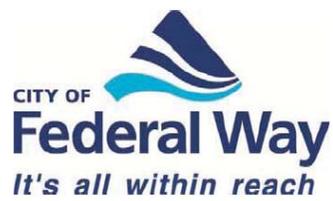


City of Federal Way, WA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED DECEMBER 31, 2015





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~City of Federal Way History~

The earliest recorded accounts of the Federal Way area tell of Native American families who resided in the area of the Muckleshoot Reservation on the east side of the Green River Valley and traveled west to the shores of Puget Sound for the plentiful fisheries resources. Generations of Muckleshoot Indians wore a westward trail across the heavily forested plateau to the area which is now Saltwater State Park. The arrival of the white man in the nineteenth century resulted in a steady decline in the Indian population and by 1890, nearly the entire population had disappeared from the area. Isolated on a triangular shaped plateau rising steeply from Puget Sound, the Federal Way area had little waterfront access or roadways and accordingly, was sparingly developed compared to Tacoma and Seattle. As late as the turn of the century, the original settlers at Dash Point and Dumas Bay had to row to Tacoma for supplies and mail. Old Military Road, constructed around 1856 and extending north from Fort Steilacoom, past Star Lake to Seattle and Fort Lawton, was the first road through the area.

Over time, narrow dirt roads were added to provide east/west access and by 1900, a road was constructed between Star Lake and Redondo. The second crossroad, the "Seattle Road," connected old Military Road and Kent. The Seattle-Tacoma Interurban Line, completed in 1901, provided a fast and easy way to reach these urban cities. Improved access brought many visitors to the area and Star Lake became a popular summer recreation site.

By the 1920s, Federal Highway 99, the interstate that linked the western states from north to south, was complete. At this time, Federal Way was still primarily forest and farmland. Fred Hoyt had a cabin on Dumas Bay and started a road to Tacoma (still called Hoyt Road). The timber companies, which had a major logging operation going, built an early railroad line and were instrumental in getting Marine View Highway (now Dash Point Road) built in the early 1920s. This roadway spurred development along the coastline. Soon thereafter, Peasley Canyon Road was built to connect Military Road with the Auburn Valley. This road later became known as South 320th Street. In these early days, roadways set the stage for development in the area and they still play an important role in the City today.

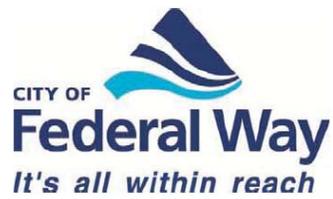
By the start of World War II, a number of small, thriving communities made up the area that is now Federal Way. Some communities were clustered around lakes, such as Steel Lake, Star Lake, and Lake Geneva. Others were sited to take advantage of the view of Puget Sound, like Adelaide and Buenna. As each of these communities grew, residents built small schoolhouses for their children. By the late 1940s, King County consolidated the many individual red schoolhouses into the Federal Way School District, from which the City gets its name. During this same period, a library was built along the edge of Highway 99, and between 308th Street and 320th Street, a small "downtown" developed with a general store, lumber yard, realty office, beauty parlor, feed store, and gas station. By the end of the 1950s, the ten blocks between 308th and 320th Streets became the first roadside commercial district. One of the more unique developments was Santa Faire, a family oriented theme park. New shopping areas were added around the park, helping to create a "community focus" for the residents of the area.

As this commercial area developed, the rest of Federal Way was changing as well. The Boeing Company expanded their operations in Renton and the Kent Valley and began advertising nationally for engineers. Those engineers in turn began roaming the wooded acreage in Federal Way in search of housing. One of the earliest residential developments was Marine Hills, built in 1958 overlooking Puget Sound. Weyerhaeuser, one of the early timber companies, had large land holdings in the area and began to develop their land into high quality housing with amenities like golf courses.

Weyerhaeuser's development company also began developing commercial property, creating the West Campus business park. The plan was to integrate offices and businesses with lush landscaping. Though initially the corporate office market was not strong, West Campus has grown almost to capacity, providing space for many civic buildings such as City Hall, the police station, the area's major health care centers, and higher density housing.

Another major landmark in the area is SeaTac Mall (now The Commons), built in the mid-1970s on what was farmland south of 320th Street. The Mall is one of the largest in South King County and is the anchor for retail development in the area. The Mall was a result of population growth in the region and its location was determined by the 320th Street intersection with Interstate 5. The Interstate supplanted Highway 99 as the main artery for commuter traffic in the County.

By the mid 1980s, South King County was growing quickly. Retail growth occurred along Highway 99, especially at the 320th Street intersection. Roads and office space were developed to accommodate the increased growth. Residential growth was also prominent, following plans developed by King County, with a large number of apartment homes. The changes to the community, with increased housing and traffic, created a movement for greater self-determination. In 1989, the citizens of this area voted for incorporation and the City of Federal Way was born, incorporating on February 28, 1990 with 58,000 residents.



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2015

City of Federal Way
33325 8th Avenue South
Federal Way, Washington 98003
(253) 835-2520

www.cityoffederalway.com

Prepared by the Finance Department

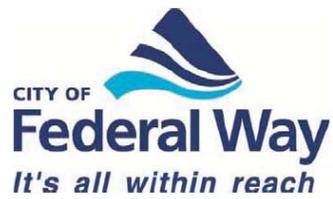
Finance Director
Ade' Ariwoola

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2015**

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June 29, 2016

People of the City of Federal Way
Honorable Mayor and City Council

I am pleased to submit to you the 2015 Comprehensive Annual Financial Report (CAFR) of the City of Federal Way, Washington. This report is published annually as the official annual financial report and complies with state law (RCW 43.09.230) requiring annual report for Washington municipal governments to be certified and filed with the Washington State Auditor's Office in a timely manner. The accuracy of the data, completeness and fairness of the presentation, including all disclosures rests with the City management. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City operates under a system of accounting, internal controls that are concerned with safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that cost of internal control should not exceed the benefits expected to be derived.

This transmittal letter is designed to complement the Management Discussion & Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

REPORTING ENTITY

The City is a noncharter Optional Code City with a Mayor-Council form of government. It was incorporated on February 28, 1990, and is governed under the provisions of the Optional Municipal Code of the Revised Code of Washington. Optional Code City status increases the City's operating authority by extending it to the powers of all four city classifications which exist in Washington Law.

The City Council consists of seven council members, all of whom are elected at large by citizens of Federal Way to serve four-year terms. In November 2009, the citizens of Federal Way approved Proposition 1 to change the form of government from a City Manager-Council run government to an elected Mayor-Council government. Federal Way voters elected former City Councilmember and King County Senior Deputy Prosecuting Attorney Jim Ferrell as Mayor on November 5, 2013.

City services provided include: police protection, construction and maintenance of streets, building inspection, municipal court services, jail services, planning and zoning, park services, emergency management services, surface water management and general administration, including finance. Services for a land use hearing examiner are contracted. The City continues to have eleven major departments consisting of (1) Mayor's Office; (2) City Council; (3) Law; (4) Finance; (5) Human Resources; (6) Information Technology; (7) Municipal Court, (8) Parks; (9) Public Works; (10) Police; and (11) Community Development. Fire protection and emergency medical services are provided by South King Fire & Rescue. Lakehaven Utility District delivers water and sewer services. King County Metro provides public transportation services. Public housing services are the primary focus of the King County Housing Authority. The King County Library System engages City residents through its library and reference services. School District No. 210 offers educational programs for kindergarten through high school students, in addition to vocational training.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

The Great Recession continues to have lingering effects on the economy. Many economic indicators during 2015 were still below the pre-Great Recession levels. Consumers have gained some ground since the recession ended; groups hit harder than average including young people. The housing market saw some improvements due to rise in personal income and decline in foreclosures.

Nationally, the CPI rose 0.7 percent in 2015 after the 0.8 percent increase in 2014. This is the second smallest December-December increase in the last 50 years. The index has increased at a 1.9 percent annual rate over the last 10 years. The energy index declined sharply for the second year in a row, falling 12.6 percent in 2015 after a 10.6 percent decline in 2014. All the major component energy indexes declined in 2015. The fuel oil index declined the most, falling 31.4 percent after decreasing 19.1 percent in 2014. The gasoline index fell 19.7 percent after a 21.0 percent decline the previous year. The index for natural gas, which rose for the first time in six years in 2014, declined 14.9 percent in 2015. The electricity index declined for the first time since 2012, falling 1.2 percent in 2015. After the recent declines, the energy index has risen only at a 0.2 percent annual rate over the last 10 years. The index for food rose 0.8 percent in 2015. This compares to a 3.4 percent increase in 2014 and is the smallest increase since a decline in 2009. The index for food at home fell in 2015, declining 0.4 percent. This is only the third time it has declined in the past 50 years (1976 and 2009 are the other years it declined). Four of the six major grocery store food group indexes increased in 2015, but none of the increases were large. The index for cereals and bakery products rose 1.0 percent after increasing 0.5 percent in 2014, and the index for other food at home also rose 1.0 percent. The index for fruits and vegetables, which rose 3.2 percent in 2014, advanced only 0.6 percent in 2015. The index for nonalcoholic beverages also rose in 2015, increasing 0.3 percent after advancing 0.7 percent the prior year. However, the index for dairy and related products fell in 2015, declining 3.9 percent following a 5.3 percent increase in 2014. The index for meats, poultry, fish, and eggs also turned down in 2015, falling 2.2 percent after a 9.2 percent increase the prior year. The index for beef and veal fell 4.3 percent in 2015 after increasing 18.7 percent in 2014. The index for food away from home rose 2.6 percent in 2015, in between its 2.1 percent increase in 2013 and 3.0 percent increase in 2014. Over the last 10 years the food index has risen at an annual rate of 2.5 percent, with the food at home index rising at a 2.3 percent rate and the food away from home index increasing at a 2.8 percent rate.

The index for all items less food and energy accelerated in 2015, increasing 2.1 percent after a 1.6 percent increase in 2014. It has risen at a 1.9 percent rate over the past 10 years. The shelter index continued to accelerate, increasing 3.2 percent in 2015 after rising 2.5 percent in 2013 and 2.9 percent in 2014. The rent index rose 3.7 percent, while the index for owners' equivalent rent advanced 3.1 percent. The index for medical care, however, posted a smaller increase in 2015, rising 2.6 percent after a 3.0 percent increase the prior year. Within the medical care group, the index for prescription drugs rose 2.4 percent, while the hospital services index increased 4.2 percent. The index for motor vehicle insurance rose 5.7 percent in 2015 after increasing 4.7 percent in 2014. The education index increased 3.7 percent, and the personal care index rose 1.4 percent. Several indexes posted very modest increases in 2015: The new vehicles index rose 0.2 percent, following a 0.5 percent advance the prior year. The index for used cars and trucks, which declined in 2014, rose 0.4 percent in 2015. The recreation index rose 0.7 percent, and the index for alcoholic beverages increased 0.5 percent.

As of December 2015, Seattle-Tacoma-Bremerton, WA's CPI for Urban Wage Earners and Clerical Workers (CPI-W) increased 2.2 percent over December 2014 compared to the national average of 0.4 percent. The Seattle-Tacoma-Bellevue, WA annual unemployment rate for 2015 was 5.2% up from 4.9% in 2014 as measured by deptofnumbers.com. As of the end of April 2016 the unemployment rate has dropped to 5.0% The Puget Sound region reached its peak unemployment rate during 2010 at 9.7% which was compounded by the "dot.com" collapse, the 9/11 terror attacks on commercial airplane industry since 2001.

ECONOMIC TRENDS

Federal Way is the ninth most populated city in the state of Washington out of 621 cities according to Washington-demographics.com and Census.gov with 95,171 people just after the City of Renton with 100,242 people and closely followed by Spokane Valley with 94,919 and Yakima with 93,701 people. In 2014 it had a median household income of \$54,186 which is below the King County (\$73,035) but higher than Spokane Valley (\$48,274) and Yakima (\$40,189). The City is located on a plateau adjacent to Puget Sound in King County, eight miles north of downtown Tacoma and 25 miles south of downtown Seattle. The City occupies approximately 22.5 square miles and is served by Interstate 5, state highways 99 and 509.

In 2015, there were 36,424 housing units in Federal Way, an increase of more than 2% over 2010. Of these units, 56% or 20,044 were single family homes, 40% or 14,277 were multi-family units, and 4% or 1,305 were mobile homes and trailers.

The community is residential and commercial, with the populace employed locally and in the neighboring cities such as SeaTac, Kent, Tacoma, Bellevue, and Seattle. Employment in Federal Way is highly concentrated in retail and services sectors which respond primarily to the needs of the local market area population. The employment figure for 2015 is estimated at 29,909. Major employers are; Federal Way Public Schools, Xerox Commercial Services, Weyerhaeuser, St. Francis Community Hospital, Wild Waves, and World Vision.

Sales tax collected in 2015 total \$13.3 million which was \$1.1 million more than \$12.1 million of 2014. The retail sector of the local economy is anchored by the following areas; the first is South 348th and State Highway 99 including Wal-Mart Super Center, Wholesale Sports, Costco, Lowe's Home Improvement Center, and Home Depot. The second is The Commons regional mall including Target, TJ Max, Best Buy, and many other small businesses adjacent to the area. According to a listing of businesses registered with the City of Federal Way and sorted by the Standard Industrial Classification, the business economy appears to be configured as follows: retail trade 51%; services 23%; construction 13%; wholesale trade 4%; information 5%, manufacturing 1%, and other 3%.

In 2015, the total assessed value of property in Federal Way was \$8.9 billion, which was approximately 6.0% higher than the 2014 assessed valuation of \$8.4 billion.

Real Estate sales increased 43% to approximately \$599 million in 2015 as compared to \$418 million in 2014. A total of 633 building permits in 2015 compared to 632 in 2014 and 3,686 other building related permits compared to 3,722 that were issued in 2014. Estimated market value was \$198.1 million in 2015 and \$128.36 million in 2014. Significant building permits include: Federal Way School Districts, Kitts Corner Apartments, and Crestview West Apartments.

LONG-TERM PLANNING

The City's fiscal policy requires the City to prepare long-range projections for six years beyond the current budget period. The projection extends current operations to the future to see if the services are sustainable and the magnitude of, if any, future financing gaps. This glimpse into the future allows the City to proactively plan and implement corrective measures over time to avoid sudden drastic changes in service levels or in revenue/tax policies. In addition, the City's fiscal policy requires the City to balance its ongoing services with ongoing revenues.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

During 2015, the City of Federal Way completed construction of several hot-mix asphalt overlays totaling over \$3 Million (with over \$1.0 Million of grant funding); a Safe Routes To Schools sidewalk project at Federal Way High School and Sacajawea Middle School totaling over \$775,000 which was 100% grant funded; and the S 304th Street at 28th Ave S intersection project which added a traffic signal and northbound right turn lane totaling over \$1.1 Million. The safety improvement project on 1st Ave at 328th was approximately 80% completed which included street widening, sidewalks, and a new traffic signal. Design was completed for several projects that will be constructed or start construction in 2016, including: 1) 352nd Extension (SR99 to Enchanted Parkway); 2) Pacific Highway HOV Phase 5 (359th to 340th); 3) 2016 Overlay Program; 4) Pete von Reichbauer Way S and S 316th Street Sidewalks; 5) Sacajawea Safe Routes to School; and 6) City-Wide Safety Project. In addition, 2015 continued the city's success in securing grant funding including a \$6 Million Transportation Improvement Board (TIB) grant for the Pacific Highway HOV Phase 5 project.

The City started on the construction its \$32 million Performing Arts & Event Center (PAEC) and it is expected to be completed by the summer of 2017. There is a plan to build a hotel next to the PAEC and have other office and residential properties around. The City is working with private developers. Next to the Performing Arts & Event Center is the Town Square Park site (former AMC Theater site). The City has built an urban park and is expanding the park and adding additional amenities, including a spray park, walking trail, and playground. The park is due to open the summer of 2016.

With respect to the retail sector, we have seen growth. The Commons added a major retailer Dicks Sporting Goods, also Total Wine, and Ulta Cosmetics both major retailers opened locations in the City of Federal Way. In the institutional sector Seattle Children's Hospital is opening a location in Federal Way.

OUTLOOK FOR THE FUTURE

Council identified the following set of goals for the City which was adopted on March 7, 2006.

1. Integrate the public safety strategy in all facets of City operations, building on a strong community-based approach.
2. Create a multi-use urban city center that is pedestrian friendly, linked to neighborhoods and parks, and services as the social and economic hub of the City.
3. Establish Federal Way as an economic leader and job center in South King County by attracting regional market for high quality office and retail businesses.
4. Maintain the capital facilities plan and provide financing options for transportation and surface water improvements, parks, recreation, and cultural arts and public facilities.

5. Ensure a responsive service culture within the City organization where employees listen carefully, treat citizens and each other respectfully and solve programs creatively, efficiently, and proactively.
6. Position Federal Way as a regional leader by working collaboratively with other local and regional jurisdictions in order to leverage resources.

INDEPENDENT AUDIT

State law requires an annual audit of all City books of account, financial records, and transactions by the State Auditor, an independently elected state official. In addition to meeting the requirements set forth under state law, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The 2015 audit of the City has been completed in conformance with generally accepted auditing standards. The financial statements of all City funds have been included in this audit. The City has been given an unqualified opinion in 2015; which is the 26th consecutive year receiving a clean audit. The State Auditor's report on the basic financial statements is included in the financial section of this report.

AWARDS

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 Federal Way for its comprehensive annual financial report (CAFR) for the year ended December 31, 2014. The City of Federal Way has received a Certificate of Achievement for the last **twenty-five years** (fiscal years ended 1990 – 2014). In order to be awarded a Certificate of Achievement, a government 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 that our current comprehensive annual financial report continues to meet Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Federal Way also received the Government Finance Officers Association Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2013 and 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information which accompany each audit. A special note of thanks is given to Chase Donnelly, Accounting Supervisor who served as the coordinator for the CAFR preparation. The role of the State Auditor's Office should also be acknowledged as a significant contribution to a fine product. Finally, we wish to express our appreciation to the Mayor and City Council for their ongoing support and for providing the firm foundation for the pursuit of excellence in all realms of professional endeavors.

Respectfully submitted,



Ademola A. Ariwoola, MBA, CGFM
Finance Director

**2015
CITY OFFICIALS
EXECUTIVE & LEGISLATIVE BODY**



JIM FERRELL
Mayor



JEANNE BURBIDGE
Deputy Mayor



LYDIA ASSEFA-DAWSON
Councilmember #1



KELLY MALONEY
Councilmember #2



SUSAN HONDA
Councilmember #3



BOB CELSKI
Councilmember #5



MARTIN A. MOORE
Councilmember #6



DINI DUCLOS
Councilmember #7

| <u>Position</u> | <u>Elected</u> | <u>Term</u> | <u>Elected</u> | <u>Email</u> | <u>Phone</u> |
|-----------------|---------------------|-----------------|----------------|--|----------------|
| Mayor | Jim Ferrell | 1/1/14-12/31/17 | 11/26/13 | Jim.Ferrell@cityoffederalway.com | (253) 835-2402 |
| Position #1 | Lydia Assefa-Dawson | 1/1/16-12/31/19 | 11/24/15 | Lydia.Assefa-Dawson@cityoffederalway.com | (253) 835-2401 |
| Position #2 | Kelly Maloney | 1/1/14-12/31/17 | 11/26/13 | Kelly.Maloney@cityoffederalway.com | (253) 835-2401 |
| Position #3 | Susan Honda | 1/1/16-12/31/19 | 11/24/15 | Susan.Honda@cityoffederalway.com | (253) 835-2401 |
| Position #4 | Jeanne Burbidge | 1/1/14-12/31/17 | 11/26/13 | Jeanne.Burbidge@ctiyoffederalway.com | (253) 835-2401 |
| Position #5 | Bob Celski | 1/1/12-12/31/15 | 11/28/11 | Bob.Celski@cityoffederalway.com | (253) 835-2401 |
| Position #6 | Martin A. Moore | 1/1/14-12/31/17 | 11/26/13 | Martin.Moore@cityoffederalway.com | (253) 835-2401 |
| Position #7 | Dini Duclos | 1/1/12-12/31/15 | 11/28/11 | Dini.Duclos@cityoffederalway.com | (253) 835-2401 |

**2016
CITY OFFICIALS
EXECUTIVE & LEGISLATIVE BODY**



JIM FERRELL
Mayor



JEANNE BURBIDGE
Deputy Mayor



LYDIA ASSEFA-DAWSON
Councilmember #1



KELLY MALONEY
Councilmember #2



SUSAN HONDA
Councilmember #3



MARK KOPPANG
Councilmember #5



MARTIN A. MOORE
Councilmember #6



DINI DUCLOS
Councilmember #7

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|-----------------|---------------------|-----------------|----------------|--|----------------|
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| Position #7 | Dini Duclos | 1/1/16-12/31/19 | 11/24/15 | Dini.Duclos@cityoffederalway.com | (253) 835-2401 |

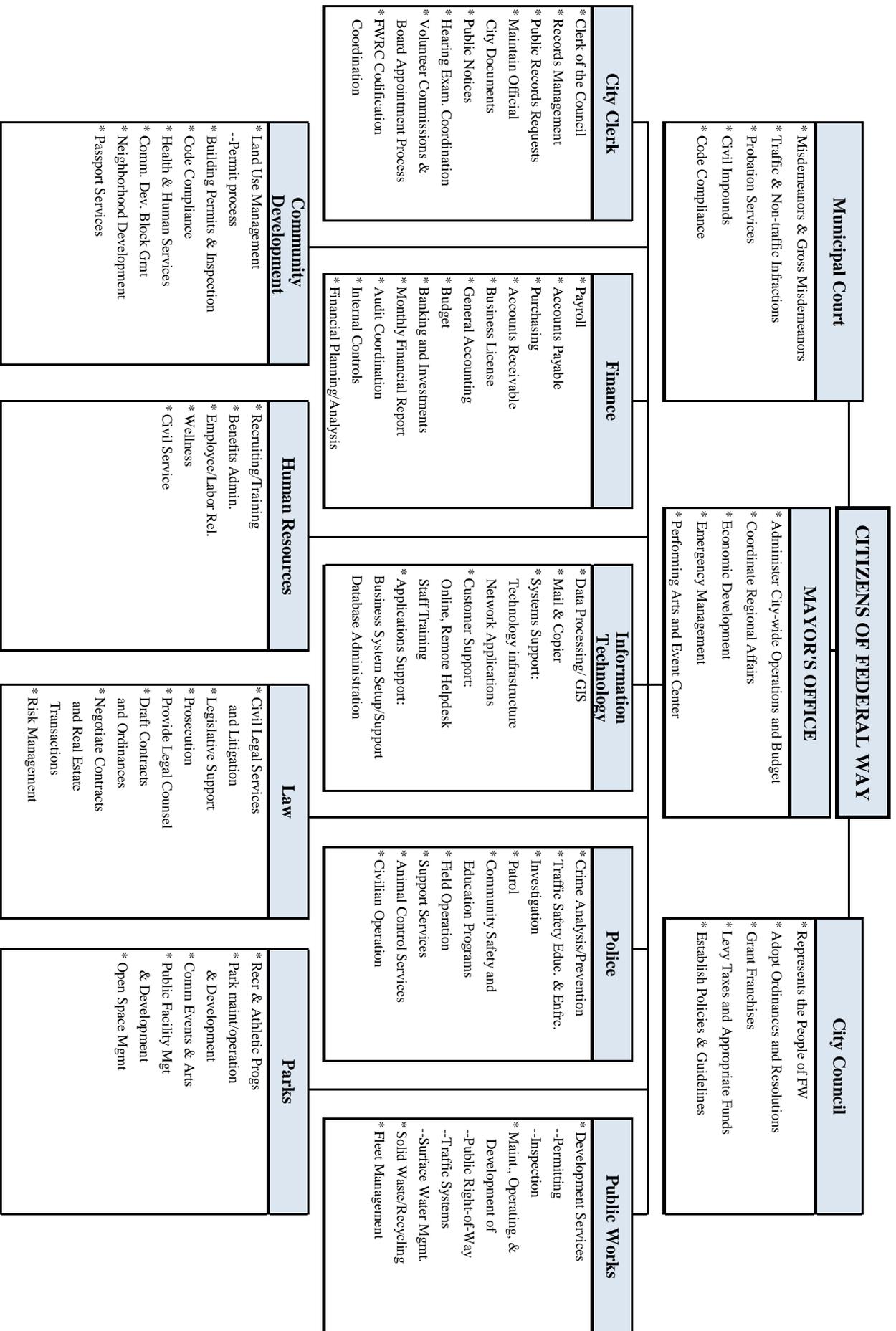
JUDICIAL BRANCH

| <u>Position</u> | <u>Employee</u> | <u>Elected/ Appointed</u> | <u>Term</u> | <u>Office Date</u> | <u>Contact Information</u> |
|------------------------|------------------------|--------------------------------------|--------------------|-------------------------------|--|
| Presiding Judge | David Larson | Elected | N/A | 3/3/2008 | David.Larson@cityoffederalway.com (253) 835-3012 |
| Judge | Rebecca Robertson | Elected | N/A | 1/1/2010 | Rebecca.Robertson@cityoffederalway.com (253) 835-3025 |
| Court Administrator | Susanne White | Appointed | N/A | 2/22/2010 | Susanne.White@cityoffederalway.com (253) 835-3000 |

CITY ADMINISTRATION

| <u>Position</u> | <u>Employee</u> | <u>Appointment</u> | <u>Contact Information</u> |
|-----------------------------------|------------------------|---------------------------|---|
| Chief of Staff | Brian J. Wilson | 1/20/2014 | Brian.Wilson@cityoffederalway.com (253) 835-2510 |
| City Clerk | Stephanie Courtney | 10/7/2014 | Stephanie.Courtney@cityoffederalway.com (253) 835-2540 |
| City Attorney | Amy Jo Pearsall | 2/1/2014 | Amy Jo.Pearsall@cityoffederalway.com (253) 835-2570 |
| Community Development Director | Michael Morales | 4/1/2015 | Michael.Morales@cityoffederalway.com (253) 835-2612 |
| Economic Development Director | Tim Johnson | 9/15/2014 | Tim.Johnson@cityoffederalway.com (253) 835-2412 |
| Finance Director | Ade Ariwoola | 4/1/2014 | Ade.Ariwoola@cityoffederalway.com (253) 835-2520 |
| IT Manager | Thomas Fichtner | 7/1/2011 | Thomas.Fichtner@cityoffederalway.com (253) 835-2547 |
| Human Resources Manager | Jean Stanley | 1/1/2011 | Jean.Stanley@cityoffederalway.com (253) 835-2532 |
| Parks Director | John Hutton | 7/23/2014 | John.Hutton@cityoffederalway.com (253) 835-6910 |
| Police Chief | Andy Hwang | 3/18/2014 | Andy.Hwang@cityoffederalway.com (253) 835-6716 |
| Public Works Director | Marwan Salloum | 7/1/2014 | Marwan.Salloum@cityoffederalway.com (253) 835-2710 |

CITY OF FEDERAL WAY ORGANIZATION CHART AND OPERATION SUMMARY





Government Finance Officers Association

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

Presented to

**City of Federal Way
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the City of Federal Way for its Comprehensive Annual Report (CAFR) for the fiscal year ended December 31, 2014. This was the twenty-fifth consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirement.

A Certificate of Achievement is valid for a period of one year ONLY. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 28, 2016

Mayor and City Council
City of Federal Way
Federal Way, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Federal Way, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Federal Way, King County, Washington, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street and Utility Tax funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 23 and pension plan information on pages 76 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 79 through 114 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 28, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Federal Way, we offer readers of our annual financial report a narrative overview, and an analysis of the financial activities of the City of Federal Way for the fiscal year ended December 31, 2015. We encourage readers to consider the information in conjunction with the preceding letter of transmittal, the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The total assets plus deferred outflows of the City of Federal Way exceeded its liabilities plus deferred inflows at December 31, 2015 by \$555.3 million (Net Position). Capital Assets (net of depreciation and related debt) account for 87.0% of this amount with a value of \$483.2 million. Of the remaining net position of \$72.0 million or 13.0%, \$51.8 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction while the \$20.2 million are restricted for specific use. (See page 27).
- The City's total net position decreased by \$43.6 million, or 7.3% below 2014 as referenced on page 15. Governmental activities decreased by \$50.9 million or 9.4% while business-type activities increased by \$7.3 million or 12.7%. A prior period adjustment of \$37.0 million, and change in accounting for pensions of \$10.5 million is explained in note 15 on page 73.
- Net investment in capital assets decreased by \$33.1 million and unrestricted net position decreased by \$13.2 million respectively over 2014 as referenced on page 15. GASB 68 reporting accounted for \$7.3 million of the decrease as referenced in Note 9 on page 58.
- Restricted Net Position increased by \$2.8 million or 16.1% and is primarily for funding of capital projects and debt service. (page 15)
- Long term liabilities increased by \$9.8 million or 26.2% primarily due to the addition of \$10.9 million in net pension liability (see note 9 on page 58) from the implementation of GASB 68 pension reporting, offset by a decrease in long term debt for General obligation debt, and public works trust fund loans that decreased by \$1.1 million during the current fiscal year. General obligation debt decreased by \$1.0 million while public works trust fund loan decreased by \$0.1 million. The City paid down its last payment on the 2010 Limited/Valley Comm GO. (See Note 11 on page 66).
- Governmental fund balances at year-end were \$51.7 million, \$1.1 million or 2% decrease over the prior year. Of the \$51.7 million, \$14.4 million, or 27.8% of the governmental fund balance is unassigned and available to fund ongoing activities. The remaining \$37.3 million is earmarked for debt service, paths & trails reserve, hotel/motel lodging tax, police special funds, petty cash/change funds, court trust fund, advance travel, strategic opportunities reserve, streets maintenance and capital projects. (See page 30 and page 50).
- Unrestricted or Unassigned fund balance in the general fund was \$14.4 million, which increased by \$1.9 million or 15.1% from the prior year. \$3.0 million was reclassified to unassigned from committed fund balance in the prior year. (See page 29).

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Federal Way's *basic financial statements*. The basic financial statements are comprised of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

In addition to the required components, the City's annual report also includes other supplementary information. The first set of supplementary information is the Combining Statements. These provide Balance Sheets, Statement of Revenues, Expenditures, and Changes in Fund Balances with Budget to Actual Comparisons, Statement of Net Position, and Cash Flows for all proprietary and internal service funds. The other set of supplementary information is the Statistical Section. This section provides a one to ten-year view of the City's revenues, expenditures, debt obligations and capacity, the City's largest taxpayers, and those entities with the largest employment within the City of Federal Way. This section provides a long-term perspective on the City's economy.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Federal Way's finances, in a manner similar to a private-sector business.

- A) The *statement of net position* presents information on all of the City of Federal Way's assets plus deferred outflows and liabilities plus deferred inflows, with the difference between the two reported as *net position*. This statement serves a purpose similar to that of a balance sheet in private business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- B) The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Federal Way 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 Federal Way include law enforcement and public safety, construction and maintenance of streets, building inspection, municipal court services, jail services, community planning and development services, parks and recreation facilities, other community services and general administration. The business-type activities of the City include surface water management and the control and operation of Dumas Bay Centre, a multi-use facility that offers business and retreat accommodations, recreation and cultural arts classes, and a performing arts facility.

The City has no separately identified component units included in the government-wide financial statements. The City has reported its investment in two governmental joint ventures: Valley Communications Center and South Correctional Entity (SCORE). Descriptions of these joint ventures are found in Note 14 of the notes to the financial statements.

The government-wide financial statements can be found immediately following this MD&A.

Fund Financial Statements

The annual financial report includes *fund financial statements* in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a specific fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or to meet certain objectives. Funds are often set up in accordance with special regulations, restriction or limitations. The City of Federal Way uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions as are reported in 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Federal Way maintains twenty individual governmental funds. The City's seven major governmental funds, the general fund, street fund, utility tax fund, debt service fund, downtown redevelopment fund, transportation fund, and performing arts & events center fund are presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled non-major governmental funds. Individual fund data for each of the non-major governmental funds can be found in combining statements later on in this report.

The City maintains control over its operating funds through the adoption of the biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the General, Street, and Utility Tax Fund as a basic financial statement. The basic governmental fund financial statements can be found on pages after the government-wide statements of this report.

Proprietary Funds

The City of Federal Way maintains two types of *proprietary funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The City uses enterprise funds to account for its Surface Water Management and the Dumas Bay Centre. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management, information systems, mail and duplication services, fleet of vehicles and motorized equipment, facilities management, health insurance, and unemployment services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Surface Water Management fund and for the Dumas Bay Centre. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found following the governmental fund statements in this report.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for non-major governmental funds, internal service funds, and capital assets of governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

CONDENSED STATEMENT OF NET POSITION As of December 31, 2015 and 2014

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 97,783,028 | \$95,147,927 | \$ 7,902,230 | \$7,787,827 | \$ 105,685,258 | \$ 102,935,754 |
| Capital assets and CIP, | | | | | | |
| net of accum. depreciation | 444,173,145 | 486,490,172 | 59,382,657 | 50,779,826 | 503,555,801 | 537,269,998 |
| Total assets | 541,956,173 | 581,638,099 | 67,284,887 | 58,567,653 | 609,241,060 | 640,205,752 |
| Deferred outflows of resources | 2,144,762 | - | 197,021 | - | 2,341,783 | - |
| Total deferred outflows of resource | 2,144,762 | - | 197,021 | - | 2,341,783 | - |
| Long-term liabilities | 45,519,660 | 36,932,078 | 1,809,878 | 565,483 | 47,329,538 | 37,497,561 |
| Other liabilities | 5,190,221 | 3,399,540 | 638,452 | 463,227 | 5,828,673 | 3,862,767 |
| Total liabilities | 50,709,881 | 40,331,618 | 2,448,330 | 1,028,710 | 53,158,211 | 41,360,328 |
| Deferred inflows of resources | 2,939,368 | - | 205,131 | - | 3,144,499 | - |
| Total deferred inflows of resources | 2,939,368 | - | 205,131 | - | 3,144,499 | - |
| Net position: | | | | | | |
| Net investment in: | | | | | | |
| capital assets | 424,245,625 | 466,078,036 | 58,998,176 | 50,299,229 | 483,243,801 | 516,377,265 |
| Restricted | 20,193,214 | 17,391,272 | 15,906 | 20,311 | 20,209,120 | 17,411,583 |
| Unrestricted | 46,012,847 | 57,837,173 | 5,814,364 | 7,219,403 | 51,827,212 | 65,056,576 |
| Total net position | \$ 490,451,686 | \$ 541,306,481 | \$ 64,828,447 | \$ 57,538,943 | \$ 555,280,133 | \$ 598,845,424 |

Analysis of Net Position

Total net position of the primary government of \$555.3 million at December 31, 2015 decreased \$43.6 million or 7.3% compared to December 31, 2014. The decrease is due to governmental type activities decrease of \$50.9 million and business-type activities increase of \$7.3 million. More detail on the changes in net position are described below under Governmental and Business-Type activities.

The largest component of the City's net position, 87% or \$483.2 million, is net investment in capital assets. These capital assets such as land, streets, trails, parks, police vehicles, and parks equipment are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending.

Approximately 2.9% or \$16.4 million (page 27) of the total net position of the city are restricted for use on capital projects or are earmarked for current approved capital projects. Some of the major capital projects the funds are being used for include the downtown park, trail and pedestrian access improvements, SR99 HOV Lanes Phase 5, Traffic safety improvement projects, and Performing Arts and Event Center. The City attempts to fund capital construction projects on a pay-as-you-go basis, aggressively pursuing grant funding and cost sharing with developers to construct large projects in the City that impact the economy and transportation systems.

The remaining balance of restricted net position of \$3.8 million are for: \$0.18 million for police special funds, and court trust, \$0.02 million for steel lake and north lake management districts, \$0.03 million for prepaid insurance/debt and flex plan, \$0.46 million for peg and franchise fees for educational and governmental access services, \$0.50 million for lodging tax, \$0.38 million for paths and trails, and \$2.28 million for debt service.

The unrestricted business-type activities portion of \$5.8 million; \$5.6 million can only be spent on surface water management and the remaining \$0.2 million on improvements to Dumas Bay Centre and Knutzen Family Theatre. Maintenance of catch basins, pump stations, storm drain flushing, and other capital construction projects such as S 356th Street RDF Retrofit are examples of utility activities.

Other functions of the City may access the remaining \$46.0 million in governmental activities unrestricted net position to meet ongoing obligation to citizens and creditors. Examples of other City obligations which net position may be used for are public safety, economic development, parks maintenance, ongoing street maintenance, and committed funds for capital projects.

At the end of the fiscal year, the City of Federal Way reported positive balances in all three categories of net position, for the government as a whole, as well as for the separate governmental and business-type activities.

Governmental Activities:

Current and other assets increased by \$2.6 million or 2.8% primarily due to the addition of \$4.4 million in net pension asset due to GASB 68 pension reporting, offset by a decrease of \$2.4 million in investment in joint venture related to the SCORE jail facility and Valleycomm (See Note 14 on page 69). In addition, due from other governments increased by \$1.2 million primarily due to additional grant funds from Federal and State agencies being requested for reimbursement. Offset by the increase, cash & cash equivalents decreased by \$0.3 million primarily due to transferring in less utility tax into the General Fund, and receivables decreased by \$0.4 million primarily due to a decrease in utility tax receivable in the Utility Tax Fund.

Capitals assets and CIP, net of accumulated depreciation decreased by \$42.3 million or 8.7% primarily due to a prior period adjustment of \$45.9 million described in Note 15 on page 73, offset by a net addition of assets in the current year of \$3.63 million (See Note 8 on page 56). This is primarily due to a net addition of \$2.6 million for transportation infrastructure constructed by or donated to the City that include roads, sidewalks, streetlights, and traffic signals for projects at locations such as 21st at 336th that was completed this year. In addition, \$1.9 million in land was purchased for transportation projects, and \$0.66 million in land was donated to the City. Machinery & equipment, including IT equipment and vehicle purchases also had a net addition of \$1.2 million. Improvements other than buildings net increase of \$1.9 million, resulted from capitalization of parks improvements including Karl Grosch Field. Buildings and construction in progress (CIP) net decrease of \$4.6 million is primarily due to current year depreciation for Buildings, and a reduction of construction in progress due to capitalizing parks and transportation projects as improvements other than buildings and infrastructure.

Deferred outflows of resources increased by \$2.1 million for governmental activities due to implementation of GASB 68 for state sponsored pension plans. (See Note 9 on page 58).

Long-term liabilities increased by \$8.6 million or 23.3% due to the addition of \$9.6 million net pension liability for GASB 68 state sponsored pension plan implementation and \$1.0 million reduction primarily due to paying down the balance on GO Bond, SCORE facility, and Valley Communications. (See Note 11 on page 65).

Other liabilities increased by \$1.8 million or 52.7% primarily due to additional liabilities at the end of the year for accrued payroll liabilities of \$1.4 million and additional vouchers payable of \$0.5 million due to Performing Arts & Event Center construction.

