



City of Kent, Washington



Comprehensive **2010**  
Annual Financial Report  
For the Fiscal Year Ended December 31, 2010



# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
December 31, 2010

Prepared by:

Finance Department  
Financial Reporting Division

R. J. Nachlinger  
Finance Director



## Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2010

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# Comprehensive Annual Financial Report 2010

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September 23, 2011

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

This correspondence transmits to you the City of Kent's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2010. This transmittal letter provides an overview of the report and the financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it. The report is prepared in accordance with the Revised Code of Washington (RCW) 43.09.230.

The City of Kent Finance Department prepared the report and accepts complete responsibility for the accuracy, completeness, and fairness of the presentation of the information included. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile complete and reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The data is believed to be accurate in all material respects, and it is believed that all significant information necessary for an understanding of the affairs and financial condition of the City has been disclosed. The report has been prepared in conformance with Generally Accepted Accounting Principles (GAAP) and in conformance with financial reporting standards issued by the Governmental Accounting Standards Board (GASB).

The City of Kent's financial statements have been audited by the Washington State Auditor's Office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Financial Section includes the independent auditor's opinion, Management's Discussion and Analysis, the Government-wide Financial Statements, the Fund Financial Statements, budget to actual comparison for the general fund and the Notes to the Financial Statements. Also included as supplemental information, are combining statements for the non-major governmental funds, budget to actual comparison for the public safety retiree, lodging tax and youth/teen funds, internal service funds' statements, and fiduciary funds' statements.

The audit of the financial statements of the City was part of a broader, Federally-mandated “Single Audit” designed to meet the special needs of Federal grantor agencies. The State Auditor is required to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal grants. These reports are available in the State Auditor’s Audit Report for the City.

Generally Accepted Accounting Principles (GAAP) requires that management provide a discussion and analysis of its financial condition. This narrative introduction, overview, and analysis are described as Management’s Discussion and Analysis (MD&A). This is found at the beginning of the financial section following the independent auditor’s report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

Following the Basic Financial Statements and the Note disclosures are statements of non-major funds, agency funds, and internal service funds. Also included are schedules for capital assets utilized in governmental operations.

The Statistical Section provides financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information pertaining to the City. Much of the information provided is designed to show comparative data over the last ten fiscal years and conforms with GASB 44.

## **THE REPORTING ENTITY**

The City of Kent is located in southern King County, Washington state’s most populous county. The City is centrally located in the Green River Valley, 18 miles south of Seattle and 18 miles northeast of Tacoma. It now serves 117,869 residents, which is an increase of almost 30,000 from last year as a result of the Panther Lake annexation, effective July 1, 2010. The City provides many of its municipal services to the greater Kent area that encompasses over 150,000 residents.

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

The government provides a full range of services. By December 2010, the City of Kent had 633 budgeted full-time employees providing services of general government, public safety, public works, and leisure services. In the public safety area, the Police Department had 193 police officers and non-uniformed personnel providing police and correction services to an expanding business and residential area. The Public Works Department provides engineering services for the City and maintains the City streets. In addition, it operates the water, sewer, and drainage utilities that also serve many outside customers. The Parks, Recreation and Community Services Department maintains parks and recreation fields located throughout the City and provides numerous opportunities for organized recreational activities for the greater Kent area. It ensures human service resources are delivered effectively and efficiently to Kent residents by developing and implementing policies that guide the funding of human service programs, providing housing assistance, and participating in regional and local issues affecting Kent residents. It also operates a senior center; a community center for social and recreational programs, including racquetball, an 18-hole and par-3 golf course, mini-putt course, and driving range. In the cultural area, the City has established cultural arts and sports programs. The Kent Economic Development Corporation and the Special Events Center Public Facilities District are included in this report as component units, but the Kent School District and the Kent Library have not

met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Kent's financial planning and control. In February 2009, the City Council established its direction for the City with the development and adoption of the Strategic Plan. That Strategic Plan was used in developing the budget. The annual budget kick-off starts in May. Departments meet with Finance and develop their budgets during June and July and make their requests to Administration in August. A public hearing is held on the budget in September and the preliminary budget is prepared and submitted for Council review in October. A second public hearing is held in November and the final budget is developed and submitted for Council approval in December.

## **ECONOMIC CONDITION AND OUTLOOK**

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

There are approximately 78,000 people who work within Kent's city limits. Large private sector employers within city limits include the Boeing Company (aircraft manufacturer) with 4,000 employees, REI Inc. (a recreational clothing and equipment retailer) with 709 employees and Coho Distributing (known as Columbia Distributing, a beverage distributor) with 620 employees.

Educational opportunities available to Kent residents are provided by five separate public school districts. Public transportation and sewage treatment services are provided by METRO, part of the King County government. These operations are not a part of the City of Kent's reporting entity, although the City does coordinate with these operations. It has joint recreational programs with the schools and pays for sewage treatment services from its sewerage utility.

## **MAJOR INITIATIVES**

In 2009, the City Council established its direction for the City with development and adoption of the 2009 Strategic Plan. This plan, reviewed in 2010, continues to set the policy and direction of the City Council and the resulting work plan for Administration to achieve the plan's goals. The six strategic goals identified in the plan and the key targets for the goals are:

### Improve transportation connectivity

1. Develop Transportation Transit Plan
2. Implement Transportation Master Plan
3. Partner with the community in planning transportation improvements
4. Explore alternative transportation technologies
5. Maintain control of the City's rights-of way
6. Improve connectivity through industrial areas

### Enhance our sense of community

1. Provide places for youth to engage in healthy activities
2. Promote aesthetic beautification in streetscapes and gateways
3. Enhance neighborhood identities and connectivity

4. Increase involvement of residents in neighborhood issues
5. Create focal points and gathering places in the local communities
6. Create multi-generational and multi-cultural interactions
7. Prepare for annexation
8. Maintain a safe and secure community
9. Increase opportunities for citizen participation in local government

#### Support a dynamic and sustainable economy

1. Facilitate community and business access to information and services
2. Create the center for advanced manufacturing
3. Create a nexus for medical/health/jobs and technology
4. Encourage the redevelopment of commercial areas
5. Create a downtown that is a destination to live/work/play and shop
6. Create a workforce to support our economy through educational readiness
7. Maintain a healthy, vigorous industrial/manufacturing sector
8. Establish a revised business and industries strategy for attracting new partners

#### Become a unique urban Center

1. Create a regional events, conferences, sports and tradeshow facility
2. Enhance public amenities along Green River waterfront
3. Develop an aquatic recreational center
4. Create a multi-purpose performing arts center

#### Implement conservation and efficiency for environmental sustainability

1. Inventory City-wide facilities and operations for energy use and efficiency
2. Promote low impact development (LID) and smart growth technologies
3. Create a funding mechanism for sustainability implementation
4. Educate the community about sustainability and conservation alternatives
5. Utilize renewable and efficient energy resources for the city facilities and vehicles
6. Develop partnerships on sustainability with other agencies
7. Create and implement a policy on a definition for the rate of return on investment relating to sustainability
8. Promote alternative transportation methods

#### Utilize technology to advance the community

1. Connect the community (homes, schools, businesses) with fiber optics
2. Create City-wide wireless access
3. Adapt City standards (codes, regulations, policies) to deliver future technology
4. Create a virtual City of Kent
5. Create a funding mechanism for ongoing technology sustainability
6. Develop partnerships to maximize the use of technology
7. Position the City for leadership in technology advancement

The 2011 budget process began with the assumption that the State would continue to mitigate Kent for lost revenue as a result of Streamlined Sales Tax which amounts to approximately \$4.9 million. It also assumed that the State would continue to provide a rebate of 0.2% from sales tax collected in the City and the Panther Lake annexation area to offset the increased cost of serving that area. As of this point, the state has continued to provide those funding sources. However, as a whole, the state reduced its shared revenues with the local governments by 3.4%.

During the budget process, the City focused its efforts on tying the strategic goals and key targets to the initiatives to the items approved within the budget. The top priorities of the City were law

enforcement, maintaining the 1% of General Fund revenues designated for human services, and rebuilding the General Fund's fund balance. Other factors that were considered in the budgeting process included the elimination of furlough days, which increased personnel costs by \$450,000. With a negative CPI-W, the employees did not receive a cost of living adjustment (COLA). And, finally the cost to provide health care went up by nearly \$1.4 million, due in part to the newly passed Federal Health Care Reform Act coupled with the fact that the City had not raised health care rates in four years.

Due to a recent Washington State Supreme Court ruling, cities are now mandated to provide fire hydrant maintenance out of General Fund dollars. As a result, the budget includes \$500,000 to comply with this ruling. Since King County is phasing out of the animal control services, the 2011 budget included increased costs of \$291,000 for our agreement with the County to continue the services. And, finally, as we looked at the 2011 budget, we also looked at the needs of the new Panther Lake annexation area.

## **FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL**

### Internal Control System

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

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

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

### Accounting and Budgetary Control System

The accounting and budgetary control system of the City is based on the fund structure. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts segregated for the purpose of carrying out specific functions in accordance with special regulations, restrictions, or limitations. In 2010, the City operated with 28 individual funds. These are summarized into seven standard fund types to comply with the aforementioned standards of the Governmental Accounting Standards Board. The individual funds, in addition to being the basis of the accounting system, provide the legal budgetary control level for City expenditures. Certain funds operate on an annual budget. Other funds are project oriented or controlled by bond indentures or state law. Proprietary funds have flexible budgets that allow for expenditure adjustments based on receipt of additional revenue. The Notes to Financial Statements describe the fund types and their individual operating characteristics.

Although budgetary control is at the fund level, revenue and expenditure data is maintained by project, organization, program and object code. The high level program and object codes are prescribed for all local government units by the State Auditor's Office for consistency of reporting statewide. The remainder of the coding structure is established at the City's discretion based on its operational and

# Comprehensive Annual Financial Report 2010

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management needs. In addition to prescribing certain coding for consistent reporting statewide, the State Auditor's Office prescribes certain accounting formats and specialized reports.

The State Auditor's Office is required by state law to make periodic independent audits of the books of accounts, financial records, and transactions of the City. The audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, and related OMB circular A-133. The opinion of the State Auditor's Office on the General Purpose Financial Statements is included as a part of this report. Additional financial disclosure information required by the State Auditor's Office is included in the Statistical Section or where appropriate as a part of the Notes to Financial Statements.

## Cash Management

The City operates with a pooled cash and investment account whereby funds not individually invested to the credit of particular funds are invested in a Treasurer's residual account to the credit of the General Fund. This is specifically allowed by state law which states that with the exception of bond covenants and local ordinances that require investment by fund, investments can be pooled and invested to the credit of the General Fund. The City has adopted Government Accounting Standards Board (GASB) Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. This requires the City to record its long-term investments at fair value as determined by the market or appraised value as applicable.

The City's deposits during 2010 and at December 31, 2010, were covered by Federal depository insurance or collateralized by qualified public depositories through the Washington Public Deposit Protection Commission. The City invests in instruments allowable by state statute, which minimize credit and market risks.

On December 31, 2010, the City's cash and investment position for all funds totaled \$46,859,624. The fair value of investments, including certificates of deposit, on December 31, 2010, totaled \$44,724,373. Funds are invested overnight with the State Treasurer's Investment Pool and, for longer-term investments, in certificates of deposit and U.S. government securities. The portfolio generated \$296,089 of interest income in 2010, for a yield of 0.52 percent on average cash and investments of \$56,634,015.

## Risk Management

The City self insures for unemployment compensation, workers compensation, and medical and dental insurance coverage for its employees. For its liability coverage, the City is a member of the Washington Cities Insurance Authority (WCIA) as one of over 115 cities and interlocal agencies in the state. The City self-insures its liability coverage up to \$100,000 for each occurrence; thus, saving the City substantial premium costs. Property coverage is provided by individual insurance carriers.

## Pension and Post Employment Benefits

The City sponsors a single-employer defined benefit plan for its fire personnel that were hired prior to March 1, 1970. Every other year, an actuarial study is made to ensure the plan will be able to fully meet its obligations to retired employees. As of December 31, 2010, there is no unfunded liability for the plan. No contributions are needed to the plan and the plan provides funds to pay for post-retirement medical benefits for its members.

The City currently provides pension benefits for all of its permanent employees through several statewide plans managed by the Department of Retirement Systems. The City has no obligation in

connection with employee benefits offered under these plans beyond its annual contributions to the plans.

The City provides medical, prescription drug, dental, vision, long-term care, and other unreimbursed medical benefits to certain eligible public safety retirees. At the end of the current fiscal year, there were 70 retirees receiving these benefits. The Firefighters Relief and Pension Fund provide some of the funding to pay for those benefits relating to eligible Firefighters along with the City's General Fund.

Additional information pertaining to the City's pension plans and post employment benefits can be found in the Notes to the Financial Statements.

## **CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN THE FINANCIAL REPORTING PROGRAM**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kent for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2007. This was the 13<sup>th</sup> consecutive year (1994 – 2007) that the City had achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. As we did last year, we will not be submitting this financial report for an award this year, however, we believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements.

## **ACKNOWLEDGMENTS**

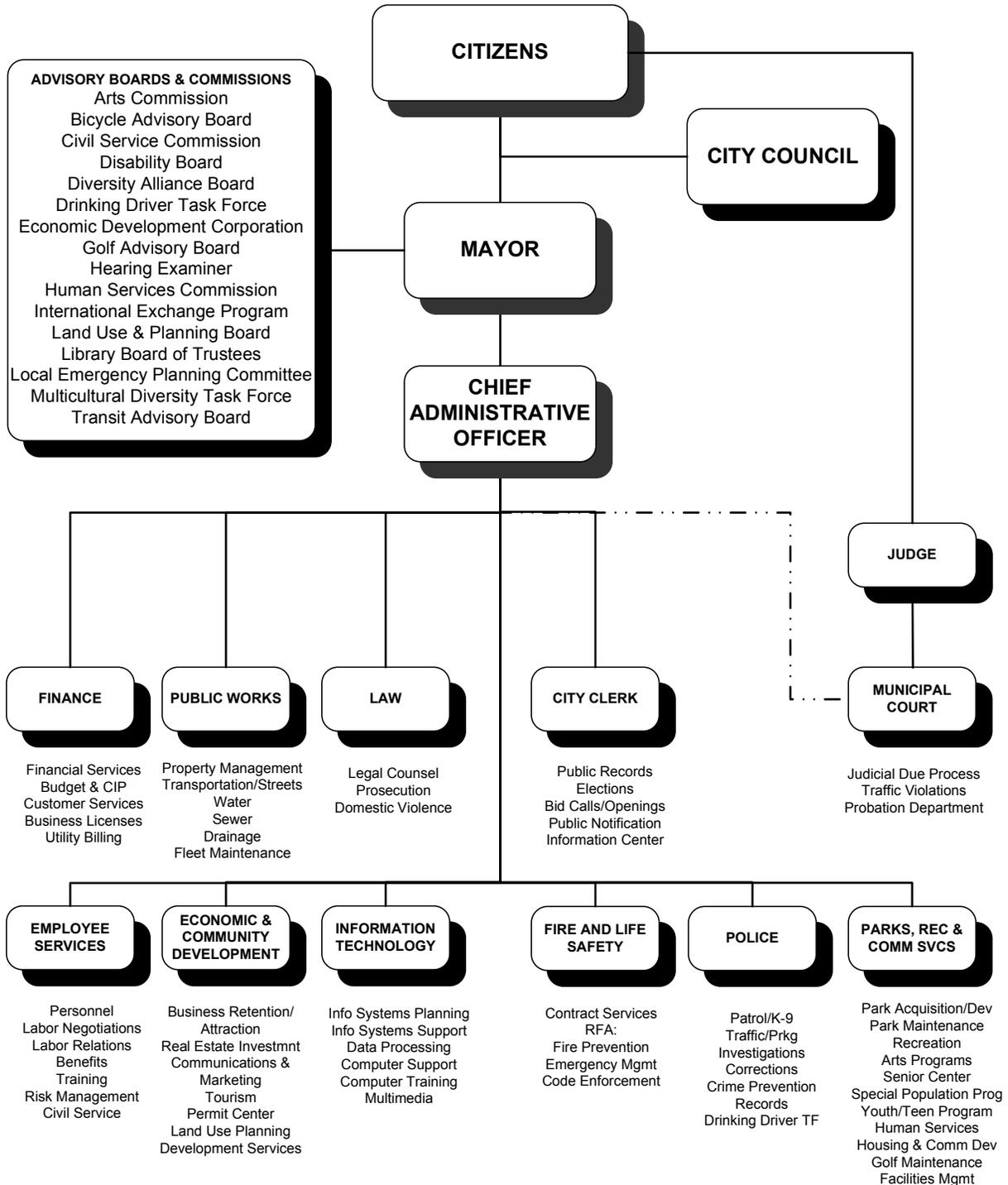
The preparation of this report would not have been accomplished without the dedicated efforts of the entire Finance and Information Technology departments. We would also like to thank the Mayor and City Council members for their interest and support of our efforts to improve the City's Comprehensive Annual Financial Report.

Respectfully submitted,



R. J. Nachlinger  
Finance Director

## City of Kent 2011 Organization Chart



## **PRINCIPAL OFFICIALS**

	<b>Term Expiration</b>
<b>MAYOR</b>	
Suzette Cooke	12-31-2013
<b>COUNCIL MEMBERS</b>	
Jamie Perry, President	12-31-2013
Debbie Raplee	12-31-2011
Ron Harmon	12-31-2011
Deborah Ranniger	12-31-2011
Les Thomas	12-31-2011
Elizabeth Albertson	12-31-2013
Dennis Higgins	12-31-2013

### **GENERAL GOVERNMENT**

John Hodgson, Chief Administrative Officer  
Tom Brubaker, City Attorney  
Sue Viseth, Employee Services Director  
R.J. (Bob) Nachlinger, Finance Director  
Michael Carrington, Information Technology Director

### **PARKS AND RECREATION**

Jeff Watling, Parks, Recreation and Community Services Director

### **PUBLIC SAFETY**

Ken Thomas, Police Chief

### **ECONOMIC AND COMMUNITY DEVELOPMENT**

Ben Wolters, Economic and Community Development Director  
Fred Satterstrom, Planning Director  
Tim LaPorte, Public Works Director





Washington State Auditor  
Brian Sonntag

**INDEPENDENT AUDITOR'S REPORT**

September 15, 2011

Mayor and Council  
City of Kent  
Kent, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kent, King County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kent, King County, Washington, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated September 15, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of



internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 18 and pension trust fund and information on post-employment benefits other than pensions on pages 95 through 96 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules, combining fund statements – internal service funds and capital assets used in operation of governmental funds on pages 95 through 130 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

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The discussion and analysis of the City of Kent's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2010. 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:

- Net assets (\$981.7 million) increased by \$8.2 million or 0.8 percent from 2009 levels, comprised of an \$11.2 million or a 1.5 percent decrease resulting from governmental activities and \$19.4 million or 8.2 percent increase as a result of business-type activities. Approximately \$24.1 million or 2.5 percent of the net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- Net Property, Plant and Equipment (\$1.1 billion) increased by \$22.8 million or 2.1 percent from 2009.
- Long-term debt (\$172.4 million) decreased by \$.8 million or 0.5 percent from 2009 levels. The key factor impacting the decrease was the annual debt service payments.

#### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the City of Kent's basic financial statements. The City of Kent's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the City of Kent's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets provide a useful indicator as to the direction of the City's financial condition.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years (e.g., uncollected property tax revenues and earned but unused vacation leave).

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

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

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

The government-wide financial statements can be found on pages 19 – 21 of this report.

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

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

The focus of governmental funds is narrow and it is useful to compare the information provided by the government-wide financial statements for government activities with the governmental funds statement. This may give the reader a better understanding of how long-term impacts are affected by near-term financing decisions. In order to facilitate this comparison, a reconciliation is provided between the statements, reconciling net assets to fund balances.

The City maintains 19 individual governmental funds. Information is provided separately for five funds that the City considers to be major funds, and combines the other 14 funds into one column for a single aggregated report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The five major funds are the General Fund, Capital Improvement Fund, Special Assessments Fund, Street Capital Projects Fund, and the Other Projects Fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic financial statements are found on pages 22 - 26 of this report.

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

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

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of net assets, but their functions are prorated as to their usage between governmental and business-type activities in the government-wide financial statement of activities.

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

The basic proprietary fund financial statements can be found on pages 28 – 37 of this report.

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

The basic fiduciary fund financial statements can be found on pages 38 – 39 of this report.

**Notes to the financial statements.** The notes provide information that aid in the understanding of the data presented in the government-wide and fund financial statements. The notes can be found on pages 40 – 93 of this report.

**Other information.** This report also includes required supplementary information concerning the City of Kent's progress in funding its pension benefit obligations and employer contributions to its Firemen's Relief and Pension Fund and to the Retirement Health Care Benefits (LEOFF 1) Fund. This information can be found on pages 95 – 96 of this report.

Combining statements for non-major governmental funds and internal service funds are also presented immediately following the other information mentioned above. Included with the combining statements are budgetary comparison schedules for the Public Safety Retiree Fund, the Lodging Tax Fund and the Youth/Teen Fund, which are found on pages 98 – 108. The statement of changes in assets and liabilities for the agency funds are found on pages 121 – 125 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kent, assets exceeded liabilities by \$981.7 million on December 31, 2010.

By far the largest portion of the City of Kent's net assets (\$942.4 million or 96 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, site improvements, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Kent uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Kent's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF KENT'S NET ASSETS**  
**December 31, 2010**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current and Other Assets	\$ 21,945	\$ 39,612	\$ 58,744	\$ 54,695	\$ 80,689	\$ 94,307
Capital Assets	816,380	817,301	274,346	250,660	1,090,726	1,067,961
Total Assets	838,325	856,913	333,090	305,355	1,171,415	1,162,268
<b>Liabilities</b>						
Long-term Debt Outstanding	98,213	106,894	74,223	66,375	172,436	173,270
Other Liabilities	14,735	13,408	2,508	2,062	17,243	15,470
Total Liabilities	112,948	120,302	76,731	68,437	189,679	188,739
<b>Net Assets</b>						
Invested in Capital Assets, net of debt	727,783	710,701	214,632	184,890	942,415	895,591
Restricted	12,145	14,297	3,066	2,120	15,210	16,417
Unrestricted	(14,551)	11,613	38,662	49,908	24,111	61,521
Total Net Assets	\$725,377	\$736,611	\$256,359	\$236,918	\$981,736	\$973,529

Of the City of Kent's net assets, 1.5 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$24.1 million) may be used to meet the city's ongoing obligations to citizens and creditors.

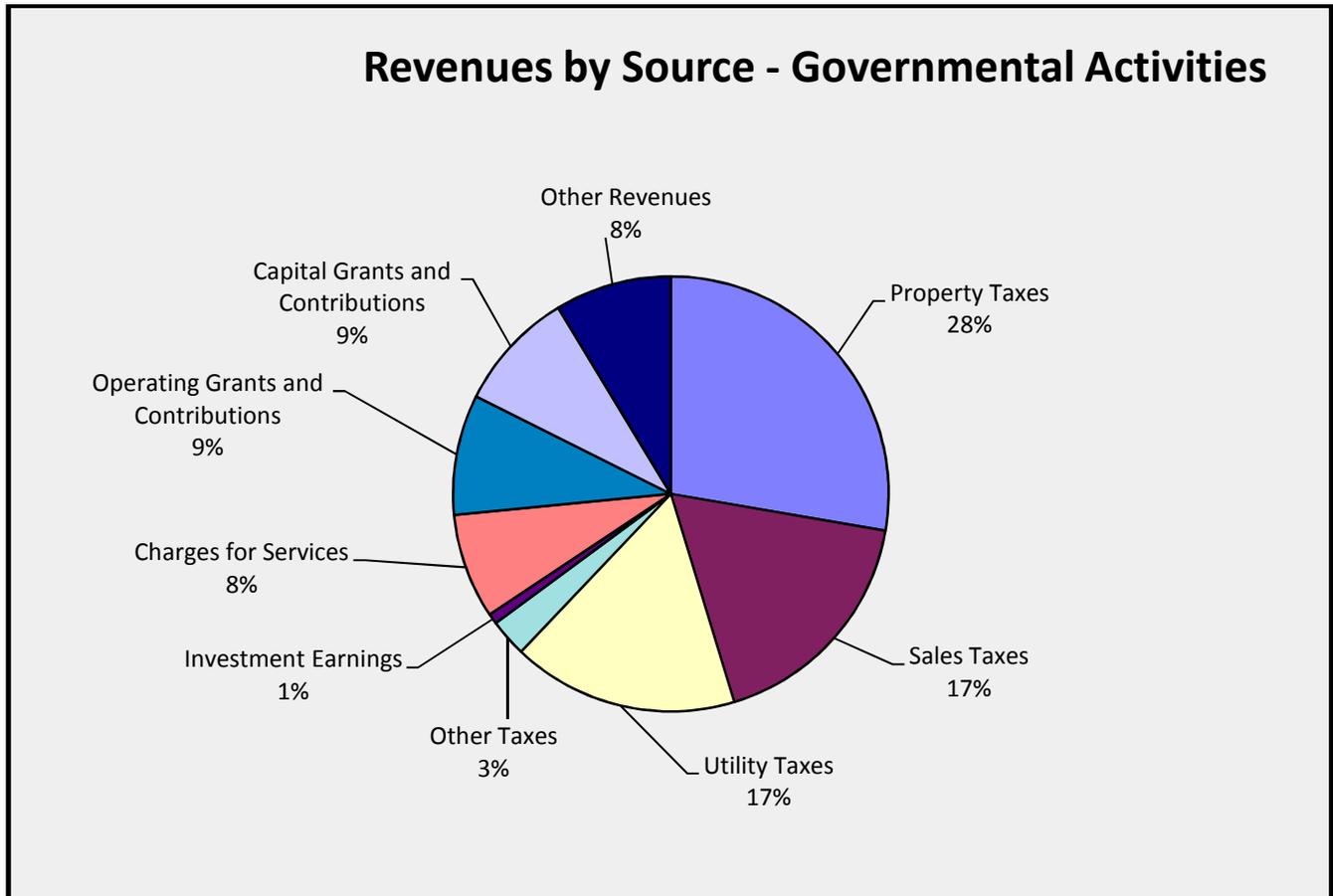
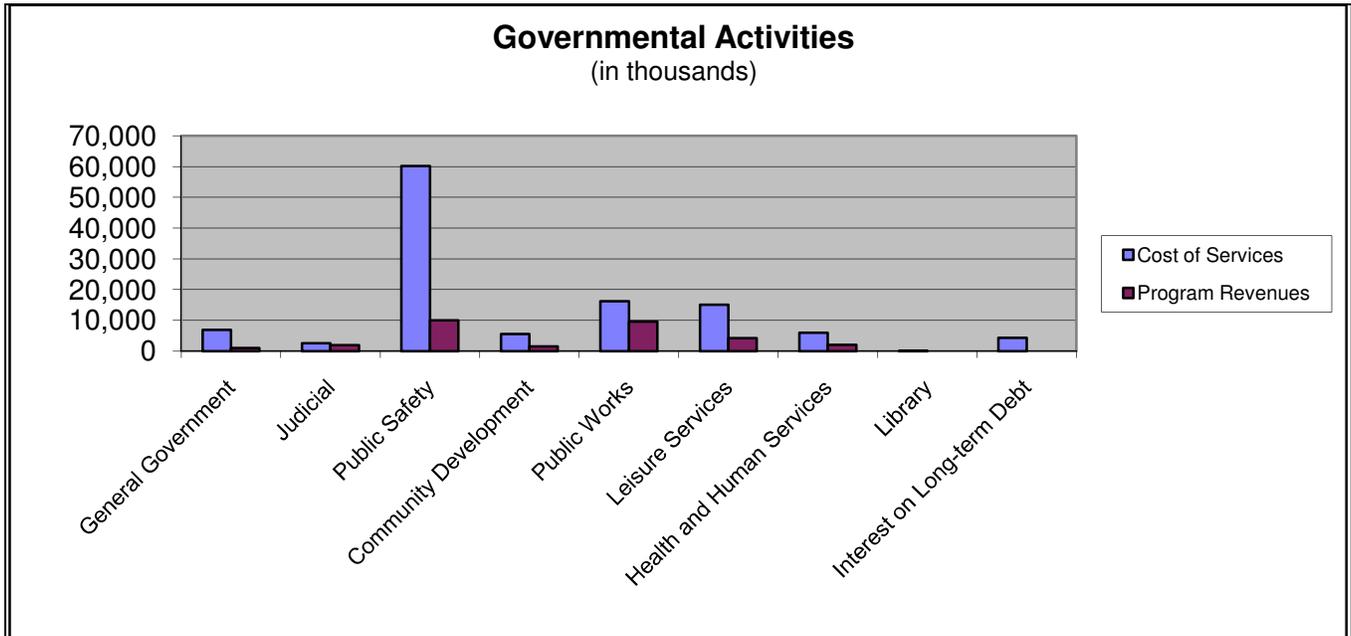
Following are charts and tables detailing the changes in net assets, a comparison of program costs and revenues, composition of the revenues, and a discussion of the various revenue streams.

