



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Tukwila

King County

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017671





Washington State Auditor's Office

September 29, 2016

Mayor and City Council
City of Tukwila
Tukwila, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Tukwila's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Tukwila
King County
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Tukwila are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction
20.500	Federal Transit Capital Investment Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**City of Tukwila
King County
January 1, 2015 through December 31, 2015**

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Tukwila. The State Auditor’s Office has reviewed the status as presented by the City.

Audit Period: 1/1/2014 -12/31/2014	Report Ref. No.: 1015306	Finding Ref. No.: 2014-001	CFDA Number(s): 20.500
Federal Program Name and Granting Agency: Federal Transit – Capital Investment Grants - Department of Transportation		Pass-Through Agency Name: King County	
Finding Caption: The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements for its Federal Transit program.			
Background: During fiscal year 2014, the City spent \$371,027 in Federal Transit Capital Investment Grant funds. The City used these funds for the construction of the Tukwila Transit Center project. Federal grant regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts paid \$25,000 or more, the City must ensure the vendor is not suspended or debarred. We reviewed two contracts totaling \$190,611. One vendor, a local utility, was contracted to move its own underground utilities, to ensure safe operations in the transit center. The City did not believe this contract was subject to the suspension and debarment requirement. The other vendor was the architect of the project, who was hired for additional services at the end of the project. As the original contract was entered into previously and paid for with non-federal funds, the City did not realize that the additional work that was paid with the federal funds was subject to suspension and debarment requirement.			
Status of Corrective Action: <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The City reviewed it’s contracting procedures to ensure physical evidence exists demonstrating performance of one of the three compliance options listed in 2 CFR 180.300. The City developed a debarment certification that is now required for all grants that involve federal funds. We have a contract routing form that is required for all contract. The form lists the certification as a requirement for all grants that involve federal funds. The form is reviewed to ensure compliance with all requirements prior to final approval.</i>			

Audit Period: 1/1/2014 -12/31/2014	Report Reference No.: 1015306	Finding Reference No.: 2014-002	CFDA Number(s): 97.044
Federal Program Name and Granting Agency: Assistance to Firefighters Grant -Department of Homeland Security		Pass-Through Agency Name: None	
Finding Caption: The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements for its Assistance to Firefighters grant.			
Background: During the fiscal year 2014, the City spent \$334,898 in Assistance to Firefighters grant funds. The Assistance to Firefighters grant was used to purchase radios to upgrade the effectiveness and efficiency of communications. The City purchased the radios through the Department of Enterprise Services. The responsibility to ensure recipients are not suspended or debarred from federal programs is the City's responsibility. However, the City did not ensure the Department of Enterprise Services was not suspended or debarred.			
Status of Corrective Action: <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The City reviewed it's contracting procedures to ensure physical evidence exists demonstrating performance of one of the three compliance options listed in 2 CFR 180.300.</i> <i>The City developed a debarment certification that is now required for all grants that involve federal funds. We have a contract routing form that is required for all contract. The form lists the certification as a requirement for all grants that involve federal funds. The form is reviewed to ensure compliance with all requirements prior to final approval.</i>			

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of Tukwila
King County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Tukwila
Tukwila, Washington

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Tukwila, 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, and have issued our report thereon dated August 30, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

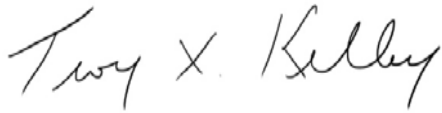
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large initial 'T' and 'K'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

August 30, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Tukwila
King County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Tukwila
Tukwila, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Tukwila, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

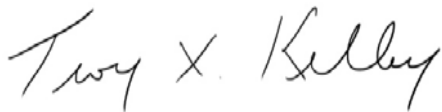
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 23, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Tukwila King County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Tukwila
Tukwila, 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 Tukwila, 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 on page 18.

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 Tukwila, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 35, budgetary comparison information on pages 104 through 105, pension plan information on pages 106 through 111 and information on postemployment benefits other than pensions on pages 112 through 113 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.

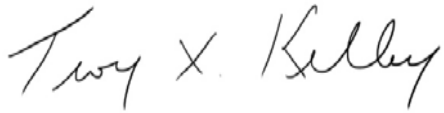
Supplementary and Other Information

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule 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 basic financial statements. The information has been subjected to the 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 basic financial statements or to the basic 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 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. 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

August 30, 2016

FINANCIAL SECTION

**City of Tukwila
King County
January 1, 2015 through December 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –
2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
– 2015

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes to Fund Balances – Budget and Actual
– General Fund – 2015

Notes to the Required Supplementary Information – 2015

Pension Plan Information – 2015

Other Post-Employment Benefit Information – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2015

The discussion and analysis of the City of Tukwila's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position, the amount by which total assets plus deferred outflow of resources exceed total liabilities plus deferred inflow of resources, equals \$287 million. A total of 87.4 percent or \$250.8 million of total net position is invested in capital assets such as streets, land, buildings, equipment, and other improvements. The remaining net position of \$36.2 million is available for debt service, capital projects, and to meet the government's ongoing activities and obligations.
- The City's net position decreased by \$5 million. Governmental activities decreased by \$7.2 million, and business-type activities increased by \$2.2 million. The primary reason for the governmental decrease is due to a \$9.6 million adjustment that was a result of implementing GASB 68. An additional decrease of \$1.4 million was because the City's Component Unit was divested. The business-type activities increase is primarily due to fee increases to fund future capital projects offset by a \$2.3 million adjustment that was a result of implementing GASB68 and a \$757 thousand change in accounting principal related to depreciation.
- As of the close of the current fiscal year, the City of Tukwila's governmental funds reported combined ending fund balances of \$38.6 million, an increase of \$7.1 million in comparison with the prior year. Approximately 29.5% of this amount (\$11.4 million) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10.9 million, or 22 percent of total general fund expenditures.
- The City of Tukwila's total outstanding long-term debt increased by \$7.1 million during the current fiscal year. This change is a combination of new debt issued for \$10 million offset by principal payments on existing debt, increases in compensated absences, and increases in other post-employment benefits

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Tukwila as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Overview of the Financial Statements

The City's basic financial statements are presented in three parts:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

Other supplementary information, in addition to the basic financial statements, is also contained in this report. This section of the Management's Discussion and Analysis is intended to introduce and explain the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which add to a total for the City.

The focus of the *Statement of Net Position* is designed to be similar to bottom-line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may be one indicator of improvement or deterioration in the City's overall financial health.

The *Statement of Activities* is focused on both the gross and net cost of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed.

Governmental activities of the City include general government (executive, finance, legal, human resources, and court), public safety, physical environment, economic environment, transportation, mental and physical health, and culture and recreation. The City's business-type activities include a water and sanitary sewer utility, surface water utility, and a municipal golf course. Governmental activities are primarily supported by taxes, charges for services, and grants, while business-type activities are self-supporting through user fees and charges.

Fund Financial Statements

The fund financial statements are the traditional reporting format for governments. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. While the government-wide statements present the City's finances based on the type of activity (general government vs. business type), the Fund Financial Statements are presented by fund type, such as the general fund, special revenue funds and proprietary funds, with the focus on major funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. The governmental major fund presentation is used, utilizing the current financial measurement focus and the modified accrual basis of accounting. This is the manner in which the budget is typically developed. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on the near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenditures. The information in the governmental fund

statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions.

Because the basis of accounting is different between the governmental fund statements and the government-wide financial statements, reconciliations are provided. The reconciliation between the governmental fund *Balance Sheets* and the government-wide *Statement of Net Position* is found on the page following the governmental funds' *Balance Sheet*, while the reconciliation between the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balance* and the government-wide *Statement of Activities* is found directly following the governmental funds' *Statement of Revenues, Expenditures, and Changes in Fund Balance*.

The City maintains twenty individual governmental funds. Of these, four are considered major (the general fund, the arterial street fund, the local improvement district #33 fund, and facilities (urban renewal) fund) and are presented separately in the governmental funds' *Balance Sheet* and the governmental funds' *Statement of Revenues, Expenditures and Changes in Fund Balances*. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds." Individual fund data for each of the other governmental funds can be found in the combining statements later in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level according to state law. Budgetary comparison schedules are presented for the general and major special revenue funds in the "Required Supplemental Information" section of the report. Other budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Proprietary Funds

Proprietary funds are used by governments to account for their business-type activities and use the same basis of accounting as utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services rendered.

The City has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens, while internal service funds are used to account for goods and services provided internally to various City departments.

Enterprise funds report the same functions presented as business-type activities in the government-wide statements, but in greater detail. The City's enterprise fund statements provide information on the City's three utilities (water, sanitary sewer, surface water) as well as the City-owned golf course.

Internal service funds are an essential accounting tool used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, and its insurance premiums.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City's activities.

The City has two fiduciary funds: a firemen's pension trust fund and an agency fund, which are accounted for on the accrual basis. As agency funds are custodial in nature, they do not include revenues and expenses.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of the Basic Financial Statements section.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budget and actual schedules for the City's general fund and, budgeted major/non-major special revenue funds; and a schedule of funding progress for the Firemen's Pension Trust Fund and other post-employment benefits. Additional pension benefit information is found in Note 8.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented in the section titled "Fund Financial Statements and Schedules."

Government-wide Financial Analysis

The Statement of Net Position can serve as a useful indicator of the City's financial position. The City of Tukwila's net position at December 31, 2014 and 2015 totaled \$292 million and \$287 million respectively. The City's overall net position decreased \$5 million, or 1.7%, from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

By far, the largest portion of the City's net position of \$250.8 million, or 87.4% reflects investment in capital assets (e.g., land, building, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$5.4 million, or 1.9% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30.8 million, or 10.7% is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Following is a condensed version of the government-wide Statement of Net Position for 2015 compared to 2014.

CITY OF TUKWILA NET POSITION

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14
Current and other assets	\$74,640	\$63,671	\$17,629	\$15,562	\$92,269	\$79,233
Capital assets, net of accumulated depreciation	205,816	203,975	66,826	66,036	272,642	270,011
Total assets	280,456	267,646	84,455	81,598	364,912	349,244
Deferred Outflows of Resources	2,576	457	288	-	2,864	457
Long-term liabilities	47,172	40,049	7,723	8,665	54,895	48,714
Other liabilities	18,770	7,385	2,531	985	21,302	8,371
Total liabilities	65,943	47,434	10,254	9,650	76,197	57,085
Deferred Inflows of Resources	4,187	604	346	-	4,533	604
Net position						
Net investment in capital assets	191,331	191,081	59,483	57,678	250,815	248,759
Restricted	5,446	3,974	0	430	5,446	4,404
Unrestricted	16,126	25,009	14,659	13,840	30,785	38,849
Total net position	\$212,903	\$220,064	\$74,142	\$71,948	\$287,045	\$292,012

The governmental unrestricted net position comprises \$16 million. The general fund unrestricted net position is available for functions such as public safety employee salaries and supplies, park and road maintenance, and other general government services. The unrestricted net position of business-type activities, \$14.7 million, may only be spent on activities related to one of the three City utilities (water, sewer, and surface water) or on the golf course

activities. Examples of utility activities include: maintenance of water/sewer mains, pump and lift stations, storm drain flushing, and water meter reading.

The \$4.7 million increase in current and other assets for governmental activities stems primarily from the \$2.1 million in unspent bond proceeds and an increase in taxes receivable. A significant property sale occurred within the City resulting in \$1.1 million accrual of real estate excise tax revenue. The increase of \$2.1 million in current and other assets for business-type activities is comprised of a net increase of \$1.9 million in cash and investments. This increase results from a rate structure design in the utility funds that build reserves for major infrastructure replacement and improvement.

Changes in Net Position

The change in net position represents the increase or decrease in City net position resulting from its various activities.

Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses and related changes in net position for both governmental-type and business-type activities:

CITY OF TUKWILA CHANGES IN NET POSITION
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	\$9,748	\$8,554	\$22,158	\$19,884	\$31,906	\$28,438
Operating grants and contributions	893	2,563	184	-	1,077	2,563
Capital grants and contributions	6,432	8,053	2,040	1,548	8,471	9,602
General revenues						
Property taxes	14,320	14,871	-	-	14,320	14,871
Sales and use taxes	19,334	17,105	-	-	19,334	17,105
Natural gas use tax	-	-	-	-	-	-
Hotel/Motel taxes	678	597	-	-	678	597
Utility taxes	4,019	3,856	-	-	4,019	3,856
Interfund utility taxes	2,061	1,851	-	-	2,061	1,851
Business taxes	2,749	2,556	-	-	2,749	2,556
Excise taxes	5,321	3,513	-	-	5,321	3,513
State entitlements	1,844	1,736	-	-	1,844	1,736
Investment earnings	475	444	-	-	475	444
Miscellaneous	281	179	-	-	281	179
Total revenues	68,156	65,878	24,381	21,432	92,537	87,310
Expenses:						
General government	8,042	10,289	-	-	8,042	10,289
Public safety	29,403	29,293	-	-	29,403	29,293
Transportation	11,070	11,668	-	-	11,070	11,668
Physical environment	2,611	2,480	-	-	2,611	2,480
Culture and recreation	5,125	5,716	-	-	5,125	5,716
Economic environment	5,783	5,337	-	-	5,783	5,337
Interest on long-term debt	1,033	1,205	-	-	1,033	1,205
Water/sewer	-	-	13,186	12,752	13,186	12,752
Foster golf course	-	-	2,087	1,946	2,087	1,946
Surface water	-	-	4,148	3,311	4,148	3,311
Total expenses	63,068	65,987	19,421	18,009	82,489	83,996
Increase (decrease) in net position before transfers	5,088	(109)	4,960	3,423	10,048	3,315
Transfers	(300)	(600)	300	600	0	0
Change in net position before special item	4,788	(709)	5,260	4,023	10,048	3,315
Special item	(957)	(1,995)	0	0	(957)	(1,995)
Change in net position	3,831	(2,704)	5,260	4,023	9,091	1,320
Net position-beginning of period	220,064	238,121	71,948	69,351	292,012	307,472
Change in accounting principle - Retirement Costs	(9,551)	0	(2,308)	(557)	(11,859)	(557)
Change in accounting principle	0	0	(757)	0	(757)	
Prior Period Adjustment	(1,442)	(15,353)	0	(870)	(1,442)	(16,223)
Net position-beginning balance, as restated	209,072	222,768	68,882	67,924	277,954	290,693
Net position-end of period	212,903	220,064	74,142	71,948	287,045	292,012

Governmental Activities

Governmental activities ended the year with a \$7.2 million decrease in the City's net position. Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. However, asset purchases are not recorded as expenses in the year purchased and construction costs are not recorded as expenses in the year incurred. Instead, the costs are recorded as long-term assets and are depreciated over their useful life.

The primary reason net position decreased was due to implementation of GASB Statement No. 68 and the divestment of the City's component unit.

- Implementation of GASB Statement No. 68 \$9.6 million.
- Divestment of component unit \$1.4 million.

A special item representing the 2015 urban renewal motel purchase \$957 thousand valuation reduction also reduced net position.

Revenues from governmental activities increased \$2.3 million from 2014 activity. The components and explanation of the increase follows.

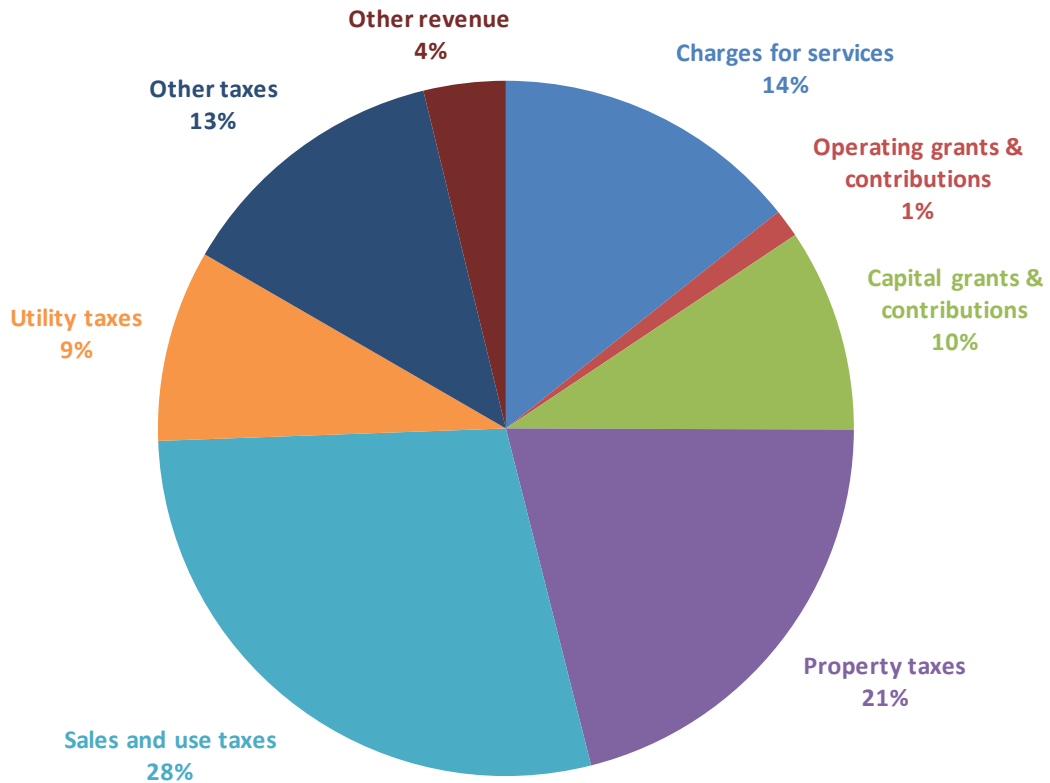
- Charges for services increased \$1.2 million or 14.0% in 2015. Major reasons for the increase include permit fees revenue increase of \$325 thousand over 2014 due to an increase in permit activity and the City received \$350 thousand in 2015 that was associated with 2014 due to a change in billing methods. Additionally, the City reclassified \$406 thousand of EMS levy revenue from general revenue to charges for services. The reclassification is because the City receives the levy revenue based on call volume rather than the tax base within the City limits.
- Operating grants decreased by \$1.7 million or 65.2%. Funding for several projects was received in 2014 for projects that were completed in 2014 or early 2015 including a federal grant for \$989 thousand overlay and repair to East Marginal Way. Additionally, the City received \$334 thousand to purchase radios for first responders. This grant was specific to 2014.
- Capital grants and contributions decreased \$1.6 million or 20.1%. In 2014 the City received \$3.5 million in grant funding for regional mobility projects that was specific to 2014. The reduction of this grant is offset by increases in funding for the Interurban Ave S project.
- Sales and use taxes increased \$2.2 million or 13.0% primarily due to an overall increase in services activity of \$895 thousand, construction activity of \$436 thousand, wholesale trade category of \$421 thousand, and retail trade activity of \$364 thousand. All other sales and use tax categories were up except for manufacturing, which decreased by \$39 thousand.
- Excise taxes increased \$1.8 million or 51.5% primarily due to the accrual of real estate excise tax of \$1.7 million. A significant property sale occurred in the latter part of 2015 which resulted in a one-time increase in revenue.

Total governmental expenses decreased by \$2.9 million. General government expenses decreased from 2014 by \$2.2 million, or 21.8% primarily due to lower medical costs in 2015 than 2014. Transportation expenses decreased from 2014 by \$726 thousand, or 6.2%. The City expensed costs related to overlay and repair that had previously been recorded as capital assets. The primary reduction was due to less depreciation due to this prior period adjustment. Culture and recreation costs decreased by \$593 thousand, or 10.4% mostly due to the divestment of the City's blended component unit.

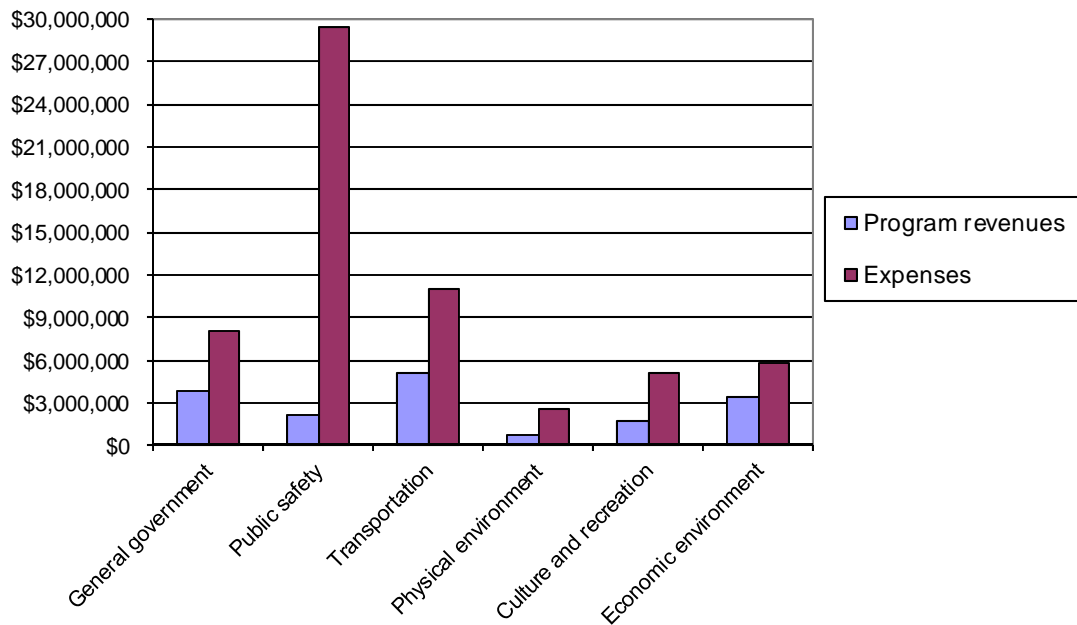
Additional information on the change in accounting principle and the special item can be found in Note 15 and Note 16, respectively, to the financial statements.

The next chart summarizes the governmental activity revenue by source, while the second one reflects the specific program revenues and related expenses for the various activities of the City. Gaps between specific program revenues and their related expenses are funded through general tax revenues.