Deferred inflows of resources increased by \$2.9 million for governmental activities due to implementation of GASB 68 for state sponsored pension plans. (See Note 9 on page 58).

Net investments in capital assets decreased by \$41.8 million or 9.0% primarily due to a decrease in capital assets and CIP, net of accumulated depreciation explained in the above capital assets description (See note 8 and note 15 on pages 56 and 73), and a decrease in long-term liabilities related to debt as described above, therefore decreasing net investments in capital assets.

Restricted net position represents amounts that must be used in accordance with external restrictions, and increased by \$2.8 million or 16.1% from the prior year primarily due to additional restricted funding for capital projects, debt service, peg fees for government access channel under contracts and studies fund (page 81), and lodging tax.

The remaining Unrestricted net position decreased by \$11.8 million or 20.4% primarily due to a net pension adjustment for GASB 68 of \$6.0 million, reduction of investment in joint venture for SCORE and Valleycomm of \$2.4 million, and addition of accrued payroll liabilities and vouchers payable of \$2.0 million.

Business-Type Activities:

Current and other assets increased by \$0.1 million or 1.5% primarily due to an increase in Surface Water Management operations cash and other equivalents of \$0.49 million from revenues exceeding operating expenditures. This is due to savings from unfilled positions, offset by a decrease in Surface Water Management due from other governments for grants of \$0.36 million. The remainder is primarily due to a reduction in receivables for Surface Water Management fees, and a reduction in Dumas Bay Centre cash due to additional operating expenses from food and operating costs in the center.

Capitals assets and CIP, net of accumulated depreciation increased by \$8.6 million or 16.9% primarily due to a prior period adjustment of \$8.9 million described in Note 15, primarily from assets being reclassified from governmental to business-type activities. In the current year, there was a land addition of \$0.08 million, net construction in progress reduction of \$1.6 million, improvements other than buildings addition of \$0.3 million, infrastructure addition of \$1.7 million, and addition of accumulated depreciation of \$0.7 million. (See Note 8 on page 56).

Deferred outflows of resources increased by \$0.2 million for business-type activities due to implementation of GASB 68 for state sponsored pension plans. (See Note 9 on page 58).

Long-term liabilities increased by \$1.2 million due to the addition of pension liability (GASB 68) of \$1.3 million offset by paying down of Public works trust fund loans, and an increase in compensated absences payable of \$0.01 million. (See Note 9 and 11 on pages 58 and 65).

Other liabilities increased by \$0.2 million or 37.8% primarily due to having additional liabilities at the end of the year for accrued payroll liabilities of \$0.09 million. The change from the prior year is due to having two payroll check processes in the month of December instead of three. Also, additional vouchers payable of \$0.09 million due to additional invoices for Dumas Bay Centre operations and Surface Water Management projects attributed to the increase.

Deferred inflows of resources increased by \$0.2 million for business-type activities due to implementation of GASB 68 for state sponsored pension plans. (See Note 9 on page 58).

Net investments in capital assets increased \$8.7 million or 17.3% primarily due to prior period adjustment of \$8.9 million for capital assets described above, and low outstanding balance in Public works trust fund loan.

Unrestricted net position decreased by \$1.4 million or 19.4% primarily due to the increase in net pension liability of \$1.3 million described above.

CHANGES IN NET POSITION
For the Years Ended December 31, 2015 and 2014

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Programs revenues: | | | | | | |
| Charges for services | \$ 14,129,209 | \$ 14,402,062 | \$ 4,662,995 | \$ 4,174,613 | \$ 18,792,204 | \$ 18,576,675 |
| Operating grants & contrib. | 6,544,175 | 5,410,098 | 17,108 | 177,518 | 6,561,284 | 5,587,616 |
| Capital grants & contrib. | 4,508,429 | 5,632,549 | 328,130 | 430,090 | 4,836,558 | 6,062,639 |
| General revenues: | | | | | | |
| Property taxes | 10,460,136 | 10,349,906 | - | - | 10,460,136 | 10,349,906 |
| Sales tax | 13,297,086 | 12,173,281 | - | - | 13,297,086 | 12,173,281 |
| Local criminal justice sales tax | 2,319,124 | 2,138,406 | - | - | 2,319,124 | 2,138,406 |
| Utility tax | 11,796,550 | 12,028,878 | - | - | 11,796,550 | 12,028,878 |
| Real estate excise tax | 3,031,159 | 2,062,722 | - | - | 3,031,159 | 2,062,722 |
| Other taxes | 449,964 | 414,589 | - | - | 449,964 | 414,589 |
| Other | 2,052,748 | 1,145,798 | 24,917 | 22,507 | 2,077,665 | 1,168,305 |
| Total Revenue | 68,588,580 | 65,758,289 | 5,033,151 | 4,804,728 | 73,621,731 | 70,563,017 |
| Expenses: | | | | | | |
| General government | 4,743,932 | 4,633,942 | - | - | 4,743,932 | 4,633,942 |
| Security of persons & property | 32,017,617 | 29,703,386 | - | - | 32,017,617 | 29,703,386 |
| Transportation | 13,070,260 | 11,434,659 | - | - | 13,070,260 | 11,434,659 |
| Physical environment | 476,570 | 443,127 | - | - | 476,570 | 443,127 |
| Economic environment | 2,973,437 | 2,785,807 | - | - | 2,973,437 | 2,785,807 |
| Health and human services | 1,618,759 | 1,056,802 | - | - | 1,618,759 | 1,056,802 |
| Culture and recreation | 8,959,555 | 8,376,205 | - | - | 8,959,555 | 8,376,205 |
| Interest on long-term debt | 461,763 | 1,010,406 | - | - | 461,763 | 1,010,406 |
| Surface Water Management | - | - | 4,093,534 | 3,653,999 | 4,093,534 | 3,653,999 |
| Dumas Bay Centre | - | - | 1,250,161 | 945,705 | 1,250,161 | 945,705 |
| Total Expenses | 64,321,893 | 59,444,334 | 5,343,694 | 4,599,704 | 69,665,587 | 64,044,038 |
| Change in net position before transfers | 4,266,687 | 6,313,955 | (310,543) | 205,024 | 3,956,144 | 6,518,979 |
| Transfers | (17,959) | (116,000) | 17,959 | 116,000 | - | (0) |
| Change in net position | 4,248,728 | 6,197,955 | (292,584) | 321,024 | 3,956,144 | 6,518,979 |
| Net position - beginning | 541,306,481 | 540,052,936 | 57,538,943 | 57,217,919 | 598,845,424 | 597,270,855 |
| Prior period adjustment Note 15 | (45,942,608) | (4,944,409) | 8,906,872 | - | (37,035,736) | (4,944,409) |
| Net Effect - Change in Accounting for Pensions | (9,160,915) | - | (1,324,784) | - | (10,485,699) | - |
| Adjusted net position - beginning | 486,202,958 | 535,108,527 | 65,121,032 | 57,217,919 | 551,323,990 | 592,326,446 |
| Net position - ending | \$ 490,451,686 | \$ 541,306,481 | \$ 64,828,447 | \$ 57,538,943 | \$ 555,280,133 | \$ 598,845,424 |

Analysis of the change in net position:

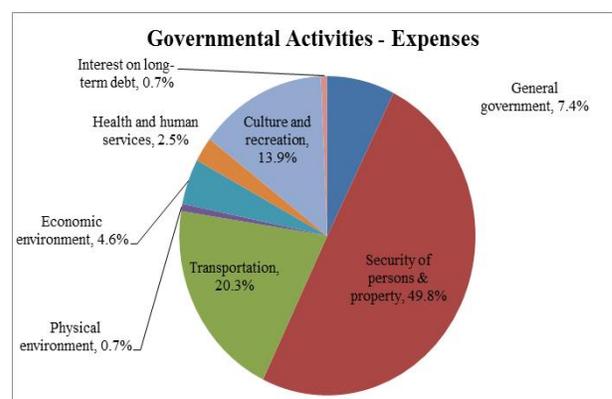
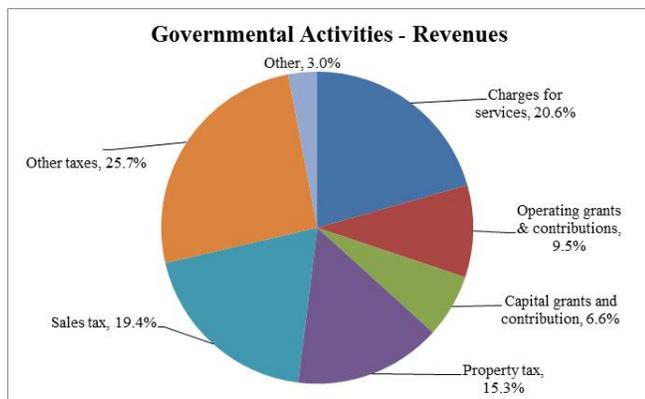
Total government-wide revenues of the primary government increased by \$3.1 million or 4.4% and total expenses increased by \$5.6 million or 8.8% from the prior years. These changes are discussed in more detail below.

Governmental Activities:

Governmental activities contributed \$4.2 million of the total change in net position of \$4.0 million. The prior year change in net position was \$6.2 million. The primary change compared to 2014 is due to the following revenues, and expenses described below.

Total revenues for governmental activities increased \$2.8 million or 4.3%. The increase is primarily due to an increase in sales tax and criminal justice sales tax of \$1.3 million, real estate excise tax of \$1.0 million, property tax of \$0.1 million, other revenue increase of \$0.9 million primarily due to Performing Arts & Event Center donation of \$0.7 million. This increase is offset by a decrease in utility tax of \$0.2 million due to warmer weather, and charges for services of \$0.3 million due to less services and charges revenue received for transportation capital projects.

Total expenses for governmental activities increased \$4.9 million or 8.2%. The net increase is primarily due to increases in the following expense categories: A \$2.3 million increase in “Security of persons & property” is primarily due to: \$0.81 million increase in salaries and wages related to adding Police Officer’s during the adopted budget, cost of living adjustments, health insurance cost increases, \$0.65 million increase in SCORE and Valleycomm operations, \$1.3 million increase in adjustment to expense for Valleycomm and SCORE investment in joint venture, offset by a \$0.2 million decrease due to adjustment for pension expense. A \$1.6 million increase in “Transportation” is primarily due to: \$1.1 million increase in Transportation expenditures that are maintenance for overlay of streets and therefore expensed instead of capitalized, and a \$0.76 million net loss adjustment increase to expense on disposed transportation capital assets that were not fully depreciated. A \$0.19 million increase in “Economic environment” primarily due to: \$0.31 million increase due to Community Development Department and Economic Development Department positions being filled for a full year as well as an increase in health and pension benefits, offset by a decrease of \$0.16 million in consulting for plans review. A \$0.56 million increase in “Health and human services” primarily due to: the addition of \$0.17 million payment for King County Health Facility support, and \$0.39 million in Community Development Block Grant support for projects such as housing repair for low-income residents. A \$0.58 million increase in “Culture and recreation” primarily due to: the addition of a Parks maintenance position, additional seasonal help, and increase of health and pension benefits. A \$0.55 million decrease in “interest on long-term debt” primarily due to: no SCORE debt interest payment due by the City in 2015.



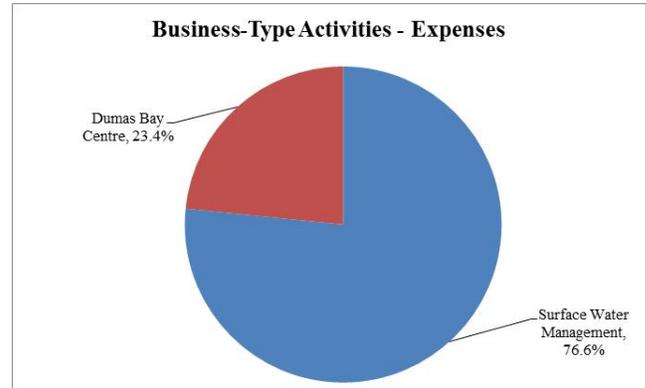
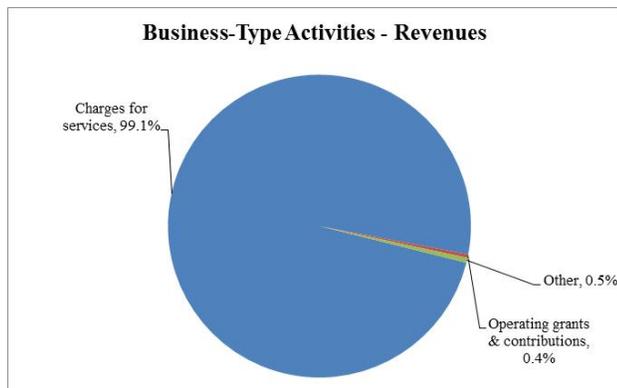
Business-Type Activities:

Business-type activities of the City’s Surface Water Management system and Dumas Bay Centre decreased the City’s net position by \$0.3 million, compared to prior year net position increase of \$0.3 million. The primary change compared to 2014 is due to the following revenues and expenses described below.

Total revenues increased by \$0.23 million or 4.8% from 2014. Attributing factors to the increase in revenues are as follows: An increase in surface water management fees of \$0.41 million, and Dumas Bay Centre revenue of \$0.1 million attributed to

the increase in charges for services, offset by a decrease in grant revenue for Surface Water Management operating and capital projects.

Total expenses increase of \$0.74 million or 16.2% from 2014. This is primarily due to an increase in Dumas Bay Centre of: \$0.27 million in goods and services for the operation of Dumas Bay Centre, personnel costs of \$0.04 million due to reclassification of Recreation Coordinator to Dumas Bay Centre Manager and addition of 0.25 FTE Administrative Assistant. And an increase in Surface Water Management of: \$0.31 million in personnel costs due to the reallocation of 0.05 FTE Public Works Director, 0.50 FTE Development Services Manager, and 1.0 FTE Engineering Technician/Inspector, \$0.02 million for additional materials and supplies for Surface Water Management operations, and \$0.08 million addition in depreciation expense.



FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental funds

The focus of the City of Federal Way’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of 2015, the City’s governmental funds had a combined ending fund balance of \$51.7 million which decreased by \$1.1 million from the prior year. Approximately 28% or \$14.4 million of this amount constitutes unrestricted General Fund balance, which is available for spending at the City Council’s discretion. Non-spendable fund balance of \$0.1M is comprised of court trust \$0.1M, and prepaid insurance \$0.03M. Restricted fund balance of \$20.1M is comprised of \$5.6M in transportation capital project funding sources including real estate excise tax (REET), mitigation impact fees, surface water management fees, and gas tax; \$3.7M in performing arts & event center capital project funding sources comprised of REET and LIFT sales tax; \$3.7M in REET dedicated for capital projects and debt service payments; \$3.0M in parks capital project funding sources including REET, mitigation impact fees, and paths and trails funding; \$1.5M for future debt service payments; \$1.1M LIFT sales tax for downtown redevelopment infrastructure and parks projects; \$0.5M in hotel/motel lodging tax for promotion of tourism; \$0.4M in paths & trails parks levy dedicated for paths & trails projects; \$0.5M for special contracts/studies, and \$0.05M in REET for city facilities capital projects. Committed fund balance of \$17.1M includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The committed fund balance is detailed by fund under the fund balance classification in Note1.

The General Fund is the chief operating fund of the City. Revenues and other sources totaling \$41.7M and expenditures and other uses totaling \$43.2M, resulted in a total fund balance decrease by \$1.4 million or 9.0%. Total ending fund balance of \$14.6M, is \$0.4M above the budgeted ending fund balance in the fund of \$14.2M. After the fund balance policy resolution 14-664 that set the General Fund and strategic reserve policy at \$12M, the City decided to reduce its transfer from other sources to General Fund as reflected in the transfer included in the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds of \$10.62M in 2014, compared to \$5.13M in 2015.

The Street Fund has a total fund balance of \$0.5 million which decreased by \$0.1 million from 2014 for a storage and equipment purchase for snow and ice removal.

The Utility Tax fund was established to account for the utility tax receipts which include 6% collected by State statute for capital, debt, and other maintenance & operations as determined by Council and the remaining 1.75% is for Voter Approved enhanced Police and Community Safety in 2007. Total fund balance increased by \$1.3 million or 37% from \$3.5 million in 2014 due mainly to the Street Fund needing less utility tax support for operations due to vacancy of positions, and positions charging time to transportation capital projects. Also, less utility tax support was needed for the overlay project on streets in Federal Way done in 2015.

The Debt Service Fund has a total fund balance of \$1.5 million which increased by \$1.4 million from \$0.07 million in 2014 due to transfers in from utility tax and real estate excise tax for future debt service payments within the fund.

The Downtown Redevelopment fund was established to accumulate resources and set aside funding for downtown projects. Overall, ending fund balance increased by \$0.8 million from \$0.33 million. This is primarily due to a \$1.1 million addition in LIFT Sales tax revenue from the State, and a \$0.30 million reduction due to a transfer out to the Performing Arts & Event Center Fund.

The Transportation Fund is used to improve existing traffic signals, new signalization, major roadways and arterials involving the design and construction of new sections of streets, the widening of roadways to provide additional vehicle lanes, and the installation of sidewalks and landscaping. The major source of revenue for this fund is grants from other agencies and contributions from other funds. Total ending fund balance decreased by \$0.2 million from \$8.2 million primarily due to large projects such as SR99 HOV Lanes Phase V having additional capital outlay expenditures from the project gearing up for construction.

The Performing Arts & Event Center Fund is being used for the building of the arts & event center. Ending fund balance decreased by \$1.8 million from \$8.4 million primarily due to additional capital outlay expenditures from starting the construction phase of the project.

Proprietary funds

The City of Federal Way's proprietary funds provide the same type of information found in the government-wide, but in more detail. Unrestricted net assets of the Surface Water Management Fund at the end of the year amounted to \$5.6 million, and those for Dumas Bay Centre amounted to \$0.2 million. The total changes in net position for both funds were \$1.4 million decrease and \$0.2 million decrease, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Federal Way's business-type activities.

GENERAL FUND BUDGETARY AND ACTUAL HIGHLIGHTS

The City of Federal Way budgets on a biennial basis with each budget beginning in an odd numbered year. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. In 2015, the City made budget adjustments. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure budget increased by \$1.2 million between the original adopted budget and the adjusted budget for 2015 fiscal year. The following is the major changes for the 2015 budget:

- Added \$0.07 million for 1.0 FTE for Community Outreach Coordinator for Mayor's Office.
- Added \$0.04 million for 25th Year Celebration and New Market Tax Credit services and travel for Mayor's Office.
- Added \$0.04 million for Advertising, Printing, and Association dues for Mayor's Office.
- Added \$0.02 million for Economic Strategy for Economic Development.
- Added \$0.02 million for temp help, termination pay, and witness fee for Municipal Court.
- Added \$0.01 million for 0.25 FTE increase for Human Resources.
- Added \$0.02 million for supplies and other service charges for City Council.
- Added \$0.12 million for outside Legal Counsel Services for Law.
- Added \$0.04 million for 0.50 FTE increase for Law.
- Added \$0.06 million for M&O, Building Reserves, Fleet & Equipment for Internal Service Charges.
- Added \$0.38 million for Grants, Overtime, Jail Services, Dispatch and Sub Station for Police.
- Added \$0.08 million for Seasonal Help & Benefits for Parks.
- Added \$0.14 million for Professional Services for Human Services.
- Added \$0.14 million for Professional Services for Strategic Reserve.

Adjustments to revenues and other sources budget include: Adjustments to beginning balance of \$0.8 million; increase in sales tax of \$1.0 million; increase in criminal justice sales tax of \$0.15 million; and increase in grants and miscellaneous revenue of \$0.20 million.

The General Fund ending fund balance of \$14.6 million is \$0.37 million over the projected \$14.2 million for 2015 year-end.

The \$0.37 million increase in ending fund balance is made up of \$0.40 million decrease in revenues/other sources and a decrease of \$0.77 million in expenditures/other uses.

The \$0.40 million decrease in revenues/other sources is primarily attributed to a decrease of \$1.4 million in transfer in from the Utility Tax Fund, offset by increases in sales tax of \$0.33 million, criminal justice sales tax of \$0.05 million, gambling taxes of \$0.03 million, state shared revenue of \$0.07 million, police contracted services fees of \$0.14 million, park general recreation fees of \$0.07 million, community economic development permits fees of \$0.13 million, and miscellaneous of \$0.18 million.

The \$0.77 million unspent expenditures/other uses are primarily attributable to: Reduction in transfer out for Street Fund subsidy of \$0.56 million, and \$0.21 million in various savings in General Fund departments such as Human Services, Community Development, and Human Resources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Federal Way's investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$503.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, park facilities and construction in progress. For more details, please see Note 8, and prior period adjustment Note 15, pages 56 and 73.

CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

| | Governmental | | Business-Type | | Total | | | |
|---------------------------|--------------|-------------|---------------|------------|-------|-------------|----|-------------|
| | Activities | | Activities | | 2015 | 2014 | | |
| Land | \$ | 279,352,222 | \$ | 11,013,528 | \$ | 290,365,750 | \$ | 323,840,873 |
| Building and improvements | | 32,180,131 | | 2,937,748 | | 35,117,879 | | 39,015,677 |
| Machinery and equipment | | 6,030,644 | | 18,035 | | 6,048,679 | | 4,837,176 |
| Infrastructure | | 110,912,917 | | 42,302,160 | | 153,215,076 | | 143,309,653 |
| Construction in progress | | 15,697,231 | | 3,111,186 | | 18,808,417 | | 26,266,619 |
| Total Capital Assets | \$ | 444,173,145 | \$ | 59,382,656 | \$ | 503,555,801 | \$ | 537,269,998 |

Major capital asset events during the current fiscal year included the following: Construction in progress for expanding and improving the city streets and traffic corridors totaled \$3.9 million and Performing Arts and Event Center and various park improvements for \$4.2 million. Additionally there was land purchased and donated of \$2.6 million, infrastructure added of \$10.2 million, improvements other than buildings added of \$3.3 million, machinery and equipment added of \$2.5 million, and buildings added of \$0.5 million. There was also a prior period adjustment of (\$37.0) million described in Note 15 of the financial statements. Remaining commitments for capital assets is described in Note 8.

Long-term debt

At the end of 2015, the City of Federal Way had total debt outstanding of \$34.0 million. The future principal and interest payments which are backed by the full faith and credit of the government will be \$46.1 million (See Note 11 pages 65 thru 67). The remainder of the City's debt represents Public Works Trust Fund Loans.

LONG-TERM DEBT (FUTURE PRINCIPAL AND INTEREST PAYMENTS)

| | Governmental | | Business-Type | | Total | |
|------------------------------|--------------|------------|---------------|---------|-------|------------|
| | Activities | | Activities | | | |
| General obligation bonds | \$ | 45,666,740 | \$ | - | \$ | 45,666,740 |
| Public works trust fund loan | | - | | 394,091 | | 394,091 |
| Total | \$ | 45,666,740 | \$ | 394,091 | \$ | 46,060,831 |

The City's total debt decreased by \$1.1 million due to annual debt service payments.

In February 2013, Moody's Investors Service assigned Aa3 rating to the City's Limited Tax General Obligation Refunding Bonds, 2013.

Washington State statutes limit the amount of debt a government entity may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

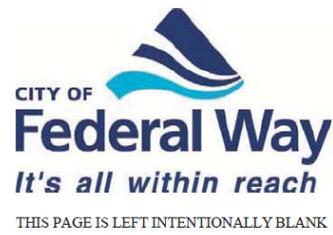
The City's taxable assessed valuation for 2015 was \$8.848 billion and the total amount of debt the City may issue is \$632.3 million. Remaining legal debt capacities as of December 31, 2015 are:

| | |
|---|----------------------|
| General government (no vote required) | \$101,361,960 |
| General government (3/5 majority vote required) | \$ 88,489,945 |
| Parks and open space (3/5 majority vote required) | \$221,224,864 |
| Utilities (3/5 majority vote required) | <u>\$221,224,864</u> |
| Total Capacity | \$632,301,633 |

Additional information on the City of Federal Way's long-term debt can be found in Note 11 pages 65 thru 67 and in the Statistical Section of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Federal Way's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, City of Federal Way, 33325 8th Avenue South, Federal Way, Washington 98003, telephone 253-835-2520, or visit the City's website at www.cityoffederalway.com.



BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position

This statement provides information on all city assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

Statement of Activities

This statement is focused on both the gross and net costs of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues.

STATEMENT OF NET POSITION

December 31, 2015

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Cash & cash equivalents and investments | \$ 67,901,549 | \$ 7,736,218 | \$ 75,637,767 |
| Receivables (net) | 1,991,601 | 136,246 | 2,127,847 |
| Due from other governments | 3,703,974 | 29,766 | 3,733,740 |
| Prepaid items | 36,718 | - | 36,718 |
| Restricted assets: | | | |
| Seizure funds/petty cash/advance travel/retainage | 176,194 | - | 176,194 |
| Investment in joint venture | 19,575,580 | - | 19,575,580 |
| Capital assets not being depreciated: | | | |
| Land | 279,352,222 | 11,013,528 | 290,365,750 |
| Construction in progress | 15,697,231 | 3,111,186 | 18,808,417 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings/structures | 22,901,391 | 319,314 | 23,220,705 |
| Improvements other than buildings | 9,278,740 | 2,618,434 | 11,897,174 |
| Machinery and equipment | 6,030,644 | 18,035 | 6,048,679 |
| Infrastructure | 110,912,917 | 42,302,160 | 153,215,077 |
| Net Pension Asset | 4,397,412 | - | 4,397,412 |
| Total Assets | <u>541,956,173</u> | <u>67,284,887</u> | <u>609,241,060</u> |
| DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS | 2,144,762 | 197,021 | 2,341,783 |
| LIABILITIES | | | |
| Accounts payable and accruals | 3,633,766 | 224,797 | 3,858,563 |
| Unearned revenue | 273,418 | 368,453 | 641,871 |
| Retainage payable | 203,979 | 39,065 | 243,044 |
| Customer deposits | 1,079,058 | 6,137 | 1,085,195 |
| Noncurrent Liabilities: | | | |
| Due within one year | 983,340 | 102,483 | 1,085,823 |
| Due in more than one year | 34,955,434 | 376,957 | 35,332,391 |
| Net Pension Liability | 9,580,886 | 1,330,438 | 10,911,324 |
| Total Liabilities | 50,709,881 | 2,448,330 | 53,158,211 |
| DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS | <u>2,939,368</u> | <u>205,131</u> | <u>3,144,499</u> |
| NET POSITION | | | |
| Net investment in capital assets | 424,245,625 | 58,998,176 | 483,243,801 |
| Restricted for: | | | |
| Debt service | 2,283,702 | - | 2,283,702 |
| Capital projects | 16,357,119 | - | 16,357,119 |
| Steel Lake & North Lake Mgmt District | - | 15,906 | 15,906 |
| Other | 1,552,393 | - | 1,552,393 |
| Unrestricted | 46,012,847 | 5,814,364 | 51,827,212 |
| Total Net Position | <u>\$ 490,451,686</u> | <u>\$ 64,828,447</u> | <u>\$ 555,280,133</u> |

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
For the Year ended December 31, 2015

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue & Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| <i>Governmental Activities:</i> | | | | | | | |
| General government | \$ 4,743,932 | \$ 1,994,674 | \$ 2,087,480 | \$ - | \$ (661,778) | \$ - | \$ (661,778) |
| Security of persons & property | 32,017,617 | 5,295,641 | 1,456,253 | - | (25,265,723) | - | (25,265,723) |
| Transportation | 13,070,260 | 1,362,118 | 1,639,335 | 4,508,428 | (5,560,378) | - | (5,560,378) |
| Physical environment | 476,570 | 302,083 | 180,903 | - | 6,415 | - | 6,415 |
| Economic environment | 2,973,437 | 2,698,841 | 1,082,722 | - | 808,126 | - | 808,126 |
| Health | 1,618,759 | - | 75,969 | - | (1,542,790) | - | (1,542,790) |
| Culture & recreation | 8,959,555 | 2,475,852 | 21,514 | - | (6,462,189) | - | (6,462,189) |
| Interest on long-term debt | 461,763 | - | - | - | (461,763) | - | (461,763) |
| Total governmental activities | 64,321,893 | 14,129,209 | 6,544,176 | 4,508,428 | (39,140,080) | - | (39,140,080) |
| <i>Business-type Activities:</i> | | | | | | | |
| Surface Water Management | 4,093,534 | 3,903,381 | 17,108 | 328,130 | - | 155,085 | 155,085 |
| Dumas Bay Centre | 1,250,161 | 759,614 | - | - | - | (490,547) | (490,547) |
| Total business-type activities | 5,343,694 | 4,662,995 | 17,108 | 328,130 | - | (335,461) | (335,461) |
| Total | \$ 69,665,587 | \$ 18,792,204 | \$ 6,561,284 | \$ 4,836,558 | (39,140,080) | (335,461) | (39,475,541) |
| General revenues: | | | | | | | |
| Property tax | | | | | 10,460,136 | - | 10,460,136 |
| Sales tax | | | | | 13,297,086 | - | 13,297,086 |
| Local criminal justice sales tax | | | | | 2,319,124 | - | 2,319,124 |
| Utility tax | | | | | 11,796,550 | - | 11,796,550 |
| Real estate excise tax | | | | | 3,031,159 | - | 3,031,159 |
| Gambling tax | | | | | 177,807 | - | 177,807 |
| Hotel/motel tax | | | | | 266,053 | - | 266,053 |
| Leasehold excise tax | | | | | 6,104 | - | 6,104 |
| Other revenue | | | | | 1,820,867 | - | 1,820,867 |
| Investment earnings | | | | | 231,881 | 24,917 | 256,798 |
| Transfers | | | | | (17,959) | 17,959 | - |
| Total general revenues and transfers | | | | | 43,388,808 | 42,876 | 43,431,684 |
| Change in net position | | | | | 4,248,728 | (292,585) | 3,956,143 |
| Net position at beginning of year | | | | | 541,306,481 | 57,538,943 | 598,845,424 |
| Prior period adjustment (See Note 15) | | | | | (45,942,608) | 8,906,872 | (37,035,736) |
| Net Effect - Change in Accounting for Pensions | | | | | (9,160,915) | (1,324,783) | (10,485,698) |
| Adjusted beginning net position | | | | | 486,202,958 | 65,121,032 | 551,323,990 |
| Net position at end of year | | | | | <u>\$490,451,686</u> | <u>\$64,828,447</u> | <u>\$ 555,280,133</u> |

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2015

| | General | Street | Utility Tax | Debt Service |
|---|----------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| Equity in pooled cash & investments | \$ 14,676,397 | \$ 1,129,001 | \$ 3,643,658 | \$ 1,471,579 |
| Prepaid insurance/debt service | 31,718 | - | - | - |
| Receivables (net): | | | | |
| Taxes | 232,835 | - | 1,309,337 | - |
| Accounts and contracts | 53,730 | - | - | - |
| Restricted cash | 176,194 | - | - | - |
| Due from other governments | 1,885,132 | 91,524 | 1,878 | - |
| Interfund loans receivable | 16,660 | - | - | - |
| TOTAL ASSETS | 17,072,666 | 1,220,525 | 4,954,873 | 1,471,579 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Vouchers payable | 516,840 | 171,502 | 1,941 | - |
| Accounts/payroll payable | 1,036,992 | 78,686 | 113,435 | - |
| Retainage payable | 1,888 | - | - | - |
| Deposits payable | 658,706 | 397,433 | - | - |
| Interfund loans payable | - | - | - | - |
| Unearned revenue | 56,248 | 72,904 | - | - |
| TOTAL LIABILITIES | 2,270,674 | 720,525 | 115,376 | - |
| DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES | | | | |
| | 197,034 | - | - | - |
| Fund Balance: | | | | |
| Nonspendable | 136,806 | - | - | - |
| Restricted | 71,106 | - | - | 1,471,579 |
| Committed | 34,513 | 500,000 | 4,839,497 | - |
| Unassigned | 14,362,533 | - | - | - |
| TOTAL FUND BALANCES | 14,604,958 | 500,000 | 4,839,497 | 1,471,579 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 17,072,666 | \$ 1,220,525 | \$ 4,954,873 | \$ 1,471,579 |

The notes to the financial statements are an integral part of this statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2015

| | Downtown Redevelopment | Transportation | Performing Arts & Event Ctr | Nonmajor Governmental | Total |
|---|---------------------------|---------------------|--------------------------------|--------------------------|-------------------|
| ASSETS | | | | | |
| Equity in pooled cash & investments | \$ 1,004,473 | \$ 7,108,461 | \$ 7,296,297 | \$ 14,473,817 | \$ 50,803,683 |
| Prepaid insurance/debt service | - | - | - | - | 31,718 |
| Receivables (net): | | | | | |
| Taxes | - | - | - | 329,365 | 1,871,537 |
| Accounts and contracts | - | - | - | 66,335 | 120,065 |
| Restricted Cash | - | - | - | - | 176,194 |
| Due from other governments | 121,284 | 1,326,795 | - | 238,646 | 3,665,259 |
| Interfund loans receivable | - | - | - | - | 16,660 |
| TOTAL ASSETS | 1,125,757 | 8,435,256 | 7,296,297 | 15,108,163 | 56,685,116 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Vouchers payable | 14,731 | 256,029 | 665,674 | 208,842 | 1,835,559 |
| Accounts/payroll payable | - | 1,665 | 5,597 | 137,884 | 1,374,259 |
| Retainage payable | - | 168,955 | 7,250 | 25,886 | 203,979 |
| Deposits payable | - | - | - | 22,919 | 1,079,058 |
| Interfund loans payable | - | - | - | 16,660 | 16,660 |
| Unearned revenue | - | - | - | 144,266 | 273,418 |
| TOTAL LIABILITIES | 14,731 | 426,649 | 678,521 | 556,457 | 4,782,933 |
| DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES | 8 | - | - | - | 197,042 |
| Fund Balance: | | | | | |
| Nonspendable | - | - | - | - | 136,806 |
| Restricted | 1,107,229 | 5,621,688 | 3,694,251 | 8,090,555 | 20,056,408 |
| Committed | 3,789 | 2,386,919 | 2,923,525 | 6,461,151 | 17,149,394 |
| Unassigned | - | - | - | - | 14,362,533 |
| TOTAL FUND BALANCES | 1,111,018 | 8,008,607 | 6,617,776 | 14,551,706 | 51,705,141 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,125,757 | \$ 8,435,256 | \$ 7,296,297 | \$ 15,108,163 | |

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|-----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. See Note 8, difference is the Internal Service fund amount of \$13.86M on page 37 | 430,313,531 |
| Investment in joint venture is not a financial resource and, therefore, not reported in the funds. See Note 14. | 19,575,580 |
| Other long-term and non-current assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds: includes deferred inflows, and net pension asset. See Note 6 \$197K & Note 9 \$4.4M (page 58) | 4,594,454 |
| Internal service funds are used to charge the costs of insurance, unemployment, information systems, mail and duplication, fleet, and building to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Page 37 Internal Service Net Position - Adj \$60.5K + \$54.8K LT Comp Abs + \$520.8K Net Pension Liability (NPL) + \$80.3K Def Infl Rel to Pensions - \$77.1K Def Outfl Rel to Pensions | 30,577,245 |
| Long-term liabilities, including bonds payable, pension liability, and inflows/outflows related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. See Note 11 -\$35.9M, In Govt Wide - \$9.6 NPL - \$2.9M Def Infl Rel to Pensions + \$2.1M Def Outfl Rel to Pensions | (46,314,265) |
| Net position of governmental activities | <u>\$ 490,451,686</u> |

The notes to the financial statements are an integral part of this statement.

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

| | General | Street | Utility Tax | Debt Service |
|--|----------------------|--------------------|---------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 26,105,265 | \$ - | \$ 11,796,549 | \$ - |
| Licenses and permits | 3,474,991 | 99,657 | - | - |
| Intergovernmental | 1,975,646 | 1,138,189 | - | - |
| Service charges and fees | 3,205,563 | 420,592 | - | - |
| Fines and forfeitures | 1,075,029 | - | - | - |
| Interest | 157,362 | 1,758 | 4,887 | 851 |
| Other | 596,616 | 52,986 | - | - |
| TOTAL REVENUES | 36,590,472 | 1,713,182 | 11,801,436 | 851 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,167,094 | 217,943 | 112,538 | - |
| Security of persons and property | 28,368,025 | - | 2,558,673 | - |
| Transportation | 705,377 | 3,401,576 | - | - |
| Physical environment | - | - | - | - |
| Economic environment | 2,791,828 | - | 77,971 | - |
| Health | 984,252 | - | - | - |
| Culture and recreation | 4,213,541 | - | 94,744 | - |
| Debt service: | | | | |
| Principal | - | - | - | 640,482 |
| Interest/fiscal charges/admin fees | - | - | - | 364,998 |
| Capital outlay | 40,754 | 105,225 | - | - |
| TOTAL EXPENDITURES | 41,270,871 | 3,724,744 | 2,843,926 | 1,005,480 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (4,680,399) | (2,011,562) | 8,957,510 | (1,004,629) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 5,133,008 | 1,909,539 | - | 2,402,722 |
| Transfers out | (1,892,069) | - | (7,663,210) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 3,240,939 | 1,909,539 | (7,663,210) | 2,402,722 |
| NET CHANGE IN FUND BALANCES | (1,439,460) | (102,023) | 1,294,300 | 1,398,093 |
| FUND BALANCES - BEGINNING | 16,044,418 | 602,023 | 3,545,197 | 73,486 |
| FUND BALANCES - ENDING | \$ 14,604,958 | \$ 500,000 | \$ 4,839,497 | \$ 1,471,579 |

The notes to the financial statements are an integral part of this statement.