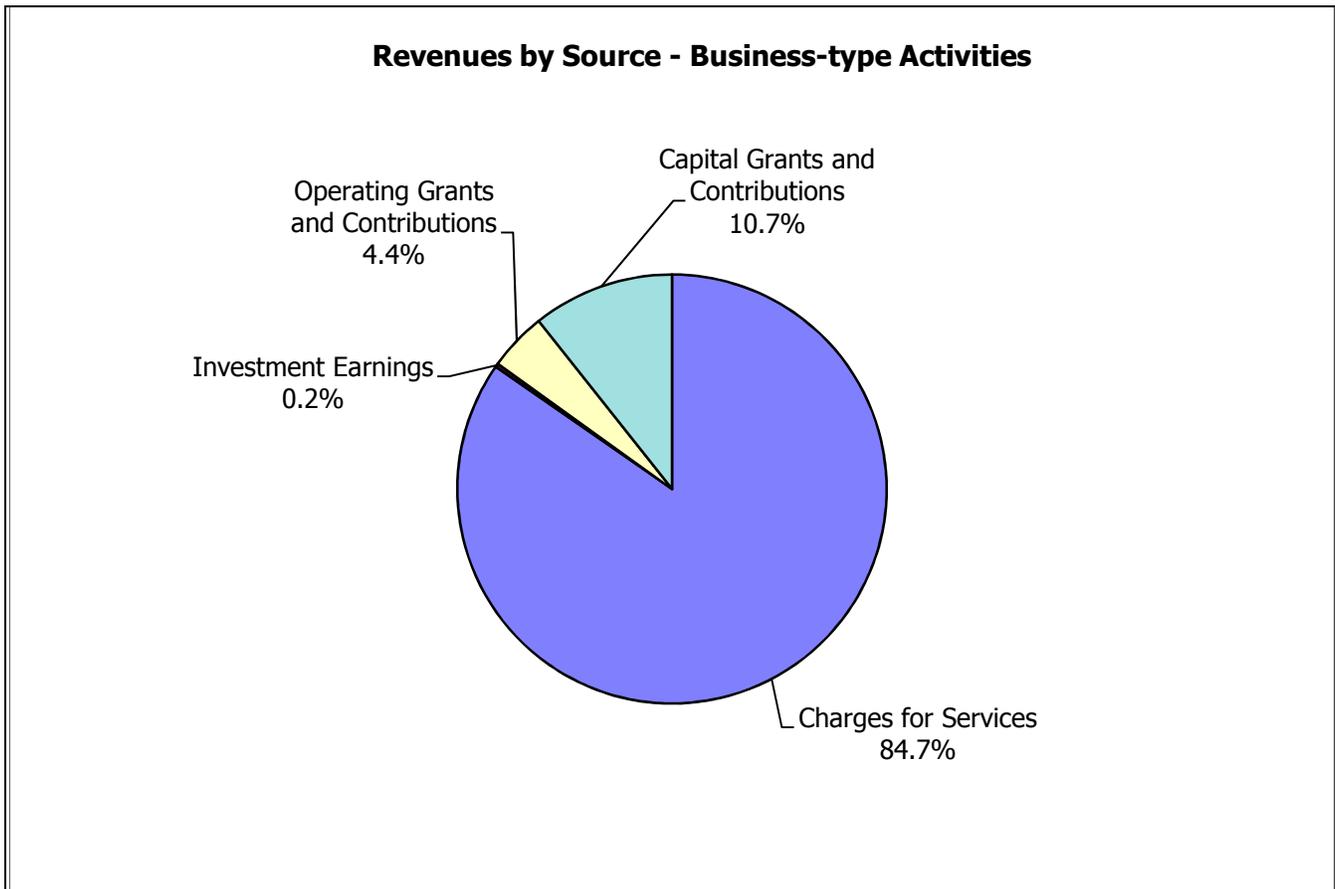
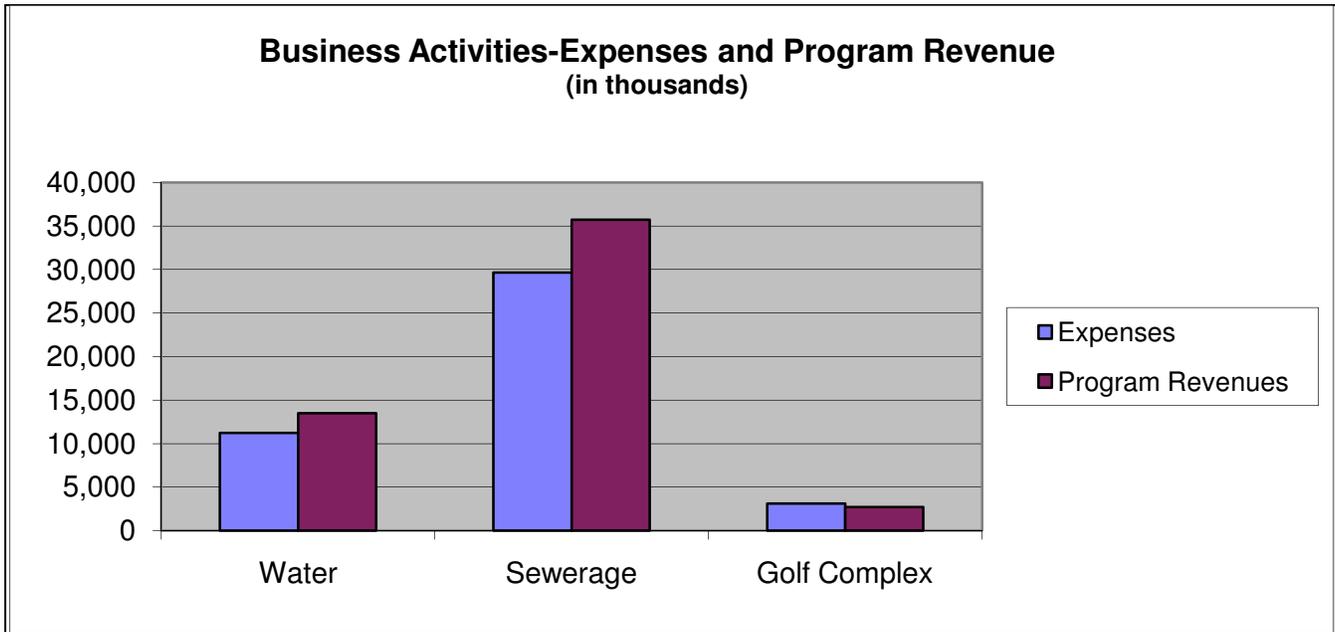
**CITY OF KENT'S CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2010**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 8,251	\$ 7,862	\$ 53,663	\$ 45,874	\$ 61,914	\$ 53,736
Operating Grants/Contributions	9,433	10,299	2,799	112	12,232	10,411
Capital Grants/Contributions	9,459	12,596	6,671	5,939	16,220	18,535
General Revenues:						
Property Taxes	29,272	27,645			29,272	27,645
Sales Taxes	18,601	17,234			18,601	17,234
Utility Taxes	17,726	17,379			17,726	17,379
Other Taxes	2,954	2,778			2,954	2,778
Grants and Contributions Not Restricted to Specific Programs	6,329	5,408			6,329	5,408
Investment Earnings	818	1,174	158	220	976	1,394
Miscellaneous	2,825	374			2,825	374
<b>Total Revenue</b>	<b>\$105,668</b>	<b>\$102,749</b>	<b>\$ 63,381</b>	<b>\$ 52,145</b>	<b>\$169,049</b>	<b>\$154,894</b>
<b>Expenses:</b>						
General Government	\$ 6,931	\$ 7,231	\$ .	\$ .	\$ 6,931	\$ 7,231
Judicial	2,544	2,488			2,544	2,488
Public Safety	60,147	58,880			60,147	58,880
Community Development	5,524	4,488			5,524	4,488
Public Works	16,220	19,453			16,220	19,455
Leisure Services	15,051	14,097			15,051	14,145
Health and Human Services	5,997	6,198			5,997	6,198
Library	99	99			99	99
Interest on Long-Term Debt	4,295	4,933			4,295	4,933
Water			11,241	10,402	11,241	10,402
Sewerage			29,669	28,948	29,669	28,948
Golf Complex			3,124	2,896	3,124	2,896
<b>Total Expenses</b>	<b>\$116,808</b>	<b>\$117,867</b>	<b>\$ 44,034</b>	<b>\$ 42,246</b>	<b>\$160,842</b>	<b>\$160,113</b>
Increase in Net Assets Before Transfers	\$ (11,140)	\$ (15,118)	\$ 19,347	\$ 9,899	8,207	\$ (5,219)
Transfers	14	176	(14)	(176)		
<b>Increase in Net Assets</b>	<b>\$ (11,126)</b>	<b>\$ (14,942)</b>	<b>\$ 19,333</b>	<b>\$ 9,723</b>	<b>\$ 8,207</b>	<b>\$ (5,219)</b>
Net Assets – January 1	736,611	751,550	236,918	227,195	973,529	978,745
Prior Period Adjustment	(108)	3	108			3
<b>Net Assets – January 1 (Adjusted)</b>	<b>736,503</b>	<b>751,553</b>	<b>237,026</b>	<b>227,195</b>	<b>973,529</b>	<b>978,748</b>
<b>Net Assets – December 31</b>	<b>\$725,377</b>	<b>\$736,611</b>	<b>\$256,359</b>	<b>\$236,918</b>	<b>\$981,736</b>	<b>\$973,529</b>

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent





## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

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**Governmental activities.** Governmental activities contributed to a decrease in the City of Kent's net assets of \$11.1 million, but combined with the \$19.3 million growth in business activities, overall net assets increased by \$8.2 million from 2009 levels. Key revenue highlights:

- *Property Taxes* (\$29.3 million) increased by \$1.6 million or 5.9 percent. This increase was primarily due to receipt of King County diverted road tax of \$1.8 million as a result of the Panther Lake annexation effective July 1, 2010.
- *Sales and Use Taxes* (\$18.6 million) increased by \$1.4 million or 7.9 percent primarily as a result of the Panther Lake annexation. Per RCW 82.14.415, as a result of the annexation of Panther Lake, the City receives 0.2% of the state sales tax collected within the City for the next 10 years. This did not increase the tax rate; instead it is taken as a credit against the state tax resulting in a redistribution of the state taxes collected. With the annexation effective July 1, 2010, the City did not recognize a full year's worth of annexation area sales and use tax revenue. The total 2010 State Sales Tax credit received was \$1.8 million. In addition to the state sales tax credit, general sales tax and criminal justice sales tax revenue was received totaling \$309,000. The City also receives a Streamline Sales Tax (SST) mitigation payment; however, this is included in the other grants and shared revenue category. SST mitigation for 2010 accounted for \$4.9 million in revenues.
- *Utility Taxes* (\$17.7 million) increased by \$347,000 or 2 percent primarily due to annexation revenues, which totaled \$705,105. In general, the utility tax revenues have been decreasing. This decrease has primarily been within the telephone utility tax collections as more consumers are discontinuing their home phone service.
- *Other Taxes* (\$3 million) increased by \$176,000, or 6.3 percent, primarily due to the annexation of Panther Lake. Of the \$3 million total, \$238,251 represented the annexation.
- *Investment Earnings* (\$.8 million) decreased by \$.4 million or 30 percent as a result of decreased funds available for investing along with declining investment rates.
- *Intergovernmental Revenue* (\$23.6 million) decreased by \$.7 million or 3 percent, due mainly to a decrease in the revenue from contracted services with Fire District 37 of \$1.1 million or 26 percent. This decrease was the result of reductions in assessed valuation impacting Fire District 37's revenue.

**Business-type activities.** Business-type activities offset the governmental activities \$11.1 million decrease in assets with a \$19.3 million increase over 2009 levels resulting in a net increase of \$8.2 million. Key revenue highlights:

- *Operating Revenues* (\$53.7 million) increased by \$7.8 million or 17 percent. The increase was due to rate increases in both Water Utility and Sewerage Utility revenue resulting in a \$3.6 million and a \$4.2 million increase, respectively.
- *Interest Income* (\$157,457) decreased by \$62,176 or 28 percent due to the decrease in funds available to invest and declining investment rates.

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

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

At the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of \$(11.1) million, a decrease of \$14.4 million or 129 percent in comparison with the prior fiscal year. Approximately \$(12.9) million constituted unreserved fund balance, with the remaining \$1.8 million reserved to indicate that it is not available for new spending because it has already been committed to pay prepaid items, interfund loans, bond retirement and assessment debt guaranty.

The *General Fund* is the chief operating fund of the City of Kent. At the end of the current fiscal year, fund balance of the General Fund was \$.8 million, representing a \$1.2 million or 60 percent decrease from 2009. From 2009 to 2010, revenues increased by \$4.4 million, primarily due to the Panther Lake Annexation resulting in increases to property, sales and use, utility and other taxes. Expenditures, from 2009 to 2010, increased by \$.6 million also due primarily to increased expenditures resulting from annexation. While intergovernmental revenue from Fire District 37 decreased by \$1.1 million as a result of the formation of the Regional Fire Authority (RFA) effective July 1, 2010, other grants and shared revenue increased by \$.8 million helping offset the decrease. Other revenues showing gains from 2009 to 2010 were licenses and permits, charges for services, and fines and forfeitures at a combined increase of almost \$.6 million, which offset miscellaneous revenue decreases of \$.3 million.

Other major funds are the *Capital Improvement Fund*, the *Special Assessments Fund*, the *Street Projects Fund*, and the *Other Projects Fund*. Analysis of changes in net assets from 2009 levels:

- *Capital Improvement Fund.* Fund balance decreased by \$3.9 million. With a beginning fund balance of negative \$4.2 million, a decrease in the fund's revenues of \$.4 million, an increase in expenditures of \$.3 million, and transfers out exceeding transfers in by \$6.4 million, that combined to produce a negative \$8.1 million fund balance at the end of 2010. The primary revenue sources for the Capital Improvement Fund are Sales and Use Tax and Real Estate Excise Tax. Real Estate Excise Tax was down 44 percent compared to 2008 collections and 70 percent compared to 2005. Sales tax has also seen great declines from 2008 by 36 percent. Cutbacks have been made in capital project expenditures; however, this fund is also responsible for funding general debt service payments, which does not provide much flexibility.
- *Special Assessments Fund.* Fund balance decreased by \$0.2 million or 15.3 percent primarily due to a reduced guarantee fund requirement resulting in a transfer out of the fund in the amount of \$243,000. Revenues less expenditures resulted in a net increase in fund balance of \$49,000. Revenue in the fund is primarily collected from property owners for special assessments related to their property and that money is used for payment of debt service related to those special assessments.

*Street Projects Fund.* Fund balance decreased by \$1.4 million or 79 percent. As street construction continued, the additional funding slowed during 2010. Total revenues were down

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

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nearly \$0.5 million and other sources were down by \$3.7million. Capital outlay also decreased by \$9 million compared to 2009.

- *Other Capital Projects Fund.* Fund balance decreased by \$1.2 million from a fund balance in 2009 of negative \$1.1 million. With interfund loans to cover project expenditures of \$2.2 million dollars at the end of 2010, and continued transfers out of bond proceeds to related projects, the fund balance was reduced by its distribution bond proceeds received in prior years. Since this fund did not receive any grants in 2010, revenues were down by \$0.65 million as compared to 2009.

**Proprietary Funds.** The City of Kent's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's Enterprise utility funds continued to provide sufficient working capital to service their debt and fund capital outlays. Approximately \$3.1 million or 1.2 percent of the Enterprise funds' net assets (\$256.4 million) is restricted for debt service bond covenant requirements. Analysis of changes in net assets from prior fiscal year levels:

- *Water Fund.* Net assets increased by \$5.6 million or 5.9 percent. Operating revenues increased by 29.9 percent or \$3.5 million primarily due to a 30 percent rate increase for meter access fees and usage rates per 100 cu. ft. effective January 1, 2010. Operating expenses increased by 5.4 percent or \$.54 million. The fund's interest expense increased by \$.3 million as it had more funds available to invest, including unspent bond proceeds issued late in 2009. As a result of reductions in the construction business in the City, capital contributions decreased by \$.3 million.
- *Sewerage Fund.* Net assets increased by \$14.2 million or 10.5 percent, attributed primarily to increased sewerage utility operating revenues of \$4.5 million as a result of a drainage utility rate increase.
- *Golf Complex.* Net assets decreased by \$.4 million or 7.2 percent as compared to 2009. Operating revenues decreased by \$.3 million or 11.3 percent while expenditures increased by almost \$.3 million or 9 percent. The expenditure increases are the result of increased utility costs, admission tax expense, and finance and legal charges.

Additional information on the City of Kent's Enterprise funds can be found in Note 12 on pages 69 – 71 of this report.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**CITY OF KENT'S BUDGET ACTIVITY BY FUNCTION**  
**For the Year Ended December 31, 2010**  
(in thousands)

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 5,682	\$ (741)	\$ 4,941
Judicial	2,313	38	2,351
Public Safety	49,753	818	50,571
Community Development	5,244	111	5,355
Public Works	2,240	824	3,064
Leisure Services	8,651	(85)	8,566
Health and Human Services	4,201	56	4,257
	\$ 78,084	\$ 1,021	\$ 79,105

The total general fund budget saw an overall increase from the original budget. This increase was the net result of two major events that occurred in 2010. The first was a budget amendment in June which reduced budgets citywide. The anticipated ending fund balance for 2009 was much lower than expected and, early in the year, it became clear that the 2010 revenues were not going to meet expectations, therefore, requiring a need to reduce the budgets accordingly. The second major event was the Panther Lake Annexation and the related budget impacts of that. A summary of the budgetary impact of these two events are as follows:

- Citywide budget reductions: This budget adjustment reduced the General Fund budget by \$7 million dollars as well as the full-time equivalent (FTE's) positions by 34.56. This reduction included citywide lag in employment and funding of the flood fight by \$.6 million each.
  - Within the General Government there were reductions of approximately \$1.4 million and 7.03 FTE's. Of that approximately 38.4 percent came from Economic and Community Development primarily due to the fact that construction continues to lag.
  - Public Safety saw reductions of \$2 million and reductions in FTE's of 11.03. Police reduced its budget by nearly \$1 million and reduced 5 FTE's. Fire reduced its budget by nearly \$.9 million and 4.5 FTE's. The Municipal Court also reduced its budget by nearly \$.2 million and FTE's by 1.53.
  - The budget for Public Works was reduced by \$.6 million along with a reduction of 11 FTE's.
  - The Parks, Recreation and Community Services budget was reduced by \$.8 million and 4.5 FTE's.
  - Information Technology also reduced its budget by \$.2 million dollars and 1 FTE.
- Panther Lake Annexation Budget: In 2010, there were two primary budget adjustments for the Panther Lake Annexation, pre-annexation and post-annexation budgets.
  - The pre-annexation budget was approved in February for a total increase to the General Fund budget of \$1.3 million and increase of the FTE count by 15.5. The largest portion of this budget was for Public Safety, particularly Police, which increased their FTE count by 14. Of those positions, 12 would result in police on the streets.

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

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- The post-annexation budget was approved in June and increased the General Fund budget by \$6.1 million and 56.53 FTE's.
  - Within the General Government the budget was increased by \$1.46 million and 12.27 FTE's. Economic and Community Development realized a 36 percent increase to their budget along with increased staffing of 4 FTE's. Included in that budget was money to fund the required census. With the need for increased hiring due to the annexation, an additional budget was provided for recruitment.
  - Public Safety's budget was increased by \$2 million and 21.23 FTE's, primarily reflective of an increase to the Police budget by \$1.76 million and 16.23 FTE's. In addition to the increased FTE's, a budget was also established for rental of jail space and increased Valley Comm fees.
  - The Public Works budget increased by \$1.56 million and 17.53 FTE's. With the annexation area, the City became responsible for more roads that were in need of repairs and maintenance.
  - The Parks, Recreation and Community Services budget increased by \$.54 million and 4.5 FTE's.
  - Information Technology increased by \$255,000 and 1 FTE.

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

- *Sales and Use Taxes.* Sales taxes ended the year \$7.4 million or 35.9 percent under budget as a result of the downturn in the economy. However, it is important to look at the actuals for Streamlines Sales Tax mitigation (reported within Intergovernmental Revenues) as well as Sales and Use Tax. Included in the sales tax budget was the Streamline Sales Tax (SST) mitigation budget of \$4.9 million. By adding the total revenues of \$4.89 million from SST to the current actual revenue of \$13.3 million, it results in a grand total of \$18.2 million. Therefore, the sales and use tax actual came in \$2.5 million below budget or 12 percent below budget. This variance was the primarily the result of anticipated Sales and Use Tax collections from the annexation area coming in \$1.8 million below budget. When the budget was established, the City was reliant on the revenue estimates from King County, which were grossly overstated.
- *Utility Taxes.* Utility taxes were \$2.6 million or 15.3 percent under budget. The decline was mainly due to a decrease in telephone utility tax revenues that was \$1.2 million under budget, followed by gas (\$.7 million) and garbage utility tax revenues (\$.4 million). The telephone utility collections have continued to decline as more customers are discontinuing their landline. The reduction also has to do with the change in how the telephone utilities are doing their billing.
- *Licenses and Permits.* Licenses and permits were \$113,379 or 5.1 percent under budget. Within this source, development fees were \$49,202 or 20.8 percent under budget, while building permits were \$114,249 or 11.9 percent under budget, due mainly to the slowdown in construction activity.
- *Charges for Services.* Charges for services are about 17.7 percent or \$.6 million under budget. Of this revenue source, parks and recreation fees were below budget by \$337,791 or 22.6 percent. Plan check fees were also under budget by \$309,148 or 36.4 percent also due to slowing construction demands.

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

- *General Government Expenditures.* The general government expenses were \$0.7 million or 14.5 percent over budget. This was primarily the result of not realizing the full savings in lag of employment as anticipated. As positions were lagged, departments were finding needs for increased overtime in addition to retirements during the year that resulted in additional cash outs.
- *Public Works Expenditures.* Public Works expenses were \$.6 million or 20.2 percent under budget primarily because they did not expend their entire annexation budget to maintain the streets. In addition, they were able to allocate to projects more time than they had anticipated.

### **CAPITAL ASSET AND DEBT ADMINISTRATION:**

**Capital Assets.** The City of Kent's investment in capital assets for its governmental and business type activities as of December 31, 2010, was \$1.1 billion (net of accumulated depreciation), comprising 92.5% of the primary government's total assets at year-end. This investment in capital assets includes land, buildings, site improvements, equipment, infrastructure, and construction in progress as of that date.

Major capital asset events during the current fiscal year included the following:

#### Governmental Activities:

- *Infrastructure.* During 2010, the City's infrastructure increased by \$1.9 million and had an annual depreciation expense of \$9.8 million. This increase in infrastructure was primarily the result of developer contributions totaling \$1.7 million. The remaining \$156,000 was the result of capitalizing completed street related projects.
- *Construction in Progress.* Compared to 2009, construction in progress is \$2.6 million less for 2010. This is primarily due to completed projects capitalized in which the assets were recorded as land, building, site improvements or infrastructure. Within the general government there was a \$5.9 million decline in construction in progress as there has been less money, primarily real estate excise tax and sales tax, available to start new projects. The internal service funds have seen an increase in their construction in progress by \$3.3 million. Of that increase, \$1.3 million related to the Centennial Center HVAC upgrade.
- *Land.* During 2010, land remained the same.
- *Buildings.* In 2010, no new additions were recorded to buildings and depreciation realized its annual expense of \$1.7 million.
- *Site Improvements.* Additions to site improvements increased by \$14.8 million as compared to 2009. The additions included \$14.6 million capitalization of numerous parks projects, such as Service Club Ballfields (\$7 million), Wilson Playfields (\$5.6 million), West Fenwick Renovations (\$1 million), and Lake Meridian Boat Ramp renovations (\$.5 million). The annual depreciation was recorded as \$1.1 million.

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

#### Business Type Activities:

- *Construction in Progress.* Compared to 2009, construction in progress is \$22.6 million more in 2010. This is primarily due to projects still in progress. For example, construction in progress increased by:
  - \$11.6 million for the Tacoma Intertie
  - \$2.3 million for the East Hill Operations Center
  - \$1.7 million for the East Hill Reservoir project
  - \$1.7 million for Citywide Storm Pipe/Culvert Maintenance
  - \$1.6 million for the Horseshoe Bend Levee
  - \$.9 million for the Lower East Hill Improvements project
- *Site Improvements.* Additions to site improvements for 2010 were \$5.9 million and depreciation was \$5.3 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress in 2009.

### CITY OF KENT'S CAPITAL ASSETS (Net of Accumulated Depreciation) December 31, 2010 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 208,731	\$ 208,731	\$ 11,122	\$ 10,488	\$ 219,853	\$ 219,219
Buildings	28,948	30,654	1,202	1,356	30,150	32,010
Site Improvements	33,716	20,010	152,412	151,787	186,128	171,797
Other Capital	22,665	25,215	231	260	22,896	25,475
Infrastructure	279,246	287,191			279,246	287,191
Construction in Progress	236,232	238,872	109,380	86,769	345,612	325,641
<b>Total Property, Plant and Equipment</b>	<b>\$ 809,538</b>	<b>\$ 810,673</b>	<b>\$ 274,347</b>	<b>\$ 250,660</b>	<b>\$1,083,885</b>	<b>\$1,061,333</b>
Investment in Joint Venture	6,842	6,628			6,842	6,628
<b>Total Capital Assets</b>	<b>\$ 816,380</b>	<b>\$ 817,301</b>	<b>\$ 274,347</b>	<b>\$ 250,660</b>	<b>\$1,090,727</b>	<b>\$1,067,961</b>

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 55 - 57 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of \$109 million. Of this amount, \$77.1 million or 70.7 percent comprises general obligation debt backed by the full faith and credit of the government and \$7.7 million or 7.1 percent is special assessment debt. The special assessment bonds are supported solely by the property owners and the Local Improvement Guarantee Fund and are not a general obligation of the City. The City intends \$6.7 million or 6.2% of the outstanding general obligation bonded debt to be repaid through utility fund user fees. The remainder of the City of Kent's bonded debt (\$24.2 million) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF KENT'S OUTSTANDING DEBT**  
**December 31, 2010**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 70,395	\$ 74,583	\$ 6,714	\$ 8,081	\$ 77,109	\$ 82,664
Special Assessment Bonds	7,698	9,589			7,698	9,589
Revenue Bonds			24,241	25,153	24,241	25,153
<b>Total Bonded Debt</b>	<b>\$ 78,093</b>	<b>\$ 84,172</b>	<b>\$30,955</b>	<b>\$33,234</b>	<b>\$109,048</b>	<b>\$117,406</b>

The City of Kent's total bonded debt decreased by \$8.4 million or 7.1 percent during the current fiscal year. The required debt service payments were made during 2010.

The City of Kent maintains an "AA-/AAA" rating from Standard and Poor's and an "A1/Aa2" rating from Moody's.

The State of Washington limits the amount of general obligation debt a governmental entity may issue with and without a vote. The City's remaining unused debt capacity at year-end was \$886.3 million.

Additional information on the City of Kent's long-term debt can be found in Note 10 on pages 58 – 68 of this report.

**ECONOMIC FACTORS AND THE 2011 BUDGET:**

The following was considered during the production of the 2011 budget:

It is our practice to budget conservatively. Revenues are estimated cautiously, with a bias toward underestimating more volatile sources. All positions, whether filled or vacant, have been budgeted for the full year. Vacant positions are budgeted assuming family plan selection for medical insurance benefits. Cost of Living Adjustment (COLA) based on the CPI-W July – June index for the Seattle – Tacoma – Bremerton area is normally used for all labor contracts, but was not applied for 2011 due to the negative index. In 2010, 166 Fire positions were eliminated from the City's budget as a result of the formation of the Kent Regional Fire Authority (RFA). At the beginning of the 2011 Budget process, the City started with 648.72 full-time equivalents (FTE's). During the budget process, 17 positions were added, eight of which were for Police, one in Public Works, three in Parks, and one in Information Technology. Of those budgeted positions, 11 were to service the annexation area. Additionally, each position was budgeted according to specific cost driving variables, such as longevity pay and normal progression through the steps within each salary range. In keeping with our conservative approach, we have not factored in any lag for turnover.

To smooth out fluctuation of medical insurance rates charged to our departments, we have based our medical premiums on a three year forecast. We will plan to implement an even rate of increases that will match our revenues against expenditures over time. Meanwhile, we have an excess reserve, exceeding our target of two times the Incurred but Not Reported (IBNR) claims as estimated by our

## Management's Discussion and Analysis For the Year Ended December 31, 2010

### City of Kent

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actuary. As a part of the 2011 budget, medical rates increased by 26.4% based on recommendations by the actuary.

The baseline budget, built with minimal adjustments to the prior year budget for inflation, was negative for the 2011 budget cycle. Other adjustments are made as appropriate to estimate the cost of maintaining the same level of services throughout the city. Costs that are known to change at different rates are adjusted accordingly, such as known contract effects, costs of new legal mandates, or other significant items like health care and retirement system contributions. All of these are worked into the baseline with the best information available to us at the time.

Finally, as we developed our six-year capital plan, we asked the departments to estimate the operating budget requirements for the various projects. As they come to completion, the additional requirements are added into the budget as appropriate. Having the operating impacts identified up front helps us to avoid building projects that we could not afford to maintain into the future.

### **REQUESTS FOR INFORMATION:**

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

City of Kent  
Finance Department  
220 Fourth Avenue South  
Kent, WA 98032-5895  
[www.ci.kent.wa.us](http://www.ci.kent.wa.us)

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
STATEMENT OF NET ASSETS  
December 31, 2010**

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Kent	Special
	Activities	Activities		Economic Development Corporation	Events Center PFD
<b>ASSETS</b>					
Cash and equity in pooled investments (Note 4)	\$ 4,872,266	\$ 5,812,135	\$ 10,684,401	\$ 8,937	
Cash with fiscal agent/trustee	640,000	-	640,000		
Investments, at fair value (Note 4)	5,389,875	25,854,048	31,243,923	10,000	
Receivables (net of allowances) (Note 5)	25,197,855	7,032,881	32,230,736		113,244
Internal balances (Note 5e)	(15,262,263)	15,262,263	-		
Inventory, at cost (Note 6)	121,684	491,289	612,973		
Prepaid items	985,869		985,869		
Investment in Joint Venture (Note 16)	6,841,893		6,841,893		
Restricted assets:					
Cash and cash equivalents (Note 4)		226,300	226,300		17
Investments (Note 4)		4,065,000	4,065,000		
Property, plant, and equipment: (Note 7)					
Not being depreciated	444,963,400	120,502,211	565,465,611		
Being depreciated, net of depreciation	364,575,020	153,844,508	518,419,528		
<b>TOTAL ASSETS</b>	<b>838,325,599</b>	<b>333,090,635</b>	<b>1,171,416,234</b>	<b>18,937</b>	<b>113,261</b>
<b>LIABILITIES:</b>					
Vouchers payable	3,196,463	1,015,319	4,211,782		
Matured bonds/interest payable	640,000	-	640,000		
Accounts/payroll payable	3,352,824	813,382	4,166,206		
Incurred but not reported claims payable	5,032,255		5,032,255		
Due to other governments	39,697		39,697		
Accrued interest payable	355,534	330,981	686,515		
Unearned revenue	2,117,917	348,596	2,466,513		
Non-current liabilities:					
Due within one year					
Contracts, leases, notes, assessments and compensated absences (Note 10)	4,212,656	1,708,429	5,921,085		
General obligation bonds payable (Note 10)	4,768,813	944,187	5,713,000		
Special assessment bonds payable governmental commitment (Note 8)	1,890,677		1,890,677		
Revenue bonds payable, current portion (net of unamortized discount) (Note 9)		895,000	895,000		605,000
Due in more than one year					
Contracts, leases, notes, assessments and compensated absences (Note 10)	15,323,769	41,559,862	56,883,631		
General obligation bonds payable, non current portion (net of unamortized discount, premiums, and deferred) (Note 10)	65,626,613	5,769,424	71,396,037		52,738,187
Special assessment bonds payable	5,807,414		5,807,414		
Revenue bonds payable, noncurrent portion (net of unamortized discount) (Note 9)		23,346,262	23,346,262		8,380,000
Net OPEB Obligation	583,637		583,637		
<b>TOTAL LIABILITIES</b>	<b>112,948,269</b>	<b>76,731,442</b>	<b>189,679,711</b>	<b>-</b>	<b>61,723,187</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	727,782,834	214,631,648	942,414,482		
Restricted net assets for:					
Debt service	12,145,319	3,065,319	15,210,638		
Unrestricted net assets	(14,550,823)	38,662,226	24,111,403	18,937	(61,609,926)
<b>TOTAL NET ASSETS</b>	<b>\$ 725,377,330</b>	<b>\$ 256,359,193</b>	<b>\$ 981,736,523</b>	<b>\$ 18,937</b>	<b>(61,609,926)</b>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2010**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 6,931,002	\$ 385,644	\$	\$ -
Judicial	2,544,075	2,128,646	44,201	
Public Safety	60,147,355	1,174,585	7,824,522	-
Community Development	5,524,342	2,058,564	-	
Public Works	16,219,754	475,866	170,406	8,211,419
Leisure services	15,050,502	1,328,562	62,076	1,114,926
Health and human services	5,996,524	698,819	1,331,757	133,304
Library	99,243			
Interest on long-term debt	4,295,374			
Total governmental activities	116,808,171	8,250,686	9,432,962	9,459,649
Business-type Activities:				
Water	11,241,367	15,426,293	76,914	1,255,697
Sewerage	29,668,499	35,841,828	2,722,566	5,505,336
Golf Complex	3,123,644	2,394,945		-
Total business type activities	44,033,510	53,663,066	2,799,480	6,761,033
<b>Total Primary Government</b>	<b>\$ 160,841,681</b>	<b>\$ 61,913,752</b>	<b>\$ 12,232,442</b>	<b>\$ 16,220,682</b>
<b>Component Units:</b>				
Kent Economic Development Corporation	\$ 4,997	\$ 2,500	\$	\$
Special Events Center PFD	\$ 3,164,741	\$	\$	\$
<b>Total Component Units</b>	<b>\$ 3,169,738</b>	<b>\$ 2,500</b>	<b>\$ -</b>	<b>\$ -</b>

**General revenues:**

Taxes:

- Property taxes levied for general purpose
- Sales taxes
- Utility taxes
- Real Estate Excise Tax
- Other taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Transfers

**Total general revenues, special items, and transfers**

Change in net assets

**Beginning net assets**

Prior Period Adjustment

**Beginning net assets - adjusted**

**Net assets-ending**

See accompanying notes to financial statements

# Comprehensive Annual Financial Report 2010

Net (Expenses) Revenue and Changes in Net Assets				
			Component Units	Component Units
Primary Government			Kent Economic	Special Events
Governmental	Business-Type	Total	Development	Center
Activities	Activities		Corporation	PFD
\$ (6,545,358)		\$ (6,545,358)		
(371,228)		(371,228)		
(51,148,248)		(51,148,248)		
(3,465,778)		(3,465,778)		
(7,362,063)		(7,362,063)		
(12,544,938)		(12,544,938)		
(3,832,644)		(3,832,644)		
(99,243)		(99,243)		
(4,295,374)		(4,295,374)		
(89,664,874)		(89,664,874)		
	\$ 5,517,537	5,517,537		
	14,401,231	14,401,231		
	(728,699)	(728,699)		
	19,190,069	19,190,069		
\$ (89,664,874)	\$ 19,190,069	\$ (70,474,805)		
			\$ (2,497)	
			\$ (3,164,741)	
			\$ (2,497)	\$ (3,164,741)
29,272,194		29,272,194		
18,600,976		18,600,976		622,136
17,725,934		17,725,934		
1,805,871		1,805,871		
1,147,963		1,147,963		
6,328,500		6,328,500		
818,063	157,457	975,520	53	880
2,825,148		2,825,148		3,129,437
14,400	(14,400)	-		
78,539,049	143,057	78,682,106	53	3,752,453
(11,125,825)	19,333,126	8,207,301	(2,444)	587,712
736,610,852	236,918,370	973,529,222	21,381	(62,197,638)
(107,697)	107,697	-		
736,503,155	237,026,067	973,529,222	21,381	(62,197,638)
\$ 725,377,330	\$ 256,359,193	\$ 981,736,523	\$ 18,937	\$ (61,609,926)

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
December 31, 2010**

	General Fund	Capital Improvement	Special Assessments	Street Projects
<b>ASSETS</b>				
Cash and equity in pooled investments	\$ 161,312	\$ 5,595	\$ 316,630	\$ 48,030
Cash with fiscal agent			640,000	
Investments, at fair value			760,000	
Receivables (net of allowances for estimated uncollectables):				
Taxes	5,867,734	844,103		
Accounts	1,887,814			390,428
Special assessments				
Current			1,799,505	
Delinquent			298,103	
Deferred			9,477,228	
Penalty and Interest			836,529	
Accrued interest	3			
Due from other funds	137,002			
Interfund loans receivable				
Prepaid items	57,586			
<b>TOTAL ASSETS</b>	<b>\$ 8,111,451</b>	<b>\$ 849,698</b>	<b>\$ 14,127,995</b>	<b>\$ 438,458</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Vouchers payable	\$ 864,764	\$ 6,627	\$ 140	\$ 146,940
Matured bonds/interest payable			640,000	
Accounts/payroll payable	2,448,083			39,922
Due to other funds		350,000		
Due to other governments	28,500			66
Interfund loans payable	2,500,000	8,600,000		3,362,263
Deposits and deferred revenue	1,443,995		12,411,365	
<b>Total Liabilities</b>	<b>7,285,342</b>	<b>8,956,627</b>	<b>13,051,505</b>	<b>3,549,191</b>
<b>FUND BALANCE</b>				
Reserved for:				
Prepaid items	57,586			
Interfund loans				
Bond retirement			286,925	
Assessment debt guaranty			789,565	
Unreserved, but designated for contingencies	768,523			
Unreserved, reported in:				
Special revenue funds		(8,106,929)		
Capital projects funds				(3,110,733)
<b>Total Fund Balance</b>	<b>826,109</b>	<b>(8,106,929)</b>	<b>1,076,490</b>	<b>(3,110,733)</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 8,111,451</b>	<b>\$ 849,698</b>	<b>\$ 14,127,995</b>	<b>\$ 438,458</b>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report 2010