Revenues by Source – Governmental Activities



Program Revenues and Expenses - Governmental Activities



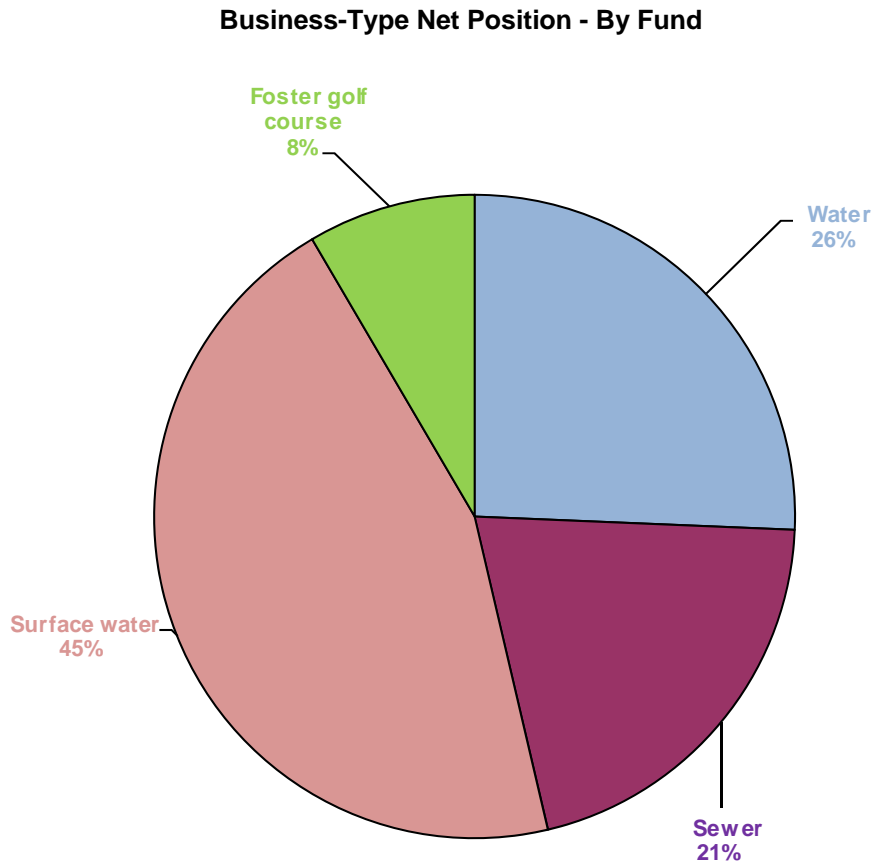
Business-Type Activities

Business-type net position increased by \$2.2 million during 2015. Key components of this increase include:

- An increase in capital grants and contributions of \$492 thousand.
- An increase in expenditures of \$1.4 million.
- A change in accounting principle of \$757 thousand to depreciate capital assets using the straight line method.
- A change in accounting principle of \$2.3 million also resulted in a decrease to net position. The adjustment was due to the implementation of GASB Statement No. 68.
- \$2.3 million or an 11.4% increase in charges for services primarily due to utility rate increase effective January 2015, and water and sewer hook-up fees on new construction.
- Income before non-operating revenue/(expense), capital contributions, and transfers amounted to:

• Water fund:	\$ 787,554
• Sewer fund:	1,657,567
• Foster golf course fund:	(604,795)
• Surface water fund:	965,559
	<u>\$ 2,805,885</u>

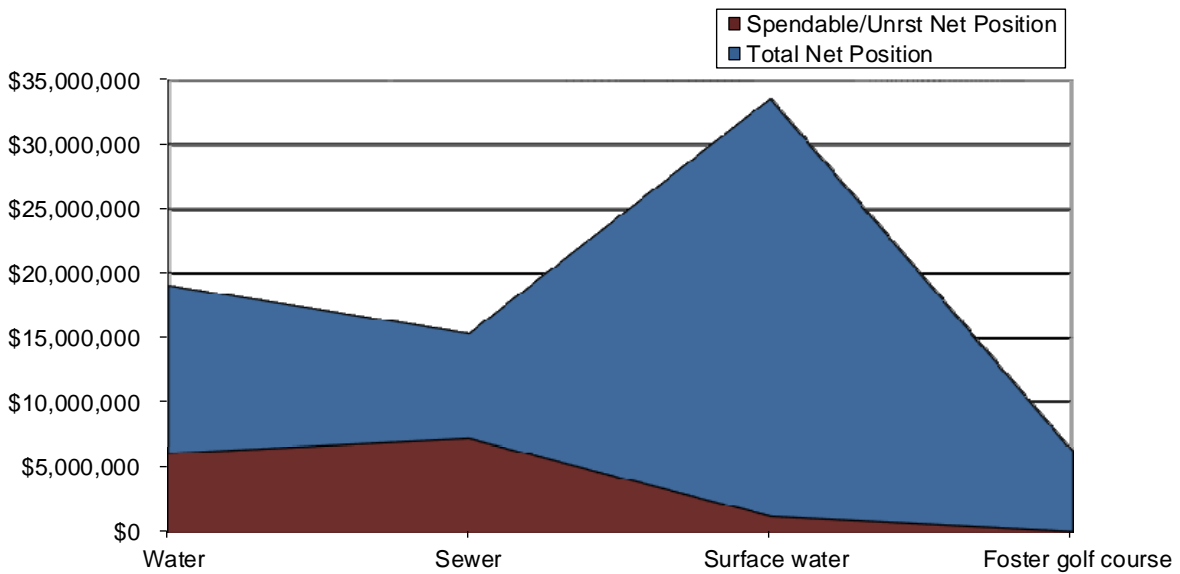
The following chart shows the relative net position balances for each business-type fund:



The majority of net position in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, and the golf course land. As such, most of the net position is not available to support the ongoing expenses of the funds. The following chart contrasts the total net position to the spendable portion of net position for each enterprise fund:

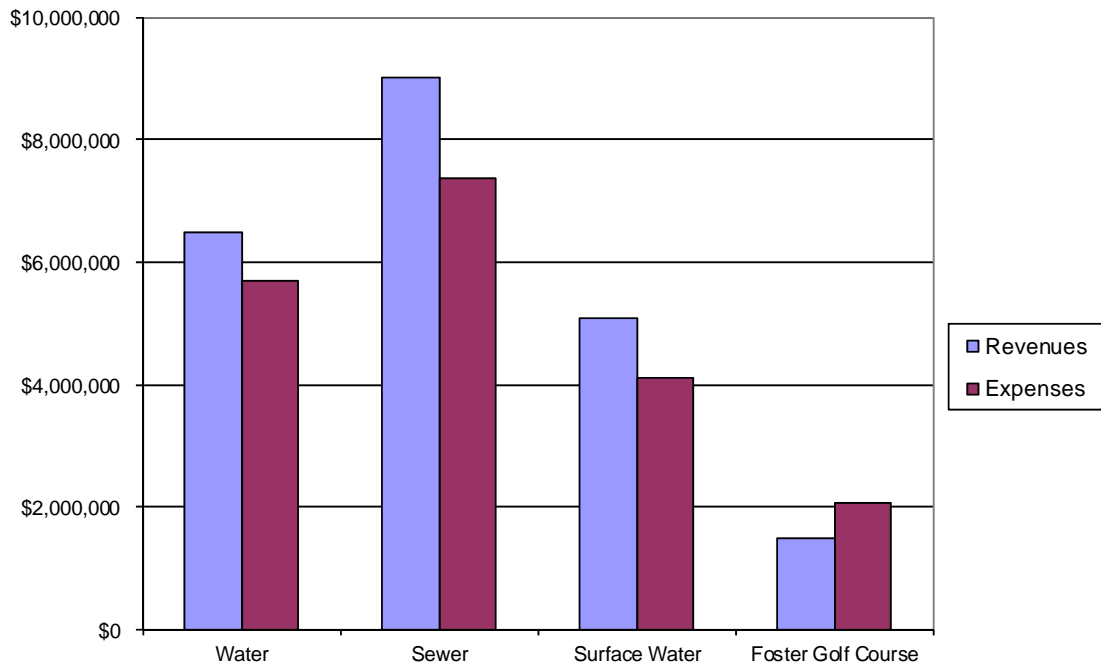
Comparison of Total Net Position to Spendable Net Position

Business-Type Funds



The following chart depicts the revenues and expenses for business-type funds:

Business-type Activity Revenues and Expenses Before Capital Contributions and Transfers



Financial Analysis of Governmental Funds

The purpose of the City's governmental funds is to report on near-term revenues/financial resources and expenditures. This information helps determine the City's financial requirements in the near future. Specifically, the fund balance is a good indicator of the City's financial resources.

As of December 31, 2015, the City's governmental funds had combined fund balances of \$38.6 million, an increase of \$7.1 million or 22.5%. The increase is primarily due to bond proceeds of \$6.1 million in the arterial street fund, \$2.25 million draw on a line-of-credit in the facilities replacement fund, an increase in real estate excise tax receivable of \$1.7 million split between the arterial street and a capital projects fund and an increase of \$2.2 million in sales and use tax revenue offset by an increase in general governmental expenditures. These increases are also offset by the divestiture of the City's blended component unit.

The change in prior year fund balances for other major funds are as follows:

• General fund	\$834,256
• Arterial Street fund	3,676,871
• Local Improvement District No. 33	(3,255)
• Facilities – Urban Renewal	528,092
• Other governmental funds	<u>690,705</u>
	<u>\$5,726,669</u>

The Local Improvement District No. 33 fund decreased because debt service payments, including a \$605,000 bond principal payment and a \$346,784 interest payment associated with the assessments, exceeded revenues by \$3,255.

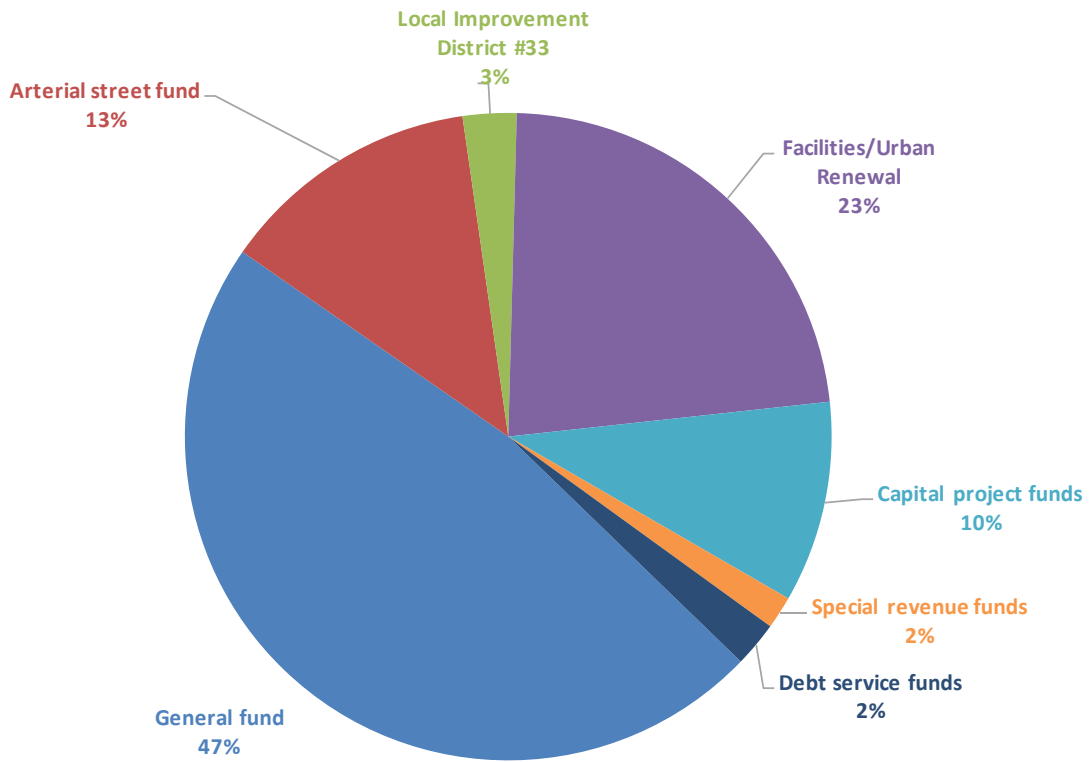
Other major governmental funds remained stable, with moderate increases in total fund balance. Of the non-major governmental funds, special revenue funds decreased \$7 thousand, debt service funds increased \$198 thousand, and capital projects funds increased \$500 thousand.

Of the governmental fund balances \$7.65 million is nonspendable for capital assets held for resale and \$1.34 million is nonspendable for outstanding notes receivable owed to the City from the Tukwila Pool Metropolitan Park District. Restricted fund balances constrained for a specific purpose by external parties or enabling legislation consist of \$623,120 for tourism, \$2,421,047 for arterial street improvements, \$7,239 for drug seizure, \$135,616 for park and land acquisition or development, \$551,434 for fire improvements, and \$1,707,618, for debt service. Assigned fund balances intended to be used for specific purposes consist of \$2,631,336 for arterial streets, \$1,189,545 for facilities-urban renewal, \$819,161 for residential street improvements, \$1,981,473 for land acquisition, recreation and park development, \$397,033 for general government improvements, \$141,373 for technology, \$350,000 for public safety equipment, \$203,323 for debt service, and \$5,587,275 for contingencies.

The general fund is the primary operating fund of the City. All receipts and payments of ordinary City operations are processed through this fund unless they are required to be accounted for in another. At the end of 2015, the general fund had an unassigned fund balance of \$10.9 million.

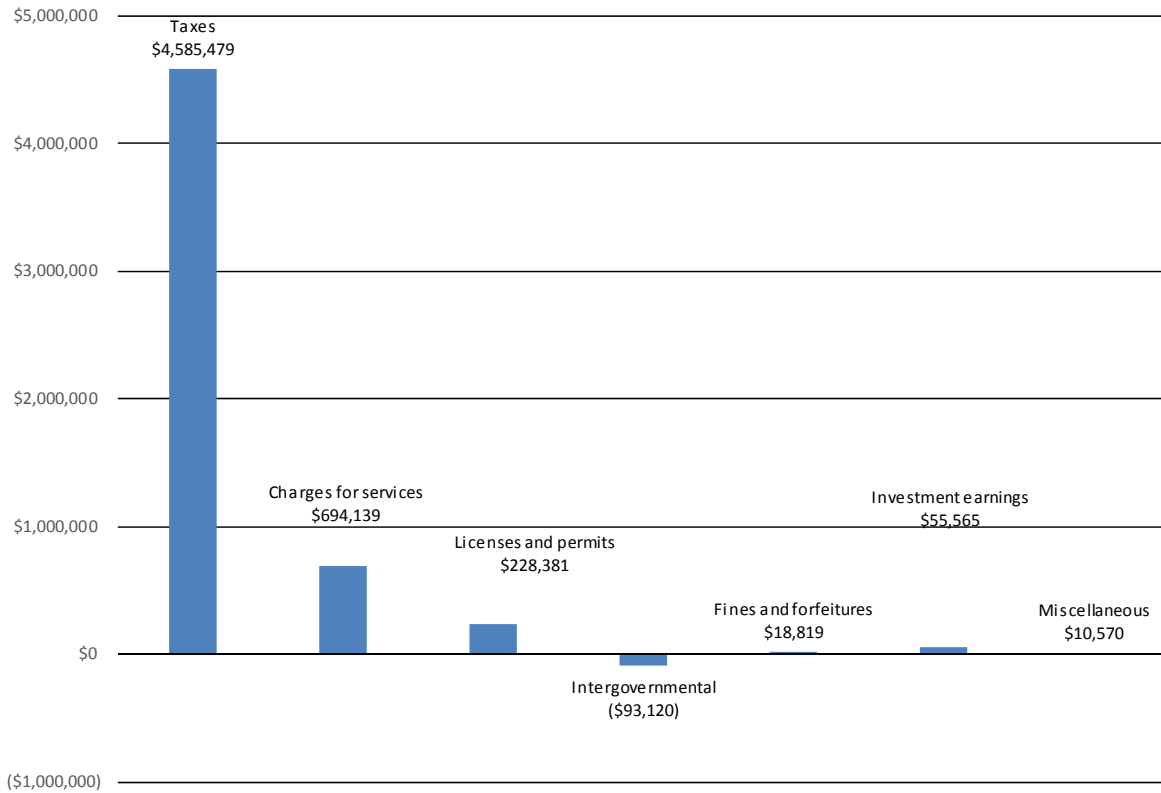
The following chart shows the relative fund balances for governmental funds:

Governmental Funds – Fund Balances



The general fund revenue increase of \$2.8 million are from the following sources:

General Fund Revenue Increases / (Decreases) - By Source



Financial Analysis of Proprietary Funds

The City's proprietary funds provide the same type of information as found in the government-wide financial statements, but in greater detail. Factors affecting the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City budgets biennially by adopting a budget at the end of the preceding biennium, and then making adjustments as necessary via budget amendments throughout the next two years. Following is a summary of such budget amendments that occurred in 2015:

Net Expenditure increases:	
New budget for Kelly Day payout	\$220,000
Additional budget for Police and Fire overtime	510,000
Increase utilities budget	80,000
Increase budget related to grant revenue	111,046
Adjust budget to account for grant funding received for emergency radios	60,000

Net Revenue Increase:	
Grant revenue not budgeted during regular budget process	736,046
Increase plan review fees for consulting services	150,000
Increase in sales tax revenue	2,122,000

Reasons for the significant variances in the general fund between the final budget and actual results include:

- Revenue from taxes were \$776 thousand, or 1.8%, higher than budget. Property taxes decreased \$71 thousand and sales and use taxes increased \$245 thousand. In addition, there was a gain of 13 percent, or \$331 thousand in gambling taxes and other taxes increased \$207 thousand.
- Intergovernmental revenue was \$346 thousand, or 7% less than budget. The primary reason is the City received grant funds in 2014 that did not carry forward into 2015.
- Charges for services was \$432 thousand, or 17.5% higher than budget. The primary reason is because of increased permitting activity.
- Expenditures were below budget by \$550 thousand, or 1.1%. Transportation costs were lower than expected due to the timing of capital outlay on projects that were delayed or where completion timelines extended. All other functions showed reductions in spending.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for both its governmental and business-type activities as of December 31, 2015 totaled \$273 million (net of accumulated depreciation), an increase of \$2.6 million, or 1.0%, from 2014. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, roads, bridges, and other infrastructure.

SUMMARY OF CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-Type Activities		Total	
	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14
Land	\$ 35,312,814	\$ 35,312,814	\$ 2,346,230	\$ 2,346,231	\$ 37,659,044	\$ 37,659,045
Construction in Progress	26,133,182	16,718,203	7,247,963	4,200,272	33,381,145	20,918,475
Buildings	10,711,996	13,810,448	8,679,027	9,397,907	19,391,023	23,208,355
Other Improvements	5,933,158	6,775,474	48,145,336	49,607,584	54,078,494	56,383,058
Machinery and Equipment	6,811,474	6,841,516	407,530	484,324	7,219,004	7,325,840
Infrastructure	120,913,528	124,516,494	-	-	120,913,528	124,516,494
Total	\$205,816,152	\$203,974,948	\$66,826,087	\$66,036,318	\$272,642,240	\$270,011,266

More detailed information on capital assets is provided in Note 7 to the financial statements.

General capital outlay purchases added \$196,588 in machinery and equipment and included various technology purchases in the amount of \$111,521, exercise equipment for \$10,779, and a portable HVAC system for \$11,578, and thermal imaging cameras totaling \$62,710.

Many of the projects in the Arterial Street Fund continue to be in the construction phase adding \$7.5 million in construction-in-progress for the period. The major arterial street fund activities are comprised of the following:

- Interurban Avenue South, \$4.5 million
- Tukwila Urban Center Pedestrian/Bicycle Bridge \$1.3 million
- Tukwila Urban Center Transit center \$0.7 million

- Boeing Access Road Bridge Rehabilitation \$0.47 million
- Andover Park West \$0.4 million
- Various other Arterial Street Fund projects total \$0.13 million

Ongoing Residential Street fund construction projects added \$1,408,205 to construction-in-progress and include the following:

- Thorndyke Safe Routes to School, \$820,669
- 40 – 42nd Ave S, \$321,663
- Cascade View Safe Routes to School, \$127,961
- 42nd Ave S Roadside Barriers, \$75,870
- Various other Residential Street Fund projects total \$62,042

Land Acquisition, Recreation & Park Development activities consist of \$2,132,523 for the Duwamish Gardens and Duwamish Hill Preserve work in progress improvements and \$11,936 for other park related projects.

Other governmental funds' activity in the area of facilities improvements provided an additional \$122,303 to work in progress costs for the year.

Business-type activities consisted of \$3.7 million in added construction in progress work for the year. Major projects in the utility funds comprise of the following:

- East Marginal Way S Pipe, \$1,129,914
- Interurban Ave S, \$1,773,744

A total of \$756,527 in other ongoing utility construction projects were added to construction-in-progress during the current period.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$24,800,241. Of this amount, \$23,057,714 is general obligation bonds, and \$1,742,527 is revenue bonds for the water/sewer and surface water utilities. The increase in outstanding bonds is due to the principal payments redeemed for the year netted against new debt of \$8.1 million issued in 2015. The City currently maintains a rating of AA with Standard and Poor's, AA- with Fitch's Investor Service and A1 with Moody's for its general obligation debt. The City also has \$6.1 million in special assessment debt.

The following schedule summarizes the City's bonded debt:

SUMMARY OF BONDED DEBT

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14
General obligation bonds	\$ 23,057,714	\$ 16,638,221	\$ -	\$ -	\$ 23,057,714	\$ 16,638,221
Revenue bonds	-	-	1,742,527	2,580,000	1,742,527	2,580,000
	<u>\$ 23,057,714</u>	<u>\$ 16,638,221</u>	<u>\$ 1,742,527</u>	<u>\$ 2,580,000</u>	<u>\$ 24,800,241</u>	<u>\$ 19,218,221</u>
Other						
Special assessment bonds	\$ 6,082,500	\$ 6,687,500	\$ -	\$ -	\$ 6,082,500	\$ 6,687,500

ADDITIONAL LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14	As of 12/31/15	As of 12/31/14
Other long term debt						
Public Works Trust Fund Loans	\$ -	\$ -	\$ 5,646,459	\$ 5,742,867	\$ 5,646,459	\$ 5,742,867
Other Post Employment Benefits	7,144,923	5,341,973	-	-	7,144,923	5,341,973
Employee leave benefits	3,860,472	3,740,161	334,004	306,441	4,194,476	4,046,602
Due to other governments	6,265,200	6,650,400	-	-	6,265,200	6,650,400
	<u>\$ 17,270,595</u>	<u>\$ 15,732,534</u>	<u>\$ 5,980,463</u>	<u>\$ 6,049,308</u>	<u>\$ 23,251,058</u>	<u>\$ 21,781,842</u>

More detailed information on long-term debt is provided in Note 11 to the financial statements.

Economic Factors

The outlook for 2016 is positive. The economy in King County is showing steady signs of recovery and the City is in a good position to take advantage of the strong regional economy. The City of Tukwila has a small residential population, yet the City serves the regional economy and has become an economic powerhouse, providing jobs and revenue for the region and state. Several major pending developments will have significant impacts on the future of Tukwila's economy:

- In 2015, developers broke ground on Washington Place, a 19-story structure comprising 370 residential units and 180 hotel rooms. The building will be the tallest between Seattle and Tacoma and the first multi-family residential housing in Tukwila's Southcenter District. Given its walkability to high capacity bus, commuter rail, retail, dining, and entertainment, the project is projected to be a catalyst for additional transit-oriented development.
- In 2014, the City completed construction of a new transit center in the heart of the Southcenter District on Andover Park West. The Transit Center provides a safer, expanded, high-quality bus stop with shelters, larger bus pullouts, improved lighting, sidewalks and landscaping. The transit center serves numerous King County bus routes including the RapidRide F line. Just as this project helped attract Washington Place, it will attract additional future development.
- In 2016 the City will start construction on a pedestrian and bicycle bridge over the Green River near the intersection of West Valley Highway and Longacres Way. The bike/ped bridge is fully funded with park impact fees, federal grants, and a \$6.8 million state regional mobility grant. This bridge will link the Southcenter District with the Tukwila commuter rail station and enable the area to grow as a transit-oriented neighborhood which will attract more multi-family housing and jobs. The bridge design and property acquisition work is almost finished and construction is scheduled to be completed in 2017.

