



2011 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2011



City of Kent, Washington





Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2011

Prepared by:

Finance Department
Financial Reporting Division

R. J. Nachlinger
Finance Director

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September 21, 2012

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, 2011. 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, 2011 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, 2011, 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.

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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 118,200 residents, which is an increase of almost 30,000 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 2011, the City of Kent had 649 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 200 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

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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 2011, the City Council established its direction for the City with the development and adoption of the Strategic Goals. That Strategic Goals were 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 1,096 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 2011, the City Council established its direction for the City with development and adoption of the Strategic Goals. The five strategic goals identified in the plan and the key targets for the goals are:

Develop and implement a sustainable funding model

Create a plan to analyze current operations to identify and implement efficiencies. Research new revenue sources to sustain current operations. In light of new economic realities, prioritize public services and implement new fund reserve policies.

Create connections for people and places

Develop and implement a plan to improve government processes. Identify a funding source and revenue generating opportunities user fiber optics throughout the community. Create connections for people and places by improving and expanding trails and roadways. Design a Gateways Plan to create more friendly and welcoming entries into Kent. Continue to identify neighborhoods.

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Create neighborhood urban centers

Transform zoning and planning to support the creation of new urban centers. Transform the regulatory process to be efficient and eliminate redundancy. Improve streetscapes and signage. Identify a niche, uniqueness for Kent to develop.

Foster inclusiveness

Promote inclusiveness and broaden the opportunities to celebrate and showcase the diversity of our community. Seek ways to educate employees, employers and the community on the cultural diversity of Kent. Remove barriers to increase hiring to match the city's diverse population.

Beautify Kent

Update design standards for residential, commercial and downtown areas of Kent. Implement a plan for "Green Kent", targeting greenways to include better use of open space and trees. Leverage code enforcement to rid the city of unsightly areas. Implement a plan for maintenance and resource management of our existing public and private infrastructure.

The 2012 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% including Streamlined Sales Tax.

During the budget process, the City focused its efforts on tying the strategic goals to the items approved within the budget. The top priorities of the City were law enforcement, maintaining the 2011 funding levels for human services, creating sustainable funding for ongoing improvements and maintenance to the City's infrastructure assets, increasing economic development opportunities that provides jobs, increasing connections and communications with residents, and rebuilding the General Fund's fund balance.

Administration implemented an aggressive savings plan to bring expenditures in line with projected reduced revenues. These savings included eliminating 35.8 positions including 23.5 vacant positions and freezing 7 vacant public safety positions until State criminal justice funding increases. In addition to the cost savings, in order to maintain core city services and infrastructure, the City restructured fees for permitting and development services, applied a technology fee to permitting, parks, business licenses and utility billing, increased business license fees, and assessed a new 4% internal utility tax.

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.

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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 2011, the City operated with 25 individual funds. These are summarized into seven standard fund types to comply with the aforementioned standards of the Governmental Accounting Standards Board. The individual funds, in addition to being the basis of the accounting system, provide the legal budgetary control level for City expenditures. Certain funds operate on an annual budget. Other funds are project oriented or controlled by bond indentures or state law. 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 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 2011 and at December 31, 2011, 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, 2011, the City's cash and investment position for all funds totaled \$32,953,708. The fair value of investments, including certificates of deposit, on December 31, 2011, totaled \$31,178,136. Funds are invested overnight with the State Treasurer's Investment Pool and, for longer-term

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investments, in certificates of deposit and U.S. government securities. The portfolio generated \$222,304 of interest income in 2011, for a yield of 0.47 percent on average cash and investments of \$47,760,084.

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, 2011, there is no unfunded liability for the pension plan. In compliance with GASB 45, the City recognized the Net Other Post Employment Benefit (OPEB) obligation at December 31, 2011, in the amount of \$860,760.

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. The Firefighters Relief and Pension Fund provides 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. That was the 13th consecutive year (1994 – 2007) 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.

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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.