Other Projects	Other Governmental Funds	Total Governmental Funds	<b>Reconciliation of total Governmental Fund Balances to Net Assets of Governmental Activities as of December 31, 2010</b>																																																																																																																							
<table border="0" style="width: 100%;"> <tr> <td style="width: 33%; text-align: right;">\$ 656</td> <td style="width: 33%; text-align: right;">\$ 2,733,866</td> <td style="width: 33%; text-align: right;">\$ 3,266,089</td> </tr> <tr> <td></td> <td style="text-align: right;">615,000</td> <td style="text-align: right;">1,375,000</td> </tr> <tr> <td></td> <td style="text-align: right;">1,139,247</td> <td style="text-align: right;">7,851,084</td> </tr> <tr> <td></td> <td style="text-align: right;">1,200,171</td> <td style="text-align: right;">3,478,413</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">1,799,505</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">298,103</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">9,477,228</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">836,529</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">3</td> </tr> <tr> <td></td> <td style="text-align: right;">30,921</td> <td style="text-align: right;">167,923</td> </tr> <tr> <td></td> <td style="text-align: right;">650,000</td> <td style="text-align: right;">650,000</td> </tr> <tr> <td></td> <td style="text-align: right;">8,754</td> <td style="text-align: right;">66,340</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 656</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,377,959</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 29,906,217</td> </tr> </table>	\$ 656	\$ 2,733,866	\$ 3,266,089		615,000	1,375,000		1,139,247	7,851,084		1,200,171	3,478,413			1,799,505			298,103			9,477,228			836,529			3		30,921	167,923		650,000	650,000		8,754	66,340	\$ 656	\$ 6,377,959	\$ 29,906,217	<table border="0" style="width: 100%;"> <tr> <td style="width: 33%; text-align: right;">\$ 67,814</td> <td style="width: 33%; text-align: right;">\$ 452,199</td> <td style="width: 33%; text-align: right;">\$ 1,538,484</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">640,000</td> </tr> <tr> <td style="text-align: right;">44,390</td> <td style="text-align: right;">393,436</td> <td style="text-align: right;">2,925,831</td> </tr> <tr> <td style="text-align: right;">30,921</td> <td style="text-align: right;">137,000</td> <td style="text-align: right;">517,921</td> </tr> <tr> <td></td> <td style="text-align: right;">11,131</td> <td style="text-align: right;">39,697</td> </tr> <tr> <td style="text-align: right;">2,200,000</td> <td style="text-align: right;">4,800,000</td> <td style="text-align: right;">21,462,263</td> </tr> <tr> <td></td> <td style="text-align: right;">66,307</td> <td style="text-align: right;">13,921,667</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">2,343,125</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">5,860,073</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">41,045,863</td> </tr> <tr> <td></td> <td style="text-align: right;">709</td> <td style="text-align: right;">58,295</td> </tr> <tr> <td></td> <td style="text-align: right;">650,000</td> <td style="text-align: right;">650,000</td> </tr> <tr> <td></td> <td style="text-align: right;">615</td> <td style="text-align: right;">287,540</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">789,565</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">768,523</td> </tr> <tr> <td></td> <td style="text-align: right;">(1,649,733)</td> <td style="text-align: right;">(9,756,662)</td> </tr> <tr> <td style="text-align: right;">(2,342,469)</td> <td style="text-align: right;">1,516,295</td> <td style="text-align: right;">(3,936,907)</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">(2,342,469)</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">517,886</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">(11,139,646)</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 656</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 6,377,959</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 29,906,217</td> </tr> </table>	\$ 67,814	\$ 452,199	\$ 1,538,484			640,000	44,390	393,436	2,925,831	30,921	137,000	517,921		11,131	39,697	2,200,000	4,800,000	21,462,263		66,307	13,921,667	2,343,125	5,860,073	41,045,863		709	58,295		650,000	650,000		615	287,540			789,565			768,523		(1,649,733)	(9,756,662)	(2,342,469)	1,516,295	(3,936,907)	(2,342,469)	517,886	(11,139,646)	\$ 656	\$ 6,377,959	\$ 29,906,217	<p><b>Fund Balance-Total Governmental Funds (this page)</b> \$ (11,139,646)</p> <p><b>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Capital assets - Note 7</td> <td style="text-align: right;">\$816,380,313</td> <td></td> </tr> <tr> <td>Capital Assets - Internal Service Funds</td> <td style="text-align: right;">(\$9,510,795)</td> <td style="text-align: right;">806,869,518</td> </tr> </table> <p><b>Internal service funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and insurance costs to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets. (page 111)</b> 15,509,602</p> <p><b>Interest accrued on governmental long term debt, but not due and payable in the current period, and not reported in the governmental funds.</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Voted GO Bonds</td> <td style="text-align: right;">-</td> <td></td> </tr> <tr> <td>Councilmanic GO Bonds</td> <td style="text-align: right;">(283,453)</td> <td></td> </tr> <tr> <td>LID Bonds</td> <td style="text-align: right;">(70,713)</td> <td style="text-align: right;">(354,166)</td> </tr> </table> <p><b>Deferred revenue reported for property taxes that are current and prior year tax levies that were not collected and available to pay current year liabilities applicable to beginning net assets and current year revenues.</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">General Fund</td> <td style="text-align: right;">\$756,074</td> <td></td> </tr> <tr> <td>Voted Debt Service Fund</td> <td style="text-align: right;">\$14,186</td> <td style="text-align: right;">770,260</td> </tr> </table> <p><b>Earned but deferred revenue:</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Special Assessments</td> <td></td> <td style="text-align: right;">11,068,214</td> </tr> </table> <p><b>Amortized issuance discounts, premiums, and deferred amounts on refunded debt for governmental bonds. (Note 10)</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Unamortized Premium</td> <td style="text-align: right;">\$757,540</td> <td></td> </tr> <tr> <td>Unamortized Discount/Deferred</td> <td style="text-align: right;">\$662,617</td> <td style="text-align: right;">1,420,157</td> </tr> </table> <p><b>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. (Note 2a)</b> (98,766,609)</p> <p><b>Net Assets-ending of Governmental Activities (page 19)</b> \$ <u>725,377,330</u></p>	Capital assets - Note 7	\$816,380,313		Capital Assets - Internal Service Funds	(\$9,510,795)	806,869,518	Voted GO Bonds	-		Councilmanic GO Bonds	(283,453)		LID Bonds	(70,713)	(354,166)	General Fund	\$756,074		Voted Debt Service Fund	\$14,186	770,260	Special Assessments		11,068,214	Unamortized Premium	\$757,540		Unamortized Discount/Deferred	\$662,617	1,420,157
\$ 656	\$ 2,733,866	\$ 3,266,089																																																																																																																								
	615,000	1,375,000																																																																																																																								
	1,139,247	7,851,084																																																																																																																								
	1,200,171	3,478,413																																																																																																																								
		1,799,505																																																																																																																								
		298,103																																																																																																																								
		9,477,228																																																																																																																								
		836,529																																																																																																																								
		3																																																																																																																								
	30,921	167,923																																																																																																																								
	650,000	650,000																																																																																																																								
	8,754	66,340																																																																																																																								
\$ 656	\$ 6,377,959	\$ 29,906,217																																																																																																																								
\$ 67,814	\$ 452,199	\$ 1,538,484																																																																																																																								
		640,000																																																																																																																								
44,390	393,436	2,925,831																																																																																																																								
30,921	137,000	517,921																																																																																																																								
	11,131	39,697																																																																																																																								
2,200,000	4,800,000	21,462,263																																																																																																																								
	66,307	13,921,667																																																																																																																								
2,343,125	5,860,073	41,045,863																																																																																																																								
	709	58,295																																																																																																																								
	650,000	650,000																																																																																																																								
	615	287,540																																																																																																																								
		789,565																																																																																																																								
		768,523																																																																																																																								
	(1,649,733)	(9,756,662)																																																																																																																								
(2,342,469)	1,516,295	(3,936,907)																																																																																																																								
(2,342,469)	517,886	(11,139,646)																																																																																																																								
\$ 656	\$ 6,377,959	\$ 29,906,217																																																																																																																								
Capital assets - Note 7	\$816,380,313																																																																																																																									
Capital Assets - Internal Service Funds	(\$9,510,795)	806,869,518																																																																																																																								
Voted GO Bonds	-																																																																																																																									
Councilmanic GO Bonds	(283,453)																																																																																																																									
LID Bonds	(70,713)	(354,166)																																																																																																																								
General Fund	\$756,074																																																																																																																									
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Special Assessments		11,068,214																																																																																																																								
Unamortized Premium	\$757,540																																																																																																																									
Unamortized Discount/Deferred	\$662,617	1,420,157																																																																																																																								

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2010**

	General Fund	Capital Improvement	Special Assessments	Street Projects
<b>REVENUES</b>				
Taxes:				
Property	\$ 29,207,573			
Sales and use	13,276,636	3,625,315		
Utility	14,324,722			
Real estate excise tax		1,805,871		
Lodging				
Other	985,257			
Licenses and permits:				
Building permits	845,325			
Other licenses and permits	1,245,865			
Intergovernmental revenue:				
Fire District # 37 Contract	3,200,000			
Other grants and shared revenue	7,913,921			2,950,144
Charges for services:				
Park and recreation fees	1,154,145			
Other fees and charges	1,874,078			133
Fines and forfeitures	1,587,208			
Miscellaneous revenue:				
Special assessments			1,793,965	145,191
Interest income	73,280	311	650,209	33,905
Unrealized net gain/(loss) in fair value of investments	64			
Contributions and Donations				
Other miscellaneous revenue	1,125,402			1,401,521
<b>TOTAL REVENUES</b>	<u>76,813,476</u>	<u>5,431,497</u>	<u>2,444,174</u>	<u>4,530,894</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,657,483	164,356		
Judicial	2,415,602			
Public safety	50,554,245			
Community development	5,094,071			
Public works	2,445,714		273	
Leisure services	8,562,572	2,829,437		
Health and human services	4,189,628			
Debt service:				
Principal			1,916,737	
Interest			478,481	
Capital outlay	148,230			5,020,859
<b>TOTAL EXPENDITURES</b>	<u>79,067,545</u>	<u>2,993,793</u>	<u>2,395,491</u>	<u>5,020,859</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURE:</b>	(2,254,069)	2,437,704	48,683	(489,965)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	150			
Transfers in	1,634,436	1,885,373		
Transfers out	(617,614)	(8,241,855)	(243,204)	(881,241)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,016,972</u>	<u>(6,356,482)</u>	<u>(243,204)</u>	<u>(881,241)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,237,097)	(3,918,778)	(194,521)	(1,371,206)
<b>FUND BALANCE, January 1</b>	2,060,234	(4,188,151)	1,271,011	(1,739,527)
Prior period correction	2,972			
<b>ADJUSTED FUND BALANCE, January 1</b>	2,063,206	(4,188,151)	1,271,011	(1,739,527)
<b>FUND BALANCE (DEFICIT), December 31</b>	<u>\$ 826,109</u>	<u>\$ (8,106,929)</u>	<u>\$ 1,076,490</u>	<u>\$ (3,110,733)</u>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report 2010

Other Projects	Other Governmental Funds	Total Governmental Funds	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Assets of Governmental Activities as of December 31, 2010
			Amounts reported for governmental activities in the statement of activities are different because:
\$	\$	29,207,573	
	1,699,025	18,600,976	Net change in fund balances-total governmental funds (this page) \$ (14,162,295)
	3,401,212	17,725,934	
		1,805,871	Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.
	162,706	162,706	Capital outlays 9,148,702
		985,257	Depreciation expense (15,407,752)
		845,325	
		1,245,865	
		3,200,000	The net effect of various miscellaneous transactions involving capital assets is to increase net assets. 1,955,740
	6,892,477	17,756,542	
		1,154,145	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.
	300,388	2,174,599	Additional accruals: Property tax 64,621
	150,407	1,737,615	Special assessments (1,793,965)
		1,939,156	
24,750	3,860	786,315	Long-term debt issuances provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds,. Neither transaction has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 7,053,654
		64	
	611,585	611,585	
	391,002	2,917,925	
24,750	13,612,662	102,857,453	
		5,821,839	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.
		2,415,602	Compensated absences 1,778,478
70,155	6,498,196	57,122,596	Interest expense accrual 44,550
	143,500	5,237,571	Net OPEB Obligation (583,637)
	3,431,381	5,877,368	
	1,211,910	12,603,919	
	1,451,588	5,641,216	
		7,246,851	Internal service funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.
	5,330,114	4,126,828	Revenue 776,079
	3,648,347	10,754,848	
213,889	5,371,870	116,848,638	
284,044	27,086,906		
(259,294)	(13,474,244)	(13,991,185)	
		150	Change in net assets of governmental activities (page 21) \$ (11,125,825)
		16,091,163	
212,121	12,359,233	(16,262,423)	
(1,160,105)	(5,118,404)	(171,110)	
(947,984)	7,240,829		
(1,207,278)	(6,233,415)	(14,162,295)	
(1,135,191)	6,966,970	3,235,346	
	(215,669)	(212,697)	
(1,135,191)	6,751,301	3,022,649	
\$ (2,342,469)	\$ 517,886	\$ (11,139,646)	

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2010**

	2010 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 27,649,944	\$ 29,272,806	29,207,573	\$ (65,233)
Sales and use	18,000,000	20,707,318	13,276,636	(7,430,682)
Utility	16,388,224	16,907,786	14,324,722	(2,583,064)
Other	1,109,002	950,000	985,257	35,257
Licenses and permits:				
Building permits	959,574	959,574	845,325	(114,249)
Other licenses and permits	1,244,995	1,244,995	1,245,865	870
Intergovernmental revenue:				
Fire District # 37 Contract	3,200,000	3,200,000	3,200,000	
Other grants and shared revenue	2,817,197	2,810,316	7,913,921	5,103,605
Charges for services:				
Park and recreation fees	1,516,348	1,491,936	1,154,145	(337,791)
Other fees and charges	2,404,324	2,148,924	1,874,078	(274,846)
Fines and forfeitures	1,683,560	1,723,560	1,587,208	(136,352)
Miscellaneous revenue:				
Interest income	1,022,748	615,248	73,280	(541,968)
Net increase (decrease) in fair value of investments			64	64
Other miscellaneous revenue	749,802	747,302	1,125,402	378,100
<b>TOTAL REVENUES</b>	<b>78,745,718</b>	<b>82,779,765</b>	<b>76,813,476</b>	<b>(5,966,289)</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,681,799	4,941,136	5,657,483	(716,347)
Judicial	2,313,394	2,351,212	2,415,602	(64,390)
Public safety	49,752,795	50,571,263	50,554,245	17,018
Community development	5,244,149	5,354,858	5,094,071	260,787
Public works	2,239,421	3,064,231	2,445,714	618,517
Leisure services	8,651,397	8,565,487	8,562,572	2,915
Health and human services	4,200,978	4,257,347	4,189,628	67,719
Capital outlay	-	-	148,230	(148,230)
<b>TOTAL EXPENDITURES</b>	<b>78,083,933</b>	<b>79,105,534</b>	<b>79,067,545</b>	<b>37,989</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>661,785</b>	<b>3,674,231</b>	<b>(2,254,069)</b>	<b>(5,928,300)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from fixed asset sales			150	150
Transfers in	1,273,652	1,623,652	1,634,436	10,784
Transfers out	(1,935,437)	(1,297,437)	(617,614)	679,823
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(661,785)</b>	<b>326,215</b>	<b>1,016,972</b>	<b>690,757</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>		<b>4,000,446</b>	<b>(1,237,097)</b>	<b>(5,237,543)</b>
<b>FUND BALANCE, January 1</b>	<b>2,060,234</b>	<b>2,060,234</b>	<b>2,060,234</b>	
Prior period correction			2,972	2,972
<b>ADJUSTED FUND BALANCE, January 1</b>	<b>2,060,234</b>	<b>2,060,234</b>	<b>2,063,206</b>	<b>2,972</b>
<b>FUND BALANCE, December 31</b>	<b>\$ 2,060,234</b>	<b>\$ 6,060,680</b>	<b>\$ 826,109</b>	<b>\$ (5,234,571)</b>

See accompanying notes to financial statements



# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
December 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewerage</b>	<b>Golf Complex</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and equity in pooled investments	\$ 2,437,452	\$ 3,022,110	\$ 352,573
Investments, at fair value	17,567,230	8,286,818	
Restricted cash, equity in pooled cash, and investments:			
For bond redemption	251,733	79,248	
Receivables (net of allowances for estimated uncollectables):			
Accounts	1,722,939	5,031,492	104,717
Notes	173,725		
Accrued interest	2	6	
Due from other funds			
Interfund loan receivable	5,000,000	12,262,263	
Inventory, at cost	261,780	38,445	191,064
Prepaid expenses			
<b>Total Current Assets</b>	<b>27,414,861</b>	<b>28,720,382</b>	<b>648,354</b>
<b>Noncurrent Assets:</b>			
Restricted cash, equity in pooled cash, and investments:			
For bond redemption	1,192,607	1,702,544	
For bond reserve	532,587	532,581	
Property, plant and equipment			
Land	1,753,089	4,026,815	5,342,508
Buildings	2,151,264	75,522	2,954,818
Site Improvements	72,456,687	155,879,237	4,540,222
Equipment	1,935,654	347,982	569,203
Less: Accumulated Depreciation	(31,932,800)	(49,550,271)	(5,583,010)
Construction In Progress	79,715,859	29,663,940	
<b>Total noncurrent assets</b>	<b>127,804,947</b>	<b>142,678,350</b>	<b>7,823,741</b>
<b>TOTAL ASSETS</b>	<b>\$ 155,219,808</b>	<b>\$ 171,398,732</b>	<b>\$ 8,472,095</b>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report **2010**

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<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service Funds</u>
\$ 5,812,135 25,854,048  330,981  6,859,148 173,725 8  17,262,263 491,289  <hr/> 56,783,597  2,895,151 1,065,168  11,122,412 5,181,604 232,876,146 2,852,839 (87,066,081) 109,379,799  <hr/> 278,307,038  \$ <u><u>335,090,635</u></u>	\$ 1,606,177 4,014,875    1,441,130 15,608 252 350,000 5,550,000 121,684 919,529  <hr/> 14,019,255    1,008,269 361,953 26,370,232 (23,144,678) 4,915,019  <hr/> 9,510,795  \$ <u><u>23,530,050</u></u>

Continued on the following page

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
December 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewerage</b>	<b>Golf Complex</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Vouchers payable	\$ 579,548	\$ 396,662	\$ 39,109
Accounts/payroll payable	416,025	689,492	140,222
Incurred but not reported claims payable			
Due to other funds			
Interfund loans payable			2,000,000
Accrued interest payable	251,733	79,248	
General obligation bonds payable-current portion		944,187	
Notes payable, current portion	1,201,072	75,000	
Revenue bonds payable, current portion	447,500	447,500	
Deposits and deferred revenue	63,405	75,339	209,852
	<u>2,959,283</u>	<u>2,707,428</u>	<u>2,389,183</u>
<b>Noncurrent Liabilities:</b>			
Compensated absences payable	72,093	79,862	29,308
Notes payable	40,328,599	1,050,000	
General obligation bonds payable		5,543,230	
Plus: unamortized premium		240,720	
Less: unamortized deferred refunding		(6,983)	
Less: unamortized discount		(7,543)	
Revenue bonds payable	11,515,000	11,515,000	
Plus: unamortized premium	245,636	245,636	
Less: unamortized deferred refunding	(31,362)	(31,362)	
Less: unamortized discount	(56,143)	(56,143)	
	<u>52,073,823</u>	<u>18,572,417</u>	<u>29,308</u>
Total noncurrent liabilities	52,073,823	18,572,417	29,308
Total Liabilities	55,033,106	21,279,845	2,418,491
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	78,433,586	128,374,321	7,823,741
Restricted for debt service	1,277,694	1,787,625	
Unrestricted	20,475,422	19,956,941	(1,770,137)
	<u>\$ 100,186,702</u>	<u>\$ 150,118,887</u>	<u>\$ 6,053,604</u>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report **2010**

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<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service Funds</u>
\$ 1,015,319 1,245,739  2,000,000 330,981 944,187 1,276,072 895,000 348,596 <hr/> 8,055,894  181,263 41,378,599 5,543,230 240,720 (6,983) (7,543) 23,030,000 491,272 (62,724) (112,286) <hr/> 70,675,548  78,731,442  214,631,648 3,065,319 38,662,226 <hr/> \$ <u>256,359,193</u>	\$ 1,657,979 746,493 5,032,255 2  1,368  137,826  34,724 <hr/> 7,610,647  131,191 278,610   <hr/> 409,801  8,020,448  9,094,359  6,415,243 <hr/> \$ <u>15,509,602</u>

Continued on the following page

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
For the Year Ended December 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewerage</b>	<b>Golf Complex</b>
<b>OPERATING REVENUES</b>			
Sales	\$ 14,954,024	\$	\$ 442,146
Charges for services	441,241	35,835,374	1,749,804
Contributions			
Rental and lease income			202,739
Other operating revenue	31,028	6,454	256
<b>TOTAL OPERATING REVENUES</b>	<b>15,426,293</b>	<b>35,841,828</b>	<b>2,394,945</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	2,072,111	2,935,206	1,092,210
Benefits	805,346	986,826	327,614
Supplies	497,700	265,413	570,090
Services and charges	5,654,808	21,008,557	814,942
Depreciation	1,596,169	3,614,107	288,686
<b>TOTAL OPERATING EXPENSES</b>	<b>10,626,134</b>	<b>28,810,109</b>	<b>3,093,542</b>
<b>OPERATING INCOME</b>	<b>4,800,159</b>	<b>7,031,719</b>	<b>(698,597)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	107,174	65,210	418
Unrealized net gain/(loss) in fair value of investments	(15,323)	(21)	(1)
Miscellaneous non-operating revenues	76,914	2,722,566	1,751
Miscellaneous non-operating expense			
Interest expense	(615,233)	(858,390)	(31,853)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(446,468)</b>	<b>1,929,365</b>	<b>(29,685)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>4,353,691</b>	<b>8,961,084</b>	<b>(728,282)</b>
Capital contributions	1,255,697	5,505,336	
Transfers in		3,014	260,000
Transfers out	(47,254)	(230,160)	
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>5,562,134</b>	<b>14,239,274</b>	<b>(468,282)</b>
<b>NET ASSETS, January 1</b>	<b>94,624,568</b>	<b>135,879,613</b>	<b>6,414,189</b>
Prior period adjustment			107,697
<b>ADJUSTED NET ASSETS, January 1</b>	<b>94,624,568</b>	<b>135,879,613</b>	<b>6,521,886</b>
<b>NET ASSETS, December 31</b>	<b>\$ 100,186,702</b>	<b>\$ 150,118,887</b>	<b>\$ 6,053,604</b>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report **2010**

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<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service Funds</u>
\$ 15,396,170 38,026,419  202,739 37,738 <hr/> 53,663,066  6,099,527 2,119,786 1,333,203 27,478,307 5,498,962 <hr/> 42,529,785  11,133,281  172,802 (15,345) 2,801,231  (1,505,476) <hr/> 1,453,212  12,586,493  6,761,033 263,014 (277,414)  19,333,126  236,918,370 107,697 237,026,067  \$ <u>256,359,193</u>	\$ 865,358 10,994,377 14,378,652  2,739,138 <hr/> 28,977,525  4,431,027 1,422,235 1,746,305 20,728,902 2,251,003 <hr/> 30,579,472  (1,601,947)  31,684  2,835 (221,487)  (19,899) <hr/> (206,867)  (1,808,814)  148,230 578,565 (392,905)  (1,474,924)  16,879,526 105,000 16,984,526  \$ <u>15,509,602</u>

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Water</b>	<b>Sewerage</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 14,991,430	\$ 34,470,235
Cash received from other funds for services		
Cash payments to employees	(2,866,209)	(3,869,099)
Cash payments to suppliers	(5,854,355)	(21,216,343)
Other cash received	31,028	6,454
	<u>6,301,894</u>	<u>9,391,247</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Due from other funds for noncapital purposes		
Interfund loan issued for noncapital purposes		
Interfund loan payment for noncapital purposes		
Operating grants/non-operating revenue received	76,914	2,722,566
Non-Operating expenses		
Interest paid on interfund loan		
Transfers in		
Transfers out		
	<u>76,914</u>	<u>2,722,566</u>
Net cash provided by (used for) noncapital financing		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from loan	11,400,000	
Principal repayment on interfund loan		
Transfer of plant to Governmental Capital Assets		
Acquisition and construction of capital assets	(18,820,554)	(10,353,347)
Interfund loan for capital outlays	1,300,000	(10,601,351)
Defeasance refunded bonds		
Principal paid on bonds and equipment contracts	(1,638,994)	(1,308,002)
Interest paid on bonds and equipment contracts	(559,534)	(972,603)
Payments for Arbitrage Rebate		
Transfers in		3,014
Transfers out	(47,254)	(230,160)
Capital contributed by subdividers, capital grants, local impr. districts	1,255,697	5,505,336
	<u>(7,110,639)</u>	<u>(17,957,113)</u>
Net cash (used for) capital & related financing		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(41,270,441)	(58,844,799)
Proceeds from sale and maturities of investments	41,641,075	64,990,012
Interest and dividends on investments	122,497	65,232
	<u>493,131</u>	<u>6,210,445</u>
Net cash provided by (used for) investing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(238,700)	367,145
<b>CASH AND EQUITY IN POOLED INVESTMENTS, January 1</b>	2,788,079	2,769,338
<b>CASH AND EQUITY IN POOLED INVESTMENTS, December 31</b>	<u>\$ 2,549,379</u>	<u>\$ 3,136,483</u>
<b>CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:</b>		
Current Assets: Cash and equity in pooled investments	\$ 2,437,452	\$ 3,022,110
Restricted for Bond Redemption: Cash & pooled invest.	9,340	11,792
Restricted for Bond Reserve: Cash & pooled invest.	102,587	102,581
	<u>\$ 2,549,379</u>	<u>\$ 3,136,483</u>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report **2010**

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Golf</b>		<b>Internal</b>	
<b>Complex</b>	<b>Totals</b>	<b>Service Funds</b>	
\$ 2,361,589	\$ 51,823,254	\$ 10,766,699	\$
(1,399,242)	(8,134,550)	14,425,458	
(1,391,462)	(28,462,160)	(5,747,078)	
	37,482	(21,278,283)	
		2,739,138	
<u>(429,115)</u>	<u>15,264,026</u>	<u>905,934</u>	
42,000	42,000		
2,000,000	2,000,000	(5,550,000)	
(1,200,000)	(1,200,000)	3,500,000	
109,448	2,908,928	2,835	
(2,965)	(2,965)	105,000	
<u>948,483</u>	<u>3,747,963</u>	<u>(1,942,165)</u>	
	11,400,000		
(11,300)	(29,185,201)	148,230	
	(9,301,351)	(3,714,027)	
(535,000)	(3,481,996)	(132,569)	
(29,424)	(1,561,561)	(20,333)	
260,000	263,014	578,565	
	(277,414)	(392,905)	
	6,761,033		
<u>(315,724)</u>	<u>(25,383,476)</u>	<u>(3,507,084)</u>	
(450,000)	(100,565,240)	(17,154,875)	
450,000	107,081,087	22,224,884	
418	188,147	32,605	
<u>418</u>	<u>6,703,994</u>	<u>5,102,614</u>	
204,062	332,507	559,299	
148,511	5,705,928	1,046,878	
<u>\$ 352,573</u>	<u>\$ 6,038,435</u>	<u>\$ 1,606,177</u>	<u>\$</u>
\$ 352,573	\$ 5,812,135	\$ 1,606,177	\$
	21,132		
	205,168		
<u>\$ 352,573</u>	<u>\$ 6,038,435</u>	<u>\$ 1,606,177</u>	<u>\$</u>

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2010**

**Business-type Activities - Enterprise Funds**

	<b>Water</b>	<b>Sewerage werage</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 4,800,159	\$ 7,031,719
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,596,169	3,614,107
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(402,736)	(1,387,861)
(Increase) Decrease in due from other funds		
(Increase) Decrease in inventory	9,834	(5,636)
(Increase) in prepaid expenses	2,924	3,052
Increase (Decrease) in vouchers payable	284,420	927
Increase (Decrease) in accounts/payroll payable	14,945	107,650
Increase in incurred but not reported claims payable		
Increase (Decrease) in due to other funds		
Increase in deposits and deferred revenues	(1,099)	22,722
Increase in compensated absences	(2,722)	4,567
Total Adjustments	<u>1,501,735</u>	<u>2,359,528</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 6,301,894</u></b>	<b><u>\$ 9,391,247</u></b>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital assets contributed	\$ 354,693	\$ 3,016,861
Increase (Decrease) in fair value of investments	(15,323)	(21)
Amortization of premium/discount of investment purchases		

# Comprehensive Annual Financial Report **2010**

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<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Golf Complex</b>	<b>Totals</b>	<b>Internal Service Funds</b>	
\$ (698,597)	\$ 11,133,281	\$ (1,601,947)	\$
288,686	5,498,962	2,251,003	
(46,006)	(1,836,603)	(683,825)	
21,457	25,655	(350,000)	
889	6,865	17,684	
(28,976)	256,371	(613,658)	
13,632	136,227	1,098,060	
		83,505	
		694,848	
		(10)	
12,650	34,273	(12,405)	
7,150	8,995	22,679	
<u>269,482</u>	<u>4,130,745</u>	<u>2,507,881</u>	
<u>\$ (429,115)</u>	<u>\$ 15,264,026</u>	<u>\$ 905,934</u>	\$
\$	\$ 3,371,554	\$ 148,230	\$
	(15,344)	(11)	

# Comprehensive Annual Financial Report **2010**

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**CITY OF KENT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
December 31, 2010**

	<b>Firemen's Relief &amp; Pension Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and equity in pooled investments	\$ 30,251	\$ 690,851
Investments, at fair value		
State Treasurer's Investment Pool	1,675,000	
Government Agencies (various)	1,473,033	
<b>TOTAL ASSETS</b>	<u>3,178,284</u>	<u>690,851</u>
<b>LIABILITIES</b>		
Accounts/payroll payable	5,159	545,951
Deposits		144,900
Total Liabilities	<u>5,159</u>	<u>690,851</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 3,173,125</u>	<u>\$</u>

See accompanying notes to financial statements

# Comprehensive Annual Financial Report 2010

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**CITY OF KENT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For the Years Ended December 31, 2010**

	<b>Firemen's Relief &amp; Pension Fund</b>
<hr/>	
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 146,576
Investment earnings:	
Interest	94,790
Unrealized net gain/(loss) in fair value of investments	6,929
<b>TOTAL ADDITIONS</b>	<hr/> 248,295
<b>DEDUCTIONS</b>	
Benefits	324,364
Administrative Expense	10,727
<b>TOTAL DEDUCTIONS</b>	<hr/> 335,091
<b>CHANGE IN NET ASSETS</b>	(86,796)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, January 1</b>	3,259,921
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, December 31</b>	<u>\$ 3,173,125</u>

See accompanying notes to financial statements

## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies of the City of Kent conform to generally accepted accounting principles (GAAP) applicable to governmental units, and are regulated by the Washington State Auditor's Office.

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

### a. **REPORTING ENTITY**

Based on the criteria of Statement No. 14 of the Government Accounting Standards Board (GASB), "The Financial Reporting Entity", the City's Comprehensive Annual Financial Report (CAFR) includes the financial position and results of operations of all funds, agencies and boards for which the City is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either the ability to impose will by the primary government, or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Kent Economic Development Corporation and the Special Events Center Public Facilities District meets these criteria. In this case, the City appointed a voting majority of the boards, and the organizations present a potential financial benefit or burden to the City. They are discretely presented in the financial statements in a separate column on the Basic Financial Statements. For further details on Component Units and to obtain copies of the completed financial statements of each component unit, please see Note 17 – COMPONENT UNITS.

See Note 16 - JOINT VENTURE for discussion of the Valley Communications Center which is a joint public safety dispatching authority for five member cities. The City reports its equity in the joint venture.

JOINTLY GOVERNED ORGANIZATIONS – On April 27, 2010, the passage of Proposition No. 1 authorized the merger of the Kent Fire Department and King County Fire District 37 into one organization, the Kent Regional Fire authority. The new organization, effective officially on July 1, 2010, retained the name of Kent Fire Department. The RFA is not financially accountable to the City of Kent. The City of Kent does not have an ongoing financial interest in the RFA and the RFA is not financially dependent upon the City of Kent. The RFA imposes its own property tax levy and fire benefit charge. The RFA's board is comprised of seven members of which three are from the Kent City Council: Jamie Perry, Debbie Raplee and Les Thomas. In addition, the board has three members from Fire District 37 and one member from the City of Covington.

### b. **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report on all non-fiduciary activities of the City and its component units. The effect of interfund activity has been mainly removed from these statements. These statements are divided between governmental and business-type activities. The primary government is separated from its component units.

The statement of activities reports the amount that direct expenses of a program or function is offset by program revenues. Direct expenses are clearly identifiable with a specific function or program. Program revenues include: charges to customers (user charges) who purchase, use or directly benefit

from these programs, and grants or contributions directly related to the programs. Taxes and other revenues that are not directly identifiable with the program expenses are included as general revenues.

Separate financial statements are included for governmental funds, proprietary funds, and fiduciary funds, though fiduciary funds are excluded from the government-wide financial statements. Major governmental and enterprise funds are reported in separate columns in the fund financial statements, while non-major funds are combined into one column.

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

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

The **modified accrual basis** of accounting is used by governmental funds. Revenues and other financial resources are recognized when they become susceptible to accrual, i.e., when the related funds become both measurable and available to finance expenditures of the current period. To be considered "available", revenue must be collected during the current period or soon enough thereafter to pay current liabilities. For this purpose, revenue is considered to be available when collected within sixty days after year-end. However, debt service expenditures, and payments for compensated absences and claims and judgments are recorded when due.

Property, sales, use, real estate excise, utility, admissions, and gambling taxes are susceptible for accrual. Intergovernmental revenues that reimburse expenditures are accrued. Investment earnings are accrued when earned. Charges for services, fines and forfeitures, licenses and permits, and other miscellaneous revenues are recorded on receipt and are not susceptible for accrual. Expenditures are recognized when the related fund liability is incurred. Since the recognition of depreciation does not reduce net financial resources, it is not considered as an expenditure. Other exceptions include (1) inventories of materials and prepaid items are reported as expenditures when purchased, (2) interest on long-term debt is not accrued, but is recorded as an expenditure when due, (3) accumulated unpaid vacation and sick pay are considered expenditures when paid.