- The City is reconstructing a large portion of Interurban Avenue South from Fort Dent Way to South 143rd Street. Interurban Ave S is an arterial street that runs between I-405 to I-5 and State Route 599. The \$11.4 million project includes construction of curbs, gutters, sidewalks, retaining walls, installation of storm drainage structures and pipes, water main, asphalt overlay, illumination, fiber optics, landscaping, irrigation, and roadway medians. Funding for this project is from federal and state grants, mitigation from an adjoining property owner, and a City bond. The majority of the infrastructure was completed in 2015 with final paving, landscaping, and property restoration in spring 2016.
- Tukwila has construction projects underway to rehabilitate four different bridges in 2016. The Boeing Access Road Bridge over the BNSF Railroad was awarded \$9.7 million in federal grants. This bridge is structurally and seismically deficient and serves the Manufacturing/Industrial Center of Tukwila which includes thousands of Boeing jobs and the Museum of Flight. The City will also perform major maintenance on three City bridges that include seismic retrofit, deck and joint repair, and painting. All of the bridge work will preserve the City-owned infrastructure and extend the service lives of the bridges.
- The Southcenter Parkway Extension project, the five-lane roadway from South 180th Street to South 200th Street that was completed in 2012 has improved traffic flow and provided the infrastructure needed for future development of the Tukwila South area. Tukwila South comprises 512 acres between South 180th Street and the City's southern limits and is expected to ultimately bring 20,000 new jobs, 10 million square feet of office, technology, and retail space into the City. The Tukwila South property owner continues performing site work such as grading, filling, and installing storm water and other utility infrastructure.

The City has invested significant resources into improving the health and safety of the Tukwila International Boulevard neighborhood and catalyze new development.

- In 2012 the City executed an agreement with Tukwila Village Development Associates to develop six acres of City-owned land on Tukwila International Boulevard at South 144th Street, known as Tukwila Village. Tukwila Village will be home to a new King County Library, 400 apartments (including at least 320 for seniors), a police neighborhood resource center, retail shops, and a community plaza. The developer started site work such as grading and utility infrastructure in 2015 and will start construction on the mixed-use buildings in 2016. The library is under construction and will be completed in 2016.
- In 2016 the City will start construction street and frontage improvements adjoining Tukwila Village on South 144th Street between Tukwila International Blvd and 42nd Avenue South. This project will also include a new traffic signal next to Tukwila School District's Foster High School and will be completed in 2017.
- In 2013 the City of Tukwila partnered with the US Attorney, US Marshalls, and numerous other Federal, State, and local agencies to seize three motels on Tukwila International Boulevard near 144th Street. The seizure resulted from an extensive undercover investigation that proved the motel owners profited from crime occurring on the properties. In 2014 and 2015 the City purchased the three seized motels, plus another motel and smoke shop. In early 2016 the City has nearly completed demolition of the five buildings. The demolition and site work will be complete in summer 2016. Although the City has not chosen a specific use for the site, the City will certainly sell or use it for a project that continues to improve the neighborhood and attract more development and improve the image for the whole city.

Requests for Information

This financial report is designed to provide a general overview of the City of Tukwila's finances for readers with an interest in the City's finances. Questions concerning this report, or requests for additional information, may be addressed to the Finance Director, City of Tukwila, 6200 Southcenter Blvd, Tukwila, WA 98188-2544.

CITY OF TUKWILA, WASHINGTON
STATEMENT OF NET POSITION
 DECEMBER 31, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 22,681,952	\$ 12,293,611	\$ 34,975,562
Investments	9,259,008	2,636,502	11,895,510
Taxes receivable	6,906,384	789	6,907,173
Other receivables	1,100,074	1,637,441	2,737,515
Due from other governmental units	2,857,124	659,327	3,516,452
Inventory of materials and supplies	13,837	62,402	76,241
Restricted cash and cash equivalents	2,442,097	82,006	2,524,103
Notes receivable	6,266,537	257,016	6,523,553
Real property held for resale	7,645,000		7,645,000
Investment in joint ventures	9,193,002	-	9,193,002
Non-depreciable capital assets	61,445,996	9,594,193	71,040,189
Depreciable capital assets (net of accumulated depreciation)	144,370,156	57,231,894	201,602,050
Net Pension asset	6,275,313	-	6,275,313
Total Assets	280,456,481	84,455,181	364,911,663
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	390,874	46,323	437,196
Deferred outflow s related to pensions	2,185,306	241,271	2,426,577
Total Deferred Outflow s Of Resources	2,576,180	287,594	2,863,773
LIABILITIES:			
Accounts payable	2,035,021	125,563	2,160,584
Accrued wages and benefits payable	1,562,433	118,718	1,681,151
Accrued interest payable	339,069	18,113	357,182
Unearned revenue	460,282	12,450	472,732
Other liabilities	2,742,814	161,245	2,904,060
Bonds and other debt payable			
Due within one year	2,774,337	759,117	3,533,454
Due in more than one year	44,397,994	6,963,873	51,361,868
Net pension liability	11,630,656	2,095,180	13,725,836
Total Liabilities	65,942,607	10,254,259	76,196,866
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflow s related to pensions	3,677,005	346,180	4,023,185
Business taxes received in advance	510,226	-	510,226
Total Deferred Inflow s Of Resources	4,187,231	346,180	4,533,411
NET POSITION:			
Net investment in capital assets	191,331,156	59,483,424	250,814,581
Restricted for:			
Debt service	1,707,618	-	1,707,618
Tourism promotion	623,120	-	623,120
Arterial street improvements	2,421,047	-	2,421,047
Drug investigation and enforcement	7,239	-	7,239
Land and park acquisition, development	135,616	-	135,616
Fire improvements	551,434	-	551,434
Unrestricted net position	16,125,592	14,658,912	30,784,504
Total Net Position	\$ 212,902,822	\$ 74,142,336	\$ 287,045,158

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

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

	--Expenses--	----- Program revenues -----			-Net (Expense) Revenue and Changes in Net Position-		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS / PROGRAMS:							
PRIMARY GOVERNMENT							
Governmental activities							
General Government	\$ 8,042,254	\$ 3,794,134	\$ 93,898	\$ -	\$ (4,154,221)		\$ (4,154,220.24)
Public safety	29,403,206	1,754,856	358,798	-	(27,289,552)		(27,289,552)
Transportation	11,069,605	206,065	272,728	4,658,261	(5,932,552)		(5,932,552)
Physical environment	2,611,297	-	-	761,722	(1,849,574)		(1,849,574)
Culture and recreation	5,125,227	644,283	54,542	1,011,554	(3,414,847)		(3,414,847)
Economic environment	5,782,907	3,348,802	113,504	-	(2,320,602)		(2,320,602)
Interest on long-term debt	1,033,440	-	-	-	(1,033,440)		(1,033,440)
Total Governmental Activities	63,067,935	9,748,140	893,470	6,431,537	(45,994,789)	-	(45,994,788)
BUSINESS-TYPE ACTIVITIES:							
Water	5,734,624	6,508,536	-	1,213,611	-	1,987,523	1,987,523
Sewer	7,451,612	9,064,173	-	209,180	-	1,821,741	1,821,741
Surface water	4,147,974	5,102,617	183,616	617,100	-	1,755,359	1,755,359
Foster golf course	2,086,586	1,482,288	-	-	-	(604,297)	(604,297)
Total Business-Type Activities	19,420,796	22,157,615	183,616	2,039,890	-	4,960,326	4,960,326
Total Primary Government	\$ 82,488,731	\$ 31,905,755	\$ 1,077,086	\$ 8,471,427	\$ (45,994,789)	\$ 4,960,326	\$ (41,034,462)

General Revenues:		
Taxes		
Property taxes	\$ 14,320,085	\$ 14,320,085
Retail sales and use taxes	19,334,152	19,334,152
Hotel/motel taxes	677,971	677,971
Utility taxes	4,019,288	4,019,288
Interfund utility taxes	2,061,098	2,061,098
Business taxes	2,749,140	2,749,140
Excise Taxes	5,321,281	5,321,281
State entitlements	1,843,634	1,843,634
Unrestricted investment earning	475,345	475,345
Miscellaneous	280,551	280,551
Total General Revenues	51,082,545	51,082,545
Excess of revenues over expenses before transfer and special item	5,087,756	10,048,083
Transfers	(300,000)	-
Special item	(956,798)	(956,798)
Change in net position	3,830,958	9,091,285
Net position - beginning	220,064,399	292,012,136
Change in accounting principle - pension costs	(9,551,003)	(11,859,257)
Change in accounting principle - depreciation	-	(757,473)
Divestment of Component Unit	(1,441,532)	(1,441,532)
Net position-beginning restated	209,071,863	277,953,873
Net position-ending	\$ 212,902,822	\$ 287,045,158

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

**CITY OF TUKWILA, WASHINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Arterial	Local	Facilities	Other	Total
	Fund	Street	Improvement	Urban Renewal	Governmental	Governmental
			District #33		Funds	Funds
ASSETS:						
Cash and cash equivalents	\$ 8,724,316	\$ 2,187,700	\$ 1,038,769	\$ 1,300,301	\$ 3,691,056	\$ 16,942,142
Investments	5,240,755	-	-	-	-	5,240,755
Taxes receivable	5,571,294	627,246	-	-	707,844	6,906,384
Other receivables	441,099	-	410,476	-	139,206	990,781
Due from other governmental units	216,131	1,147,114	-	-	1,493,879	2,857,124
Restricted assets:						
Cash and cash equivalents	8,406	2,421,047	-	-	12,644	2,442,097
Special assessment receivable	-	-	4,925,713	-	-	4,925,713
Notes receivable	1,340,824	-	-	-	-	1,340,824
Real property held for resale	-	-	-	7,645,000	-	7,645,000
Total Assets	\$ 21,542,825	\$ 6,383,107	\$ 6,374,958	\$ 8,945,301	\$ 6,044,629	\$ 49,290,820
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:						
Liabilities:						
Accounts payable	604,183	1,057,320	-	9,714	302,754	1,973,971
Accrued wages & benefits	1,493,744	14,529	-	1,042	33,634	1,542,948
Unearned revenue	200,700	-	-	-	259,582	460,282
Other liabilities	153,776	258,876	-	100,000	61,412	574,064
Total Liabilities	2,452,402	1,330,724	-	110,756	657,383	4,551,265
Deferred inflow of resources						
Unavailable revenue-special assessment	-	-	5,336,189	-	-	5,336,189
Business taxes received in advance	510,226	-	-	-	-	510,226
Unavailable revenue-property tax, other	249,390	-	-	-	-	249,390
Total Deferred Inflow Of Resources	759,617	-	5,336,189	-	-	6,095,806
Fund balance:						
Nonspendable	1,340,914	-	-	7,645,000	-	8,985,914
Restricted:						
Hotel/motel tax	-	-	-	-	623,120	623,120
Arterial street capital improvements	-	2,421,047	-	-	-	2,421,047
Drug investigation and enforcement	-	-	-	-	7,239	7,239
Park and land acquisition/development	-	-	-	-	135,616	135,616
Fire improvements	-	-	-	-	551,434	551,434
Debt service guaranty fund	-	-	-	-	668,849	668,849
Local Improvement District	-	-	1,038,769	-	-	1,038,769
Assigned:						
Residential street improvements	-	-	-	-	819,161	819,161
Arterial street improvements	-	2,631,336	-	-	-	2,631,336
Contingencies	5,587,275	-	-	-	-	5,587,275
Land & park acquisition	-	-	-	-	1,981,473	1,981,473
Facilities & urban renewal	-	-	-	1,189,545	-	1,189,545
General government improvements	-	-	-	-	397,033	397,033
Technology	141,373	-	-	-	-	141,373
Public safety equipment	350,000	-	-	-	-	350,000
Debt service	-	-	-	-	203,323	203,323
Unassigned	10,911,244	-	-	-	-	10,911,244
Total Fund Balance	18,330,806	5,052,383	1,038,769	8,834,545	5,387,246	38,643,749
Total Liabilities, Deferred Inflows And Fund Balances	\$ 21,542,825	\$ 6,383,107	\$ 6,374,958	\$ 8,945,301	\$ 6,044,629	\$ 49,290,820

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

CITY OF TUKWILA, WASHINGTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2015

		Total Governmental Funds
Total governmental fund balances as reported on this statement	\$	38,643,749
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Non-depreciable assets	61,445,996	
Depreciable assets (net)	139,629,022	
Internal service fund assets	<u>4,741,135</u>	205,816,152
The net pension asset is not an available resource and, therefore, is not reported in the funds.		6,275,313
Deferred outflow of pension costs	2,147,396	
Deferred inflow of pension contributions	<u>(3,622,610)</u>	(1,475,214)
The City has an equity interest in two joint ventures. This equity interest for the provision of governmental services is not a current financial resource and therefore is not reported in the funds.		9,193,002
Revenue that was not collected within the recognition period and therefore was not available to pay current liabilities:		
Unavailable revenue reported for property tax and other receivables	249,390	
Unavailable revenue reported for special assessment	<u>5,336,189</u>	5,585,579
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long term liabilities due within one year	(2,774,337)	
Long term liabilities due in more than one year	(55,699,438)	
Accrued interest payable	(339,069)	
Deferred outflow on refunding	<u>390,874</u>	(58,421,971)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		7,286,210
Net Position Of Government Activities As Reported On The Statement Of Net Position	\$	212,902,822

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Arterial Street	Local Improvement District #33	Facilities Urban Renewal	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 45,201,369	\$ 1,400,104	\$ -	\$ -	\$ 1,946,643	\$ 48,548,116
Licenses and permits	2,242,256	-	-	-	-	2,242,256
Intergovernmental	4,626,463	4,788,489	-	-	2,424,932	11,839,883
Charges for services	2,896,446	121,485	-	-	917,317	3,935,248
Fines and forfeitures	261,457	-	-	-	-	261,457
Investment earnings	163,618	9,677	296,304	868	4,878	475,345
Special assessments	-	-	650,415	-	-	650,415
Miscellaneous	120,887	53,646	1,809	100,000	55,925	332,268
Total Revenues	55,512,496	6,373,402	948,528	100,868	5,349,695	68,284,989
EXPENDITURES:						
Current:						
General government	7,247,117	-	-	365,978	95,299	7,708,394
Public safety	28,973,651	-	-	-	61,514	29,035,165
Physical environment	1,919,306	-	-	-	15,922	1,935,228
Transportation	2,820,022	2,948,053	-	-	24,593	5,792,668
Culture and recreation	4,259,532	-	-	-	90,520	4,350,052
Economic environment	4,328,177	-	-	-	1,504,207	5,832,384
Debt service:						
Principal	-	-	605,000	-	1,875,507	2,480,507
Interest	-	-	346,784	-	778,826	1,125,609
Capital outlay	196,589	7,583,236	-	-	3,646,449	11,426,274
Total Expenditures	49,744,394	10,531,289	951,784	365,978	8,092,836	69,686,279
Excess (deficiency) of revenues						
Over (Under) Expenditures	5,768,102	(4,157,887)	(3,255)	(265,110)	(2,743,141)	(1,401,291)
OTHER FINANCING SOURCES (USES):						
Transfers in	500,000	1,700,000	-	-	3,433,846	5,633,846
Transfer out	(5,433,846)	-	-	(500,000)	-	(5,933,846)
Issuance of debt	-	5,825,000	-	2,250,000	-	8,075,000
Bond premium	-	309,758	-	-	-	309,758
Total Other Financing Sources And Uses	(4,933,846)	7,834,758	-	1,750,000	3,433,846	8,084,758
Net change before Special Item	834,256	3,676,871	(3,255)	1,484,890	690,705	6,683,467
Special Item - asset valuation				(956,798)		(956,798)
Net change in fund balances	834,256	3,676,871	(3,255)	528,092	690,705	5,726,669
Fund balance - beginning	17,496,550	1,375,512	1,042,024	8,306,453	4,696,541	31,476,863
Divestment of Component Unit	-	-	-	-	-	1,440,218
Fund balance -beginning restated	17,496,550	1,375,512	1,042,024	8,306,453	4,696,541	32,917,081
Fund Balance - Ending	\$ 18,330,806	\$ 5,052,383	\$ 1,038,769	\$ 8,834,545	\$ 5,387,246	\$ 38,643,749

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

CITY OF TUKWILA, WASHINGTON
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**
 FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances per the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$	5,726,669
Amount reported as change in net position in the Statement of Activities are different because:		
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. In the current period, these amounts are:		
Capital Outlay		11,426,274
Capital asset disposal		(4,330)
Depreciation Expense (excludes internal service fund depreciation which is reflected in internal service fund change in net position listed below)		(7,260,550)
Excess of Capital Outlay Over Depreciation Expense		4,161,394
The net effect of various transactions involving the City's pension plans are:		
Reduction in pension liability and expense		1,228,219
Increase in pension contribution revenue		503,132
Reduction in the Fireman's Pension liability and expense		14,483
		1,745,834
The City has equity interests in two joint ventures. The equity interests for the provision of governmental services are not current financial resources and therefore are not reported in the funds.		(143,093)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond principal retirement		2,480,507
Amortization expense		110,990
		2,591,497
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
General Obligation Bonds issued		(309,758)
General Obligation Bonds issued		(7,909,800)
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
The change in net position of internal service funds is reported with governmental activities.		725,108
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the government funds. Decreases this year are for:		
Miscellaneous receivables		(77,783)
Property taxes		(65,101)
Special Assessment		(650,415)
		(793,299)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
These activities consist of:		
Increase in accrued interest		47,792
Amortization of deferred charge on bond refunding		(66,613)
Increase in compensated absences		(141,823)
Increase in unfunded other post employment benefits		(1,802,950)
Total additional expense (increase) decrease		(1,963,594)
Change In Net Position On The Statement Of Activities	\$	3,830,958

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Water Utility	Sewer Utility	Foster Golf Course	Surface Water Utility	Total Enterprise Funds	Governmental Activities Internal Service Funds
Current assets:						
Cash and cash equivalents	\$ 3,845,268	\$ 5,917,392	\$ 762,664	\$ 1,768,287	\$ 12,293,611	\$ 5,739,809
Investments	2,116,492	520,010	-	-	2,636,502	4,018,253
Taxes receivable	-	-	789	-	789	-
Other receivables	466,570	891,448	5,077	274,346	1,639,231	109,294
Due from other governmental units	390,795	1,617	-	266,915	659,327	-
Inventory of materials and supplies	-	-	62,402	-	62,402	13,836
Current assets restricted						
Cash and cash equivalents	15,700	-	66,306	-	82,006	-
Total Current Assets	6,834,825	7,330,466	897,239	2,309,548	17,373,868	9,881,193
Noncurrent assets:						
Notes receivable	-	257,016	-	-	257,016	-
Capital assets						
Land	87,347	69,525	1,609,575	579,783	2,346,230	-
Building	1,416,567	3,364,962	6,627,496	1,875,395	13,284,419	-
Other improvements	19,851,205	14,586,442	3,559,992	42,643,402	80,641,041	-
Machinery and equipment	802,138	1,242,767	94,786	49,776	2,189,467	14,897,544
Less: accumulated depreciation	(10,514,341)	(7,884,494)	(5,759,485)	(14,724,712)	(38,883,033)	(10,156,409)
Construction in progress	2,551,709	241,921	-	4,454,333	7,247,963	-
Total capital assets (net of accumulated depreciation)	14,194,624	11,621,122	6,132,364	34,877,977	66,826,087	4,741,135
Total Noncurrent Assets	14,194,624	11,878,138	6,132,364	34,877,977	67,083,103	4,741,135
Total Assets	21,029,449	19,208,605	7,029,603	37,187,525	84,455,181	14,622,327
Deferred Outflow s Of Resources						
Deferred pension	54,814	31,826	62,330	92,301	241,271	37,910
Deferred Loss on Refunding	12,044	28,720	-	5,559	46,323	-
Total Deferred Outflow s Of Resources	66,858	60,546	62,330	97,860	287,594	37,910
LIABILITIES:						
Current Liabilities						
Accounts payable	43,179	34,454	5,164	42,767	125,563	61,051
Accrued wages and benefits	24,732	15,135	29,958	48,894	118,718	19,485
Accrued interest payable	2,778	8,148	-	7,187	18,113	-
Unearned revenue	4,771	-	-	7,679	12,450	-
Other current liabilities	54,952	32,853	61,376	12,065	161,245	867,500
Due to other governments	95,080	233,436	-	270,953	599,468	-
Compensated absences	-	14,826	-	-	14,826	-
Revenue bond payable	37,654	89,790	-	17,379	144,823	-
Total Current Liabilities	263,145	428,641	96,497	406,922	1,195,206	948,036
Noncurrent liabilities:						
Reserve for unreported claims	-	-	-	-	-	1,301,250
Revenue bonds payable	415,403	990,576	-	191,724	1,597,704	-
Net pension liability	476,002	276,365	541,271	801,542	2,095,180	329,212
Compensated absences	120,765	10,697	90,749	96,968	319,178	-
Due to other governments	717,275	2,196,886	-	2,132,830	5,046,991	-
Total Noncurrent Liabilities	1,729,446	3,474,524	632,020	3,223,064	9,059,053	1,630,462
Total Liabilities	1,992,591	3,903,165	728,517	3,629,986	10,254,259	2,578,498
Deferred Inflow s Of Resources						
Deferred inflow pension earnings	78,648	45,663	89,432	132,437	346,180	54,395
Total Deferred Inflow s Of Resources	78,648	45,663	89,432	132,437	346,180	54,395
NET POSITION:						
Net investment in capital assets	12,941,256	8,139,154	6,132,364	32,270,650	59,483,424	4,741,135
Unrestricted	6,083,812	7,181,169	141,620	1,252,312	14,658,912	7,286,210
Total Net Position	\$ 19,025,069	\$ 15,320,322	\$ 6,273,984	\$ 33,522,961	\$ 74,142,336	\$ 12,027,345

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Water Utility	Sewer Utility	Foster Golf Course	Surface Water Utility	Total Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 6,484,031	\$ 9,020,998	\$ 1,371,325	\$ 5,085,974	\$ 21,962,328	\$ 8,847,111
Other operating revenue	465	-	110,466	225	111,156	112,715
Total Operating Revenues	6,484,496	9,020,998	1,481,791	5,086,199	22,073,484	8,959,826
OPERATING EXPENSES:						
Operating & maintenance	3,590,010	5,418,374	1,518,249	1,846,454	12,373,086	7,137,230
Administrative and general	645,770	538,327	173,909	801,518	2,159,525	441,581
Taxes	933,085	1,033,643	67,190	570,177	2,604,094	-
Depreciation and amortization	528,077	373,087	327,238	902,492	2,130,894	785,736
Total Operating Expenses	5,696,941	7,363,431	2,086,586	4,120,641	19,267,599	8,364,548
Operating Income (Loss)	787,554	1,657,567	(604,795)	965,559	2,805,885	595,279
NON-OPERATING REVENUE (EXPENSE):						
Investment earnings	24,040	43,175	952	18,905	87,073	96,407
Interest expense	(37,683)	(88,181)	-	(27,333)	(153,197)	-
Gain (loss) on disposal of capital assets	-	-	(455)	(2,487)	(2,942)	33,422
Other non-operating revenue	-	-	-	183,616	183,616	-
Total Non-Operating Revenue (Expense)	(13,642)	(45,006)	497	172,701	114,550	129,829
Income (Loss) Before Contributions & Transfers	773,912	1,612,561	(604,297)	1,138,259	2,920,435	725,108
Capital contributions	1,213,611	209,180	-	617,100	2,039,890	-
Transfers in	-	-	300,000	-	300,000	-
Change in Net Position	1,987,523	1,821,741	(304,297)	1,755,359	5,260,326	725,108
Total net position - beginning	17,561,954	13,803,052	7,932,071	32,650,659	71,947,737	11,664,929
Change in accounting principle - pension costs	(524,409)	(304,471)	(596,317)	(883,057)	(2,308,254)	(362,692)
Change in accounting principle - depreciation	-	-	(757,473)	-	(757,473)	-
Total net position - beginning restated	17,037,545	13,498,581	6,578,281	31,767,602	68,882,010	11,302,237
Total Net Position - ending	\$ 19,025,068	\$ 15,320,322	\$ 6,273,984	\$ 33,522,961	\$ 74,142,335	\$ 12,027,345