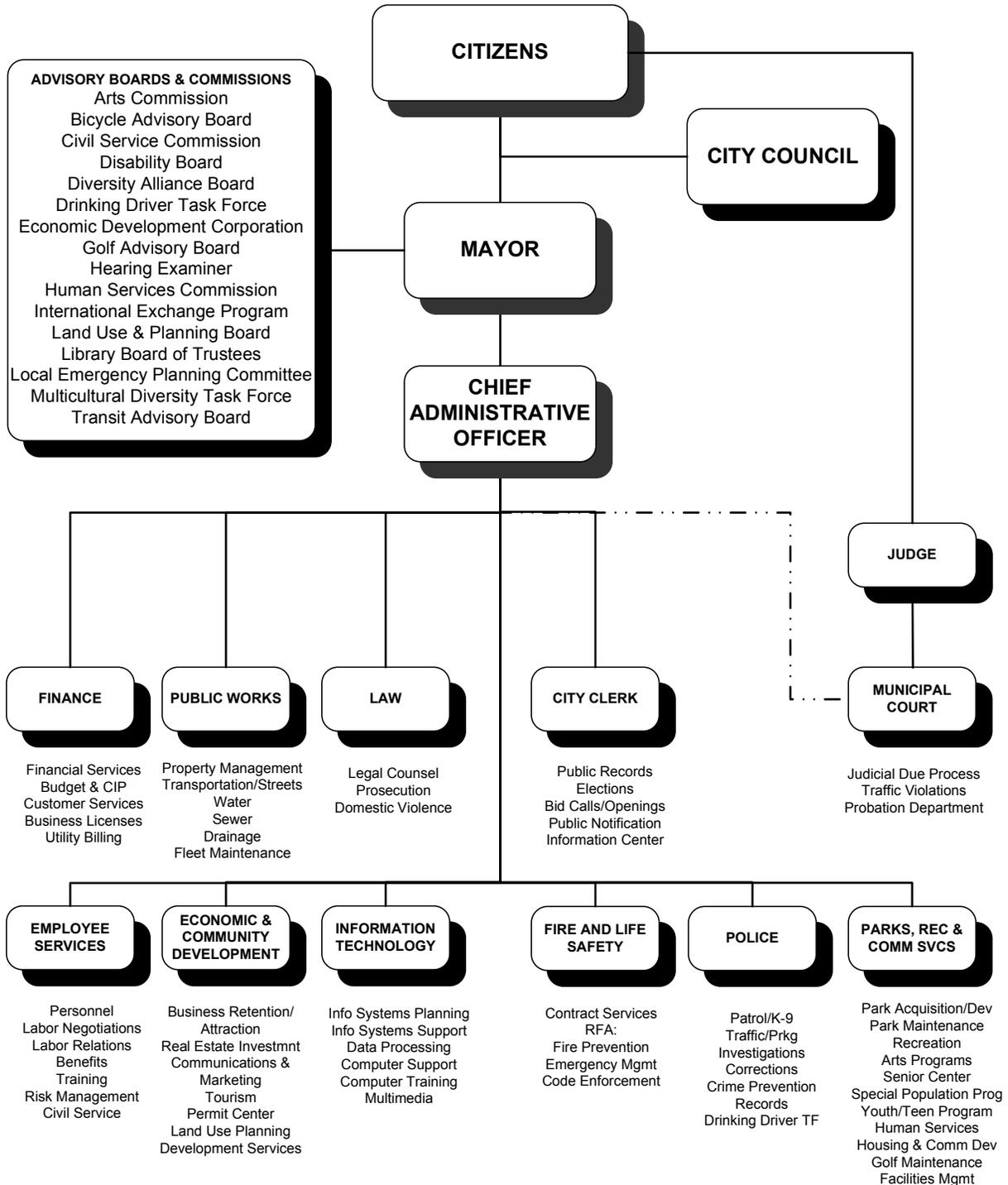
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. J. Nachlinger', with a long horizontal flourish extending to the right.

R. J. Nachlinger
Finance Director

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City of Kent 2012 Organization Chart



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PRINCIPAL OFFICIALS

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

	Term Expiration
MAYOR	
Suzette Cooke	12-31-2013

COUNCIL MEMBERS

Dennis Higgins, President	12-31-2013
Elizabeth Albertson	12-31-2013
Bill Boyce	12-31-2015
Jamie Perry	12-31-2013
Dana Ralph	12-31-2015
Deborah Ranniger	12-31-2015
Les Thomas	12-31-2015

GENERAL GOVERNMENT

John Hodgson, Chief Administrative Officer
Tom Brubaker, City Attorney
Lorraine Patterson, 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



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Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

September 21, 2012

Mayor and City 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, 2011, 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, 2011, 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.