The government reports the following major governmental funds:

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

**Capital Improvements Fund** – This special revenue fund accounts for a portion of the City's sales tax as well as real estate excise tax that is utilized to provide funding for governmental non-street related capital and operating projects, and debt on those projects.

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

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

**Other Projects Fund** – This capital projects fund accounts for general government bond issues. Public Safety and general government capital projects are accounted for in this fund.

The City reports the following major proprietary funds:

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

**Sewerage Fund** – This enterprise fund accounts for the sewer and storm drainage systems of the City. The utility recovers its costs through user charges.

**Golf Fund** – This enterprise fund accounts for the golf complex of the City that includes a par 27 9-hole golf course, an 18-hole par 72 golf course, a driving range, a mini putt facility and a merchandise center. The utility recovers its costs through user fees.

Additionally, the City reports the following fund types:

**Internal Service Funds** - Internal Service Funds are used to account for the financing of specific services performed by designated organizations within the City for other organizations within the City. The City's internal service funds are comprised of the Equipment Rental, Central Service, Facilities and Insurance funds.

**Trust Funds** - Trust Funds are used to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units.

The City's pension trust fund, the Firemen's Relief & Pension Fund, accounts for pension benefits for former City firefighters.

The City's agency fund functions primarily as a clearing mechanism for cash resources which are collected by the City of Kent, held for a period of time and then disbursed to authorized recipients or funds.

The **accrual basis** of accounting is used by proprietary fund types and the pension trust funds. Under this method, revenues are recognized when earned, and expenses are recognized when incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and business-type financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The city has elected not to follow subsequent private-sector guidance.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, and other charges between the City's utilities and the other functions of the City. By eliminating those charges, it would distort the direct costs and program revenues for the various functions reported.

Amounts that are reported as program revenues include user charges and sales, operating grants and contributions, and capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues also include all taxes.

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

d. **BUDGET AND BUDGETARY ACCOUNTING**

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

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

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

The individual funds within each fund type which are included in the City's annual operating budget are listed below.

<b>General Fund</b>	<b>Special Revenue Funds</b>
General Fund	Public Safety Retiree Fund Lodging Tax Fund Youth/Teen Programs Fund

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

The steps in the budget process are as follows:

- (1) The Chief Administrative Officer and Mayor submit a proposed budget to the City Council. This budget is based on priorities established by the Council, cost estimates provided by the City departments and balanced with revenue estimates.
- (2) The City Council conducts public hearings on the proposed budget in September and October.
- (3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- (4) The final operating budget as adopted is published and distributed within the first two months of the following year. Copies of the budget are made available to the public.

Annual appropriated budgets are adopted at the fund level. Transfers or revisions within budgets are allowed if approved by the Chief Administrative Officer. Only City Council has the authority to increase a given fund's annual budget. A single budget ordinance summarizing all the Council approved increases or adjustments is adopted by ordinance at year-end. The budget amounts in the financial statements are the final amounts as revised during the year. Budget to Actual comparisons are only prepared for annually budgeted funds.

Appropriation amounts shown on the accompanying financial statements reflect final budget values, including all adopted adjustments to original budget amounts.

Fund	Original Budget	Supplemental Appropriations	Final Budget
General Fund	\$ 80,019,370	\$383,601	\$80,402,971
Special Revenue Fund:			
Public Safety Retiree	906,893	0	906,893
Lodging Tax	159,000	225,000	384,000
Youth/Teen Programs	915,652	(47,125)	868,527
<b>Total</b>	<b>\$ 82,000,915</b>	<b>\$561,476</b>	<b>\$ 82,562,391</b>

e. **ASSETS, LIABILITY, AND FUND EQUITY**

**(1) Cash and Cash Equivalents**

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

**(2) Investments** (refer to Note 4).

**(3) Receivables and Payables** (refer to Note 5).

f. **ENCUMBRANCES**

The City of Kent does not formally use the encumbrance mode of accounting. City departments that are currently utilizing the City's new purchasing system have the option to record encumbrances for their budget status reports, but the City does not take them into account for year-end reporting. For operating funds, amounts not expended within the budget year lapse. For project funds, budgets remain available until completion of the project.

g. **INTERFUND TRANSACTIONS AND TRANSFERS**

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

(1) **Interfund Transactions**

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

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

**Reimbursement transactions** occur when an expenditure is initially made from one fund but is more appropriately applicable to another fund. These items are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund initially charged. An example of this type of transaction occurs when the Public Works and Finance Departments allocate a certain amount of their time to provide services for their Utility Divisions. The expense is transferred to the Utility Divisions with a corresponding reduction of expense in the Public Works and Finance Departments. These reductions are accounted for in a separate organizational unit so both gross and net expenditures are reported.

(2) **Interfund Transfers**

**Transfers** are required where revenue is generated in one fund and expenditures are paid for in other funds. The majority of transfers occur with respect to capital projects where certain General and Special Revenue Fund revenues are transferred to finance various capital projects. Other operating transfers of a recurring nature are required to fund debt service.

# Comprehensive Annual Financial Report 2010

City of Kent

Notes to the Financial Statements  
December 31, 2010

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
<b><u>Governmental:</u></b>		
Major Funds		
General Fund	\$ 1,634,436	\$ 617,614
Capital Improvement	1,885,373	8,241,855
Special Assessments		243,204
Street Capital Projects		881,241
Other Capital Projects	212,121	1,160,105
Subtotal	\$ 3,731,930	\$ 11,144,019
Non-Major Funds		
Street	\$ 881,241	\$ 2,343,042
Public Safety Retiree	250,000	
Lodging tax		212,121
Youth/Teen		826,527
Criminal Justice	105,000	274,140
Environmental Mitigation	170,892	
Other Operating Projects	63,414	
Kent Events Center Fund	499,199	
Non-Voted Debt Service	8,978,461	
Parks Capital Projects	465,789	1,027,204
Technology Projects	790,510	
Facilities Projects	154,727	435,370
Subtotal	\$ 12,359,233	\$ 5,118,404
<b><u>Business-Type:</u></b>		
Major Funds		
Water Enterprise	\$	\$ 47,254
Sewerage Enterprise	3,014	230,160
Golf Complex Enterprise	260,000	
Subtotal	\$ 263,014	\$ 277,414
Internal Service Funds		
Equipment Rental	\$ 6,029	\$ 242,905
Facilities	572,536	150,000
Subtotal	\$ 578,565	\$ 392,905
<b>Total Transfers</b>	<b>\$16,932,742</b>	<b>\$16,932,742</b>

**h. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental and business-type columns in the government-wide financial statements. The capitalization threshold applied to the City's assets is \$5,000 and it must have a useful life of more than three years. Infrastructure assets are reported on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

The initial capitalization of infrastructure assets reported as governmental activities include all such items regardless of their acquisition date. The historical cost for the initial reporting of these assets was established through backtrending. An estimated current replacement cost was calculated and deflated to the estimated acquisition year by an appropriate price-level index to determine the historical cost.

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

<b>Depreciation Schedule</b>	
Buildings	10-50 years
Site Improvements	10-50 years
Infrastructure	15-50 years
Other Capital	3-10 years

Property, Plant and Equipment for governmental activities is stated at historical cost or market value at date received in the case of contributions. Purchase and construction of such assets is recorded as an expenditure in the appropriate Governmental Fund and capitalized. Incomplete capital projects, including infrastructure, are capitalized as construction in progress at year end. Street related right of way purchases have been recorded as land purchases at the time the project is complete. Maintenance and repairs are charged as expenditures in the various Governmental Funds and are not capitalized. Depreciation is recorded on the government-wide statements.

Property, Plant and Equipment in the Proprietary Funds is stated at cost, or in the case of contributions at market value at the date received. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the life of the asset are capitalized.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**a. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. Of that reconciliation, one element explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$98,766,609 difference are as follows:

Bonds payable	\$79,513,674
Notes Payable	14,271,830
Compensated Absences Payable	4,397,468
Net OPEB Obligation	583,637
<b>Net adjustment to reduce <i>fund balance – total governmental funds to arrive at net assets – governmental activities</i></b>	<b>\$98,766,609</b>

**b. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$7,053,654 difference are as follows:

Principal repayments	\$(7,246,851)
Current year amortization	193,197
<b>Net adjustment to decrease <i>net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities</i></b>	<b>\$(7,053,654)</b>

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**4. DEPOSITS AND INVESTMENTS**

The deposits and investment practices of the City of Kent are accounted for with a modified pooled cash arrangement. According to the investment policy presented in the Kent City Code Chapter 3.02, allowable investments consist of the State Treasurer’s Investment Pool, banker’s acceptances, certificates of deposit, U.S. government securities, and U.S. governmental agency securities.

**DEPOSITS**

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

INVESTMENTS

Investments in the State Treasurer’s Local Government Investment Pool (LGIP) are valued at amortized cost, which approximates fair value. Certificates of deposits held by the LGIP are valued at historical costs, which also approximate fair value. Each month, earnings from the LGIP are deposited to the City’s bank account. The State Investment Pool was created by State statute, and is governed by the State Finance Committee and administered by the State Treasurer.

As of December 31, 2010, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		<1	1-5	6-10
State Treasurer’s Investment Pool	\$46,009,886	\$46,009,886	\$	\$
Government Agencies (various)	1,617,646		995,146	622,500
Certificates of Deposits	254,874	254,874		
<b>Total Investments</b>	<b>47,882,406</b>	<b>46,264,760</b>	<b>995,146</b>	<b>622,500</b>
Less Investments Held By:				
Fiduciary Funds	(3,148,033)	(1,675,000)	(850,533)	(622,500)
Component Units:				
Economic Development Corp	(10,000)	(10,000)		
<b>Total Primary Government</b>	<b>\$44,724,373</b>	<b>\$44,579,760</b>	<b>\$144,613</b>	<b>\$ 0</b>

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

**PRIMARY GOVERNMENT**

**From Statement of Net Assets:**

Cash & equity in pooled investments	\$ 10,910,701
Cash with fiscal agent/trustee	640,000
Investments, at fair value	35,308,923
<b>Total From Statement of Net Assets</b>	<b>\$ 46,859,624</b>

**Summary by Type:**

Cash on hand and in bank	\$ 1,495,251
Deposits with fiscal agent/trustee	640,000
Certificates of deposit	254,874
Total	2,390,125
Investments	44,469,499
<b>Total by Type</b>	<b>\$ 46,859,624</b>

**COMPONENT UNITS**

**Economic Development Corp:**

Cash on hand and in bank	\$ 8,937
Investments, at fair value	10,000
<b>Total Cash and Investments</b>	<b>\$ 18,937</b>

**Special Events Center PFD:**

Cash on hand and in bank	\$ 17
Investments, at fair value	0
<b>Total Cash and Investments</b>	<b>\$ 17</b>

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits, to the extent possible, the average life of the portfolio not exceed five years. As of December 31, 2010, the weighted average of maturity for the portfolio was 42 days. The LGIP is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. As of June 30, 2010, the LGIP had a weighted average maturity of 49 days.

*Credit Risk.* State statute, as well as City policy, requires at the time of purchase that an investment carry a rating of one of the three highest credit ratings of a nationally recognized rating agency. As of December 31, 2010, the rating for all fixed rate non-callable and callable agency securities were AAA. The LGIP is an unrated 2a-7 like pool. Per GASB 40 guidelines, the LGIP balances are not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand accounts and certificates of deposit.

*Concentration of Credit Risk.* According to the City's investment policy, with the exception of US Treasuries and the LGIP, no more than 25% of the City's total investment portfolio will be invested in securities offered by a single issuer. In accordance with GASB 40, the City will report any investment in any one issuer that is 5% or more of the total City portfolio. As of December 31, 2010, the City did not have any investments meeting that criteria.

*Custodial Credit Risk.* All bank deposits are covered 100% by federal depository insurance and pledged collateral on deposit with the Washington State Public Deposit Protection Commission (WSPDPC).

## 5. RECEIVABLES

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

### a. TAXES RECEIVABLE

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

**Property taxes** are levied as of January 1 of each year. The taxes receivable at year end reflect only delinquent taxes. Revenue is recognized to the extent of collections within sixty days of year end. Taxes to be received beyond this period are recorded as deferred. See Note 13 for additional details on property taxes.

**Sales tax and lodging tax** are collected by the state and remitted to the City on the last day of each month. Sales tax revenue is accrued at year end per GASB Statement 22, "Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds."

City assessed **utility taxes** are primarily due monthly and **gambling taxes and admissions taxes** are due quarterly. The payment is due on the last day of the following month. Revenue is recognized to the extent of collections within sixty days of year end.

### b. ACCOUNTS RECEIVABLE

In the General Fund, accounts receivable represent billing for miscellaneous licenses, permits, fines, and damages. In the Special Revenue and Capital Project Funds, accounts receivable represents reimbursement for grants particularly Housing and Community Development block grants for which the services have been provided. Enterprise Funds accounts receivable are primarily for utility amounts billed but uncollected at year end plus accruals for unbilled revenues. Accounts receivables are shown at net. See note 5.d. for allowance for estimated uncollectible amounts by fund type.

### c. ASSESSMENTS AND NOTES RECEIVABLE

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

### d. ACCRUED INTEREST RECEIVABLE

Accrued investment interest totaling \$263 was recognized at December 31, 2010. This interest was recorded in each fund based on its investment position.

# Comprehensive Annual Financial Report 2010

City of Kent

Notes to the Financial Statements  
December 31, 2010

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

	Taxes	Accounts	Allowance for Uncollectibles	Assessments & Notes	Accrued Interest	Total
<b>Governmental Activities:</b>						
General Fund	\$5,867,734	\$ 1,893,132	\$ (5,318)	\$ .	\$ 3	\$ 7,755,551
Capital Improvements	844,103					844,103
Special Assessments				12,411,365		12,411,365
Street Projects		392,566	(2,138)			390,428
Other Governmental Funds	1,139,247	1,200,392	(221)			2,339,418
Subtotal	\$7,851,084	\$ 3,486,090	\$ (7,677)	\$12,411,365	\$ 3	\$23,740,865
<b>Business-Type Activities:</b>						
Water Fund	\$ .	\$ 1,903,271	\$ (6,607)	\$ .	\$ 2	\$ 1,896,666
Sewerage Fund		5,055,714	(24,222)		6	5,031,498
Golf Fund		109,149	(4,432)			104,717
Internal Service Funds		1,456,980	(242)		252	1,456,990
Subtotal	\$ .	\$ 8,525,114	\$ (35,503)	\$ .	\$ 260	\$ 8,489,871
Total Primary Government	\$7,851,084	\$12,011,204	\$ (43,180)	\$12,411,365	\$ 263	\$32,230,736
<b>Component Unit Activities:</b>						
Special Events Center PFD	\$ 113,244					\$ 113,244
Total Component Units	\$ 113,244					\$ 113,244

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue reported in the governmental funds related to special assessments was \$12,411,365. Of that amount, \$298,103 is delinquent.

e. INTERFUND LOANS

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
General Fund	\$	\$ 2,500,000
Capital Improvement		8,600,000
Street Projects		3,362,263
Other Capital Projects Fund		2,200,000
Other Governmental Funds	650,000	4,800,000
Business-Type Activities:		
Water Fund	5,000,000	
Sewerage Fund	12,262,263	
Golf Fund		2,000,000
Internal Service Activities:		
Equipment Rental	2,450,000	
Insurance Funds	3,100,000	
	\$23,462,263	\$23,462,263

In December 2010, the Mayor approved a \$1,600,000 one-year interfund loan from the Equipment Rental Fund to the Golf Complex Fund (only \$1,200,000 was utilized), an \$800,000 one-year interfund loan from the Water Fund to the Golf Complex Fund, a \$2,000,000 one-year interfund loan from the Water Fund to the Events Center Special Revenue Fund, a \$1,162,262.52 one-year interfund loan from the Sewerage Fund to the Street Capital Projects Fund all bearing interest at the City's daily funds rate through December 2011.

Also executed by the City on December 31, 2010, were non-interest bearing interfund loans for \$2,500,000 from the Insurance Funds to the General Fund, \$300,000 from the Insurance Funds to the Street Fund, \$300,000 from the Insurance Fund to Housing & Community Development Fund, \$1,250,000 from Equipment Rental fund to the Street Fund, and \$650,000 from Facilities Capital Projects Fund to the Criminal Justice Fund.

Additionally, interest bearing loans for \$8,600,000 from Sewerage Fund to Capital Improvement Fund, \$900,000 from Water Fund to Other Capital Projects Fund, \$300,000 from Sewerage Fund to Environmental Fund and \$2,200,000 from Sewerage Fund to Street Capital Projects Fund were also executed. These loans were approved to cover year-end expenditures as well as temporary cash flow shortage that will be reimbursed by funds reserved in 2011.

f. **INTERFUND RECEIVABLES AND PAYABLES**

The following are the interfund balances at December 31, 2010:

	Total		Total	
	Due From Other Funds	Due To Other Funds	Due From Other Funds	Due To Other Funds
<b>Governmental Activities:</b>				
General Fund	\$ 2		\$137,000	
Capital Improvement				\$350,000
Other Projects				30,921
Other Governmental Funds:				
YouthTeen				137,000
Facility Projects			30,921	
Subtotal	\$ 2		\$167,921	\$517,921
<b>Internal Service Activities:</b>				
Facilities		\$ 1	350,000	
Insurance		1		
Subtotal	\$	\$ 2	350,000	
<b>Total</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$517,921</b>	<b>\$517,921</b>

The balance of \$2 is due from other funds to the General Fund reflecting the fair market value adjustment of pooled investments as the result of GASB 31 reporting. The balance of \$517,921 consists of \$137,000 due to the General Fund from the Youth/Teen fund, \$350,000 due to the Facilities fund from the Capital Improvement fund and \$30,921 due to the Facility Projects fund from the Other Capital Projects fund.

6. **INVENTORIES AND PREPAID ITEMS**

Inventories carried in Proprietary Funds are valued under the first-in first-out method. A physical count is taken at year-end. Governmental Funds use the purchase method whereby inventory items are considered expenditures when purchased. Governmental activities have not recorded inventories on the books, and they are not presented in the basic statements. This will be considered in the future, but the City does not consider these to be material items when reporting governmental activities.

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

City of Kent

7. **PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION**

a. **GOVERNMENTAL ACTIVITIES CAPITAL ASSETS**

Below is a summary of 2010 changes in governmental capital assets:

	Balance Jan 1, 2010	Additions	Transfers & Retirements	Balance Dec 31, 2010
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$208,730,964	\$		\$208,730,964
Construction in Progress	238,871,933		\$ 2,639,497)	236,232,436
<b>Total Capital Assets, Not depreciated</b>	<b>\$447,602,897</b>		<b>\$(2,639,497)</b>	<b>\$444,963,400</b>
Capital Assets, being depreciated:				
Buildings	57,801,845			57,801,845
Site Improvements	30,727,585	14,847,308		45,574,893
Other Capital	54,356,575	414,752	(989,676)	53,781,651
Infrastructure	491,622,477	1,898,362		493,520,839
<b>Total Capital Assets, Depreciated</b>	<b>\$634,508,482</b>	<b>\$ 17,160,422</b>	<b>\$ (989,676)</b>	<b>\$650,679,228</b>
Less Accumulated Depreciation for:				
Buildings	(27,147,806)	(1,705,730)		(28,853,536)
Site Improvements	(10,718,235)	(1,140,269)		(11,858,504)
Other Capital	(29,141,769)	(2,717,617)	742,232	(31,117,154)
Infrastructure	(204,430,878)	(9,844,136)		(214,275,014)
<b>Total Accumulated Depreciation</b>	<b>\$(271,438,688)</b>	<b>\$(15,407,752)</b>	<b>\$ 742,232</b>	<b>\$(286,104,208)</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>\$363,069,794</b>	<b>\$ 1,752,670</b>	<b>\$ (247,444)</b>	<b>\$364,575,020</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$810,672,691</b>	<b>\$ 1,752,670</b>	<b>\$(2,886,941)</b>	<b>\$809,538,420</b>

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

A summary of Business-type Property, Plant and Equipment at December 31, 2010 follows:

	<b>Balance Jan 1, 2010</b>	<b>Additions</b>	<b>Transfers &amp; Retirements</b>	<b>Balance Dec 31, 2010</b>
<b>Business-type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 10,488,383	\$ 634,030	\$ .	\$ 11,122,413
Construction in Progress	86,768,920	22,610,879		109,379,799
<b>Total Capital Assets, Not depreciated</b>	<b>\$ 97,257,303</b>	<b>\$23,244,909</b>	<b>\$</b>	<b>\$120,502,212</b>
Capital Assets, being depreciated:				
Buildings	5,181,604			5,181,604
Site Improvements	226,967,508	5,908,638		232,876,146
Other Capital	2,821,186	31,653		2,852,839
<b>Total Capital Assets, Depreciated</b>	<b>\$234,970,298</b>	<b>\$ 5,940,291</b>		<b>\$240,910,589</b>
Less Accumulated Depreciation for:				
Buildings	(3,825,915)	(154,490)		(3,980,405)
Site Improvements	(75,180,413)	(5,283,091)		(80,463,504)
Other Capital	(2,560,791)	(61,381)		(2,622,172)
<b>Total Accumulated Depreciation</b>	<b>\$(81,567,119)</b>	<b>\$ (5,498,962)</b>		<b>\$(87,066,081)</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>\$153,403,179</b>	<b>\$ 441,329</b>		<b>\$153,844,508</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$250,660,482</b>	<b>\$23,686,238</b>		<b>\$274,346,720</b>

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

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

<b>Governmental Activities:</b>	
General Government	\$ 661,205
Judicial	50,607
Public Safety	1,315,145
Community Development	
Public Works	9,851,925
Leisure Services	1,768,172
Health and Human Services	114,539
Library	99,243
Internal Services	1,546,917
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$15,407,753</b>
<b>Business-type Activities:</b>	
Water	\$ 1,596,169
Sewerage	3,614,107
Golf	288,686
<b>Total Depreciation Expense – Business-Type Activities</b>	<b>\$ 5,498,962</b>

**8. SHORT-TERM DEBT**

The City of Kent did not have any short-term debt during the current fiscal year, January through December 2010.

**9. LEASES**

Operating Leases

The City leases space from King County for the Aukeen Kent Municipal Court located at 1220 South Central Avenue in Kent. The City paid \$81,294 in 2010 and will pay \$7,114.50 per month in 2011 until the purchase of the court from King County is finalized.

The City leases space from Gowe St. LLC for Safe Haven located at 407 W. Gowe in Kent. For 2010, the City paid \$55,599. The lease will end when Safe Haven is taken over by Seattle Mental Health beginning January 2011.

The City leases space from Charlie Perkins for storage space on Smith Street. For 2010, the City paid \$60,000 per year plus \$5,921.70 in property taxes. Beginning April 2011, the City will pay \$4,750 per month plus one-half of the property tax each year. Payment will be made through 2012, at which time the lease shall terminate. For 2011, the City paid \$7,377.28 in property taxes.

The Golf Complex has leases with Northwest Yamaha for 54 Golf carts with payments of \$5,568.48 per month and another for 24 carts with payments of \$2,216.31 per month, both ending September 2011. No lease payments are due for the months of November through February. In 2010, the City paid \$62,658 for the leases, including taxes. In 2011, the City will pay \$54,493.53, plus any taxes due.

## 10. LONG-TERM INDEBTEDNESS

### PRIMARY GOVERNMENT:

The City of Kent has two types of long-term debt: (a) **bonded debt** (net of unamortized discount) of \$109,048,390 and (b) **nonbonded debt** of \$62,804,716 for a total of \$171,853,106 in long-term indebtedness.

#### a. BONDED DEBT

Bonded debt has three components: General Obligation, Special Assessment, and Revenue.

##### (1) General Obligation Bonds

General Obligation Bonds totaling \$77.1 million are direct obligations of the City for which its full faith and credit is pledged. They have been issued for governmental and business-type activities. Debt service for governmental activities is paid from the General Obligation Debt Service voted and non-voted funds. Debt service for voted bond issues is funded with special property tax levies. Currently, the City does not have any outstanding voted debt.

Debt service for LTGO (non-voted) bond issues is funded by transfers from operating funds. Debt service for business-type activities are paid for by the Water, Sewerage and Golf enterprise funds. Additional LTGO bond capacity at December 31, 2010 is \$102,107,926. Total additional general obligation capacity for all purposes at December 31, 2010 is \$886,310,753. The general obligation bonds have various interest rates between 2.0 percent and 5.75 percent with maturity dates to 2025. The City's general obligation bonds carry a Moody's "Aa2" rating and Standard and Poor's "AAA" rating.

##### (2) Special Assessment Bonds

Special Assessment Bonds totaling \$7,698,091 are paid through the collection of special assessments. In accordance with GASB Statement No. 6, special assessments debt is reported in the government's financial statements. The special assessment bonds are supported solely by the property owners and the Local Improvement Guarantee Fund and are not a general obligation of the City. As of December 31, 2010 the guaranty reserve was \$789,565 which amounts to 10.26 percent of net outstanding debt. The account is funded with transfers from closed special assessment districts, interest income and as a cost of establishing a special assessment district.

##### (3) Revenue Bonds

Revenue Bonds are payable from pledged revenues generated by the respective Proprietary Funds. The Water and Sewerage Funds' outstanding Combined Utility System Revenue Bonds, Series 2009A and Series 2009B Taxable (Build America Bonds) at December 31, 2010, totaled \$23,925,000 for the 2009 issue, split equally between each fund. The interest rates of the revenue bonds range from 3.0 percent to 6.12 percent with maturity dates to 2019. The bonds have been assigned a rating of AA by Standard & Poor's Ratings Services.

(4) **Refundings**

The City has refunded in full or partially with "advance refunding bonds" the following bond issues:

- (a) In 2000, the City refunded, by the "defeasance" method, its 1995 General Obligation Bonds for the Golf Complex of \$1,035,000, and its 1999 General Obligation Bonds for general government activities of \$7,965,000. The liability for the old issues was removed and the new issues were recorded. The 1995 issue was defeased as of December 31, 2010, and the 1999 issue was defeased as of December 31, 2009. The transaction resulted in an economic gain of \$143,878 and a reduction of \$220,964 in future debt service payments.
- (b) In 2004, the City refunded by the "defeasance" method its 1996 General Obligation Bonds of \$21,785,000. The liability for the old issue was removed and the new issue was recorded. Of the new issue, \$6,340,000 related to Sewerage Fund activity and \$15,445,000 for governmental activities. The balance of the 1996 issue as of December 31, 2010 was \$3,510,000 for Sewerage Fund and \$11,485,000 for governmental activities. The transaction resulted in an economic gain of \$885,151 and a reduction of \$1,286,897 in future debt service payments.
- (c) In 2005, the City refunded by the "defeasance" method \$2,520,000 of its 1993 Revenue Bonds, \$1,485,000 of its 1995 Golf General Obligation Bonds, \$2,050,000 of its 2000 General Obligation Bonds and \$1,102,477 of its 1996 Trust Fund Loan. The liability of the old issues were removed and the new issue was recorded. As of December 31, 2010, the balance of the 1993 issue was \$1,070,000, the balance of the 1995 issue was defeased in 2008, the balance of the 2000 issue was \$2,050,000. The transaction resulted in an economic gain of \$306,920 and a reduction of \$572,047 in future debt service payments.
- (d) In 2009, the City refunded by the "defeasance" method \$8,140,000 of the remaining 1999 Limited Tax General Obligation Bonds. The liability of the old issues was removed and the new issues were recorded. As of December 31, 2010, the balance of the 1999 issue was \$7,485,000. The transaction resulted in an economic gain of \$436,890 and a reduction of \$445,879 in future debt service payments.

# Comprehensive Annual Financial Report 2010

## Notes to the Financial Statements December 31, 2010

### City of Kent

The following is a summary of long-term bonded debt transactions of the City for the year ended December 31, 2010:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>General Obligation</u>	<u>Special Assessment</u>	<u>General Obligation</u>	<u>Revenue</u>	
Net Bonded Long-Term Debt Payable at 1/1/10	\$74,582,727	\$ 9,588,769	\$ 8,081,562	\$25,152,687	\$117,405,745
Unamortized Discount-Prior Year	716,428		26,960	90,611	933,999
Unamortized Premium-Prior Year	896,926		(285,603)	(553,298)	58,025
Bonded Long-Term Debt Payable at 1/1/10	\$76,196,081	\$ 9,588,769	\$ 7,822,919	\$24,790,000	\$118,397,769
Debt Retired, Extinguished and Amortized	4,380,498	1,890,678	1,335,502	865,000	8,471,678
Bonded Long-Term Debt Payable at 12/31/10	\$71,815,583	\$ 7,698,091	\$ 6,487,417	\$23,925,000	\$109,926,091
Unamortized Premium	(757,540)		240,719	491,273	(25,548)
Unamortized Discount/Deferred Costs	(662,617)		(14,525)	(175,011)	(852,153)
Net Bonded Long-Term Debt Payable at 12/31/10	\$70,395,426	\$ 7,698,091	\$ 6,713,611	\$24,241,262	\$109,048,390
Current Portion	\$ 4,768,813	\$ 1,890,677	\$ 944,187	895,000	\$ 8,498,677

# Comprehensive Annual Financial Report 2010

## Notes to the Financial Statements December 31, 2010

### City of Kent

The following is a summary of bonded debt issuance and redemption information as of December 31, 2010:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/10	Due Within One Year
<b>GENERAL BONDED DEBT</b>							
<b>GENERAL OBLIGATION BONDS – GOVERNMENTAL ACTIVITIES</b>							
<u>LTGO Bonds</u>							
General Purpose	2000	2020	4.5-5.5%	11,485,000	7,060,000	4,425,000	505,000
Less: Unamortized Discount					101,795	(101,795)	
General Purpose	2002	2022	3.0-5.0%	13,685,000	5,080,000	8,605,000	750,000
Less: Unamortized Discount					26,012	(26,012)	
General Purpose	2003	2018	2.3-5.5%	7,518,000	4,990,000	2,528,000	554,000
Less: Unamortized Discount					15,385	(15,385)	
General Purpose	2004	2021	2-4.13%	16,505,000	4,218,417	12,286,583	1,169,813
Less: Unamortized Discount					210,416	(210,416)	
Less: Unamortized Deferred Refunding					440,457	(440,457)	
General Purpose	2005	2020	4.05%	2,252,000	116,000	2,136,000	15,000
Less: Unamortized Discount					10,570	(10,570)	
Less: Unamortized Deferred Refunding					109,474	(109,474)	
General Purpose	2006	2024	4.0-5.0%	12,000,000	900,000	11,100,000	300,000
Less: Unamortized Discount					166,048	(166,048)	
General Purpose	2008	2025	4.1-5.2%	24,000,000	1,125,000	22,875,000	710,000
Less: Unamortized Discount					203,262	(203,262)	
General Purpose	2009	2019	3.0-4.0%	8,410,000	550,000	7,860,000	765,000
Less: Unamortized Discount					(70,871)	70,871	
Plus: Unamortized Deferred Refunding					207,609	(207,609)	
Total General Obligation - LTGO				\$95,855,000	\$25,459,574	\$70,395,426	\$4,768,813
GOVERNMENTAL ACTIVITIES				\$95,855,000	\$25,459,574	\$70,395,426	\$4,768,813

# Comprehensive Annual Financial Report 2010

## Notes to the Financial Statements December 31, 2010

### City of Kent

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/10	Due Within One Year
<b>GENERAL OBLIGATION BONDS – BUSINESS-TYPE ACTIVITIES</b>							
<u>LTGO Bonds</u>							
<b>Golf Complex Fund:</b>							
Golf Complex Ref.	2000	2010	4.5-5.5%	\$ 1,075,000	\$ 1,075,000		
Total Golf Complex (Net)				\$ 1,075,000	\$ 1,075,000		
<b>Sewerage Fund:</b>							
Drainage	2004	2021	2-4.13%	\$ 6,775,000	\$ 1,731,583	\$ 5,043,417	\$ 480,187
Plus: Unamortized Premium					(240,719)	240,719	
Sewerage – 93 Ref.	2005	2013	4.05%	2,437,000	1,434,000	1,003,000	323,000
Less: Unamortized Discount					7,543	(7,543)	
Sewerage – 96 Ref.	2005	2013	4.05%	1,125,000	684,000	441,000	141,000
Less: Unamortized Deferred Costs					6,982	(6,982)	
Total Sewerage Fund (Net)				\$ 10,337,000	\$ 3,623,389	\$ 6,713,611	\$ 944,187
<b>BUSINESS-TYPE ACTIVITIES</b>				\$ 11,412,000	\$ 4,698,389	\$ 6,713,611	\$ 944,187
<b>TOTAL GENERAL OBLIGATION BONDS</b>				\$107,267,000	\$ 30,157,963	\$77,109,037	\$5,713,000
<b>SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES</b>							
LID 347, 348	1998	2015	4.3-5.6%	942,617	852,617	90,000	55,000
LID 340, 349	1999	2014	4.1-5.9%	13,221,661	11,406,661	1,815,000	800,000
LID 351	2001	2015	3.8-5.5%	5,367,217	4,637,217	730,000	250,000
LID 350, 352, 354	2003	2013	3.75%	1,363,439	1,120,348	243,091	75,677
LID 353 et. al.	2004	2019	2.5-4.7%	11,758,557	6,938,557	4,820,000	710,000
<b>TOTAL SPECIAL ASSESSMENT BONDS</b>				\$ 32,653,491	\$ 24,955,400	\$ 7,698,091	\$1,890,677
<b>TOTAL GENERAL BONDED DEBT</b>				\$139,920,491	\$ 55,113,363	\$84,807,128	\$7,603,677

# Comprehensive Annual Financial Report 2010

## Notes to the Financial Statements December 31, 2010

### City of Kent

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/10	Due Within One Year
<b>REVENUE BONDS - BUSINESS-TYPE ACTIVITIES</b>							
<b>Water Fund:</b>							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$4,560,000	\$ 537,500	\$ 4,022,500	\$ 447,500
Plus: Unamortized Premium					(245,636)	245,636	
Less Unamortized Discount					16,099	(16,099)	
Less Unamortized Deferred Costs					10,336	(10,336)	
Revenue Bonds Series B	2009	2029	5.06/6.12%	7,940,000		7,940,000	
Less: Unamortized Discount					40,044	(40,044)	
Less Unamortized Deferred Costs					21,026	(21,026)	
Total (Net)				\$ 12,500,000	\$ 379,369	\$ 12,120,631	\$ 447,500
<b>Sewer Fund:</b>							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$4,560,000	\$ 537,500	\$ 4,022,500	\$ 447,500
Plus: Unamortized Premium					(245,636)	245,636	
Less Unamortized Discount					16,099	(16,099)	
Less Unamortized Deferred Costs					10,336	(10,336)	
Revenue Bonds Series B	2009	2029	5.06/6.12%	7,940,000		7,940,000	
Less: Unamortized Discount					40,044	(40,044)	
Less: Unamortized Discount					21,026	(21,026)	
Total (Net)				\$ 12,500,000	\$ 379,369	\$ 12,120,631	\$ 447,500
<b>TOTAL REVENUE BONDS</b>				\$ 25,000,000	\$ 758,738	\$ 24,241,262	\$ 895,000
<b>TOTAL BONDED DEBT</b>				\$164,920,491	\$55,872,101	\$109,048,390	\$ 8,498,677

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

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2011	4,768,813	3,362,963	944,187	302,073	9,378,036
2012	4,816,287	3,160,336	910,713	259,272	9,146,608
2013	4,667,909	2,957,824	967,091	218,296	8,811,120
2014	5,031,333	2,762,236	545,667	174,692	8,513,928
2015	5,043,711	2,535,341	509,289	147,408	8,235,749
2016-2020	25,008,135	9,080,326	2,224,866	384,253	36,697,580
2021-2025	22,479,395	3,167,088	385,604	15,906	26,047,993
<b>Total</b>	<b>\$71,815,583</b>	<b>\$27,026,114</b>	<b>\$ 6,487,417</b>	<b>\$1,501,900</b>	<b>\$106,831,014</b>

# Comprehensive Annual Financial Report 2010

City of Kent

Notes to the Financial Statements  
December 31, 2010

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

Year	Governmental Activities		
	Principal	Interest	Total
2011	1,890,677	421,691	2,312,368
2012	1,855,000	285,158	2,140,158
2013	1,213,768	187,658	1,401,426
2014	823,646	127,508	951,154
2015	675,000	89,048	764,048
2016-2019	1,240,000	116,251	1,356,251
<b>Total</b>	<b>\$7,698,091</b>	<b>\$1,227,314</b>	<b>\$8,925,405</b>

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

Revenue bond debt service requirements to maturity are as follows:

Year	Water Revenue Bonds		Sewerage Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2011	447,500	615,372	447,500	615,372	2,125,744
2012	460,000	601,947	460,000	601,947	2,123,894
2013	472,500	588,147	472,500	588,147	2,121,294
2014	487,500	573,972	487,500	573,972	2,122,944
2015	507,500	554,472	507,500	554,472	2,123,944
2016-2020	2,247,500	2,433,101	2,247,500	2,433,101	9,361,202
2021-2025	3,332,500	1,974,108	3,332,500	1,974,108	10,613,216
2026-2029	4,007,500	981,036	4,007,500	981,036	9,977,072
<b>Total</b>	<b>\$11,962,500</b>	<b>\$8,322,155</b>	<b>\$11,962,500</b>	<b>\$8,322,155</b>	<b>\$40,569,310</b>

**DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:**

The City of Kent Special Events Center Public Facilities District (PFD) has outstanding long-term **bonded debt** (net of unamortized amounts) of \$61,723,187.