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

| | Downtown Redevelopment | Transportation | Performing Arts & Event Ctr | Nonmajor Governmental | Total |
|--|---------------------------|---------------------|--------------------------------|--------------------------|----------------------|
| REVENUES | | | | | |
| Taxes | \$ 11,084 | \$ - | \$ - | \$ 3,474,996 | \$ 41,387,894 |
| Licenses and permits | - | - | - | - | 3,574,648 |
| Intergovernmental | 1,072,722 | 3,397,404 | 10,000 | 1,316,642 | 8,910,603 |
| Service charges and fees | - | 778,119 | - | 2,063,254 | 6,467,528 |
| Fines and forfeitures | - | - | - | 3,012,004 | 4,087,033 |
| Interest | 653 | 11,124 | 11,628 | 22,026 | 210,289 |
| Other | - | 8,184 | 744,579 | 418,502 | 1,820,867 |
| TOTAL REVENUES | 1,084,459 | 4,194,831 | 766,207 | 10,307,424 | 66,458,862 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 95,715 | - | - | 113,855 | 4,707,145 |
| Security of persons and property | - | - | - | 1,545,084 | 32,471,782 |
| Transportation | - | 1,216,342 | - | 1,786,100 | 7,109,395 |
| Physical environment | - | - | - | 478,807 | 478,807 |
| Economic environment | - | - | - | 91,042 | 2,960,841 |
| Health | - | - | - | 633,566 | 1,617,818 |
| Culture and recreation | - | - | - | 2,479,206 | 6,787,491 |
| Debt service: | | | | | |
| Principal | - | - | - | - | 640,482 |
| Interest/fiscal charges/admin fees | 126,381 | - | - | - | 491,379 |
| Capital outlay | 1,500 | 5,725,054 | 2,987,135 | 1,377,718 | 10,237,386 |
| TOTAL EXPENDITURES | 223,596 | 6,941,396 | 2,987,135 | 8,505,378 | 67,502,526 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 860,863 | (2,746,565) | (2,220,928) | 1,802,046 | (1,043,664) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 227,348 | 2,543,334 | 455,133 | 1,751,103 | 14,422,187 |
| Transfers out | (310,256) | - | - | (4,613,611) | (14,479,146) |
| TOTAL OTHER FINANCING SOURCES (USES) | (82,908) | 2,543,334 | 455,133 | (2,862,508) | (56,959) |
| NET CHANGE IN FUND BALANCES | 777,955 | (203,231) | (1,765,795) | (1,060,462) | (1,100,623) |
| FUND BALANCES - BEGINNING | 333,063 | 8,211,838 | 8,383,571 | 15,612,168 | 52,805,764 |
| FUND BALANCES - ENDING | \$ 1,111,018 | \$ 8,008,607 | \$ 6,617,776 | \$ 14,551,706 | \$ 51,705,141 |

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015

| | 2015 |
|--|----------------|
| Amounts reported for governmental activities in the statement of activities (page 28) are different because: | |
| Net change in fund balances--total governmental funds (page 32) | \$ (1,100,623) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (page 51) | 3,301,155 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (page 51) | (33,875) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the issuance proceeds of new debt as current financial resources and payment as the use of current resources, whereas these amounts reduce the net position. (page 51) | 1,076,316 |
| Internal service funds are used by management to charge costs of risk management, information systems, mail & duplication, fleet, and building systems to the funds. (page 38) \$370K - \$4.5K | 365,343 |
| 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 funds. Includes adjustment for GASB 68 pension reporting. (page 51) | 640,412 |
| Change in net position of governmental activities (page 28) | \$ 4,248,728 |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 24,589,620 | \$ 25,739,620 | \$ 26,105,265 | \$ 365,645 |
| Licenses and permits | 2,847,000 | 2,847,000 | 3,474,991 | 627,991 |
| Intergovernmental | 1,600,427 | 1,773,307 | 1,975,646 | 202,339 |
| Service charges and fees | 3,559,346 | 3,587,165 | 3,205,563 | (381,602) |
| Fines and forfeitures | 1,163,000 | 1,163,000 | 1,075,029 | (87,971) |
| Interest | 134,000 | 134,000 | 157,362 | 23,362 |
| Other | 359,700 | 359,700 | 596,616 | 236,916 |
| TOTAL REVENUES | 34,253,093 | 35,603,792 | 36,590,472 | 986,680 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,871,619 | 4,532,241 | 4,167,094 | 365,147 |
| Security of persons and property | 27,585,735 | 28,097,806 | 28,368,025 | (270,219) |
| Transportation | 734,113 | 736,570 | 705,377 | 31,193 |
| Economic environment | 2,937,613 | 2,851,120 | 2,791,828 | 59,292 |
| Health | 1,160,826 | 1,151,700 | 984,252 | 167,448 |
| Culture and recreation | 4,016,827 | 4,098,203 | 4,213,541 | (115,338) |
| Capital outlay | - | 16,185 | 40,754 | (24,569) |
| TOTAL EXPENDITURES | 40,306,733 | 41,483,825 | 41,270,871 | 212,954 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (6,053,640) | (5,880,033) | (4,680,399) | 1,199,634 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 7,275,493 | 6,525,929 | 5,133,008 | (1,392,921) |
| Transfers out | (2,078,336) | (2,453,661) | (1,892,069) | 561,592 |
| TOTAL OTHER FINANCING SOURCES (USES) | 5,197,157 | 4,072,268 | 3,240,939 | (831,329) |
| NET CHANGE IN FUND BALANCES | (856,483) | (1,807,765) | (1,439,460) | 368,305 |
| FUND BALANCES - BEGINNING | 15,194,978 | 16,044,419 | 16,044,418 | (1) |
| FUND BALANCES - ENDING | \$ 14,338,495 | \$ 14,236,654 | \$ 14,604,958 | \$ 368,304 |

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

For Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Licenses and permits | \$ 115,000 | \$ 115,000 | \$ 99,657 | \$ (15,343) |
| Intergovernmental | 1,045,000 | 1,131,550 | 1,138,189 | 6,639 |
| Service charges and fees | 202,000 | 202,000 | 420,592 | 218,592 |
| Interest | 2,000 | 2,000 | 1,758 | (242) |
| Other | 34,000 | 34,000 | 52,986 | 18,986 |
| TOTAL REVENUES | 1,398,000 | 1,484,550 | 1,713,182 | 228,632 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 195,010 | 237,230 | 217,943 | 19,287 |
| Transportation | 3,720,327 | 3,919,657 | 3,401,576 | 518,081 |
| Capital outlay | 150,000 | 150,000 | 105,225 | 44,775 |
| TOTAL EXPENDITURES | 4,065,337 | 4,306,887 | 3,724,744 | 582,143 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (2,667,337) | (2,822,337) | (2,011,562) | 810,775 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,517,336 | 2,720,313 | 1,909,539 | (810,774) |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 2,517,336 | 2,720,313 | 1,909,539 | (810,774) |
| NET CHANGE IN FUND BALANCES | (150,001) | (102,024) | (102,023) | 1 |
| FUND BALANCES - BEGINNING | 650,000 | 602,023 | 602,023 | - |
| FUND BALANCES - ENDING | \$ 499,999 | \$ 499,999 | \$ 500,000 | \$ 1 |

The notes to the financial statements are an integral part of this statement.

UTILITY TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|---------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Taxes | \$ 12,677,790 | \$ 11,291,790 | \$ 11,796,549 | \$ 504,759 |
| Interest | 6,000 | 6,000 | 4,887 | (1,113) |
| TOTAL REVENUES | 12,683,790 | 11,297,790 | 11,801,436 | 503,646 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 51,076 | 112,538 | 112,538 | - |
| Security of persons and property | 2,592,949 | 2,592,949 | 2,558,673 | 34,276 |
| Economic environment | 101,268 | 101,268 | 77,971 | 23,297 |
| Culture and recreation | 96,672 | 96,672 | 94,744 | 1,928 |
| TOTAL EXPENDITURES | 2,841,965 | 2,903,427 | 2,843,926 | 59,501 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 9,841,825 | 8,394,363 | 8,957,510 | 563,147 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (10,296,533) | (9,361,946) | (7,663,210) | 1,698,736 |
| TOTAL OTHER FINANCING SOURCES (USES) | (10,296,533) | (9,361,946) | (7,663,210) | 1,698,736 |
| NET CHANGE IN FUND BALANCES | (454,708) | (967,583) | 1,294,300 | 2,261,883 |
| FUND BALANCES - BEGINNING | 3,520,748 | 3,545,197 | 3,545,197 | - |
| FUND BALANCES - ENDING | \$ 3,066,040 | \$ 2,577,614 | \$ 4,839,497 | \$ 2,261,883 |

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

December 31, 2015

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|---------------------|----------------------|----------------------------|
| | Surface Water Management | Dumas Bay Centre | TOTAL | Internal Service |
| ASSETS | | | | |
| Current Assets | | | | |
| Equity in pooled cash & investments | \$ 6,955,155 | \$ 720,548 | \$ 7,675,702 | \$ 17,158,382 |
| Prepaid items | - | - | - | 5,000 |
| Receivables (net): | | | | |
| Accounts and contracts | 102,375 | 33,871 | 136,246 | - |
| Due from other governments | 29,766 | - | 29,766 | 38,715 |
| TOTAL CURRENT ASSETS | 7,087,296 | 754,419 | 7,841,714 | 17,202,097 |
| Property, plant and equipment | | | | |
| Land | 8,903,888 | 2,109,640 | 11,013,528 | - |
| Building/structures | 19,849 | 3,581,015 | 3,600,864 | 16,555,481 |
| Improvements other than buildings | 2,516,780 | 314,901 | 2,831,681 | - |
| Machinery/furniture/equipment | - | 122,200 | 122,200 | 18,063,578 |
| Infrastructure | 56,847,003 | - | 56,847,003 | - |
| Construction in progress | 3,111,186 | - | 3,111,186 | - |
| Less accumulated depreciation | (14,771,277) | (3,372,529) | (18,143,806) | (20,759,445) |
| TOTAL NONCURRENT ASSETS | 56,627,429 | 2,755,227 | 59,382,656 | 13,859,614 |
| TOTAL ASSETS | 63,714,725 | 3,509,646 | 67,224,370 | 31,061,711 |
| DEFERRED OUTFLOWS RELATED TO PENSIONS | | | | |
| | 168,066 | 28,955 | 197,021 | 77,121 |
| LIABILITIES AND FUND EQUITY | | | | |
| Current Liabilities: | | | | |
| Vouchers/payroll payable | 167,451 | 57,347 | 224,798 | 423,950 |
| Unearned revenue | 94,929 | 273,524 | 368,453 | - |
| Retainage payable - with escrow agent | 39,065 | - | 39,065 | - |
| Deposits payable | - | 6,137 | 6,137 | - |
| Public Works trust fund loan payable | 96,120 | - | 96,120 | - |
| Compensated absences payable | 5,116 | 1,246 | 6,363 | - |
| TOTAL CURRENT LIABILITIES | 402,681 | 338,254 | 740,936 | 423,950 |
| Long-term liabilities: | | | | |
| Public Works trust fund loan payable | 288,360 | - | 288,360 | - |
| Compensated absences payable | 71,247 | 17,349 | 88,596 | 54,761 |
| Net Pension Liability | 1,134,907 | 195,531 | 1,330,438 | 520,782 |
| TOTAL LONG-TERM LIABILITIES | 1,494,514 | 212,880 | 1,707,394 | 575,543 |
| TOTAL LIABILITIES | 1,897,195 | 551,135 | 2,448,330 | 999,493 |
| DEFERRED INFLOWS RELATED TO PENSIONS | | | | |
| | 174,983 | 30,148 | 205,131 | 80,296 |
| Net investment in capital assets | 56,242,949 | 2,755,227 | 58,998,176 | 13,859,614 |
| Restricted for: | | | | |
| Steel Lake & North Lake Mgmt District | 15,906 | - | 15,906 | - |
| Unrestricted | 5,551,757 | 202,091 | 5,753,849 | 16,199,429 |
| TOTAL NET POSITION | \$ 61,810,613 | \$ 2,957,318 | 64,767,931 | \$ 30,059,043 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 60,516 | |
| NET POSITION OF BUSINESS-TYPE ACTIVITIES | | | \$ 64,828,447 | |

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For Year Ended December 31, 2015

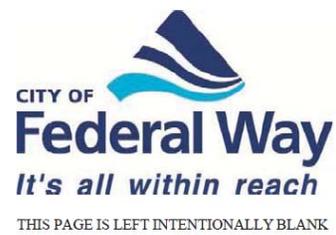
| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|---------------------|---------------------|----------------------------|
| | Surface Water Management | Dumas Bay Centre | TOTAL | Internal Service |
| OPERATING REVENUES: | | | | |
| Service charges and fees | \$ 3,903,381 | \$ 759,614 | \$ 4,662,995 | \$ 10,248,394 |
| Intergovernmental | 32,482 | - | 32,482 | - |
| Miscellaneous | - | - | - | 93,524 |
| TOTAL OPERATING REVENUES | 3,935,863 | 759,614 | 4,695,477 | 10,341,918 |
| OPERATING EXPENSES: | | | | |
| Personal services | 2,002,027 | 375,743 | 2,377,770 | 904,821 |
| Materials and supplies | 164,150 | 303,459 | 467,609 | 647,979 |
| Services and charges | 462,383 | 375,503 | 837,886 | 6,438,649 |
| Intergovernmental | 220,075 | 895 | 220,970 | 160,217 |
| Depreciation | 577,979 | 154,091 | 732,070 | 2,145,002 |
| Interfund charges | 665,278 | 40,711 | 705,989 | - |
| TOTAL OPERATING EXPENSES | 4,091,892 | 1,250,402 | 5,342,294 | 10,296,668 |
| OPERATING INCOME (LOSS) | (156,029) | (490,788) | (646,817) | 45,250 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Gain (Loss) from disposal of capital assets | - | - | - | 52,381 |
| Interest income | 22,658 | 723 | 23,381 | 23,133 |
| Interest expense | (4,405) | - | (4,405) | - |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 18,253 | 723 | 18,976 | 75,514 |
| INCOME (LOSS) BEFORE TRANSFERS | (137,776) | (490,065) | (627,841) | 120,764 |
| Capital contributions | 312,756 | - | 312,756 | 210,120 |
| Transfers in | 69,300 | 487,659 | 556,959 | 72,308 |
| Transfers out | (539,000) | - | (539,000) | (33,308) |
| CHANGE IN NET POSITION | (294,720) | (2,406) | (297,126) | 369,884 |
| NET POSITION - BEGINNING | 54,328,545 | 3,154,424 | | 30,207,728 |
| Prior period adjustment | 8,906,870 | - | | - |
| Net Effect - Change in Accounting for Pensions | (1,130,082) | (194,700) | | (518,569) |
| ADJUSTED NET POSITION - BEGINNING | 62,105,333 | 2,959,724 | | 29,689,159 |
| NET POSITION - ENDING | \$ 61,810,613 | \$ 2,957,319 | | \$ 30,059,043 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise | | | 4,541 | |
| CHANGES IN NET POSITION OF BUSINESS-TYPE ACTIVITIES | | | \$ (292,585) | |

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Year Ended December 31, 2015

| | Business-type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|-----------------------|-------------------------|----------------------------|
| | Surface Water Management | Dumas Bay Centre | TOTAL | Internal Service |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from users | \$ 3,906,737 | \$ 784,861 | \$ 4,691,598 | \$ 10,225,910 |
| Cash payments to claimants | - | - | - | (712,690) |
| Cash payments to suppliers for goods/services | (505,794) | (569,994) | (1,075,788) | (5,666,584) |
| Cash payments to employees | (1,982,594) | (371,343) | (2,353,937) | (890,319) |
| Cash payments to other funds for goods and services | (665,278) | (40,711) | (705,989) | - |
| Cash payments to other governments for goods and services | (220,075) | (896) | (220,971) | (669,022) |
| Other operating receipts | 393,605 | - | 393,605 | 77,294 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>926,601</u> | <u>(198,083)</u> | <u>728,518</u> | <u>2,364,589</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers in | 1,632,300 | 487,659 | 2,119,959 | 72,308 |
| Transfers out | (2,102,000) | - | (2,102,000) | (33,308) |
| NET CASH PROVIDED BY NONCAPITAL FINANCING | <u>(469,700)</u> | <u>487,659</u> | <u>17,959</u> | <u>39,000</u> |
| CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES: | | | | |
| Principal paid on debt service | (96,120) | - | (96,120) | - |
| Interest paid on debt service | (4,405) | - | (4,405) | - |
| Acquisition of capital asset/construction work in progress | (179,179) | - | (179,179) | (2,323,732) |
| Proceeds from the sale of capital assets | - | - | - | 52,381 |
| NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES | <u>(279,704)</u> | <u>-</u> | <u>(279,704)</u> | <u>(2,271,351)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Receipts of interest | 22,658 | 717 | 23,375 | 23,133 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>22,658</u> | <u>717</u> | <u>23,375</u> | <u>23,133</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 199,855 | 290,293 | 490,148 | 155,371 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>6,755,299</u> | <u>430,255</u> | <u>7,185,554</u> | <u>17,003,012</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>6,955,155</u></u> | <u><u>720,548</u></u> | <u><u>7,675,702</u></u> | <u><u>17,158,382</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating Income/(loss) | (156,029) | (490,788) | (646,817) | 45,250 |
| Adjustments to reconcile operating income to net cash provided/(used) by operating activities: | | | | |
| Increases/(decrease) in depreciation expense | 577,987 | 154,093 | 732,080 | 2,145,003 |
| (Increases)/decrease in accounts receivable | 11,397 | 7,759 | 19,156 | - |
| (Increases)/decrease in due from other governments | 361,130 | - | 361,130 | (38,715) |
| (Increases)/decrease in deferred outflows related to pensions | (108,494) | (18,692) | (127,186) | (49,785) |
| Increases/(decrease) in vouchers/accounts payable | 119,955 | 44,478 | 164,433 | 198,550 |
| Increases/(decrease) in retainage payable | 777 | - | 777 | - |
| Increases/(decrease) due to adjustment of prior period expenses | - | 63,907 | 63,907 | - |
| Increases/(decrease) in deposits payable | - | 582 | 582 | - |
| Increases/(decrease) in deferred revenue | (8,041) | 17,487 | 9,447 | - |
| Increases/(decrease) in accrued payroll/compensated absences payable | 7,683 | 2,375 | 10,058 | 9,113 |
| Increases/(decrease) in net pension liability | 310,778 | 53,544 | 364,322 | 142,609 |
| Increases/(decrease) in deferred inflows related to pensions | (190,543) | (32,828) | (223,371) | (87,436) |
| TOTAL ADJUSTMENTS | <u>1,082,630</u> | <u>292,705</u> | <u>1,375,335</u> | <u>2,319,339</u> |
| NET CASH PROVIDED/USED BY OPERATING ACTIVITIES | <u>\$ 926,601</u> | <u>\$ (198,083)</u> | <u>\$ 728,518</u> | <u>\$ 2,364,589</u> |
| Non-cash investing, capital, and financing activities: | | | | |
| Other contributions of capital assets | | | | <u>\$ 210,119</u> |

The notes to the financial statements are an integral part of this statement.



NOTES TO THE BASIC FINANCIAL STATEMENTS**December 31, 2015****INDEX**

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Federal Way have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

REPORTING ENTITY

The City of Federal Way was incorporated in February 28, 1990. Federal Way is a non-charter code city, operating under Section 35A.03 of the Revised Code of Washington. It has a Mayor/Council form of government. The Council is composed of seven councilmembers elected to four-year terms on a non-partisan ballot and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the City Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City. The City of Federal Way provides a full range of municipal services, including policing, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for Storm Water Management and Dumas Bay Centre.

The City's Comprehensive Annual Financial Report (CAFR) includes the funds, agencies and boards controlled by or dependent on the City. In conformance with Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", the primary basis of determining whether outside agencies and organizations should be considered component units of the City is Financial Accountability. Financial Accountability is dependent on the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. Applying these criteria, as outlined in GASB Statement 14, the City has no relationships that qualify as component units.

Financial Accountability

Financial accountability is defined as appointment of a voting majority of an agency's or organization's board, and either the City's ability to impose its will on the agency or organization or the possibility that the agency or organization will provide a financial benefit to or impose a financial burden on the City.

Joint Ventures

A joint venture is a legal entity or organization which results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility. The City participates in two joint ventures: Valley Communications Center and South Correctional Entity (SCORE). See Note 14, Joint Venture, which more fully describes these organizations.

BASIS OF PRESENTATION - GOVERNMENTAL-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to specific functions or segments. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements, or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Separate fund financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – This is the City’s general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Fund – This fund accounts for the receipt and disbursement of State-levied motor vehicle fuel taxes which must be accounted for in a separate fund and expended for street-oriented engineering, maintenance and operations.

Utility Tax Fund – This fund was established to account for all utility tax receipts. These receipts will subsequently be distributed to various funds to provide for debt service, capital projects, maintenance and operations expenditures, etc. as determined by the City Council.

Debt Service Fund – This fund accounts for the accumulation of resources for the payment of general obligation and assessment bond principal, interest and related costs.

Downtown Redevelopment CIP Fund – This fund was established to accumulate resources to set aside for downtown projects.

Transportation CIP Fund – This fund accounts for receipts and disbursements related to acquisition, design, construction and any other related street project expenditures.

Performing Arts & Event Center Fund – This fund was established to accumulate resources to set aside for Performing Arts and Event Center (PAEC).

The City reports the following fund groups as non-major funds:

Special Revenue Funds – These funds are to be used to account for the proceeds of revenues and sources (other than special assessments, expendable trust or major capital projects) that are committed or legally restricted to expenditures for specified purposes.

Capital Project Funds – These funds account for the acquisition or construction of major capital facilities with the exception of those facilities financed by the proprietary fund. The major sources of revenues for these funds are general obligation bond proceeds, grants from other agencies, local taxes, contributions from other funds, utility tax, and real estate excise tax.

The City reports the following major enterprise funds:

Surface Water Management Fund – This fund was established to administer and account for all receipts and expenditures related to the City’s surface and storm water management system.

Dumas Bay Centre Fund – This fund was established to account for revenues and expenses related to the acquisition, capital improvements maintenance and operations of the City-owned Dumas Bay Centre and Knutzen Family Theatre. The Dumas Bay Centre is primarily used for meetings, events, lodging, and catering services.

Additionally, the City reports following internal service funds:

Risk Management Fund – This fund accounts for the City’s risk financing activities established to minimize adverse effects of losses associated with property and casualty, and worker’s compensation claims. Both risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses) are involved. The City is also currently recovering costs and building reserves for general liability including property, casualty, errors and omissions and fidelity coverage.

Information Systems Fund – This fund was established to account for all costs associated with data processing, telecommunications and the Geographical Information System (GIS). This fund owns and depreciates all non-proprietary fund assets related to these functions, and charges equipment/software users for both maintenance and operating costs and equipment replacement charges based on depreciation schedules.

Mail & Duplication Fund – This fund accounts for duplication, graphics and other general support services provided to departments and funds throughout the City.

Fleet and Equipment Fund – This fund accounts for the cost of maintaining City vehicles and other motorized equipment. Rates charged to user departments are based on the full cost of maintaining equipment items, including the recovery of related depreciation expense.

Buildings and Furnishings Fund – This fund accounts for all costs associated with the operation and maintenance of specified City buildings. City building facilities and furnishings owned by this Fund. Both maintenance/operating costs and depreciation recovery are charged to City departments and funds.

Health Insurance Fund – The City is currently self-insuring for medical insurance. The premiums paid by the City and employees are deposited into this fund. Medical service for medical coverage and pharmaceutical reimbursement are paid out of this fund. Also, establish reserves for the payment of estimated future claims.

Unemployment Insurance Fund - The City is currently self-insuring State Unemployment Compensation. Related premiums received by the fund are used to reimburse the unemployment benefits paid to eligible individuals and to establish reserves for the payment of estimated future unemployment claims liability.

Internal Service Funds account for goods and services provided to other departments or agencies of City of Federal Way, or to other governments, on a cost-reimbursement basis.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Federal Way considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. The City considers property tax as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of property tax receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Major revenues recorded on the modified accrual basis are:

Property Taxes - King County acts as the City's collection agent for these taxes. Upon receipt, the County electronically transmits to the City the taxes which it has collected on the City's behalf in the prior day. On this basis, property taxes received in January are considered both measurable and available and are therefore recognized as revenue in the current year

Other Locally Levied Taxes - King County also acts as the City's collection agent for the ¼% and optional ¼% real estate excise taxes. Although a time lag occurs in payment of these taxes to the City, since the taxes are actually collected by King County in December and receipted to the City within 10 days after the end of the year, they are considered to be both measurable and available, and are, therefore, accrued as revenue at year end. The State of Washington acts as the City's collection agency for the locally levied sales tax. The sales tax is distributed monthly and remitted to the City in the following month. The Sales Tax remittance in January is considered both measurable and available and is therefore accrued as revenue at year-end.

Grant Revenues - Under Section G60.109 of the Codification of Governmental Accounting and Financial Reporting Standards, revenues for cost reimbursement grants are determined to be earned and, therefore, available at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

Shared Revenues - Revenues that have been collected by the State, but not remitted by an intermediary collection agency to the City, are considered measurable and available.

Other Revenue Sources - Other items recognized as revenue in the current year on the modified accrual basis include investment interest earned but not received at year end; inter-fund, and intergovernmental service billings related to services provided in the current year which are outstanding at year end; and any other material revenue amounts determined to be both measurable and available under current modified accrual accounting practices. Revenues not considered to meet the criteria for recognition on the modified accrual basis include licenses and permits, fines and forfeitures, and other miscellaneous revenues which are generally not measurable until received.

Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City are primarily user charges, the cost of providing goods or services to the general public on a continuing basis. Operating expenses for enterprise and internal service funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BUDGETARY INFORMATION

Scope of Budget

Annual appropriated budgets are adopted for the general, some special revenue, and debt service funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgets for debts service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

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 biennial operating budget (funds budgeted on an annual basis) are:

| | | | |
|--------------|--|--------------------|---|
| General Fund | Special Revenue Funds | Debt Service Fund | Capital Project Funds |
| | - <i>Street Fund</i> | - <i>Debt Fund</i> | - <i>Downtown Redevelopment</i> |
| | - <i>Arterial Street</i> | | - <i>City Facilities</i> |
| | - <i>Utility Tax</i> | | - <i>Parks</i> |
| | - <i>Solid Waste & Recycling</i> | | - <i>Transportation</i> |
| | - <i>Special Contracts / Studies</i> | | - <i>Capital Project Reserve</i> |
| | - <i>Hotel/Motel Lodging Tax</i> | | - <i>Performing Arts & Event Center</i> |
| | - <i>Federal Way Community Center</i> | | - <i>Real Estate Excise Tax</i> |
| | - <i>Traffic Safety</i> | | |
| | - <i>Community Development Block Grant</i> | | |
| | - <i>Paths & Trails</i> | | |

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditure or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Procedures for Adopting the Biennial Budget

The City's budget process and the time limits under which the budget must be prepared are defined by the Revised Code of Washington (RCW) 35A.33. The procedures followed in establishing the annual budget are described below:

- By late May the official budget call is made by the Finance Director for current level service budgets and a preliminary financial forecast.
- By late June, departments submit their preliminary expenditure estimates and the Finance department updates the preliminary revenue estimates to define resources available to finance coming year expenditure programs.
- By the first Tuesday in October, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Finance Director. Copies of the preliminary budget are provided to the City Council and made available to staff and the public.
- City Council conducts workshops and public hearings on the proposed budget between mid-September and mid-December.
- No later than the third Monday in November, the City Council must adopt an ordinance to establish the amount of property taxes to be levied in the coming year.
- No later than the first two weeks of November, the City Clerk publishes a notice of the filing of the preliminary budget and notices of public hearings to be held during preliminary budget deliberations.
- Two public hearings on the proposed budget are also held during November and December. Final hearings on the budget must begin on or before the first Monday of December, and may continue until the 25th day prior to beginning of the next fiscal year.
- By December 31, the City Council makes its adjustments to the proposed budget and adopts a final budget by ordinance.
- The final operating budget, as adopted, is published and distributed within the first three months of the following year. Copies of the adopted budget are made available to the public.

Amending the Budget

The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one or more than the majority after holding public hearing(s).

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

Cash and Investments

The City follows the practice of pooling cash and investments of all funds for investment purposes, except for cash held in escrow, which is disclosed separately on the balance sheet. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as equity in pooled cash and investments.

It is the City's policy to invest all cash not immediately required for disbursement. At December 31, 2015, the State Treasurer was holding \$63,140,025 in the Local Government Investment Pool. The amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds based on the average monthly balance for each fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during the 2015 were approximately \$12 million.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. At December 31, 2015, the total cash and cash equivalents were \$75,813,961.

Investments See (Note 5 - *Deposits and Investments*).

Receivables

Taxes receivable consists of property taxes and related interest and penalties (see Note 6 - *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

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

Amounts Due to and from Other Funds; Interfund Loans

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. Any other outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of inter-fund loans receivable and payable is furnished in Note 12, *Interfund Transactions*.

Inventories and Prepaids

Inventories in the governmental funds are recorded as expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. Amounts remaining at year-end are immaterial and, therefore, are not reflected on the balance sheets of those funds. There were no material inventories at year-end in the Internal Service or Enterprise Funds. The City currently uses the consumption method of accounting for prepaids.

Capital Assets – See Note 8, *Capital Assets*.

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Federal Way as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

Cost of normal maintenance and repairs are not capitalized.

Depreciation on all capital assets is recorded as an allocated expense in the government-wide Statement of Activities and in the proprietary fund statements. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Life in Years</u> |
|------------------------------------|----------------------|
| Computers..... | 5-6 |
| Printers & Faxes..... | 7 |
| Telecommunications Equipment..... | 7 |
| Police Radio Equipment..... | 11 |
| Other Office Equipment..... | 4-10 |
| Office Furniture and Fixtures..... | 10 |
| Recreation Equipment..... | 10 |
| Parks Equipment..... | 6-10 |
| Police Equipment..... | 9-11 |
| Shop/Miscellaneous Equipment..... | 10-12 |
| Heavy Work Equipment..... | 10-16 |
| Non-Police Vehicles..... | 7 |
| Police Patrol Vehicles..... | 5 |
| Police Non-Patrol Vehicles..... | 7-10 |
| Heavy Trucks..... | 8-10 |
| Land Improvements..... | 20 |
| Buildings..... | 20 |
| Infrastructure..... | 15-100 |

Deferred Inflows of Resources See (Note 6 – *Property Tax*) and (Note 9 – *Pension Plans*)

Compensated Absences Payable

The City records a liability for all outstanding vacation pay and accrued compensatory time. In governmental funds, vacation pay and compensatory time is recorded as expenditures when paid which occurs when used or upon termination. In the entity-wide statements and the proprietary fund statements, vacation pay and compensatory time is recorded as a liability and expense in the year earned.

Employee vacation leave is accumulated monthly at rates ranging from 12 to 22.5 days per year depending on term of employment. Employees may accumulate up to a maximum of 240 hours of vacation leave, except the Police Guild, who can accrue up to a maximum of 360 hours. Outstanding vacation leave is payable upon termination of employment at the following rate: City Employees up to 240 hours and Police Guild members will be paid out up to two years of their monthly vacation accrual rate.

A non-exempt employee may request compensatory time off in lieu of overtime payment. Compensatory time is accrued at a rate of one and one-half hours for each hour of overtime worked, to a maximum of eighty hours for both City employees and Police Guild members.

Sick leave may be accumulated up to a maximum of 720 hours for regular City employees per City policy and 1,040 hours for the Police Guild, per their contract. The monthly accrual rate for City employees is 8 hours per month. Accumulated sick leave is not payable upon termination of employment. Outstanding sick leave at year-end is not accrued due to the difficulty in estimating the portion of existing balances likely to result in expenditures in future periods. Compensated Absences Payable outstanding at year-end is outlined in Note 11.

Pensions - See (Note 9 – *Pension Plans*).

For purposes of measuring the net pension 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.

Long-Term Liabilities See Note 11, *Long-Term Debt*

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Unearned Revenues See (Note 7 – *Unearned Revenues and Receivables*).

Fund Balance Classification

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

Nonspendable – amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.

Committed – amounts that can be used only for the specific purposes determined by formal action of the City Council through an ordinance or resolution. Commitments may be changed or lifted by the action of the City Council using the same formal action of ordinance or resolution that was used to create the commitment.

Assigned – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the City Council or the Mayor. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other government funds, at a minimum, are intended to be used for the purpose of that fund.

Unassigned – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. The minimum fund balance established by the Reserve Policy, and passed by resolution from the City Council, states “The City shall have an operating cash flow reserve of seventeen percent of the City’s General Fund operating expenditures or \$9 million. In addition, the City shall have a contingency for unanticipated cost of \$1 million to cover revenue shortfalls resulting from unexpected economic change or recessionary periods, or to provide funds in the event of major unplanned expenditures the City could face as a result of natural disasters. The policy shall also include a strategic opportunities reserve of \$2 million to provide liquidity to respond to economic opportunity that is not budgeted for that may provide a long term economic benefit to the City. In the event that any of the Contingency or Strategic Opportunities Reserve is used, such appropriation shall be repaid to the fund annually over the next three years. The purpose of the ending fund balance is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength.” General fund expenditures at 12/31/2015 were \$41.3 million and Unassigned General fund balance at year-ended 2015 was \$14.4 million or (35%).

Other funds that have a significant minimum fund balance policy are: Street Fund - \$0.5 million; Arterial Street Fund - \$0.1 million; Utility Tax Fund - \$2.5 million, REET Fund – one year revenue reserve; Hotel/Motel Lodging Tax Fund - \$0.2 million; Community Center Fund - \$1.5 million; Traffic Safety Fund - \$1.5 million; Debt Service Fund – adequate reserve in accordance with bond ordinance or minimum of one year debt service amount; Dumas Bay Centre Fund - \$0.5 million; and Surface Water Management Fund – \$0.5 million.

The Government-wide statement of net position reports \$555.3 million of net position, of which \$20.2 million is restricted by the enabling legislation.

| 2015 FUND BALANCE CLASSIFICATION | | | | | | | | | |
|----------------------------------|----------------------|-------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------|----------------------|----------------------|
| Fund Balance | General Fund | Street | Utility Tax | Debt Service | Downtown Redevelop. | Transportation | Performing Arts & Event Ctr | Nonmajor Gov't | Total |
| <i>Nonspendable:</i> | | | | | | | | | |
| Court trust | \$ 105,088 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 105,088 |
| Prepaid insurance/debt service | 31,718 | - | - | - | - | - | - | - | 31,718 |
| <i>Restricted for:</i> | | | | | | | | | |
| Police covert/seizure | 71,106 | - | - | - | - | - | - | - | 71,106 |
| Future debt payments | - | - | - | 1,471,579 | - | - | - | - | 1,471,579 |
| Special Contracts/Studies | - | - | - | - | - | - | - | 458,355 | 458,355 |
| Hotel/Motel Lodging Tax | - | - | - | - | - | - | - | 501,765 | 501,765 |
| Path & Trails Reserves | - | - | - | - | - | - | - | 384,361 | 384,361 |
| Downtown Redevelopment | - | - | - | - | 1,107,229 | - | - | - | 1,107,229 |
| City Facilities CIP | - | - | - | - | - | - | - | 53,232 | 53,232 |
| Parks CIP | - | - | - | - | - | - | - | 2,997,772 | 2,997,772 |
| Transportation CIP | - | - | - | - | - | 5,621,688 | - | - | 5,621,688 |
| Performing Arts & Event Ctr | - | - | - | - | - | - | 3,694,251 | - | 3,694,251 |
| Real Estate Excise Tax | - | - | - | - | - | - | - | 3,695,070 | 3,695,070 |
| <i>Committed to:</i> | | | | | | | | | |
| Capital, debt, and operations | - | - | 4,120,012 | - | - | - | - | - | 4,120,012 |
| Petty cash/advance travel | 21,600 | - | - | - | - | - | - | - | 21,600 |
| Comm. Development Block Grant | - | - | - | - | - | - | - | 40,442 | 40,442 |
| Proposition 1 | - | - | 719,485 | - | - | - | - | - | 719,485 |
| Transportation CIP | - | - | - | - | - | 2,386,919 | - | - | 2,386,919 |
| Downtown Redevelopment | - | - | - | - | 3,789 | - | - | - | 3,789 |
| Arterial Street | - | - | - | - | - | - | - | 298,387 | 298,387 |
| Solid Waste/Recycling | - | - | - | - | - | - | - | 208,857 | 208,857 |
| 2% for the Arts | 293 | - | - | - | - | - | - | - | 293 |
| Federal Way Community Center | - | - | - | - | - | - | - | 1,500,001 | 1,500,001 |
| Traffic Safety | - | - | - | - | - | - | - | 3,614,116 | 3,614,116 |
| Snow/ice removal | - | 500,000 | - | - | - | - | - | - | 500,000 |
| Parks CIP | - | - | - | - | - | - | - | 318,508 | 318,508 |
| Performing Arts & Event Ctr | 12,621 | - | - | - | - | - | 2,923,525 | - | 2,936,146 |
| Capital Project Reserve | - | - | - | - | - | - | - | 480,840 | 480,840 |
| <i>Unassigned:</i> | | | | | | | | | |
| General Fund | 14,362,533 | - | - | - | - | - | - | - | 14,362,533 |
| Total Fund Balance: | \$ 14,604,958 | \$ 500,000 | \$ 4,839,497 | \$ 1,471,579 | \$ 1,111,018 | \$ 8,008,607 | \$ 6,617,776 | \$ 14,551,706 | \$ 51,705,141 |

Interfund Transactions

There are four types of transactions between funds – inter-fund loans, inter-fund services provided and used, inter-fund reimbursements, and inter-fund transfers. Interfund loans are temporary borrowings of cash which do not affect operating statements, but which may incur interest expense or expenditure to the borrowing fund. Interfund services provided and used are equivalent to buying goods or services from an outside vendor, and are accounted for by the related funds as revenues, expenditures or expenses. Interfund reimbursements are repayments to a fund for expenditures or expenses that belong to another fund. They involve only expenditure or expense accounts. The transfers are accounted for as "other financing sources and uses" and are therefore included in the operating statements (see Note 12).

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position**

The governmental funds' balance sheet includes reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of the reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds.” The details of this \$46,314,266 difference are as follows:

| | |
|---|---------------------|
| Bonds Payable & Premium at beginning of year | \$ 35,100,536 |
| Plus: Inclusion of compensated absences | 1,914,554 |
| Plus: Current year addition/reduction of principal portion of debt & premium | (1,076,316) |
| Plus: Net Pension Liability | 9,580,886 |
| Plus: Deferred Inflows of Resources Related to Pensions | 2,939,368 |
| Less: Deferred Outflows of Resources Related to Pensions | (2,144,762) |
| Net Adjustment to reduce fund balances- <i>total governmental funds to arrive at net position - governmental activities</i> | <u>\$46,314,266</u> |

Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditure, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,301,155 difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 10,237,386 |
| Plus: Contributed Capital | \$ 1,111,024 |
| Less: Loss on Capital | \$ (762,562) |
| Less: Governmental depreciation expense | (7,349,114) |
| Plus: Increase investment in joint venture | <u>64,421</u> |
| Net adjustment to increase net changes in fund balances - <i>Total governmental funds to arrive at changes in net position of governmental activities</i> | <u>\$ 3,301,155</u> |

Another element of the reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” This item presents:

| | |
|---|--------------------|
| Property taxes earned reported as deferred inflow of resources in the fund statements | <u>\$ (33,875)</u> |
|---|--------------------|

Another element of the reconciliation states that “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 funds.” This item represents:

| | |
|--|--------------------|
| Compensated absences | <u>\$ (73,900)</u> |
| Adjustment for GASB 68 pension reporting | <u>\$ 714,312</u> |

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 4 – SUPPLEMENTAL APPROPRIATIONS**Operating Budget Funds**

Appropriations established during 2015 for the City's operating budget funds are provided below. As explained in Note 1, both original and supplemental appropriations are adopted by the City Council by ordinance. Both original and final budget appropriations are shown on the accompanying financial statements. The final budget values include all adopted adjustments to original budget amounts.

| FUND | 2015 | | |
|--|----------------------|-----------------------------|----------------------|
| | ORIGINAL BUDGET | SUPPLEMENTAL APPROPRIATIONS | FINAL BUDGET |
| <i>General Fund</i> | \$ 40,306,733 | \$ 1,177,092 | \$ 41,483,825 |
| <i>Special Revenue Funds:</i> | | | |
| Street Fund | 4,065,337 | 241,550 | 4,306,887 |
| Arterial Street Fund | 1,515,500 | 208,705 | 1,724,205 |
| Utility Tax Fund | 2,841,965 | 61,462 | 2,903,427 |
| Solid Waste/Recycling Fund | 470,101 | 30,930 | 501,031 |
| Special Contracts / Studies | - | 81,850 | 81,850 |
| Hotel/Motel Lodging Tax | 200,300 | 154,996 | 355,296 |
| Federal Way Community Center | 2,288,724 | 83,500 | 2,372,224 |
| Traffic Safety | 2,123,644 | - | 2,123,644 |
| Community Development Block Grant | 1,237,072 | - | 1,237,072 |
| Paths & Trails | - | - | - |
| <i>Subtotal Special Revenue Funds:</i> | 14,742,643 | 862,993 | 15,605,636 |
| <i>Debt Service Fund</i> | 1,039,573 | - | 1,039,573 |
| <i>Capital Project Funds:</i> | | | |
| Real Estate Excise Tax | - | - | - |
| Downtown Redevelopment | - | 227,348 | 227,348 |
| City Facilities | - | 154,462 | 154,462 |
| Parks | 1,000,000 | 3,555,405 | 4,555,405 |
| Transportation | 8,470,000 | 9,093,439 | 17,563,439 |
| Capital Project Reserve | - | - | - |
| Performing Arts & Event Center | 8,340,000 | (5,447,665) | 2,892,335 |
| <i>Subtotal Capital Project Funds:</i> | 17,810,000 | 7,582,989 | 25,392,989 |
| Total: | \$ 73,898,949 | \$ 9,623,074 | \$ 83,522,023 |

NOTE 5 – DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the City's funds are obligations of the U.S. Government, the Local Government Investment Pool, bankers' acceptances, or deposits with Washington State banks and savings and loan institutions. In 2015 the City utilized all the above with the exception of bankers' acceptances as legal authorized investment instruments. The City's investment policies are described in Note 1.