As described in Note 1, during the year ended December 31, 2011, the City has implemented the Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we will also issue our report dated September 21, 2012, 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



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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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18, pension trust fund information on page 95 and information on postemployment benefits other than pensions on page 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 on pages 98 through 130 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,



BRIAN SONNTAG, CGFM
STATE AUDITOR

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City of Kent

Management's Discussion and Analysis For the Year Ended December 31, 2011

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, 2011. 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 (\$986.8 million) increased by \$5 million or 0.5 percent from 2010 levels, comprised of an \$11.8 million or a 1.6 percent decrease resulting from governmental activities and \$16.8 million or 6.6 percent increase as a result of business-type activities. Approximately \$21.7 million or 2.2 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 \$12.3 million or 1.1 percent from 2010.
- Long-term debt (\$161.5 million) decreased by \$10.9 million or 6.3 percent from 2010 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.

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Management's Discussion and Analysis For the Year Ended December 31, 2011

City of Kent

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 16 individual governmental funds. Information is provided separately for five funds that the City considers to be major funds, and combines the other 11 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

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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 \$986.7 million on December 31, 2011.

By far the largest portion of the City of Kent's net assets (\$950.5 million or 96.3 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.

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CITY OF KENT'S NET ASSETS December 31, 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$ 25,396	\$ 28,787	\$ 45,949	\$ 58,744	\$ 71,345	\$ 87,531
Capital Assets	792,943	809,538	303,240	274,346	1,096,183	1,083,884
Total Assets	818,339	838,325	349,189	333,090	1,167,528	1,171,415
Liabilities						
Long-term Debt Outstanding	90,556	98,213	70,952	74,223	161,508	172,436
Other Liabilities	14,205	14,735	5,037	2,508	19,242	17,243
Total Liabilities	104,761	112,948	75,989	76,731	180,750	189,679
Net Assets						
Invested in Capital Assets, net of debt	708,913	727,783	241,630	214,632	950,543	942,415
Restricted	10,035	12,145	4,497	3,065	14,532	15,210
Unrestricted	(5,370)	(14,551)	27,073	38,662	21,703	24,111
Total Net Assets	\$713,578	\$725,377	\$273,200	\$256,359	\$986,778	\$981,736

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 (\$21.7 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.

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CITY OF KENT'S CHANGES IN NET ASSETS For the Year Ended December 31, 2011 (in thousands)