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

	Water Utility	Sewer Utility	Foster Golf Course	Surface Water Utility	Total Enterprise Funds	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 6,448,402	\$ 9,016,512	\$ 1,479,914	\$ 5,084,443	\$ 22,029,271	\$ 8,896,289
Cash paid to supplier	(3,431,816)	(5,855,061)	(768,072)	(1,694,907)	(11,749,856)	(1,609,027)
Cash paid for taxes	(933,085)	(1,033,643)	(67,190)	(570,177)	(2,604,094)	-
Cash paid to or on behalf of employees	(776,060)	(446,969)	(943,805)	(1,188,432)	(3,355,266)	(6,331,851)
Other cash received (paid)	465	-	6,365	225	7,055	-
Net Cash Provided (Used)					-	
By Operating Activities	1,307,906	1,680,839	(292,787)	1,631,153	4,327,111	955,410
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grant received	-	-	-	183,616	183,616	-
Transfers in	-	-	300,000	-	300,000	-
Net Cash Provided (Used) By Non-Capital Financing Activities	-	-	300,000	183,616	483,616	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of capital assets	(1,338,852)	(53,360)	-	(2,288,866)	(3,681,079)	(1,288,808)
Contributed capital	108,387	206,109	-	11,576	326,073	-
Debt proceeds	453,057	1,581,851	-	209,103	2,244,011	-
Capital grants	716,283	1,454	-	899,725	1,617,462	-
Principal payment on debt	(1,043,380)	(1,598,960)	-	(535,553)	(3,177,892)	-
Interest payment on debt	(84,263)	(124,518)	-	(40,419)	(249,200)	-
Proceeds from sale of equipment	-	-	-	-	-	33,418
Net Cash Provided (used) for Capital And Related Financing Activities	(1,188,768)	12,576	-	(1,744,433)	(2,920,624)	(1,255,390)
CASH FLOW FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	-	-	-	-	-	865,729
Purchase of investments	-	(500,000)	-	-	(500,000)	-
Interest received	6,449	24,751	952	18,905	51,057	176,192
Net Cash Provided (Used) In Investing Activities	6,449	(475,249)	952	18,905	(448,943)	1,041,921
Net increase (decrease) in cash and cash equivalents	125,588	1,218,166	8,165	89,241	1,441,160	741,941
Cash and cash equivalents-restated cash equivalents					-	741,941
Cash and cash equivalents-beginning of year	3,735,380	4,699,225	820,805	1,679,046	10,934,457	4,997,868
Cash And Cash Equivalents- end of year	\$ 3,860,968	\$ 5,917,392	\$ 828,971	\$ 1,768,287	\$ 12,375,617	\$ 5,739,809
Cash at end of year consists of:						
Cash and cash equivalents	3,845,268	5,917,392	762,664	1,768,287	12,293,611	\$ 5,739,809
Restricted cash-customer deposits	15,700	-	66,306	-	82,006	-
Total Cash and cash equivalents	\$ 3,860,968	\$ 5,917,392	\$ 828,971	\$ 1,768,287	\$ 12,375,617	\$ 5,739,809

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

	Water Utility	Sewer Utility	Foster Golf Course	Surface Water Utility	Total Enterprise Funds	Governmental Activities Internal Service Funds
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 787,554	\$ 1,657,567	\$ (604,795)	\$ 965,559	\$ 2,805,885	\$ 595,279
Adjustments to reconcile operating income to net cash Provided (used) by operating activities:						
Depreciation	528,077	373,087	327,238	902,492	2,130,894	785,736
Asset (increase) decrease:					-	
Accounts receivable	(28,629)	(4,487)	(1,387)	(1,531)	(36,033)	(63,538)
Inventory and other	-	-	(4,581)	-	(4,581)	1,132
Deferred outflow of resources increase (decrease)	54,814	31,826	62,330	92,301	241,271	37,910
Liability increases (decreases):					-	
Accounts payable	33,773	(335,680)	(3,489)	(227,092)	(532,488)	(346,941)
Other liabilities	(4,140)	20,086	5,033	10,722	31,701	-
Wages & benefits payable	15,106	(15,898)	16,296	21,139	36,643	225
Deferred inflow of resources (increase) decrease	(78,648)	(45,663)	(89,432)	(132,437)	(346,180)	(54,395)
Total Adjustments	520,352	23,272	312,008	665,594	1,521,226	360,130
Net Cash Provided (Used) By Operating Activities	\$ 1,307,906	\$ 1,680,839	\$ (292,787)	\$ 1,631,153	\$ 4,327,111	\$ 955,410
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Capital assets acquired by contributed capital	\$ 388,940	\$ 1,617	\$ -	\$ -	\$ 390,557	\$ -
Increase (decrease) in fair value of investment	-	-	-	-	-	23,889
Amortization of bond premium	1,335	1,749	-	339	3,423	-
Total Non Cash investing, Capital and Financing Activities	\$ 390,275	\$ 3,366	\$ -	\$ 339	\$ 393,980	\$ 23,889

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
 DECEMBER 31, 2015

	Firemen's Pension Trust Fund	Agency Fund
ASSETS:		
Cash and cash equivalents	\$ 1,416,506	\$ 124,624
Total Assets	1,416,506	137,092
LIABILITIES:		
Accounts and other payables	-	137,092
Total Liabilities	-	137,092
NET POSITION:		
	1,416,506	-
Held In Trust For Pension Benefits And Other Purposes	\$ 1,416,506	\$ -

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Firemen's Pension Trust Fund
ADDITIONS:	
Other contributions:	
Fire Insurance Premiums	\$ 63,590
Investment earnings	2,667
Total Additions	66,258
DEDUCTIONS:	
Benefit payments	\$ 62,777
Total Deductions	62,777
Change In Net Position	3,481
Net position - beginning	1,413,026
Net Position - ending	\$ 1,416,506

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tukwila was incorporated on June 23, 1908, and operates under the laws of the State of Washington applicable to a non-charter optional code city with a Mayor/Council form of government. Tukwila is served by a Mayor and seven councilmembers, all elected at large to four-year terms. The City provides what are considered general government services including public safety, streets, parks, planning and zoning, permits and inspection, general administrative, water services, sanitary sewer collection, and storm drainage.

The accounting and reporting policies of the City of Tukwila conform to generally accepted accounting principles 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 City's significant accounting policies are described in this note.

A. The Reporting Entity

In accordance with the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board, (GASB) the City's Comprehensive Annual Financial Report (CAFR) includes all funds controlled by the City.

See Note 7, Joint Ventures, for a discussion of Valley Communications Center, which is a joint public safety dispatching authority for five member cities, and South Correctional Entity (SCORE), which is a governmental administrative agency. Also, see Note 13, Risk Management, for a discussion of the Washington Cities Insurance Authority.

The City of Tukwila is a party to the following interlocal agreements (not all inclusive):

- Cascade Water Alliance
- Valley Cities – SCORE Jail
- Valley Communications Center
- Valley Narcotics Enforcement Team
- Valley Special Weapons and Tactics Team
- Valley Civil Disturbance Unit
- Tukwila Metropolitan Park District
- Regional Animal Services of King County
- King County Water Resource Inventory Area 9
- City of SeaTac Probation Services
- King County Reclaimed Water
- Community Connectivity Consortium

The organizations above are separate entities in the State of Washington, whereby the City may enter into these agreements pursuant to, and as authorized by, the Interlocal Cooperation Act under RCW 39.34. The City of Tukwila is not financially accountable to these organizations, none of the organizations have an ongoing financial interest in the City, and the City is not financially dependent upon these organizations.

Divestment of Component Unit

In 2014, the Tukwila Metropolitan Park District (District), which operates pool programs within the City, was reported as a blended component unit in the City's financial statements because the City's councilmembers served in an ex

officio capacity as the District's commissioners. In the November 3, 2015 general election, voters approved a measure changing the governing Board of Commissioners from the Tukwila City Council serving in the ex officio capacity to a five member board with directly elected commissioners. The effective date of the proposition was November 24, 2015. As of December 31, 2015, the District was no longer a component unit of the City and the financial data associated with it was removed from the City's financial statements.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City. These statements include the financial activities of the government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses.

The statements distinguish between governmental activities and business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program activity of the City. Direct expenses are those specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Indirect costs are included in the program expense reported for individual functions and activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted.

Revenues which are not classified as program revenues are presented as general revenues of the City, and certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type. While fiduciary funds are excluded from the government-wide statements, they are included in the fund financial statements.

C. Fund Accounting

The accounts of the City are organized on the basis of funds; each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that are comprised of assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues and expenditures or expenses, as appropriate. The City's resources are allocated to - and accounted for - in individual funds according to the purpose for which they are spent and how they are controlled. There are three categories of funds: *governmental, proprietary and fiduciary.*

Governmental Funds

All governmental funds are accounted for on a "flow of current financial resources" measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements focus on measuring changes in current financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The following are the City's major governmental funds:

- The general fund accounts for all of the City's financial resources except those required by statute or generally accepted accounting principles to be accounted for in another fund. As is the case with most municipalities, the general fund is the largest and most important accounting entity of the City. As noted in the statements that follow, the general fund receives the bulk of its revenues from local taxes, followed by State shared revenues, service charges, and other income.
- The Arterial Street Fund was established in accordance with RCW 82.36.020 for the administration of the State-levied motor vehicle half-cent gasoline tax distributed to Tukwila and is used primarily to account for capital arterial street projects. In addition to the State-levied motor vehicle gasoline tax, other revenue includes state and federal grants, impact fees, and transfers in from the general fund.
- The Local Improvement District (LID) #33 accounts for assessments related to the LID and provides payment to the Fiscal Agent for principal and interest on bonds issued in November 2013.
- The Facilities Fund was established in 1988 for the replacement of existing general government facilities, including property owned by the City that will be utilized for redevelopment or renewal purposes.

The other governmental funds of the City, account for the proceeds of specific revenue sources that are segregated to ensure that expenditures are made exclusively for qualified purposes.

Proprietary and Internal Service Funds

Proprietary and internal service funds are accounted for on a "flow of economic resources" measurement focus. This means all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. Proprietary funds measurement focus is based upon determination of net income, financial position, and cash flows.

Proprietary and internal service 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's enterprise and internal service funds are charges to the City's customers for sales and services. Operating expenses for the enterprise funds and internal service funds include 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. As described further below, there are two fund types in this category- enterprise and internal service.

Restricted assets shown in the government-wide financial statements and the proprietary funds balance sheet include monies reserved for payment of revenue bond debt, and deposits held for utility and golf course customer accounts. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City's enterprise funds account for utility and golf course operations, which are self-supported through user charges. The utilities are financed and operated like a private business enterprise, which requires periodic determination of revenues earned, expenses incurred, and net income for capital maintenance, public policy, management control and accountability. The City's major enterprise funds are as follows:

- Water Utility Fund accounts for operations and capital improvements to provide water services to the City.
- Sewer Utility Fund accounts for operations and capital improvements to provide sanitary sewer services to the City.
- Foster Golf Course Fund is used to account for the operation, maintenance, and improvements of the municipal golf course facility.
- Surface Water Utility Fund accounts for the operations and capital improvements for the City's storm drainage and surface water management function.

The City has three internal service funds. The Equipment Rental Fund is used to account for the costs of maintaining and replacing all City vehicles and auxiliary equipment. All equipment costs, including depreciation, are factors in calculating the rates charged to each user department. The Insurance and Insurance – LEOFF I Funds are used to account for the costs of the City's self-insured medical plan for active employees and retired LEOFF I employees respectively. Medical and dental costs for covered employees are charged to the respective user departments. All premiums, medical and dental costs and ancillary charges are included.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City has two fiduciary funds, Firemen's Pension Trust Fund and Agency Fund. The Firemen's Pension Trust Fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve a measurement of results of operations. Fiduciary funds are excluded from the government-wide financial statements.

D. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflow of resources associated with the operation of the City are included on the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflow of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the government activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a

reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

Like the government-wide statements, all proprietary and internal service fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in activities presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting refers to the recognition of revenues and expenditures or expenses in the accounts and reporting them in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. The modified accrual basis of accounting is followed in all governmental funds of the City. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay current liabilities. For the City, available means expected to be received within sixty (60) days of year-end. The primary accrued revenues that meet these criteria are sales and utility taxes.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, sales and use taxes, admission taxes, gambling taxes, utility taxes, hotel/motel taxes, grants, entitlements, and donations. These revenues are on an accrual basis. On the accrual basis, the revenue is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 4 on receivables).

Other Revenue Sources

Revenue sources which are not considered to meet the measurable and available criteria for revenue recognition include licenses and permits, fines and forfeitures, and other miscellaneous revenues since they are generally not measurable until received.

Under the modified accrual basis, expenditures are recorded when the fund liability is incurred, except for principal and interest on general long-term debt and vacation and sick pay which are recorded when paid.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements via the process of consolidation. Internal service fund and similar internal activity has been eliminated from the government-wide statement of activities so expenses are not reported twice. Exceptions to this general rule are payments for interfund services provided and used, such as between the City’s water, sewer, and surface water functions and various other functions of the City, which are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported on the government-wide statements as program revenues include, charges to customers or applicants for goods, operating grants and contributions, and capital grants and contributions. General revenues include all taxes. The accrual basis of accounting is followed in all proprietary funds. Under the accrual

basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. All assets and liabilities are recorded in the fund.

F. Budgets and Budgetary Accounting

The City of Tukwila budgets its funds in accordance with the Revised Code of Washington 35A.33. In compliance with the code, biennial budgets are adopted for the general fund and special revenue funds. For governmental funds, there are no substantial differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for biennially budgeted governmental funds only. Budgets established for proprietary and fiduciary funds are "management budgets" and are not legally required to be reported and, as such, are not reported in the CAFR.

The biennial appropriated budgets are adopted at the fund level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Any unexpended appropriation balances lapse at the end of the biennium.

The City of Tukwila's budget procedures are mandated by RCW 35A.33. The steps in the budget process are as follows:

- 1) Prior to November 1 on even numbered years, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months, and balanced with revenue estimates made by the Mayor.
- 2) The City Council conducts public hearings on the proposed budget in November. Public hearings are also held in December, if necessary.
- 3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- 4) The final operating budget as adopted is published and distributed within the first month of the following year. Copies of the budget are made available to the public.

The City Council must approve, by ordinance, any amendments that increase the total for the fund. Budget amounts presented in the financial statements include both the original amounts and the final amended budget as approved by the City Council. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable to the fiscal year.

Expenditure Categories

General Government	Includes administration, finance, municipal court, attorney, and city clerk activities.
Public Safety	Includes all police and fire activities.
Physical Environment	Includes expenditures for the public works activities not chargeable to the enterprise funds.
Transportation	Includes all street and arterial street maintenance and construction.
Economic Development	Reflects the planning and building inspection activities.
Culture and Recreation	Includes the parks and recreation activities.

G. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

All cash and cash equivalents, restricted and unrestricted, consists of cash balances in the checking account, money market account, imprest funds, and the State Treasurer's Local Government Investment Pool. All funds in the care of other institutions are considered investments. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

Investments

Investments are held separately by each fund with interest earned directly for the benefit of each fund. Investments are reported in the financial statements at fair value, cost or amortized cost, depending on the type and maturity length of each investment as required by GASB Statement 31. Washington State statutes provide for the City to hold investments consisting of obligations of the Federal Government, repurchase agreements, prime banker's acceptances, and time certificates of deposit. Additional deposit and investment information is presented in Note 3.

Notes Receivable

Notes receivable in the enterprise funds consists of sewer connection fees due from customers to the utility. In the governmental funds, it consists of the current portion of the special assessment receivable.

Amounts Due to and From Other Funds and Governments, Interfund Loans and Advances Receivable

Activity between funds that is 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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." As of December 31, 2015, there are no residual balances outstanding between the governmental activities and business-type activities.

The non-current portion of interfund loans and advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. See Note 5 on interfund transactions.

Special Assessments

Special assessments are amounts levied against benefited properties to recover costs associated with the construction of Local Improvement District (LID) projects. A lien is recorded against benefited properties until the assessment has been paid. Special assessments receivable represent all outstanding assessment amounts including current assessments billed but not collected, delinquent assessments unpaid at year-end, and special assessment amounts due in future years, which are recorded in a deferred inflow of resources account in the fund financial statements. Since special assessments are secured by liens against related properties, no allowance for uncollectible amounts is made.

Inventories

Inventory is defined as items purchased for resale to external customers or other City departments, or supplies and small tools used in normal operations that are considered material in amount. The inventory amount on this year's financial statements reflect only those items that will be resold. The inventory is valued at average cost using the consumption method and there is a physical inventory count taken annually at year-end.

Governmental funds use the purchase method whereby inventory items are considered expenditures when purchased.

Real Property Held for Resale

Governmental funds do not report property, plant, and equipment because such assets normally are used in operations, and therefore will never be available for spending (they are not financial assets). However, specific items of property occasionally are acquired with the intent of sale. Examples include foreclosure properties, redevelopment properties, and donated assets held for resale rather than retained for use in operations. Governments often acquire redevelopment properties to attract private-sector investment in an economically depressed area and are willing to sell the property at a price that may be far less than the government’s cost to acquire and improve the property. Since assets held for sale can never be reported at an amount higher than their net realizable value, any cost in excess of net realizable value must be excluded from the property value reported in the financial statements.

The City acquired redevelopment properties in its urban renewal area along Tukwila International Boulevard. Acquisition of the Tukwila Village property began in 1999 and an agreement to develop the property was secured in 2012. Three crime-ridden motels were acquired in 2014, and two additional properties were acquired in 2015, with the intent to demolish the structures and sell the vacant land for redevelopment. All redevelopment properties are reported at net realizable value in the financial statements.

Deferred Outflows /Inflows of Resources

Deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred inflow of resources is acquisition of net position by the government that is applicable to a future reporting period.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets acquired in governmental funds are accounted for as expenditures in the fund when the asset is purchased. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are valued at estimated fair market value at time of acquisition. Where historical cost is not known, assets are recorded at estimated historical costs. The City maintains a capitalization threshold of five thousand (\$5,000) dollars. The City’s infrastructure consists of roads, bridges, storm sewers, water and sewer distribution and collection systems. Improvements are capitalized while the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

Depreciation is computed using the straight line method over estimated service lives, as follows:

Asset	Estimated Service Life
Buildings	25 to 50 years
Non-Building Improvements	25 to 50 years
Machinery and Equipment	2 to 50 years
Intangibles	2 to 50 years
Infrastructure	25 to 50 years

See Note 6 for additional information on capital assets.

Other Liabilities

Other liabilities include retainage, deposits and the incurred-but-not-reported (IBNR) claims and claim reserve for the self-insured healthcare funds. The Self Insurance fund includes an IBNR liability of \$867,500 determined using actuarial methods. This liability is multiplied by a factor of 2.5 to meet the City's financial goal of maintaining reserves at 1 x IBNR for claim fluctuations plus 1.5 x IBNR for a claims reserve yielding a total liability of \$2,168,750.

Compensated Absences

City policy and labor contracts with City of Tukwila employees call for the accumulation of vacation and sick leave. At termination of employment, employees with the required length of service may receive cash payments for all accumulated vacation leave to a maximum of 384 hours. Sick leave termination benefits are based on a percentage of accumulated sick leave up to a maximum of 180 hours. The payment is based on current wages at termination.

The entire compensated absence liability, which includes salary and wages as well as related taxes, is reported on the government-wide financial statements. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability. This reporting format is in compliance with GASB Statement No. 16.

The current portion reported on the schedule of long-term liabilities is calculated using the last-in-first-out (LIFO) approach. Anticipated subsequent yearly usage is used to determine the current portion of the liability. There is no current portion to report when the anticipated leave usage is less than the anticipated leave to be accrued during the next year.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Long-term debt outstanding at year-end is outlined in Note 10.

Fund Balance/Net Position

A fund balance represents the difference between the current assets and current liabilities plus deferred inflows. The City restricts those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for general appropriation or expenditure.

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The remaining balance is reported as unrestricted.

In 2012 and again in 2015, the City revised the Reserve Policy which addresses the various types of the City's operating and restricted use funds. The objectives of this Policy are to establish, attain, and restore minimum fund balances, including self-insurance health care reserve funds, and specified review and reporting of fund balances.

At the close of each fiscal year, the General Fund balance shall equal or exceed 18%, and the Contingency Reserve Fund balance shall each equal or exceed 10%, of the previous year General Fund revenue, exclusive of significant non-operating, non-recurring revenues such as real estate sales or transfers in from other funds. Additionally, 10% of the previous year one-time revenues shall be set aside in a one-time revenue reserve within the Contingency Reserve fund.

Enterprise funds, at the close of each fiscal year, the unrestricted fund balance shall equal or exceed 20% of the previous year revenue, exclusive of non-operating, non-recurring revenues such as real estate sales, transfers in from other funds or debt proceeds.

The City shall maintain a reserve balance in each of its self-insured health care funds an amount equal to 2.5 times or 250%, of the actuarially determined IBNR reserve.

Fund Balance Components

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54 and are reported as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund. The general fund's nonspendable fund balance of \$1.3 million is the outstanding balance of a loan from the general fund to the Tukwila Metropolitan Park District. The facilities fund has a nonspendable fund balance of \$7.65 million representing real property held as an investment.

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action in the form of ordinances and resolutions of Tukwila Councilmembers, the City's highest level of decision-making authority. This formal action is the passage of an ordinance by City Council creating, modifying, or rescinding an appropriation. These committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent of use is determined through the budgetary process and is expressed by the Finance Director.
- Unassigned fund balance is the residual amount not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54. Funds are created by the City Council and money is authorized to be transferred to the fund for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved. The City applies restricted resources first when an expense is incurred for purposes of which both restricted and unrestricted net position is available in the governmental funds. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted

classifications can be used, it is the City's policy to spend committed resources first, the assigned second, followed by unassigned.

Operating Revenues and Expenses

Operating revenues are generated directly from the primary activity of the proprietary funds. For the City, these revenues are service fees for utilities, charges for services for the use of the golf course and the internal use of vehicles, computers and facilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. All other revenues and expenses are classified as non-operating including investment earnings, interest expense and the gain or loss on the disposition of capital assets.

Contributions of Capital

Contributions of capital in proprietary fund financial statement arise from outside contributions of capital assets, for example, developers, and grants or outside contributions of resources restricted to capital acquisition and construction. It also includes water and sewer connection charges.

Indirect Cost Allocation

Indirect costs, also referred to as overhead costs, consist of the cost of central services or support functions shared across departments. They include accounting, human resources, payroll, information technology, janitorial services and others. These services are paid through the general fund and charged back to the proprietary funds that directly benefit from them. In prior years, the indirect costs allocated to the proprietary funds were recorded as a transfer out of the proprietary funds and a transfer in to the general fund. Pursuant to guidance by the Washington State Auditor's Office, Budgeting, Accounting, and Reporting System (BARS), the indirect costs allocated to the proprietary and other funds of \$2,255,320 for 2015 are reported as a reduction of general government expenditures on the Statement of Activities rather than as transfers in and transfers out.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. On the government-wide statement of activities, the exchange transactions between the internal service funds and the user funds are eliminated. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in proprietary funds.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported separately after general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

Special Item

Special items are transactions that are either unusual in nature or infrequent in occurrence. They must also be within the control of management. They are reported as a separate line item entitled Special Item. The City has one special item reported in 2015. The City purchased motels in the Tukwila International Boulevard urban renewal area for redevelopment. The assets were written down to the net realizable value because the structures on the land will be demolished and the property sold as raw land. The reduction in value is reported as a special item.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Risk Management

It is the City of Tukwila's policy to self-insure for unemployment benefits because of the insignificant liability. Medical and dental self-insurance coverage is also provided for employees. All buildings, City equipment, and City vehicles are insured by carriers for property coverage at replacement value.