Cash and Deposits

The City follows the practice of pooling cash and investments of all funds, except restricted funds and funds held with a trustee or in escrow, for investment purposes as disclosed in Note 1. At December 31, 2015, the equity in pooled cash and investments was \$75,813,961.

At year-end, the City had \$75,612,877 in cash and cash equivalents which consisted of investments with the Local (LGIP) Government Investment Pool of \$63,140,025 the City's checking account bank balance prior to outstanding checks was \$12,318,903; and petty cash and change funds, advance travel fund and investigative fund totaling \$48,860, and Court Trustee Fund of \$105,088. Cash held with an escrow agent is \$201,084. No deposits were uninsured or uncollateralized. Insurance

coverage up to \$250,000 is through federal depository insurance and the Washington Public Deposit Protection Commission (WPDPC) covers amounts over \$250,000. Under State statute, members of WPDPC, a multiple-financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss. Investments are carried at cost or book value because the City holds all investments until maturity. The fair value of the positions in the State Investment Pool is the same as the value of the pool shares.

The State Treasurer's Office administers the Washington State Local Government Investment Pool authorized under Chapter 43.250 RCW. The LGIP operates in a manner consistent with the SEC Rule 2a-7. In its management of LGIP, the State Treasurer adheres to the principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity to meet cash flow demands.

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

**SCHEDULE OF INVESTMENTS BY MATURITIES
AS OF DECEMBER 31, 2015**

| Investment Type | Book Value | Investment maturities | | |
|---|----------------------|-----------------------|-----------------|-------------------------|
| | | Less than 1 year | 1 to 2 years | Greater than 3 years |
| State Investment Pool | \$ 63,140,025 | \$ 63,140,025 | \$ - | \$ - |
| | <u>\$ 63,140,025</u> | <u>\$ 63,140,025</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Reconciliation of Government-Wide Statement of Net Position:</u> | | | | |
| Key Bank checking account per books | | \$ 12,318,903 | | |
| Petty cash/change fund/advance travel/investigative fund | | 48,860 | | |
| Local Government Investment Pool | | 63,140,025 | | |
| Municipal Court Trust on books | | 105,088 | | |
| Subtotal cash and cash equivalents | | <u>75,612,877</u> | | |
| Cash with escrow agent | | 201,084 | | |
| Total cash and investments, Government-Wide | | <u>75,813,961</u> | | |
| Statement of Net Position | | \$ 75,813,961 | | |

Investments

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states that "no more than 20% of the portfolio may be invested beyond 12 months, and average maturity of the portfolio may not exceed 2 years."

Credit Risk

Credit risk is the risk that an issuer or other counter-party has to an investment in not fulfilling its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

State law and the City's investment policy limits the instruments in which the City may invest. The following are categories of investments authorized under the City's policy, in general order of safety and liquidity: Local Government Investment Pool (LGIP); repurchase agreements; U.S. treasury obligations; U.S. government agencies; U.S. government-sponsored corporations/instrumentalities; bankers' acceptances (secondary market domestic and foreign); commercial paper (secondary market); insured certificates of deposit (banks and savings & loans); and uninsured/collateralized certificates of deposit (banks and savings & loans).

The credit risk of the State Investment Pool is limited to obligations of the US Government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

As of December 31, 2015, all City investments were in the LGIP. The LGIP is unrated. LGIP is comparable to Securities Exchange Commission 2a-7 to minimize credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments by security type and institution. The investment policy states: "no more than 5% of the portfolio may be invested in the securities of a single issuer, except for the U.S. Treasury, to which no limits apply, and commercial

paper, which is limited to 3% of the portfolio in accordance with state law. No more than 30% of the portfolio may be invested in bankers' acceptances and certificates of deposit."

Other Information

Below is a schedule of investments by fund type:

| SCHEDULE OF INVESTMENTS BY FUND CATEGORY AND INVESTMENT TYPE AS OF DECEMBER 31, 2015 | | | |
|---|-------------------------|-------------------|----------------------|
| Fund Type | State Investment | | Total |
| | | Pool | |
| General Fund | \$ | 12,369,660 | \$ 12,369,660 |
| Other Major Funds | | 18,033,626 | 18,033,626 |
| Special Revenue Funds | | 6,202,923 | 6,202,923 |
| Capital Projects Funds | | 5,851,284 | 5,851,284 |
| Enterprise Funds | | 6,392,543 | 6,392,543 |
| Internal Services Funds | | 14,289,990 | 14,289,990 |
| Total: | \$ | 63,140,025 | \$ 63,140,025 |

NOTE 6 – PROPERTY TAXES

The King County Treasurer is responsible for collecting property taxes levied in the County by all taxing districts. Amounts collected by the County on the City's behalf are remitted daily.

PROPERTY TAX CALENDAR

- January 1 Taxes are levied and become an enforceable lien against properties.
- February 14 Tax bills are mailed.
- April 30 First of two equal installment payments is due.
- May 31 Assessed value of property established for next year's levy at 100% of market value.
- October 31 Second installment is due.

As described in Note 1, taxes are levied and become an enforceable lien against properties as of January 1. Annual tax billings may be paid in two equal installments, due April 30 and October 31. At December 31, 2015, the total balance of property taxes receivable recorded by the City was \$215,785. Of this, \$197,042 is recorded as deferred inflow of resources, since it was not collected within the first 30 days of the end of 2015.

Property taxes are recorded as a receivable when levied, offset by deferred inflow of resources. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections expected to occur within 30 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

Under State law, the maximum levy (for general governmental services) is up to \$3.60 per \$1,000 of assessed valuation, subject to two limitations, set forth below. Since the City of Federal Way is not a full service city, the City is only allowed \$1.60. The remaining \$2.00 is for the fire district (\$1.50) and library district (\$0.50).

1. Chapter 84.55 of the State RCW was amended most recently by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and state-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and
2. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

The City's regular levy for 2015 was \$1.24751 per \$1,000 on an assessed valuation of \$8,319,059,211 for a total regular levy of \$10,378,185.

Deferred Inflow of Resources

The table below provides details of the deferred inflow of resources as reported on the fund financial statements.

| DEFERRED INFLOW OF RESOURCES AS OF DECEMBER 31, 2015 | | | |
|---|-------------------|----------------------------|-----------------------------------|
| Deferred Inflow | General | Downtown Redev. | Total General Govt |
| Property tax | \$ 197,034 | \$ 8 | \$ 197,042 |
| Total by Fund: | \$ 197,034 | \$ 8 | \$ 197,042 |

NOTE 7 – UNEARNED REVENUES AND RECEIVABLES**Unearned Revenues**

The table below provides details of the unearned revenues as reported on the statement of net position.

| UNEARNED REVENUES AS OF DECEMBER 31, 2015 | | | | | | | |
|--|------------------|------------------|---------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------|
| Unearned Revenues | General | Street | Nonmajor Gov't | Total General Govt | Surface Water Mgmt | Dumas Bay Centre | Total Proprietary |
| SWM fees | - | - | - | - | 94,929 | - | 94,929 |
| Commute Trip Reduction Grant | - | 72,904 | - | 72,904 | - | - | - |
| Recreation programs / facility rentals | 56,248 | - | 144,266 | 200,514 | - | 273,524 | 273,524 |
| Total by Fund: | \$ 56,248 | \$ 72,904 | \$ 144,266 | \$ 273,418 | \$ 94,929 | \$ 273,524 | \$ 368,453 |

Receivables & Due from Other Governments

The receivables for the fiscal year ended December 31, 2015 on the government-wide statement of net position are detailed in the following schedule.

| RECEIVABLES & DUE FROM OTHER GOVERNMENTS AS OF DECEMBER 31, 2015 | | | | | | | | |
|---|---------------------|------------------|---------------------|-----------------------------------|-----------------------------|---------------------------|--------------------|---------------------|
| Receivable | General | Street | Utility Tax | Downtown Redevelopment | Transport- ation | Nonmajor Gov't | Proprietary | Total |
| Property tax | \$ 215,785 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 215,785 |
| Real Estate Excise tax | - | - | - | - | - | 328,045 | - | 328,045 |
| Utility tax | - | - | 1,013,680 | - | - | 295,657 | - | 1,309,336 |
| Gambling tax | 17,050 | - | - | - | - | - | - | 17,050 |
| Recreation programs/ facilities | 53,640 | - | - | - | - | 66,335 | 33,871 | 153,846 |
| Grants & contributions | 154,910 | 7,524 | - | - | 1,115,914 | 182,996 | 17,108 | 1,478,452 |
| Other receivable | 244,624 | - | - | - | 111,238 | 38,715 | - | 394,577 |
| State Shared revenue | 1,485,687 | 84,000 | 1,878 | 121,284 | 99,644 | 56,969 | - | 1,849,463 |
| Surface Water Management fees | - | - | - | - | - | - | 115,033 | 115,033 |
| Total by Fund: | \$ 2,171,696 | \$ 91,524 | \$ 1,015,558 | \$ 121,284 | \$ 1,326,795 | \$ 968,716 | \$ 166,012 | \$ 5,861,586 |

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015 is as follows:

| CAPITAL ASSETS AS OF DECEMBER 31, 2015 | | | | |
|---|--|---------------------|-----------------------|--------------------------------------|
| Governmental Activity | Adjusted Beginning Balance 1/1/2015 | Additions | Deletions | Ending Balance 12/31/2015 |
| Capital Assets, not being depreciated: | | | | |
| Land | \$276,791,219 | \$2,561,002 | \$ - | \$279,352,222 |
| Construction in progress | 18,891,577 | 8,050,633 | (11,244,979) | 15,697,231 |
| Total capital assets, not being depreciated: | \$295,682,796 | \$10,611,635 | (\$11,244,979) | \$295,049,453 |
| Capital assets, being depreciated: | | | | |
| Buildings | 39,260,699 | 489,949 | (1,485) | 39,749,163 |
| Improvements other than buildings | 22,156,464 | 2,935,287 | - | 25,091,751 |
| Infrastructure | 163,041,976 | 8,556,517 | (1,782,314) | 169,816,179 |
| Machinery & equipment | 16,136,988 | 2,533,851 | (607,258) | 18,063,581 |
| Total capital assets, being depreciated: | 240,596,127 | 14,515,604 | (2,391,057) | 252,720,674 |
| Less accumulated depreciation for: | | | | |
| Buildings | (14,909,209) | (1,940,048) | 1,485 | (16,847,772) |
| Improvements other than buildings | (14,767,765) | (1,045,246) | - | (15,813,011) |
| Infrastructure | (54,732,198) | (5,190,816) | 1,019,752 | (58,903,262) |
| Machinery & equipment | (11,322,189) | (1,318,006) | 607,258 | (12,032,937) |
| Total accumulated depreciation: | (95,731,361) | (9,494,116) | 1,628,495 | (103,596,982) |
| Total assets being depreciated, net | 144,864,766 | 5,021,488 | (762,562) | 149,123,692 |
| Governmental activities capital assets, net | \$440,547,563 | \$15,633,123 | (\$12,007,541) | \$444,173,145 |
| Business-Type Activities | Adjusted Beginning Balance 1/1/2015 | Additions | Deletions | Ending Balance 12/31/2015 |
| Capital Assets, not being depreciated: | | | | |
| Land | \$10,933,528 | \$80,000 | \$ - | \$11,013,528 |
| Construction in progress | 4,743,083 | 99,179 | (1,731,076) | 3,111,186 |
| Total capital assets, not being depreciated: | 15,676,611 | 179,179 | (1,731,076) | 14,124,714 |
| Capital assets, being depreciated: | | | | |
| Buildings | 3,600,864 | - | - | 3,600,864 |
| Improvements other than buildings | 2,516,780 | 314,901 | - | 2,831,681 |
| Infrastructure | 55,181,979 | 1,665,024 | - | 56,847,003 |
| Machinery & equipment | 122,200 | - | - | 122,200 |
| Total capital assets, being depreciated: | 61,421,822 | 1,979,925 | - | 63,401,747 |
| Less accumulated depreciation for: | | | | |
| Buildings | (3,130,808) | (150,742) | - | (3,281,550) |
| Improvements other than buildings | (188,079) | (25,168) | - | (213,247) |
| Infrastructure | (13,993,025) | (551,818) | - | (14,544,843) |
| Machinery & equipment | (99,825) | (4,340) | - | (104,165) |
| Total accumulated depreciation: | (17,411,737) | (732,068) | - | (18,143,805) |
| Total assets being depreciated, net | 44,010,085 | 1,247,857 | - | 45,257,942 |
| Business-Type activities capital assets, net | \$59,686,696 | \$1,427,036 | (\$1,731,076) | \$59,382,656 |

At the end of 2015, 18 projects comprise the Construction in Progress for Governmental Activities. Upon completion, the projects will be capitalized in the Government-wide statements in their appropriate categories. Construction commitments for Governmental Activities as of December 31, 2015, are as follows:

| AS OF DECEMBER 31, 2015 | | |
|---|---------------------------------|-----------------------------|
| Governmental Activities Projects | Construction in progress | Remaining Commitment |
| Performing Arts & Event Center | \$ 5,809,470 | \$ 26,940,530 |
| Downtown Park | 1,006,555 | 1,039,769 |
| Trail and pedestrian access improvements | 265,914 | 1,071,324 |
| S 320th St @ 20th Ave South | 2,394,351 | 612,542 |
| 10th Avenue SW / SW 344th St: SW Campus Drive - 21st Ave SW | 265,170 | 53,361 |
| 1st Ave South & South 28th Intersection | 963,607 | 635,167 |
| S 352nd Street Extension From SR-99 to SR-161 | 588,128 | 4,958,306 |
| S 304th St @ 28th Ave S | 679,784 | 507,594 |
| South 356th St: SR99 - SR161 | 399,506 | 416,779 |
| SR99 HOV Lanes Phase 5 | 2,386,903 | 17,439,485 |
| SW 336th Way / SW 340th St: 26th Pl SW - Hoyt Rd | 52,312 | 212,694 |
| S 314th St: 20th Ave S - 23rd Ave S - Install New Sidewalks | 163,480 | 11,520 |
| Citywide Pedestrian Crossing Improvements | 136,958 | 202,868 |
| S 344th Way @ Weyerhaeuser Way S | 281,685 | - |
| 21st Ave S Sidewalks | 103,202 | 368,647 |
| Sacajawea Safe Routes to Schools | 75,341 | 300,000 |
| 20th Ave S & S 316th Ave Sidewalks Improvements in front of Town Square Par | 8,954 | 385,558 |
| Citywide Flashing Yellow Retrofits Project | 115,907 | 814,193 |
| Total governmental activities | \$ 15,697,227 | \$ 55,970,337 |

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

| CAPITAL ASSETS DEPRECIATION BY TYPE | |
|--|---------------------|
| AS OF DECEMBER 31, 2015 | |
| Governmental and Internal Service Activities | |
| General Government | \$201,004 |
| Security of Persons & Property | 1,240,833 |
| Transportation | 5,462,485 |
| Physical Environment | 18,296 |
| Economic Environment | 113,142 |
| Health | 40,689 |
| Culture & Recreation | 2,417,666 |
| Total Depreciation - Governmental Activities | \$ 9,494,114 |
| Business-Type Activities | |
| Utilities - Surface Water Management | \$577,978 |
| Culture & Recreation - Dumas Bay Centre | 154,092 |
| Total Depreciation - Business-Type Activities | \$ 732,070 |

NOTE 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

| Aggregate Pension Amounts – All Plans | |
|--|----------------|
| Pension liabilities | (\$10,911,324) |
| Pension assets | \$4,397,412 |
| Deferred outflows of resources | \$2,341,783 |
| Deferred inflows of resources | (\$3,144,499) |
| Pension expense/expenditures | (\$280,522) |

State Sponsored Pension Plans

Substantially all City of Federal Way 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, 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 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 by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380
 Or

downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

PERS members include 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 and 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 2015 were as follows:

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

* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 12.26%
 The City of Federal Way’s actual contributions to the plan were \$0 for the year ended December 31, 2015 because we have no contributions for PERS 1 employees.

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

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

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

The City of Federal Way’s actual contributions to the plan were \$1,358,850 for the year ended December 31, 2015.

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)

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 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

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

| LEOFF Plan 2 | | |
|-----------------------------------|-----------------|-----------------|
| Actual Contribution Rates: | Employer | Employee |
| State and local governments | 5.23% | 8.41% |

The City of Federal Way’s actual contributions to the plan were \$647,626 for the year ended December 31, 2015.

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

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study*.

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

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

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

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member’s entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of NPL

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

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|----------|--------------------|------------------------------|--------------------|
| PERS 1 | \$7,058,462 | \$5,797,492 | \$4,713,174 |
| PERS 2/3 | \$14,953,106 | \$5,113,831 | (\$2,419,734) |
| LEOFF 2 | \$4,403,722 | (\$4,397,412) | (\$11,020,599) |

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the City of Federal Way's reported a total pension liability of \$10,911,323, total pension net asset of \$4,397,412 for its proportionate share of the net pension liabilities and net pension asset of \$6,513,911 as follows:

| | Liability (or Asset) |
|----------|-----------------------------|
| PERS 1 | \$5,797,492 |
| PERS 2/3 | \$5,113,831 |
| LEOFF 2 | (\$4,397,412) |

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City of Federal Way. The amount recognized by the City of Federal Way 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 of Federal Way were as follows:

| | Liability (or Asset) |
|---|-----------------------------|
| LEOFF 2 – employer's proportionate share | (\$4,397,412) |
| LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer | (\$2,907,569) |
| TOTAL | (\$7,304,981) |

At June 30, the City of Federal Way proportionate share of the collective net pension liabilities was as follows:

| | Proportionate Share 6/30/14 | Proportionate Share 6/30/15 | Change in Proportion |
|----------|------------------------------------|------------------------------------|-----------------------------|
| PERS 1 | 0.103709% | 0.110831% | 0.007122% |
| PERS 2/3 | 0.133525% | 0.143122% | 0.009597% |
| LEOFF 2 | 0.403087% | 0.427847% | 0.024760% |

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

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

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

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

Pension Expense

For the year ended December 31, 2015, the City of Federal Way recognized pension expense as follows:

| | Pension Expense |
|--------------|------------------------|
| PERS 1 | \$237,008 |
| PERS 2/3 | (\$124,119) |
| LEOFF 2 | (\$393,411) |
| TOTAL | (\$280,522) |

Deferred Outflows of Resources and Deferred Inflows of Resources

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

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$0 | \$0 |
| Net difference between projected and actual investment earnings on pension plan investments | \$0 | (\$317,186) |
| Changes of assumptions | \$0 | \$0 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$0 | \$0 |
| Contributions subsequent to the measurement date | \$0 | \$0 |
| TOTAL | \$0 | (\$317,186) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$543,602 | \$0 |
| Net difference between projected and actual investment earnings on pension plan investments | \$0 | (\$1,365,151) |
| Changes of assumptions | \$8,240 | \$0 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$308,798 | \$0 |
| Contributions subsequent to the measurement date | \$755,189 | \$0 |
| TOTAL | \$1,615,829 | (\$1,365,151) |

| LEOFF 2 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$385,067 | \$0 |
| Net difference between projected and actual investment earnings on pension plan investments | \$0 | (\$1,332,393) |
| Changes of assumptions | \$11,599 | \$0 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$0 | (\$129,770) |
| Contributions subsequent to the measurement date | \$329,289 | \$0 |
| TOTAL | \$725,955 | (\$1,462,163) |

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

| Year ended December 31: | PERS 2/3 |
|--------------------------------|-----------------|
| 2016 | \$90,823 |
| 2017 | \$90,823 |
| 2018 | \$90,823 |
| 2019 | \$36,329 |

| Year ended December 31: | LEOFF 2 |
|--------------------------------|----------------|
| 2016 | \$24,956 |
| 2017 | \$24,956 |
| 2018 | \$24,956 |
| 2019 | \$24,956 |
| 2020 | \$24,956 |
| Thereafter | \$4,990 |

**Other Local Government Pension Systems - City of Federal Way
Employees' Retirement System**

Effective June 1, 1990, the Federal Way City Council established the Federal Way Employees' Retirement System, per City Ordinance 90-74 and as authorized by the Federal Social Security Act (42 USCA, Section 418 (g)). The Retirement System is a defined contribution pension plan established as an alternative to the Federal Social Security System.

During 2015 on average, there were a total of 310 individuals covered by this system. As of the end of the year, there were 311 active employees of the City and four were drawing retirement benefits. During the year 29 employees left the City's employment and either had been reimbursed their contributions, reimbursement was pending, or they elected to have their contributions remain in the plan if the balance was \$1,000 or greater.

All regular employees of the City of Federal Way are required to participate in the system, with the City matching the employee's required contribution. The employee pays 6.2% and this is matched by the composite of a cash match (approximately 5.2%) and insurance payments (1%) for disability, survivor, accidental death and dismemberment, and lump sum death benefit coverage. Contributions into the plan are tax deferred.

Employees are entitled to make voluntary contributions to the plan, assuming that highly compensated and non-highly compensated employees are treated equally. Each payroll period, employees may make a voluntary contribution equal to a minimum of 1% of the participant's compensation, not to exceed 10% of the participant's compensation.

Covered payroll for 2015 was \$25,692,040, and excluding PERS, LEOFF, FWRS, deferred comp, flex plan, and section 125 covered payroll was \$22,243,031. Total City payroll was \$26,349,633. Actual City contributions for the year were \$1,263,138. Actual employee contributions were \$1,506,049. All contributions were invested in instruments arranged through independent investment advisors selected by the Municipal Employers Benefit Trust (MEBT) committee comprised of the entities of Bellevue, Kirkland, Redmond, Edmonds, Mill Creek, Woodinville, Federal Way, and North East King County Regional Public Safety Communication Agency (NORCOM) but administered by Northwest Plan Services (NWPS). Retirement System assets are not the property of the City and are not subject to the claims of the City's general creditors. The Federal Way Retirement System assets are with Security Trust Company, N.A. who invests Plan assets. MEBT can be contacted for additional information at (877)-690-5410.

In July 1995, the City implemented the hardship withdrawal and loan provision program that allow participants to have limited access to their contributions while still employed by the City. Hardship withdrawals are available in the event of financial necessity resulting from uninsured medical expenses, tuition expenses, purchasing one's primary residence, or to prevent foreclosure on one's primary residence. Loans receivable as of December 31, 2015 were \$1,651,608. After 5 years an employee becomes 100% vested in their employer contributions. Also an employee becomes 100% vested when they reach their normal retirement date (the earlier of age 65 or the earliest service retirement date under any other retirement benefit program to which the City contributes on the employees behalf).

The consulting actuary firm of Northwest Plan Services (NWPS) has been contracted to provide record keeping, administrative and consulting services related to the Plan Actuarial determinations are not required because accidental death and dismemberment insurance, long-term disability, survivor income insurance and the lump sum death benefit are provided by a group insurance policy with Standard Insurance Company; and benefits paid to participants upon retirement are limited to: (a) a nonforfeitable, nontransferable annuity contract purchased by the plan's trustee, (b) retirement benefits payable from the employee's account to which no contributions by the City or the participant can be added after retirement, or a single lump-sum payment equal to the accumulated balance in the employee's account as of his retirement date.

NOTE 10 – RISK MANAGEMENT

The City uses the Risk Management Internal Service Fund to account for its risk financing activities. The City maintains insurance against most normal hazards. The City faces most of the risks faced by similar sized cities including general liability for bodily injury, law enforcement – auto liability and property liability.

Through its Risk Management Fund, the City records insurance premium costs for general liability coverage and builds reserves for future claims, self-insured retention, and a future general liability self-insurance program.

There were no settlements in excess of insurance for commercially insured activities for 1996 through 2015. The fund balance for the Risk Fund as of 12/31/2015 is \$0.96 million.

The following is a summary of coverage in force in 2015.

| SCHEDULE OF INSURANCE IN FORCE AS OF DECEMBER 31, 2015 | | | |
|---|-------------------|--|--|
| Company | Policy Period | Details of Coverage | Liability Limits |
| Argonaut | 12/31/14-12/31/15 | General liability (auto, general, police, e & o, employment practices, & stop gap) | \$250,000 self-insured retention (SIR) with aggregate limits of \$10,000,000. |
| National Casualty | 12/31/14-12/31/15 | Excess liability | \$10,000,000 in excess of \$10,000,000 with aggregate limits of \$10,000,000. |
| Travelers | 1/1/15-1/1/16 | Crime/fidelity (employee theft, forgery or alternation, on premises, in transit, money orders and counterfeit money, computer crime, fund transfer fraud and claims expense) | Deductible ranges from \$5,000 to \$25,000 with single loss limits ranging from \$50,000 to \$1,000,000. |

The City's industrial insurance is provided by the Association of Washington Cities and is administered by the Workers' Comp Retro Program. Coverage is purchased by means of standard rates per working hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification. The following are benefits provided by industrial insurance: medical services, damaged clothing, travel expenses, time-loss payments, vocational rehabilitation, partial disability awards, pension awards and survivor benefits.

NOTE 11 – LONG-TERM LIABILITIES

The various categories of long-term debt reflected on the City's financial statements are briefly described in the following paragraphs. Ratings are issued on the bond at the time of issuance. The ratings issued on City bonds are shown on page 66.

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities or equipment. "Councilmanic Bonds" are general obligation bonds issued by City Council without voter approval. Under State law, repayment of these bonds must be financed from general City revenues because no additional property taxes can be levied to support related debt service payments. General Obligation bonds approved by the voters are typically repaid through an annual "excess" property tax levy authorized for this purpose by State statute. At year-end 2015 the City had no voter-approved bonds outstanding. All principal and interest payments on general obligation debts are recorded as expenditures by the City's Debt Service Fund.

- A) On March 4, 2013 the City issued \$12,415,000 of general obligation refunding bonds with an average interest rate of 2.67 percent to provide resources to purchase U.S. Government and State and Local Government Series security that were placed in an irrevocable trust for the purpose of generating resources to advance refund on \$12,310,000 of outstanding 2003 GO Federal Way Community Center debt on December 1, 2013. As a result, the 2003 GO FWCC bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next twenty one years by \$2,322,943 and resulted in an economic gain of \$1,740,458. (Economic gain is the net present value of future savings between old and the new debt).
- B) On November 26, 2014 the City issued \$8,209,906 of general obligation Bond anticipation note with KeyBank to acquire the Target property with an interest only rate of 1.51 percent and principal due 12/01/2017. The funds were used to purchase the old Target property for downtown development. The bond will be paid off with the sale of the land or refinanced in three years. Currently the bond calls for interest only payments before the bond is paid off.
- C) The City in conjunction with several South King County cities (Renton, Auburn, Tukwila, and Kent) agreed to build new dispatch facility known as Valley Communications Center. Total bond in 2000 was \$12.758 million. Valley Communications Center refinanced the 2000 bond in 2010 for \$5.325 million. The City of Federal Way portion at that time was \$1.065 million. The City made its final payment on 12/1/2015.
- D) The City in conjunction with several other South King County cities (Auburn, Burien, Renton, SeaTac, Tukwila,) agreed to build a facility to hold its inmates. The total bond in 2009 was \$86.325 million and the City of Federal Way's portion at that time was \$15.522 million. In 2015 the facility was able to use its excess revenue from excess space rented to non-member cities to pay the bond in 2015.

SCORE and Valley Communications joint venture information can be found on pages 69 thru 72.

The following schedules detail the long-term debt activity and balances of the City for GO Bonds, SCORE and Valleycomm Debt, Public Works Trust Fund Loans, Compensated Absences, and Net Pension Liability.

| OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY TYPE | | | | | | | | | | |
|---|-------------------------|------------|---------------|---------------|--------------------------|----------------------------|---------------------|---------------------|-------------------------|--|
| DECEMBER 31, 2015 | | | | | | | | | | |
| Description | Bond Rating at Issuance | Issue Date | Maturity Date | Interest Rate | Amount Originally Issued | Beginning Outstanding Debt | Amount Issued | Amount Redeemed | Ending Outstanding Debt | |
| Governmental Activities: | | | | | | | | | | |
| <i>General Obligation Bonds:</i> | | | | | | | | | | |
| A) 2014 KeyBank Bond Anticipation Note ¹ | - | Nov 26, 14 | Dec 01, 17 | 1.51 | \$ 8,209,960 | \$ 8,209,960 | \$ - | \$ - | \$ 8,209,960 | |
| B) 2013 Refund Ltd/Community Center ² | Aa3 | Dec 01, 13 | Dec 01, 33 | 2.67 | 12,415,000 | 11,805,000 | - | 455,000 | 11,350,000 | |
| Subtotal GO Bonds: | - | - | - | - | 20,624,960 | 20,014,960 | - | 455,000 | 19,559,960 | |
| Other Miscellaneous Debt-Intergovernmental: | | | | | | | | | | |
| C) 2010 Limited/Valley Comm. PDA ³ | A1 | Mar 05, 10 | Dec 01, 15 | 3.00-4.00 | 1,065,000 | 220,000 | - | 220,000 | - | |
| D) 2009 SCORE/Special Obligation Bond ⁴ | A1/AA | Nov 04, 09 | Jan 01, 39 | 3.00-6.62 | 15,522,300 | 14,468,400 | - | 371,700 | 14,096,700 | |
| Subtotal miscellaneous: | - | - | - | - | 16,587,300 | 14,688,400 | - | 591,700 | 14,096,700 | |
| Subtotal GO Bonds plus Misc. | | | | | 37,212,260 | 34,703,360 | - | 1,046,700 | 33,656,660 | |
| Compensated absences | - | - | - | - | - | 1,831,541 | 1,951,129 | 1,868,116 | 1,914,554 | |
| Net Pension Liability (NPL) for Pers 1,2, & 3 | - | - | - | - | - | 6,957,297 | 2,623,589 | - | 9,580,886 | |
| Subtotal GO bonds, misc., comp. absences, & NPL | - | - | - | - | 37,212,260 | 43,492,198 | 4,574,718 | 2,914,816 | 45,152,100 | |
| Business-Type Activities: | | | | | | | | | | |
| <i>Public Works Trust Fund Loan (PWTFLL):</i> | | | | | | | | | | |
| PWTFLL - SeaTac Mall Drain Imp | - | May 31, 00 | Jul 01, 19 | 1.00 | 412,500 | 80,100 | - | 16,020 | 64,080 | |
| PWTFLL - SeaTac Mall Drain Imp | - | Aug 14, 00 | Jul 01, 19 | 1.00 | 2,062,500 | 400,500 | - | 80,099 | 320,401 | |
| Subtotal PWTFLL | - | - | - | - | 2,475,000 | 480,600 | - | 96,119 | 384,481 | |
| Compensated absences | - | - | - | - | - | 84,892 | 104,838 | 94,772 | 94,958 | |
| Net Pension Liability (NPL) for Pers 1,2, & 3 | - | - | - | - | - | 966,116 | 364,322 | - | 1,330,438 | |
| Subtotal PWTFLL, comp. absences, & NPL: | - | - | - | - | 2,475,000 | 1,531,608 | 469,160 | 190,891 | 1,809,877 | |
| Grand Total All Long-Term Debt: | - | - | - | - | \$ 39,687,260 | \$ 45,023,806 | \$ 5,043,878 | \$ 3,105,707 | \$ 46,961,977 | |

¹ On November 26, 2014 the City issued \$8,209,960 of general obligation bond anticipation note with KeyBank with an interest only rate of 1.51 percent and principal due 12/01/2017. ² The ending 2015 refunding Community Center bond premium is \$367,560 with current year amortization of \$29,616. ³ Debt service principal payments in Debt Service Fund include credits of \$34,518 from Interlocal agreement with Federal Way Fire District to participate in capital cost obligations with Valley Communications joint venture with the City of Federal Way. ⁴ Currently the City has an inter-local agreement with Des Moines where they contribute 1% to the City of Federal Way SCORE Debt.

| OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY FUND | | | | | | | |
|---|--------------------------|----------------------------|---------------------|---------------------|-------------------------|---------------------|--|
| DECEMBER 31, 2015 | | | | | | | |
| Description | Amount Originally Issued | Beginning Outstanding Debt | Amount Issued | Amount Redeemed | Ending Outstanding Debt | Due within one year | |
| Governmental Long-Term Debt: | | | | | | | |
| <i>General Obligation Bonds:</i> | | | | | | | |
| A) 2014 KeyBank Bond Anticipation Note 1 | \$ 8,209,960 | \$ 8,209,960 | \$ - | \$ - | \$ 8,209,960 | \$ - | |
| B) 2013 Refund Ltd/Community Center 2 | 12,415,000 | 11,805,000 | - | 455,000 | 11,350,000 | 470,000 | |
| Subtotal GO Bonds: | 20,624,960 | 20,014,960 | - | 455,000 | 19,559,960 | 470,000 | |
| <i>Other Miscellaneous Debt-Intergovernmental:</i> | | | | | | | |
| C) 2010 Limited/Valley Comm. PDA 3 | 1,065,000 | 220,000 | - | 220,000 | - | - | |
| D) 2009 SCORE/Special Obligation Bond 4 | 15,522,300 | 14,468,400 | - | 371,700 | 14,096,700 | 386,100 | |
| Subtotal miscellaneous: | 16,587,300 | 14,688,400 | - | 591,700 | 14,096,700 | 386,100 | |
| Subtotal GO Bonds plus Misc. | 37,212,260 | 34,703,360 | - | 1,046,700 | 33,656,660 | 856,100 | |
| Compensated absences | - | 1,831,541 | 1,951,129 | 1,868,116 | 1,914,554 | 127,240 | |
| Net Pension Liability (NPL) for Pers 1,2, & 3 | - | 6,957,297 | 2,623,589 | - | 9,580,886 | na | |
| Subtotal GO bonds, misc., comp. absences, & NPL: | 37,212,260 | 43,492,198 | 4,574,718 | 2,914,816 | 45,152,100 | 983,340 | |
| Business-Type Activities: | | | | | | | |
| <i>Enterprise Funds:</i> | | | | | | | |
| Public Works Trust Fund Loan | 2,475,000 | 480,600 | - | 96,119 | 384,481 | 96,120 | |
| Subtotal Bus-Type Long-Term Debt | 2,475,000 | 480,600 | - | 96,119 | 384,481 | 96,120 | |
| Compensated absences | - | 84,892 | 104,838 | 94,772 | 94,958 | 6,363 | |
| Net Pension Liability (NPL) for Pers 1,2, & 3 | - | 966,116 | 364,322 | - | 1,330,438 | na | |
| Subtotal PWTFLL, comp. absences, & NPL: | 2,475,000 | 1,531,608 | 469,160 | 190,891 | 1,809,877 | 102,483 | |
| Grand Total All Long-Term Debt: | \$ 39,687,260 | \$ 45,023,806 | \$ 5,043,878 | \$ 3,105,707 | \$ 46,961,977 | \$ 1,085,823 | |

| SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES | | | | |
|---|----------------------|---------------------|-----------------------|----------------------|
| PERIOD ENDED DECEMBER 31, 2015 | | | | |
| | Beginning | | | Ending |
| | Outstanding | Additions | Reductions | Outstanding |
| | Debt | | | Debt |
| Governmental Activities: | | | | |
| General Obligation Bonds | \$ 20,014,960 | \$ - | \$ (455,000) | \$ 19,559,960 |
| Other-intergovernmental debt | 14,688,400 | - | (591,700) | 14,096,700 |
| Compensated absences | 1,831,541 | 1,951,129 | (1,868,116) | 1,914,554 |
| Net Pension Liability (NPL) for Pers 1,2, & 3 | 6,957,297 | 2,623,589 | - | 9,580,886 |
| Total Governmental Activities | 43,492,198 | 4,574,718 | (2,914,816) | 45,152,100 |
| Business-Type Activities: | | | | |
| <i>Enterprise Funds</i> | | | | |
| Public Works Trust Fund Loan | 480,600 | - | (96,119) | 384,481 |
| Compensated absences | 84,892 | 104,838 | (94,772) | 94,958 |
| Net Pension Liability (NPL) for Pers 1,2, & 3 | 966,116 | 364,322 | - | 1,330,438 |
| Total Business-Type Activities | 1,531,608 | 469,160 | (190,891) | 1,809,877 |
| Total All Funds | \$ 45,023,806 | \$ 5,043,878 | \$ (3,105,707) | \$ 46,961,977 |

| SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY | | | | | | | |
|---|---------------------------|----------------------|--------------------------|-----------------|----------------------|----------------------|----------------------|
| AS OF DECEMBER 31, 2015 | | | | | | | |
| Year | Government Activities | | Business-Type Activities | | Grand Total | | |
| | General Governmental Debt | | Public Work Trust Fund | | Principal | Interest | P&I |
| | Principal | Interest | Principal | Interest | | | |
| 2016 | \$ 856,100 | \$ 1,050,467 | \$ 96,120 | \$ 3,845 | \$ 952,220 | \$ 1,054,312 | \$ 2,006,532 |
| 2017 | 9,098,160 | 1,018,993 | 96,120 | 2,884 | 9,194,280 | 1,021,876 | 10,216,156 |
| 2018 | 915,800 | 867,368 | 96,120 | 1,922 | 1,011,920 | 869,291 | 1,881,210 |
| 2019 | 944,300 | 838,854 | 96,120 | 961 | 1,040,420 | 839,816 | 1,880,235 |
| 2020 | 973,700 | 809,452 | - | - | 973,700 | 809,452 | 1,783,152 |
| 2021 | 1,016,200 | 771,367 | - | - | 1,016,200 | 771,367 | 1,787,567 |
| 2022-2026 | 5,687,300 | 3,288,755 | - | - | 5,687,300 | 3,288,755 | 8,976,055 |
| 2027-2031 | 6,790,500 | 2,254,268 | - | - | 6,790,500 | 2,254,268 | 9,044,768 |
| 2032-2036 | 5,553,900 | 992,277 | - | - | 5,553,900 | 992,277 | 6,546,177 |
| 2037-2039 | 1,820,700 | 118,278 | - | - | 1,820,700 | 118,278 | 1,938,978 |
| Total | \$ 33,656,660 | \$ 12,010,080 | \$ 384,479 | \$ 9,612 | \$ 34,041,139 | \$ 12,019,692 | \$ 46,060,831 |

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a City may incur general obligation debt for general city purposes in an amount not to exceed 2½ percent of the value of all taxable property within the City. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people, and any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last State general election and of those voting; 60 percent must be in the affirmative. The City Council may, by ordinance, authorize the issuance of limited tax general obligation debt in an amount up to 1.5% of the valuation within the City without a vote of the people. No combination of limited or unlimited tax debt may exceed 7½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected with the City's councilmanic levy. See page 128 for a detailed calculation of the valuation.