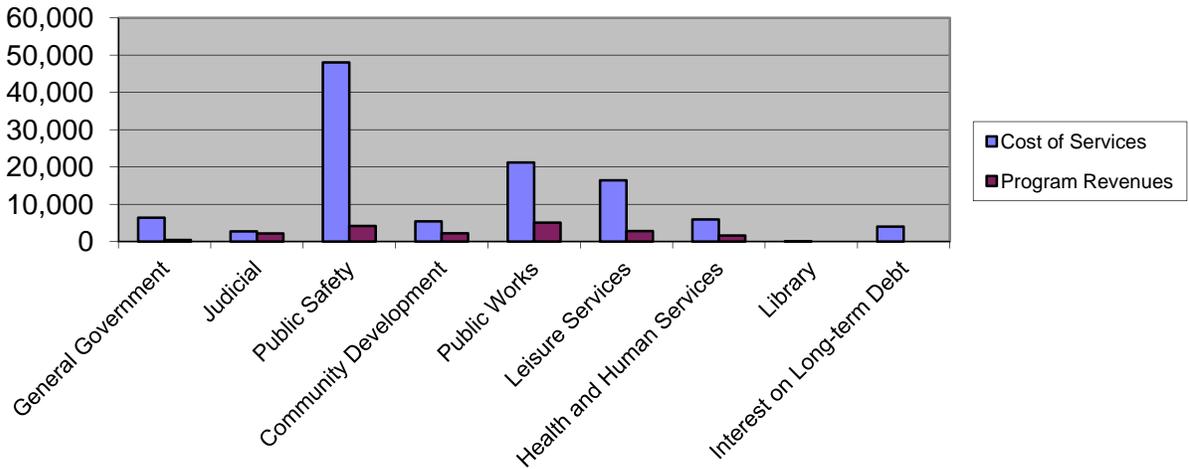
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,801	\$ 8,251	\$ 57,615	\$ 53,663	\$ 66,416	\$ 61,914
Operating Grants/Contributions	4,402	9,433	349	2,799	4,751	12,232
Capital Grants/Contributions	5,311	9,459	6,900	6,761	12,211	16,220
General Revenues:						
Property Taxes	19,297	29,272			19,297	29,272
Sales Taxes	21,458	18,601			21,458	18,601
Utility Taxes	19,365	17,726			19,365	17,726
Other Taxes	3,549	2,954			3,549	2,954
Grants and Contributions Not Restricted to Specific Programs	7,103	6,329			7,103	6,329
Investment Earnings	495	818	120	158	615	976
Miscellaneous	4,931	2,825			4,931	2,825
Total Revenue	\$ 94,712	\$105,668	\$ 64,984	\$ 63,381	\$159,696	\$169,049
Expenses:						
General Government	\$ 6,400	\$ 6,931	\$.	\$.	\$ 6,400	\$ 6,931
Judicial	2,745	2,544			2,745	2,544
Public Safety	48,031	60,147			48,031	60,147
Community Development	5,441	5,524			5,441	5,524
Public Works	21,196	16,220			21,196	16,220
Leisure Services	16,415	15,051			16,415	15,051
Health and Human Services	5,915	5,997			5,915	5,997
Library	99	99			99	99
Interest on Long-Term Debt	4,001	4,295			4,001	4,295
Water			11,991	11,241	11,991	11,241
Sewerage			29,194	29,669	29,194	29,669
Golf Complex			3,226	3,124	3,226	3,124
Total Expenses	\$110,243	\$116,808	\$ 44,411	\$ 44,034	\$154,654	\$160,842
Increase in Net Assets Before Transfers	\$ (15,531)	\$ (11,140)	\$ 20,573	\$ 19,347	\$ 5,042	\$ 8,207
Transfers	312	14	(312)	(14)		
Increase in Net Assets	\$ (15,219)	\$ (11,126)	\$ 20,261	\$ 19,333	\$ 5,042	\$ 8,207
Net Assets – January 1	725,377	736,611	256,359	236,918	981,736	973,529
Prior Period Adjustment	3,419	(108)	(3,419)	108		
Net Assets – January 1 (Adjusted)	728,796	736,503	252,940	237,026	981,736	973,529
Net Assets – December 31	\$713,577	\$725,377	\$273,201	\$256,359	\$986,778	\$981,736

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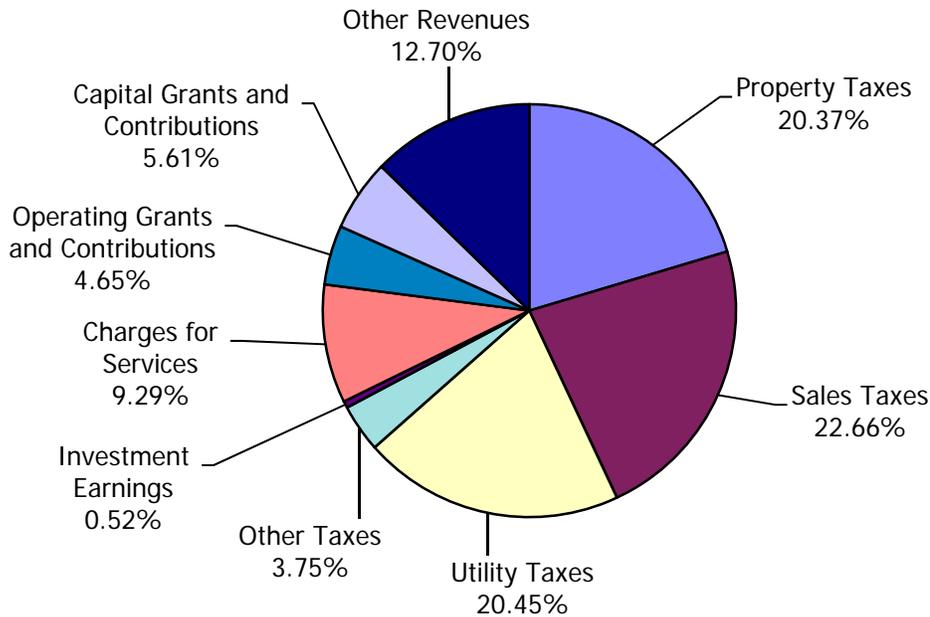
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Governmental Activities
(in thousands)