The following is a summary of bonded debt issuance and redemption information as of December 31, 2010:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/10	Due Within One Year
Sales Tax Bonds	2008	2037	4-5.25%	\$ 53,150,000	\$ .	\$ 53,150,000	\$
Plus: Unamortized Premium					(1,069,544)	1,069,544	
Less: Unamortized Deferred Costs					1,481,357	(1,481,357)	
Revenue Bonds	2008	2020	3.16-5.75%	\$ 10,130,000	\$ 1,145,000	\$ 8,985,000	\$ 605,000
<b>Total Bonded Debt</b>				<b>\$ 63,280,000</b>	<b>\$ 1,556,813</b>	<b>\$ 61,723,187</b>	<b>\$ 605,000</b>

The Special Events Center Public Facilities District's annual debt service requirements to maturity for their sales tax and revenue bonds are as follows:

<b>Special Events Center Public Facilities District</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	605,000	3,130,050	3,735,050
2012	630,000	3,108,240	3,738,240
2013	730,000	3,082,428	3,812,428
2014	745,000	3,051,060	3,796,060
2015	865,000	3,016,053	3,881,053
2016-2020	6,295,000	14,266,825	20,561,825
2021-2025	10,725,000	12,230,048	22,955,048
2026-2030	16,990,000	9,026,763	26,016,763
2031-2037	24,550,000	4,723,975	29,273,975
<b>Total</b>	<b>\$62,135,000</b>	<b>\$55,635,442</b>	<b>\$117,770,442</b>

**Arbitrage Compliance**

All arbitrage compliance as per Section 148(f) of the Internal Revenue Service regulations, as amended, of the Internal Revenue Code for the City's tax-exempt bonds are current.

**b. NONBONDED LONG-TERM DEBT**

Special assessments on City property, notes, contracts, capital leases and compensated absences payable for a period greater than one year are recorded as long-term liabilities for Governmental Activities and in the individual Proprietary Funds.

The City has a contract with King County for road improvements. These are direct obligations of the City for which its full faith and credit is pledged. Debt service is paid from the General Obligation Debt Service Fund. It is funded by transfers from operating funds. Long-term debt for the long-term portion of compensated absences of \$1,748,644 is included with the total non-bonded long-term debt for governmental activities. See Note 14a for additional information pertaining to compensated absences.

The City has non-bonded Proprietary Fund long-term debt payable from revenue generated by respective Proprietary Funds. The Water and Sewerage Funds have intergovernmental loans for specific capital projects. Long-term debt for the long-term portion of compensated absences of \$181,263 is recorded in the Proprietary Funds. See Note 14a for additional information pertaining to compensated absences.

# Comprehensive Annual Financial Report 2010

## Notes to the Financial Statements December 31, 2010

### City of Kent

The following is a summary of non-bonded debt issuance and redemption information as of December 31, 2010:

	<b>Maturity Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>GOVERNMENTAL ACTIVITIES</b>						
<b>General Obligation:</b>						
Contract–King County 1996		\$ 1,810,709	\$ .	\$ .	\$ 1,810,709	\$ .
Contract–Valley Comm 2000	2015	1,253,000		1,253,000		
Contract–Valley Comm 2010 Ref	2015		1,065,000	21,000	1,044,000	196,000
Trust Fund Loans (Street) 2004	2024	7,488,253		507,774	6,980,479	507,775
Trust Fund Loans (Street) 2008	2028	4,500,000		236,842	4,263,158	236,842
LID 358 – Internal Financing		199,545		26,060	173,485	34,697
Compensated Absences		6,175,945	4,136,340	5,914,817	4,397,468	2,780,016
Total General Government		\$21,427,452	\$5,201,340	\$7,959,493	\$18,669,299	\$3,755,330
<b>Internal Service Funds:</b>						
<i>Equipment Rental Fund:</i>						
Compensated Absences		\$ 45,407	\$ 61,329	\$ 53,874	\$ 52,862	\$ 42,484
<i>Central Services Fund:</i>						
Compensated Absences		180,974	146,775	137,532	190,217	133,147
<i>Facilities Fund:</i>						
Energy Conservation Ln. 2003	2013	290,372		79,047	211,325	82,121
Energy Conservation Ln. 2004	2014	258,633		53,523	205,110	55,705
Compensated Absences		131,774	171,866	173,593	130,047	90,806
<i>Insurances Fund:</i>						
Compensated Absences		60,890	56,870	40,195	77,565	53,063
Total Internal Service Funds		\$ 968,050	\$ 436,840	\$ 537,764	\$ 867,126	\$ 457,326
<b>Total Governmental Activities</b>						
<b>Non-Bonded Long-Term Debt</b>		\$22,395,502	\$5,638,180	\$8,497,257	\$19,536,425	\$4,212,656

# Comprehensive Annual Financial Report 2010

City of Kent

Notes to the Financial Statements  
December 31, 2010

	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>Proprietary Funds:</b>						
<i>Water Fund:</i>						
Trust Fund Loan 2001	2021	\$ 6,333,333	\$ .	\$ 527,777	\$ 5,805,556	\$ 527,778
Trust Fund Loan 2002	2022	6,906,250		531,250	6,375,000	531,250
Contract-Tacoma Pipeline	2032	18,096,582		147,467	17,949,115	142,044
Contract-Tac. Pipeline 2010	2040		11,400,000		11,400,000	
Compensated Absences		240,096	225,978	228,700	237,374	165,281
Total Water Fund		\$31,576,261	\$11,625,978	\$ 1,435,194	\$41,767,045	\$1,366,353
<i>Sewerage Fund:</i>						
Trust Fund Loan 2004		\$ 1,200,000	\$ .	\$ 75,000	\$ 1,125,000	\$ 75,000
Compensated Absences		291,216	292,493	287,925	295,784	215,922
Total Sewerage Fund		\$ 1,491,216	\$ 292,493	\$ 362,925	\$ 1,420,784	\$ 290,922
<i>Golf Complex Fund:</i>						
Compensated Absences		\$ 73,312	\$ 44,697	\$ 37,547	\$ 80,462	\$ 51,154
Total Golf Complex Fund		\$ 73,312	\$ 44,697	\$ 37,547	\$ 80,462	\$ 51,154
<b>Total Business-Type Activities</b>						
<b>Non-Bonded Long-Term Debt</b>		\$44,540,789	\$ 563,168	\$ 1,835,666	\$43,268,291	\$1,708,429
<b>TOTAL NON-BONDED LONG-TERM DEBT</b>		\$55,536,291	\$17,601,348	\$10,332,926	\$62,804,716	\$5,921,083

The annual debt service requirements to maturity for LID Internal Financing and Contracts, Loans and Notes are as follows:

Year	<b>LID Internal Financing</b>		<b>Contracts, Loans, and Notes</b>				
	<b>Governmental Activities</b>		<b>Governmental Activities</b>		<b>Business-Type Activities</b>		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	34,697	7,807	1,269,042	196,723	1,276,072	1,408,065	4,192,406
2012	34,697	6,245	1,184,207	178,565	1,284,231	1,215,644	3,903,589
2013	34,697	4,684	1,159,150	159,887	1,556,247	1,187,447	4,102,112
2014	34,697	3,123	1,083,004	140,846	1,573,263	1,153,036	3,987,969
2015	34,696	1,561	1,059,917	124,435	1,602,296	1,117,467	3,940,372
2016-2020			4,199,585	461,976	8,855,473	4,981,210	18,498,244
2021-2025			3,563,447	248,416	8,096,229	3,794,024	15,702,116
2026-2030			996,428	48,570	10,074,806	2,437,562	13,557,366
2031-2035					5,406,054	970,143	6,376,197
2036-2040					2,930,000	328,829	3,258,829
<b>Total</b>	\$173,484	\$23,420	\$14,514,780	\$1,559,418	\$42,654,671	\$18,593,427	\$77,519,200

## 11. FUND EQUITY

Fund balance has been classified as appropriate in the governmental fund financial statements as follows:

- (1) **Reserved** - Amounts are segregated to indicate that they are legally restricted and are not available spendable resources. The City has the following reserves:
  - (a) **Reserve for Prepaid Items** Prepayments are a component of net current assets but are not available spendable resources; \$57,586 is so reserved in the General Fund.
  - (b) **Reserve for Contingency** A contingency reserve for a worker's compensation claim was set up in 1990 in the Insurance Internal Service Fund. The December 31, 2010 amount was \$213,785.
  - (c) **Reserve for Debt Service** Resources are legally restricted for the payment of long-term debt principal and interest amounts maturing in future years. The Debt Service and Enterprise Fund's reserves reflect this restriction.
  - (d) **Reserve for Trust and Agency Funds** Represents the fund balance of the City's Firemen's Relief and Pension Fund reserved for future pension payments. Note 14b(4).
  
- (2) **Unreserved**
  - (a) **Unreserved, but designated.** In 2010, the Council designated \$768,523 of unreserved fund balance in the General Fund for contingencies. This designation of unreserved fund balance is to maintain an adequate cash position during the year, and to have funds available for unanticipated needs.
  - (b) **Unreserved** fund balance is the excess of the current assets over the current liabilities, net of reserves or designations. The unreserved fund balance is the accumulation of earnings of a proprietary fund, net of reserves.
  - (c) **Deficit** fund balance is excess of current liabilities over current assets. Of the major funds, the Capital Improvement, Street Projects, and Other Projects had deficit fund balances of \$8,106,929, \$3,110,733 and \$2,342,469, respectively, as of December 31, 2010. Other funds with deficit funds balances as of December 31, 2010, were the Street, Youth/Teen Programs, Environmental Mitigation, and Kent Events Center with \$938,387, \$57,001, 224,139 and \$1,627,111, respectively.

## 12. INFORMATION ON ENTERPRISE FUNDS

The City has three Enterprise Funds. Information pertaining to each fund is presented below:

### a. WATER

The Water Fund collects all revenues for the City's water utility, pays the expenses of the utility, pays amounts as required by bond covenants for debt service and expends certain monies to fund improvements to the system. Effective April 1, 2009, per Ordinance 3901 monthly Meter Access Fee rates were increased by 15% from January 1, 2008. Effective June 1, 2009, per ordinance 3915, Meter Access Fee rates were increased by 48% as were water usage rates. Shown below are the new rates effective as of January 1, 2010, compared to 2009 rates:

#### Meter Access Fee Rates (monthly)

	Effective 4/1/09	Effective 6/1/09	Effective 1/1/10
<u>Meter Size</u>			
3/4" or 5/8"	\$ 6.05	\$ 8.95	\$11.64
1"	\$10.28	\$15.21	\$19.78
1 1/2"	\$15.69	\$23.22	\$30.19
2"	\$20.80	\$30.78	\$40.02
3"	\$44.10	\$65.27	\$84.85
4"	\$53.44	\$79.09	\$102.82

#### Usage Rates from 6/1/09 to 12/31/09

		Inside City Limits	Outside City Limits
<u>Monthly</u>			
Summer (5/1-9/30)	First 700 cu. ft.	\$2.81 per 100 cu. ft.	\$3.43 per 100 cu. ft.
	Over 700 cu. ft.	\$3.58 per 100 cu. ft.	\$4.22 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$2.13 per 100 cu. ft.	\$2.81 per 100 cu. ft.
	Over 700 cu. ft.	\$2.89 per 100 cu. ft.	\$3.58 per 100 cu. ft.

#### Usage Rates 2010

		Inside City Limits	Outside City Limits
<u>Monthly</u>			
Summer (5/1-9/30)	First 700 cu. ft.	\$3.66 per 100 cu. ft.	\$4.46 per 100 cu. ft.
	Over 700 cu. ft.	\$4.66 per 100 cu. ft.	\$5.48 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$2.77 per 100 cu. ft.	\$3.66 per 100 cu. ft.
	Over 700 cu. ft.	\$3.75 per 100 cu. ft.	\$4.66 per 100 cu. ft.

### b. SEWERAGE

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

The sewer operation is a collection system which pumps wastes to METRO, a regional treatment agency under King County. All collection districts in King County contract with METRO for sewage treatment. Rate increases for sewer are primarily related to pass through charges from METRO.

The drainage operation started in May 1985 and collects revenue to fund operating charges. Drainage rates were increased in on April 1, 2009, by Ordinance No. 3901. The Ordinance eliminated the various basins that the City was divided into and replaced them with a single basin covering the entire city. In 2008, the fee for residences varied from a minimum of \$4.25 per month to \$7.62 per month depending on the drainage basin the property was located in. In 2009, that fee was changed to one fee of \$8.75 per month for single-family residences and in 2010 increased to \$10.06 per month. The rate for multi-family and commercial establishments varies based on a calculation of impervious surfaces.

The following shows the separation of the Sewerage Fund into its components. Amounts are shown in thousands.

	Sewer	Drainage	Total
Operating Revenues	\$ 20,686	\$ 15,156	\$ 35,842
Operating Expenses	(20,265)	(8,545)	(28,810)
Operating Income	\$ 421	\$ 6,611	\$ 7,032

c. **GOLF COMPLEX**

In 1981, the City purchased a golf facility that included a 9-hole executive golf course, a mini-putt facility, and a driving range. An 18-hole golf course was completed in 1989 funded by the issuance of revenue bonds. The revenue bonds were refunded in 1995 with a limited-tax general obligation issue that also included some new money for driving range and mini-putt improvements. On June 1, 1993, the City contracted with a private corporation to operate the City's Golf Complex. Due to the retirement of the key management person of the corporation, the management contract was terminated on December 31, 1999. The City took over all golf operations and continued a contract for merchandising at January 1, 2000. During 2000, the City entered into a separate management contract to operate the 9-hole executive course, mini-putt facility, and the driving range. The same contractor entered into a lease agreement with the City to build and operate a new restaurant at the 18-hole course. In 2010, the restaurant entered into a new lease agreement with a new contractor, Mick Kelly's Irish Pub. In 2001, the golf merchandise contractor closed its store at the complex. The City Council passed the golf merchandising program on November 20, 2001 to be effective December 1, 2001. The City operates the 18-hole course, runs the merchandising operation, and provides all of the maintenance at the complex. The Golf Complex Fund collects all revenues and pays all expenses. The complex had an decrease of net assets of \$470,735 in 2010, and net assets of \$6,051,151 at December 31, 2010.

13. **PROPERTY TAXES**

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

Tax bills are mailed on February 14 and are due on April 30. They may be paid in two equal installments on April 30 and October 31. If not remitted by April 30, the whole amount becomes delinquent with penalties and delinquent interest assessed on that amount. The County Treasurer remits collections to the individual taxing districts daily by electronic funds transfer as amounts are received and allocated to taxing districts. General and Debt Service Funds receivables include \$985,963 for delinquent property taxes. No estimate of uncollectible taxes is made since state law allows for sale of property for failure to pay taxes.

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

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

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

For 2010, the City's regular tax levy was \$2.355 per \$1,000 of assessed valuation based on the 2009 assessed valuation of \$11,725,006,664 for a total regular levy of \$27,615,884.

## 14. PERSONNEL BENEFITS

### a. SICK, VACATION AND COMPENSATORY LEAVE

Eligible employees earn twelve days sick leave and twelve to twenty-two days vacation leave per year depending on the employee's length of service and union agreement. Law enforcement officers and firefighters hired on or before September 30, 1977 receive unlimited sick leave. Maximum sick leave accruable for other employees is 130 days. Compensatory leave is time off in lieu of pay, but is due and owing to employees upon termination. Employees leaving the City of Kent are entitled to be paid for all unused vacation and compensatory leave. Upon termination, police officers hired prior to January 1, 2008, who retire or separate in good standing, will be compensated for the hours, up to 1,040 hours, remaining in their sick leave bank based on their tenure as commissioned officers with the Kent Police Department. The compensation is calculated at a percentage (between 20 and 80 percent) based on their tenure of the employee's hourly rate. Compensated absences payable includes the sick leave buy-out for retired and separated police officers as well as vacation and compensatory leave for all employees per GASB 16.

There are some sick leave benefits which are not paid to the employees upon termination, but instead are due in January following the year earned. Police officers are eligible to receive compensation for accrued sick leave exceeding 1,040 hours at December 31. The City also pays all eligible employees a sick leave incentive amount based on the number of sick days accrued at year end. The amount paid equates from 8 to 32 hours of base pay.

In the Governmental Activities Statement of Net Assets, the current portion of compensated absences plus estimated benefits, including internal services, is estimated to be \$3,099,516 and the estimated long term, portion, including internal services is \$1,748,643. The liabilities are typically liquidated by the general fund, with exception to those related to internal services. In the Proprietary Funds, the current portion is that amount which is anticipated to be paid within the next fiscal period. The Proprietary Funds fully accrue compensated absences plus estimated benefits thereon, and separate current and long-term portions for balance sheet purposes only. In the Business-type Activities Statement of Net Assets, the estimated current amount is \$432,357 and the estimated long-term portion is \$181,263.

b. **RETIREMENT**

The City's contributions to retirement programs in 2010 were:

To Federal Social Security System	\$3,745,758
To State administered employee retirement systems	<u>3,018,472</u>
Total	<u>\$6,764,230</u>

Retirement payments to City employees from all City funds in 2010 were:	
From Firemen's Relief and Pension Fund	<u>\$ 324,364</u>

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

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

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

The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers.

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

PERS is a cost-sharing multiple-employer system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined

benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS contains two defined benefit "plans" and one combination defined benefit/defined contribution "plan". (As used in this context, "plans" refers to tiers within PERS. The actual plan is PERS.) Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining on or after October 1, 1977 and by August 31, 2002 are enrolled in Plan 2 unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after September 1, 2002 have the option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live. Retirement benefits are financed from employee and employer contributions and investment earnings. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

**Plan 1** retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 retirements from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

**Plan 2** retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the average final compensation (AFC) per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 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 3 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. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually. The surviving spouse or eligible child or children of a member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service of the United States while participating in *Operation Enduring Freedom* or *Persian Gulf, Operation Iraqi Freedom*.

**Plan 3** has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the average final compensation per year of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefits portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at a normal retirement age at death. This applies to any member killed in the course of employment, on or after June 10, 2004 if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

*Judicial Benefit Multiplier*

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Current justices or judges in PERS Plan 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average financial compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who choose to participate in JMB will accrue service credit at the higher multiplier beginning with the date of their election, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who do not choose to participate will: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM program, and continue to pay contributions at the regular PERS rate.

Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted in PERS membership, are required to participate in the JBM Program.

Justices and judges who are newly elected or appointed to judicial service will: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan members Nonvested	53,896
<b>Total</b>	<b>262,166</b>

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution rate are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The City's contribution rates expressed as a percentage of covered payroll, for the year ending December 31, 2010 were:

Members not participating in JBM:

	Plan 1 Required	Plan 2 Required	Plan 3 Required
Employer*	5.31%**	5.31%****	5.31%***
Employee	6.00%****	3.90%****	****
Total	11.31%	9.21%****	5.31%

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\*The employer rate for state elected officials is 7.89% for Plan 1 and 5/31% for Plan 2 and Plan 3.

\*\*\*Plan 3 defined benefit portion only.

\*\*\*\*The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

\*\*\*\*\*Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	Plan 1 Required	Plan 2 Required	Plan 3 Required
Employer-State Agency*	7.81%	7.81%	7.81%**
Employer-Local Gov.*	5.31%	5.31%	5.31%**
Employee-State Agency	9.76%	7.25%	7.50%***
Employee-Local Gov.	12.26%	9.75%	7.50%***

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\*Plan 3 defined benefit portion only.

\*\*\*Minimum rate.

Both the City and the employees made the required contribution. The City's required contributions for the years ended December 31, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	\$ 86,446	\$1,437,394	\$282,245
2009	\$117,134	\$1,881,779	\$374,928
2008	\$122,423	\$1,994,771	\$356,803

(2) **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined thereafter are enrolled in Plan 2. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with

Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from the combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

**Plan 1** members are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average
20+	2.0%
10 but less than 20	1.5%
5 but less than 10	1.0%

The final average salary (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 10 years of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children received 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 70 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries. The Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 70 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

**Plan 2** members are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at age 53 with five years of

service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums. Members who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of Plan 2 who leave service because of a line of duty disability may be eligible to receive retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax. LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member. Members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability. Beneficiaries of a Plan 2 member killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington State Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of June 30, 2009, the latest actuarial valuation date for the plans:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	3,944
<b>Total</b>	<b>27,435</b>

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature has the ability, by means of a special funding arrangement, to appropriate 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 requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	<b>Plan 1 Required</b>	<b>Plan 2 Required</b>
Employer*	0.16%	5.24%
Employee	0.00%	8.46%
State	N/A	3.38%
<b>Total</b>	<b>0.16%</b>	<b>17.08%</b>

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*The employer rate for ports and universities is 8.62%.

Both the City and the employees made the required contribution. The City's required contributions for the years ended December 31, were:

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2010	\$ 350	\$1,118,831
2009	\$ 643	\$1,531,492
2008	\$ 721	\$1,464,916

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

PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

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

A *covered employer* is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections; Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, 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 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 2 members are vested after the completion of five years of eligible service. Members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of two percent of the average final compensation per year of service. The average final compensation is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 2 provides disability benefits with no minimum amount of service credit for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. Disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. 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).

Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, members who become totally incapacitated for continued employment while serving the uniformed services, may apply for interruptive military service credit. Should any such member die during this active duty the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member. Members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability. Beneficiaries of a Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of Department of Labor and Industries.

A one-time duty-related death benefit is provide to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	4,340
<b>Total</b>	<b>4,342</b>

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

	<b>Plan 2 Required</b>
Employer*	7.85%
Employee	6.55%
<b>Total</b>	<b>14.40%</b>

\*The employer rate includes an employer administrative expense fee of 0.16%.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

	<b>PSERS Plan 2</b>
2010	\$ 96,625
2009	\$108,165
2008	\$114,497

(4) **Firemen's Relief and Pension System**

The Firemen's Relief and Pension system is a single employer defined benefit pension plan. Membership is limited to firefighters employed prior to March 1, 1970. The City's liability under the system is composed of all benefits for firefighters retired prior to March 1, 1970, who are members of the system. The system is a trust fund in the financial reports of the City, and is administered by the Firemen's Relief and Pension Board made up of two members of the system, the Mayor, and a Councilmember. The plan is governed by State statute and does not issue a stand-alone financial report.

The accrual basis of accounting was used to prepare the Firemen's Relief and Pension Fund statements. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

As of December 31, 2010 there were a total of 13 individuals covered by this system and drawing benefits. The City's covered payroll for year ending December 31, 2010 was \$124,364. The most recent actuarial study of the system was done by Milliman & Robertson, Inc. to determine the funding requirements as of January 1, 2008. As of that date, the fair value of all assets was \$3,265,169 and the actuarial present value of future benefits was \$2,630,000. The City contributed \$146,577 in 2010. The actuary computed the annual required contribution (ARC) using the Entry Age Normal Cost Method. Since nearly all members have already retired, the amount of the annual Normal Cost is small. Other actuary assumptions in the study were a 2.5% inflation rate, a 4.0% investment return, and an annual 3.5% increase in salaries and post retirement benefits. The amortization method used is level dollar of projected payroll over a 30 year closed period beginning January 1, 1999.

<b>GASB Statement No. 27</b>			
<b>Annual Pension Cost and Net Pension Obligation</b>			
	12/31/08	12/31/09	12/31/10
Annual required contribution (ARC)			
1 Annual Normal Cost (BOY)	\$ 0	\$ 0	\$ 0
2 Amortization of UAAL (BOY)	(44,333)	(44,333)	(46,150)
3 Interest to EOY [(1)+(2)] <sup>1</sup> x (i) <sup>1</sup>	(2,217)	(2,217)	(1,846)
4 ARC at EOY [(1)+(2)+(3)]	\$ (46,550)	\$ (46,550)	\$ (47,996)
5 Interest on NPO	(19,604)	(18,478)	(13,763)
6 Adjustment to ARC	(29,124)	(28,242)	(25,190)
7 Annual pension cost [(4)+(5)-(6)]	\$ (37,030)	\$ (36,786)	\$ (36,569)
8 Employer Contributions <sup>2</sup>	(59,543) <sup>2</sup>	(54,915)	(53,423) <sup>***</sup>
9 Change in NPO [(7)-(8)]	\$ 22,513	\$ 18,129	16,854
10 NPO at BOY [(11) prior year]	\$ (392,070)	\$ (369,557)	\$ (351,428)
11 NPO at EOY [(9)+(10)]	\$ (369,557) <sup>2</sup>	\$ (351,428)	\$ (334,574) <sup>***</sup>

\*

<sup>1</sup>i is the assumed interest rate that year: 5.0% in 2008, 5.0% in 2009, 4.0% in 2010.

<sup>2</sup>Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

<sup>\*\*\*</sup>Assumed amounts will be replaced at year end with actual amounts.

<b>GASB Statement No. 27</b>			
<b>Three Year Trend Information</b>			
Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2008	\$ (37,030)	N/A %	\$ (369,557)
December 31, 2009	(36,786)	N/A	(351,428)
December 31, 2010	(36,569)	N/A **	(334,574)*

\*Assumed amounts will be replaced at year end with actual amounts.

<b>Schedule of Employer Contributions</b>					
Fiscal Year Ending	Employer Contributions*	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution ARC	Percentage of ARC Contributed
December 31, 2003	\$(155,394)	\$89,524	\$(65,870)	\$(136,261)	(48.34)%
December 31, 2004	\$(160,244)	\$99,019	\$(61,225)	\$(104,547)	(58.56)%
December 31, 2005	\$(219,000)	\$94,261	\$(124,739)	\$(104,547)	(119.31)%
December 31, 2006	\$(225,373)	\$110,431	\$(114,942)	\$(72,177)	(159.25)%
December 31, 2007	\$(191,365)	\$121,172	\$(70,193)	\$(72,177)	(97.25)%
December 31, 2008	\$(191,388)	\$131,845	\$(59,543)	\$(46,550)	(127.91)%
December 31, 2009	\$(187,000)	\$132,085	\$(54,915)	\$(46,550)	(133.76)%
December 31, 2010**	\$(200,000)	\$146,577	\$(53,423)	\$(47,996)	(135.43)%

\*41.26.150 and administrative expenses.

\*\* Assumed amounts will be replaced at year end with actual amounts.

The Firemen's Relief and Pension System's investments at December 31, 2010 of \$3,148,033, recorded at fair market value, were in the following obligations:

	Market Value
Refcorp. Strips	\$ 850,533
Government Agencies	622,500
State Investment Pool	1,675,000
<b>Total</b>	<b>\$3,148,033</b>

(5) **Retirement Health Care Benefits-LEOFF I Retirement System**

During the year ended December 31, 2007, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45), which requires the City to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities.

*Plan Description.* The City of Kent Health Plan for LEOFF I Retirees (the Health Plan) is a single-employer defined-benefit healthcare plan administered by the City. The Health Plan provides medical, prescription drug, dental, vision, long-term care, and other unreimbursed medical benefits to eligible retirees. The most recent actuarial study was done by Healthcare Actuaries to determine funding requirements as of December 31, 2007. The Health Plan does not issue a separate stand-alone financial report.

*Funding policy.* Retirees are not required to contribute to the Health Plan.

For the fiscal year ended December 31, 2010, the City contributed \$250,000 to the Health Plan to prefund benefits.

*Annual OPEB Cost and Net OPEB Obligation.* The basis for the City's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, we project will cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following displays the components of the City's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the City's net OPEB obligation to the Health Plan:

	12/31/10
Amortization of unfunded actuarial accrued liability (UAAL) at transition	\$ 505,997
ARC	\$ 505,997
Annual OPEB cost (expense)	\$ 505,997
Contributions made	(250,000)
Increase in net OPEB obligation	\$ 255,997
Net OPEB obligation – beginning of year	327,640
Net OPEB obligation – end of year	\$ 583,637

\*Replaced with actual contributions made.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation follow:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Obligation
December 31, 2008	\$ 505,997	49.4%	\$ 71,643
December 31, 2009	\$ 505,997	49.4%	\$ 327,640
December 31, 2010	\$ 505,997	49.4%	\$ 583,637

*Funded Status and Funding Progress.* The funded status of the Health Plan as of December 31, 2007, follows:

Actuarial accrued liability (AAL) – Unit Credit	\$8,609,653
Actuarial value of plan assets	251,263
Unfunded actuarial accrued liability (UAAL)	\$8,358,390
Funded ratio (actuarial value of plan assets/AAL)	2.9%

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

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

The December 31, 2007 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 11.5% for medical/prescription drug/unreimbursed medical expenses and 7.0% for dental, reduced by decrements to ultimate rates of 5.5% and 5.0% after 6 years and 3 years, respectively. The vision and long-term care trend rates are 4.0% for all years. All trend rates included a 3.0% inflation assumption. The amortization of the UAAL at transition is a level dollar amount on a closed basis. The remaining amortization period at December 31, 2010 was 27.0 years.

c. **LIFE INSURANCE**

Life insurance is provided for full time employees through Standard Life Insurance Company. Full-time employees are covered immediately. All employees have paid life insurance equal to their annual salary up to \$50,000. The City contributed \$112,966 during 2010 for this coverage.

**City of Kent**

**d. DEFERRED COMPENSATION**

In 1984 the City established a deferred compensation program for its employees in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) deposited to a trust. The City has no claim to these assets and, as of January 1, 1998, no longer records the fair value of the assets of the deferred compensation program on its books. The City makes no contributions to the plan, but allows its employees to contribute to the International City Managers Association (ICMA) plan.

**15. RISK MANAGEMENT**

The City maintains consolidated insurance operations in one Insurance Internal Service Fund. The Unemployment, Worker's Compensation, a portion of the Liability and Property, and Medical and Dental Insurance Programs are self insured. This fund is made up of separate sub-funds for Unemployment Compensation, Worker's Compensation, Liability and Property, and Medical and Dental Insurance. There were no significant reductions in insurance coverage and no claims exceeded insurance coverage for the past three years. Following is a table of changes in estimated claims liabilities for 2010 and 2009 as carried in the City's Internal Service Funds:

	Worker's Compensation		Medical and Dental		Liability		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Claims Liabilities, January 1	\$1,693,251	\$1,716,012	\$ 927,000	\$ 1,086,800	\$1,717,156	\$1,684,466	\$4,337,407	\$4,487,278
Less: Claims Paid	(1,365,128)	(1,066,440)	(10,360,169)	(9,765,243)	(557,983)	(508,592)	(12,283,280)	(11,340,275)
Plus: Claims and changes in estimates	1,541,461	1,043,679	10,469,869	9,605,443	966,798	541,282	12,978,128	11,190,404
Claims Liabilities, December 31	\$1,869,584	\$1,693,251	\$ 1,036,700	\$ 927,000	\$2,125,971	\$1,717,156	\$5,032,255	\$4,337,407

**a. UNEMPLOYMENT COMPENSATION**

The City became self-insured for unemployment compensation in 1981 when it began to make contributions from the City operating funds to its own fund at the State rate. It continued to contribute at the 1981 State rate building up substantial equity. The City authorized an actuarial study in 1991 to determine the trust's actuarial soundness and the impact on future rates. The study was made by Milliman and Robertson, Inc. as of 12/31/91. In 1999, the City started charging its operations for unemployment compensation at .55% of gross salaries to a maximum of \$24,300 for its full and part time salaried personnel. This was due to the declining equity in the fund. At December 31, 2010, fund equity was \$42,250 and 2010 claims were \$377,573.