The City's legally remaining debt capacities as of December 31, 2015 are:

| | |
|---|-----------------------|
| General government (no vote required) | \$ 101,361,960 |
| General government (3/5 majority vote required) | 88,489,945 |
| Parks and open space (3/5 majority vote required) | 221,224,864 |
| Utilities (3/5 majority vote required) | 221,224,864 |
| Total Capacity | \$ 632,301,633 |

Compensated Absences

The City’s liability for accrued vacation and compensatory time balances is recorded in the schedule below. Accrued compensated absences for proprietary fund employees are recorded as liabilities in those funds expected to incur the related future expense. Typically the General Fund has been used to liquidate compensated absences for the General Government.

| | | |
|-----------------------------------|----|---------------------|
| <u>Governmental Activities:</u> | | |
| Current portion | \$ | 127,240 |
| Noncurrent portion | | 1,787,314 |
| <u>Business-Type Activities:</u> | | |
| Current portion | | 6,363 |
| Noncurrent portion | | 88,595 |
| Total Compensated absences | | \$ 2,009,512 |

Estimated Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt of over \$5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City's estimated rebatable arbitrage amount as of December 31, 2015 is \$-0- for its tax-exempt general obligation bond issues subject to the Tax Reform Act issued through that date. No arbitrage applies to any of City of Federal Way bonds.

NOTE 12 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2015 were as follows:

| Interfund Transfers | In | Out |
|--------------------------------|--------------|---------------------------------------|
| Governmental Funds: | | |
| General Fund | \$ 5,133,008 | \$ 1,892,069 |
| Street Fund | 1,909,539 | - |
| Utility Tax Fund | - | 7,663,210 |
| Debt Service | 2,402,722 | - |
| Downtown Redevelopment | 227,348 | 310,256 |
| Transportation | 2,543,334 | - |
| Performing Arts & Event Center | 455,133 | - |
| Nonmajor Governmental Funds | 1,751,103 | 4,613,611 |
| Proprietary Funds: | | |
| Surface Water Management | 69,300 | 539,000 |
| Dumas Bay Centre | 487,659 | - |
| Internal Service Funds | 72,308 | 33,308 |
| Total: | | \$ 15,051,454 \$ 15,051,454 |

The following describes the amounts transferred out during 2015:

General Fund:

- \$1,535,721 to Street Fund to subsidize street maintenance and operations
- \$127,348 from General Fund to Downtown Redevelopment Fund for interest payment
- \$100,000 from General Fund to Downtown Redevelopment Fund for consulting service
- \$100,000 to City Facilities Fund for upgrades of City Hall Council Offices
- \$25,000 to Federal Way Community Center for use of facilities by General Parks and Recreation
- \$4,000 to Dumas Bay Center for pump station

Utility Tax Fund:

- \$4,779,572 from Utility Tax Fund to General Fund for operation support
- \$396,754 from Utility Tax Fund to Federal Way Community Center for maintenances and operations
- \$194,282 from Utility Tax Fund to Debt Service Fund for Valley Communication debt
- \$760,885 from Utility Tax Fund to Arterial Street Fund for street overlays

- \$799,240 from Utility Tax Fund to Debt Service Fund for reserves
- \$218,818 from Utility Tax Fund to Street Fund for street maintenance and operations
- \$483,659 from Utility Tax Fund to Dumas Bay Centre Fund for Knutzen Family Theatre subsidy and capital reserves

Downtown Redevelopment Fund:

- \$310,256 from Downtown Redevelopment Fund to Performing Arts and Conference Center for LIFT tax

Nonmajor Funds:

- \$323,436 from Traffic Safety Fund to General Fund for Valley Communication Services
- \$115,000 from Traffic Safety Fund to Street Fund for Comprehensive Plan
- \$40,000 from Traffic Safety Fund to Street Fund for King County Traffic Markings
- \$430,334 from Traffic Safety Fund to Street Construction Project for school zone enhancement
- \$810,773 from Real Estate Excise Tax (REET) Fund to Debt Service Fund for debt payments
- \$150,000 from REET Fund to Parks CIP for major parks facilities repair
- \$150,000 from REET Fund to Parks CIP for playgrounds equipment
- \$168,464 from REET Fund to Parks CIP for Karl Grosch Field turf replacement
- \$1,613,000 from REET Fund to Transportation CIP for S 356th St. from SR 99 to SR 161
- \$144,877 from Municipal Facility CIP Fund to Performing Arts and Event Center for construction
- \$598,427 from Parks CIP Fund to Debt Service Fund for payment of debt service and reserves
- \$69,300 from Parks CIP Fund to Surface Water CIP for mitigation funds that belong to surface water

Surface Water Management Fund:

- \$500,000 from Surface Water CIP Fund to Transportation CIP SR99 Phase V project
- \$39,000 from Surface Water Management Fund to Fleet & Equipment Fund for SWM Inspector Vehicle

Internal Service:

- \$12,273 from Risk Management to Fleet Fund for a vehicle damage claim
- \$21,035 from Risk Management to Fleet Fund for a vehicle damage claim

Interfund loans for the year ended December 31, 2015 were as follows:

| Interfund Loans | Receivable | Payable |
|-----------------------------------|------------------|------------------|
| General Fund | \$ 16,660 | \$ - |
| Special Revenue Funds: | | |
| Community Development Block Grant | - | 16,660 |
| Total Interfund Loans | \$ 16,660 | \$ 16,660 |

NOTE 13 – CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND LITIGATION

As of December 31, 2015 there were a small number of claims for damages and lawsuits pending against the City. In the opinion of the City Attorney, however, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending would materially affect the financial condition of the City. Due to both their uncertainty and immateriality, no liabilities or estimated liabilities have been included in the City's financial statements.

NOTE 14 – JOINT VENTURES

Valley Communication Center

The “Valley Communications Center” was established August 20, 1976, when an Interlocal Agreement was entered into by the four original participating municipal corporations, including the cities of Renton, Kent, Auburn, and Tukwila. Federal Way was formally admitted as an addition in 2000. The agreement is sanctioned by the provisions and terms of the Interlocal Cooperation Act pursuant to RCW 39.34. The initial duration of the agreement was five years, and thereafter was automatically extended for a consecutive five year-period.

The purpose of the joint operation, hereafter referred to as Valley Com, is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to several subscribing agencies, which include King County Fire Districts 2, 20, 26, 40, 43, 44, and 47; City of Pacific Police and Fire Departments,

City of Algona Police Department, City of Des Moines Police Department, City of Black Diamond Police and Fire Department; SeaTac Fire Department; North Highline Fire Department; King County EMS Units; and Vashon Island Fire Department. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged.

The allocation of prorated financial participation among the five member cities is the percentage of dispatched calls attributed to each jurisdiction compared to the total estimated dispatched calls, for the current twelve month period ending December 31. The percentages are applied to the current approved budget, less revenue from all other sources. Distribution of the current year net income is based on the same percentages. The 2015 cost distributions for the five member cities are as follows:

| City | Dispatchable Calls | Percent of Total |
|--------------|---------------------------|-------------------------|
| Kent | 104,448 | 28.15% |
| Renton | 75,345 | 20.31% |
| Auburn | 82,276 | 22.17% |
| Tukwila | 32,383 | 8.73% |
| Federal Way | 76,602 | 20.64% |
| Total | 371,054 | 100.00% |

Valley Com is governed by an Administration Board, composed of the Mayors or designated representatives from the five participating cities of Renton, Kent, Auburn, Tukwila, and Federal Way. The Administration Board is authorized to establish bylaws that govern procedures of the Board and Valley Com’s general operations for the following functions: 1) Budget review and recommendations to the legislative bodies of the member cities, and budget adoption after each legislative body has approved the required financial participation for the ensuing year; 2) Approve appointment and/or discharge of the Director; 3) Approve personnel policy and make final decisions on all major policy changes; and 4) Review and approves all contracts.

In addition, an Operating Board was established and consists of two members of each participating City’s Public Safety Departments, including the heads of such departments or their designees. The Operating Board performs the following functions: 1) Oversees the general operation of Valley Com, and advises and makes recommendations to the Administration Board; 2) Make recommendations on Director selection; 3) Presents proposed policies and budgets to the Administration Board; and 4) Reviews disbursements 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 Administrative Board by September 1 of each year. The Administration Board can make changes to the proposed Valley Com budget as it finds necessary, but final approval falls to the legislative body of each member city, in accordance with the provisions of the interlocal agreement.

In May 1993 Valley Com entered into an agreement with King County to provide joint project management for the acquisition and installation of 800-MHz emergency radio communications system approved by the voters of King County in conjunction with a \$57 million levy. In August 1993 Valley Com also entered into an Interlocal Cooperation Agreement with the sub-regions of King County, Seattle, and Eastside Public Safety Communications, which governs the development and installation of the new 800-MHz emergency radio system. Valley Com now provides emergency communication dispatch services to a population of approximately 570,000.

Valley Com operates as an enterprise fund and is totally self-supporting through the implementation of user fees, and the primary source of revenue is provided by charges for calls for service. The 800-MHz emergency radio communications system operated by the agreement with King County is operated as a separate enterprise fund, and the Member Cities have no equity interest in the contributed capital from this system.

The share of equity belonging to the five participating cities is shown below. Liabilities are the responsibility of the five participating cities in direct proportion to their equity position. The prior period adjustment is a net accounting change due to GASB 68 pension accounting.

| | Balances in 2015 | | | | | |
|--------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| | Kent | Renton | Auburn | Tukwila | Federal Way | Total |
| Equity @ January 1, 2015 | \$ 7,530,786 | \$ 5,350,252 | \$ 5,079,377 | \$ 2,974,283 | \$ 3,619,944 | \$ 24,554,642 |
| Prior period adjustment | \$ (2,640,908) | \$ (1,876,235) | \$ (1,781,244) | \$ (1,043,026) | \$ (1,269,448) | \$ (8,610,861) |
| Current year increase | 649,015 | 470,862 | 555,097 | 208,004 | 507,809 | 2,390,787 |
| Equity @ December 31, 2015 | \$ 5,538,893 | \$ 3,944,879 | \$ 3,853,230 | \$ 2,139,261 | \$ 2,858,305 | \$ 18,334,568 |
| Percent of equity | 30.21% | 21.52% | 21.02% | 11.67% | 15.59% | 100.00% |
| Prior year's percent of equity | 30.73% | 21.82% | 20.65% | 12.19% | 14.61% | 100.00% |

A complete set of financial statements is available from:
Valley Communications Center, 27519 108th Avenue SE, Kent, WA 98030.

South Correction Entity

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the "Original Interlocal Agreement") was entered into by seven participating municipal governments, the "Member Cities" of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the "Interlocal Cooperation Act" (RCW 39.34). This "Original Interlocal Agreement" was amended and restated October 1, 2009 and named the City of Des Moines as the "Host City" and the remaining Member Cities as "Owner Cities". This interlocal agreement is known as the "Formation Interlocal Agreement". Pursuant to a separate "Host City Agreement" dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Host City Agreement. Pursuant to SCORE financial policies, all unexpected funds or reserve funds shall be distributed based on the percentage of the Member City's average daily population at the SCORE Facility for the last three (3) years regardless of its Owner City or Host City status.

SCORE, a governmental administrative agency pursuant to RCW 39.34.030(3), has the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the "SCORE Facility" and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. The SCORE Facility may serve the Member Cities and Subscribing Agencies which are in need of correctional facilities. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement.

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility was provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the "SCORE PDA"), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755. The SCORE PDA issued \$86 million in special obligation bonds in 2009 (the "Bonds") to construct, develop, acquire and equip the SCORE Facility. Pursuant to the Formation Interlocal Agreement and the ordinances of each city, each Owner City (which includes the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the Bonds as the same become due and payable. Each Owner City's obligation to pay its portion is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor. The following is a summary of the debt service requirements for the Bonds:

| Summary of Debt Service Requirements | | | | | | | | | | |
|--------------------------------------|----------------------|---------------------|-----------------------|-----------------------|---|---------------------|----------------------|---------------------|---------------------|----------------------|
| Debt Service Schedule | | | | | Debt Service Allocation to Owner Cities | | | | | |
| Year | Principal | Interest | 35% BABs | | Auburn 31% | Burien 4% | Federal Way 18% | Renton 36% | SeaTac 3% | Tukwila 8% |
| | | | Subsidy | Total | | | | | | |
| 2016 | \$ 2,065,000 | \$ 4,911,886 | \$ (1,517,676) | \$ 5,459,210 | \$ 1,692,355 | \$ 218,368 | \$ 982,658 | \$ 1,965,316 | \$ 163,776 | \$ 436,737 |
| 2017 | 2,145,000 | 4,820,241 | (1,511,685) | 5,453,556 | 1,690,602 | 218,142 | 981,640 | 1,963,280 | 163,607 | 436,284 |
| 2018 | 2,240,000 | 4,715,979 | (1,511,685) | 5,444,294 | 1,687,731 | 217,772 | 979,973 | 1,959,946 | 163,329 | 435,544 |
| 2019 | 2,310,000 | 4,602,229 | (1,475,151) | 5,437,078 | 1,685,494 | 217,483 | 978,674 | 1,957,348 | 163,112 | 434,966 |
| 2020 | 2,385,000 | 4,484,854 | (1,437,475) | 5,432,379 | 1,684,037 | 217,295 | 977,828 | 1,955,656 | 162,971 | 434,590 |
| 2021-2025 | 13,405,000 | 20,377,998 | (7,109,462) | 26,673,536 | 8,268,796 | 1,066,941 | 4,801,236 | 9,602,473 | 800,206 | 2,133,883 |
| 2026-2030 | 16,325,000 | 15,803,611 | (5,715,798) | 26,412,813 | 8,187,972 | 1,056,513 | 4,754,306 | 9,508,613 | 792,384 | 2,113,025 |
| 2031-2035 | 20,095,000 | 9,856,351 | (3,682,383) | 26,268,968 | 8,143,380 | 1,050,759 | 4,728,414 | 9,456,828 | 788,069 | 2,101,517 |
| 2036-2039 | 19,410,000 | 2,636,145 | (1,147,380) | 20,898,765 | 6,478,617 | 835,951 | 3,761,778 | 7,523,555 | 626,963 | 1,671,901 |
| Total | \$ 80,380,000 | \$72,209,294 | \$(25,108,695) | \$ 127,480,599 | \$ 39,518,984 | \$ 5,099,224 | \$ 22,946,507 | \$45,893,015 | \$ 3,824,417 | \$ 10,198,447 |

*Of the \$22,946,507 allocation to Federal Way, \$14,468,400 is for the principal portion and the remainder is for interest.

The City of Federal Way reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The prior period adjustment is a net accounting change due to GASB 68 pension accounting. The following is condensed (unaudited) financial information as of December 31, 2015 related to SCORE:

| South Correction Entity (SCORE) | | | | | |
|-------------------------------------|-------------------|----------------------|-------------------------|-------------------|----------------------|
| 2015 Owner Cities Equity Allocation | | | | | |
| Member City | Percent of Equity | 2014 Equity Balance | Prior Period Adjustment | 2015 | |
| | | | | Apportionment | Equity Balance |
| Auburn | 31.00% | \$ 4,243,235 | \$ (1,048,625) | \$ 137,167 | \$ 3,331,777 |
| Burien | 3.10% | 515,410 | (155,837) | 17,268 | 376,841 |
| Des Moines | 1.80% | 292,161 | (113,182) | 18,288 | 197,267 |
| Federal Way | 23.30% | 3,676,724 | (1,204,461) | 148,312 | 2,620,575 |
| Renton | 29.20% | 4,220,405 | (1,134,356) | 136,621 | 3,222,670 |
| SeaTac | 4.50% | 712,666 | (240,723) | 26,524 | 498,467 |
| Tukwila | 7.10% | 1,080,470 | (326,032) | 34,103 | 788,541 |
| Total | 100.00% | \$ 14,741,071 | \$ (4,223,216) | \$ 518,285 | \$ 11,036,138 |

Completed financial statements for SCORE and SCORE PDA can be obtained at SCORE, Attn: Finance Manager, 20817 17th Avenue South, Des Moines, WA 98198.

Joint Venture Reconciliation to Government Wide Financial Statements

| | Balance 1/1/2015 | Prior Per Adj | Adj Bal 1/1/2015 | Additions | Reductions | Balance 12/31/2015 |
|--|----------------------|-----------------------|----------------------|-------------------|---------------------|----------------------|
| Valley Communications Public Development Authority | \$ 220,000 | | 220,000 | \$ - | \$ (220,000) | \$ - |
| SCORE Public Development Authority | 14,468,400 | - | 14,468,400 | - | (371,700) | 14,096,700 |
| Total Due to Other Governmental Units | 14,688,400 | - | 14,688,400 | - | (591,700) | 14,096,700 |
| Valley Communications Center | 3,619,944 | (1,269,448) | 2,350,496 | 507,809 | - | 2,858,305 |
| South Correctional Entity (SCORE) | 3,676,724 | (1,204,461) | 2,472,263 | 148,312 | - | 2,620,575 |
| Total Joint Venture Capital Assets | 7,296,668 | (2,473,909) | 4,822,759 | 656,121 | - | 5,478,880 |
| Total Investment in Joint Ventures | \$ 21,985,068 | \$ (2,473,909) | \$ 19,511,159 | \$ 656,121 | \$ (591,700) | \$ 19,575,580 |

The prior period adjustment is an adjustment for GASB 68 pension reporting.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS & CHANGE IN ACCOUNTING FOR PENSIONS

Governmental-type capital asset activity prior period adjustments of (\$45.9M) are required for the following asset and depreciation categories listed below. A **Land** adjustment of (\$36.1M) is primarily due to adjusting off land from 1991 to 2003 that was reported twice during GASB 34 implementation in 2007. A **Construction in progress (CIP)** adjustment of (\$4.0M) is primarily due to adjusting off (\$3.7M) that was identified as transportation and parks maintenance expenditures, as well as CIP that was related to business-type activities and therefore reclassified. In addition to the (\$3.7M) there was a reduction of (\$0.3M) in Downtown Redevelopment planning that is no longer planned for construction. A **Buildings** adjustment of \$21.9M is due to reclassifying Federal Way Community Center (FWCC) out of Improvements other than buildings into Buildings. **Improvements other than buildings** remaining adjustment of (\$0.3M), after the FWCC adjustment described above, is due to the sale of Klahanee Lake property in 2009. An **Infrastructure** adjustment of (\$2.3M) is due to a (\$21.15M) adjustment of which (\$8.6M) is related to business-type activities and therefore reclassified. The remainder of the (\$21.15M) reduction is due to non-capital items in the transportation projects that should have been classified as expenditures. Offset to the above decrease is a \$18.9M addition to roads, sidewalks, curb and gutter, streetlights, traffic signals, and bridges between 2003 and 2006 not added during GASB 34 reporting in 2007. A **Machinery and equipment** adjustment of (\$0.2M) is due to a duplication of a vehicle asset. Depreciation adjustments below are directly related to the asset adjustments listed above.

| Governmental Activity | Beginning Balance 1/1/2015 | Prior Period Adjustment | Adjusted Beginning Balance | Additions | Deletions | Ending Balance 12/31/2015 |
|---|-----------------------------------|--------------------------------|-----------------------------------|------------------|------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 312,907,345 | \$(36,116,126) | \$ 276,791,219 | \$ 2,561,002 | \$ - | \$ 279,352,221 |
| Construction in progress | 22,875,804 | (3,984,227) | 18,891,577 | 8,050,633 | (11,244,979) | 15,697,231 |
| Total capital assets, not being depreciated: | 335,783,149 | (40,100,353) | 295,682,796 | 10,611,635 | (11,244,979) | 295,049,452 |
| Capital assets, being depreciated | | | | | | |
| Buildings | 17,399,784 | 21,860,915 | 39,260,699 | 489,949 | (1,485) | 39,749,163 |
| Improvements other than buildings | 44,323,111 | (22,166,647) | 22,156,464 | 2,935,287 | - | 25,091,751 |
| Infrastructure | 165,313,474 | (2,271,498) | 163,041,976 | 8,556,517 | (1,782,314) | 169,816,179 |
| Machinery and equipment | 16,320,988 | (184,000) | 16,136,988 | 2,533,851 | (607,257) | 18,063,581 |
| Total capital assets, being depreciated: | 243,357,357 | (2,761,230) | 240,596,127 | 14,515,604 | (2,391,056) | 252,720,674 |
| Less accumulated depreciation for : | | | | | | |
| Buildings | (8,351,006) | (6,558,203) | (14,909,209) | (1,940,048) | 1,485 | (16,847,772) |
| Improvements other than buildings | (21,457,982) | 6,690,217 | (14,767,765) | (1,045,246) | - | (15,813,011) |
| Infrastructure | (51,335,158) | (3,397,040) | (54,732,198) | (5,190,816) | 1,019,752 | (58,903,262) |
| Machinery and equipment | (11,506,189) | 184,000 | (11,322,189) | (1,318,006) | 607,258 | (12,032,937) |
| Total accumulated depreciation: | (92,650,335) | (3,081,026) | (95,731,361) | (9,494,116) | 1,628,495 | (103,596,982) |
| Total assets being depreciated, net | 150,707,022 | (5,842,256) | 144,864,766 | 5,021,488 | (762,561) | 149,123,692 |
| Governmental activities capital assets, net | \$ 486,490,172 | \$(45,942,609) | \$ 440,547,563 | \$ 15,633,123 | \$(12,007,540) | \$ 444,173,145 |

Business-type capital asset activity prior period adjustments of \$8.9M are required for the following asset and depreciation categories listed below. A **Construction in progress** adjustment of \$1.3M is from Transportation projects listed in governmental activities. A **Improvements other than buildings** adjustment of (\$4.6M) is due to moving (\$3.75M) to infrastructure, with the remainder being maintenance. An **Infrastructure** adjustment of \$12.4M is due to a reclassification of \$3.75M from improvements other than buildings and \$8.6M from Transportation projects listed in governmental activities. Depreciation adjustments below are directly related to the asset adjustments listed above.

| Business-Type Activities | Beginning Balance 1/1/2015 | Prior Period Adjustment | Adjusted Beginning Balance | Additions | Deletions | Ending Balance 12/31/2015 |
|---|-----------------------------------|--------------------------------|-----------------------------------|------------------|------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | | | |
| Land | \$10,933,528 | \$ - | \$10,933,528 | \$80,000 | \$ - | \$11,013,528 |
| Construction in progress | 3,390,815 | 1,352,268 | 4,743,083 | 99,179 | (1,731,076) | 3,111,186 |
| Total capital assets, not being depreciated: | 14,324,343 | 1,352,268 | 15,676,611 | 179,179 | (1,731,076) | 14,124,714 |
| Capital assets, being depreciated | | | | | | |
| Buildings | 3,600,864 | - | 3,600,864 | - | - | 3,600,864 |
| Improvements other than buildings | 7,079,899 | (4,563,119) | 2,516,780 | 314,901 | - | 2,831,681 |
| Infrastructure | 42,809,205 | 12,372,774 | 55,181,979 | 1,665,024 | - | 56,847,003 |
| Machinery and equipment | 122,200 | - | 122,200 | - | - | 122,200 |
| Total capital assets, being depreciated: | 53,612,167 | 7,809,655 | 61,421,822 | 1,979,925 | - | 63,401,747 |
| Less accumulated depreciation for : | | | | | | |
| Buildings | (3,130,808) | - | (3,130,808) | (150,742) | - | (3,281,550) |
| Improvements other than buildings | (448,186) | 260,107 | (188,079) | (25,168) | - | (213,247) |
| Infrastructure | (13,477,865) | (515,160) | (13,993,025) | (551,818) | - | (14,544,843) |
| Machinery and equipment | (99,825) | - | (99,825) | (4,340) | - | (104,165) |
| Total accumulated depreciation: | (17,156,684) | (255,053) | (17,411,737) | (732,068) | - | (18,143,805) |
| Total assets being depreciated, net | 36,455,483 | 7,554,602 | 44,010,085 | 1,247,857 | - | 45,257,942 |
| Business Type activities capital assets, net | \$ 50,779,826 | \$ 8,906,870 | \$ 59,686,696 | \$ 1,427,036 | \$(1,731,076) | \$ 59,382,656 |

Pension related adjustments resulted in a reduction to governmental activities of (\$6.7M) for City of Federal Way, (\$1.3M) for Valleycomm, (\$1.2M) for SCORE, and business-type activities of (\$1.3M).

NOTE 16 – LEASES**Operating Leases**

The City of Federal Way leases the office buildings for the downtown Police substation and WIFI site for operating leases starting February 1, 2014. Total Cost for the leases was \$34,000 for the year ended December 31, 2015. The future minimum lease payments for the downtown Police substation leases and WIFI site leases are as follows:

| Year Ending December 31 | Amount |
|--------------------------------|------------------|
| 2016 | 41,900 |
| 2017 | 3,500 |
| Total: | \$ 45,400 |

NOTE 17 – SELF-INSURANCE

The City's unemployment insurance, where it has elected to become fully self-insured. Related premiums received by the Unemployment Insurance Fund is used to reimburse the State Employment Security Department for unemployment benefits paid to eligible individuals, and to establish reserves for the payment of estimated future unemployment claims liability. The City is self-insured for unemployment compensation. The weekly payments to an employee range from \$158 - \$664 depending upon the wages earned. At December 31st, 2015 the City had \$2,131,298 in reserve.

| Unemployment compensation benefits | 2014 | 2015 |
|---|---------------------|---------------------|
| Unemployment reserve, Jan. 1st | \$ 1,685,026 | \$ 1,912,291 |
| Unemployment compensation benefits | 242,207 | 257,366 |
| Unemployment compensation interest | 647 | 2,844 |
| Claim payments during the year | (15,590) | (41,202) |
| Unemployment reserve, Dec. 31st | \$ 1,912,291 | \$ 2,131,298 |

The City's also elected to self-insure for medical. Related premiums are received by the Health Insurance Fund and are used to reimburse weekly claims to the Group Health Corporation for medical benefits paid the eligible individuals, and establish reserves for the payment of estimated future medical benefits claims liability. At December 31st, 2015 the City had \$1,741,486 in reserve.

| Health Insurance benefits | 2014 | 2015 |
|---|---------------------|---------------------|
| Health Insurance reserve, Jan. 1st | \$ - | \$ 1,031,752 |
| Health Insurance benefits | 3,958,828 | 4,034,322 |
| Health Insurance Employee Contributions | 214,481 | 215,210 |
| Health Insurance COBRA Contributions | 4,812 | 5,757 |
| Health Insurance interest | 431 | 2,022 |
| Health Insurance Recovery-Stop Loss | - | 227,404 |
| Prescription Claim payments during the year | (499,353) | (572,387) |
| Medical Claim payments during the year | (1,981,488) | (2,459,508) |
| Insurance-Stop Loss | (366,348) | (366,564) |
| Other services and charges | (299,610) | (376,522) |
| Health Insurance reserve, Dec. 31st | \$ 1,031,752 | \$ 1,741,486 |

NOTE 18 ACCOUNTING CHANGES AND REPORTING CHANGES

The City is adopted reporting requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015. See note 9 for implementation of GASB Statement 68.

NOTE 19 – SUBSEQUENT EVENT

Industrial Realty Group (IRG) purchased the 400+ acre Weyerhaeuser property on 02/02/2016 for \$70.5 million with the plan of redevelopment of the property.

The City of Federal Way added a new website this year to help provide more accessible services for new businesses and citizens within the City.

REQUIRED SUPPLEMENTARY INFORMATION

| City of Federal Way | | |
|---|-----------|------------------|
| Schedule of Proportionate Share of the Net Pension Liability | | |
| PERS 1 | | |
| As of June 30, 2015 | | |
| Last 10 Fiscal Years* | | |
| | | 2015 |
| Employer's proportion of the net pension liability (asset) | % | 0.110831% |
| Employer's proportionate share of the net pension liability | \$ | 5,797,492 |
| TOTAL | \$ | 5,797,492 |
| Employer's covered employee payroll | \$ | - |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | % | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | % | 59.10% |
| Notes to Schedule: | | |
| * Until a full 10-year trend is compiled, governments should present information only for those years for which information is available. | | |

| City of Federal Way | | |
|---|-----------|------------------|
| Schedule of Proportionate Share of the Net Pension Liability | | |
| PERS 2 - 3 | | |
| As of June 30, 2015 | | |
| Last 10 Fiscal Years* | | |
| | | 2015 |
| Employer's proportion of the net pension liability (asset) | % | 0.143122% |
| Employer's proportionate share of the net pension liability | \$ | 5,113,831 |
| TOTAL | \$ | 5,113,831 |
| Employer's covered employee payroll | \$ | 12,744,440 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | % | 40.13% |
| Plan fiduciary net position as a percentage of the total pension liability | % | 89.20% |
| Notes to Schedule: | | |
| * Until a full 10-year trend is compiled, governments should present information only for those years for which information is available. | | |

| City of Federal Way | | |
|---|-----------|--------------------|
| Schedule of Proportionate Share of the Net Pension Liability (Asset) | | |
| LEOFF 2 | | |
| As of June 30, 2015 | | |
| Last 10 Fiscal Years* | | |
| | | 2015 |
| Employer's proportion of the net pension liability (asset) | % | 0.427847% |
| Employer's proportionate share of the net pension liability (asset) | \$ | (4,397,411) |
| LEOFF 2 - State's proportionate share of the net pension liability (asset) associated with the employer | \$ | (2,907,569) |
| TOTAL | \$ | (7,304,980) |
| Employer's covered employee payroll | \$ | 12,477,707 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | % | -35.24% |
| Plan fiduciary net position as a percentage of the total pension liability | % | 111.67% |
| Notes to Schedule: | | |
| * Until a full 10-year trend is compiled, governments should present information only for those years for which information is available. | | |

| City of Federal Way | |
|---|----------------|
| Schedule of Employer Contributions | |
| PERS 2-3 | |
| As of December 31, 2015 | |
| Last 10 Fiscal Years* | |
| 2015 | |
| Statutorily or contractually required contributions | \$ 1,358,850 |
| Contributions in relation to the statutorily or contractually required contributions | \$ (1,358,850) |
| Contribution deficiency (excess) | \$ - |
| Covered Employer Payroll | \$ 13,309,318 |
| Contributions as a percentage of covered employee payroll | % 10.21% |
| Notes to Schedule: | |
| * Until a full 10-year trend is compiled, governments should present information only for those years for which information is available. | |

| City of Federal Way | |
|---|---------------|
| Schedule of Employer Contributions | |
| LEOFF 2 | |
| As of December 31, 2015 | |
| Last 10 Fiscal Years* | |
| 2015 | |
| Statutorily or contractually required contributions | \$ 647,626 |
| Contributions in relation to the statutorily or contractually required contributions | \$ (647,626) |
| Contribution deficiency (excess) | \$ - |
| Covered Employer Payroll | \$ 12,382,722 |
| Contributions as a percentage of covered employee payroll | % 5.23% |
| Notes to Schedule: | |
| * Until a full 10-year trend is compiled, governments should present information only for those years for which information is available. | |

Combining Statement – Nonmajor Governmental Funds’ Description For the Year Ended December 31, 2015

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Arterial Street Fund* accounts for the receipt and expenditure of the State-levied motor vehicle fuel tax distributed to the City in accordance with State R.C.W. 82.36.020. These revenues are to be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets, or for the payment of related municipal indebtedness.

The *Solid Waste/Recycling Fund* was established to account for special refuse collection fees used to manage the Solid Waste and Recycling program.

The *Special Contracts/Studies Fund* accounts for receipts and disbursements related to special contracts and special projects where completion will extend beyond the calendar year.

The *Hotel/Motel Lodging Tax Fund* was established to account for all lodging tax receipts and disbursements related to tourism promotion and acquisition and/or operation of tourism-related facilities.

The *Federal Way Community Center Fund* was established to account for the operation of the community center. The fund is supported by user fees and designated utility tax transfers.

The *Traffic Safety Fund* was established to account for the penalties and fines collected in criminal traffic violations and those related to the operation of the Red Light Photo Enforcement Program. Funds collected for traffic safety shall be used for, but not limited to prevention, education, and enforcement effectors related to traffic safety and compliance with traffic control devices within the city, including maintenance and operation costs.

The *Community Development Block Grant Fund* accounts for the receipt and disbursement of federal grant revenue received through the Department of Housing and Urban Development's Community Development Block Grant Program. Separate subsidiary records are maintained to administer the individual projects accounted for in this fund.

The *Path and Trails Reserve Fund* was established in accordance with State law to accumulate unexpended proceeds of the City's ½% motor vehicle fuel tax receipts which are restricted in use to the construction and maintenance of paths and trails within City right-of-way. In August 2013, King County voters approved a new \$0.1877, six-year, inflation adjusted property tax lid lift to expand park and recreation opportunities. Seven percent of the County levy proceeds will be distributed to cities for acquisition and development of open space and natural lands and city trail projects that support connections to the regional trail system.

Capital Projects Funds

The Capital Project Funds account for the acquisition or construction of major capital facilities with the exception of those facilities financed by proprietary and trust funds. The major sources of revenue for this fund are general obligation bond proceeds, grants from other agencies, local taxes and contributions from other funds.

The *Real Estate Excise Tax Fund* was established to account for the City's real estate excise tax and the transfers to pay for debt and capital projects.

The *City Facilities CIP Fund* accounts for receipts and disbursements related to acquisition, design, construction and any other related municipal facility and community/senior capital project expenditures.

The *Parks CIP Fund* was established to account for receipts and disbursements related to acquisition, design, construction and any other related parks capital project expenditures.