The City of Tukwila is a member of the Washington Cities Insurance Authority (WCIA) as of January 1, 1984. WCIA is an organization of Washington entities numbering 179 as of December 31, 2015. WCIA provides pooled self-insurance coverage for general liability, vehicle liability, false arrest, and errors and omissions. See Note 12 for additional information on risk management.

H. Pensions

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.

I. Changes in Reporting

In 2015 the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions which amends GASB Statement No. 27*. This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trust or equivalent arrangements. The City also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to The Measurement Date – An Amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

NOTE 2 –DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool available for use by all funds. Interest earned on pooled investments is recorded in the participating funds. Investments are also held separately by several of the funds, with interest earned directly for the benefit of each fund.

Cash and Cash Equivalents

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The City minimizes custodial credit risk by following the restrictions set forth in state law.

At year-end, the carrying amount of the City's cash balance held in banks was \$14,479,680. Of the bank balance, \$250,000 was covered by Federal depository insurance and the Washington Public Deposit Protection Commission (WPDP) insured the remainder. The City also maintains imprest funds totaling \$14,450. The City participates in the State Treasurer's Investment Pool, which is a 2a7-like unrated pool, overseen by the State Treasurer's Office. The fair value of the City's position in the pool is the same as the value of the pool shares. Because of its highly liquid nature, the Pool funds are considered cash equivalents.

Investments

The City's investment portfolio includes certificate of deposits insured by the Washington State Public Depository Commission, U.S. Government Agency Notes, and municipal bonds issued by state and local agencies. These investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Also, the Firemen's Pension Fund is authorized to invest in stocks, bonds, and mutual funds.

At December 31, 2015, the City had the following deposits and investments:

SCHEDULE OF INVESTMENTS BY MATURITY

	Maturity Date	Credit Rating	Market Value
Certificates of Deposit:			
Sound Community Bank	3/4/2017	*	\$ 3,174,738
Bank of Washington	5/1/2016	*	250,000
Total Certificate of Deposits			<u>3,424,738</u>
U.S. Government Agency Notes:			
Federal Home Loan Mtg Corp	5/13/2016	AAA / AA+	2,000,398
Federal Natl Mortgage Assn	8/23/2017	Aaa / AA+	993,328
Federal Home Loan Bank	9/21/2018	Aaa / AA+	1,000,013
Federal Home Loan Mtg Corp	5/25/2018	AAA / AA+	997,016
Total U.S. Agency Notes			<u>4,990,755</u>
Municipal Bonds:			
Washington State Convention Center: Lodging Tax	7/1/2016	Aa3 / A+	505,050
Washington State Biomedical Research: Revenue - Facilities	7/1/2017	Aaa / AA+	520,010
Marysville Washington: Limited General Obligation	12/1/2017	Aa3 / A1	304,477
Washington State Biomedical Research: Revenue - Facilities	7/1/2019	Aaa / AA+	547,445
Port of Anacortes, Washington: Limited General Obligation	9/1/2020	A1	362,719
Douglas County School District, Washington: Unlimited General Obligation	12/1/2020	Aa1 / Aa3	1,240,317
Total Municipal Bonds			<u>3,480,017</u>
TOTAL INVESTMENTS			<u><u>\$ 11,895,510</u></u>

* No credit rating with certificate of deposit accounts; accounts are insured by the Public Depository Protection Commission.

RECONCILIATION OF ALL CASH, DEPOSITS AND INVESTMENTS

AS REPORTED ON STATEMENT OF NET POSITION:	
Cash and Cash Equivalents:	\$ 34,975,562
Investments	11,895,510
Current Assets Restricted:	
Cash and cash equivalents	2,524,103
Total Cash, Cash Equivalents and Investments	\$ 49,395,175

SUMMARY BY TYPE:	
Cash and Cash Equivalents:	
Local Government Investment Pool	\$ 10,708,902
Money market account	13,152,028
Cash on hand	14,450
Cash in bank-book balance	13,624,285
Total cash and cash equivalents	37,499,665
Investments:	
Certificates of deposit	3,424,738
U.S. Government Agency Notes	4,990,755
Municipal bonds	3,480,017
Total investments	11,895,510
Total Cash, Cash Equivalents, and Investments	\$ 49,395,175

Restricted Assets - Governmental	
Deposits	\$ 8,406
Drug Seizure funds - federal portion	12,644
Debt Service	2,280,652
Impact Fees	140,395
Restricted Assets-Governmental	\$ 2,442,097
Restricted Assets - Business-Type	
Customer Deposits-Water Utility	\$ 15,700
Customer Deposits-Golf Course	51,306
Lease Deposits-Golf Course	15,000
Revenue Bond Reserve Account-Water/Sewer/Surface Water	-
Restricted Assets-Business-Type	\$ 82,006
Total Restricted Assets	\$ 2,524,103

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's cash and investment portfolio to maturities of less than one year. Investment maturities are limited as follows:

- 1) At the time of investment, a minimum of thirty percent (30%) of the cash and investment portfolio will be comprised of investments maturing or available within one year.
- 2) At the time of investment, eighty percent (80%) of the portfolio will be comprised of investments maturing or available within five (5) years and no instruments shall have a maturity exceeding ten (10) years, except when compatible with a specific fund's investment needs.
- 3) The average maturity of the portfolio shall not exceed three and one half (3 ½) years or forty-two (42) months.

The City uses the weighted average maturity method to manage interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes and the City's investment policy limit the types of securities authorized for investment by the City. The principal governing statutes are RCW 39.59 and RCW 39.60. The Finance Director may further restrict eligible investments by this policy at his/her discretion. Authorized investments include (but are not limited to):

- 1) U.S. Treasury Securities.
- 2) U.S. Agency Securities (i.e., obligations of any government-sponsored corporation eligible for collateral purposes at the Federal Reserve).
- 3) Certificates of Deposit, Money Market Deposit Accounts and savings deposits with qualified depositories within statutory limits as promulgated by the WPDPC at the time of investment.
- 4) Bankers Acceptances (BA's) purchased on the secondary market with a rating of A-1, P-1, its equivalent or better.
- 5) General Obligation Bonds of a state or local government which have at the time of the investment one of the three highest credit ratings of a nationally-recognized rating agency.
- 6) The Washington State Local Government Investment Pool (LGIP).

As of December 31, 2015, the City's investments in municipal bonds were rated Aaa to A1 by Moody's Investor Service.

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 of Tukwila diversifies its investments by security type and institution as described below:

- 1) No more than fifty percent (50%) of the City's cash and investment portfolio, at the time of purchase, shall be in any single financial institution.

- 2) Except, that no more than seventy-five percent (75%) of the City’s portfolio, at the time of purchase, shall be invested in the Washington State Local Government Investment Pool, and
- 3) No more than seventy-five percent (75%) of the City’s portfolio, at the time of purchase, shall be invested in U.S. Treasury or Agency securities.

NOTE 3 – RECEIVABLES

Taxes Receivable

Taxes receivable consists of property, sales and use, gambling, leasehold, and hotel/motel taxes. Customer accounts receivable consists of amounts owed by private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used. Customer accounts receivable also includes the current portion of special assessments due from property owners within Local Improvement District No. 33. Other types of accounts receivable include utility taxes due from private organizations and customer accounts receivable for amounts owed which billings have not been prepared.

	Governmental Activities	Business-Type Activities	Total
Taxes Receivable			
Property	\$ 197,626	\$ -	\$ 197,626
Sales & Use	3,736,033	-	3,736,033
Real Estate Excise Tax	1,097,739	-	1,097,739
Utility Tax	828,247	-	828,247
Admission/Gambling/Parking/Other	1,046,739	789	1,047,528
Total Taxes Receivable	6,906,384	789	6,907,173
Customer Receivable			
Miscellaneous	432,016	5,077	437,093
Utility Accounts	-	1,630,573	1,630,573
Total Customer Receivable	432,016	1,635,651	2,067,667
Interest	55,087	1,790	56,877
Notes due within one year	612,971	-	612,971
Total Receivables	\$ 8,006,458	\$ 1,638,230	\$ 9,644,688

Property Taxes Receivable

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed daily via wire transfer.

Property Tax Calendar

January 1 st	Taxes are levied and become an enforceable lien against properties.
February 14 th	Tax bills are mailed.
April 30 th	First of two equal installment payments is due. If taxes are less than \$50, full payment is due. (RCW 84.56.020)
May 31 st	Assessed value of property established for next year’s levy at 100 percent of market value.
October 31 st	Second installment is due. (RCW84.56.020)

Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every two years. On May 31 of each year the assessed value of property is established for the next year's property tax levy.

Property taxes levied by the County Assessor and collected by the County treasurer become a lien on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$50. The first half of real property taxes is due on April 30 and the balance is due October 31. Delinquent taxes bear interest at the rate of 12% and are subject to additional penalties if not paid as scheduled.

During the year, property tax revenues are recognized when cash is received. At year-end, unpaid property taxes are recorded as a receivable. Property tax receivables at year-end not expected to be collected within 60 days after the current period are reported as other unavailable revenue in the deferred inflow of resources section of the governmental funds financial statements. The tax rate for general City operations is limited to \$3.60 per \$1,000 of assessed value. An additional levy rate of \$0.225 is available to the City because the City funds a Firemen's Pension Fund.

The payment of principal and interest on limited tax (non-voted) bonds issued by the City is made from the general levy. Accordingly, the issuance of limited tax general obligation bonds has the effect of reducing property taxes available for the general operations of City government. State law also provides that the City's operating levy may not exceed 101% of the largest single levy of the past three years. The State Constitution provides that the total of all taxes upon real and personal property by the State and all taxing entities, including the City, shall not in any year exceed 1% (\$10 per \$1,000) of the true and fair monetary value of such property. This limitation may be exceeded upon the approval of 60% of the City voters at an election in which the total vote exceeds 40% of the votes cast at the last general election.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate. The City's regular levy in 2015 was \$2.84188 per \$1,000 of assessed valuation of \$5,054,078,747 for a total regular levy of \$14,327,468.

Due from Other Governments

All receivables from other governments are recorded at year-end as amounts Due from Other Governmental Units. These amounts represent federal, state, and local reimbursement-type grants, and are reported as receivables and intergovernmental revenues in the year when the related expenditures are incurred. As of December 31, 2015, the majority represents grants.

Notes Receivable

Notes receivable for governmental activities consists of the long-term portion of the special assessments related to Local Improvement District (LID) No. 33. Special assessments are levied against certain property owners benefited by the improvement. The current portion of outstanding assessments is reported in the receivables category on the Statement of Net Position and consists of assessments which are due within one year and delinquent assessments from the prior year. Assessments are charged to property owners within the LID annually with payments due in October of each year. The repayment period for the assessments is 15 years with the first installment due in 2014 and the final installment due in 2028.

Notes receivable for business-type activities consists of outstanding payment plans for sewer connection fees. The City designed and constructed sewer infrastructure in both the Allentown and Foster Point neighborhoods, which was previously on septic. The project was completed and accepted by City Council in 2007. The connection fees to be paid by property owners were established by ordinance, effective in August, 2007. One option given to property owners was an installment payment plan. This option allowed owners to sign an agreement to have the connection charge added to their monthly water bill and repaid over 5, 10, or 15 years with a 4% annual interest rate. The balance reflects all principal outstanding at year-end.

	Governmental Activities	Business-Type Activities	Total
Notes Receivable			
Special Assessments - Non-Current Portion	\$ 6,266,537	\$ -	\$ 6,266,537
Sewer Payment Plan	-	257,016	257,016
Total Receivables	\$ 6,266,537	\$ 257,016	\$ 6,523,553

NOTE 4 – INTERFUND TRANSACTIONS

Interfund activity is the term used to describe similar financial transactions between funds of the primary government.

Reciprocal interfund activity involves the exchange of equal or almost equal value between funds.

Services Provided/Used – Transactions that would be treated as revenues, expenditures or expenses if they involve external organizations, such as buying goods and services in return for equal or almost equal value, are similarly treated when they involve other funds of the City of Tukwila.

Interfund Loans/Advances – Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds in the fund statements. Interfund loans are offset by a reservation of fund equity. Interfund loans are subject to elimination upon consolidation.

Nonreciprocal interfund activity does not involve the exchange of equal or almost equal value between funds.

Transfers – Transactions to support the operations of other funds are recorded as “Transfers” and classified with “Other Financing Sources or Uses” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Contributions – Contributions to the capital of enterprise or internal service funds, transfers of capital assets between proprietary and governmental funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified non-operating revenue.

Reimbursements – Repayments from funds responsible for expenditures or expenses to the funds that initially paid for them. These transactions are expenditures/expense in the fund responsible and as a reduction of expenditure/expensed in the fund being reimbursed.

Interfund transfers for the year were as follows:

SUMMARY OF INTERFUND TRANSFERS

	Governmental Funds				Total Governmental	Proprietary Funds	TOTAL
	General Fund	Arterial Street	Facilities	Other Gov't Funds		Golf Course	
Transfers In	\$ 500,000	\$ 1,700,000	\$ -	\$ 3,433,846	\$ 5,633,846	\$ 300,000	\$ 5,933,846
Transfers Out	(5,433,846)	-	(500,000)	-	(5,933,846)	-	(5,933,846)
Net Transfers In (Out)	\$ (4,933,846)	\$ 1,700,000	\$ (500,000)	\$ 3,433,846	\$ (300,000)	\$ 300,000	\$ -

The principal purposes for interfund transfers include interfund subsidies and transfers into debt service and capital projects funds.

NOTE 5 – OPERATING LEASES

During 2015 the City maintained operating lease agreements for the purpose of leasing City operated machinery and equipment.

Tukwila leases office/ storage space for the purposes of the Records Center, Seattle Southside Visitor Center and the Neighborhood Resource Center. In addition the City leased a postage machine and copiers during 2015. Costs associated with these activities are as follows.

SCHEDULE OF FUTURE MINIMUM LEASE PAYMENTS

	2015	2016	2017	2018	2019
Records Center ¹	69,704	29,400	-	-	-
Neighborhood Resource Center ²	21,000	10,500	-	-	-
Seattle Southside Visitor Center	20,141	-	-	-	-
Police Archives/Vehicle Storage	4,600	55,752	57,424	59,144	60,916
Police Department Gym	8,400	14,652	15,091	15,542	16,012
Postage Machines	9,096	9,096	9,096	9,096	9,096
Office Equipment	52,096	45,995	36,103	17,924	3,300
Total Lease Payments	185,037	165,396	117,714	101,706	89,324

¹ Leasing of the Records Center expires on 5/31/2016. The tenant is responsible for the cost of utilities and maintenance of building, which is estimated, based on square footage and reconciled annually by the lessor.

² Leasing of the Neighborhood Resource Center expires on 6/30/2016.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

GOVERNMENTAL ACTIVITIES

	BEGINNING BALANCE 1/1/2015	Divestment of Component Unit	BEGINNING BALANCE 1/1/2015 RESTATED	INCREASES	DECREASES	ENDING BALANCE 12/31/2015
Governmental Activities						
Capital assets, not being depreciated:						
Land	\$ 35,312,814	- \$	35,312,814	\$ -	\$ -	\$ 35,312,814
Construction in Progress	16,718,203	-	16,718,203	11,355,209	(1,940,230)	26,133,182
Total capital assets, not being depreciated	52,031,017	0	52,031,017	11,355,209	(1,940,230)	61,445,996
Capital assets, being depreciated:						
Buildings	25,424,641	(2,845,260)	22,579,382	92,027	-	22,671,409
Other Improvements	18,130,493	(76,492)	18,054,002	10,030	-	18,064,032
Machinery and Equipment	19,600,119	(216,988)	19,383,131	1,501,411	(243,210)	20,641,332
Infrastructure	172,163,132	-	172,163,132	1,701,622	-	173,864,754
Total capital assets being depreciated	235,318,386	(3,138,739)	232,179,646	3,305,090	(243,210)	235,241,526
Less accumulated depreciation for:						
Buildings	(11,614,193)	292,289	(11,321,904)	(637,509)	-	(11,959,413)
Other Improvements	(11,355,020)	2,550	(11,352,470)	(778,403)	-	(12,130,873)
Machinery and Equipment	(12,758,603)	20,639	(12,737,964)	(1,402,051)	310,158	(13,829,858)
Infrastructure	(47,646,638)	-	(47,646,638)	(5,304,588)	-	(52,951,226)
Total accumulated depreciation	(83,374,454)	315,477	(83,058,977)	(8,122,551)	310,158	(90,871,370)
Total capital assets, being depreciated, net	151,943,932	(2,823,262)	149,120,670	(4,817,461)	66,948	144,370,156
Governmental activity capital assets, net	\$ 203,974,949	\$ (2,823,262)	201,151,687	\$ 6,537,748	\$ (1,873,282)	\$ 205,816,152

Effective with the 2015 financial reporting year, the Tukwila Pool Metropolitan Park District (TPMPD) is no longer a component unit of the City of Tukwila. Because the TPMPD is no longer a component unit, the beginning balances are being restated.

On the November 3, 2015 general election, voters approved a measure changing the governing Board of Commissioners from the Tukwila City Council serving in an ex officio capacity to a five member board with directly elected commissioners. The effective date of the proposition was November 24, 2015.

BUSINESS-TYPE ACTIVITIES

	BEGINNING BALANCE 1/1/2015	CHANGE IN ACCOUNTING PRINCIPLE	INCREASES	DECREASES	ENDING BALANCE 12/31/2015
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 2,346,230	\$ -	\$ -	\$ -	2,346,230
Construction in Progress	4,200,272	-	3,660,185	(612,494)	7,247,963
Total capital assets, not being depreciated	6,546,502	0	3,660,185	(612,494)	9,594,194
Capital assets, being depreciated:					
Buildings	13,284,419	-	-	-	13,284,419
Other Improvements	80,053,417	-	612,494	(24,870)	80,641,041
Machinery and Equipment	2,322,594	-	20,894	(154,020)	2,189,467
Total capital assets being depreciated	95,660,430	-	633,388	(178,890)	96,114,928
Less accumulated depreciation for:					
Buildings	(4,233,598)	-	(371,794)	-	(4,605,392)
Other Improvements	(30,098,748)	(708,834)	(1,710,507)	22,383	(32,495,705)
Machinery and Equipment	(1,838,270)	(48,640)	(48,593)	153,566	(1,781,937)
Total accumulated depreciation	(36,170,616)	(757,473)	(2,130,894)	175,949	(38,883,034)
Total capital assets, being depreciated, net	59,489,816	(757,473)	(1,497,506)	(2,942)	57,231,894
Business-Type activity capital assets, net	\$ 66,036,318	\$ (757,473)	\$ 2,162,679	\$ (615,436)	\$ 66,826,087

The City changed the depreciation method for machinery and equipment as well as other improvements categories. Previously, the depreciation method utilized was the composite method. Beginning with fiscal year 2015, the straight-line method of depreciation is utilized for all categories of capital assets.

DEPRECIATION

Depreciation expense for 2015 was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 272,680
Public Safety	165,840
Physical Environment	687,741
Transportation	5,339,544
Economic Environment	4,301
Culture and Recreation	790,444
Intangible Assets	76,265
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	785,736
Total 2015 depreciation expense - governmental activities	\$ 8,122,551

Business-type activities:

Water Utility	\$ 528,077
Sewer Utility	373,087
Foster Golf Course	327,238
Surface Water Utility	902,492
Total 2015 depreciation expense - business-type activities	\$ 2,130,894

NOTE 7 – JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The City participates in two joint ventures. A summary of the City's investment in joint ventures follows.

SUMMARY OF INVESTMENT IN JOINT VENTURES

	Equity in Operations	Equity in Capital Assets financed by Outstanding Debt	TOTAL Investment in Joint Ventures
Valley Com	\$ 2,139,261	\$ -	\$ 2,139,261
SCORE	788,541	6,265,200	7,053,741
TOTAL	\$ 2,927,802	\$ 6,265,200	\$ 9,193,002

Valley Communications 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 during 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 is automatically extended for consecutive five-year periods.

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. 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 participating cities is the percentage of estimated dispatched calls attributed to each jurisdiction compared to the total estimated dispatched calls for the current 12-month period ending December 31.

The 2015 cost distribution for the five (5) participating cities is as follows:

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

Valley Com is governed by an Administration Board composed of the Mayors from the five participating cities of Renton, Kent, Auburn, Tukwila, and Federal Way. The Board is responsible for the following functions: (1) Adopting an annual budget after review by participating legislative bodies; (2) Appointment and/or discharge of the Director; (3) Approves personnel policy and makes final decisions on all major policy changes; (4) Reviews 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 operation of Valley Com and advises and makes recommendations to the Administration Board; (2) Makes recommendation on Director selection; (3) Presents proposed policies and budgets to the Administration Board; (4) Approves disbursement of funds by the Director.

The Director presents a proposed budget to the Operating Board on or before August 15 of each year. The proposed budget is then presented to the Administration 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 participating city, in accordance with the provisions of the Interlocal Agreement.

The share of equity belonging to the five (5) participating cities is as follows:

ITEM	RENTON	KENT	AUBURN	TUKWILA	FEDERAL WAY	TOTAL
2014 Equity Balance	\$ 5,350,252	\$ 7,530,786	\$ 5,079,377	\$ 2,974,283	\$ 3,619,944	\$ 24,554,642
2014 Percent of Equity	21.79%	30.67%	20.69%	12.11%	14.74%	100.00%
GASB 68 Adjusted Equity ^(a)	(1,876,235)	(2,640,908)	(1,781,244)	(1,043,026)	(1,269,448)	(8,610,861)
2014 Equity Balance - Restated	\$ 3,474,017	\$ 4,889,878	\$ 3,298,133	\$ 1,931,257	\$ 2,350,496	\$ 15,943,781
Equity January 1, 2015	\$ 3,474,017	\$ 4,889,878	\$ 3,298,133	\$ 1,931,257	\$ 2,350,496	\$ 15,943,781
Current Year Increase/(Decrease)	470,862	649,015	555,097	208,004	507,809	2,390,787
Equity December 31, 2015	\$ 3,944,879	\$ 5,538,893	\$ 3,853,230	\$ 2,139,261	\$ 2,858,305	\$ 18,334,568
Percent of Equity	21.52%	30.21%	21.02%	11.67%	15.59%	100.00%

^(a) 2015 Owner Cities Equity Allocation was restated for GASB Statement No. 68 adjustment using percent of equity.

Liabilities are the responsibility of the five participating cities in direct proportion to their equity position. In August 1993, Valley Com entered into an interlocal cooperation agreement, pursuant to RCW 39.34 RCW, with the sub-regions of King County, Seattle, and the Eastside Public Safety Communications Agency. This agreement governs the development, acquisition and installation of the 800 MHz emergency radio communications system funded by a \$57 million King County levy approved in November 1992. This agreement provides that upon voluntary termination of any sub-region's participation in the system, it surrenders its radio frequencies, relinquishes its equipment and transfers any unexpended levy proceeds and associated equipment replacement reserves to another sub-region or consortium of sub-regions. Thus, in accordance with this agreement, the participating cities of Valley Com have no equity interest in Valley Com's 800-MHz communications system.