**b. WORKER'S COMPENSATION**

The City became self-insured for worker's compensation in 1981. Contributions based upon actuarially determined allocations currently meet expenses. The City authorized an actuarial study in 1999 to determine the trust's actuarial soundness and the impact on future rates. The latest study was made by Fallquist Actuaries, Inc., as of December 31, 2009. The study projected ultimate loss for 2010 of \$999,375. At December 31, 2010, incurred but not reported and claims payable were

estimated at \$1,869,584. At December 31, 2010 fund equity was (\$128,110). A contingency reserve of \$213,785 was set up for a worker's compensation claim. The City carries coverage for losses exceeding \$500,000 per occurrence for Public Safety employees and \$400,000 for all other employees with a private carrier to a maximum indemnity of \$1,000,000 per occurrence or \$2,000,000 for period of coverage.

c. **LIABILITY AND PROPERTY**

The City of Kent is a charter 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 purchased insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of over 140 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. The City has opted for a deductible of up to \$100,000 per occurrence, saving significant premium costs. Coverage includes general, automobile, police, public officials' errors and omissions, stop gap, and employee benefits liability. Limits are \$20 million per occurrence with coverage in the form of both a self-insured retention and reinsurance. The Board of Directors determines the limits and terms of coverage annually.

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. These revenues directly offset portions of the membership's annual assessment.

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.

At December 31, 2010, the City booked incurred but not reported claims to equal estimated outstanding claims liability of \$2,125,971. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2010.

At December 31, 2010, fund equity was \$163,462 in its liability fund and \$70,267 in its property fund. In 2010, the City expensed \$2,369,526 for its liability claims and insurance coverage and \$393,631 for its property claims and insurance coverage.

Property coverage is provided by Affiliated FM for all risks including earthquake and flood for buildings, contents, business income, extra expense, mobile equipment, fine arts and vehicles. Deductibles are \$10,000 per occurrence with the exception of \$25,000 per occurrence for vehicles

except garaged vehicles is \$2,500 per occurrence. The limits of liability are \$105 million per occurrence. The City carries boiler and machinery coverage up to a maximum of \$10 million for any one accident. The City also carries fidelity bond coverage of \$100,000 for its Finance Director and \$50,000 for its Chief of Police. The City self insures for its underground storage tanks up to \$500,000 per incident to an aggregate of \$1,000,000.

d. **MEDICAL AND DENTAL**

The City is self insured for three medical plans administered by Premera Blue Cross, two dental plans administered by Washington Dental Service (WDS), and a vision plan administered by Vision Service Plan (VSP). Claims exceeding \$150,000 per occurrence are covered by a stop loss policy. Group Health is offered as a Health Maintenance Organization (HMO) additional plan. The 100% Preferred Provider plan provides comprehensive benefits with co-pays, the 80/20 Preferred Provider plan is a deductible plan with co-insurance, and the Health Savings Account (HSA) plan is a high deductible plan with a HSA attached. The two dental plans offered are both Preferred Provider Plans with different maximums depending on the plan enrolled. In 2010, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$9,687,631. The City authorizes an actuarial study every year to determine the fund's actuarial soundness and the impact on future rates. The most recent study was completed as of December 31, 2010. The City's incurred but not reported claims liabilities increased from \$969,800 as of December 31, 2009 to \$1,084,300 as of December 31, 2010. These amounts include the estimate for LEOFF1 Retirees of \$95,200 as of December 31, 2010.

Group Health Cooperative provided health care to approximately five percent of the employees for 2010 premiums of \$456,121.

The fund's net assets decreased by \$222,303 to \$3,219,631 at December 31, 2010. In 2010, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

# Comprehensive Annual Financial Report 2010

City of Kent

Notes to the Financial Statements  
December 31, 2010

The 2010 financial highlights for the individual insurance operations are shown below:

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Cash and residual investments	\$ 44,963	\$ 150,917	\$ 67,019	\$ 694,847	\$ 72,981	\$ 1,030,727
Other investments		1,619,874	1,070,001	1,325,000		4,014,875
Receivables:						
Accounts			671,831			671,831
Accrued interest		252				252
Interfund Loan Receivable			2,800,000	300,000		3,100,000
Prepaid expenses	233	726	4,434	608,906		614,299
<b>TOTAL ASSETS</b>	<b>\$ 45,196</b>	<b>\$ 1,771,769</b>	<b>\$ 4,613,285</b>	<b>\$2,928,753</b>	<b>\$ 72,981</b>	<b>\$ 9,431,984</b>
<b>LIABILITIES</b>						
Current:						
Vouchers payable	\$ 233	\$ 9,850	\$ 239,101	\$ 628,466	\$	\$ 877,650
Accrued expenses	2,061	1,887,399	1,086,810	2,134,216	2,062	5,112,548
Due to other funds			1			1
Deposits and Deferred Revenue		21				21
Long term:						
Compensated absences	652	2,609	17,981	2,609	652	24,503
<b>TOTAL LIABILITIES</b>	<b>2,946</b>	<b>1,899,879</b>	<b>1,343,893</b>	<b>2,765,291</b>	<b>2,714</b>	<b>6,014,723</b>
<b>NET ASSETS</b>	<b>42,250</b>	<b>(128,110)</b>	<b>3,269,392</b>	<b>163,462</b>	<b>70,267</b>	<b>3,417,261</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>						
<b>NET ASSETS</b>	<b>\$ 45,196</b>	<b>\$1,771,769</b>	<b>\$ 4,613,285</b>	<b>\$2,928,753</b>	<b>\$ 72,981</b>	<b>\$9,431,984</b>

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
<b>INCOME STATEMENT</b>						
OPERATING REVENUES	\$ 457,398	\$1,410,859	\$11,322,864	\$2,233,932	\$ 427,594	\$ 15,852,647
OPERATING EXPENSES	404,021	1,808,442	11,506,268	2,369,526	393,631	16,481,888
OPERATING INCOME (LOSS)	53,377	(397,583)	(183,404)	(135,594)	33,963	(629,241)
NON-OPERATING REVENUE (EXPENSES)	18	5,102	10,862	4,221	6	20,209
NET INCOME (LOSS)	53,395	(392,481)	(172,542)	(131,373)	33,969	(609,032)
NET ASSETS 1/1	(11,145)	264,371	3,441,934	294,835	36,298	4,026,293
<b>NET ASSETS 12/31</b>	<b>\$ 42,250</b>	<b>\$ (128,110)</b>	<b>\$ 3,269,392</b>	<b>\$ 163,462</b>	<b>\$ 70,267</b>	<b>\$ 3,417,261</b>

#### 16. JOINT VENTURE

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

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

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 opened in 2002. Each of the five participating cities is responsible for one-fifth of the debt obligation, which came to \$2,551,600. On March 5, 2010, Valley Communications refunded the bonds in the amount of \$5,325,000 to mature in 2015 like the original issue. With the 2010 refunding, the City reduced its portion of the 2000 bond debt by \$4,000. The five participating cities pay the debt service costs through Valley Communications Development Authority. The new balance of the City of Kent's obligation was \$1,044,000 at December 31, 2010.

The purpose of the joint operation is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to the several subscribing agencies, which include King County Fire Districts #2, #20, #39, #40, #43, #44, #47; Kent Regional Fire Authority (RFA), City of Pacific Police and Fire Departments; City of Algona Police Department; City of Des Moines Police Department, City of Black Diamond Police and Fire Departments, SeaTac Fire Department, North Highline Fire Department, Vashon Island Fire Department, and King County EMS Units. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged.

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

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

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

**City of Kent**

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

In 2010, the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	94,799	25.89%
Renton	79,729	21.77%
Auburn	73,969	20.20%
Tukwila	34,691	9.47%
Federal Way	83,022	22.67%
Totals	366,210	100.00%

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

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

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

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

	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Percent of Equity	30.98%	21.89%	20.72%	12.41%	14.00%	100.00%
Equity 1/1/2010	\$6,628,171	\$4,653,923	\$4,408,776	\$2,661,250	\$2,903,476	\$21,255,596
Current Yr Increase	213,723	179,748	166,762	78,210	187,172	825,615
Equity 12/31/2010	\$6,841,894	\$4,833,671	\$4,575,538	\$2,739,460	\$3,090,648	\$22,081,211

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

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

**17. COMPONENT UNITS**

**a. Economic Development Corporation**

The City of Kent established an Economic Development Corporation in August of 1983. The corporation was established pursuant to State legislation enacted in 1981 and codified in Chapter 39.84 of the Revised Code of Washington. The Corporation was established for the purpose of facilitating economic development and employment opportunities through the financing of industrial development facilities by non-recourse revenue obligations. The City has no financial liability for these obligations. The following obligations are outstanding as of December 31, 2010.

<b>Development</b>	<b>Issue Date</b>	<b>Original Amount</b>	<b>Reductions</b>	<b>Outstanding</b>
United Warehouses*	5/1/06	\$2,545,000	\$810,000	\$1,735,000

\*formerly known as Cascade Development

The Fund receives a nonrefundable application fee of \$1,500 and an annual administration fee of .125 percent of the outstanding principal amount of the bonds not less than \$2,500 received at bond closing and annually thereafter. Expenses of the Corporation are to reimburse the City for services rendered in particular those of the City Clerk and the City Attorney who act as officers of the corporation.

In 2010, the Corporation generated \$2,553 in revenue and had net assets of \$18,937 at December 31, 2010. Per GASB 14, "The Financial Reporting Entity", the City has chosen to include this entity in the City's financial statements utilizing the discreet presentation method.

A copy of the Economic Development Corporation's financial statements is available at the City of Kent located at 220 – 4<sup>th</sup> Avenue South, Kent, WA 98032.

**b. City of Kent Special Events Center Public Facilities District**

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

On February 29, 2008, the PFD issued bonds in the amount of \$63,280,000. For the fiscal year ended December 31, 2010, the PFD generated \$3,752,453 in revenue and had net assets of \$(61,609,926).

Per GASB 14, "The Financial Reporting Entity", the City has chosen to include this entity in the City's financial statements utilizing the discreet presentation method.

A copy of the City of Kent's Special Events Center Public Facilities District's financial statements is available at the City of Kent located at 220 – 4<sup>th</sup> Avenue South, Kent, WA 98032.

**City of Kent**

**18. CONTINGENT LIABILITIES**

Per the City Attorney, there is no litigation currently pending which, if settled unfavorably to the City of Kent, would materially affect the City's financial position.

**19. COMMITMENTS**

As of December 31, 2010, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$ 4,790,714
Parks Capital Projects	1,387,355
Technology Capital Projects	2,500,646
Facility Capital Projects	7,619,957
Facilities Fund Projects	484,532
Miscellaneous Capital Projects	15,120,612
Water Capital Projects	23,621,134
Sewerage Capital Projects	24,529,743
<b>Total</b>	<b>\$80,054,693</b>

**20. PRIOR PERIOD ADJUSTMENTS**

The 2004 General Obligation Voted Debt was redeemed in December 2009 and an entry was made to move the net balance from the Voted Debt Service Fund to the General Fund resulting in an increase in revenues to the General Fund and clearing out the Voted Debt Service Fund.

	<b>Debit</b>	<b>Credit</b>
Voted Debt Service Fund	\$2,972	
General Fund - Prior Period Adjustment		\$2,972

In 2010, a prior period correction was made to move cell tower lease revenue acquired from 2003 to 2009 in the Parks Fund to the funds matching the location of the cell towers. A total of \$212,697 was reallocated from the Parks Fund and redistributed to the Golf Fund in the amount of \$107,697 and the Facilities Fund in the amount of \$105,000.

	<b>Debit</b>	<b>Credit</b>
Parks Fund	\$212,697	
Golf Fund		\$107,697
Facilities Fund		105,000

**21. SUBSEQUENT EVENTS**

There are no subsequent events to report.



# Comprehensive Annual Financial Report 2010

City of Kent

Required Supplementary Information

## FIREMEN'S RELIEF AND PENSION SYSTEM Schedule of Funding Progress (rounded to thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liabilities (AAL) Entry Age (b)	Unfunded Actuarial Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Jan. 1, 2000	\$3,295	\$2,169	(\$1,126)	152%	\$153	(736)%
Jan. 1, 2002	\$3,644	\$1,999	(\$1,645)	182%	\$160	(1,028)%
Jan. 1, 2004	\$3,661	\$2,380	(\$1,281)	154%	\$184	(696)%
Jan. 1, 2006	\$3,522	\$2,507	(\$1,015)	140%	\$90	(1,128)%
Jan. 1, 2008	\$3,455	\$2,859	(\$596)	121%	\$99	(602)%
Jan. 1, 2010	\$3,260	\$2,630	(\$630)	124%	\$0	N/A

## FIREMEN'S RELIEF AND PENSION SYSTEM Schedule of Employer Contributions

Fiscal Year Ended	Employer Contributions*	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution ARC**	Percentage of ARC Contributed
Dec 31, 2001	\$0	\$73,071	\$73,071	\$0	N/A
Dec 31, 2002	\$0	\$76,960	\$76,960	\$0	N/A
Dec 31, 2003	(\$155,394)	\$89,524	(\$65,870)	(\$136,261)	N/A
Dec 31, 2004	(\$160,244)	\$99,019	(\$61,225)	(\$104,547)	N/A
Dec 31, 2005	(\$219,000)	\$94,261	(\$124,739)	(\$104,547)	N/A
Dec 31, 2006	(\$225,000)	\$110,431	(\$114,569)	(\$72,177)	N/A
Dec 31, 2007	(\$191,365)	\$121,172	(\$70,193)	(\$72,177)	N/A
Dec 31, 2008	(\$191,388)	\$131,845	(\$59,543)	(\$46,550)	N/A
Dec 31, 2009	(\$187,000)	\$132,085	(\$54,915)	(\$46,550)	N/A
Dec 31, 2010***	(\$200,000)	\$146,577	(\$53,423)	(\$47,996)	N/A

\* 41.26.150 and administrative expenses.

\*\* The ARC is documented as 0 for negative amounts prior to 2003.

\*\*\* Assumed amounts will be replaced at year end with actual amounts.

Continued on the following page

**RETIREMENT HEALTH CARE BENEFITS -- LEOFF 1 RETIREMENT SYSTEM**  
**Schedule of Funding Progress**  
**As of December 31, 2008**

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
December 31, 2007	\$251,263	\$8,609,653	\$8,358,390	2.9%	\$93,465	8.943%

## NON-MAJOR GOVERNMENTAL FUNDS

---

The SPECIAL REVENUE FUNDS are used to account for proceeds of specific taxes or other earmarked revenues. This revenue is segregated into individual SPECIAL REVENUE FUNDS to insure expenditures for a specific purpose. The Street Fund uses 1.0% of 6.0% local utility taxes to fund transfers for street debt service and construction projects. The Public Safety Retiree Fund uses contributions from the City to fund the OPEB obligation and pay healthcare costs of the LEOFF 1 retirees. The Lodging Tax Fund uses a 1% tax on the rental of any hotel, motel, rooming house, tourist court or trailer camp to be utilized for the acquisition of or operation of tourism-related facilities. The Youth/Teen Programs Fund uses .3% of 6.0% local utility taxes to fund youth/teen programs. The Criminal Justice Fund uses state grants and a King County voter approved sales tax levy of .1% to fund criminal justice activity. The Environmental Mitigation Fund uses ongoing grants and permit fees paid by site owners to monitor the cleanup of landfills and toxic waste sites. The Housing and Community Development Fund uses federal grant monies to fund designated programs. The Other Operating Project Fund uses transfers from other funds to fund one-time-only non-capital projects such as studies and arbitrage services.

DEBT SERVICE FUNDS are used to account for payment of principal and interest on general obligation long-term debt. The non-major Debt Service Funds are: one to provide debt service payments on voted General Obligation Bonds, one to provide debt service payments on Councilmanic General Obligation Bonds and other non-voted debt. Property tax revenue provides the financing source for voted General Obligation Bonds. Transfers from other funds provide the financing source for Councilmanic General Obligation Bonds, and other non-voted debt.

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

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
December 31, 2010**

	Special Revenue		
	Street	Public Safety Retiree	Lodging Tax
<b>ASSETS</b>			
Cash and equity in pooled investments	\$ 13,703	\$ 50,629	\$ 36,147
Investments, at fair value		615,000	
Receivables (net of allowances for estimated uncollectables):			
Taxes	649,577		22,477
Accounts	22,647	49,978	
Due from other funds			
Interfund loans receivable			
Prepaid items	349	360	
<b>TOTAL ASSETS</b>	<u>\$ 686,276</u>	<u>\$ 715,967</u>	<u>\$ 58,624</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Vouchers payable	\$ 24,478	\$ 21,268	\$ 10,000
Accounts/payroll payable	49,911	47,600	
Due to other funds			
Due to other governments	274		
Interfund loans payable	1,550,000		
Deposits and deferred revenue			
Total Liabilities	<u>1,624,663</u>	<u>68,868</u>	<u>10,000</u>
<b>FUND BALANCE</b>			
Reserved for:			
Prepaid items	349	360	
Interfund loans			
Bond retirement			
Unreserved	(938,736)	646,739	48,624
Total Fund Balance	<u>(938,387)</u>	<u>647,099</u>	<u>48,624</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 686,276</u>	<u>\$ 715,967</u>	<u>\$ 58,624</u>

# Comprehensive Annual Financial Report 2010

Special Revenue							Total Non-Major Special Revenue Funds
Youth/Teen Programs	Criminal Justice	Environmental Mitigation	Housing & Community Development	Operating Grants & Projects	Kent Events Center Fund		
\$ 806	\$ 116,984	\$ 47,797	\$ 68,697	\$ 350,392	\$ 472,889		1,158,044 615,000
79,193	371,149 733,051	35,526	262,641	41,359			1,122,396 1,145,202 -
	8,045						- 8,754
<u>\$ 79,999</u>	<u>\$ 1,229,229</u>	<u>\$ 83,323</u>	<u>\$ 331,338</u>	<u>\$ 391,751</u>	<u>\$ 472,889</u>		<u>\$ 4,049,396</u>
\$ 137,000	\$ 188,972 215,838	\$ 6,935	\$ 7,427 22,578	\$ 1,729 2,737	\$ 100,000		360,809 338,664 137,000 9,938
	7,804 650,000 52,009	527 300,000	1,333 300,000		2,000,000		4,800,000 52,009
<u>137,000</u>	<u>1,114,623</u>	<u>307,462</u>	<u>331,338</u>	<u>4,466</u>	<u>2,100,000</u>		<u>5,698,420</u>
							- 709 -
(57,001)	114,606	(224,139)		387,285	(1,627,111)		(1,649,733)
<u>(57,001)</u>	<u>114,606</u>	<u>(224,139)</u>		<u>387,285</u>	<u>(1,627,111)</u>		<u>(1,649,024)</u>
<u>\$ 79,999</u>	<u>\$ 1,229,229</u>	<u>\$ 83,323</u>	<u>\$ 331,338</u>	<u>\$ 391,751</u>	<u>\$ 472,889</u>		<u>\$ 4,049,396</u>

Continued on the following page

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**COMBINING BALANCE SHEET (continued)**  
**December 31, 2010**

	Debt Service		Total Non-Major Debt Service Funds
	General Obligation		
	Voted	Non-voted	
<b>ASSETS</b>			
Cash and equity in pooled investments	\$	\$	\$
Investments, at fair value			
Receivables (net of allowances for estimated uncollectables):			
Taxes	14,913		14,913
Accounts			
Due from other funds			
Interfund loans receivable			
Prepaid items			
<b>TOTAL ASSETS</b>	<u>\$ 14,913</u>	<u>\$</u>	<u>\$ 14,913</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Vouchers payable	\$	\$	\$
Accounts/payroll payable			
Due to other funds			
Due to other governments			
Interfund loans payable			
Deposits and deferred revenue	14,298		14,298
Total Liabilities	<u>14,298</u>	<u></u>	<u>14,298</u>
<b>FUND BALANCE</b>			
Reserved for:			
Prepaid items			
Interfund loans			
Bond retirement	615		615
Unreserved			
Total Fund Balance	<u>615</u>	<u></u>	<u>615</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 14,913</u>	<u>\$</u>	<u>\$ 14,913</u>

# Comprehensive Annual Financial Report 2010

Capital Projects					
Parks Capital Projects	Technology Capital Projects	Facility Capital Projects	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds	
\$ 549,763	\$ 589,098	\$ 436,961	\$ 1,575,822	\$ 2,733,866	615,000
1,938			1,938	1,139,247	
52,963	2,006		54,969	1,200,171	
		30,921	30,921	30,921	
		650,000	650,000	650,000	8,754
<u>\$ 604,664</u>	<u>\$ 591,104</u>	<u>\$ 1,117,882</u>	<u>\$ 2,313,650</u>	<u>\$ 6,377,959</u>	
\$ 50,021	\$ 35,384	\$ 5,985	\$ 91,390	\$ 452,199	
28,494	26,278		54,772	393,436	
1,193			1,193	137,000	
				11,131	
				4,800,000	
				66,307	
<u>79,708</u>	<u>61,662</u>	<u>5,985</u>	<u>147,355</u>	<u>5,860,073</u>	
		650,000	650,000	709	
				650,000	
524,956	529,442	461,897	1,516,295	615	(133,438)
<u>524,956</u>	<u>529,442</u>	<u>1,111,897</u>	<u>2,166,295</u>	<u>517,886</u>	
<u>\$ 604,664</u>	<u>\$ 591,104</u>	<u>\$ 1,117,882</u>	<u>\$ 2,313,650</u>	<u>\$ 6,377,959</u>	

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2010**

	<u>Special Revenue</u>		
	<u>Street</u>	<u>Public Safety Retiree</u>	<u>Lodging Tax</u>
<b>REVENUES</b>			
Taxes:			
Property tax	\$	\$	\$
Sales and use			
Utility	2,616,317		
Lodging tax			162,706
Intergovernmental revenue:			
Federal grants			
State shared fuel tax - general street	1,972,545		
State shared revenue-criminal justice			
State grants	76,823		
Local government grants			
Charges for services	138,260		
Fines and forfeitures			
Miscellaneous revenue:			
Interest income		1,806	590
Contributions and Donations		611,585	
Other miscellaneous revenue			
<b>TOTAL REVENUES</b>	<u>4,803,945</u>	<u>613,391</u>	<u>163,296</u>
<b>EXPENDITURES</b>			
Current:			
General government			
Public safety		950,451	
Community development			143,500
Public works	3,172,383		
Leisure services			
Health and human services			
Debt service:			
Principal			
Interest and fiscal charges			
Capital outlay			
<b>TOTAL EXPENDITURES</b>	<u>3,172,383</u>	<u>950,451</u>	<u>143,500</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,631,562	(337,060)	19,796
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	881,241	250,000	
Transfers out	(2,343,042)		(212,121)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,461,801)</u>	<u>250,000</u>	<u>(212,121)</u>
<b>NET CHANGE IN FUND BALANCES</b>	169,761	(87,060)	(192,325)
<b>FUND BALANCES (DEFICIT), January 1</b>	(1,108,148)	734,159	240,949
Prior Period Correction			
<b>ADJUSTED FUND BALANCE, January 1</b>	(1,108,148)	734,159	240,949
<b>FUND BALANCES, December 31</b>	<u>\$ (938,387)</u>	<u>\$ 647,099</u>	<u>\$ 48,624</u>

# Comprehensive Annual Financial Report 2010

Special Revenue						
Youth/Teen Programs	Criminal Justice	Environmental Mitigation	Housing & Community Development	Operating Grants & Projects	Kent Events Center Fund	Total Non-Major Special Revenue Funds
\$	\$	\$	\$	\$	\$	\$
784,895	1,699,025					-
						1,699,025
						3,401,212
						162,706
	655,222		1,209,105	318,894		2,183,221
	269,283					1,972,545
	1,151,977	36,750				269,283
	154,511	56,833		79,883		1,265,550
	145,990			8,288		291,227
	150,307	100				292,538
						150,407
677	787					3,860
	42,282			102,069	42,376	611,585
						186,727
<u>785,572</u>	<u>4,269,384</u>	<u>93,683</u>	<u>1,209,105</u>	<u>509,134</u>	<u>42,376</u>	<u>12,489,886</u>
	5,125,459			422,286		-
		258,998				6,498,196
42,000				25,647	1,142,763	143,500
			1,209,105	242,483		3,431,381
						1,210,410
						1,451,588
	22,079			1,500		-
<u>42,000</u>	<u>5,147,538</u>	<u>258,998</u>	<u>1,209,105</u>	<u>691,916</u>	<u>1,142,763</u>	<u>12,758,654</u>
743,572	(878,154)	(165,315)		(182,782)	(1,100,387)	(268,768)
	105,000	170,892		63,414	499,199	1,969,746
(826,527)	(274,140)				-	(3,655,830)
<u>(826,527)</u>	<u>(169,140)</u>	<u>170,892</u>		<u>63,414</u>	<u>499,199</u>	<u>(1,686,084)</u>
(82,955)	(1,047,294)	5,577		(119,368)	(601,188)	(1,954,852)
25,954	1,161,900	(229,716)		506,653	(1,025,923)	305,828
25,954	1,161,900	(229,716)		506,653	(1,025,923)	305,828
<u>\$ (57,001)</u>	<u>\$ 114,606</u>	<u>\$ (224,139)</u>	<u>\$</u>	<u>\$ 387,285</u>	<u>\$ (1,627,111)</u>	<u>\$ (1,649,024)</u>

Continued on the following page

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (continued)**  
**For the Year Ended December 31, 2009**

	Debt Service		Total Non-Major Debt Service Funds
	General Obligation		
	Voted	Non-voted	
<b>REVENUES</b>			
Taxes:			
Property tax	\$	\$	\$
Sales and use			
Utility			
Lodging tax			
Intergovernmental revenue:			
Federal grants			
State shared fuel tax - general street			
State shared revenue-criminal justice			
State grants			
Local government grants			
Charges for services			
Fines and forfeitures			
Miscellaneous revenue:			
Interest income			
Contributions and Donations			
Other miscellaneous revenue			
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current:			
General government			
Public safety			
Community development			
Public works			
Leisure services			
Health and human services			
Debt service:			
Principal		5,330,114	5,330,114
Interest and fiscal charges		3,648,347	3,648,347
Capital outlay			-
<b>TOTAL EXPENDITURES</b>		8,978,461	8,978,461
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		(8,978,461)	(8,978,461)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		8,978,461	8,978,461
Transfers out			-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		8,978,461	8,978,461
<b>SOURCES OVER EXPENDITURES AND OTHER USES</b>		-	-
<b>FUND BALANCES, January 1</b>	3,587		3,587
Prior Period Correction	(2,972)		(2,972)
<b>ADJUSTED FUND BALANCE, January 1</b>	615		615
<b>FUND BALANCES, December 31</b>	\$ 615	\$	\$ 615

# Comprehensive Annual Financial Report 2010

<b>Capital Projects</b>				
<b>Parks Capital Projects</b>	<b>Technology Capital Projects</b>	<b>Facility Capital Projects</b>	<b>Total Non-Major Capital Projects Funds</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$	\$
				1,699,025
				3,401,212
				162,706
12,760			12,760	2,195,981
9,912			9,912	1,982,457
				269,283
653,372			653,372	1,918,922
234,607			234,607	525,834
7,850			7,850	300,388
				150,407
				3,860
				611,585
204,275			204,275	391,002
<u>1,122,776</u>			<u>1,122,776</u>	<u>13,612,662</u>
				-
				6,498,196
				143,500
				3,431,381
1,500			1,500	1,211,910
				1,451,588
				5,330,114
3,512,363	1,557,155	278,773	5,348,291	3,648,347
<u>3,513,863</u>	<u>1,557,155</u>	<u>278,773</u>	<u>5,349,791</u>	<u>27,086,906</u>
(2,391,087)	(1,557,155)	(278,773)	(4,227,015)	(13,474,244)
465,789	790,510	154,727	1,411,026	12,359,233
(1,027,204)		(435,370)	(1,462,574)	(5,118,404)
<u>(561,415)</u>	<u>790,510</u>	<u>(280,643)</u>	<u>(51,548)</u>	<u>7,240,829</u>
(2,952,502)	(766,645)	(559,416)	(4,278,563)	(6,233,415)
3,690,155	1,296,087	1,671,313	6,657,555	6,966,970
(212,697)			(212,697)	(215,669)
3,477,458	1,296,087	1,671,313	6,444,858	6,751,301
<u>\$ 524,956</u>	<u>\$ 529,442</u>	<u>\$ 1,111,897</u>	<u>\$ 2,166,295</u>	<u>\$ 517,886</u>

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**PUBLIC SAFETY RETIREE SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2010**

	2010 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Contributions and Donations	\$ 642,961	\$ 642,961	\$ 611,585	\$ (31,376)
Miscellaneous revenue:				
Interest income	25,000	25,000	1,806	(23,194)
<b>TOTAL REVENUES</b>	<u>667,961</u>	<u>667,961</u>	<u>613,391</u>	<u>(54,570)</u>
<b>EXPENDITURES</b>	906,893	906,893	950,451	43,558
<b>TOTAL EXPENDITURES</b>	<u>906,893</u>	<u>906,893</u>	<u>950,451</u>	<u>43,558</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(238,932)	(238,932)	(337,060)	(98,128)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	250,000	250,000	250,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	11,068	11,068	(87,060)	(98,128)
<b>FUND BALANCES, January 1</b>	734,159	734,159	734,159	-
Prior Period Adjustment			-	
<b>FUND BALANCES, December 31</b>	<u>\$ 745,227</u>	<u>\$ 745,227</u>	<u>\$ 647,099</u>	<u>\$ (98,128)</u>

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**LODGING TAX SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2010**  
**DRAFT**

	2010 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Lodging Tax	\$ 160,000	\$ 160,000	\$ 162,706	\$ 2,706
Miscellaneous revenue:				
Interest income	2,100	2,100	590	(1,510)
<b>TOTAL REVENUES</b>	<u>162,100</u>	<u>162,100</u>	<u>163,296</u>	<u>1,196</u>
<b>EXPENDITURES</b>	159,000	159,000	143,500	(15,500)
<b>TOTAL EXPENDITURES</b>	<u>159,000</u>	<u>159,000</u>	<u>143,500</u>	<u>(15,500)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,100	3,100	19,796	16,696
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(225,000)	(212,121)	12,879
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(225,000)</u>	<u>(212,121)</u>	<u>12,879</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	3,100	(221,900)	(192,325)	12,879
<b>FUND BALANCES, January 1</b>	240,949	240,949	240,949	-
<b>FUND BALANCES, December 31</b>	<u>\$ 244,049</u>	<u>\$ 19,049</u>	<u>\$ 48,624</u>	<u>\$ 16,696</u>

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**YOUTH/TEEN PROGRAMS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2010**  
**DRAFT**

	2010 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Utility	\$ 958,547	\$ 958,547	\$ 784,895	\$ (173,652)
Miscellaneous revenue:				
Interest income	6,474	6,474	677	(5,797)
<b>TOTAL REVENUES</b>	<u>965,021</u>	<u>965,021</u>	<u>785,572</u>	<u>(179,449)</u>
<b>EXPENDITURES</b>	42,000	42,000	42,000	-
<b>TOTAL EXPENDITURES</b>	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	923,021	923,021	743,572	(179,449)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(873,652)	(826,527)	(826,527)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(873,652)</u>	<u>(826,527)</u>	<u>(826,527)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	49,369	96,494	(82,955)	(179,449)
<b>FUND BALANCES, January 1</b>	25,954	25,954	25,954	-
<b>FUND BALANCES, December 31</b>	<u>\$ 75,323</u>	<u>\$ 122,448</u>	<u>\$ (57,001)</u>	<u>\$ (179,449)</u>

## INTERNAL SERVICE FUNDS

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

# Comprehensive Annual Financial Report 2010

**CITY OF KENT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
December 31, 2010**

	<b>Equipment Rental</b>	<b>Central Services</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equity in pooled investments	\$ 65,540	\$ 137,287
Investments, at fair value		
Receivables (net of allowances for estimated uncollectables):		
Accounts		60,400
Notes	15,608	
Accrued interest		
Due from other funds		
Interfund loan receivable	2,450,000	
Inventory, at cost	104,651	17,033
Prepaid expenses	120	293,747
Total Current Assets	<u>2,635,919</u>	<u>508,467</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Buildings	108,702	675,071
Site improvements	253,569	28,964
Equipment	20,626,199	5,644,905
Less: accumulated depreciation	(16,581,900)	(6,314,443)
Construction in progress	1,854,498	
Total Property, Plant and Equipment	<u>6,261,068</u>	<u>34,497</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,896,987</u>	<u>\$ 542,964</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Vouchers payable	\$ 118,582	\$ 191,386
Accounts/payroll payable	95,108	235,660
Incurred but not reported claims payable		
Due to other funds		
Accrued interest payable		
Contracts, leases and notes payable-current portion		
Deposits and deferred revenue	18,069	14,559
Total Current Liabilities	<u>231,759</u>	<u>441,605</u>
<b>LONG-TERM LIABILITIES</b>		
Compensated absences payable	10,378	57,069
Contracts, leases and notes payable		
Total Long-Term Liabilities	<u>10,378</u>	<u>57,069</u>
Total Liabilities	242,137	498,674
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,261,068	34,497
Unrestricted	2,393,782	9,793
<b>TOTAL NET ASSETS</b>	<u>\$ 8,654,850</u>	<u>\$ 44,290</u>