The *Capital Project Reserve Fund* accounts for receipts and disbursements related to acquisition, design, construction and any other related municipal facility and community/senior capital project expenditures.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015

| | Special Revenue | Capital Projects | Total |
|---|---------------------|---------------------|----------------------|
| ASSETS | | | |
| Equity in pooled cash & investments | \$ 7,198,021 | \$ 7,275,796 | \$ 14,473,817 |
| Receivables (net): | | | |
| Taxes | - | 329,365 | 329,365 |
| Accounts and contracts | 66,335 | - | 66,335 |
| Due from other governments | 238,646 | - | 238,646 |
| TOTAL ASSETS | 7,503,002 | 7,605,161 | 15,108,163 |
| | | | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND | | | |
| Liabilities: | | | |
| Vouchers payable | 174,989 | 33,853 | 208,842 |
| Retainage payable | - | 25,886 | 25,886 |
| Deposits payable | 22,919 | - | 22,919 |
| Interfund loans payable | 16,660 | - | 16,660 |
| Unearned revenue | 144,266 | - | 144,266 |
| TOTAL LIABILITIES | 496,718 | 59,739 | 556,457 |
| | | | |
| Fund Balance: | | | |
| Restricted | 1,344,481 | 6,746,074 | 8,090,555 |
| Committed | 5,661,803 | 799,348 | 6,461,151 |
| TOTAL FUND BALANCES | 7,006,284 | 7,545,422 | 14,551,706 |
| | | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 7,503,002 | \$ 7,605,161 | \$ 15,108,163 |

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2015

| | Arterial Street | Solid Waste Recycling | Special Contracts/ Studies | Hotel/Motel Lodging Tax |
|---|--------------------|--------------------------|----------------------------------|----------------------------|
| ASSETS | | | | |
| Equity in pooled cash & investments | \$ 262,394 | \$ 142,182 | \$ 458,359 | \$ 506,634 |
| Receivables (net): | | | | |
| Taxes | - | - | - | - |
| Accounts and contracts | - | - | - | - |
| Due from other governments | 39,273 | 81,787 | - | 15,631 |
| TOTAL ASSETS | 301,667 | 223,969 | 458,359 | 522,265 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Vouchers payable | - | 5,622 | - | 20,500 |
| Accounts/payroll payable | 3,280 | 9,490 | 4 | - |
| Deposits payable | - | - | - | - |
| Interfund loans payable | - | - | - | - |
| Unearned revenue | - | - | - | - |
| TOTAL LIABILITIES | 3,280 | 15,112 | 4 | 20,500 |
| Fund Balance: | | | | |
| Restricted | - | - | 458,355 | 501,765 |
| Committed | 298,387 | 208,857 | - | - |
| TOTAL FUND BALANCES | 298,387 | 208,857 | 458,355 | 501,765 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 301,667 | \$ 223,969 | \$ 458,359 | \$ 522,265 |

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2015

| | Federal way Community Center | Traffic Safety | Community Development Block Grant | Paths and Trails Reserve | Total |
|---|------------------------------------|---------------------|---|--------------------------------|---------------------|
| ASSETS | | | | | |
| Equity in pooled cash & investments | \$ 1,719,342 | \$ 3,725,342 | \$ 153 | \$ 383,615 | \$ 7,198,021 |
| Receivables (net): | | | | | |
| Taxes | - | - | - | - | - |
| Accounts and contracts | 66,335 | - | - | - | 66,335 |
| Due from other governments | - | - | 101,209 | 746 | 238,646 |
| TOTAL ASSETS | 1,785,677 | 3,725,342 | 101,362 | 384,361 | 7,503,002 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Vouchers payable | 54,930 | 52,775 | 41,162 | - | 174,989 |
| Accounts/payroll payable | 63,561 | 58,451 | 3,098 | - | 137,884 |
| Deposits payable | 22,919 | - | - | - | 22,919 |
| Interfund loans payable | - | - | 16,660 | - | 16,660 |
| Unearned revenue | 144,266 | - | - | - | 144,266 |
| TOTAL LIABILITIES | 285,676 | 111,226 | 60,920 | - | 496,718 |
| Fund Balance: | | | | | |
| Restricted | - | - | - | 384,361 | 1,344,481 |
| Committed | 1,500,001 | 3,614,116 | 40,442 | - | 5,661,803 |
| TOTAL FUND BALANCES | 1,500,001 | 3,614,116 | 40,442 | 384,361 | 7,006,284 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,785,677 | \$ 3,725,342 | \$ 101,362 | \$ 384,361 | \$ 7,503,002 |

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2015

| | Real Estate Excise Tax Fund | City Facilities | Parks | Capital Project Reserve | Total |
|---|-----------------------------------|--------------------|---------------------|----------------------------|---------------------|
| ASSETS | | | | | |
| Equity in pooled cash & investments | \$ 3,365,705 | \$ 53,232 | \$ 3,376,019 | \$ 480,840 | \$ 7,275,796 |
| Receivables (net): | | | | | |
| Taxes | 329,365 | - | - | - | 329,365 |
| TOTAL ASSETS | <u>3,695,070</u> | <u>53,232</u> | <u>3,376,019</u> | <u>480,840</u> | <u>7,605,161</u> |
| | | | | | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Vouchers payable | - | - | 33,853 | - | 33,853 |
| Retainage payable | - | - | 25,886 | - | 25,886 |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>59,739</u> | <u>-</u> | <u>59,739</u> |
| | | | | | |
| Fund Balance: | | | | | |
| Restricted | 3,695,070 | 53,232 | 2,997,772 | - | 6,746,074 |
| Committed | - | - | 318,508 | 480,840 | 799,348 |
| TOTAL FUND BALANCES | <u>3,695,070</u> | <u>53,232</u> | <u>3,316,280</u> | <u>480,840</u> | <u>7,545,422</u> |
| | | | | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 3,695,070</u> | <u>\$ 53,232</u> | <u>\$ 3,376,019</u> | <u>\$ 480,840</u> | <u>\$ 7,605,161</u> |

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

| | Special Revenue | Capital Projects | Total |
|--|---------------------|---------------------|----------------------|
| REVENUES | | | |
| Taxes | \$ 443,837 | \$ 3,031,159 | \$ 3,474,996 |
| Intergovernmental | 1,316,642 | - | 1,316,642 |
| Service charges and fees | 1,975,137 | 88,117 | 2,063,254 |
| Fines and forfeitures | 3,012,004 | - | 3,012,004 |
| Interest | 9,654 | 12,372 | 22,026 |
| Other | 331,541 | 86,961 | 418,502 |
| | <u>7,088,815</u> | <u>3,218,609</u> | <u>10,307,424</u> |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 11,747 | 102,108 | 113,855 |
| Security of persons and property | 1,545,084 | - | 1,545,084 |
| Transportation | 1,786,100 | - | 1,786,100 |
| Physical environment | 478,807 | - | 478,807 |
| Economic environment | 91,042 | - | 91,042 |
| Health | 633,566 | - | 633,566 |
| Culture and recreation | 2,337,715 | 141,491 | 2,479,206 |
| Capital outlay | 140,109 | 1,237,609 | 1,377,718 |
| | <u>7,024,170</u> | <u>1,481,208</u> | <u>8,505,378</u> |
| TOTAL EXPENDITURES | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>64,645</u> | <u>1,737,401</u> | <u>1,802,046</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,182,639 | 568,464 | 1,751,103 |
| Transfers out | <u>(908,770)</u> | <u>(3,704,841)</u> | <u>(4,613,611)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>273,869</u> | <u>(3,136,377)</u> | <u>(2,862,508)</u> |
| NET CHANGE IN FUND BALANCES | 338,514 | (1,398,976) | (1,060,462) |
| FUND BALANCES - BEGINNING | <u>6,667,770</u> | <u>8,944,398</u> | <u>15,612,168</u> |
| FUND BALANCES - ENDING | <u>\$ 7,006,284</u> | <u>\$ 7,545,422</u> | <u>\$ 14,551,706</u> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For Year Ended December 31, 2015**

| | Arterial Street | Solid Waste Recycling | Special Contracts/ Studies | Hotel/Motel Lodging Tax |
|--|--------------------|--------------------------|----------------------------------|----------------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 266,053 |
| Intergovernmental | 501,147 | 180,903 | - | - |
| Service charges and fees | 63,750 | 302,083 | 85,374 | - |
| Fines and forfeitures | - | - | - | - |
| Interest | 290 | 215 | 637 | 596 |
| Other | - | 328 | - | 15,001 |
| TOTAL REVENUES | 565,187 | 483,529 | 86,011 | 281,650 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | 11,747 | - |
| Security of persons and property | - | - | - | - |
| Transportation | 1,336,391 | - | - | - |
| Physical environment | - | 478,807 | - | - |
| Economic environment | - | - | - | 91,042 |
| Health | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | 50,970 | 89,139 |
| TOTAL EXPENDITURES | 1,336,391 | 478,807 | 62,717 | 180,181 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (771,204) | 4,722 | 23,294 | 101,469 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 760,885 | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 760,885 | - | - | - |
| NET CHANGE IN FUND BALANCES | (10,319) | 4,722 | 23,294 | 101,469 |
| FUND BALANCES - BEGINNING | 308,706 | 204,135 | 435,061 | 400,296 |
| FUND BALANCES - ENDING | \$ 298,387 | \$ 208,857 | \$ 458,355 | \$ 501,765 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For Year Ended December 31, 2015**

| | Federal way Community Center | Traffic Safety | Community Development Block Grant | Paths and Trails Reserve | Total |
|--|------------------------------------|---------------------|---|--------------------------------|---------------------|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 177,784 | \$ 443,837 |
| Intergovernmental | - | - | 625,079 | 9,513 | 1,316,642 |
| Service charges and fees | 1,523,930 | - | - | - | 1,975,137 |
| Fines and forfeitures | - | 3,012,004 | - | - | 3,012,004 |
| Interest | 2,351 | 5,161 | 5 | 399 | 9,654 |
| Other | 316,212 | - | - | - | 331,541 |
| TOTAL REVENUES | 1,842,493 | 3,017,165 | 625,084 | 187,696 | 7,088,815 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | 11,747 |
| Security of persons and property | - | 1,545,084 | - | - | 1,545,084 |
| Transportation | - | 449,709 | - | - | 1,786,100 |
| Physical environment | - | - | - | - | 478,807 |
| Economic environment | - | - | - | - | 91,042 |
| Health | - | - | 633,566 | - | 633,566 |
| Culture and recreation | 2,337,715 | - | - | - | 2,337,715 |
| Capital outlay | - | - | - | - | 140,109 |
| TOTAL EXPENDITURES | 2,337,715 | 1,994,793 | 633,566 | - | 7,024,170 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (495,222) | 1,022,372 | (8,482) | 187,696 | 64,645 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 421,754 | - | - | - | 1,182,639 |
| Transfers out | - | (908,770) | - | - | (908,770) |
| TOTAL OTHER FINANCING SOURCES (USES) | 421,754 | (908,770) | - | - | 273,869 |
| NET CHANGE IN FUND BALANCES | (73,468) | 113,602 | (8,482) | 187,696 | 338,514 |
| FUND BALANCES - BEGINNING | 1,573,469 | 3,500,514 | 48,924 | 196,665 | 6,667,770 |
| FUND BALANCES - ENDING | \$ 1,500,001 | \$ 3,614,116 | \$ 40,442 | \$ 384,361 | \$ 7,006,284 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For Year Ended December 31, 2015**

| | Real Estate Excise Tax Fund | City Facilities | Parks | Capital Project Reserve | Total |
|--|-----------------------------------|--------------------|---------------------|----------------------------|---------------------|
| REVENUES | | | | | |
| Taxes | \$ 3,031,159 | \$ - | \$ - | \$ - | \$ 3,031,159 |
| Service charges and fees | - | - | 88,117 | - | 88,117 |
| Interest | 5,284 | 274 | 6,141 | 673 | 12,372 |
| Other | - | - | 86,961 | - | 86,961 |
| TOTAL REVENUES | 3,036,443 | 274 | 181,219 | 673 | 3,218,609 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | 102,108 | - | - | 102,108 |
| Culture and recreation | - | - | 141,491 | - | 141,491 |
| Capital outlay | - | - | 1,237,609 | - | 1,237,609 |
| TOTAL EXPENDITURES | - | 102,108 | 1,379,100 | - | 1,481,208 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3,036,443 | (101,834) | (1,197,881) | 673 | 1,737,401 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 100,000 | 468,464 | - | 568,464 |
| Transfers out | (2,892,237) | (144,877) | (667,727) | - | (3,704,841) |
| TOTAL OTHER FINANCING SOURCES (USES) | (2,892,237) | (44,877) | (199,263) | - | (3,136,377) |
| NET CHANGE IN FUND BALANCES | 144,206 | (146,711) | (1,397,144) | 673 | (1,398,976) |
| FUND BALANCES - BEGINNING | 3,550,864 | 199,943 | 4,713,424 | 480,167 | 8,944,398 |
| FUND BALANCES - ENDING | \$ 3,695,070 | \$ 53,232 | \$ 3,316,280 | \$ 480,840 | \$ 7,545,422 |

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

For Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 500,000 | \$ 500,000 | \$ 501,147 | \$ 1,147 |
| Service charges and fees | - | - | 63,750 | 63,750 |
| Interest | 2,500 | 2,500 | 290 | (2,210) |
| TOTAL REVENUES | 502,500 | 502,500 | 565,187 | 62,687 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 1,515,500 | 1,724,205 | 1,336,391 | 387,814 |
| TOTAL EXPENDITURES | 1,515,500 | 1,724,205 | 1,336,391 | 387,814 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,013,000) | (1,221,705) | (771,204) | 450,501 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,013,000 | 1,013,000 | 760,885 | (252,115) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,013,000 | 1,013,000 | 760,885 | (252,115) |
| NET CHANGE IN FUND BALANCES | - | (208,705) | (10,319) | 198,386 |
| FUND BALANCES - BEGINNING | 100,000 | 308,705 | 308,706 | 1 |
| FUND BALANCES - ENDING | \$ 100,000 | \$ 100,000 | \$ 298,387 | \$ 198,387 |

SOLID WASTE & RECYCLING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Intergovernmental | \$ 172,200 | \$ 172,200 | \$ 180,903 | \$ 8,703 |
| Service charges and fees | 302,517 | 302,517 | 302,083 | (434) |
| Interest | - | - | 215 | 215 |
| Other | - | - | 328 | 328 |
| TOTAL REVENUES | 474,717 | 474,717 | 483,529 | 8,812 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Physical environment | 470,101 | 501,031 | 478,807 | 22,224 |
| TOTAL EXPENDITURES | 470,101 | 501,031 | 478,807 | 22,224 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 4,616 | (26,314) | 4,722 | 31,036 |
| NET CHANGE IN FUND BALANCES | 4,616 | (26,314) | 4,722 | 31,036 |
| FUND BALANCES - BEGINNING | 183,883 | 204,135 | 204,135 | - |
| FUND BALANCES - ENDING | \$ 188,499 | \$ 177,821 | \$ 208,857 | \$ 31,036 |

SPECIAL CONTRACTS/STUDIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------|----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Service charges and fees | \$ - | \$ - | \$ 85,374 | \$ 85,374 |
| Interest | - | - | 637 | 637 |
| TOTAL REVENUES | - | - | 86,011 | 86,011 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | 3,250 | 11,747 | (8,497) |
| Capital outlay | - | 78,600 | 50,970 | 27,630 |
| TOTAL EXPENDITURES | - | 81,850 | 62,717 | 19,133 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | - | (81,850) | 23,294 | 105,144 |
| NET CHANGE IN FUND BALANCES | | | | |
| | - | (81,850) | 23,294 | 105,144 |
| FUND BALANCES - BEGINNING | | | | |
| | - | 435,062 | 435,061 | (1) |
| FUND BALANCES - ENDING | | | | |
| | \$ - | \$ 353,212 | \$ 458,355 | \$ 105,143 |

HOTEL/MOTEL LODGING TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive |
|--|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Taxes | \$ 200,000 | \$ 200,000 | \$ 266,053 | \$ 66,053 |
| Interest | 300 | 300 | 596 | 296 |
| TOTAL REVENUES | <u>200,300</u> | <u>200,300</u> | <u>281,650</u> | <u>81,350</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic environment | 200,300 | 266,296 | 91,042 | 175,254 |
| Capital outlay | - | 89,000 | 89,139 | (139) |
| TOTAL EXPENDITURES | <u>200,300</u> | <u>355,296</u> | <u>180,181</u> | <u>175,115</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(154,996)</u> | <u>101,469</u> | <u>256,465</u> |
| NET CHANGE IN FUND BALANCES | - | (154,996) | 101,469 | 256,465 |
| FUND BALANCES - BEGINNING | <u>245,300</u> | <u>400,296</u> | <u>400,296</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 245,300</u> | <u>\$ 245,300</u> | <u>\$ 501,765</u> | <u>\$ 256,465</u> |

FEDERAL WAY COMMUNITY CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with |
|--|-------------------------|---------------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental | - | - | - | - |
| Service charges and fees | \$ 1,518,500 | \$ 1,540,500 | \$ 1,523,930 | \$ (16,570) |
| Interest | - | - | 2,351 | 2,351 |
| Other | 275,000 | 320,000 | 316,212 | (3,788) |
| TOTAL REVENUES | 1,793,500 | 1,860,500 | 1,842,493 | (18,007) |
| | | (142,456) | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 2,288,724 | 2,372,224 | 2,337,715 | 34,509 |
| TOTAL EXPENDITURES | 2,288,724 | 2,372,224 | 2,337,715 | 34,509 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (495,224) | (511,724) | (495,222) | 16,502 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 405,000 | 421,754 | 421,754 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 405,000 | 421,754 | 421,754 | - |
| NET CHANGE IN FUND BALANCES | (90,224) | (89,970) | (73,468) | 16,502 |
| FUND BALANCES - BEGINNING | 1,636,738 | 1,573,469 | 1,573,469 | - |
| FUND BALANCES - ENDING | \$ 1,546,514 | \$ 1,483,499 | \$ 1,500,001 | \$ 16,502 |

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

For Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Fines and forfeitures | \$ 2,123,643 | \$ 2,773,643 | \$ 3,012,004 | \$ 238,361 |
| Interest | - | - | 5,161 | 5,161 |
| TOTAL REVENUES | 2,123,643 | 2,773,643 | 3,017,165 | 243,522 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Security of persons and property | 1,659,242 | 1,659,242 | 1,545,084 | 114,158 |
| Transportation | 464,402 | 464,402 | 449,709 | 14,693 |
| TOTAL EXPENDITURES | 2,123,644 | 2,123,644 | 1,994,793 | 128,851 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1) | 649,999 | 1,022,372 | 372,373 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (908,770) | (908,770) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (908,770) | (908,770) | - |
| NET CHANGE IN FUND BALANCES | (1) | (258,771) | 113,602 | 372,373 |
| FUND BALANCES - BEGINNING | 2,492,758 | 3,500,515 | 3,500,514 | (1) |
| FUND BALANCES - ENDING | \$ 2,492,757 | \$ 3,241,744 | \$ 3,614,116 | \$ 372,372 |

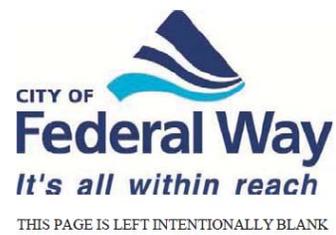
COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
 For Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------|--------------|----------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental | \$ 1,237,072 | \$ 1,237,072 | \$ 625,079 | \$ (611,993) |
| Interest | - | - | 5 | 5 |
| Other | - | - | - | - |
| TOTAL REVENUES | 1,237,072 | 1,237,072 | 625,084 | (611,988) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Health | 1,237,072 | 1,237,072 | 633,566 | 603,506 |
| TOTAL EXPENDITURES | 1,237,072 | 1,237,072 | 633,566 | 603,506 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | - | - | (8,482) | (8,482) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| NET CHANGE IN FUND BALANCES | - | - | (8,482) | (8,482) |
| FUND BALANCES - BEGINNING | 40,715 | 48,926 | 48,924 | (2) |
| FUND BALANCES - ENDING | \$ 40,715 | \$ 48,926 | \$ 40,442 | \$ (8,484) |

PATH & TRAILS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For Year Ended December 31, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | (Negative) |
| REVENUES | | | | |
| Taxes | \$ 155,000 | \$ 155,000 | \$ 177,784 | \$ 22,784 |
| Intergovernmental | 9,000 | 9,000 | 9,513 | 513 |
| Interest | - | - | 399 | 399 |
| TOTAL REVENUES | 164,000 | 164,000 | 187,696 | 23,696 |
| EXPENDITURES | | | | |
| Current: | | | | |
| TOTAL EXPENDITURES | - | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 164,000 | 164,000 | 187,696 | 23,696 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| NET CHANGE IN FUND BALANCES | 164,000 | 164,000 | 187,696 | 23,696 |
| FUND BALANCES - BEGINNING | 14,439 | 196,664 | 196,665 | 1 |
| FUND BALANCES - ENDING | \$ 178,439 | \$ 360,664 | \$ 384,361 | \$ 23,697 |



**Budget and Actual – Debt Service Fund Description
For the Year Ended December 31, 2015**

The *Debt Service Fund* accounts for the accumulation of resources for the payment of general obligation and special assessment bond principal, interest and related costs. Revenues for this fund consist of transfers from Real Estate Excise Tax Fund, transfers from the Utility Tax Fund, and/or other revenues designated by the City Council.

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

For Year Ended December 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|---------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Interest | \$ - | \$ - | \$ 851 | \$ 851 |
| TOTAL REVENUES | - | - | 851 | 851 |
| EXPENDITURES | | | | |
| Debt service: | | | - | - |
| Principal | 364,573 | 364,573 | 640,482 | (275,909) |
| Interest/fiscal charges/admin fees | 675,000 | 675,000 | 364,998 | 310,002 |
| TOTAL EXPENDITURES | 1,039,573 | 1,039,573 | 1,005,480 | 34,093 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,039,573) | (1,039,573) | (1,004,629) | 34,944 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,838,813 | 2,437,240 | 2,402,722 | (34,518) |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,838,813 | 2,437,240 | 2,402,722 | (34,518) |
| NET CHANGE IN FUND BALANCES | 799,240 | 1,397,667 | 1,398,093 | 426 |
| FUND BALANCES - BEGINNING | 39,443 | 73,486 | 73,486 | - |
| FUND BALANCES - ENDING | \$ 838,683 | \$ 1,471,153 | \$ 1,471,579 | \$ 426 |

Combining Statement – Internal Service Fund’s Description For the Year Ended December 31, 2015

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

The ***Risk Management Fund*** accounts for the City’s risk financing activities established to minimize adverse effects of losses associated with property and casualty, and worker’s compensation claims. Both risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses) are involved. The City is also currently recovering costs and building reserves for general liability including property, casualty, errors and omissions and fidelity coverage.

The ***Information Systems Fund*** was established to account for all costs associated with data processing, telecommunications and the Geographical Information System (GIS). This fund will own and depreciate all non-proprietary fund assets related to these functions, and will charge equipment/software users for both maintenance/operating costs and equipment replacement charges based on depreciation schedules.

The ***Support Services Fund*** will account for duplication, graphics and other general support services provided to departments and funds throughout the City.

The ***Fleet and Equipment Fund*** accounts for the cost of maintaining City vehicles and other motorized equipment. Rates charged to user departments are based on the full cost of maintaining equipment items, including the recovery of related depreciation expense.

The ***Buildings and Furnishings Fund*** accounts for all costs associated with the operation and maintenance of specified City buildings. City building facilities and furnishings will be owned by this Fund, and both maintenance/operating costs and depreciation recovery will be charged City departments and funds.

The ***Health Insurance Fund*** accounts for all self-insuring for medical insurance. The premiums paid by the City’s medical benefit contributions and employee medical deductions reimburse the medical and pharmaceutical reimbursements. Also, establish reserves for the payment of estimated future claims.

The ***Unemployment Insurance Fund*** is currently self-insuring State Unemployment Compensation. Related premiums received by the fund are used to reimburse the unemployment benefits paid to eligible individuals and to establish reserves for the payment of estimated future unemployment claims liability.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

December 31, 2015

| | Risk Management | Information Systems | Support Services | Fleet and Equipment |
|--|--------------------|------------------------|---------------------|------------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Equity in pooled cash & investments | \$ 995,576 | \$ 4,102,380 | \$ 190,918 | \$ 6,029,914 |
| Prepaid items | - | - | 5,000 | - |
| Due from other governments | - | 16,227 | - | - |
| TOTAL CURRENT ASSETS | 995,576 | 4,118,607 | 195,918 | 6,029,914 |
| Noncurrent assets | | | | |
| Capital assets: | | | | |
| Building/structures | - | - | - | - |
| Machinery/furniture/equipment | - | 7,145,674 | 293,616 | 10,624,288 |
| Less accumulated depreciation | - | (5,745,696) | (122,960) | (6,164,278) |
| TOTAL NONCURRENT ASSETS | - | 1,399,978 | 170,656 | 4,460,010 |
| TOTAL ASSETS | 995,576 | 5,518,585 | 366,574 | 10,489,924 |
| DEFERRED OUTFLOWS RELATED TO PENSIONS | | | | |
| | - | 68,796 | - | 3,391 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Vouchers/payroll payable | 20,278 | 256,172 | 3,779 | 32,248 |
| TOTAL CURRENT LIABILITIES | 20,278 | 256,172 | 3,779 | 32,248 |
| Long-term liabilities: | | | | |
| Compensated absences payable | - | 54,761 | - | - |
| Net Pension Liability | - | 464,562 | - | 22,902 |
| TOTAL LONG-TERM LIABILITIES | - | 519,323 | - | 22,902 |
| TOTAL LIABILITIES | 20,278 | 775,495 | 3,779 | 55,150 |
| DEFERRED INFLOWS RELATED TO PENSIONS | | | | |
| | - | 71,628 | - | 3,531 |
| NET POSITION | | | | |
| Net Investment in capital | - | 1,399,978 | 170,656 | 4,460,010 |
| Unrestricted | 975,298 | 3,340,280 | 192,139 | 5,974,624 |
| TOTAL NET POSITION | \$ 975,298 | \$ 4,740,258 | \$ 362,795 | \$ 10,434,634 |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

December 31, 2015

| | Buildings and Furnishings | Self Health Insurance | Unemployment Insurance | TOTAL |
|--|------------------------------|--------------------------|---------------------------|----------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Equity in pooled cash & investments | \$ 1,883,460 | \$ 1,814,766 | \$ 2,141,368 | \$ 17,158,382 |
| Prepaid items | - | - | - | 5,000 |
| Due from other governments | 22,488 | - | - | 38,715 |
| TOTAL CURRENT ASSETS | 1,905,948 | 1,814,766 | 2,141,368 | 17,202,097 |
| Noncurrent assets | | | | |
| Capital assets: | | | | |
| Building/structures | 16,555,481 | - | - | 16,555,481 |
| Machinery/furniture/equipment | - | - | - | 18,063,578 |
| Less accumulated depreciation | (8,726,511) | - | - | (20,759,445) |
| TOTAL NONCURRENT ASSETS | 7,828,970 | - | - | 13,859,614 |
| TOTAL ASSETS | 9,734,918 | 1,814,766 | 2,141,368 | 31,061,711 |
| DEFERRED OUTFLOWS RELATED TO PENSIONS | | | | |
| | 4,934 | - | - | 77,121 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Vouchers/payroll payable | 28,124 | 73,279 | 10,070 | 423,950 |
| TOTAL CURRENT LIABILITIES | 28,124 | 73,279 | 10,070 | 423,950 |
| Long-term liabilities: | | | | |
| Compensated absences payable | - | - | - | 54,761 |
| Net Pension Liability | 33,318 | - | - | 520,782 |
| TOTAL LONG-TERM LIABILITIES | 33,318 | - | - | 575,543 |
| TOTAL LIABILITIES | 61,442 | 73,279 | 10,070 | 999,493 |
| DEFERRED INFLOWS RELATED TO PENSIONS | | | | |
| | 5,137 | - | - | 80,296 |
| NET POSITION | | | | |
| Net Investment in capital | 7,828,970 | - | - | 13,859,614 |
| Unrestricted | 1,844,303 | 1,741,487 | 2,131,298 | 16,199,429 |
| TOTAL NET POSITION | \$ 9,673,273 | \$ 1,741,487 | \$ 2,131,298 | \$ 30,059,043 |

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

| | Risk Management | Information Systems | Support Services | Fleet and Equipment |
|--|--------------------|------------------------|---------------------|------------------------|
| OPERATING REVENUES: | | | | |
| Service charges and fees | \$ 924,443 | \$ 1,970,529 | \$ 132,923 | \$ 2,055,856 |
| Intergovernmental | - | - | - | - |
| Miscellaneous | 44,285 | 26,750 | - | - |
| TOTAL OPERATING REVENUES | 968,728 | 1,997,279 | 132,923 | 2,055,856 |
| OPERATING EXPENSES: | | | | |
| Personal services | - | 811,203 | - | 41,864 |
| Materials and supplies | - | 202,810 | 19,035 | 387,986 |
| Services and charges | 85,278 | 602,207 | 80,314 | 350,743 |
| Intergovernmental | - | 133,356 | - | 796 |
| Insurance | 509,601 | - | - | - |
| Claims | 712,690 | - | - | - |
| Depreciation | - | 371,460 | 31,291 | 915,255 |
| TOTAL OPERATING EXPENSES | 1,307,569 | 2,121,036 | 130,640 | 1,696,644 |
| OPERATING INCOME (LOSS) | (338,841) | (123,757) | 2,283 | 359,212 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Gain (Loss) from disposal of capital assets | - | - | - | 52,381 |
| Interest income | 1,148 | 5,625 | 267 | 8,592 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 1,148 | 5,625 | 267 | 60,973 |
| INCOME (LOSS) BEFORE TRANSFERS | (337,693) | (118,132) | 2,550 | 420,185 |
| Capital contributions | - | 68,694 | - | 141,426 |
| Transfers in | - | - | - | 72,308 |
| Transfers out | (33,308) | - | - | - |
| CHANGE IN NET POSITION | (371,001) | (49,438) | 2,550 | 633,919 |
| NET POSITION - BEGINNING | 1,346,299 | 5,252,283 | 360,245 | 9,823,520 |
| Net Effect - Change in Accounting for Pensions | - | (462,587) | - | (22,805) |
| ADJUSTED NET POSITION - BEGINNING | 1,346,299 | 4,789,696 | 360,245 | 9,800,715 |
| NET POSITION - ENDING | \$ 975,298 | \$ 4,740,258 | \$ 362,795 | \$ 10,434,634 |

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

| | Buildings and Furnishings | Health Insurance | Unemployment Insurance | TOTAL |
|--|------------------------------|---------------------|---------------------------|----------------------|
| OPERATING REVENUES: | | | | |
| Service charges and fees | \$ 424,585 | \$ 4,482,692 | \$ 257,366 | \$ 10,248,394 |
| Intergovernmental | - | - | - | - |
| Miscellaneous | 22,489 | - | - | 93,524 |
| TOTAL OPERATING REVENUES | 447,074 | 4,482,692 | 257,366 | 10,341,918 |
| OPERATING EXPENSES: | | | | |
| Personal services | 51,754 | - | - | 904,821 |
| Materials and supplies | 38,148 | - | - | 647,979 |
| Services and charges | 307,699 | 3,748,915 | 41,202 | 5,216,358 |
| Intergovernmental | - | 26,065 | - | 160,217 |
| Insurance | - | - | - | 509,601 |
| Claims | - | - | - | 712,690 |
| Depreciation | 826,996 | - | - | 2,145,002 |
| TOTAL OPERATING EXPENSES | 1,224,597 | 3,774,980 | 41,202 | 10,296,668 |
| OPERATING INCOME (LOSS) | (777,523) | 707,712 | 216,164 | 45,250 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Gain (Loss) from disposal of capital assets | - | - | - | 52,381 |
| Interest income | 2,636 | 2,022 | 2,843 | 23,133 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 2,636 | 2,022 | 2,843 | 75,514 |
| INCOME (LOSS) BEFORE TRANSFERS | (774,887) | 709,734 | 219,007 | 120,764 |
| Capital contributions | - | - | - | 210,120 |
| Transfers in | - | - | - | 72,308 |
| Transfers out | - | - | - | (33,308) |
| CHANGE IN NET POSITION | (774,887) | 709,734 | 219,007 | 369,884 |
| NET POSITION - BEGINNING | 10,481,337 | 1,031,753 | 1,912,291 | 30,207,728 |
| Net Effect - Change in Accounting for Pensions | (33,177) | - | - | (518,569) |
| ADJUSTED NET POSITION - BEGINNING | 10,448,160 | 1,031,753 | 1,912,291 | 29,689,159 |
| NET POSITION - ENDING | \$ 9,673,273 | \$ 1,741,487 | \$ 2,131,298 | \$ 30,059,043 |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

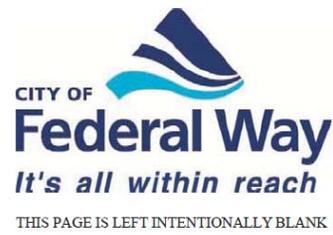
For Year Ended December 31, 2015

| | Risk Management | Information Systems | Support Services | Fleet and Equipment |
|---|---------------------|------------------------|---------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from users | \$ 924,447 | \$ 1,970,530 | \$ 132,923 | \$ 2,055,856 |
| Cash payments to claimants | (712,690) | - | - | - |
| Cash payments to suppliers for goods/services | (73,586) | (581,101) | (102,975) | (740,100) |
| Cash payments to employees | - | (797,284) | - | (41,626) |
| Cash payments to other governments for goods and services | (509,601) | (133,356) | - | - |
| Other operating receipts | 44,281 | 10,525 | - | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(327,149)</u> | <u>469,314</u> | <u>29,948</u> | <u>1,274,130</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers in | - | - | - | 72,308 |
| Transfers out | (33,308) | - | - | - |
| NET CASH PROVIDED BY NONCAPITAL FINANCING | <u>(33,308)</u> | <u>-</u> | <u>-</u> | <u>72,308</u> |
| CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of capital asset/construction work in progress | - | (389,463) | (60,554) | (1,873,715) |
| Proceeds from the sale of capital assets | - | - | - | 52,381 |
| NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES | <u>-</u> | <u>(389,463)</u> | <u>(60,554)</u> | <u>(1,821,334)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Receipts of interest | 1,148 | 5,625 | 269 | 8,590 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>1,148</u> | <u>5,625</u> | <u>269</u> | <u>8,590</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (359,309) | 85,476 | (30,337) | (466,306) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>1,354,885</u> | <u>4,016,905</u> | <u>221,255</u> | <u>6,496,220</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>995,576</u> | <u>4,102,380</u> | <u>190,918</u> | <u>6,029,914</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating Income/(loss) | (338,841) | (123,755) | 2,283 | 359,212 |
| Adjustments to reconcile operating income to net cash provided/(used) by operating activities: | | | | |
| Increases/(decrease) in depreciation expense | - | 371,460 | 31,291 | 915,255 |
| (Increases)/decrease in accounts receivable | - | - | - | - |
| (Increases)/decrease in due from other governments | - | (16,227) | - | - |
| (Increases)/decrease in deferred outflows related to pensions | - | (44,411) | - | (2,189) |
| Increases/(decrease) in vouchers/accounts payable | 11,692 | 223,916 | (3,626) | (574) |
| Increases/(decrease) in retainage payable | - | - | - | - |
| Increases/(decrease) in deposits payable | - | - | - | - |
| Increases/(decrease) in deferred revenue | - | - | - | - |
| Increases/(decrease) in accrued payroll/compensated absences payable | - | 9,113 | - | - |
| Increases/(decrease) in net pension liability | - | 127,214 | - | 6,271 |
| Increases/(decrease) in deferred inflows related to pensions | - | (77,996) | - | (3,845) |
| TOTAL ADJUSTMENTS | <u>11,692</u> | <u>593,069</u> | <u>27,665</u> | <u>914,918</u> |
| NET CASH PROVIDED/USED BY OPERATING ACTIVITIES | <u>\$ (327,149)</u> | <u>\$ 469,314</u> | <u>\$ 29,948</u> | <u>\$ 1,274,130</u> |
| Non-cash investing, capital, and financing activities: | | | | |
| Other contributions of capital assets | \$ - | \$ 68,693 | \$ - | \$ 141,426 |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

For Year Ended December 31, 2015

| | Buildings and Furnishings | Health Insurance | Unemployment Insurance | TOTAL |
|---|------------------------------|---------------------|---------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from users | \$ 402,096 | \$ 4,482,692 | \$ 257,366 | \$ 10,225,910 |
| Cash payments to claimants | - | - | - | (712,690) |
| Cash payments to suppliers for goods/services | (346,614) | (3,791,076) | (31,133) | (5,666,584) |
| Cash payments to employees | (51,409) | - | - | (890,319) |
| Cash payments to other governments for goods and services | - | (26,065) | - | (669,022) |
| Other operating receipts | 22,488 | - | - | 77,294 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>26,562</u> | <u>665,551</u> | <u>226,233</u> | <u>2,364,589</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers in | - | - | - | 72,308 |
| Transfers out | - | - | - | (33,308) |
| NET CASH PROVIDED BY NONCAPITAL FINANCING | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,000</u> |
| CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of capital asset/construction work in progress | - | - | - | (2,323,732) |
| Proceeds from the sale of capital assets | - | - | - | 52,381 |
| NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,271,351)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Receipts of interest | 2,635 | 2,022 | 2,844 | 23,133 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>2,635</u> | <u>2,022</u> | <u>2,844</u> | <u>23,133</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 29,197 | 667,573 | 229,077 | 155,371 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>1,854,263</u> | <u>1,147,193</u> | <u>1,912,291</u> | <u>17,003,012</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>1,883,460</u> | <u>1,814,766</u> | <u>2,141,368</u> | <u>17,158,382</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating Income/(loss) | (777,524) | 707,712 | 216,164 | 45,251 |
| Adjustments to reconcile operating income to net cash provided/(used) by operating activities: | | | | |
| Increases/(decrease) in depreciation expense | 826,996 | - | - | 2,145,002 |
| (Increases)/decrease in accounts receivable | - | - | - | - |
| (Increases)/decrease in due from other governments | (22,488) | - | - | (38,715) |
| (Increases)/decrease in deferred outflows related to pensions | (3,185) | - | - | (49,785) |
| Increases/(decrease) in vouchers/accounts payable | (767) | (42,161) | 10,069 | 198,550 |
| Increases/(decrease) in retainage payable | - | - | - | - |
| Increases/(decrease) in deposits payable | - | - | - | - |
| Increases/(decrease) in deferred revenue | - | - | - | - |
| Increases/(decrease) in accrued payroll/compensated absences payable | - | - | - | 9,113 |
| Increases/(decrease) in net pension liability | 9,124 | - | - | 142,609 |
| Increases/(decrease) in deferred inflows related to pensions | (5,595) | - | - | (87,436) |
| TOTAL ADJUSTMENTS | <u>804,085</u> | <u>(42,161)</u> | <u>10,069</u> | <u>2,319,338</u> |
| NET CASH PROVIDED/USED BY OPERATING ACTIVITIES | <u>\$ 26,561</u> | <u>\$ 665,551</u> | <u>\$ 226,233</u> | <u>\$ 2,364,589</u> |
| Non-cash investing, capital, and financing activities: | | | | |
| Other contributions of capital assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 210,119</u> |



SUPPLEMENTAL INFORMATION

| MCAG NO. 0711 | | CITY OF FEDERAL WAY, WASHINGTON | | SCHEDULE 15 |
|---|-------------------------|---------------------------------|----------------|-------------|
| SCHEDULE OF STATE FINANCIAL ASSISTANCE | | | | |
| For Year Ended December 31, 2015 | | | | |
| State Agency <i>Pass-Thru Agency (if applicable)</i> | | Other I.D./ Grant # | Current Year | |
| Program Title | BARS Account | | Expenditures | |
| Washington Office of Sheriffs and Police Chiefs | | | | |
| Wa Auto Theft Prevention Authority Grant | 001-0000-090-334-06-090 | n/a | 113,248 | |
| SUBTOTAL WASHINGTON OFFICE OF SHERIFFS AND POLICE CHIEFS | | | 113,248 | |
| State Department of Ecology | | | | |
| Coordinated Prevention Grant | 106-0000-000-334-03-010 | n/a | 92,944 | |
| 2013-15 Municipal Stormwater Capacity Grant | 401-0000-000-334-03-010 | n/a | 13,170 | |
| SUBTOTAL STATE DEPARTMENT OF ECOLOGY | | | 106,114 | |
| State Department of Transportation | | | | |
| Commute Trip Reduction | 101-0000-000-334-03-060 | n/a | 16,555 | |
| S 352nd Street Extension from SR99 to SR161 | 306-4400-151-334-03-080 | n/a | 259,625 | |
| SUBTOTAL STATE DEPARTMENT OF TRANSPORTATION | | | 276,180 | |
| | | | | |
| TOTAL STATE ASSISTANCE: | | | 495,542 | |

MCAG NO. 0711

CITY OF FEDERAL WAY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For Year Ended December 31, 2015

SCHEDULE 16

| Federal Agency Pass-Thru Agency (if applicable) Federal Program Name | BARS Account | CFDA # | Other I.D. # | From Pass-Through Awards | From Direct Awards | Total Current Year Expenditures | Passed through to Subrecipients |
|--|---------------------------|--------|-----------------|--------------------------|--------------------|---------------------------------|---------------------------------|
| US Department of Housing and Urban Development Office of Community Planning and Development | | | | | | | |
| Community Development Block Grants/Entitlement Grants | 119-7300-951-331-14-218 | 14.218 | 951 | - | 76,000 | 76,000 | - |
| Community Development Block Grants/Entitlement Grants | 119-7300-955-331-14-218 | 14.218 | 955 | - | 11,416 | 11,416 | 11,416 |
| Community Development Block Grants/Entitlement Grants | 119-7300-956-331-14-218 | 14.218 | 956 | - | 4,757 | 4,757 | 4,757 |
| Community Development Block Grants/Entitlement Grants | 119-7300-961-331-14-218 | 14.218 | 961 | - | 122,118 | 122,118 | - |
| Community Development Block Grants/Entitlement Grants | 119-7300-966-331-14-218 | 14.218 | 966 | - | 36,312 | 36,312 | - |
| Community Development Block Grants/Entitlement Grants | 119-7300-967-331-14-218 | 14.218 | 967 | - | 18,559 | 18,559 | 18,559 |
| Community Development Block Grants/Entitlement Grants | 119-7300-987-331-14-218 | 14.218 | 987 | - | 9,513 | 9,513 | 9,513 |
| Community Development Block Grants/Entitlement Grants | 119-7300-993-331-14-218 | 14.218 | 993 | - | 7,200 | 7,200 | 7,200 |
| Community Development Block Grants/Entitlement Grants | 119-7300-994-331-14-218 | 14.218 | 994 | - | 84,500 | 84,500 | 84,500 |
| Community Development Block Grants/Entitlement Grants | 119-7300-996-331-14-218 | 14.218 | 996 | - | 73,740 | 73,740 | - |
| Community Development Block Grants/Entitlement Grants | 119-7300-997-331-14-218 | 14.218 | 997 | - | 11,585 | 11,585 | 11,585 |
| Community Development Block Grants/Entitlement Grants | 119-7300-998-331-14-218 | 14.218 | 998 | - | 165,000 | 165,000 | 165,000 |
| SUBTOTAL CFDA 14.218 | REFER TO NOTES 1-3 | | | - | 620,700 | 620,700 | 312,530 |
| US Department of Justice Bureau of Justice Assistance | | | | | | | |
| State Criminal Alien Assistance Program | 001-0000-090-331-16-606 | 16.606 | SCAAP | - | 3,921 | 3,921 | - |
| SUBTOTAL CFDA 16.606 | REFER TO NOTES 1-3 | | | - | 3,921 | 3,921 | - |
| US Department of Justice Bureau of Justice Assistance | | | | | | | |
| Bulletproof Vest Partnership Program | 001-0000-090-331-16-607 | 16.607 | BPV | - | 12,807 | 12,807 | - |
| SUBTOTAL CFDA 16.607 | REFER TO NOTES 1-3 | | | - | 12,807 | 12,807 | - |
| US Department of Justice Bureau of Justice Assistance | | | | | | | |
| Pass-thru City of Seattle | 001-0000-090-333-16-738 | 16.738 | 2013-DJ-BX-0715 | 9,922 | - | 9,922 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 001-0000-090-333-16-738 | 16.738 | 2014-DJ-BX-1034 | 28,675 | - | 28,675 | - |
| SUBTOTAL CFDA 16.738 | REFER TO NOTES 1-3 | | | 38,597 | - | 38,597 | - |
| US Department of Justice Office of Community Oriented Policing Services | | | | | | | |
| Public Safety Partnership and Community Policing Grants | 001-0000-090-331-16-710 | 16.710 | #2010JMWX0338 | - | 191,775 | 191,775 | - |
| SUBTOTAL CFDA 16.710 | REFER TO NOTES 1-3 | | | - | 191,775 | 191,775 | - |
| US Department of Transportation National Highway Traffic Safety Administration | | | | | | | |
| Pass-thru Washington Traffic Safety Commission | 001-0000-090-333-20-600 | 20.600 | DHGN | 32,552 | - | 32,552 | - |
| State and Community Highway Safety | 001-0000-090-333-20-600 | 20.600 | | 32,552 | - | 32,552 | - |
| SUBTOTAL CFDA 20.600 | REFER TO NOTES 1-3 | | | 32,552 | - | 32,552 | - |
| US Department of Transportation Federal Highway Administration | | | | | | | |
| Pass-thru Washington State DOT | 306-4400-156-333-20-050 | 20.205 | STPUL-1020(010) | 308 | - | 308 | - |
| Highway Planning and Construction | 306-4400-165-333-20-050 | 20.205 | STPUL-0099(126) | 1,541,847 | - | 1,541,847 | - |
| Highway Planning and Construction | 306-4400-185-333-20-050 | 20.205 | HSIP-1020(011) | 490 | - | 490 | - |
| Highway Planning and Construction | 306-4400-186-333-20-050 | 20.205 | HSIP-0099(123) | 3,325 | - | 3,325 | - |
| Highway Planning and Construction | 306-4400-187-333-20-050 | 20.205 | STPUL-1020(012) | 25 | - | 25 | - |
| Highway Planning and Construction | 306-4400-189-333-20-050 | 20.205 | SRTS-0443(007) | 8,753 | - | 8,753 | - |
| Highway Planning and Construction | 306-4400-190-333-20-050 | 20.205 | SRTS-0443(066) | 65,664 | - | 65,664 | - |
| Highway Planning and Construction | 306-4400-193-333-20-050 | 20.205 | CM-1001(004) | 61,094 | - | 61,094 | - |
| Highway Planning and Construction | 306-4400-194-333-20-050 | 20.205 | SRTS-0509(031) | 75,341 | - | 75,341 | - |
| Highway Planning and Construction | 306-4400-196-333-20-050 | 20.205 | STPUL-1150(002) | 399,401 | - | 399,401 | - |
| Highway Planning and Construction | 306-4400-197-333-20-050 | 20.205 | STPUL-1022(003) | 514,902 | - | 514,902 | - |
| Highway Planning and Construction | 306-4400-199-333-20-050 | 20.205 | HSIP-0005(409) | 104,316 | - | 104,316 | - |
| SUBTOTAL CFDA 20.205 | REFER TO NOTES 1-3 | | | 2,775,466 | - | 2,775,466 | - |
| US Department of Homeland Security | | | | | | | |
| Pass-thru Military Department | 101-0000-000-333-97-042 | 97.042 | n/a | 49,744 | - | 49,744 | - |
| Emergency Management Performance Grants | 101-0000-000-333-97-042 | 97.042 | | 49,744 | - | 49,744 | - |
| SUBTOTAL CFDA 97.042 | REFER TO NOTES 1-3 | | | 49,744 | - | 49,744 | - |
| TOTAL FEDERAL ASSISTANCE: | | | | | | | 3,725,562 |

Note 1.-BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City of Federal Way's financial statements. The City uses the modified accrual basis of accounting, which is the basis adapted to governmental fund-type measurement focus. All grants reported on this schedule have been accounted for in governmental fund types. Grant revenues are determined to be earned and available at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

Note 2.- Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Federal Way's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3.- Indirect Cost Rate

The City of Federal Way did not use the new 10% de minimis indirect cost rate as covered in 200.414 Indirect (F&A) costs, and is currently only charging direct costs to grants received.