During 2000, the Valley Communications Center Development Authority was created to issue \$12,758,000 in General Obligation Bonds to finance construction, equipment, and land for a new facility completed in 2002. Each of the five participating cities was responsible for one-fifth of the debt obligation, which originally was \$2,551,600 per City. The basic agreement shall not be terminated until all bonds issued by Valley Communications Center Development Authority have been paid and retired. The final payment on the bonds was made in 2015.

A complete set of financial statements are available from Valley Communications Center, 27519 108th Ave SE, Kent, WA 98030, or by telephone 253-372-1300.

South Correctional Entity (SCORE)

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 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	BABs Subsidy	Total	Auburn 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%
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	436,285
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
Totals	\$80,380,000	\$72,209,294	\$(25,108,695)	\$127,480,599	\$39,518,984	\$5,099,224	\$22,946,507	\$45,893,016	\$3,824,418	\$10,198,448

The City of Tukwila reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under assets. The following is condensed (unaudited) financial information as of December 31, 2015 related to SCORE:

ITEM	FEDERAL							
	AUBURN	BURIEN	DES MOINES	WAY	RENTON	SEATAC	TUKWILA	TOTAL
2014 Equity Balance	\$ 4,243,234	\$ 515,410	\$ 292,160	\$ 3,676,724	\$ 4,220,405	\$ 712,666	\$ 1,080,470	\$ 14,741,069
2014 Percent of Equity	28.79%	3.50%	1.98%	24.94%	28.63%	4.83%	7.33%	100.00%
GASB 68 Adjusted Equity ^(a)	(1,048,625)	(155,837)	(113,182)	(1,204,461)	(1,134,356)	(240,723)	(326,032)	(4,223,216)
2014 Equity Balance - Restated	\$ 3,194,609	\$ 359,573	\$ 178,978	\$ 2,472,263	\$ 3,086,049	\$ 471,943	\$ 754,438	\$ 10,517,853
Equity January 1, 2015	\$ 3,194,609	\$ 359,573	\$ 178,978	\$ 2,472,263	\$ 3,086,049	\$ 471,943	\$ 754,438	\$ 10,517,853
Current Year Increase/(Decrease)	137,167	17,268	18,288	148,312	136,621	26,524	34,103	518,283
Equity December 31, 2015	\$ 3,331,776	\$ 376,841	\$ 197,266	\$ 2,620,575	\$ 3,222,670	\$ 498,467	\$ 788,541	\$ 11,036,136
Percent of Equity	30.19%	3.41%	1.79%	23.75%	29.20%	4.52%	7.15%	100.00%

The investment in joint venture for SCORE on the Statement of Net Position includes Tukwila's share of debt issued in 2009. The City's share of SCORE debt is \$6,265,200. See Note 11 for additional information on long-term debt. Completed financial statements for SCORE and SCORE PDA can be obtained from the SCORE, Attn: Finance Manager, 20817 17th Avenue South, Des Moines, WA 98198.

NOTE 8 – 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	\$ 13,725,838
Pension assets	6,275,313
Deferred outflows of resources	2,426,578
Deferred inflows of resources	4,023,184
Pension expense/expenditures	1,353,356

Washington State Department of Retirement Systems

Substantially all City of Tukwila 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 98504-8380

Or it may be downloaded from the DRS website at www.drs.wa.gov.

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

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%

The City of Tukwila actual contributions to the plan were zero dollars for the year ended December 31, 2015

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

The City of Tukwila actual contributions to the plan were \$1,581,183 for the year ended December 31, 2015

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

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

The City of Tukwila actual contributions to the plan were \$17,224 for the year ended December 31, 2015

B. Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plan 1 and 2

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

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

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

The City of Tukwila actual contributions to the plan were \$804,404 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 Tukwila proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Tukwila 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	Current Discount Rate	1% Increase
	-6.50%	-7.50%	-8.50%
PERS 1	8,644,579	7,100,255	5,772,278
PERS 2/3	18,136,552	6,202,541	(2,934,883)
PSERS 2	73,156	9,628	(35,563)
LEOFF 1	(600,983)	(939,397)	(1,227,833)
LEOFF 2	5,343,574	(5,335,916)	(13,372,638)

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 Tukwila reported a total pension liability of \$7,037,111 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	7,100,255
PERS 2/3	6,202,533
PSERS 2	9,628
LEOFF 1	(939,397)
LEOFF 2	(5,335,916)

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

	Liability (or Asset)
LEOFF 2 – employer’s proportionate share	(5,335,916)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	(3,528,118)
TOTAL	(8,864,034)

At June 30, the City of Tukwila 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	0.139888%	0.135736%	-0.004152%
PERS 2/3	0.178370%	0.173592%	-0.004778%
PSERS 2	0.055208%	0.052748%	-0.002460%
LEOFF 1	0.077048%	0.077944%	0.000896%
LEOFF 2	0.510586%	0.519159%	0.008573%

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 Tukwila recognized pension expense as follows:

	Pension Expense
PERS 1	186,773
PERS 2/3	688,648
PSERS 2	11,155
LEOFF 1	(192,609)
LEOFF 2	309,657
TOTAL	1,003,624

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City of Tukwila 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	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	388,462
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	376,122	-
TOTAL	376,122	388,462

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	659,332	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,655,785
Changes of assumptions	9,994	-
Changes in proportion and differences between contributions and proportionate share of contributions		153,740
Contributions subsequent to the measurement date	486,432	
TOTAL	1,155,758	1,809,525

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	9,020	-
Net difference between projected and actual investment earnings on pension plan investments	-	4,775
Changes of assumptions	60	-
Changes in proportion and differences between contributions and proportionate share of contributions		149
Contributions subsequent to the measurement date	5,090	
TOTAL	14,170	4,924

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	158,586
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	-	
TOTAL	-	158,586

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	467,248	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,616,755
Changes of assumptions	14,074	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	44,932
Contributions subsequent to the measurement date	399,206	
TOTAL	880,529	1,661,687

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

Year ended December 31:	PERS 1
2016	\$ (150,554)
2017	(150,554)
2018	(150,554)
2019	63,201
2020	-
Thereafter	-

Year ended December 31:	PERS 2/3
2016	\$ (494,770)
2017	(494,770)
2018	(494,772)
2019	344,112
2020	-
Thereafter	-

Year ended December 31:	PSERS
2016	\$ (417)
2017	(417)
2018	(418)
2019	2,431
2020	1,488
Thereafter	1,489

Year ended December 31:	LEOFF 1
2016	\$ (61,538)
2017	(61,538)
2018	(61,538)
2019	26,026
2020	-
Thereafter	-

Year ended December 31:	LEOFF 2
2016	\$ (548,094)
2017	(548,094)
2018	(548,094)
2019	363,212
2020	83,925
Thereafter	16,786

Firemen’s Pension System

Summary of Significant Accounting Policies

Investments are valued and reported at fair value.

Plan Description

Plan Administration: The Firefighters' Pension Fund is administered by the City of Tukwila. The plan is a single-employer defined benefit pension plan that provides pensions for firefighters that were hired prior to 1970.

The firefighters' pension board consists of the following five members: the chairperson of the fire commissioners for said district who shall be chairperson of the board, the county auditor, county treasurer, and in addition, two regularly employed or retired firefighters elected by secret ballot of the employed and retired firefighters. Retired members who are subject to the jurisdiction of the pension board have both the right to elect and the right to be elected under this section. The first members to be elected by the firefighters shall be elected annually for a two-year term. The two firefighter-elected members shall, in turn, select a third eligible member who shall serve in the event of an absence of one of the regularly elected members.

Plan membership is limited to active members of the Firefighters' Pension Fund (FPF) as of March 1, 1970. On that date, the Washington Law Enforcement Officers' and Firefighters' System (LEOFF) was established. FPF is responsible for paying the pensions of those members retired prior to March 1, 1970 and for providing the "excess benefit", the excess of FPF formula benefits over the LEOFF benefits. Therefore, the plan is closed to new members. At December 31, 2015, FPF membership consisted of the following:

Type of Membership	Total
Inactive plan members retired prior to March 1, 1970	0
Inactive plan members retired March 1, 1970 or after	10
Active Plan Members	0
Total	10

Benefits Provided

All benefit terms are in statutes RCW 41.16, 41.18, and 41.26. FPF provides retirement, disability, and death benefits. Each firefighter in service on March 1, 1970 receives the greater of the benefit payable under the Washington Law Enforcement Officers' and Firefighters' Retirement System and the benefits available under the provisions of prior law. Where benefits under the old law exceed those under the new law for any firefighter, the excess benefits are paid from the FPF of the city employing the member on March 1, 1970.

All members are retired and drawing benefits. Benefit terms provide for cost-of-living adjustments to each member's retirement benefit. There are two types of increases: escalation by salary in proportion to the current salary of the rank from which the firefighter retired, or an increase proportionate to the increase in the Seattle-area CPI, with the change computed annually. Regardless of the increase (or decrease) in the CPI, the benefits are increased at least 2% each year. The former applies to firefighters who retired from service after 1969, their survivors, and to firefighters who retired for duty disability (but not their survivors) after 1961. The latter applies to all other types of monthly benefits.

Contributions

As long as the FPF provides for benefits to covered members, the City will be eligible to receive a share of the State's distribution of the fire insurance premium taxes. The amount the City receives is 25% of all monies received by the State from taxes on fire insurance premiums. Contributions can also come from taxes paid pursuant to the

provisions of RCW 41.16.060. This statute require that each municipality levy up to \$0.45 (only \$0.225 of which can be in excess of the property tax limit pursuant to RCW 84.52.043) per \$1,000 of assessed valuation, based on reports by a qualified actuary, to maintain the fund.

The actuarial assumptions were provided by an independent actuary.

Investments

It is the policy of the City of Tukwila to invest public funds in a manner that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City, while conforming to all state and local statutes governing the investment of public funds.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Concentrations. Approximately 70% of investments held are with Columbia Bank

City's Net Pension Liability

The components of the City's net pension liability at December 31, 2015 are as follows:

Total pension liability	\$	1,829,926
Less: Plan fiduciary net position		1,416,506
City's net pension liability	<u>\$</u>	<u>413,420</u>
 Plan fiduciary net position as a percentage of the total pension liability		 77.41%

Schedule of Changes in the City's Net Pension Liability and Related Ratios		
Total Pension Liability	2014	2015
Service Cost	\$ -	\$ -
Interest	50,098	49,716
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(2,442)
Changes in assumptions	-	-
Benefit payments, included refunds of employee contributions	(61,863)	(58,277)
Net change in total pension liability	(11,765)	(11,003)
Total pension liability – beginning	1,852,693	1,840,929
Total pension liability – ending (a)	\$ 1,840,929	\$ 1,829,926

Plan Fiduciary Net Position		
Contributions – employer	\$ 64,114	\$ 63,590
Contributions – employee	-	-
Net investment income	1,805	2,667
Benefit payments, including refunds of employee contributions	(61,863)	(58,277)
Administrative expense	-	(4,500)
Other	-	-
Net change in plan fiduciary net position	4,056	3,481
Plan fiduciary net position – beginning	1,408,970	1,413,026
Plan fiduciary net position – ending (b)	1,413,026	1,416,506
City’s net pension liability – ending (a) – (b)	\$ 427,903	\$ 413,420
Plan fiduciary net position as a percentage of the total pension liability	76.76%	77.41%
Covered-employee payroll	\$ -	\$ -
City’s net pension liability as a percentage of covered-employee payroll	n/a	n/a

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		2,442
Net difference between projected and actual investment earnings on pension plan investments	70,339	
Totals	70,339	2,442

Deferred outflows of resources related to pensions resulting from the City of Tukwila 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:	
2016	\$ 13,105
2017	15,547
2018	15,547
2019	15,547
2020	8,152

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.75%
Investment rate of return	2.75%

Healthy life mortality rates were based on the RP-2014 mortality table, total dataset, fully generational projected with Scale MP-2014, set back one year for males and set forward one year for females. Disabled life mortality rates were based on the RP-2014 mortality table, total dataset, fully generational projected with Scale MP-2014, set back two years for males and females.

The long-term expected rate of return on pension plan investments assumption was based on the nature and mix of current and expected pension plan assets over a period of time representative of the expected length of time between the first day of service and date of the last benefit payment.

The discount rate used to measure the total pension liability was 2.75%. The projection of cash flows used to determine the discount rate assumed City contributions were equal to revenue received from Fire Insurance premiums and the amount received would increase at the inflation rate of 2.75%. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 2.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower, 2.75%, or 1-percentage point higher, 3.75%, than the current rate:

City's net pension liability	1% Decrease	Current Discount Rate	1% Increase
	\$ 2,070,457	\$ 1,829,926	\$ 1,628,370

Basis of Valuation

A general summary of the substantive plan used as the basis of the valuation follows.

Applicable Statutes	RCW 41.16, 41.18, 41.26
Benefits	Each firefighter in service on March 1, 1970 receives the greater of the benefit payable under LEOFF or FPF. Where benefits under the old law exceed those under the new for any firefighter, the excess benefits are paid from the FPF of the city employing the member on March 1, 1970.

Service Retirement Benefit

Member	<p>Eligibility: age 50 and 25 years of service (RCW 41.18.040) or Age 50 and five years of service (RCW 41.26.090).</p> <p>Amount of benefit: 50% of salary plus an additional 2% for each year of service in excess of 25 years. Maximum benefit of 60% of salary (does not apply for those retiring after July 1, 2006).</p>
Survivor	<p>Eligibility: spouse or child</p> <p>Amount of benefit: continuation of the firefighter's benefit. (If spouse — same, plus additional 5% of salary per child. If no spouse — 30% of salary for first child, 10% for each additional child. Maximum of 60% of salary).</p>
Duty Disability Retirement Benefit	
Member	<p>Eligibility: disabled after six-month waiting period.</p> <p>Amount of benefit: determined the same as Service Retirement Benefit.</p> <p>Recovery: restoration to service.</p>
Survivor	See Survivor's Benefit section under Service Retirement.
Non Duty Disability Retirement Benefit	
Member	<p>Eligibility: disabled after 90-day waiting period. Amount of benefit: 50% of salary, or service retirement benefit, if greater.</p> <p>Recovery: see Duty Disability Retirement.</p> <p>Limitations: no benefits payable if firefighter employed elsewhere when disabled.</p>
Survivor	<p>Eligibility: spouse or child</p> <p>Amount of benefit:</p> <p>33.3% to widow or children only.</p> <p>45.8% to widow and one child.</p> <p>47.6% to widow and two children.</p> <p>50.0% to widow and three children.</p>
Duty Death Benefit	<p>Eligibility: spouse or child</p> <p>Amount of benefit: If spouse — 50% of salary plus an additional 5% of salary per child; maximum benefit of 60% of salary. If no spouse — 50% of salary to children.</p>
Non Duty Death Benefit	<p>Eligibility: spouse or child</p> <p>Amount of benefit: provisions the same as Survivor's Benefit under Non-Duty Disability Retirement.</p>
Special Provisions	Under disability or death benefits, a surviving spouse may elect a lump-sum payment of \$5,000 in lieu of future monthly benefits.
Vesting	Termination after 20 years of service (RCW 41.18.130) or five years of service (RCW 41.26.090).
Deferred Benefit	<p>Commences: when a firefighter would have had 25 years of service (RCW 41.18.130) or age 50 (RCW 41.26.090).</p> <p>Amount of benefit: 2% of salary for each year of service. Other provisions apply, see statutes.</p> <p>Death while vested prior to commencement of benefits: payment of firefighters deferred benefit to spouse or child.</p>

Postretirement Increase

Benefits Payable Under LEOFF	Annual increase proportionate to the increase in the Seattle-area CPI. Minimum increase at least 2% each year.
Type 1	Escalation by salary in proportion to current salary or rank from which the firefighter retired.
Type 2	Annual increase proportionate to the increase in the Seattle-area CPI. Minimum increase at least 2% each year.
Applicability	Type 1 applies to firefighters who retired from service after 1969, their survivors, and to firefighters who retired for duty disability (but not their survivors) after 1961. Type 2 applies to all other types of monthly benefits
Minimum Benefit	After April 25, 1973, a minimum benefit of \$300 per month to all retired firefighters and their survivors. This minimum is increased by the CPI.
Funeral Benefit	\$500 RCW 41.18.140, no provision under RCW 41.26.

Participant Summary

January 1, 2015

Age and service determined as of the census date.

LEOFF Plan 1 (Firemen's Pension) Inactive Participants				
Age	Service Retirees	Disabled Retirees	Surviving Spouses	Total
< 65	0	0	0	0
65 – 69	0	1	0	1
70 – 74	1	1	1	3
75 – 79	2	3	0	5
80 – 84	0	1	0	1
85 - 89	1	0	0	1
90 +	0	0	0	0
Total	4	6	1	11

Annual pension amounts through December 31, 2015:

Paid by City	Paid by LEOFF
\$58,277	\$443,360

The information presented in the preceding required schedules were determined as part of the actuarial valuations at the dates indicated.

The key actuarial assumptions used for the January 1, 2015 valuation were:

Assumption	Rates
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Market Value
Measurement Date	January 1, 2015
Inflation Rate	2.75%

Discount Rate (or Investment Return)	We based the long-term expected rate of return on pension plan investments assumption on the nature and mix of current and expected pension plan assets over a period of time representative of the expected length of time between the first day of service and date of the last benefit payment. The rate of 2.75% was selected.
Cost of Living	2.75%, based on SSA OASDI 2014 report.
Salary Increases (for calculated benefit increases based on rank)	3.75%, based on SSA OASDI 2014 report.
Healthy Mortality	RP-2014 mortality table, total dataset, fully generational with mortality improvement scale MP-2014 setback one year for males and set forward one year for females.
Disabled Mortality	RP-2014 mortality table, total dataset, fully generational with mortality improvement scale MP-2014 set forward two years for males and females.
Spouse Age	We assumed that wives are three years younger than husbands.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

During the year ended December 31, 2008, the City elected to adopt the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45), which requires the City to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the City, under GASB No. 45, has recorded a liability of \$7,144,923 for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. This liability is included in other noncurrent liabilities in the accompanying December 31, 2015 statement of net position. The effect of GASB No. 45 for the current fiscal year was to decrease the City's excess of revenue over expenses before capital contributions and the City's increase in net position for the year ended December 31, 2015 by \$1,802,950.

Plan Description

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

Membership

As of December 31, 2015, there were 38 retirees meeting the eligibility requirements of a LEOFF 1 member. The actuarial valuation is based on the 40 retirees in the plan as of December 31, 2014. This is considered a closed group with no new members.

Funding Policy

Funding for LEOFF 1 retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements. For the fiscal year ended December 31, 2015, the City contributed \$477,292 to the Health Plan through use of existing fund balance. The City's contribution was entirely to fund 'pay-as-you-go' costs under the Health Plan and not to prefund benefits. There were no retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period 21 years as of January 1, 2008. The following tables show the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

	2013	2014	2015
Annual required contribution (ARC)	1,264,522	1,903,679	2,585,779
Interest on Net OPEB Obligation	174,458	171,067	146,904
Adjustment to ARC	(359,904)	(388,580)	(452,441)
Annual OPEB cost (expense)	1,079,076	1,686,166	2,280,242
Employer contributions	(878,755)	(905,974)	(477,292)
Change in Net OPEB Obligation	200,321	780,192	1,802,950
Net OPEB Obligation at Beginning of year	4,361,460	4,561,781	5,341,973
Net OPEB Obligation at End of year	\$ 4,561,781	\$ 5,341,973	\$ 7,144,923

* (i) is the assumed interest rate that year, 4% in 2013, 2.75% in 2014 and 2.75% in 2015.

The net OPEB obligation of \$7,144,923 is included as a non-current liability on the Statement of Net Position.

ANNUAL DEVELOPMENT OF OPEB COST

Fiscal Year Ended	Annual Required Contribution	Interest on Net OPEB Obligation	ARC Adjustment	Annual OPEB Cost	Total Employer Contributions	Change in Net OPEB Obligation	Net OPEB Obligation Balance	(Gain)/ Loss
2008	\$ 1,366,284	\$ -	\$ -	\$ 1,366,284	\$ 557,103	\$ 809,181	\$ 809,181	\$ 809,181
2009	1,366,284	40,459	61,839	1,344,904	335,265	1,009,639	1,818,820	1,031,019
2010	1,366,284	90,941	143,332	1,313,893	317,771	996,122	2,814,942	1,048,513
2011	1,264,522	112,598	213,809	1,163,311	335,090	828,221	3,643,163	929,432
2012	1,264,522	145,727	287,945	1,122,304	404,007	718,297	4,361,460	860,515
2013	1,264,522	174,458	359,904	1,079,076	878,755	200,321	4,561,781	385,767
2014	1,903,679	171,067	388,580	1,686,166	905,974	780,192	5,341,973	997,705
2015	2,585,779	146,904	452,441	2,280,242	477,292	1,802,950	7,144,923	2,108,487

* Based on a 21-year closed amortization as of January 1, 2008

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	1,079,076	878,755	81	4,561,781
December 31, 2014	1,686,166	905,974	54	5,341,973
December 31, 2015	2,280,242	477,292	21	7,144,923

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial accounting update, the plan was 0% funded. The actuarial accrued liability for benefits was \$30.2 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$30.2 million and a funded ratio of 0%. The funded ratio is 0%, because the City funds benefits on a pay-as-you-go basis.

SCHEDULE OF FUNDING PROGRESS (rounded to thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)*	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	\$0	\$16,103	\$16,103	0%	\$581	4%
January 1, 2011	0	14,805	14,805	0	371	3
January 1, 2014	0	21,264	21,264	0	195	1
January 1, 2015	0	29,538	29,538	0	132	0

* Only four valuations completed to date

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

Actuarial Methods and Assumptions

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

The January 1, 2015 valuation used the entry age normal actuarial cost method. The actuarial assumptions included a 2.75% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate

of 9.0% for pre-Medicare expenses, to an ultimate rate of 3.8% after 61 years. The Medicare trend assumption is 6.5%, to an ultimate rate of 3.8% after 61 years. The dental trend assumption is 5.5%, to an ultimate rate of 3.5% after 4 years. The Medicare premium trend rate is 5.4% for all years. The long-term care trend rate is 5.0% for all years. The trend for the Excise Tax threshold is 0% until 2018, when a trend rate of 4.24% is used. The trend for all future years after that year is 3.24%. All trend rates include a 3.0% inflation assumption. The UAAL is amortized as a level dollar amount on a closed basis over 21 years beginning January 1, 2008. The remaining amortization period at December 31, 2015 was 13.0 years.