# Comprehensive Annual Financial Report **2010**

<b>Facilities</b>	<b>Insurance</b>	<b>Totals</b>
\$ 372,623	\$ 1,030,727	\$ 1,606,177
	4,014,875	4,014,875
708,899	671,831	1,441,130
	252	15,608
350,000		252
	3,100,000	350,000
		5,550,000
		121,684
11,363	614,299	919,529
<u>1,442,885</u>	<u>9,431,984</u>	<u>14,019,255</u>
224,496		1,008,269
79,420		361,953
99,128		26,370,232
(248,335)		(23,144,678)
<u>3,060,521</u>		<u>4,915,019</u>
3,215,230		9,510,795
<u>\$ 4,658,115</u>	<u>\$ 9,431,984</u>	<u>\$ 23,530,050</u>
\$ 470,361	\$ 877,650	\$ 1,657,979
335,432	80,293	746,493
	5,032,255	5,032,255
1	1	2
1,368		1,368
137,826		137,826
2,075	21	34,724
<u>947,063</u>	<u>5,990,220</u>	<u>7,610,647</u>
39,241	24,503	131,191
<u>278,610</u>		<u>278,610</u>
317,851	24,503	409,801
1,264,914	6,014,723	8,020,448
2,798,794		9,094,359
594,407	3,417,261	6,415,243
<u>3,393,201</u>	<u>3,417,261</u>	<u>15,509,602</u>

# Comprehensive Annual Financial Report 2010

## CITY OF KENT

### INTERNAL SERVICE FUNDS

#### COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Year Ended December 31, 2010

	Equipment Rental	Central Services
<b>OPERATING REVENUES</b>		
Sales	\$ 730,339	\$ 135,019
Charges for services	2,490,841	4,293,235
Contributions		
Other operating revenue		
<b>TOTAL OPERATING REVENUES</b>	<u>3,221,180</u>	<u>4,428,254</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	604,376	1,793,546
Benefits	210,784	484,112
Supplies	1,133,715	277,631
Services and charges	648,858	1,920,584
Depreciation	2,212,112	14,028
<b>TOTAL OPERATING EXPENSES</b>	<u>4,809,845</u>	<u>4,489,901</u>
<b>OPERATING INCOME (LOSS)</b>	(1,588,665)	(61,647)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	8,165	
Miscellaneous non-operating revenues	2,159	120
Miscellaneous non-operating (expense)	(221,487)	
Interest expense		
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(211,163)</u>	<u>120</u>
<b>NET INCOME (LOSS)</b>	(1,799,828)	(61,527)
Contributed capital	148,230	
Transfers in	6,029	
Transfers out	(242,905)	
<b>CHANGE IN NET ASSETS</b>	(1,888,474)	(61,527)
<b>NET ASSETS, January 1</b>	10,543,324	105,817
Prior Period Adjustment		
<b>ADJUSTED NET ASSETS, January 1</b>	10,543,324	105,817
<b>NET ASSETS, December 31</b>	<u>\$ 8,654,850</u>	<u>\$ 44,290</u>

# Comprehensive Annual Financial Report **2010**

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<b>Facilities</b>	<b>Insurance</b>	<b>Totals</b>
\$	\$	\$
4,210,301		865,358
	14,378,652	10,994,377
1,265,143	1,473,995	14,378,652
<u>5,475,444</u>	<u>15,852,647</u>	<u>28,977,525</u>
1,580,895	452,210	4,431,027
601,350	125,989	1,422,235
327,585	7,374	1,746,305
2,263,145	15,896,315	20,728,902
24,863		2,251,003
<u>4,797,838</u>	<u>16,481,888</u>	<u>30,579,472</u>
677,606	(629,241)	(1,601,947)
3,310	20,209	31,684
556		2,835
		(221,487)
(19,899)		(19,899)
<u>(16,033)</u>	<u>20,209</u>	<u>(206,867)</u>
661,573	(609,032)	(1,808,814)
		148,230
572,536		578,565
(150,000)		(392,905)
1,084,109	(609,032)	(1,474,924)
2,204,092	4,026,293	16,879,526
105,000		105,000
2,309,092	4,026,293	16,984,526
<u>\$ 3,393,201</u>	<u>\$ 3,417,261</u>	<u>\$ 15,509,602</u>

# Comprehensive Annual Financial Report 2010

**CITY OF KENT - DRAFT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended December 31, 2010**

	<b>Equipment Rental</b>	<b>Central Services</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,221,116	\$ 4,396,779
Cash received from other funds for services		
Cash payments to employees	(799,394)	(2,272,671)
Cash payments to suppliers	(1,878,014)	(2,116,631)
Other cash received		
Net cash provided by (used for) operating activities	<u>543,708</u>	<u>7,477</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund loan payment for noncapital purposes	3,500,000	
Interfund loan issued for noncapital purposes	(2,450,000)	
Operating grants/non-operating revenue received	2,159	120
Prior period adjustment		
Net cash provided by noncapital financing	<u>1,052,159</u>	<u>120</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Due from other funds for capital purposes		
Proceeds on sale of assets	25,955	
Transfer of plant from Governmental Capital Assets	148,230	
Acquisition and construction of capital assets	(1,770,449)	
Principal paid on general obligation bonds		
Interest paid on general obligation bonds		
Transfers in	6,029	
Transfers out	(242,905)	
Net cash used for capital and related financing	<u>(1,833,140)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(5,815,000)	
Proceeds from sale and maturities of investment securities	6,100,002	
Interest and dividends on investments	8,165	
Net cash provided by (used for) investing activities	<u>293,167</u>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	55,894	7,597
<b>CASH AND EQUITY IN POOLED INVESTMENTS, January 1</b>	9,646	129,690
<b>CASH AND EQUITY IN POOLED INVESTMENTS, December 31</b>	<u>\$ 65,540</u>	<u>\$ 137,287</u>

# Comprehensive Annual Financial Report **2010**

<b>Facilities</b>	<b>Insurance</b>	<b>Total</b>
\$ 3,498,804	\$	\$ 11,116,699
(2,103,131)	14,425,458	14,425,458
(2,209,107)	(571,882)	(5,747,078)
1,265,143	(15,074,531)	(21,278,283)
	1,473,995	2,739,138
451,709	253,040	1,255,934
		3,500,000
	(3,100,000)	(5,550,000)
556		2,835
105,000		105,000
105,556	(3,100,000)	(1,942,165)
(350,000)		(350,000)
		25,955
		148,230
(1,943,578)		(3,714,027)
(132,569)		(132,569)
(20,333)		(20,333)
572,536		578,565
(150,000)		(392,905)
(2,023,944)		(3,857,084)
(2,885,000)	(8,454,875)	(17,154,875)
4,630,003	11,494,879	22,224,884
3,310	21,130	32,605
1,748,313	3,061,134	5,102,614
281,634	214,174	559,299
90,989	816,553	1,046,878
\$ 372,623	\$ 1,030,727	\$ 1,606,177

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2010**

	<b>Equipment Rental</b>	<b>Central Services</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (1,588,665)	\$ (61,647)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,212,112	14,028
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(131)	(32,512)
(Increase) Decrease in due from other funds		
(Increase) Decrease in inventory	9,811	7,873
(Increase) Decrease in prepaid expenses	1,094	(27,185)
Increase (Decrease) in vouchers payable	(106,344)	100,897
Increase (Decrease) in accounts/payroll payable	12,140	(6,959)
Increase in incurred but not reported claims payable		
Increase (Decrease) in due to other funds	(2)	(1)
Increase (Decrease) in deposits & deferred revenues	67	1,037
Increase (Decrease) in compensated absences	3,626	11,946
Total Adjustments	<u>2,132,373</u>	<u>69,124</u>
Net cash provided by operating activities	\$ <u>543,708</u>	\$ <u>7,477</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital assets contributed	\$ 148,230	\$
Increase (Decrease) in fair value of investments	(2)	(2)
Amortization of (premium) discount on investment purchases		

# Comprehensive Annual Financial Report **2010**

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	<b>Facilities</b>		<b>Insurance</b>		<b>Total</b>
\$	677,606	\$	(629,241)	\$	(1,601,947)
	24,863				2,251,003
	(698,252)		47,070		(683,825)
					17,684
	(11,363)		(576,204)		(613,658)
	392,989		710,518		1,098,060
	80,030		(1,706)		83,505
			694,848		694,848
	(3)		(4)		(10)
	(13,245)		(264)		(12,405)
	(916)		8,023		22,679
	<u>(225,897)</u>		<u>882,281</u>		<u>2,857,881</u>
\$	<u>451,709</u>	\$	<u>253,040</u>	\$	<u>1,255,934</u>
\$		\$		\$	148,230
	(3)		(4)		(11)



## AGENCY FUNDS

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



# Comprehensive Annual Financial Report **2010**

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**CITY OF KENT  
 AGENCY FUNDS  
 COMBINING STATEMENT OF NET ASSETS  
 December 31, 2010**

	<b>Trust Funds</b>	<b>Impact Fees</b>	<b>Municipal Court</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and equity in pooled investments	\$ 7,059	\$ 29,198	\$ 654,594	\$ 690,851
Investments, at fair value				
<b>TOTAL ASSETS</b>	<u>\$ 7,059</u>	<u>\$ 29,198</u>	<u>\$ 654,594</u>	<u>\$ 690,851</u>
<b>LIABILITIES</b>				
Vouchers payable	\$	\$ 29,198	\$ 516,300	\$ 545,498
Due to other governments			(2,726)	(2,726)
Deposits and deferred revenue	7,059		141,020	148,079
<b>TOTAL LIABILITIES</b>	<u>\$ 7,059</u>	<u>\$ 29,198</u>	<u>\$ 654,594</u>	<u>\$ 690,851</u>

# Comprehensive Annual Financial Report **2010**

**CITY OF KENT**  
**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended December 31, 2010**

	Trust Funds			
	Balance December 31, 2009	Increases	Decreases	Balance December 31, 2010
<b>ASSETS</b>				
Cash and equity in pooled investments	\$ 76,059	\$	\$ 69,000	\$ 7,059
Cash with fiscal agent				
Investments, at fair value	-			
<b>TOTAL ASSETS</b>	<u>\$ 76,059</u>	<u>\$</u>	<u>\$ 69,000</u>	<u>\$ 7,059</u>
<b>LIABILITIES</b>				
Vouchers payable	\$	\$	\$	\$
Due to other governments				
Deposits and deferred revenue	76,059		69,000	7,059
<b>TOTAL LIABILITIES</b>	<u>\$ 76,059</u>	<u>\$</u>	<u>\$ 69,000</u>	<u>\$ 7,059</u>

# Comprehensive Annual Financial Report **2010**

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<b>Impact Fees</b>					
<b>Balance December 31, 2009</b>	<b>Increases</b>		<b>Decreases</b>		<b>Balance December 31, 2010</b>
\$ 18,235	\$ 1,824,926	\$ 1,813,963			\$ 29,198
-					
1					
<u>\$ 18,236</u>	<u>\$ 1,824,926</u>	<u>\$ 1,813,964</u>			<u>\$ 29,198</u>
\$ 18,236	\$ 1,089,925	\$ 1,078,963			\$ 29,198
-					
-					
<u>\$ 18,236</u>	<u>\$ 1,089,925</u>	<u>\$ 1,078,963</u>			<u>\$ 29,198</u>

Continued on the following page

# Comprehensive Annual Financial Report **2010**

**CITY OF KENT  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended December 31, 2010**

	<b>Municipal Court</b>			<b>Balance December 31, 2010</b>
	<b>Balance December 31, 2009</b>	<b>Increases</b>	<b>Decreases</b>	
<b>ASSETS</b>				
Cash and equity in pooled investments	\$ 718,260	\$ 4,527,525	\$ 4,591,191	\$ 654,594
Cash with fiscal agent				
Investments, at fair value	-			
<b>TOTAL ASSETS</b>	<u>\$ 718,260</u>	<u>\$ 4,527,525</u>	<u>\$ 4,591,191</u>	<u>\$ 654,594</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 576,410	\$ 4,530,687	\$ 4,590,797	\$ 516,300
Due to other governments	(1,731)	103	1,098	(2,726)
Deposits and deferred revenue	143,581	944	3,505	141,020
<b>TOTAL LIABILITIES</b>	<u>\$ 718,260</u>	<u>\$ 4,531,734</u>	<u>\$ 4,595,400</u>	<u>\$ 654,594</u>

# Comprehensive Annual Financial Report **2010**

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<b>Total</b>			
<b>Balance December 31, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2010</b>
\$ 812,554	\$ 6,352,451	\$ 6,474,154	\$ 690,851
1		1	
<u>\$ 812,555</u>	<u>\$ 6,352,451</u>	<u>\$ 6,474,155</u>	<u>\$ 690,851</u>
\$ 594,646	\$ 5,620,612	\$ 5,669,760	\$ 545,498
(1,731)	103	1,098	(2,726)
219,640	944	72,505	148,079
<u>\$ 812,555</u>	<u>\$ 5,621,659</u>	<u>\$ 5,743,363</u>	<u>\$ 690,851</u>



## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULE BY SOURCE**  
**December 31, 2010**  
**With Comparison to December 31, 2009**

	2010	2009
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>		
Land	\$ 208,730,964	\$ 208,730,964
Buildings	56,793,576	56,793,576
Site improvements	45,212,941	30,393,623
Equipment	27,411,418	27,411,418
Infrastructure	493,520,839	491,622,477
Construction in progress	231,317,417	237,228,199
Investment in joint venture	6,841,893	6,628,171
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b>\$ 1,069,829,048</b>	<b>\$ 1,058,808,428</b>
<b>INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:</b>		
General governmental revenues	\$ 286,609,318	\$ 289,202,407
General obligation bonds	189,806,589	184,486,607
Federal grants	69,106,701	66,385,743
State grants	327,598,464	326,376,345
County and local grants	17,508,341	17,566,717
Special assessments	41,605,864	41,448,491
Gifts and contributions	137,593,771	133,342,118
<b>TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS</b>	<b>\$ 1,069,829,048</b>	<b>\$ 1,058,808,428</b>

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

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**December 31, 2010**

	Land	Buildings	Site Improvements	Equipment	Infrastructure	Total
<b>GENERAL GOVERNMENT</b>						
Administration	\$ 239,582	\$ 240,855		\$ 52,101	\$	532,538
Attorney				51,966		51,966
Finance				316,779		316,779
Planning			33,553	140,991		174,544
Public office buildings	4,244,809	30,498,406	2,423,883	2,922,209		40,089,307
Other				16,886,426		16,886,426
Total	4,484,391	30,739,261	2,457,436	20,370,472		58,051,560
<b>PUBLIC SAFETY</b>						
Police	450,258	2,193,973	585,206	3,245,985		6,475,422
Fire	3,335,192	10,924,110	1,650,488	1,896,189		17,805,979
Total	3,785,450	13,118,083	2,235,694	5,142,174		24,281,401
<b>PUBLIC WORKS</b>						
Engineering	2,650,000		1,302,586	570,692		4,523,278
Streets	157,793,947		210,179	87,259	493,520,839	651,612,224
Total	160,443,947		1,512,765	657,951	493,520,839	656,135,502
<b>PARKS, RECREATION AND CULTURE</b>						
Parks and recreation	35,638,945	1,556,893	38,227,709	3,323		75,426,870
Senior center	1,955,066	3,821,545	24,386	28,626		5,829,623
Parks maintenance		101,218	167,599	301,986		570,803
Kent commons	200,704	3,521,822	9,251	137,668		3,869,445
Cultural arts			578,101	722,804		1,300,905
Total	37,794,715	9,001,478	39,007,046	1,194,407		86,997,646
<b>LIBRARY</b>						
	2,222,461	3,934,754		46,414		6,203,629
Total	2,222,461	3,934,754		46,414		6,203,629
<b>TOTAL</b>	<b>208,730,964</b>	<b>56,793,576</b>	<b>45,212,941</b>	<b>27,411,418</b>	<b>493,520,839</b>	<b>831,669,738</b>
Construction in progress						231,317,417
Investment in joint venture						6,841,893
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b>\$ 208,730,964</b>	<b>\$ 56,793,576</b>	<b>\$ 45,212,941</b>	<b>\$ 27,411,418</b>	<b>\$ 493,520,839</b>	<b>\$ 1,069,829,048</b>

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

# Comprehensive Annual Financial Report 2010

**CITY OF KENT**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**Year Ended December 31, 2010**

	Governmental Fund Capital Assets 1-1-10	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12-31-10
<b>GENERAL GOVERNMENT</b>				
Administration	\$ 480,437	\$ 52,101	\$	\$ 532,538
Attorney		51,966		51,966
Finance		316,779		316,779
Planning	56,585	117,959		174,544
Public office buildings	38,096,437	1,992,870		40,089,307
Other	2,633,352	14,253,074		16,886,426
Total	41,266,811	16,784,749		58,051,560
<b>PUBLIC SAFETY</b>				
Police	4,136,936	2,338,486		6,475,422
Fire	17,151,911	654,068		17,805,979
Total	21,288,847	2,992,554		24,281,401
<b>PUBLIC WORKS</b>				
Engineering	4,370,955	152,323		4,523,278
Streets	623,515,593	28,096,631		651,612,224
Total	627,886,548	28,248,954		656,135,502
<b>PARKS, RECREATIONS AND CULTURE</b>				
Parks and recreation	55,917,008	19,509,862		75,426,870
Senior center	5,805,237	24,386		5,829,623
Parks maintenance	449,379	121,424		570,803
Kent commons	3,869,445			3,869,445
Cultural arts	1,222,873	78,032		1,300,905
Total	67,263,942	19,733,704		86,997,646
<b>LIBRARY</b>				
Total	6,203,629			6,203,629
Construction in progress	196,901,674	34,415,743		231,317,417
Investment in joint venture	5,857,557	984,336		6,841,893
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b>\$ 966,669,008</b>	<b>\$ 103,160,040</b>	<b>\$</b>	<b>\$ 1,069,829,048</b>

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

## STATISTICAL SECTION

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>133</b>
<i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	<b>141</b>
<i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</i>	
<b>Debt Capacity</b>	<b>150</b>
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b>	<b>155</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	
<b>Operating Information</b>	<b>157</b>
<i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	

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



# Comprehensive Annual Financial Report 2010

**Schedule 1**  
**City of Kent**  
**Net Assets by Component**  
**Last Five Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year				
	<u>2006</u> <sup>a</sup>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 643,727,989	\$ 667,980,093	\$ 713,371,701	\$ 710,700,685	\$ 727,782,834
Restricted	23,292,082	20,821,401	17,491,729	14,297,401	12,145,319
Unrestricted	33,742,641	21,120,567	20,686,229	11,612,766	(14,550,823)
Total governmental activities net assets	<u>\$ 700,762,712</u>	<u>\$ 709,922,061</u>	<u>\$ 751,549,659</u>	<u>\$ 736,610,852</u>	<u>\$ 725,377,330</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 186,009,250	\$ 191,875,855	\$ 200,774,256	\$ 184,890,067	\$ 214,631,648
Restricted	1,509,777	722,344	803,354	2,119,806	3,065,319
Unrestricted	28,789,356	29,736,610	25,617,802	49,908,497	38,662,226
Total business-type activities net assets	<u>\$ 216,308,383</u>	<u>\$ 222,334,809</u>	<u>\$ 227,195,412</u>	<u>\$ 236,918,370</u>	<u>\$ 256,359,193</u>
Primary government					
Invested in capital assets, net of related debt	\$ 829,737,239	\$ 859,855,948	\$ 914,145,957	\$ 895,590,752	\$ 942,414,482
Restricted	24,801,859	21,543,745	18,295,083	16,417,207	15,210,638
Unrestricted	62,531,997	50,857,177	46,304,031	61,521,263	24,111,403
Total primary government net assets	<u>\$ 917,071,095</u>	<u>\$ 932,256,870</u>	<u>\$ 978,745,071</u>	<u>\$ 973,529,222</u>	<u>\$ 981,736,523</u>

**Notes:**

<sup>a</sup> 2006 increase in Net Assets is the result of adding infrastructure constructed prior to 2002.

# Comprehensive Annual Financial Report 2010

**Schedule 2**  
**City of Kent**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>					
Governmental activities:					
General Government	\$ 7,670,278	\$ 7,024,180	\$ 26,661,964	\$ 7,230,905	\$ 6,931,002
Judicial	1,968,044	2,147,737	2,388,567	2,487,918	2,544,075
Public Safety	45,707,880	50,255,708	57,177,887	58,880,087	60,147,355
Community Development	4,363,668	4,683,786	5,030,233	4,487,550	5,524,342
Public Works	19,318,340	20,483,858	20,097,918	19,453,467	16,219,754
Leisure services	8,856,821	10,376,916	11,426,192	14,096,689	15,050,502
Health and human services	5,248,403	6,004,932	6,175,999	6,198,375	5,996,524
Library	99,243	99,243	99,515	99,243	99,243
Interest on long-term debt	4,803,588	4,263,751	4,149,135	4,933,465	4,295,374
Total governmental activities expenses	<u>98,036,265</u>	<u>105,340,111</u>	<u>133,207,410</u>	<u>117,867,699</u>	<u>116,808,171</u>
Business-type activities:					
Water	8,991,114	8,998,124	10,250,612	10,401,686	11,241,367
Sewerage	23,866,177	26,097,746	27,231,263	28,947,993	29,668,499
Golf	2,861,007	3,078,174	2,941,512	2,896,509	3,123,644
Total business-type activities expenses	<u>35,718,298</u>	<u>38,174,044</u>	<u>40,423,387</u>	<u>42,246,188</u>	<u>44,033,510</u>
Total primary government expenses	<u>\$ 133,754,563</u>	<u>\$ 143,514,155</u>	<u>\$ 173,630,797</u>	<u>\$ 160,113,887</u>	<u>\$ 160,841,681</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General Government	\$ 228,938	\$ 365,124	\$ 392,469	\$ 369,217	\$ 385,644
Judicial	1,442,322	1,676,314	1,847,107	1,878,098	2,128,646
Public Safety	994,770	1,105,526	1,148,454	1,092,168	1,174,585
Community Development	2,902,293	3,080,526	2,186,907	1,411,773	2,058,564
Public Works	2,367,161	2,100,155	1,362,739	967,622	475,866
Leisure services	1,253,149	1,301,497	1,343,048	1,308,717	1,328,562
Health and human services	777,522	1,055,544	793,590	834,782	698,819
Operating grants and contributions	6,881,204	8,723,491	10,575,098	10,298,875	9,432,962
Capital grants and contributions	10,879,385	13,389,132	75,635,801	12,596,207	9,459,649
Total governmental activities program revenues	<u>27,726,744</u>	<u>32,797,309</u>	<u>95,285,213</u>	<u>30,757,459</u>	<u>27,143,297</u>
Business-type activities					
Charges for services:					
Water	\$ 8,255,311	\$ 8,342,104	\$ 8,778,926	\$ 11,876,537	\$ 15,426,293
Sewerage	25,063,532	27,000,243	28,118,989	31,298,410	35,841,828
Golf Complex	2,807,934	2,816,789	2,895,616	2,698,663	2,394,945
Operating grants and contributions	69,870	84,629	793,473	112,236	2,799,480
Capital grants and contributions	3,865,640	4,448,759	3,628,766	5,939,641	6,761,033
Total business-type activities program revenues	<u>40,062,287</u>	<u>42,692,524</u>	<u>44,215,770</u>	<u>51,925,487</u>	<u>63,223,579</u>
Total primary government program revenues	<u>\$ 67,789,031</u>	<u>\$ 75,489,833</u>	<u>\$ 139,500,983</u>	<u>\$ 82,682,946</u>	<u>\$ 90,366,876</u>

# Comprehensive Annual Financial Report 2010

**Schedule 2 - continued**  
**City of Kent**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (70,309,521)	\$ (72,542,802)	\$ (37,922,197)	\$ (87,110,240)	\$ (89,664,874)
Business-type activities	4,343,989	4,518,480	3,792,383	9,679,299	19,190,069
Total primary government net expense	<u>\$ (65,965,532)</u>	<u>\$ (68,024,322)</u>	<u>\$ (34,129,814)</u>	<u>\$ (77,430,941)</u>	<u>\$ (70,474,805)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes levied for general purpose	\$ 24,360,387	\$ 25,594,680	\$ 26,576,727	\$ 27,048,764	\$ 29,272,194
Property taxes levied for debt service	1,781,124	609,561	598,922	596,696	
Sales taxes	26,099,325	26,812,760	25,460,470	17,234,352	18,600,976
Utility taxes	16,414,038	17,417,969	17,569,974	17,379,153	17,725,934
Real Estate taxes	5,514,863	4,952,380	3,225,515	1,888,137	1,805,871
Other taxes	707,963	768,973	771,055	889,426	1,147,963
Unrestricted grants and contributions	1,333,120	1,023,819	1,876,367	5,407,702	6,328,500
Investment earnings	4,489,127	3,904,796	2,133,806	1,173,891	818,063
Miscellaneous	595,018	737,751	1,479,608	374,306	2,825,148
Transfers	(6,793)	50,690	(142,649)	175,974	14,400
Total governmental activities	<u>81,288,172</u>	<u>81,873,379</u>	<u>79,549,795</u>	<u>72,168,401</u>	<u>78,539,049</u>
Business-type activities					
Investment earnings	1,547,289	1,558,636	925,571	219,633	157,457
Transfers	6,793	(50,690)	142,649	(175,974)	(14,400)
Total business-type activities	<u>1,554,082</u>	<u>1,507,946</u>	<u>1,068,220</u>	<u>43,659</u>	<u>143,057</u>
Total primary government	<u>\$ 82,842,254</u>	<u>\$ 83,381,325</u>	<u>\$ 80,618,015</u>	<u>\$ 72,212,060</u>	<u>\$ 78,682,106</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 10,978,651	\$ 9,330,577	\$ 41,627,598	\$ (14,941,839)	\$ (11,125,825)
Business-type activities	5,898,071	6,026,426	4,860,603	9,722,958	19,333,126
Total primary government	<u>\$ 16,876,722</u>	<u>\$ 15,357,003</u>	<u>\$ 46,488,201</u>	<u>\$ (5,218,881)</u>	<u>\$ 8,207,301</u>

# Comprehensive Annual Financial Report **2010**

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## Schedule 3

### City of Kent

#### Fund Balances of Governmental Funds

#### Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved	\$ 255,143	\$ 17,720	\$ 250,792	\$ 480,456
Unreserved	7,234,642	5,716,990	4,137,323	4,793,227
Total general fund	<u>\$ 7,489,785</u>	<u>\$ 5,734,710</u>	<u>\$ 4,388,115</u>	<u>\$ 5,273,683</u>
All Other Governmental Funds				
Reserved	\$ 2,643,794	\$ 1,848,368	\$ 1,512,806	\$ 2,504,694
Unreserved, reported in:				
Special revenue funds	6,964,338	4,959,645	3,830,470	5,879,346
Debt service funds		724,604	947,578	1,058,967
Capital projects funds	13,653,841	20,721,434	16,667,629	24,522,238
Total all other governmental funds	<u>\$ 23,261,973</u>	<u>\$ 28,254,051</u>	<u>\$ 22,958,483</u>	<u>\$ 33,965,245</u>

# Comprehensive Annual Financial Report **2010**

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<b>Fiscal Year</b>					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 219,303	\$ 251,540	\$ 2,532,147	\$ 256,156	\$ 60,569	\$ 57,586
5,719,490	6,885,799	5,493,860	6,672,432	1,999,665	768,523
<u>\$ 5,938,793</u>	<u>\$ 7,137,339</u>	<u>\$ 8,026,007</u>	<u>\$ 6,928,588</u>	<u>\$ 2,060,234</u>	<u>\$ 826,109</u>
\$ 2,394,628	\$ 3,486,406	\$ 2,965,944	\$ 2,107,366	\$ 1,278,319	\$ 1,727,814
7,639,675	4,653,558	9,018,627	4,627,119	(3,886,045)	(9,756,662)
1,056,261					
14,559,622	10,582,468	(8,618,307)	11,402,348	3,782,839	(3,936,907)
<u>\$ 25,650,186</u>	<u>\$ 18,722,432</u>	<u>\$ 3,366,264</u>	<u>\$ 18,136,833</u>	<u>\$ 1,175,113</u>	<u>\$ (11,965,755)</u>

# Comprehensive Annual Financial Report 2010

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

	<b>Fiscal Year</b>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Revenues</b>					
Taxes (see Schedule 5)	\$ 58,101,828	\$ 57,673,600	\$ 59,910,914	\$ 64,122,276	\$ 69,385,293
Licenses and permits	1,523,943	1,645,214	1,730,573	1,909,492	2,643,393
Intergovernmental	21,929,863	28,548,498	11,918,320	14,388,605	21,392,337
Charges for services	2,782,722	2,863,335	3,077,954	3,371,266	5,473,845
Fines and forfeitures	2,015,593	1,506,127	1,553,071	1,364,041	1,171,934
Special assessments	2,458,274	2,494,038	2,347,459	5,482,303	3,676,698
Investment earnings	3,904,848	2,365,961	1,765,927	1,742,440	3,001,655
Other revenues	2,976,680	2,676,030	3,770,425	3,768,110	3,093,620
<b>Total Revenues</b>	<b>95,693,751</b>	<b>99,772,803</b>	<b>86,074,643</b>	<b>96,148,533</b>	<b>109,838,775</b>
<b>Expenditures</b>					
General government	5,504,806	5,450,982	5,494,883	4,950,640	5,327,140
Judicial	-	1,716,299	1,811,801	1,726,236	1,872,295
Public safety	39,000,165	38,122,299	38,866,999	39,351,050	43,218,034
Community development	3,594,800	3,639,085	3,747,600	3,603,513	4,210,727
Public works	5,675,119	5,874,644	5,344,774	4,797,335	5,306,468
Leisure services	6,449,108	6,555,450	6,828,869	7,089,535	7,362,855
Health and human services	4,001,905	4,376,972	4,796,032	5,227,751	5,269,934
Debt Service					
Principal	12,232,567	7,388,000	18,037,152	29,071,344	8,854,245
Interest	-	4,666,251	4,839,185	6,570,116	4,638,657
Capital Outlay	43,152,676	33,354,153	13,214,404	19,405,538	36,163,362
<b>Total expenditures</b>	<b>119,611,146</b>	<b>111,144,135</b>	<b>102,981,699</b>	<b>121,793,058</b>	<b>122,223,717</b>
Excess of revenues over (under) expenditures	(23,917,395)	(11,371,332)	(16,907,056)	(25,644,525)	(12,384,942)
<b>Other Financing Sources (Uses)</b>					
Bonds issued	14,367,217	13,685,000	7,889,287	33,733,676	2,252,000
Refunding bonds issued	-	-	-	-	(2,050,000)
Notes/contracts issued	3,788,212	-	-	-	-
Payments to escrow agent	-	-	-	-	-
Sale of capital assets	65,506	28,450	169,810	3,275,936	4,518,249
Transfers in	24,447,960	22,796,370	16,416,984	13,731,222	16,158,803
Transfers out	(24,495,960)	(21,843,748)	(14,210,983)	(13,204,184)	(16,124,572)
<b>Total other financing sources (uses)</b>	<b>18,172,935</b>	<b>14,666,072</b>	<b>10,265,098</b>	<b>37,536,650</b>	<b>4,754,480</b>
<b>Net change in fund balances</b>	<b>\$ (5,744,460)</b>	<b>\$ 3,294,740</b>	<b>\$ (6,641,958)</b>	<b>\$ 11,892,125</b>	<b>\$ (7,630,462)</b>
Debt service as a percentage of noncapital expenditures	16.0%	15.5%	25.5%	34.8%	15.7%

# Comprehensive Annual Financial Report **2010**

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 74,785,604	\$ 75,827,108	\$ 73,895,588	\$ 64,986,755	\$ 68,488,317
2,608,064	2,809,392	2,364,302	1,849,252	2,091,190
15,588,288	17,748,774	85,192,892	24,279,630	20,956,542
5,204,130	5,110,691	3,995,114	2,874,696	3,328,744
1,227,897	1,492,780	1,705,410	1,583,731	1,737,615
3,667,926	2,439,661	2,589,995	2,627,522	1,939,156
3,883,343	3,203,446	1,732,781	1,066,402	786,379
2,183,209	3,499,918	2,388,171	3,069,013	3,529,510
<b>109,148,461</b>	<b>112,131,770</b>	<b>173,864,253</b>	<b>102,337,001</b>	<b>102,857,453</b>
6,882,585	5,798,802	6,441,299	6,191,850	5,821,839
1,947,553	2,115,342	2,266,382	2,411,494	2,415,602
45,090,400	48,730,640	53,453,187	55,681,381	57,122,596
4,434,360	4,641,802	4,910,964	4,419,094	5,237,571
6,479,232	7,275,763	6,805,027	6,118,684	5,877,368
7,436,780	8,808,851	9,621,646	12,318,938	12,603,919
5,170,441	5,838,255	5,876,570	5,995,763	5,641,216
9,646,741	9,344,892	7,707,320	7,624,942	7,246,851
4,605,109	4,034,925	4,005,422	4,899,979	4,126,828
32,955,075	41,109,628	85,302,585	21,500,239	10,754,848
<b>124,648,276</b>	<b>137,698,900</b>	<b>186,390,402</b>	<b>127,162,364</b>	<b>116,848,638</b>
(15,499,815)	(25,567,130)	(12,526,149)	(24,825,363)	(13,991,185)
11,929,507	-	26,420,777	-	-
8,218,892	-	-	8,757,076	-
1,165,137	311,894	304,979	(8,140,000)	150
29,236,665	23,932,686	17,209,577	14,941,530	16,091,163
(28,938,139)	(24,537,645)	(18,133,279)	(15,066,349)	(16,262,423)
<b>21,612,062</b>	<b>(293,065)</b>	<b>25,802,054</b>	<b>2,992,257</b>	<b>(171,110)</b>
<b>\$ 6,112,247</b>	<b>\$ (25,860,195)</b>	<b>\$ 13,275,905</b>	<b>\$ (21,833,106)</b>	<b>\$ (14,162,295)</b>

15.5%

13.9%

11.6%

11.9%

10.7%

# Comprehensive Annual Financial Report 2010

**Schedule 5**  
**City of Kent**  
**Tax Revenue by Source - Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

<b>Fiscal Year</b>	<b>Property</b>	<b>Sales &amp; Use</b>	<b>Utility</b>	<b>Real Estate Excise</b>	<b>Lodging</b>	<b>Other</b>	<b>Total</b>
2001	21,081,042	21,917,014	11,460,087	3,156,203	151,175	336,307	58,101,828
2002	22,338,412	21,106,522	10,529,816	3,273,526	127,390	297,934	57,673,600
2003	23,397,098	20,274,191	12,170,246	3,650,413	119,198	299,768	59,910,914
2004	24,011,159	22,246,215	13,674,524	3,775,658	121,007	293,713	64,122,276
2005	25,615,734	22,820,585	14,542,310	5,930,310	138,854	337,500	69,385,293
2006	26,049,415	26,099,325	16,414,038	5,514,863	167,426	540,537	74,785,604
2007	25,875,026	26,812,760	17,417,969	4,952,380	195,667	573,306	75,827,108
2008*	26,868,574	25,460,470	17,569,974	3,225,515	207,066	563,989	73,895,587
2009*	27,595,687	17,234,352	17,379,153	1,888,137	145,239	744,187	64,986,755
2010*	29,207,573	18,600,976	17,725,934	1,805,871	162,706	985,257	68,488,317
Change 2001-2010	38.5%	-15.1%	54.7%	-42.8%	7.6%	193.0%	17.9%

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

2008 = \$869,940.46 (General Fund) and \$289,980.15 (CIP Fund 25% allocation)

2009 = \$4,379,386.94 (General Fund). In 2009, CIP Fund did not receive 25% allocation of SST Mitigation.