**CAPITAL ASSETS USED IN THE
OPERATION
OF GOVERNMENTAL FUNDS**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE**

December 31, 2015

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| GOVERNMENTAL FUNDS CAPITAL ASSETS | | |
| Land | \$ 279,352,222 | \$312,907,345 |
| Buildings | 23,193,682 | 842,818 |
| Improvements other than buildings | 25,091,751 | 44,323,111 |
| Machinery and equipment | - | 184,000 |
| Infrastructure | 169,816,179 | 165,313,474 |
| Construction in progress | 15,697,231 | 22,875,804 |
| | 513,151,065 | 546,446,552 |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS | | |
| INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE: | | |
| General Fund | 125,244,871 | 125,244,871 |
| Special Revenue Funds | 252,375,395 | 252,375,395 |
| Capital Project Funds | 94,115,397 | 135,202,658 |
| Donations | 41,415,402 | 33,623,628 |
| | 513,151,065 | 546,446,552 |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS | | |
| | \$ 513,151,065 | \$ 546,446,552 |

This schedule presents only the historical cost of capital asset balances (no depreciation expenses) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY**

December 31, 2015

| Function and Activity | Land | Buildings | Improvements Other than Buildings | Machinery and Equipment | Infrastructure | Construction in Progress | Total 2015 | Total 2014 |
|---|-----------------------|----------------------|---|-------------------------------|-----------------------|--------------------------------|-----------------------|-----------------------|
| GENERAL GOVERNMENT | | | | | | | | |
| Miscellaneous general government | \$ 26,807,597 | \$ - | \$ 19,973 | \$ - | \$ 6,139,001 | \$ 5,483,190 | \$ 38,449,761 | \$36,157,654 |
| Total General Government: | 26,807,597 | - | 19,973 | - | 6,139,001 | 5,483,190 | 38,449,761 | 36,157,654 |
| CULTURE AND RECREATION | | | | | | | | |
| Culture and Recreation | 113,723,537 | 23,193,682 | 25,071,778 | - | 94,474,128 | 1,463,651 | 257,926,776 | 264,118,173 |
| Total Culture and Recreation: | 113,723,537 | 23,193,682 | 25,071,778 | - | 94,474,128 | 1,463,651 | 257,926,776 | 264,118,173 |
| TRANSPORTATION | | | | | | | | |
| Streets and Traffic | 138,821,088 | - | - | - | 69,203,050 | 8,750,390 | 216,774,528 | 246,170,725 |
| Total Transportation: | 138,821,088 | - | - | - | 69,203,050 | 8,750,390 | 216,774,528 | 246,170,725 |
| Total General Fixed Asset by Function: | \$ 279,352,222 | \$ 23,193,682 | \$ 25,091,751 | \$ - | \$ 169,816,179 | \$ 15,697,231 | \$ 513,151,065 | \$ 546,446,552 |

This schedule presents only the historical cost of capital asset balances (no depreciation expenses) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

For the Year Ended December 31, 2015

| | Governmental Funds Capital Assets 1/1/2015 | Additions | Deductions | Governmental Funds Capital Assets 12/31/2015 |
|---------------------------------------|---|-------------------------|--------------------------|---|
| GENERAL GOVERNMENT | | | | |
| Miscellaneous general government | \$36,157,654 | \$ 2,292,107 | \$ - | \$ 38,449,761 |
| TOTAL GENERAL GOVERNMENT | 36,157,654 | 2,292,107 | - | 38,449,761 |
| CULTURE AND RECREATION | | | | |
| | 264,118,173 | - | 6,191,397 | 257,926,776 |
| TOTAL CULTURE AND RECREATION | 264,118,173 | - | 6,191,397 | 257,926,776 |
| TRANSPORTATION | | | | |
| Streets and traffic | 246,170,725 | - | 29,396,197 | 216,774,528 |
| TOTAL TRANSPORTATION | 246,170,725 | - | 29,396,197 | 216,774,528 |
| TOTAL GENERAL FIXED ASSETS | \$ 546,446,552 | \$ 2,292,107 | \$ 35,587,594 | \$ 513,151,065 |

This schedule presents only the historical cost of capital asset balances (no depreciation expenses) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the City's overall financial health. The following are the five categories of information presented in this section.

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

Revenue Capacity – These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sales tax.

Debt Capacity – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

NET POSITION BY COMPONENT
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 93,835,163 | \$ 439,127,122 | \$ 456,600,030 | \$ 442,704,401 | 465,671,345 | 470,074,905 | 470,597,776 | 468,628,412 | 466,078,036 | 424,245,625 |
| Restricted | 38,359,454 | 32,269,512 | 28,434,066 | 27,476,530 | 17,442,323 | 23,941,601 | 22,847,077 | 22,594,884 | 17,391,272 | 20,193,214 |
| Unrestricted | 15,051,966 | 23,651,674 | 24,773,913 | 44,282,822 | 44,613,406 | 38,602,445 | 45,027,323 | 48,829,641 | 57,837,173 | 46,012,847 |
| Total governmental activities net position | 147,246,583 | 495,048,308 | 509,808,009 | 514,463,753 | 527,727,074 | 532,618,951 | 538,472,176 | 540,052,936 | 541,306,481 | 490,451,686 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 43,697,633 | 45,264,105 | 50,494,590 | 50,578,649 | 50,563,097 | 50,052,887 | 50,280,880 | 50,620,091 | 50,299,229 | 58,998,176 |
| Restricted | 26,439 | 15,777 | 42,558 | 16,366 | 9,411 | 18,831 | 26,496 | 20,559 | 20,311 | 15,906 |
| Unrestricted | 7,467,417 | 6,550,179 | 5,071,617 | 5,115,275 | 5,015,367 | 5,398,786 | 5,968,302 | 6,577,269 | 7,219,403 | 5,814,364 |
| Total business-type activities net position | 51,191,489 | 51,830,061 | 55,608,765 | 55,710,290 | 55,587,875 | 55,470,504 | 56,275,678 | 57,217,919 | 57,538,943 | 64,828,447 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 137,532,796 | 484,391,227 | 507,094,620 | 493,283,050 | 516,234,442 | 520,127,792 | 520,878,656 | 519,248,503 | 516,377,265 | 483,243,801 |
| Restricted | 38,385,893 | 32,285,289 | 28,476,624 | 27,492,896 | 17,451,734 | 23,960,432 | 22,873,573 | 22,615,443 | 17,411,583 | 20,209,120 |
| Unrestricted | 22,519,383 | 30,201,853 | 29,845,530 | 49,398,097 | 49,628,773 | 44,001,231 | 50,995,625 | 55,406,910 | 65,056,576 | 51,827,212 |
| Total primary government net assets | \$ 198,438,072 | \$ 546,878,369 | \$ 565,416,774 | \$ 570,174,043 | \$ 583,314,949 | \$ 588,089,455 | \$ 594,747,853 | \$ 597,270,856 | \$ 598,845,424 | \$ 555,280,133 |

Source: City of Federal Way Finance

Note: All amounts are reported on the accrual basis.

CHANGES IN NET POSITION
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 4,364,710 | \$ 4,506,800 | \$5,606,797 | \$4,566,457 | \$ 4,865,827 | \$ 4,448,449 | \$ 4,300,691 | \$ 4,575,614 | \$ 4,633,942 | \$ 4,743,932 |
| Security of persons and property | 19,906,722 | 23,107,683 | 24,745,284 | 26,341,614 | 26,842,240 | 27,222,584 | 27,604,936 | 27,894,695 | 29,703,386 | 32,017,617 |
| Transportation | 5,628,100 | 9,986,067 | 7,891,298 | 9,448,397 | 9,781,800 | 13,539,598 | 9,946,776 | 9,675,727 | 11,434,659 | 13,070,260 |
| Physical environment | 313,388 | 336,588 | 370,718 | 450,914 | 451,470 | 424,466 | 415,935 | 490,916 | 443,127 | 476,570 |
| Economic environment | 3,162,089 | 3,319,955 | 3,382,572 | 3,560,620 | 3,175,005 | 2,782,435 | 2,645,478 | 2,191,487 | 2,785,807 | 2,973,437 |
| Health and human svcs | 622,761 | 684,984 | 705,976 | 776,854 | 767,108 | 690,643 | 754,727 | 1,683,449 | 1,056,802 | 1,618,759 |
| Culture and recreation | 5,172,663 | 6,506,137 | 6,955,442 | 8,089,242 | 8,073,804 | 8,105,578 | 8,081,401 | 8,418,920 | 8,376,205 | 8,959,555 |
| Interest on long-term debt | 1,420,691 | 1,122,358 | 901,161 | 811,124 | 685,214 | 614,571 | 602,572 | 1,779,833 | 1,010,406 | 461,763 |
| Total governmental activities expenses | 40,591,124 | 49,570,572 | 50,559,248 | 54,045,222 | 54,642,468 | 57,828,324 | 54,352,517 | 56,710,640 | 59,444,335 | 64,321,893 |
| Business-type activities: | | | | | | | | | | |
| Surface Water Mgmt | 3,142,613 | 3,454,193 | 4,060,440 | 3,345,027 | 3,384,352 | 3,527,590 | 3,272,514 | 3,234,742 | 3,653,999 | 4,093,534 |
| Dumas Bay Center | 925,825 | 980,588 | 1,045,250 | 984,103 | 849,176 | 890,738 | 873,144 | 844,623 | 945,705 | 1,250,161 |
| Total business-type activities expenses | 4,068,438 | 4,434,781 | 5,105,690 | 4,329,130 | 4,233,528 | 4,418,328 | 4,145,658 | 4,079,365 | 4,599,703 | 5,343,694 |
| Total primary government expenses | 44,659,562 | 54,005,353 | 55,664,938 | 58,374,352 | 58,875,996 | 62,246,652 | 58,498,175 | 60,790,005 | 64,044,038 | 69,665,587 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General Government | 1,052,641 | 3,510,339 | \$2,313,939 | \$873,258 | 975,515 | 816,140 | 924,966 | 1,983,033 | 2,118,896 | 1,994,674 |
| Security of Persons & Property | 4,800,920 | 2,110,164 | 2,309,406 | 5,037,388 | 5,381,407 | 4,985,320 | 5,937,100 | 5,022,896 | 4,637,071 | 5,295,641 |
| Transportation | 1,357,333 | 3,119,637 | 513,340 | 1,806,846 | 1,961,083 | 2,484,058 | 2,139,292 | 577,489 | 1,804,199 | 1,362,118 |
| Physical Environment | 75,580 | - | 262,847 | 68,230 | 90,512 | 77,875 | 89,457 | 299,337 | 305,742 | 302,083 |
| Economic Environment | 762,603 | 1,009,707 | 1,962,624 | 860,908 | 636,534 | 510,483 | 568,973 | 2,201,375 | 3,059,772 | 2,698,841 |
| Health | 150,192 | - | - | 148,579 | 153,792 | 126,710 | 162,322 | - | - | - |
| Culture & Recreation | 1,247,495 | 531,041 | 2,561,685 | 1,546,931 | 1,618,659 | 1,487,099 | 1,738,098 | 2,431,603 | 2,476,383 | 2,475,852 |
| Operating grants and contributions | 1,512,394 | 22,858 | 1,538,476 | 2,172,168 | 9,718,920 | 4,597,981 | 5,367,163 | 6,007,682 | 5,410,098 | 6,544,176 |
| Capital grants and contributions | 5,973,071 | 11,457,030 | 8,933,154 | 8,452,149 | 9,044,477 | 9,716,551 | 5,225,265 | 3,892,651 | 5,632,549 | 4,508,428 |
| Total governmental activities program revenues | 16,932,229 | 21,760,776 | 20,395,471 | 20,804,457 | 29,580,898 | 24,802,216 | 22,152,636 | 22,416,065 | 25,444,710 | 25,181,813 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | 4,130,179 | 3,667,168 | 4,473,453 | 4,183,012 | 4,246,235 | 4,020,144 | 4,222,726 | 4,096,751 | 4,174,613 | 4,662,995 |
| Operating grants and contributions | 1,113,010 | 632,185 | - | - | - | 265,660 | 576,182 | 774,436 | 177,518 | 17,108 |
| Capital grants and contributions | - | 222,474 | - | - | - | - | - | - | 430,090 | 328,130 |
| Total business-type activities program revenues | 5,243,189 | 4,521,827 | 4,473,453 | 4,183,012 | 4,246,235 | 4,285,804 | 4,798,908 | 4,871,187 | 4,782,221 | 5,008,233 |
| Total primary government revenues | 22,175,418 | 26,282,603 | 24,868,924 | 24,987,469 | 33,827,133 | 29,088,020 | 26,951,544 | 27,287,252 | 30,226,931 | 30,190,046 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | (23,658,895) | (27,809,796) | (30,163,777) | (33,240,765) | (25,061,570) | (33,026,108) | (32,199,881) | (34,294,574) | (33,999,625) | (39,140,080) |
| Business-type activities | 1,174,751 | 87,046 | (632,237) | (146,118) | 12,707 | (132,524) | 653,250 | 791,822 | 182,517 | (335,461) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Sales tax | 12,409,719 | 13,048,624 | 12,144,276 | 10,583,298 | 10,708,951 | 10,858,381 | 10,534,147 | 11,346,338 | 12,173,281 | 13,297,086 |
| Local Criminal Justice Sales Tax | 1,953,822 | 2,145,383 | 2,051,524 | 1,743,893 | 1,701,120 | 1,795,971 | 1,864,991 | 1,992,667 | 2,138,406 | 2,319,124 |
| Utility tax | 9,043,449 | 12,796,461 | 13,469,136 | 13,549,472 | 12,890,310 | 13,068,510 | 13,083,179 | 12,584,293 | 12,028,878 | 11,796,550 |
| Property tax | 8,892,558 | 9,059,734 | 9,397,456 | 9,653,537 | 9,609,740 | 9,867,614 | 10,052,109 | 10,152,114 | 10,349,905 | 10,460,136 |
| Real estate excise tax | 5,499,911 | 4,898,537 | 2,590,310 | 1,428,985 | 1,403,361 | 1,560,395 | 1,507,313 | 2,034,033 | 2,062,722 | 3,031,159 |
| Gambling Tax | 1,363,468 | 1,489,952 | 1,259,783 | 1,127,203 | 493,486 | 511,005 | 114,443 | 178,696 | 176,068 | 177,807 |
| Hotel/Motel Tax | 175,219 | 191,691 | 188,833 | 154,148 | 149,058 | 185,289 | 193,344 | 208,839 | 231,828 | 266,053 |
| Leasehold tax | 4,592 | 7,254 | 5,712 | 4,999 | 5,757 | 6,259 | 5,820 | 5,989 | 6,693 | 6,104 |
| Other | 3,221,392 | 6,971,413 | 6,502,869 | 2,020,751 | 1,210,341 | 1,061,026 | 838,259 | 868,261 | 1,145,798 | 2,052,748 |
| Transfers | (107,581) | (185,495) | 123,518 | (200,907) | 152,768 | (113,000) | (140,500) | (137,419) | (116,000) | (17,959) |
| Total governmental activities | 42,456,549 | 50,423,554 | 47,733,417 | 40,065,379 | 38,324,892 | 38,801,450 | 38,053,106 | 39,233,811 | 40,197,580 | 43,388,808 |
| Business-type activities: | | | | | | | | | | |
| Other | 388,729 | 366,031 | 3,447,458 | 46,736 | 17,646 | 12,405 | 11,424 | 13,000 | 22,507 | 24,917 |
| Transfers | 107,581 | 185,495 | (123,518) | 200,907 | (152,768) | 113,000 | 140,500 | 137,419 | 116,000 | 17,959 |
| Total business-type activities | 496,310 | 551,526 | 3,323,940 | 247,643 | (135,122) | 125,405 | 151,924 | 150,419 | 138,507 | 42,876 |
| Total primary government | \$ 42,952,859 | \$ 50,975,080 | \$ 51,057,357 | \$40,313,022 | \$ 38,189,770 | \$ 38,926,855 | \$ 38,205,030 | \$ 39,384,230 | \$ 40,336,087 | \$ 43,431,684 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 18,797,654 | \$ 22,613,758 | \$ 17,569,640 | \$ 6,824,613 | \$ 13,263,321 | \$ 5,775,342 | \$ 5,853,224 | \$ 4,939,237 | \$ 6,197,955 | \$ 4,248,728 |
| Business-type activities | 1,671,061 | 638,572 | 2,691,703 | 101,525 | (122,415) | (7,119) | 805,174 | 942,241 | 321,025 | (292,585) |
| Prior Period Adjustment | - | - | (1,722,939) | (2,168,769) | - | - | - | (3,358,477) | (4,944,409) | (37,035,737) |
| Net Effect - Change in Accounting for Pensions | - | - | - | - | - | - | - | - | - | (10,485,698) |
| Total primary government | \$ 20,468,715 | \$ 23,252,330 | \$ 18,538,404 | \$ 4,757,370 | \$ 13,140,907 | \$ 5,768,223 | \$ 6,658,398 | \$ 2,523,001 | \$ 1,574,570 | \$(43,565,292) |

Source: City of Federal Way Finance

Note: All amounts are reported on the accrual basis.

GOVERNMENT-WIDE REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Program Revenues | | | | | | | | | | |
| Charges for Services | \$ 4,130,179 | \$ 14,580,241 | \$ 14,397,294 | \$ 14,363,151 | 15,063,736 | 14,507,828 | 15,782,934 | 16,612,484 | 18,576,675 | 18,792,204 |
| Operating Grants and Contributions | 2,625,404 | 246,305 | 1,538,476 | 2,172,168 | 9,718,920 | 4,863,641 | 5,943,345 | 6,782,118 | 5,587,616 | 6,561,284 |
| Capital Grants and Contributions | 5,973,071 | 11,457,030 | 8,933,154 | 8,452,149 | 9,044,477 | 9,716,551 | 5,225,265 | 3,892,651 | 6,062,639 | 4,836,558 |
| General revenues | | | | | | | | | | |
| Sales tax | 12,409,719 | 13,048,624 | 12,144,276 | 10,583,298 | 10,708,951 | 10,858,381 | 10,534,147 | 11,346,338 | 12,173,281 | 13,297,086 |
| Local Criminal Justice Sales Tax | 1,953,822 | 2,145,383 | 2,051,524 | 1,743,893 | 1,701,120 | 1,795,971 | 1,864,991 | 1,992,667 | 2,138,406 | 2,319,124 |
| Utility tax | 9,043,449 | 12,796,461 | 13,469,136 | 13,549,472 | 12,890,310 | 13,068,510 | 13,083,179 | 12,584,293 | 12,028,878 | 11,796,550 |
| Property tax | 8,892,558 | 9,059,734 | 9,397,456 | 9,653,537 | 9,609,740 | 9,867,614 | 10,052,109 | 10,152,114 | 10,349,905 | 10,460,136 |
| Real estate excise tax | 5,499,911 | 4,898,537 | 2,590,310 | 1,428,985 | 1,403,361 | 1,560,395 | 1,507,313 | 2,034,033 | 2,062,722 | 3,031,159 |
| Gambling Tax | 1,363,468 | 1,489,952 | 1,259,783 | 1,127,203 | 493,486 | 511,005 | 114,443 | 178,696 | 176,068 | 177,807 |
| Hotel/Motel Tax | 175,219 | 191,691 | 188,833 | 154,148 | 149,058 | 185,289 | 193,344 | 208,839 | 231,828 | 266,053 |
| Leasehold tax | 4,592 | 7,254 | 5,712 | 4,999 | 5,757 | 6,259 | 5,820 | 5,989 | 6,693 | 6,104 |
| Other revenue | 1,299,548 | 4,194,183 | 875,389 | 1,421,791 | 1,063,825 | 960,012 | 702,833 | 624,464 | 883,549 | 1,820,868 |
| Unrestricted Grants & Contribution | - | - | 7,448,783 | 284,350 | - | - | - | - | - | - |
| Investment Earnings | 3,194,690 | 3,223,005 | 1,678,292 | 385,976 | 179,373 | 113,419 | 146,850 | 256,797 | 284,757 | 256,797 |
| Disposition of capital assets | (884,117) | (79,744) | (52,137) | (24,630) | (15,211) | - | - | - | - | - |
| Total Revenues | 55,681,513 | 77,258,656 | 75,926,281 | 65,300,490 | 72,016,903 | 68,014,875 | 65,156,573 | 66,671,482 | 70,563,017 | 73,621,730 |
| Expenses/Expenditures | | | | | | | | | | |
| General Government | 4,364,710 | 4,506,800 | 5,606,797 | 4,566,457 | 4,865,827 | 4,448,449 | 4,300,691 | 4,575,614 | 4,633,942 | 4,743,932 |
| Security of Persons & Property | 19,906,722 | 23,107,683 | 24,745,284 | 26,341,614 | 26,842,240 | 27,222,584 | 27,604,936 | 27,894,695 | 29,703,386 | 32,017,617 |
| Transportation | 5,628,100 | 9,986,067 | 7,891,298 | 9,448,397 | 9,781,800 | 13,539,598 | 9,946,776 | 9,675,727 | 11,434,659 | 13,070,260 |
| Physical Environment | 313,388 | 336,588 | 370,718 | 450,914 | 451,470 | 424,466 | 415,935 | 490,916 | 443,127 | 476,570 |
| Economic Environment | 3,162,089 | 3,319,955 | 3,382,572 | 3,560,620 | 3,175,005 | 2,782,435 | 2,645,478 | 2,191,487 | 2,785,807 | 2,973,437 |
| Health | 622,761 | 684,984 | 705,976 | 776,854 | 767,108 | 690,643 | 754,727 | 1,683,449 | 1,056,802 | 1,618,759 |
| Culture & Recreation | 5,172,663 | 6,506,137 | 6,955,442 | 8,089,242 | 8,073,804 | 8,105,578 | 8,081,401 | 8,418,920 | 8,376,205 | 8,959,555 |
| Interest on long-term debt | 1,420,691 | 1,122,358 | 901,161 | 811,124 | 685,214 | 614,571 | 602,572 | 1,779,833 | 1,010,406 | 461,763 |
| Surface Water Management | 3,142,613 | 3,454,193 | 4,060,440 | 3,345,027 | 3,384,352 | 3,527,590 | 3,272,514 | 3,234,742 | 3,653,999 | 4,093,534 |
| Dumas Bay Centre | 925,825 | 980,588 | 1,045,250 | 984,103 | 849,176 | 890,738 | 873,144 | 844,623 | 945,705 | 1,250,161 |
| Total Expenses/Expenditures | \$ 44,659,562 | \$ 54,005,353 | \$ 55,664,938 | \$ 58,374,352 | \$ 58,875,996 | \$ 62,246,652 | \$ 58,498,175 | \$ 60,790,005 | \$ 64,044,038 | \$ 69,665,587 |

Source: City of Federal Way Finance

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General fund | | | | | | | | | | |
| Reserved | 278,778 | 125,184 | 418,207 | 106,728 | - | - | - | - | - | - |
| Unreserved | 6,492,057 | 7,783,868 | 5,511,440 | 8,138,468 | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | 81,146 | 104,012 | 69,398 | 76,538 | 105,417 | 136,806 |
| Restricted | - | - | - | - | 168,398 | 145,524 | 60,585 | 39,081 | 54,526 | 71,106 |
| Committed | - | - | - | - | - | 21,893 | 21,893 | 21,893 | 3,403,937 | 34,513 |
| Unassigned | - | - | - | - | 8,188,575 | 12,372,719 | 14,783,219 | 16,003,076 | 12,480,539 | 14,362,533 |
| Total general fund | 6,770,835 | 7,909,052 | 5,929,647 | 8,245,196 | 8,438,119 | 12,644,148 | 14,935,095 | 16,140,587 | 16,044,419 | 14,604,958 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | 194,463 | 2,323,184 | 1,763,667 | 4,770,399 | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 2,772,153 | 4,392,623 | 7,505,799 | 4,311,238 | - | - | - | - | - | - |
| Capital projects funds | 31,863,330 | 30,054,670 | 26,252,192 | 22,934,356 | - | - | - | - | - | - |
| Restricted | - | - | - | - | 17,776,967 | 19,325,489 | 18,079,168 | 17,478,394 | 17,231,330 | 19,985,302 |
| Committed | - | - | - | - | 18,611,612 | 11,642,248 | 15,813,105 | 16,371,292 | 19,530,016 | 17,114,881 |
| Assigned | - | - | - | - | 100,000 | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | \$ 41,047,292 | \$ 36,770,477 | \$ 35,521,658 | \$ 32,015,993 | \$ 36,488,580 | \$ 30,967,736 | \$ 33,892,273 | \$ 33,849,686 | \$ 36,761,346 | \$ 37,100,183 |

Source: City of Federal Way Finance

Note: Fund Balance reclassification implementation of GASB 54 for year's 2010 and forward

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|-----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 39,334,751 | \$ 43,584,824 | \$ 41,071,781 | \$ 38,192,852 | \$ 37,122,069 | \$ 37,831,045 | \$ 37,450,059 | \$ 38,505,413 | \$ 39,241,915 | \$ 41,387,894 |
| Licenses, fees and permits | 2,089,844 | 2,939,328 | 2,195,068 | 2,163,984 | 2,547,655 | 2,209,873 | 2,501,368 | 2,638,017 | 3,311,671 | 3,574,648 |
| Intergovernmental | 8,047,243 | 15,494,887 | 10,520,570 | 11,127,718 | 18,648,749 | 11,713,248 | 7,631,014 | 9,682,511 | 9,929,833 | 8,910,603 |
| Charges for services | 6,355,262 | 6,327,552 | 6,246,207 | 5,573,647 | 5,486,632 | 6,131,287 | 5,686,962 | 5,965,726 | 7,591,795 | 6,467,528 |
| Fines and Forfeitures | 805,598 | 1,005,293 | 1,433,628 | 2,200,092 | 2,783,214 | 2,146,524 | 3,371,878 | 3,911,990 | 3,498,596 | 4,087,033 |
| Investment earnings | 2,447,996 | 2,463,670 | 1,274,955 | 271,600 | 139,698 | 89,338 | 122,483 | 172,049 | 250,439 | 210,289 |
| Other revenues | 717,922 | 630,966 | 875,389 | 1,599,207 | 899,092 | 960,012 | 702,830 | 678,850 | 883,549 | 1,820,867 |
| Total revenues | 59,994,676 | 72,446,520 | 63,617,598 | 61,129,100 | 67,627,109 | 61,081,327 | 57,466,594 | 61,554,556 | 64,707,798 | 66,458,862 |
| Expenditures | | | | | | | | | | |
| General government | 3,944,288 | 4,364,750 | 5,197,032 | 4,518,821 | 4,857,177 | 4,234,327 | 4,402,129 | 4,495,029 | 4,444,772 | 4,707,145 |
| Security of persons and property | 19,909,858 | 24,183,913 | 25,470,722 | 27,051,814 | 26,892,207 | 28,332,237 | 26,562,270 | 29,028,242 | 31,235,230 | 32,471,782 |
| Transportation | 5,373,983 | 6,631,030 | 6,634,548 | 6,165,540 | 5,700,274 | 7,427,408 | 6,039,183 | 5,672,769 | 6,209,000 | 7,109,395 |
| Physical Environment | 313,388 | 336,588 | 370,718 | 448,873 | 450,971 | 427,315 | 409,042 | 468,220 | 461,718 | 478,807 |
| Economic Environment | 3,055,426 | 3,326,986 | 3,344,987 | 3,504,767 | 3,161,820 | 2,782,537 | 2,645,215 | 2,190,502 | 2,786,542 | 2,960,841 |
| Health | 613,800 | 677,536 | 700,876 | 772,151 | 765,963 | 690,824 | 754,311 | 1,681,986 | 1,057,841 | 1,617,818 |
| Culture and Recreation | 4,108,813 | 5,300,455 | 5,871,288 | 5,845,676 | 5,857,621 | 5,821,160 | 5,877,370 | 6,183,381 | 6,246,952 | 6,787,491 |
| Debt Service | | | | | | | | | | |
| Principal | 2,197,357 | 9,953,505 | 440,900 | 4,558,750 | 494,250 | 457,520 | 480,760 | 1,019,698 | 963,500 | 640,482 |
| Interest/fiscal charges/admin fee: | 1,420,691 | 1,122,358 | 901,161 | 811,124 | 685,214 | 614,571 | 602,572 | 1,781,778 | 1,021,945 | 491,379 |
| Capital Outlay | 24,412,303 | 19,162,067 | 18,037,109 | 8,443,523 | 14,249,501 | 11,560,205 | 4,337,758 | 8,987,949 | 17,508,958 | 10,237,386 |
| Total expenditures | 65,349,907 | 75,059,188 | 66,969,341 | 62,121,039 | 63,114,998 | 62,348,104 | 52,110,610 | 61,509,554 | 71,936,458 | 67,502,526 |
| Excess of revenues over (under) expenditures | (5,355,231) | (2,612,668) | (3,351,743) | (991,939) | 4,512,111 | (1,266,777) | 5,355,984 | 45,002 | (7,228,660) | (1,043,664) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| GO bond proceeds | 4,100,000 | - | - | - | - | - | - | 12,415,000 | - | - |
| Bond principal payoff | - | - | - | - | - | - | - | (11,955,000) | - | - |
| Sale of capital assets | 20,000 | (23,786) | - | - | - | 9,162 | - | 5,500 | - | - |
| Anticipation Note | - | - | - | - | - | - | - | - | 8,209,960 | - |
| Bond premium | - | - | - | - | - | - | - | 410,660 | - | - |
| Transfers in | 13,231,785 | 22,688,136 | 16,232,916 | 25,619,678 | 22,473,128 | 21,453,223 | 16,228,281 | 18,972,853 | 40,440,790 | 14,422,187 |
| Transfers out | (13,517,681) | (23,190,280) | (16,109,398) | (25,817,857) | (22,319,725) | (21,510,423) | (16,368,781) | (18,731,107) | (38,606,598) | (14,479,146) |
| Total other financing sources (uses) | 3,834,104 | (525,930) | 123,518 | (198,179) | 153,403 | (48,038) | (140,500) | 1,117,906 | 10,044,152 | (56,959) |
| Net change in fund balances | \$ (1,521,127) | \$ (3,138,598) | \$ (3,228,225) | \$ (1,190,118) | \$ 4,665,514 | \$ (1,314,815) | \$ 5,215,484 | \$ 1,162,908 | \$ 2,815,492 | \$ (1,100,623) |
| Debt service as a percentage of noncapital expenditures | 8.8% | 19.8% | 2.7% | 10.0% | 2.4% | 2.1% | 2.3% | 5.3% | 3.6% | 2.0% |

Source: City of Federal Way Finance

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*
Last Ten Fiscal Years

| Fiscal Year | Real Property | Personal Property | State Public Service Property | Total | Total City Direct Tax Rate | Percent Increase (Decrease) |
|-------------|---------------|-------------------|-------------------------------|---------------|----------------------------|-----------------------------|
| 2006 | 7,689,395,358 | 235,157,554 | 87,062,687 | 8,011,615,599 | 1.22 | 10.5% |
| 2007 | 8,644,609,276 | 262,048,562 | 103,698,540 | 9,010,356,378 | 1.14 | 12.5% |
| 2008 | 9,527,060,585 | 257,152,954 | 97,434,092 | 9,881,647,631 | 1.04 | 9.7% |
| 2009 | 8,294,282,076 | 236,445,351 | 92,287,195 | 8,623,014,622 | 0.97 | -12.7% |
| 2010 | 7,948,924,766 | 228,247,721 | 91,163,299 | 8,268,335,786 | 1.13 | -4.1% |
| 2011 | 7,410,324,237 | 219,890,581 | 92,768,984 | 7,722,983,802 | 1.20 | -6.6% |
| 2012 | 6,832,615,312 | 213,389,519 | 96,827,145 | 7,142,831,976 | 1.30 | -7.5% |
| 2013 | 7,076,203,165 | 212,126,219 | 97,686,143 | 7,386,015,527 | 1.42 | 3.4% |
| 2014 | 8,043,211,679 | 223,362,313 | 109,128,234 | 8,375,702,226 | 1.40 | 13.4% |
| 2015 | 8,550,055,199 | 233,032,732 | 122,206,127 | 8,905,294,058 | 1.25 | 6.3% |

* Real, personal, and state public service property has been assessed at 100% of the estimated value.

Source: King County Assessor's Office.

Note: These figures include all final tax adjustments, non-taxable, senior citizen exempted property and omits. The total assessed value was reduced by senior citizen exemptions (no tax amounts) of \$55,636,338 and prior year omits of \$663,172 yielding a taxable assessed value of \$8,848,994,548. The assessed valuations are the basis for the following year's tax levy.