Assumption	Rates																																			
Actuarial Cost Method	Entry Age Normal method.																																			
Measurement Date	January 1, 2015																																			
Inflation Rate	3.00%																																			
Discount Rate (or Investment Return)	Selected the assumed discount rate of 2.75% based on the five-year average investment yield on the investments expected to finance the payment of benefits.																																			
Healthy Mortality	RPH-2014 mortality table (headcount weighted), total dataset, fully generational with mortality improvement scale MP-2014 setback one year for males and set forward one year for females.																																			
Disabled Mortality	RPH-2014 mortality table (headcount weighted), total dataset, fully generational with mortality improvement scale MP-2014 set forward two years for males and females.																																			
Turnover	None assumed. All LEOFF 1 actives are fully eligible for retirement.																																			
Per Capita Claims Cost	Assumed annual per capita claims costs are as follows: <table border="1" data-bbox="609 1249 1242 1459"> <thead> <tr> <th>Age</th> <th>Medical/Rx</th> <th>Dental</th> <th>Vision</th> <th>LTC</th> </tr> </thead> <tbody> <tr> <td>55</td> <td>\$ 21,875</td> <td>\$ 966</td> <td>\$ 181</td> <td>\$ 133</td> </tr> <tr> <td>60</td> <td>28,071</td> <td>966</td> <td>181</td> <td>220</td> </tr> <tr> <td>65</td> <td>15,406</td> <td>966</td> <td>181</td> <td>448</td> </tr> <tr> <td>70</td> <td>16,924</td> <td>966</td> <td>181</td> <td>1,183</td> </tr> <tr> <td>75</td> <td>17,984</td> <td>966</td> <td>181</td> <td>3,028</td> </tr> <tr> <td>80</td> <td>18,348</td> <td>966</td> <td>181</td> <td>6,499</td> </tr> </tbody> </table>	Age	Medical/Rx	Dental	Vision	LTC	55	\$ 21,875	\$ 966	\$ 181	\$ 133	60	28,071	966	181	220	65	15,406	966	181	448	70	16,924	966	181	1,183	75	17,984	966	181	3,028	80	18,348	966	181	6,499
Age	Medical/Rx	Dental	Vision	LTC																																
55	\$ 21,875	\$ 966	\$ 181	\$ 133																																
60	28,071	966	181	220																																
65	15,406	966	181	448																																
70	16,924	966	181	1,183																																
75	17,984	966	181	3,028																																
80	18,348	966	181	6,499																																
Aging or Morbidity Factors	Aging/morbidity factors are included in the per capita claims costs shown above (except dental and vision).																																			
Medicare Part B Premium Reimbursements	The City reimburses Medicare retirees for Part B premiums. The 2015 annual premium is \$1,258.80.																																			
Affordable Care Act (ACA) Excise Tax Threshold	<table border="1" data-bbox="609 1638 1055 1701"> <thead> <tr> <th></th> <th>Ages 55-64</th> <th>All Other</th> </tr> </thead> <tbody> <tr> <td>Single</td> <td>\$ 11,850</td> <td>\$ 10,200</td> </tr> </tbody> </table>		Ages 55-64	All Other	Single	\$ 11,850	\$ 10,200																													
	Ages 55-64	All Other																																		
Single	\$ 11,850	\$ 10,200																																		

ACA Base Premium	Assumed annual plan costs upon which the ACA tax calculation is based: Medicare ineligible \$ 28,071 Medicare eligible \$ 16,557						
ACA Tax	<ul style="list-style-type: none"> • We assumed a 40% excise tax rate on premiums above the ACA threshold. • We assumed the City of Tukwila pays no federal taxes. • We assumed the excise tax will apply to medical/Rx and Medicare premium reimbursements. 						
Trend Rates	Medical Long-Term Trends* from Getzen SOA Model version 2014_b using baseline assumptions.						
							Excise
Year	Pre-Medicare	Medicare	Dental	Vision	Part B Premiums	Long-Term Care	Tax Threshold
2015	9.00%	6.50%	5.5%	4.0%	5.4%	5.0%	0.00%
2016	7.50%	6.50%	5.0%	4.0%	5.4%	5.0%	0.00%
2017	6.50%	6.00%	4.5%	4.0%	5.4%	5.0%	0.00%
2018	5.50%	5.50%	4.0%	4.0%	5.4%	5.0%	4.24%
2019	5.50%	5.50%	3.5%	3.5%	5.4%	5.0%	3.24%
2020	5.46%	5.46%	3.5%	3.5%	5.4%	5.0%	3.24%
2021-2074	---	---	3.5%	3.5%	5.4%	5.0%	3.24%
2075+	3.80%	3.80%	3.5%	3.5%	5.4%	5.0%	3.24%
* The trend rates include assumed inflation of 3% for all future years.							

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, provides the multi-year trend information showing whether the actuarial value of plan assets is increasing or decreasing over time relative to the actual.

NOTE 10 – LONG-TERM DEBT

Governmental Activities Long-Term Debt

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged. Debt service for voter-approved issues, of which the City has none, would be funded by special property tax levies. Debt service for City Council authorized bonds, also called councilmanic bonds, is funded from regular property taxes, sales taxes, or other general revenues, and is generally paid from debt service funds. The City currently maintains a rating of A1 from Moody’s Investor Service, AA from Standard & Poor’s, and a rating of AA- from Fitch’s Rating Service for its General Obligation Bonds.

General Obligation Bonds outstanding at year-end are as follows:

- 2008 LTGO bonds were issued to refund the remaining debt of the 1999 LTGO bonds. The 1999 LTGO bonds were issued to purchase an additional City Hall Annex (6300 building) and economic revitalization projects.

- 2010 LTGO bonds were issued for the construction and realignment of Southcenter Parkway in the Tukwila South Annexation area and for the cost of emergency preparedness capital and other equipment.
- 2011 LTGO refunding bonds were issued to refund a portion of the bonds issued in 2003 for the City's Arterial Street program.
- 2013 LTGO bonds were issued and the proceeds loaned to the Tukwila Metropolitan Park District to pay for improvements to the pool.
- 2014 LTGO bonds were issued to fund the purchase of land acquisition and capital costs of redevelopment activities within the City's Tukwila International Boulevard (TIB) urban renewal area.
- 2014 LTGO general obligation bond in the form of a line of credit to purchase property and pay for capital costs of redevelopment activities within the City's Urban Renewal area.
- 2015 LTGO bonds were issued to pay for improvements to Interurban Avenue South and reconstruct or retrofit Boeing Access Road Bridge.

Special assessment bonds are issued to finance construction of local improvement district (LID) projects and are repaid through assessments collected from property owners benefiting from related improvements. Although the bonds are secured by liens against assessed properties, the City is required under state law to establish a guaranty fund to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID debt service fund. The special assessment bonds are not general obligation debt but the City is obligated in some manner to cover the interest on the bonds. Therefore, the bonds are reported as Special Assessment Debt with Governmental Commitment.

Special assessments outstanding at year-end are as follows:

- 2013 special assessment bonds LID No. 33 were issued to reimburse the City for a portion of the costs of a major reconstruction of Klickitat and Southcenter Parkway to improve access to the urban center.

Business-Type Activities Long-Term Debt

Revenue bond indebtedness issued to fund proprietary activities is recorded in proprietary funds. Debt service payments are made from operating revenues generated by the proprietary funds. In proprietary funds, bonds are displayed net of unamortized premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt discount. The City currently maintains a rating of Aaa from Moody's Investor Service for debt in this category.

State of Washington Public Works Trust Fund Loans are a low interest rate loans available from the State of Washington Department of Commerce, Local Government & Infrastructure Division for qualifying projects and are a direct responsibility of the City. This debt is repaid by proprietary fund revenues.

The City is in compliance with all Washington State debt limitation statutes and bond indenture agreements.

The schedules that follow summarize the long-term debt transactions of the City for the year ended December 31, 2015.

CHANGES IN LONG-TERM LIABILITIES SUMMARY

	GENERAL OBLIGATION	SPECIAL ASSESSMENT	REVENUE BONDS UTILITIES	PUBLIC WORKS TRUST FUND LOANS	COMPENSATED ABSENCES	DUE TO OTHER GOVERNMENTS	OTHER POST EMPLOYMENT BENEFITS	TOTAL
Outstanding 01/01/2015	\$ 16,638,221	\$ 6,687,500	\$ 2,580,000	\$ 5,742,866	\$ 4,046,602	\$ 6,650,400	\$ 5,341,973	\$ 47,687,562
Added	8,075,000	-	1,742,527	501,484	3,464,525	-	1,802,950	15,586,486
Retired / redeemed	(1,655,507)	(605,000)	(2,580,000)	(597,892)	(3,316,650)	(385,200)	-	(9,140,249)
Outstanding 12/31/2015	\$ 23,057,714	\$ 6,082,500	\$ 1,742,527	\$ 5,646,458	\$ 4,194,477	\$ 6,265,200	\$ 7,144,923	\$ 54,133,799
Add Premiums, Subtract Discounts								761,523
Total Long-Term Liabilities								\$ 54,895,322

Debt Service to Maturity

Following are schedules showing the debt service requirements to maturity for the City's long-term debt, excluding compensated absences.

Year Ended December 31	Governmental Activities						
	General Obligation Bonds		Due to Other Governments		Special Assessments		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 1,932,737	\$ 779,111	\$ 171,600	\$ 255,861	\$ 670,000	\$ 286,005	\$ 4,095,314
2017	4,241,428	716,242	179,200	249,088	450,000	271,830	6,107,788
2018	2,062,196	634,436	184,800	243,173	445,000	257,655	3,827,260
2019	2,143,521	549,296	190,800	237,069	445,000	243,638	3,809,324
2020	1,416,461	450,566	197,200	229,039	445,000	223,613	2,961,878
2021-2025	5,895,371	1,382,838	1,115,600	1,018,682	2,225,000	813,794	12,451,284
2026-2030	2,610,000	638,288	1,360,800	765,620	1,402,500	239,188	7,016,395
2031-2035	2,756,000	234,239	963,200	308,683	-	-	4,262,121
2036-2040	-	-	1,902,000	211,365	-	-	2,113,365
Totals	\$ 23,057,714	\$ 5,385,013	\$ 6,265,200	\$ 3,518,579	\$ 6,082,500	\$ 2,335,721	\$ 46,644,728

Year Ended December 31	Business-Type Activities				
	Revenue Bonds		Public Works Trust Fund Loans		Total
	Principal	Interest	Principal	Interest	
2016	\$ 144,823	\$ 39,189	\$ 599,468	\$ 28,232	\$ 811,712
2017	143,282	37,386	599,468	25,235	805,371
2018	149,659	34,033	599,468	22,238	805,398
2019	150,736	30,531	599,468	19,240	799,976
2020	156,614	27,004	599,468	16,243	799,329
2021-2025	821,462	79,052	2,360,873	37,036	3,298,423
2026-2030	175,951	4,117	205,875	5,147	391,090
2031-2032	-	-	82,370	618	82,988
Totals	\$ 1,742,527	\$ 251,314	\$ 5,646,458	\$ 153,989	\$ 7,794,288

CHANGES IN LONG-TERM LIABILITIES – GOVERNMENTAL FUNDS

ITEM	Interest		OUTSTANDING				OUTSTANDING		Due Within One Year
	Rates	Maturity	Authorized	12/31/2014	ISSUED	REDEEMED	12/31/15		
GOVERNMENTAL ACTIVITIES:									
<u>Limited General Obligation (GO) Bonds Payable:</u>									
2008 Refunding-Streets/Facilities	4.00-6.00	12/01/19	6,180,000	3,450,000	-	630,000	2,820,000	655,000	
2010 Streets / Equipment	2.00-5.41	12/01/24	5,870,000	4,350,000	-	380,000	3,970,000	395,000	
2011 Refunding Streets (2003 GO)	1.25-4.00	12/01/23	4,620,000	4,185,000	-	405,000	3,780,000	420,000	
2013 LTGO-MPD Pool Improve	2.00-4.00	12/01/22	1,000,000	803,221	-	99,507	703,714	93,737	
2014 LTGO-Urban Renewal	0.85-4.86	12/01/34	3,850,000	3,850,000	-	141,000	3,709,000	149,000	
2014 LTGO-Line of Credit	1 Mo. LIBOR + 1.0%	12/01/17	2,250,000	-	2,250,000	-	2,250,000	-	
2015 LTGO-Interurban, BAR	2.25-3.00	12/01/35	5,825,000	-	5,825,000	-	5,825,000	220,000	
Total Bonds Payable			29,595,000	16,638,221	8,075,000	1,655,507	23,057,714	1,932,737	
Issuance premiums			-	562,755	309,758	110,990	761,523	-	
Net Bonds Payable			29,595,000	17,200,976	8,384,758	1,766,497	23,819,237	1,932,737	
<u>Due to Other Governments</u>									
2009 Facility SCORE	3.00-6.62	01/01/39	6,898,800	6,430,400	-	165,200	6,265,200	171,600	
2010 Valley Com Refunding	4.30-5.75	12/01/15	1,065,000	220,000	-	220,000	-	-	
Total Due Other Governments			7,963,800	6,650,400	-	385,200	6,265,200	171,600	
<u>Special Assessment Debt</u>									
Klickitat Urban Access Project	3.150-5.375	01/15/29	6,687,500	6,687,500	-	605,000	6,082,500	670,000	
Total Special Assessment Debt			6,687,500	6,687,500	-	605,000	6,082,500	670,000	
Other Post-Employment Benefits Payable				5,341,973	1,802,950	-	7,144,923	-	
Compensated Absences:				3,740,162	3,193,766	3,073,455	3,860,473	-	
Total Governmental Funds			\$ 44,246,300	\$ 39,621,012	\$ 13,381,474	\$ 5,830,152	\$ 47,172,333	\$ 2,774,337	

Due to Other Governments

Valley Communication Center Public Development Authority issued General Obligation bonds in 2000 for a new dispatch facility and refunded the debt in April 2010. The City is contracted to pay 20% of the debt service of these 15-year bonds that matured in 2015. This debt was paid from the General fund.

SCORE Public Development Authority issued General Obligation bonds in 2009 to acquire, construct, improve, and equip a consolidated correctional facility to be located in Des Moines, Washington. The City is contracted to pay 8% of the debt service of these 30 year bonds that mature in 2039. This debt is paid from the General fund.

CHANGES IN LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES

ITEM	Interest		OUTSTANDING				OUTSTANDING		Due Within One Year
	Rates	Maturity	Authorized	12/31/2014	ISSUED	REDEEMED	12/31/15		
BUSINESS-TYPE ACTIVITIES:									
<u>Bonds Payable:</u>									
1995 Water/Sewer Revenue	4.15-6.63	02/01/15	\$ 4,500,000	\$ 375,000	\$ -	\$ 375,000	-	\$ -	
2006 Water/Sewer/SWM Revenue	4.00-4.50	12/01/26	\$ 3,180,000	\$ 2,205,000	\$ -	\$ 2,205,000	-	\$ -	
2015 Water/Sewer/SWM Refunding	2.34	12/01/26	1,742,527	-	1,742,527	-	1,742,527	144,823	
Total Bonds Payable			9,422,527	2,580,000	1,742,527	2,580,000	1,742,527	144,823	
<u>Unamortized Deferred Credits (Charges):</u>									
Issuance Premiums			-	35,770	-	35,770	-	-	
Issuance Discounts			-	(82)	-	(82)	-	-	
Net Bonds Payable			9,422,527	2,615,687	1,742,527	2,615,688	1,742,527	144,823	
<u>Public Works Trust Fund Loans:</u>									
2003 Loan-Water/Sewer	0.50	06/01/21	273,870	101,180	-	14,454	86,725	14,454	
2003 Loan-Surface Water	0.50	06/01/21	219,725	81,175	-	11,597	69,578	11,597	
2004 Loan-Water/Sewer	0.50-2.00	06/01/24	5,016,000	2,728,862	-	272,886	2,455,976	272,886	
2004 Loan-Surface Water	0.50-2.00	06/01/24	684,000	372,118	-	37,212	334,906	37,212	
2004 Loan-Surface Water	1.00	06/01/24	4,196,056	2,221,441	-	222,144	1,999,297	222,144	
2014 Loan-Sewer	0.5	06/01/32	-	238,090	501,484	39,599	699,975	41,175	
Total Public Works Trust Fund Loans			10,389,651	5,742,866	501,484	597,892	5,646,458	599,468	
Compensated Absences			-	306,440	270,759	243,195	334,004	14,826	
Total Business-Type Activities			\$ 19,812,178	\$ 8,664,993	\$ 2,514,770	\$ 3,456,775	\$ 7,722,989	\$ 759,117	
TOTAL ALL FUNDS			\$ 64,058,478	\$ 48,286,005	\$ 15,896,244	\$ 9,286,927	\$ 54,895,322	\$ 3,533,454	

LONG-TERM LIABILITIES RECONCILIATION

	Government Funds	Enterprise Funds	Balance 12-31-15
General obligation bonds	\$23,057,714	\$ -	\$23,057,714
Special assessment bonds	\$ 6,082,500	-	6,082,500
Revenue bonds	-	1,742,527	1,742,527
Public Works Trust Fund loans	-	5,646,458	5,646,458
Due to Other Governments	6,265,200	-	6,265,200
Employee leave benefits	3,860,473	334,004	4,194,477
Net Premiums/Discounts	761,523	-	761,523
Other Post-Employment Benefits	7,144,923	-	7,144,923
Total long-term debt	\$47,172,333	\$ 7,722,989	\$54,895,322

Debt Limit Capacities

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City: 1.5% without a vote of the people; 2.5% with a vote of the people; 5.0% with a vote of the

people, provided the indebtedness in excess of 2.5% is for utilities; 7.5% with a vote of the people, provided the indebtedness in excess of 5.0% is for parks or open space development.

At December 31, 2015, the debt limits for the City were as follows:

SUMMARY OF DEBT LIMIT CAPACITIES

Item	Without a Vote		-----With a Vote of the People-----	
	1.5%	2.5%	5.0%	7.5%
Legal Limit	\$ 80,929,877	\$ 134,883,128	\$ 269,766,256	\$ 404,649,384
Outstanding Net				
Indebtedness	29,212,266	29,212,266	29,212,266	29,212,266
Margin Available	\$ 51,717,611	\$ 105,670,862	\$ 240,553,990	\$ 375,437,118

Refunding and Defeasance of 2006 Water and Sewer Bonds

On December 15, 2015, the City issued \$1,742,527 in water and sewer revenue refunding bonds, 2015, with an effective interest cost of 2.340087 percent to advance refund \$2,060,000 of outstanding water and sewer revenue bonds, 2006, with an effective interest rate of 4.494518 percent.

The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of next position.

The reacquisition price exceeded the net carrying amount of the old debt by \$80,707. This transaction resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$147,882.

Long-term Liabilities other than debt

Claims are paid from one or more funds based on the nature of the transaction. Employees' compensable leave is the City's liability for all unused vacation and sick leave and unpaid overtime accrued by employees and, payable under specified conditions. This obligation is paid only at the time of termination, usually from the same funding source(s) from which the employee's salary or wage compensation was paid.

The City does not report a liability for termination benefits because it is not reasonably estimable.

Local Improvement District No. 33

Tukwila Urban Access Improvement Project Local Improvement District (LID) No. 33 was formed on November 16, 2009 by Ordinance No. 2260. The project was designed to improve congestion within the City's Urban Center. The project included a partial lid over Southcenter Parkway, removal of conflicting turning movements, and the widening of Southcenter Parkway.

Construction for the project began in March 2011 and was completed in October 2011. The project was closed out and accepted as complete by City Council on February 19, 2013.

A variety of funding sources were used to pay for the project including federal and state grants, impact fees, City funds, a right-of-way donation, and special assessments. The City chose to fund the project internally, rather than obtain external, short-term financing then apply special assessments to property owners after the project was completed. Fund 104 Arterial Streets, where the project was accounted for, loaned the project funds as needed using a draw method at an interest rate of 1.80%. This loan was repaid in 2013 when special assessment bonds were issued.

The City confirmed the assessment roll with a final assessment of \$9,475,894. The prepayment period for the special assessments was open in the fall of 2013 and during that time the City received \$2,788,350 in prepayments. Once the prepayment window closed, the City issued bonds for the remaining outstanding assessments in the amount of \$6,687,500. From these proceeds, the City deposited \$668,750 to the guaranty fund. The second of 15 annual installments for the assessments was due by October 16, 2015.

As of December 31, 2015, all LID Special Assessments were current, nothing was delinquent. During 2015, several property owners chose to pay the assessment in full. Because of the additional principal payments received, the City has enough funds in the LID No. 33 funds to meet debt service requirements in 2016 and pay \$157,500 additional principal.

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 bond issues subject to the Tax Reform Act.

NOTE 11 – COMMITMENTS

Property Sale Commitment. In December 2014, the City agree to a sell the land parcel commonly known as the Longacre Property for \$1.6 million. The sale is contingent upon the suitability of the property as determined by the purchaser. The examination period to determine suitability expires July 1, 2017.

Construction Commitments. As of December 31, 2015, the City share of contractual obligations on construction projects total \$5,101,710.

	Remaining Commitment
Governmental Activities	
42nd Ave S Phase III/Gilliam Creek SSWM	\$ 222,326
53rd Ave S Street Improvements	498,991
42nd Ave S Roadside Barriers	107,383
Interurban Ave S	1,525,419
Tukwila Urban Center - Pedestrian/Bicycle Bridge	90,306
TUC Transit Center	282,937
Andover Park W Street/Water	381,931
Duwamish Gardens	1,449,884
Other governmental projects	75,426
Total Governmental Activities	\$ 4,634,603
Business-Type Activities Projects	
Macadam Water Upgrade	\$ 114,664
Andover Park East Water/Sewer	101,144
East Marginal Way South Storm Pipe Replacement	204,380
Other Utility related projects	46,920
Total Business-Type Activities	\$ 467,108
Total CIP/Commitments	\$ 5,101,710

NOTE 12 – POTENTIAL POLLUTION REMEDIATION AND OTHER LIABILITIES

There are several lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City to have no material financial impact.

The City of Tukwila may share in potential liability under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) for sediment contamination within the Lower Duwamish Waterway Superfund site. The Environmental Protection Agency has estimated the total costs to be \$342 million with 120 parties sharing in the liability. While it is impossible to accurately estimate the City’s potential CERCLA liability at this time, the relatively small size of the City’s storm water system within the Lower Duwamish Waterway Superfund site area, as well as the system’s recent establishment in 1989, gives reason to the City to believe that its share of the potential liability is not significant and not estimable.

NOTE 13 – RISK MANAGEMENT

The City of Tukwila is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials’ errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members’ deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA’s assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The City insures its buildings, equipment, and vehicle property insurance with WCIA. They self-fund up to \$250,000 with standard property insurance purchased above that amount. Traveler's insures boiler machinery and provides for employee dishonesty coverage.

The City of Tukwila has a Risk Management and a Safety Committee to oversee risk management. In addition, the WCIA provides support for a proactive risk analysis program and a loss control manual.

There were no significant reductions in insurance coverage in the past year. During the year under audit and in the past three years, no settlement has exceeded insurance coverage.

The City self-insures for unemployment benefits. This is budgeted each year and has not exceeded \$60,000 per year. This expense is budgeted in the Finance Department within the general fund and no reserves are allocated because of the limited liability and historical cost.

The City also self-insures for medical, dental and other health care benefits. A third-party administrator, Healthcare Management Administrators, Inc., provides claims administration. The City has a stop-loss policy with Sun Life Insurance Company, which provides individual limits of \$175,000 and a plan limit of \$8,273,754 in 2015. Each fund contributes an appropriate amount each year to pay premiums and claims. Liabilities include an actuarially determined amount for claims that have been incurred but not reported (IBNR's) and a contingency reserve equal to 2.5 times the IBNR reserve.

The IBNR liability is estimated using actuarial methods. Based on results as well as a review of actual run-out, average lag days of 66.6 days for medical, 19.3 days for pharmacy, 32.1 days for dental, and 39.2 days for vision were selected. Using average lag days and net adjusted paid claims, the IBNR liability was estimated as of June 30, 2015. Next, the estimated IBNR liability as of December 31, 2015 was developed by trending the June 30, 2015 estimates to year-end. No explicit margin for claims fluctuations was added because the amount of the reserve in the fund balance is sufficient to cover expected claims fluctuations. Administrative costs were then added.

The following table reflects changes in the balances of claims liabilities for 2015 and 2014.