2010 = \$4,891,833.21 (General Fund). In 2010, CIP Fund again did not receive 25% allocation.

# Comprehensive Annual Financial Report 2010

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2001	6,557,033,546	1,068,749,117	7,625,782,663	3.004
2002	7,086,296,938	1,113,099,551	8,199,396,489	2.948
2003	7,481,591,559	1,001,392,967	8,482,984,526	2.873
2004	7,843,980,330	986,668,376	8,830,648,706	2.847
2005	8,400,023,599	993,616,797	9,393,640,396	2.935
2006	9,190,267,772	1,075,601,911	10,265,869,683	2.804
2007	10,351,653,984	1,204,420,660	11,556,074,644	2.563
2008	11,555,227,640	1,241,561,849	12,796,789,489	2.364
2009	10,369,540,574	1,353,755,233	11,723,295,807	2.180
2010	11,833,000,822	1,345,088,821	13,178,089,643	2.362

**Source: King County Assessor's Office**

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

# Comprehensive Annual Financial Report 2010

## Schedule 7

### City of Kent

#### Direct and Overlapping Property Tax Rates

#### Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates								
	Basic Rate	Voted Debt Service	Total Direct Rate	State	County	Voter Approved County	Port of Seattle	Kent School District	Hospital District	Rural Library	Emergency Medical Service	Green River Flood Zone
2001	2.765	0.239	3.004	3.145	1.345	0.207	0.190	5.365	0.099	0.483	0.246	0.050
2002	2.713	0.235	2.948	2.989	1.260	0.190	0.190	4.865	0.096	0.456	0.250	0.047
2003	2.655	0.218	2.873	2.897	1.106	0.244	0.259	4.737	0.093	0.500	0.241	0.047
2004	2.636	0.210	2.846	2.757	1.242	0.189	0.254	4.717	0.092	0.492	0.237	0.047
2005	2.730	0.203	2.933	2.690	1.214	0.168	0.253	4.798	0.090	0.533	0.232	0.047
2006	2.633	0.191	2.824	2.498	1.154	0.175	0.233	4.593	0.590	0.534	0.220	0.045
2007	2.503	0.059	2.562	2.325	1.139	0.150	0.232	4.176	0.557	0.500	0.206	0.042
2008	2.312	0.052	2.364	2.132	1.208	0.119	0.224	4.393	0.509	0.453	0.300	0.100
2009	2.133	0.047	2.180	1.963	1.098	0.103	0.197	4.070	0.471	0.417	0.274	0.091
2010	2.355	-	2.355	2.223	1.285	0.074	0.216	4.809	0.533	0.485	0.300	0.105

Source: King County Assessor's Office

Note: The City is permitted by law to levy up to \$3.60 per \$1,000 assessed valuation for general government services. Statutory levy rate cannot exceed \$10 per \$1,000 of assessed valuation. This 1% value limit does not include tax levies for Port and Utility Districts. This limit is subject to further reduction per State statute limiting overlapping levy rate excluding the State (school) levy to \$5.90 per \$1,000 of assessed valuation. Other levies not subject to the limitation are excess levies approved by the voters to pay off bonds for capital construction or for providing supplemental funds for operating purposes particularly for schools.

# Comprehensive Annual Financial Report 2010

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

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Boeing	\$ 419,452,044	1	3.29%	\$441,068,508	1	5.82%
PSE/Electric & Gas	128,691,254	2	1.01%	126,317,619	3	1.67%
AMB Property	126,862,700	3	0.99%	105,571,800	4	1.39%
Calstrs (formerly McElroy George)	105,623,800	4	0.83%	128,947,700	2	1.70%
La Terra Ltd Partnership	82,282,500	5	0.64%	-	-	-
Red Mortgage Capital Inc.	58,579,000	6	0.46%	-	-	-
Starbucks	46,784,964	7	0.37%	-	-	-
Qwest Corporation	43,381,194	8	0.34%	-	-	-
CSHV Kent North LLC (formerly Ellis CB Richard)	42,988,700	9	0.34%	-	-	-
Fred Meyer	38,976,182	10	0.31%	-	-	-
U.S. West	-	-	-	52,878,545	5	0.70%
HEXCEL Corporation	-	-	-	21,476,160	9	0.28%
Mikron Industries	-	-	-	29,448,882	7	0.39%
First American Tax Valuation	-	-	-	40,646,600	6	0.54%
National Tax Search LLC	-	-	-	24,287,000	8	0.32%
Ball Metal Beverage Containers	-	-	-	20,095,070	10	0.27%
	<u>\$ 1,093,622,338</u>		<u>8.57%</u>	<u>\$990,737,884</u>		<u>13.07%</u>

Source: King County Assessor's Office



# Comprehensive Annual Financial Report 2010

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

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	21,432,223	20,885,093	97.45%	547,130	21,432,223	100.00%
2002	22,407,135	21,920,363	97.83%	486,772	22,407,135	100.00%
2003	23,479,266	23,003,573	97.97%	475,425	23,478,998	100.00%
2004	24,073,724	23,663,292	98.30%	402,506	24,065,798	99.97%
2005	25,800,548	25,324,613	98.16%	473,396	25,798,009	99.99%
2006	26,400,938	25,723,330	97.43%	672,385	26,395,715	99.98%
2007	26,194,032	25,750,298	98.31%	423,915	26,174,213	99.92%
2008	27,225,624	26,564,249	97.57%	562,813	27,127,062	99.64%
2009	27,815,136	27,136,428	97.56%	461,834	27,598,261	99.22%
2010	29,273,116	28,806,516	98.41%	(23,820)	28,782,696	98.32%

**Source:** King County Assessor's Office

# Comprehensive Annual Financial Report **2010**

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Unknown	2,955,590	2,638,575	2,788,565	2,860,967
Agriculture, Forestry, Fishing	225,340	496,125	241,811	259,927
Mining	116,790	183,031	165,812	76,669
Utilities	11,292,088	10,469,471	12,592,843	13,066,851
Construction	223,092,606	206,988,920	200,883,086	241,657,790
Manufacturing	144,097,847	134,637,498	124,167,116	133,711,143
Wholesale Trade	586,156,989	501,239,439	421,817,406	572,981,503
Retail Trade	847,630,361	828,185,986	859,359,112	965,767,217
Transportation and Warehousing	3,660,973	4,555,143	6,941,953	9,242,882
Information	150,666,059	180,909,734	141,101,281	114,599,268
Finance and Insurance	26,239,514	25,414,037	28,310,575	20,123,087
Real Estate, Rental, Leasing	83,995,402	101,102,110	79,714,100	89,459,326
Prof, Sci, Technical Svcs	54,205,997	39,047,697	30,250,721	29,642,946
Company Management	3,814	6,851	10,581	168,253
Admin, Supp, Remed Svcs	52,249,970	46,626,192	46,697,067	40,321,875
Educational Services	2,315,383	2,080,002	2,302,294	2,291,215
Health Care Social Assistance	2,289,634	407,797	2,292,399	3,270,662
Arts, Entertain, Recreation	10,832,690	11,567,931	11,039,253	11,477,093
Accommodation and Food Svcs	116,924,149	121,307,562	123,047,958	129,577,791
Other Services	58,369,240	59,871,392	59,484,659	57,895,065
Public Administration	7,479,257	10,514,231	9,694,552	13,042,626
<b>Total</b>	<b>\$ 2,384,799,694</b>	<b>\$ 2,288,249,724</b>	<b>\$ 2,162,903,145</b>	<b>\$ 2,451,494,158</b>

City direct sales tax rate 0.9%.

# Comprehensive Annual Financial Report **2010**

## Calendar Year

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
2,889,211	2,562,325	743,328	960,908	999,746	858,268
324,202	556,164	480,758	421,594	518,595	718,861
276,815	143,563	126,143	1,111,403	540,569	647,324
17,444,817	25,929,247	32,804,185	20,292,827	23,789,845	17,472,906
280,567,441	339,844,719	314,927,177	329,122,168	242,972,325	188,425,022
145,756,409	153,080,983	271,089,687	171,095,850	69,750,959	96,582,517
471,349,351	507,855,299	537,750,994	376,973,038	301,507,123	217,175,584
1,034,703,327	1,191,891,094	1,093,635,050	864,206,993	616,882,158	647,338,680
6,944,753	8,279,538	9,709,071	8,606,606	6,983,433	8,256,303
110,148,507	157,065,993	114,296,024	138,282,101	111,604,712	113,484,774
21,205,368	20,019,726	18,444,097	19,337,663	22,253,860	18,871,102
94,843,961	102,929,495	100,269,365	87,787,763	74,188,983	67,979,949
29,052,029	30,635,428	34,514,927	47,004,048	40,297,213	48,470,587
354,019	434,919	395,740	203,812	170,204	646,516
37,873,104	39,221,048	46,233,624	38,659,998	30,272,316	31,230,882
2,433,927	2,803,957	5,386,733	4,705,329	3,167,476	3,205,201
4,187,207	3,761,970	3,882,634	4,134,840	2,726,198	2,254,145
12,372,720	12,997,168	14,199,392	15,543,553	19,222,372	18,658,668
137,351,291	156,165,384	166,220,492	164,615,802	143,820,138	146,494,696
63,107,841	65,088,034	72,939,468	75,835,651	66,338,283	73,591,515
16,662,522	13,378,848	21,778,264	30,271,537	20,201,288	19,850,671
<b>\$ 2,489,848,823</b>	<b>\$ 2,834,644,903</b>	<b>\$ 2,859,827,153</b>	<b>\$ 2,399,173,484</b>	<b>\$ 1,798,207,796</b>	<b>\$ 1,722,214,171</b>

# Comprehensive Annual Financial Report **2010**

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State</u>	<u>Metro</u>	<u>RTA</u>	<u>County</u>	<u>Criminal Justice</u>	<u>Stadium</u>
2001	0.84%	6.50%	0.60%	0.40%	0.16%	0.10%	0.50%
2002	0.84%	6.50%	0.60%	0.40%	0.16%	0.10%	0.50%
2003	0.85%	6.50%	0.80%	0.40%	0.16%	0.10%	0.50%
2004	0.85%	6.50%	0.80%	0.40%	0.15%	0.10%	0.50%
2005	0.85%	6.50%	0.80%	0.40%	0.15%	0.10%	0.50%
2006	0.85%	6.50%	0.80%	0.40%	0.15%	0.10%	0.50%
2007	0.85%	6.50%	0.80%	0.40%	0.25%	0.10%	0.50%
2008	0.85%	6.50%	0.80%	0.40%	0.35%	0.10%	0.50%
2009	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.50%
2010	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.50%

# Comprehensive Annual Financial Report 2010

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

	Fiscal Year 2010				Fiscal Year 2001			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	17	0.1%	102,990	0.7%	42	0.4%	60,124	0.3%
Agriculture, Forestry, Fishing	48	0.3%	5,916	0.0%	33	0.3%	2,354	0.0%
Mining	12	0.1%	6,128	0.0%	7	0.1%	1,059	0.0%
Utilities	15	0.1%	147,432	1.0%	11	0.1%	93,096	0.5%
Construction	3,575	21.7%	1,651,070	11.5%	3,033	27.2%	1,872,681	9.3%
Manufacturing	1,170	7.1%	609,191	4.3%	566	5.1%	1,200,963	6.0%
Wholesale Trade	2,474	15.0%	1,847,349	12.9%	1,738	15.6%	4,946,400	24.6%
Retail Trade	4,060	24.6%	5,345,010	37.3%	2,150	19.3%	7,154,510	35.6%
Transportation and Warehousing	133	0.8%	70,505	0.5%	81	0.7%	36,105	0.2%
Information	492	3.0%	961,259	6.7%	334	3.0%	1,172,996	5.8%
Finance and Insurance	159	1.0%	156,864	1.1%	142	1.3%	211,697	1.1%
Real Estate, Rental, Leasing	433	2.6%	567,902	4.0%	407	3.6%	585,383	2.9%
Prof, Sci, Technical Svcs	920	5.6%	390,291	2.7%	438	3.9%	489,892	2.4%
Company Management	9	0.1%	763	0.0%	1	0.0%	39	0.0%
Admin, Supp, Remed Svcs	1,209	7.3%	258,900	1.8%	858	7.7%	425,594	2.1%
Educational Services	111	0.7%	25,930	0.2%	34	0.3%	19,564	0.1%
Health Care Social Assistance	173	1.0%	18,206	0.1%	106	0.9%	18,808	0.1%
Arts, Entertain, Recreation	101	0.6%	158,043	1.1%	53	0.5%	92,360	0.5%
Accommodation and Food Svcs	422	2.6%	1,230,354	8.6%	332	3.0%	989,559	4.9%
Other Services	966	5.9%	610,264	4.3%	781	7.0%	489,821	2.4%
Public Administration	12	0.1%	166,934	1.2%	13	0.1%	243,823	1.2%
<b>Total</b>	<b>16,511</b>	<b>100.00%</b>	<b>\$ 14,331,301 *</b>	<b>100.00%</b>	<b>11,160</b>	<b>100.00%</b>	<b>\$ 20,106,828</b>	<b>100.00%</b>

**Source:** Taxtools 4.1.0 Database by Microflex, Inc.

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

# Comprehensive Annual Financial Report 2010

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

Fiscal Year	General Bonded Debt			Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>	Other Governmental Activities Debt	
	General Obligation Bonds	Less: Amounts Available In Debt Fund	Total			Loans, Notes and Contracts <sup>d</sup>	Special Assessment Bonds
2001	62,120,000	18,559	62,101,441	0.81%	\$ 750.18	10,810,709	18,590,000
2002	68,515,000	3,782	68,511,218	0.84%	\$ 812.95	13,144,933	16,165,000
2003	70,393,000	(1,341)	70,394,341	0.83%	\$ 835.94	4,709,978	14,923,439
2004	63,838,000	-	63,838,000	0.72%	\$ 754.94	7,754,491	24,135,652
2005	59,137,115	23,350	59,113,765	0.63%	\$ 696.11	7,459,864	20,230,867
2006	65,399,001	49,075	65,349,926	0.64%	\$ 762.99	14,858,916	17,028,602
2007	60,913,311	42,024	60,871,287	0.53%	\$ 702.42	12,471,829	14,512,651
2008	80,578,443	26,246	80,552,197	0.63%	\$ 926.10	14,137,927	11,851,450
2009	76,196,081	3,587	76,192,494	0.65%	\$ 862.10	15,800,512	9,588,769
2010	71,815,583	-	71,815,583	0.54%	\$ 609.28	14,805,266	7,698,091

### Business-type Activities

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans, Notes and Contracts <sup>d</sup>	Total Primary Government <sup>c</sup>	Percentage of Personal Income <sup>b</sup>	Per Capita <sup>b</sup>
2001	11,130,000	6,975,000	11,144,020	120,751,170	1.58%	\$ 1,458.66
2002	10,450,000	5,250,000	16,507,533	130,028,684	1.59%	\$ 1,542.91
2003	9,730,000	4,445,000	39,328,494	143,531,252	1.69%	\$ 1,704.44
2004	9,524,000	3,600,000	38,166,932	147,019,075	1.66%	\$ 1,738.64
2005	12,546,885	415,000	35,840,360	135,606,741	1.44%	\$ 1,596.88
2006	11,500,998	-	34,625,250	143,363,692	1.40%	\$ 1,673.83
2007	10,270,688	-	35,193,351	133,319,806	1.15%	\$ 1,538.42
2008	8,994,557	-	33,738,999	149,275,130	1.17%	\$ 1,722.54
2009	7,822,919	24,790,000	32,536,165	166,730,859	1.42%	\$ 1,886.52
2010	6,487,417	23,925,000	42,654,670	167,386,027	1.27%	\$ 1,420.10

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

<sup>a</sup> See Schedule 6 for taxable property value data.

<sup>b</sup> Population and personal income data can be found in Schedule 17.

<sup>c</sup> Includes general bonded debt, other governmental activities debt, and business-type activities debt.

<sup>d</sup> Excludes compensated absences.

# Comprehensive Annual Financial Report 2010

**Schedule 14  
City of Kent  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2010**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b><u>Governmental Unit</u></b>			
King County	1,140,426,000	3.9721%	45,298,861
Port of Seattle	335,500,000	3.9721%	13,326,396
School District No. 210	192,250,543	6.4183%	12,339,217
School District No. 401	292,916,605	1.4745%	4,319,055
School District No. 403	261,635,000	4.0958%	10,716,046
School District No. 408	90,752,648	0.2620%	237,772
School District No. 409	28,070,418	0.0159%	4,463
School District No. 415	205,939,464	65.4954%	134,880,876
Hospital District No. 1	37,255,000	34.2366%	12,754,845
Rural Library District	131,901,411	1.9023%	2,509,161
Subtotal Overlapping Debt			236,386,692
<b>City of Kent direct debt</b>			<u>93,942,781</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 330,329,473</u></u>

**Source:** King County: County Assessor, and Department of Finance

**Note:**

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

# Comprehensive Annual Financial Report **2010**

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt limit	\$ 568,676,199	\$ 613,183,677	\$ 633,977,562	\$ 659,852,343
Total net debt applicable to limit	85,686,170	91,795,749	86,195,732	82,353,984
Legal debt margin	<u>\$ 482,990,029</u>	<u>\$ 521,387,928</u>	<u>\$ 547,781,830</u>	<u>\$ 577,498,359</u>
Total net debt applicable to the limit as a percentage of debt limit	15.07%	14.97%	13.60%	12.48%

# Comprehensive Annual Financial Report **2010**

<b>Fiscal Year</b>					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 701,084,358	\$ 766,839,672	\$ 863,746,026	\$ 956,906,355	\$ 879,375,501	\$ 980,253,534
79,202,905	91,259,633	84,703,586	104,733,011	100,816,381	93,942,781
<u>\$ 621,881,453</u>	<u>\$ 675,580,039</u>	<u>\$ 779,042,440</u>	<u>\$ 852,173,344</u>	<u>\$ 778,559,120</u>	<u>\$ 886,310,753</u>
11.30%	11.90%	9.81%	10.94%	11.46%	9.58%

Assessed value	\$	13,070,047,120
Debt limit:		
2.5% of General purpose limit, voted & non-voted		326,751,178
2.5% Utility purpose limit, voted		326,751,178
2.5% Open Space, Park Facilities, voted		326,751,178
Total debt limit		<u>980,253,534</u>
Debt applicable to limit:		
Voted		-
Non-voted		93,942,781
Less: Amount set aside for repayment of general obligation debt		-
Total net debt applicable to limit		<u>93,942,781</u>
Legal debt margin		<u><u>886,310,753</u></u>

# Comprehensive Annual Financial Report 2010

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

Fiscal Year	Water Revenue Bonds						Coverage
	Water Operating Revenue	Less: Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service			
				Principal	Interest		
2001	\$ 6,815,100	\$ 5,441,163	\$ 1,373,937	\$ 1,150,000	\$ 197,257	1.02	
2002	6,978,146	5,882,624	1,095,522	1,140,000	97,963	0.88	
2003	7,609,119	6,180,031	1,429,088	195,000	119,770	4.54	
2004 <sup>3</sup>	7,833,929	6,493,433	1,340,496	205,000	9,430	6.25	
2009 <sup>5</sup>	11,876,537	8,498,185	3,378,352	105,000	154,366	13.03	
2010	15,426,293	9,029,965	6,396,328	432,500	628,347	6.03	

Fiscal Year	Sewerage Revenue Bonds <sup>1</sup>						Coverage
	Sewerage Operating Revenue	Less: Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service			
				Principal	Interest		
2001	20,182,346	16,365,261	3,817,085	560,000	804,252	2.80	
2002	22,043,249	17,832,664	4,210,585	585,000	759,316	3.13	
2003	22,277,646	18,352,023	3,925,623	610,000	651,785	3.11	
2004	22,213,930	19,405,392	2,808,538	640,000	227,295	3.24	
2005	23,357,426	19,044,556	4,312,870	665,000	125,615	5.46	
2006 <sup>4</sup>	25,063,532	20,244,531	4,819,001	992,571	445,806	3.35	
2009 <sup>5</sup>	31,298,410	24,995,990	6,302,420	105,000	154,366	24.30	
2010	35,841,828	25,196,002	10,645,826	432,500	628,347	10.04	

Fiscal Year	Special Assessment Bonds			
	Revenues	Debt Service		Coverage
		Principal	Interest	
2001	3,958,433	2,535,118	1,039,493	1.11
2002	3,665,915	2,425,000	1,026,332	1.06
2003	3,571,155	2,605,000	900,600	1.02
2004	3,473,210	2,546,344	801,481	1.04
2005	5,085,487	3,911,886	1,115,120	1.01
2006	4,672,771	3,202,265	955,342	1.12
2007	3,650,209	2,721,699	839,175	1.03
2008	3,570,767	2,697,676	714,711	1.05
2009	2,845,669	2,289,806	588,439	0.99
2010	2,444,174	1,916,737	478,481	1.02

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements. Golf revenue bonds were refunded in 1995 through the issuance of Councilmanic General Obligation bonds which are recorded in the Golf Complex Enterprise Fund.

<sup>1</sup> Amounts include Sewer and Drainage operations.

<sup>2</sup> Operating expenses do not include interest, depreciation or amortization expenses.

<sup>3</sup> Water revenue bonds matured in 2004.

<sup>4</sup> Sewerage revenue bonds matured in 2006.

<sup>5</sup> Issued in 2009--Combined Utility System Revenue Bonds, Series 2009A, and Combined Utility System Revenue Bonds, Series 2009B Taxable (BABs) issued for a total of \$25,000,000--split between Water and Sewerage Fund. Details regarding coverage can be found in the Official Statement.

# Comprehensive Annual Financial Report **2010**

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

<u>Calendar Year</u>	<u>Population<sup>1</sup></u>	<u>County Personal Income<sup>2</sup></u> (thousands of dollars)	<u>Per Capita Income County<sup>3</sup></u>	<u>Median Age<sup>4</sup></u>	<u>School Enrollment<sup>5</sup></u>	<u>County Unemployment Rate<sup>6</sup></u>
2001	82,782	77,982,196	44,384	35.92	26,683	5.1%
2002	84,275	78,430,868	44,470	36.13	26,717	6.2%
2003	84,210	80,127,397	45,276	36.38	26,870	6.2%
2004	84,560	89,382,311	50,132	36.60	26,891	5.1%
2005	84,920	89,431,448	49,582	36.83	27,571	4.8%
2006	85,650	99,608,475	54,370	36.94	27,590	4.2%
2007	86,660	106,637,605	57,409	36.98	26,861	3.7%
2008	86,980	109,551,329	58,141	37.00	27,582	4.3%
2009	88,380	109,053,408	56,904	37.08	26,764	8.1%
2010 <sup>7</sup>	117,869	N/A*	N/A*	37.24	27,050	8.8%

<sup>1</sup> City of Kent Planning Department & 2000 US Census.

<sup>2</sup> Personal Income for King County: US Bureau of Economic Analysis.

<sup>3</sup> Per Capita Income for King County: US Bureau of Economic Analysis.

<sup>4</sup> Median Age for Washington State: Office of Financial Management.

<sup>5</sup> Per Kent School District full student headcount, as of October 2008.

<sup>6</sup> Average for King County: Washington State Employment Security Department

<sup>7</sup> Increase in population due to Panther Lake Annexation effective 7/1/10.

\*2010 information is not available, will be included in 2011 CAFR.

# Comprehensive Annual Financial Report **2010**

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Boeing Company	4,000	1	7.38%	4,926	1	12.32%
Kent Public Schools	3,292	2	6.07%	3,165	2	7.91%
City of Kent	832	3	1.54%	827	4	2.07%
REI Inc.	709	4	1.31%	689	5	1.72%
Mikron Industries				490	8	1.23%
King County Regional Justice Center	630	5	1.16%	630	6	1.58%
Coho Distributing LLC dba Columbia Dist.	620	6	1.14%			
Sysco	510	7	0.94%	600	7	1.50%
Alaska Airlines	459	8	0.85%			
Oberto Sausage	447	9	0.82%	447	9	1.12%
Starbucks Coffee Company	453	10	0.84%			
HEXCEL Corporation				921	3	2.30%
Continental Mills, Inc.				436	10	1.09%
	<u>11,952</u>		<u>22.05%</u>	<u>13,131</u>		<u>32.83%</u>

**Source:** City of Kent Business License System

# Comprehensive Annual Financial Report 2010

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

Function/Program	Full-time-Equivalent Employees as of December 31									
	2001	2002	2003 <sup>a</sup>	2004	2005	2006	2007	2008	2009 <sup>b</sup>	2010 <sup>c</sup>
General government										
Mayor's Office	12.00	13.00	8.00	8.00	10.00	11.00	11.00	12.00	9.00	13.00
Employee Services	17.00	17.00	12.00	12.00	13.00	13.00	13.00	13.00	11.00	11.00
Finance	25.50	24.50	22.00	22.00	22.00	22.00	22.00	21.00	19.50	19.00
Information Technology	36.00	35.00	27.00	26.00	25.00	25.00	26.00	29.00	25.00	25.00
Other	44.00	44.00	39.00	37.75	39.00	42.00	42.50	43.50	43.00	43.50
Judicial	18.00	19.00	18.00	18.00	18.00	18.00	18.00	19.00	18.00	21.00
Public Safety										
Police	186.25	186.00	178.00	176.00	176.00	178.00	183.00	187.00	179.00	193.00
Fire	160.00	160.00	158.00	160.00	161.00	161.00	176.00	177.00	169.00	-
Law-Criminal	7.00	7.00	7.00	7.25	9.00	10.00	10.50	10.50	9.50	10.00
Community Development	43.00	43.00	37.00	40.00	40.00	41.00	42.00	42.00	42.00	43.00
Public Works										
Engineering	9.00	9.00	9.25	9.50	5.25	5.25	5.58	5.58	5.33	5.33
Operations	13.00	13.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00
Streets	69.50	68.50	59.50	59.50	71.75	72.75	77.75	77.75	65.50	70.50
Leisure Services	63.00	62.50	59.00	62.00	57.00	59.00	60.00	63.00	60.00	60.00
Health and Human Services	15.00	16.00	18.00	17.00	19.00	18.00	18.00	18.00	17.00	18.00
Water	27.50	27.50	28.25	29.50	26.00	26.00	26.00	27.00	25.00	26.00
Sewerage										
Sewer	9.50	9.50	9.75	10.50	10.25	10.25	10.58	10.58	10.33	10.33
Storm	24.50	24.50	24.25	25.00	25.75	26.75	27.09	27.09	26.34	34.34
Water & Sewer Utility Billing	9.50	8.00	8.00	7.00	7.00	7.00	9.00	10.00	9.50	10.00
Golf	11.00	11.00	9.00	9.00	9.00	9.00	9.00	9.00	8.00	8.00
<b>Total</b>	<b>800.25</b>	<b>798.00</b>	<b>743.00</b>	<b>749.00</b>	<b>757.00</b>	<b>768.00</b>	<b>800.00</b>	<b>815.00</b>	<b>765.00</b>	<b>633.00</b>

**Source:** City of Kent Financial Planning Department

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

<sup>a</sup> Beginning mid-2001, the city began to delay filling vacant employee positions. The 2003 adopted budget eliminated or removed the funding of 35 positions as a result of citywide budget cuts. In June 2003, the city eliminated an additional 34 positions.

<sup>b</sup> Beginning 2009, the city began to delay filling vacant employee positions. The 2009 adopted budget was adjusted, due to reductions and reorganization, down by 53 FTEs from 818 FTEs to 765 FTEs.

<sup>c</sup> Full-Time Equivalent (FTE) employees were reduced by 166 Fire Department employees that transferred to the Regional Fire Authority (RFA) on July 1, 2010.

# Comprehensive Annual Financial Report 2010

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Business licenses issued	3,854	3,861	3,821	3,821	3,856	3,856	3,796	3,834	3,787	4,183
Judicial										
Number of court filings <sup>a</sup>	19,224	20,027	23,100	19,990	20,240	18,710	19,216	21,285	23,466	20,330
Public Safety										
Police										
Physical arrests	4,432	4,289	4,296	3,550	4,100	4,119	4,808	4,658	4,704	4,249
Parking violations	2,752	2,524	2,468	3,240	2,516	2,594	2,439	2,557	2,295	2,115
Traffic violations	25,970	27,472	30,287	32,476	20,240	18,681	19,219	18,713	18,188	15,343
Community Development										
Building permits issued <sup>b</sup>	1,095	1,088	1,206	1,189	1,478	1,672	1,437	1,123	913	1,004
Building inspections conducted	17,720	16,470	19,141	17,108	17,569	20,984	16,912	16,226	15,480	12,883
Public Works										
Street resurfacing (sq yrds)	163,537	174,475	76,329	110,493	117,701	169,000	126,097	156,091	467,777	12,200
Leisure Services										
Recreation programs offered	1,290	1,299	1,508	1,494	1,516	1,694	1,911	2,050	2,050	1,791
Number of recreation participants	76,116	75,704	71,118	79,950	74,672	79,438	98,616	102,939	106,027	73,600
Health and Human Services										
Home repairs conducted	1,987	2,056	2,021	1612 <sup>b</sup>	2,352	1,700	950	516	657	625
Citizens served in specialized recreation setting	1,748	2,081	2,014	2,188	3,092	2,500	3,200	3,200	3,250	3,150
Participants in Senior programs/workshops	4,500	6,550	7,715	8,000	9,000	12,242	18,339	22,714	23,395	34,697
Water										
New connections	187	105	76	256	42	279	258	171	141	189
Average daily consumption (million gallons-estimated)	8	7.9	8.1	8.0	7.72	8	8	8	8	8
Golf										
Number of participants	179,654	175,925	177,575	171,885	173,970	170,361	171,033	156,580 <sup>d</sup>	156,950	153,750
Number of tournaments	156	118	118	108	106	103	117	100	85	83
Library										
Number of Items	174,119	174,119	150,497	150,497	150,497	150,497	150,497	156,050	151,605	159,246

**Source:** Various City Departments

<sup>a</sup> Includes parking violations

<sup>b</sup> Reflects a shift in the way minor repairs are counted.

<sup>c</sup> Information not available for years indicated.

<sup>d</sup> Levee Project shut down Driving Range - Mid September - October 2008 and 18 Hole under construction June - August/9 holes only from September - December 2008.

# Comprehensive Annual Financial Report 2010

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	29	40	40	41	42	42	42	44 <sup>b</sup>	51 <sup>b</sup>	50 <sup>b</sup>
Fire stations	7	7	7	7	7	7	7	7	7	7
Public Works										
Streets (lane miles)	724	728	728	550	555	551	556	569	725	725
Streetlights	4,400	4,437	4,475	4,475	4,883	4,950	5,171	5,176	6,573	6,573
Traffic signals	97	110	108	109	109	111	130	103	104	119
Leisure Services										
Acres of park land	1,348	1,349	1,349	1,338	1,346	1,346	860 <sup>a</sup>	870	982	1,434
Parks	68	68	68	68	75	75	75	90	80	83
Miles of trails	20	20	20	20	23	23	23	19	24	23
Ball fields	32	31	31	31	24	24	24	18	18	21
Tennis courts	15	15	15	15	15	15	15	12	13	15
Water										
Water mains (miles)	241	260	260	269	269	272	274	281	280	280
Water customers (residents)	54,056	55,325	56,625	57,956	59,318	60,712	62,140	65,548	69,800	66,006
Reservoir/Tanks	8	8	8	8	8	8	8	8	8	8
Reservoir storage capacity (millions of gallons)	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	21.0
Sewerage										
Sanitary sewers (miles)	208	209	209	209	193	201	206	209	209	209
Storm sewers (miles)	196	233	233	233	228	238	247	248	248	248
Sewer customers	13,093	13,207	13,456	13,788	14,054	14,300	14,545	14,900	15,609	15,874
Drainage customers	15,516	15,601	15,727	16,238	16,417	17,000	16,798	16,925	17,042	22,113
Golf										
18-Hole course (yards)	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,701
Par 3 course (yards)	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174
Driving range (stalls)	32	32	32	32	32	32	32	32	32	32
Miniature golf course 18-hole	1	1	1	1	1	1	1	1	1	1
Merchandise center	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1

**Source:** Various City Departments

**Notes:**

\*Information not available for years indicated.

<sup>a</sup> Does not include Commons Playfield.

<sup>b</sup> Includes 1 Patrol boat