PROPERTY TAX RATES AND LEVIES, DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

| Fiscal Year | City Direct Rates* | Overlapping Rates | | | | | | | | | Total |
|--|---------------------|----------------------------------|-------------|------------------|------------------------|-----------------|-----------------------|-------------------|-------------|----------------------------|---------------|
| | City of Federal Way | Federal Way School District #210 | King County | Washington State | King County Flood Zone | Port of Seattle | County Ferry District | Fire District #39 | Library | Emergency Medical Services | |
| TAX RATES PER \$1,000 OF ASSESSED VALUATION | | | | | | | | | | | |
| 2006 | 1.22 | 4.26 | 1.33 | 2.50 | 0.04 | 0.23 | - | 1.50 | 0.53 | 0.22 | 11.84 |
| 2007 | 1.14 | 4.19 | 1.29 | 2.33 | 0.04 | 0.23 | - | 1.50 | 0.50 | 0.21 | 11.42 |
| 2008 | 1.04 | 4.15 | 1.21 | 2.13 | 0.10 | 0.22 | 0.055 | 1.50 | 0.45 | 0.30 | 11.16 |
| 2009 | 0.97 | 4.20 | 1.10 | 1.96 | 0.09 | 0.20 | 0.052 | 1.50 | 0.42 | 0.27 | 10.76 |
| 2010 | 1.13 | 5.11 | 1.28 | 2.22 | 0.11 | 0.22 | 0.003 | 1.50 | 0.49 | 0.30 | 12.36 |
| 2011 | 1.20 | 5.36 | 1.34 | 2.28 | 0.11 | 0.22 | 0.004 | 1.39 | 0.57 | 0.30 | 12.77 |
| 2012 | 1.30 | 5.77 | 1.42 | 2.42 | 0.12 | 0.23 | 0.004 | 1.50 | 0.57 | 0.30 | 13.63 |
| 2013 | 1.42 | 7.55 | 1.54 | 2.57 | 0.13 | 0.23 | 0.004 | 1.82 | 0.57 | 0.30 | 16.14 |
| 2014 | 1.40 | 7.28 | 1.52 | 2.47 | 0.15 | 0.22 | 0.003 | 1.81 | 0.56 | 0.34 | 15.75 |
| 2015 | 1.25 | 6.42 | 1.35 | 2.29 | 0.14 | 0.19 | - | 1.77 | 0.50 | 0.30 | 14.20 |
| DETAIL OF TAX RATES FOR 2015 | | | | | | | | | | | |
| Basic Rate | 1.25 | - | 1.31 | 2.29 | 0.14 | 0.19 | - | 1.50 | 0.45 | - | 7.12 |
| Voted Rate | - | 6.42 | 0.03 | - | - | - | - | 0.27 | 0.06 | 0.30 | 7.07 |
| TAX LEVIES | | | | | | | | | | | |
| 2006 | 8,800,989 | 43,672,564 | 357,240,140 | 672,185,668 | 922,666 | 62,785,749 | - | 14,108,124 | 85,715,008 | 59,154,623 | 1,304,585,531 |
| 2007 | 9,098,370 | 47,315,366 | 383,039,569 | 691,250,598 | 956,482 | 68,841,070 | - | 19,882,637 | 88,486,309 | 61,300,276 | 1,370,170,677 |
| 2008 | 9,300,030 | 52,730,549 | 409,763,053 | 723,908,902 | 33,945,830 | 75,908,664 | 18,670,739 | 22,288,360 | 91,371,026 | 101,861,635 | 1,539,748,788 |
| 2009 | 9,551,027 | 58,588,636 | 422,757,529 | 756,272,108 | 35,151,944 | 75,911,308 | 19,335,328 | 23,715,724 | 95,398,383 | 105,611,047 | 1,602,293,034 |
| 2010 | 9,690,241 | 61,404,973 | 437,163,660 | 756,411,197 | 35,783,324 | 73,504,599 | 1,185,576 | 20,409,747 | 97,015,693 | 102,103,088 | 1,594,672,098 |
| 2011 | 9,827,398 | 61,622,347 | 439,635,095 | 749,341,420 | 36,076,405 | 73,512,887 | 1,184,924 | 18,234,001 | 115,495,462 | 98,604,471 | 1,603,534,410 |
| 2012 | 9,967,650 | 61,493,504 | 449,642,988 | 769,672,818 | 36,904,878 | 73,014,552 | 1,182,466 | 18,291,481 | 112,332,714 | 95,287,781 | 1,627,790,832 |
| 2013 | 10,081,231 | 74,591,150 | 482,114,428 | 803,686,293 | 41,355,065 | 73,020,604 | 1,183,773 | 20,431,912 | 109,665,815 | 93,899,062 | 1,710,029,333 |
| 2014 | 10,240,148 | 74,592,913 | 482,114,428 | 837,694,800 | 52,112,348 | 73,018,695 | 1,183,251 | 20,866,842 | 116,790,442 | 113,565,682 | 1,782,179,549 |
| 2015 | 10,379,941 | 75,700,006 | 519,943,107 | 883,333,788 | 53,576,135 | 73,003,848 | - | 23,587,509 | 120,007,126 | 116,779,587 | 1,876,311,047 |

Source: King County Assessor's Office and King County Department of Finance.

*The City of Federal Way's Direct Rate has only one component which is the expense levy.

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

| Taxpayer | Type of Business | 2015 | | | 2006 | | |
|---|----------------------------|-----------------------|------|-------------------------------|-----------------------|------|-----------------------------------|
| | | Assessed Valuation | Rank | % of Total Assessed Valuation | Assessed Valuation | Rank | % of Total Assessed Valuation (A) |
| Weyerhaeuser | Lumber Products | \$ 153,484,307 | 1 | 1.73% | \$ 167,414,932 | 1 | 2.09% |
| Puget Sound Energy-Elec/Gas | Electric/Gas | 83,319,817 | 2 | 0.94% | 48,104,743 | 3 | 0.60% |
| Commons Mall LLC | Real Estate Management | 56,628,200 | 3 | 0.64% | 47,456,212 | 4 | 0.59% |
| Harsch Investment Properties | Real Estate Management | 56,089,000 | 4 | 0.63% | 49,261,700 | 2 | 0.61% |
| ROC II WA Cove LLC | Real Estate Management | 37,210,000 | 5 | 0.42% | - | | 0.00% |
| KNL Vision WA LLC (formerly BRE Prop.) | Real Estate Management | 35,019,000 | 6 | 0.40% | 21,470,823 | 7 | 0.27% |
| LBA Realty Fund | Communications/Telephone | 30,484,000 | 7 | 0.34% | - | | 0.00% |
| Qwest Corporation Inc. | Real Estate Management | 22,804,736 | 8 | 0.26% | 27,144,640 | 5 | 0.34% |
| Fred Meyer | Retailer | 21,705,200 | 9 | 0.25% | 21,203,901 | 8 | 0.26% |
| IHP - Courtyard by Marriott (formerly Apple Hospitality Five) | Hospitality | 17,430,400 | 10 | 0.20% | 13,342,900 | 13 | 0.17% |
| Virginia Mason | Medical Services | 16,982,873 | 11 | 0.19% | 17,430,692 | 9 | 0.22% |
| Costco | Retailer / Wholesaler | 15,708,243 | 12 | 0.18% | 15,284,689 | 11 | 0.19% |
| Campus Business Parks LLC | Real Estate Invest/Holding | 11,948,600 | 13 | 0.14% | 17,415,900 | 10 | 0.22% |
| ANS LLC | Retailer | 11,164,800 | 14 | 0.13% | - | | 0.00% |
| Red Mortgage Capital Inc | Finance | - | | 0.00% | 24,067,000 | 6 | 0.30% |
| Wells Fargo | Finance | - | | 0.00% | 13,319,700 | 12 | 0.17% |
| Quadrant Corporation | Real Estate Management | - | | 0.00% | 6,565,600 | 14 | 0.08% |
| | | <u>\$ 569,979,176</u> | | <u>6.44%</u> | <u>\$ 489,483,432</u> | | <u>6.11%</u> |

Source: King County Assessor's Office and King County Department of Finance.
(A) 2006 taxable assessed valuation for the City of Federal Way was \$8,011,615,599

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | Total Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Total Tax Levy |
|-------------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|------------------------------------|---|
| | | Current Tax Amount | Percentage of Levy | | Total Tax Amount | Percentage of Levy | | |
| 2006 | 8,933,515 | 8,584,565 | 96.1% | 347,410 | 8,931,975 | 100.0% | 1,540 | 0.0% |
| 2007 | 9,068,740 | 8,868,895 | 97.8% | 196,962 | 9,065,857 | 100.0% | 2,883 | 0.0% |
| 2008 | 9,265,234 | 9,037,601 | 97.5% | 185,130 | 9,222,731 | 99.5% | 42,502 | 0.5% |
| 2009 | 9,511,404 | 9,277,004 | 97.5% | 172,687 | 9,449,691 | 99.4% | 61,713 | 0.6% |
| 2010 | 9,680,047 | 9,433,214 | 97.5% | 139,340 | 9,572,554 | 98.9% | 107,493 | 1.1% |
| 2011 | 9,755,022 | 9,506,527 | 97.5% | 186,036 | 9,692,563 | 99.4% | 62,459 | 0.6% |
| 2012 | 9,919,406 | 9,739,696 | 98.2% | (0) | 9,739,696 | 98.2% | 179,710 | 1.8% |
| 2013 | 10,081,231 | 9,848,925 | 97.7% | 37,272 | 10,029,029 | 99.5% | 195,033 | 1.9% |
| 2014 | 10,240,148 | 10,035,433 | 98.0% | 56,371 | 10,091,805 | 98.6% | 148,343 | 1.4% |
| 2015 | 10,379,941 | 10,188,421 | 98.2% | 39,138 | 10,227,559 | 98.5% | 152,382 | 1.5% |

Source: Most of data has been derived from the "Annual Tax Receivable Summary" prepared by the King County Finance.

RATIO OF OUTSTANDING DEBT BY TYPE
For the Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | Business Type Activities | | Total Primary Government | Percentage of Personal Income (b) | Per Capita (b) |
|-------------|--------------------------|-------------------------------|------------------------------|--|--------------------------|-----------------------------------|----------------|
| | General Obligation Bonds | Certificates of Participation | Public Works Trust Fund Loan | | | | |
| 2006 | 29,581,454 | - | 1,939,471 | | 31,520,925 | 0.071% | 364 |
| 2007 | 19,605,000 | - | 1,757,112 | | 21,362,112 | 0.122% | 244 |
| 2008 | 19,138,000 | - | 1,574,753 | | 20,712,753 | 0.134% | 235 |
| 2009 | 29,212,950 | - | 1,392,394 | | 30,605,344 | 0.090% | 346 |
| 2010 | 28,683,950 | - | 1,210,035 | | 29,893,985 | 0.091% | 337 |
| 2011 | 28,157,950 | - | 1,027,676 | | 29,185,626 | 0.091% | 327 |
| 2012 | 27,616,950 | - | 845,317 | | 28,462,267 | 0.093% | 318 |
| 2013 | 27,016,400 | - | 662,958 | | 27,679,358 | 0.097% | 309 |
| 2014 | 34,703,360 | - | 480,600 | | 35,183,960 | 0.058% | 390 |
| 2015 | 33,656,660 | - | 384,481 | | 34,041,141 | 0.080% | 375 |

Source: City of Federal Way Finance Division

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

See Demographic Statistics schedule for personal income and population data. These ratios are calculated using personal income for the prior calendar year.

(b) Per capita income information for the years 2005 to 2007 are based on 2000 U.S. Census report since this information is available for individual cities only every ten years when the census is done. 2008-2015 info for Federal Way is based on US Census Bureau, 2010-2014 American Community Survey five-year Estimates.

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
For the Last Ten Fiscal Years**

| Fiscal Year | (A) Population | (B) Assessed Value | (C) Gross Bonded Debt | Less Restricted for Debt | Net Bonded Debt | Ratio of Net Bonded Debt To Assessed Value | Net Bonded Debt Per Capita |
|-------------|-------------------|-----------------------|--------------------------|--------------------------|-----------------|--|----------------------------|
| 2006 | 86,530 | 8,011,615,599 | 31,520,925 | 6,001,415 | 25,519,510 | 0.0032 | 294.92 |
| 2007 | 87,390 | 9,010,356,378 | 21,362,112 | 2,147,282 | 19,214,830 | 0.0021 | 219.87 |
| 2008 | 88,040 | 9,825,319,904 | 20,712,753 | 1,882,041 | 18,830,712 | 0.0019 | 213.89 |
| 2009 | 88,578 | 8,563,964,852 | 30,605,344 | 4,225,463 | 26,379,881 | 0.0031 | 297.82 |
| 2010 | 88,760 | 8,206,354,959 | 29,893,985 | 3,379,427 | 26,514,558 | 0.0032 | 298.72 |
| 2011 | 89,370 | 7,659,569,844 | 29,185,626 | 3,866,184 | 25,319,442 | 0.0033 | 283.31 |
| 2012 | 89,460 | 7,142,831,976 | 28,462,267 | 4,182,345 | 24,279,922 | 0.0034 | 271.41 |
| 2013 | 89,718 | 7,386,015,527 | 27,679,358 | 5,248,336 | 22,431,022 | 0.0030 | 250.02 |
| 2014 | 90,147 | 8,375,702,226 | 35,183,960 | 2,136,390 | 33,047,570 | 0.0039 | 366.60 |
| 2015 | 90,764 | 8,905,294,058 | 34,041,141 | 2,283,702 | 31,757,439 | 0.0036 | 349.89 |

(A) Sources: State of Washington Office of Financial Management Population Estimates.

(B) The final certified Regular Levy assessed value of taxable property which was used by the King County Assessor's Office for use in calculating levy rates for the following year's tax roll. The total assessed valuation of \$8,905,294,058 has been reduced by non-taxable of \$55,636,338 and prior year omits of \$663,172 to arrive at taxable assessed valuation of \$8,848,994,548.

(C) Includes Public Works Trust Fund Loans issued in 2000; general obligation bonds issued in 2009, 2010, 2013, and 2014.

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2015

| <u>Jurisdiction</u> | (A) Gross General Obligation Debt Outstanding | (B) Percentage Applicable to Federal Way | Amount Applicable to Federal Way |
|--|--|---|--|
| King County | \$ 1,302,395,769 | 2.09% | \$ 27,204,430 |
| Port of Seattle | 305,535,000 | 2.09% | 6,382,012 |
| Federal Way School District #210 | 168,690,885 | 69.45% | 117,160,135 |
| Fire District # 39 | 7,150,000 | 63.26% | 4,523,211 |
| Library | 109,205,000 | 3.59% | 3,921,928 |
| Total Overlapping Debt | 1,892,976,654 | | 159,191,716 |
| CITY OF FEDERAL WAY | 33,656,660 (C) | 100.00% | 33,656,660 |
| Total Direct and Overlapping Debt | <u>\$ 1,926,633,314</u> | | <u>\$ 192,848,376</u> |

- (A) Total general obligation bonds outstanding at the year end, exclusive of available cash in debt service funds, proprietary-type debt, credit enhancement and hotel/motel debt. Source is King County Financial Management.
- (B) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.
- (C) Includes general obligation bonds issued in 2009, 2010, 2013, and 2014.
Source is City of Federal Way Finance

**COMPUTATION OF LIMITATION OF INDEBTEDNESS
December 31, 2015**

| DESCRIPTION | General Debt Capacity | | Excess Levy Open Space and Park | Excess Levy Utility Purposes | Total Debt Capacity |
|--|---------------------------|----------------------------|---------------------------------------|------------------------------------|------------------------|
| | (Limited) Councilmanic | (Unlimited) Excess Levy | | | |
| Statutory debt limit: | | | | | |
| (2015 AV=\$8,848,994,548) (A) | | | | | |
| 1.50% AV @ 100% | \$ 132,734,918 | \$ (132,734,918) | \$ - | \$ - | \$ - |
| 2.50% AV @ 100% | - | 221,224,864 | 221,224,864 | 221,224,864 | 663,674,591 |
| Add: Cash on hand for debt redemption (B) | 2,283,702 | - | - | - | 2,283,702 |
| Less: Bonds and COPs outstanding | (33,656,660) | - | - | - | (33,656,660) |
| Remaining Debt Capacity | \$ 101,361,960 | \$ 88,489,945 | \$ 221,224,864 | \$ 221,224,864 | \$ 632,301,633 |
| Total Remaining "General" Capacity | <u>\$189,851,906</u> | | | | |

- (A) This figure represents the City's final total taxable assessed valuation (AV) for 2015 which was used to determine the 2016 property tax levy.
- (B) Reflects debt servicing required for the following year.
- (C) Combined total for Councilmanic, Financing Lease, and Excess Levy capacities.

| Fiscal Year | Debt limit | Total net debt applicable to limit | Legal debt margin | Total net debt applicable to the limit as a % of debt limit |
|-------------|-------------|--|----------------------|--|
| 2006 | 543,899,454 | (21,459,145) | 522,440,309 | 4.32% |
| 2007 | 600,871,170 | (12,012,597) | 588,858,573 | 3.91% |
| 2008 | 736,889,175 | (11,615,105) | 725,274,070 | 1.58% |
| 2009 | 741,123,572 | (22,913,431) | 718,210,141 | 3.09% |
| 2010 | 615,476,622 | (22,291,874) | 593,184,748 | 3.62% |
| 2011 | 579,223,785 | (20,964,944) | 558,258,841 | 3.62% |
| 2012 | 535,712,398 | (25,612,462) | 510,099,936 | 4.78% |
| 2013 | 550,022,093 | (25,064,092) | 524,958,001 | 4.56% |
| 2014 | 623,929,441 | (32,566,971) | 591,362,470 | 5.22% |
| 2015 | 663,674,591 | (31,372,958) | 632,301,633 | 4.73% |

Source: City of Federal Way Finance
(A) King County Department of Finance

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessor's property value.

By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES NET OF DEBT SERVICE EXPENSE**

| Fiscal Year | Principal | Interest * | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|-------------|-----------|------------|--------------------|---|--|
| 2006 | 2,219,676 | 1,418,843 | 3,638,519 | 41,086,555 | 8.9% |
| 2007 | 9,976,455 | 1,153,300 | 11,129,755 | 56,186,140 | 19.8% |
| 2008 | 467,000 | 841,542 | 1,308,542 | 51,278,215 | 2.6% |
| 2009 | 4,585,000 | 824,693 | 5,409,693 | 54,585,436 | 9.9% |
| 2010 | 525,000 | 629,419 | 1,154,419 | 50,093,838 | 2.3% |
| 2011 | 526,000 | 622,903 | 1,148,903 | 49,482,421 | 2.3% |
| 2012 | 480,760 | 1,114,827 | 1,595,587 | 47,879,445 | 3.3% |
| 2013 | 1,050,430 | 1,413,862 | 2,464,292 | 57,934,989 | 4.3% |
| 2014 | 995,300 | 985,475 | 1,980,775 | 48,877,840 | 4.1% |
| 2015 | 771,120 | 495,359 | 1,266,479 | 48,845,021 | 2.6% |

Source: City of Federal Way Finance

Note: * Interest excludes bond issuance and debt registration costs.

DEMOGRAPHIC STATISTICS

| Fiscal Year | Population | Personal Income Sea-Tac-Bel [D] | Per Capita Income [C] | Median Age [C] | Education Level in Years of Formal Schooling | School Enrollment (A) | Unemployment Rate (B) |
|-------------|------------|---------------------------------|-----------------------|----------------|--|-----------------------|-----------------------|
| 2006 | 86,530 | 149,858,462,000 | 22,451 | 32.5 | 13.0 | 22,184 | 4.5% |
| 2007 | 87,390 | 162,934,794,000 | 26,137 | 37.2 | 13.0 | 21,775 | 4.1% |
| 2008 | 88,040 | 169,798,086,000 | 27,730 | 37.0 | 13.0 | 21,622 | 5.1% |
| 2009 | 88,578 | 171,680,771,000 | 27,638 | 36.6 | 13.0 | 21,700 | 8.9% |
| 2010 | 88,760 | 176,084,963,000 | 27,307 | 35.1 | 13.0 | 21,630 | 9.7% |
| 2011 | 89,370 | 178,306,642,000 | 26,668 | 35.2 | 13.0 | 21,608 | 8.9% |
| 2012 | 89,460 | 189,431,079,000 | 26,514 | 34.9 | 13.0 | 20,665 | 8.1% |
| 2013 | 89,718 | 199,243,414,000 | 26,740 | 34.9 | 13.0 | 21,554 | 7.4% |
| 2014 | 90,147 | 213,700,152,000 | 20,481 | 35.1 | 13.0 | 21,772 | 6.2% |
| 2015 | 90,764 | N/A | 27,145 | 35.7 | 13.0 | 21,979 | 5.3% |

- (A) Includes public school enrollment. Kindergarten is included though not State mandated.
- (B) Unemployment rates came from the US Department of Labor, Bureau of Labor Statistics.
- (C) 2015 information for Federal Way is based on 2010-2014 American Community Survey five-year Estimates.
- (D) Personal income information is for Seattle-Tacoma-Bellevue area provided by the Bureau of Economic Analysis, information for 2015 not available. 2015 data for Personal Income to be published fall of 2016.

Sources: Data was obtained from U. S. Census Bureau
 US Department of Labor, Bureau of Labor Statistics
 US Department of Commerce, Bureau of Economic Analysis
 School data was provided by the Federal Way School District.

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

| Taxpayer | Type of Business | 2015 | | | 2006 | | |
|-------------------------------|-----------------------------------|---------------------|------|----------------------------|---------------------|------|----------------------------|
| | | Number of Employees | Rank | % of Total City Employment | Number of Employees | Rank | % of Total City Employment |
| Federal Way Public Schools | Educational Services | 2,242 | 1 | 7.50% | 3,048 | 2 | 10.19% |
| Xerox Commerical Services LLC | Business Services | 1,350 | 2 | 4.51% | - | - | 0.00% |
| Weyerhaeuser Company | Lumber Products | 1,145 | 3 | 3.83% | 3,418 | 1 | 11.43% |
| St Francis Hospital | Medical Services | 1,032 | 4 | 3.45% | 744 | 3 | 2.49% |
| Wild Waves | Amusement Center | 871 | 5 | 2.91% | 639 | 4 | 2.14% |
| World Vision Inc | Christian Relief Agency-Nonprofit | 854 | 6 | 2.86% | 596 | 6 | 1.99% |
| Us Postal Service - Bulk Mail | Postal Service | 616 | 7 | 2.06% | 626 | 5 | 2.09% |
| Wal-Mart | Retail | 484 | 8 | 1.62% | 225 | 10 | 0.75% |
| City Of Federal Way | Government Services | 476 | 9 | 1.59% | 440 | 7 | 1.47% |
| Davita | Health Services | 318 | 10 | 1.06% | - | - | 0.00% |
| Costco Wholesale Corporation | Wholesale | 301 | 11 | 1.01% | 283 | 8 | 0.95% |
| Virginia Mason Federal Way | Medical Services | 253 | 12 | 0.85% | 235 | 9 | 0.79% |
| BergerABAM Inc | Engineering/Architectural | 234 | 13 | 0.78% | 116 | 32 | 0.39% |
| Fred Meyer | Retail | 226 | 14 | 0.76% | 206 | 11 | 0.69% |
| Robert Half International | Employment Agency | 204 | 15 | 0.68% | - | - | 0.00% |

Source: City of Federal Way Business License

Note: Principal Employers - includes both full-time and part-time employees.

PROPERTY VALUE AND CONSTRUCTION

| Year | Commercial Construction (A) | | Residential Construction (A) | | Multi-Family Construction (A) | |
|------|-----------------------------|-------------------------|------------------------------|-------------------------|-------------------------------|-------------------------|
| | Permits | Value (In Thousands) | Permits | Value (In Thousands) | Permits | Value (In Thousands) |
| 2006 | 332 | 78,194 | 455 | 70,862 | 1 | 2,027 |
| 2007 | 370 | 59,666 | 388 | 55,321 | 33 | 11,487 |
| 2008 | 256 | 45,810 | 258 | 17,554 | 91 | 26,025 |
| 2009 | 132 | 45,343 | 275 | 13,057 | 76 | 20,802 |
| 2010 | 149 | 31,043 | 321 | 19,676 | 75 | 2,686 |
| 2011 | 134 | 12,724 | 301 | 19,455 | 47 | 847 |
| 2012 | 160 | 27,989 | 346 | 29,115 | 92 | 974 |
| 2013 | 162 | 22,891 | 369 | 33,260 | 131 | 5,442 |
| 2014 | 220 | 35,923 | 359 | 30,923 | 53 | 61,511 |
| 2015 | 181 | 73,654 | 343 | 20,341 | 109 | 104,115 |

Sources & Notes:

- (A) Federal Way Community & Economic Development Department. Commercial construction includes alterations. Other building-related permits (plumbing, mechanical, fire alarm, etc.) numbering 3,686 and valued at \$7,886,083 have been excluded.

CAPITAL ASSETS BY FUNCTION
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Transportation | | | | | | | | | | |
| Street (Center Line Miles) | 233.84 | 233.84 | 234.72 | 234.72 | 242.90 | 248.23 | 248.23 | 249.25 | 249.25 | 249.25 |
| Signals WSDOT-owned and maintained | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 |
| Signals City-owned & County-maintained | 74 | 74 | 76 | 76 | 76 | 76 | 77 | 77 | 77 | 77 |
| Street lights City-owned and maintained | 1,214 | 1,214 | 1,463 | 1,467 | 1,509 | 1,554 | 1,618 | 1,705 | 1,728 | 1,728 |
| Street lights City-owned and PSE-maintained | 644 | 644 | 644 | 644 | 644 | 644 | 644 | 644 | 644 | 644 |
| Street lights PSE-owned and maintained | 1,975 | 1,975 | 1,975 | 1,975 | 1,975 | 1,975 | 1,975 | 1,975 | 1,978 | 1,980 |
| Culture & Recreation | | | | | | | | | | |
| Developed Parks - Acreage | 522.9 | 524.49 | 524.49 | 524.49 | 524.49 | 524.49 | 579.86 | 579.86 | 588.99 | 588.99 |
| Developed Parks - # of Parks | 32 | 32 | 32 | 32 | 32 | 32 | 29 | 29 | 30 | 30 |
| Undeveloped Parks - Acreage | 543.5 | 543.46 | 551.12 | 551.12 | 551.12 | 551.12 | 539.43 | 539.43 | 539.43 | 539.43 |
| Undeveloped Parks - # of Parks | 21 | 21 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Tennis Courts City-Owned | 11 | 11 | 11 | 11 | 11 | 11 | 9 | 9 | 9 | 9 |
| Tennis Courts - Public | 22 | 22 | 22 | 22 | 22 | 22 | 25 | 25 | 25 | 25 |
| Swimming Pools City-Owned | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Swimming Pools County-Owned | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 3 | 3 | 3 |
| Trails - Miles | 6 | 6 | 6 | 6 | 6 | 6 | 9 | 9 | 9 | 9 |
| Trails - # of Trails | 2 | 2 | 3 | 3 | 3 | 3 | 6 | 6 | 6 | 6 |
| Community Centers/Recreation Facilities | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |

Source: City of Federal Way Public Works and Parks Department

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| SECURITY OF PERSONS & PROPERTY | | | | | | | | | | |
| Police Information | | | | | | | | | | |
| Offenses: | | | | | | | | | | |
| Forcible Rape (including attempts) | 64 | 48 | 30 | 51 | 50 | 38 | 48 | 35 | 62 | 39 |
| Robbery | 146 | 129 | 170 | 198 | 152 | 119 | 107 | 107 | 135 | 152 |
| Criminal Homicide | 1 | 3 | 10 | 5 | 5 | 4 | 3 | 6 | 4 | 4 |
| Aggravated Assault | 120 | 107 | 115 | 115 | 118 | 99 | 150 | 133 | 148 | 178 |
| Vehicle Theft | 1,199 | 939 | 816 | 561 | 741 | 694 | 800 | 778 | 869 | 762 |
| Burglary (commercial & residential) | 753 | 739 | 800 | 741 | 828 | 752 | 931 | 801 | 816 | 635 |
| Larceny | 3,230 | 3,159 | 2,933 | 3,231 | 3,141 | 3,067 | 3,409 | 3,571 | 3,912 | 3,701 |
| Arson | 26 | 18 | 13 | 13 | 11 | 11 | 9 | 7 | 13 | 14 |
| Citations: | | | | | | | | | | |
| Traffic | 11,931 | 14,043 | 19,339 | 20,678 | 18,094 | 17,226 | 13,023 | 17,558 | 13,705 | 15,466 |
| Red Light Photo | - | - | 3,813 | 13,002 | 25,691 | 15,340 | 13,455 | 24,454 | 24,750 | 29,812 |
| ECONOMIC ENVIRONMENT | | | | | | | | | | |
| Building Related Permits & Values | | | | | | | | | | |
| Building Permits | 788 | 791 | 605 | 483 | 545 | 482 | 598 | 662 | 632 | 633 |
| Estimated Value (In Millions \$) | \$ 151 | \$ 127 | \$ 89 | \$ 79 | \$ 53 | \$ 33 | \$ 58 | \$ 62 | \$ 128 | \$ 198 |
| Other Building Related Permits | 2,550 | 2,690 | 2,370 | 2,209 | 2,423 | 2,385 | 2,960 | 3,827 | 3,722 | 3,868 |
| Estimated Value (In Millions \$) | \$ 4 | \$ 6 | \$ 7 | \$ 6 | \$ 6 | \$ 6 | \$ 5 | \$ 6 | \$ 7 | \$ 8 |

Source: City of Federal Way Police Department and Community Development Department

CITY GOVERNMENT EMPLOYEES FULL-TIME EQUIVALENT - HISTORY

| Department | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Mayor's Office | 6.00 | 10.00 | 9.75 | 7.63 | 7.63 | 5.00 | 3.00 | 3.50 | 6.00 | 7.00 |
| Administration | 5.00 | 5.50 | 5.25 | 3.13 | 3.13 | 4.00 | 3.00 | 3.00 | 5.00 | 6.00 |
| Economic Development | 1.00 | 1.50 | 1.50 | 1.50 | 1.50 | - | - | 0.50 | 1.00 | 1.00 |
| Government Affairs | - | 3.00 | 3.00 | 3.00 | 3.00 | - | - | - | - | - |
| Human Services | - | - | - | - | - | 1.00 | - | - | - | - |
| City Council | 3.50 | 3.50 | 3.50 | 3.50 | 4.50 | 4.50 | 3.85 | 4.15 | 4.15 | 4.20 |
| Municipal Court | 12.55 | 14.00 | 14.00 | 13.00 |
| Human Resources | 5.00 | 5.00 | 5.25 | 5.25 | 5.25 | 4.50 | 4.50 | 4.50 | 5.13 | 6.00 |
| City Clerk | 1.50 | 1.50 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.88 | 2.50 |
| Human Resources | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 2.75 | 2.75 | 2.75 | 3.25 | 3.50 |
| Finance | 8.50 | 9.50 | 8.00 | 7.60 | 7.60 | 7.00 | 7.00 | 6.00 | 7.00 | 8.00 |
| Administration | 1.50 | 1.50 | - | - | - | - | - | - | - | - |
| Finance | 7.00 | 8.00 | 8.00 | 7.60 | 7.60 | 7.00 | 7.00 | 6.00 | 7.00 | 8.00 |
| Information System | 8.50 | 10.60 | 10.60 | 10.00 | 9.60 | 7.00 | 7.00 | 7.00 | 6.00 | 7.00 |
| Law | 10.60 | 13.00 | 13.00 | 12.00 | 12.00 | 11.00 | 11.00 | 12.00 | 12.00 | 12.50 |
| Civil Legal Services | 5.80 | 5.80 | 5.80 | 4.80 | 4.80 | 4.80 | 4.80 | 4.80 | 4.80 | 4.80 |
| Criminal Prosecution Services | 4.80 | 7.20 | 7.20 | 7.20 | 7.20 | 6.20 | 6.20 | 7.20 | 7.20 | 7.70 |
| Community & Econ Developme | 28.70 | 30.49 | 32.00 | 30.00 | 28.90 | 19.00 | 21.65 | 21.85 | 26.25 | 26.70 |
| Administration | 4.50 | 4.50 | 4.50 | 5.00 | 5.00 | 3.50 | 3.50 | 3.50 | 3.90 | 3.90 |
| Planning | 8.80 | 8.75 | 8.75 | 8.00 | 7.00 | 6.00 | 6.00 | 6.00 | 7.00 | 7.00 |
| Building | 12.30 | 13.25 | 14.25 | 13.00 | 13.00 | 9.00 | 9.00 | 10.00 | 12.00 | 12.00 |
| Human Services | 2.50 | 3.00 | 3.50 | 3.00 | 3.00 | - | 2.65 | 2.35 | 3.35 | 3.80 |
| Neighborhood Development | 0.70 | 1.00 | 1.00 | 1.00 | 0.90 | - | - | - | - | - |
| Economic Development | - | - | - | - | - | 0.50 | 0.50 | - | - | - |
| Police | 155.00 | 169.00 | 169.00 | 164.00 | 161.00 | 135.00 | 132.00 | 145.00 | 146.00 | 160.00 |
| Administration | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Support Services | 55.00 | 61.00 | 61.00 | 61.00 | 58.00 | 51.00 | 52.00 | 55.00 | 56.00 | 57.00 |
| Field Operations | 97.00 | 105.00 | 105.00 | 100.00 | 100.00 | 81.00 | 77.00 | 87.00 | 87.00 | 100.00 |
| Parks, Rec. & Cultural Svcs. | 31.20 | 44.25 | 44.25 | 39.75 | 39.75 | 36.45 | 36.45 | 35.45 | 35.90 | 34.80 |
| Administration | 1.80 | 1.80 | 2.80 | 1.35 | 1.35 | 1.35 | 1.35 | 1.35 | 1.80 | 1.80 |
| Planning | 1.00 | 1.00 | - | - | - | - | - | - | - | - |
| Kenneth Jones Pool | 3.00 | - | - | - | - | - | - | - | - | - |
| General Recreation | 6.60 | 7.10 | 7.10 | 4.80 | 4.80 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 |
| Community Center | - | 12.35 | 12.35 | 13.35 | 13.35 | 13.35 | 13.35 | 13.35 | 13.35 | 11.00 |
| Dumas Bay Centre | 3.00 | 3.00 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 3.00 |
| Knutzen Family Theatre | 1.50 | 1.50 | 1.75 | - | - | - | - | - | - | - |
| Parks Maintenance | 13.80 | 17.00 | 17.00 | 17.00 | 17.00 | 13.00 | 13.00 | 12.50 | 12.50 | 13.50 |
| Building | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | - | - | - |
| Public Works | 42.60 | 44.00 | 44.00 | 42.95 | 41.95 | 38.95 | 38.95 | 39.95 | 38.95 | 44.00 |
| Administration | 1.90 | 1.85 | 1.85 | 2.35 | 2.35 | 2.25 | 2.20 | 2.25 | 2.25 | 2.75 |
| Development Services | 6.50 | 6.45 | 6.45 | 4.45 | 4.45 | 4.20 | 4.20 | 3.70 | 3.70 | 2.20 |
| Traffic Services | 5.10 | 6.10 | 6.10 | 6.10 | 5.10 | 2.35 | 2.35 | 3.85 | 3.85 | 4.35 |
| Street Services | 11.00 | 11.50 | 11.00 | 10.50 | 10.50 | 10.60 | 10.60 | 10.60 | 10.60 | 11.60 |
| Emergency Management | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | - | - |
| Solid Waste & Recycling | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 2.20 |
| Surface Water Management | 15.40 | 15.40 | 15.40 | 16.35 | 16.35 | 16.35 | 16.40 | 16.35 | 16.35 | 20.40 |
| Fleet & Equipment | - | - | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Total | 312.15 | 353.34 | 353.35 | 335.68 | 331.18 | 281.40 | 278.40 | 292.40 | 300.38 | 323.20 |

Source: City of Federal Way Finance Division

*table does NOT include 1-time positions or frozen positions

**SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
DECEMBER 31, 2015**

| | | LEGISLATIVE BODY | |
|-----------------|--|-------------------------|----------------------|
| POSITION | | EMPLOYEE | ANNUAL SALARY |
| MAYOR | | JIM FERRELL | \$115,620 |
| DEPUTY MAYOR | | JEANNE BURBIDGE | \$13,800 |
| COUNCIL MEMBERS | | LYDIA ASSEFA-DAWSON | \$13,800 |
| | | KELLY MALONEY | \$13,800 |
| | | SUSAN HONDA | \$13,800 |
| | | BOB CELSKI | \$13,800 |
| | | MARTIN MOORE | \$13,800 |
| | | DINI DUCLOS | \$13,800 |

| | | ADMINISTRATIVE STAFF | |
|--------------------------------|--|-----------------------------|----------------------|
| POSITION | | EMPLOYEE | ANNUAL SALARY |
| CHIEF OF STAFF | | BRIAN WILSON | \$147,888 |
| FINANCE DIRECTOR | | ADE ARIWOOLA | \$138,036 |
| CITY ATTORNEY | | AMY JO PEARSALL | \$140,076 |
| CITY CLERK | | STEPHANIE COURTNEY | \$87,108 |
| ECONOMIC DEVELOPMENT DIRECTOR | | TIM JOHNSON | \$142,104 |
| PARKS DIRECTOR | | JOHN HUTTON | \$138,036 |
| COMMUNITY DEVELOPMENT DIRECTOR | | MICHAEL MORALES | \$130,008 |
| PUBLIC WORKS DIRECTOR | | MARWAN SALLOUM | \$150,216 |
| POLICE CHIEF | | ANDY HWANG | \$161,076 |

Source: City of Federal Way Human Resources

NOTE: In accordance with Ordinance 90-016, individual fidelity coverage of not less than \$50,000 exists for the Mayor, Finance Director, City Clerk, Police Chief, and Judge.

MISCELLANEOUS STATISTICAL INFORMATION**LOCAL TAXES ON BUSINESSES**

| | |
|---|--------|
| Franchise Tax - Cable TV..... | 5.00% |
| Gambling Taxes: | |
| Bingo/Raffles..... | 5.00% |
| Amusement/Games..... | 2.00% |
| Punchboard/Pull Tabs..... | 3.00% |
| Cardrooms..... | 10.00% |
| Local Sales Tax (Collected by the State)..... | 9.50% |

FIRE AND EMERGENCY MEDICAL RESPONSE INFORMATION

Fire and Emergency Medical Response information reflects the greater Federal Way area, which is served by South King Fire & Rescue

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fire and Other Responses | 865 | 639 | 1,083 | 1,147 | 1,041 | 934 | 1,363 | 968 | 999 | 1,148 |
| Emergency Medical | 11,164 | 11,350 | 12,058 | 11,077 | 11,460 | 11,914 | 12,571 | 12,950 | 13,847 | 14,193 |

PUBLIC EDUCATION

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 23 Elementary Schools | 9,733 | 9,612 | 9,594 | 9,594 | 9,560 | 9,673 | 9,229 | 9,777 | 10,054 | 10,253 |
| 7 Middle Schools (incl. Public Academy) | 5,183 | 5,139 | 5,234 | 5,203 | 5,235 | 5,205 | 5,041 | 5,050 | 5,034 | 5,209 |
| 5 High Schools | 6,954 | 6,720 | 6,531 | 6,637 | 6,547 | 6,409 | 6,018 | 6,341 | 6,299 | 6,166 |
| 5 Alternative\Internet Academy (K-12) | 314 | 304 | 263 | 266 | 288 | 321 | 377 | 386 | 385 | 351 |
| | 22,184 | 21,775 | 21,622 | 21,700 | 21,630 | 21,608 | 20,665 | 21,554 | 21,772 | 21,979 |

3,836 Staff members

TAXABLE SALES (in millions)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Retail Sales | \$1,471 | \$1,540 | \$1,458 | \$1,257 | \$1,261 | \$1,277 | \$1,239 | \$1,355 | \$1,432 | \$1,564 |
| Real Estate Sales | \$988 | \$963 | \$536 | \$208 | \$238 | \$315 | \$303 | \$399 | \$418 | \$599 |

Source: South King County Fire and Rescue
Federal Way Public School
City of Federal Way Finance Division