SUMMARY OF HEALTH CARE CLAIM LIABILITIES

ITEM	Active Employees		Retired Employees LEOFF I	
	2015	2014	2015	2014
Claim Liabilities at Beginning of Year	\$ 2,260,000	\$ 1,669,250	\$ 285,750	\$ 214,250
Claim expenses:				
Current year and changes in estimates	5,561,504	6,633,199	134,050	959,835
Claim payments and expenses	(5,874,004)	(6,042,449)	(198,550)	(888,335)
Claim Liabilities at End of Year	\$ 1,947,500	\$ 2,260,000	\$ 221,250	\$ 285,750

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

The City of Tukwila recorded a Change in Accounting Principle concerning calculating depreciation in the Golf Course fund. Previously, depreciation was calculated using the composite depreciation method. In 2015, the City changed to the straight line depreciation method, which is the method utilized by the City's other enterprise funds. The change in depreciation method resulted in recording \$757,473 in additional depreciation for prior years.

The City also implemented Governmental Accounting Standards Board Statement 68, Accounting and Financial Reporting for Pensions (see Note 9, Pension Plans). On a government-wide basis, this change in accounting principle resulted in a reduction of beginning fund balance for governmental activities of \$9,551,003 and of \$2,308,254 for the business-type activities.

NOTE 15 – SPECIAL ITEM

The City purchased 3 motels in the Tukwila International Boulevard urban renewal area in 2014 and two additional properties in 2015. The properties were purchased for a total of \$5,201,798. The City plans to demolish the structures and hold the property as an investment until sale to a developer. Because assets held for resale cannot be reported at more than the anticipated net realizable value, the City reduced the asset cost of the 2015 purchases by \$956,798 as a valuation adjustment. This valuation adjustment is reported as a special item on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 16 – SUBSEQUENT EVENT

In 2014, the cities of Tukwila, SeaTac, and Des Moines signed an interlocal agreement (ILA) creating a Tourism Promotion Area (TPA) to encompass the geographical boundaries of the three cities. The TPA was set up so that the City of SeaTac would serve as the legislative body for the TPA.

The City of Tukwila began operating Seattle Southside Visitor Services (SSVS) in 2002. SSVS was responsible for marketing the cities of Tukwila, SeaTac, and Des Moines under the “Seattle Southside” to brand to potential overnight guests. As part of the TPA process, the City of SeaTac formed a public development authority (SSRTA). Effective January 1, 2016 most of the operations of SSVS transitioned to SSRTA. As part of this transition, all of the City of Tukwila employees who worked for SSVS assumed positions with SSRTA. The City also transitioned or terminated most of the contracts executed for the benefit of SSVS. The City of Tukwila has no obligations or liabilities associated with the operations of SSRTA.

In the past the City’s lodging tax funds were used to support four full time employees with SSVS, as well as some part time and temporary help. Currently, the lodging tax funds are not being used to support staff. As part of the ILA with the cities of Des Moines and SeaTac, Tukwila intends to provide some lodging tax funds to SSRTA.

The transition of SSVS to SSRTA will have no impact on the collection of lodging tax funds. The City still retains authority in the collection of the funds and how they are dispersed (subject to the limitations in State law). The transition of SSVS to SSRTA relieves the City of significant financial obligations.

The transition of SSVS to SSRTA will cause a small impact to the general fund. The cities of Des Moines and SeaTac contributed over \$800,000 a year to the operation of SSVS. The intergovernmental funds resulted in the City’s lodging tax being charged approximately \$97,925 in indirect cost allocations. Now that these intergovernmental funds are no longer going to come to the City, the indirect charge for 2016 is estimated to be approximately \$35,000. It should be noted that the termination of operating SSVS will also result in a significant reduction in costs to the City to support overnight tourism.

CITY OF TUKWILA, WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31,2015

	Original Budget (Gaap Basis)	Final Budget (Gaap Bais)	Actual Results	Variance With Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 42,301,943	\$ 44,424,639	\$ 45,201,369	\$ 776,730
Licenses and permits	2,105,089	2,255,089	2,242,256	(12,833)
Intergovernmental	4,648,899	4,972,499	4,626,463	(346,036)
Charges for services	2,392,787	2,464,537	2,896,446	431,909
Fines and Foreitures	242,829	242,829	261,457	18,628
Investment earnings	86,052	126,052	163,618	37,566
Miscellaneous	97,788	97,788	120,887	23,099
Total Revenues	51,875,387	54,583,433	55,512,496	929,063
EXPENDITURES:				
Current:				
General Government	7,971,301	7,421,301	7,247,117	174,184
Public Safety	27,696,295	29,092,569	28,973,651	118,918
Physical environment	2,002,906	1,952,906	1,919,306	33,600
Transportation	3,066,264	2,866,264	2,820,022	46,242
Economic environment	4,445,449	4,470,221	4,328,177	142,044
Culture and recreation	4,092,425	4,265,425	4,259,532	5,893
Capital outlay	39,040	226,040	196,589	29,451
Total Expenditures	49,313,680	50,294,726	49,744,394	550,332
Excess Of Revenues And Expenditures	2,561,707	4,288,707	5,768,102	1,479,395
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Transfers in	2,200,000	1,300,000	500,000	(800,000)
Transfers out	(4,959,846)	(6,083,846)	(5,433,846)	650,000
Total Other Financing Sources And Uses	(2,559,846)	(4,783,846)	(4,933,846)	(150,000)
Net change in fund balances	1,861	(495,139)	834,256	1,329,395
Fund balances - beginning	15,200,000	15,881,000	17,496,550	1,615,550
Fund Balances - Ending	\$ 15,201,861	\$ 15,385,861	\$ 18,330,806	\$ 2,944,945

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The City of Tukwila budgets its funds in accordance with the Revised Code of Washington 35A.33. In compliance with the code, biennial budgets are adopted for the general fund and special revenue funds. For governmental funds, there are no substantial differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for biennially budgeted governmental funds only. Budgets established for proprietary and fiduciary funds are “management budgets” and are not legally required to be reported and, as such, are not reported in the CAFR.

The biennial appropriated budgets are adopted at the fund level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Any unexpended appropriation balances lapse at the end of the biennium.

The City of Tukwila’s budget procedures are mandated by RCW 35A.33. The steps in the budget process are as follows:

- 1) Prior to November 1 on even numbered years, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months, and balanced with revenue estimates made by the Mayor.
- 2) The City Council conducts public hearings on the proposed budget in November and December.
- 3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- 4) The final operating budget as adopted is published and distributed within the first month of the following year. Copies of the budget are made available to the public.

The City Council must approve by ordinance any amendments that increase the total for the fund. Budget amounts presented in the basic financial statements include both the original amounts and the final amended budget as approved by the City Council.

Expenditure Categories

<i>General Government</i>	Includes administration, finance, municipal court, attorney, and city clerk activities.
<i>Public Safety</i>	Includes all police and fire activities.
<i>Physical Environment</i>	Includes expenditures for the public works activities not chargeable to the enterprise funds.
<i>Transportation</i>	Includes all street and arterial street maintenance and construction.
<i>Economic Environment</i>	Reflects the planning and building inspection activities.
<i>Culture and Recreation</i>	Includes expenditures related to parks and recreational activities.

The information presented in the following required schedules was determined as part of the actuarial valuations at the dates indicated.

COST SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION

NET PENSION LIABILITY

PERS I

Fiscal Year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2015	0.135736%	\$ 7,100,255	\$ -	\$ 7,100,255	\$ 15,561,016	45.63%	59.10%

PERS 2/3

Fiscal Year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2015	0.173592%	\$ 6,202,541	\$ -	\$ 6,202,541.00	\$ 15,406,589.00	40.26%	89.20%

PSERS

Fiscal Year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2015	0.052748%	\$ 9,628	\$ -	\$ 9,628	\$ 154,426	6.23%	95.08%

LEOFF 1

Fiscal Year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2015	0.077944%	\$ (939,397)	\$ -	\$ (939,397)	\$ 76,144	-1233.71%	127.36%

LEOFF 2

Fiscal Year Ending	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	State's proportionate share of the net pension liability (asset) associated with the employer	Total: Proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2015	0.519159%	\$ (5,335,916)	\$ (2,123,832)	\$ (7,459,748)	\$ 15,113,237	-49.36%	111.67%

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

CONTRIBUTIONS

PERS 1

Fiscal Year Ending	Statutorily Determined Contribution	Less: Contributions in Relation to the Statutorily Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Copntribution as a Percentage of Covered Employee Payroll
December 31, 2015	\$ 686,881	\$ (686,881)	\$ -	\$ 15,654,255	4.39%

PERS 2/3

Fiscal Year Ending	Statutorily Determined Contribution	Less: Contributions in Relation to the Statutorily Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Copntribution as a Percentage of Covered Employee Payroll
December 31, 2015	\$ 873,248	\$ (873,248)	\$ -	\$ 15,498,171	5.63%

PSERS

Fiscal Year Ending	Statutorily Determined Contribution	Less: Contributions in Relation to the Statutorily Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Copntribution as a Percentage of Covered Employee Payroll
December 31, 2015	\$ 10,105	\$ (10,105)	\$ -	\$ 156,084.0	6.47%

LEOFF 1

Fiscal Year Ending	Statutorily Determined Contribution	Less: Contributions in Relation to the Statutorily Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Copntribution as a Percentage of Covered Employee Payroll
December 31, 2015	\$ -	\$ -	\$ -	\$ 25,679	0.00%

LEOFF 2

Fiscal Year Ending	Statutorily Determined Contribution	Less: Contributions in Relation to the Statutorily Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Copntribution as a Percentage of Covered Employee Payroll
December 31, 2015	\$ 776,719	\$ (776,719)	\$ -	\$ 15,380,541	5.05%

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

FIREMEN’S PENSION TRUST FUND

SCHEDULE OF FUNDING PROGRESS

(Rounded to thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2005	\$1,265	\$1,182	(\$83)	107%	\$608	N/A
January 1, 2007	1,336	1,310	(26)	102	463	N/A
January 1, 2009	1,445	1,610	165	90	442	37
January 1, 2011	1,430	1,582	152	90	0	N/A
January 1, 2013	1,416	1,296	(120)	109	0	N/A
January 1, 2014*	1,409	1,853	444	76	0	N/A
January 1, 2015	1,413	1,841	428	77	0	N/A

* January 1, 2014 change in actuary and adoption of GASB 67

Schedule of Changes in the City’s Net Pension Liability and Related Ratios		
	2014	2015
Total Pension Liability		
Service Cost	\$ -	\$ -
Interest	50,098	49,716
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments, included refunds of employee contributions	(61,863)	(58,277)
Net change in total pension liability	(11,765)	(8,561)
Total pension liability – beginning	1,852,693	1,840,929
Total pension liability – ending (a)	\$ 1,840,929	\$ 1,829,926

Plan Fiduciary Net Position		
Contributions – employer	\$ 64,114	\$ 63,590
Contributions – employee	-	-
Net investment income	1,805	2,667
Benefit payments, including refunds of employee contributions	(61,863)	(58,277)

Administrative expense	-	(4,500)-
Other	-	-
Net change in plan fiduciary net position	4,056	3,481
Plan fiduciary net position – beginning	1,408,970	1,413,026
Plan fiduciary net position – ending (b)	1,413,026	1,416,506
City’s net pension liability – ending (a) – (b)	\$ 427,903	\$ 413,420
Plan fiduciary net position as a percentage of the total pension liability	76.76%	77.41%
Covered-employee payroll	\$ -	\$ -
City’s net pension liability as a percentage of covered-employee payroll	n/a	n/a

Notes to schedule:

The following assumptions were changed as of 1/1/2014: discount rate changed to 2.75%, salary increases changed to 3.75%, CPI changed to 2.75%, mortality tables updated to RP-2014 with Scale MP-2014 projections. These changes to assumptions and experience differences increased liabilities approximately \$567,000. GASB 67, *Financial Reporting for Pension Plans*, was adopted as of January 1, 2014, therefore liabilities were fresh-started at this date.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION

Fiscal Year Ending	Statutorily Determined Contribution	Less: Contributions in Relation to the Statutorily Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Coptribution as a Percentage of Covered Employee Payroll
December 31, 2006	\$ 45,951	\$ 45,951	\$ -	\$ -	n/a
December 31, 2007	50,555	50,555	-	-	n/a
December 31, 2008	52,571	52,571	-	-	n/a
December 31, 2009	48,537	48,537	-	-	n/a
December 31, 2010	49,989	49,989	-	-	n/a
December 31, 2011	54,865	54,865	-	-	n/a
December 31, 2012	52,249	52,249	-	-	n/a
December 31, 2013	56,962	56,962	-	-	n/a
December 31, 2014	64,114	64,114	-	-	n/a
December 31, 2015	63,590	63,590	-	-	n/a

Notes to Schedule:

Contributions are a portion of State Fire Insurance Premiums.

Schedule of Investment Returns	Annual money-weighted rate of return, net of investment expense
2011	0.12%
2012	0.20%
2013	0.17%
2014	0.13%
2015	0.19%

Notes to Schedule:

Ten-year schedule required. However, until a full 10-year trend is compiled, information is presented for those years where information is available.

The key actuarial assumptions used for the January 1, 2015 valuation were:

Assumption	Rates
Actuarial Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Market Value
Measurement Date	January 1, 2015
Discount Rate (or Investment Return)	We based the long-term expected rate of return on pension plan investments assumption on the nature and mix of current and expected pension plan assets over a period of time representative of the expected length of time between the first day of service and date of the last benefit payment. The rate of 2.75% was selected.
Cost of Living	2.75%, based on SSA OASDI 2014 report.
Salary Increases (for calculated benefit increases based on rank)	3.75%, based on SSA OASDI 2014 report.
Healthy Mortality	RP-2014 mortality table, total dataset, fully generational with mortality improvement scale MP-2014 setback one year for males and set forward one year for females.

Disabled Mortality	RP-2014 mortality table, total dataset, fully generational with mortality improvement scale MP-2014 set forward two years for males and females.
Spouse Age	We assumed that wives are three years younger than husbands.
Under the Firemen's Pension Trust fund, most adjustments are based on the change in salary for the rank of members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26	

**RETIREE MEDICAL AND LONG-TERM CARE BENEFITS
FOR LEOFF 1 EMPLOYEES**

SCHEDULE OF FUNDING PROGRESS
(Rounded to thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)*	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	\$0	\$16,103	\$16,103	0%	\$581	4%
January 1, 2011	0	14,805	14,805	0	371	3
January 1, 2014	0	21,264	21,264	0	195	1
January 1, 2015	0	29,538	29,538	0	132	0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Employer Contributions	Annual Required Contributions (ARC)	Percentage of ARC Contributed
December 31, 2008	\$557,103	\$1,366,284	41%
December 31, 2009	\$335,265	\$1,366,284	25
December 31, 2010	317,771	1,366,284	23
December 31, 2011	335,090	1,264,522	26
December 31, 2012	404,007	1,264,522	32
December 31, 2013	878,755	1,264,522	69
December 31, 2014	905,974	1,903,679	48
December 31, 2015	477,292	2,585,779	18

**RETIREE MEDICAL AND LONG-TERM CARE BENEFITS
FOR LEOFF 1 EMPLOYEES**

Assumption	Rates
Actuarial Cost Method	Entry Age Normal method.
Measurement Date	January 1, 2015
Discount Rate (or Investment Return)	Selected the assumed discount rate of 2.75% based on the five-year average investment yield on the investments expected to finance the payment of benefits.
Healthy Mortality	RPH-2014 mortality table (headcount weighted), total dataset, fully generational with mortality improvement scale MP-2014 setback one year for males and set forward one year for females.

Disabled Mortality	RPH-2014 mortality table (headcount weighted), total dataset, fully generational with mortality improvement scale MP-2014 set forward two years for males and females.							
Turnover	None assumed. All LEOFF 1 actives are fully eligible for retirement.							
Per Capita Claims Cost	Assumed annual per capita claims costs are as follows:							
	Age	Medical/Rx	Dental	Vision	LTC			
	55	\$ 21,875	\$ 966	\$ 181	\$ 133			
	60	28,071	966	181	220			
	65	15,406	966	181	448			
	70	16,924	966	181	1,183			
	75	17,984	966	181	3,028			
	80	18,348	966	181	6,499			
Aging or Morbidity Factors	Aging/morbidity factors are included in the per capita claims costs shown above (except dental and vision).							
Medicare Part B Premium Reimbursements	The City reimburses Medicare retirees for Part B premiums. The 2015 annual premium is \$1,258.80.							
Affordable Care Act (ACA) Excise Tax Threshold	Single	Ages 55-64 \$ 11,850	All Other \$ 10,200					
ACA Base Premium	Assumed annual plan costs upon which the ACA tax calculation is based: Medicare ineligible \$ 28,071 Medicare eligible \$ 16,557							
ACA Tax	<ul style="list-style-type: none"> • We assumed a 40% excise tax rate on premiums above the ACA threshold. • We assumed the City of Tukwila pays no federal taxes. • We assumed the excise tax will apply to medical/Rx and Medicare premium reimbursements. 							
Trend Rates	Medical Long-Term Trends* from Getzen SOA Model version 2014_b using baseline assumptions.							
	Year	Pre-Medicare	Medicare	Dental	Vision	Part B Premiums	Long-Term Care	Excise Tax Threshold
	2015	9.00%	6.50%	5.5%	4.0%	5.4%	5.0%	0.00%
	2016	7.50%	6.50%	5.0%	4.0%	5.4%	5.0%	0.00%
	2017	6.50%	6.00%	4.5%	4.0%	5.4%	5.0%	0.00%
	2018	5.50%	5.50%	4.0%	4.0%	5.4%	5.0%	4.24%
	2019	5.50%	5.50%	3.5%	3.5%	5.4%	5.0%	3.24%
	2020	5.46%	5.46%	3.5%	3.5%	5.4%	5.0%	3.24%
	2021-2074	3.5%	3.5%	5.4%	5.0%	3.24%
	2075+	3.80%	3.80%	3.5%	3.5%	5.4%	5.0%	3.24%
	* The trend rates include assumed inflation of 3% for all future years.							

CITY OF TUKWILA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

City of Tukwila, Washington
 Schedule of Expenditures of Federal Awards
 For Year Ended December 31, 2015

1 Federal Agency Name / Pass-Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			Passed Through To Subrecipients	6 Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total		
U.S.Dept of Agriculture / pass-through from Off of Superintendent of Public Instruction	Child & Adult Care Food Program	10.558	17141471	\$ 1,226.40		\$ 1,226.40	\$ -	
U.S.Dept of Agriculture / pass-through from WA St DNR	Cooperative Forestry Assistance	10.664	IAA-14-042/K244-12-DG-018	4,700.00		4,700.00	-	
U.S.Dept of Housing & Urban Development / pass-through from King County Housing & Comm Development	Community Development Block Grant	14.218	5824592	993.17		993.17	-	
			5719835	92,905.26		92,905.26	-	
			Subtotal	93,898.43		93,898.43	-	
U.S.Dept of Justice	State Criminal Alien Assistance Prog	16.606	2015-AP-BX-0834		\$ 2,029.00	2,029.00	-	
U.S.Dept of Justice	Bulletproof Vest Partnership Prog	16.607	NA		6,796.89	6,796.89	-	
U.S.Dept of Justice / pass-through from City of Seattle	Edward Byrne Memorial JAG Program	16.738	2013-DJ-BX-0715	4,840.42		4,840.42	-	
			2014-DJ-BX-1034	3,241.76		3,241.76	-	
			Subtotal	8,082.18		8,082.18	-	
U.S.Dept of Transportation / pass-through from WA DOT	Highway Planning and Construction	20.205	STPUL-1045(007) Interurban Avenue S	552,512.88		552,512.88	-	
			STPE-CM-1320(002) Tuk Urb Ctr Ped/Bike	514,205.29		514,205.29	-	
			BHM-1380(003) Boeing Access Bridge	333,443.43		333,443.43	-	
			BHM-1274(009) Frank Zepp Prev Maint	231,944.18		231,944.18	-	
			BHOS-1320(004) Beacon Ave Pre Maint	115,087.60		115,087.60	-	
			ER-1403(006) I-5/Klickitat Dr-Slope	92,616.43		92,616.43	-	
			SRTS-1320(003) Thorndyke Safe Route	35,495.54		35,495.54	-	
			BHM-1288(005) Grady Wy Prev Maint	31,623.51		31,623.51	-	
			GCB2135 Expans Urb Ctrs & DC	4,500.00		4,500.00	-	
			Subtotal	1,911,428.86		1,911,428.86	-	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

CITY OF TUKWILA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

1 Federal Agency Name / Pass- Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			Passed Through To Subrecipients	6 Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total		
U.S.Dept of Transpor- tation / pass-through from King County	Federal Transit Capital Investment	20.500	13-071 Tukwila Transit Center	\$ 670,069.58		\$ 670,069.58	\$ -	
U.S.Dept of Transpor- tation / pass-through from WTSC	State & Community Highway Safety	20.600	Distracted Driving	1,011.60		1,011.60	-	
U.S.Dept of Transpor- tation / pass-through from WASPC	State & Community Highway Safety		Traffic Safety Equip.	2,859.59		2,859.59	-	
			Subtotal	3,871.19		3,871.19	-	
U.S.Dept of Transpor- tation / pass-through from WTSC	National Priority Safety Programs	20.616	King County Distract- ed Driving	1,188.60		1,188.60	-	
			Click It Or Ticket	476.56		476.56	-	
			Subtotal	1,665.16		1,665.16	-	
U.S.Environmental Protection Agency/ pass-through from WA St Dept of Commerce	Puget Sound Action Agenda:Tech Inv & Implementation Assistance	66.123	14-63401-007	28,271.00		28,271.00	-	
U.S.Dept of Health & Human Services/pass- through Seattle & King County Public Health	Partnerships To Improve Community Health	93.331	CDIP3908	20,859.48		20,859.48	-	
			CDIP4007	2,083.12		2,083.12	-	
			Subtotal	22,942.60		22,942.60	-	
U.S.Dept of Homeland Security / pass- through from Pierce County Emergency Management	National Urban Search & Rescue Response System	97.025	WA-TF1	1,408.95		1,408.95	-	
U.S.Dept of Homeland Security / pass- through from WA St Military Dept	Emergency Mgmt Performance Grants (EMPG)	97.042	EMW-2014-EP-00033	58,652.24		58,652.24	-	
U.S.Dept of Homeland Security	Assistance to Fire- fighters Grant	97.044	EMW-2013-FO-02617		\$ 1,340.00	1,340.00	-	
U.S.Dept of Homeland Security / pass- through from City of Seattle	Homeland Security Grant Program	97.067		10,342.91		10,342.91	\$ -	
TOTAL FEDERAL AWARDS EXPENDED				\$ 2,816,559.50	\$ 10,165.89	\$ 2,826,725.39	\$ -	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

City of Tukwila, Washington
 Schedule of Expenditures of Federal Awards **FEDERAL AWARDS**
 For the Year Ended December 31, 2015
 For Year Ended December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting for governmental fund types and the accrual basis for proprietary funds.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Actual program costs, including the City's portion, may be more than shown.

NOTE 3 - FEDERAL GOVERNMENT REVENUE RECONCILIATION

Revenue from the Federal government	\$ 3,115,943.27
Less: Retainage revenue recognized but not yet paid + rounding error	(188,058.19)
Less: Direct Federal interest rate subsidies	(92,853.65)
Less: Revenue recognized in 2015 but expended in prior years	<u>(8,306.04)</u>
Expenditures of Federal awards	<u><u>\$ 2,826,725.39</u></u>

NOTE 4 - INDIRECT COST RATE

The amount expended includes \$0 claimed as an indirect cost recovery using an approved indirect cost rate of 0 percent. The City has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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