Revenues by Source - Governmental Activities

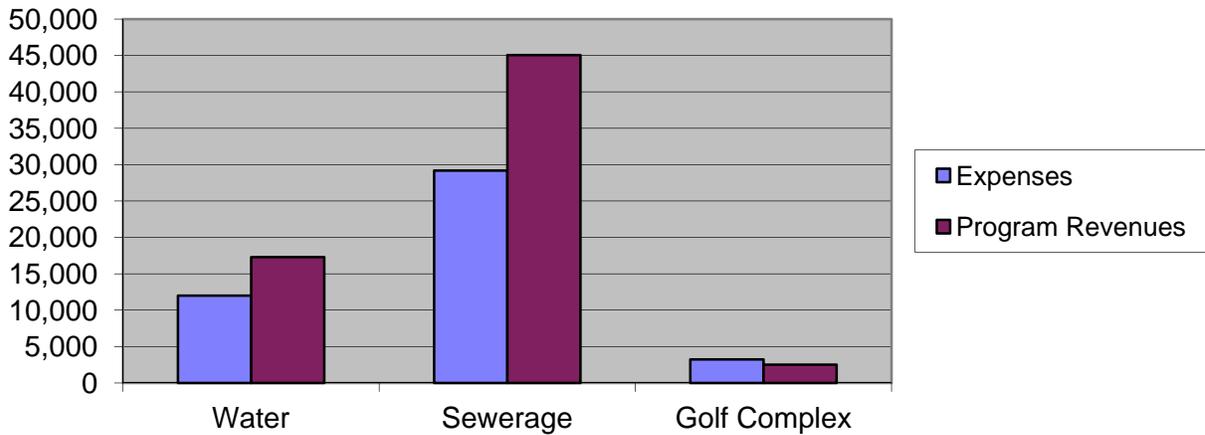


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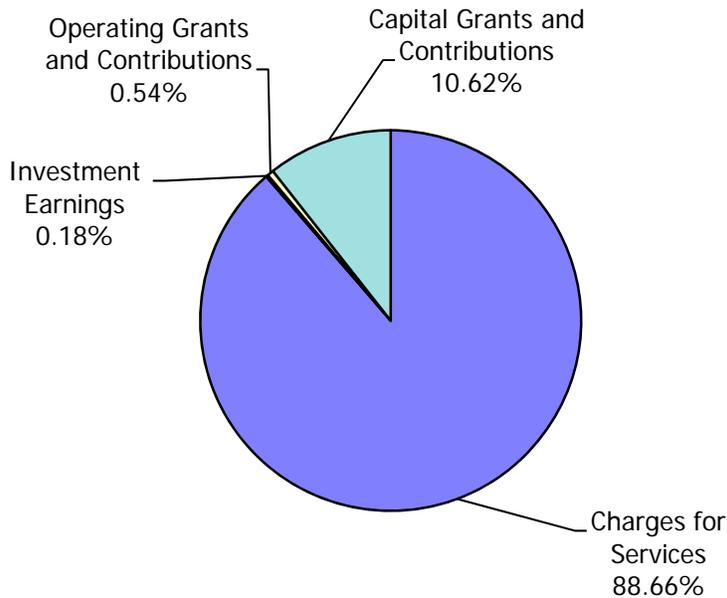
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Business Activities-Expenses and Program Revenue (in thousands)



Revenues by Source - Business-type Activities



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Governmental activities. Governmental activities contributed to a decrease in the City of Kent's net assets of \$15.2 million, but combined with the \$20.3 million growth in business activities, overall net assets increased by \$5 million. Key revenue highlights:

- *Property Taxes* (\$19.3 million) decreased by \$10 million or 34.1 percent. This decrease was due to the formation of the Kent Regional Fire Authority (KRFA) on July 1, 2010, which reduced the City's property tax levy by the amount levied by the KRFA's of \$1 per \$1,000 assessed valuation.
- *Sales and Use Taxes* (\$21.5 million) increased by \$2.9 million or 15.4 percent primarily as a result of the Panther Lake annexation. Per RCW 82.14.415, as a result of the Panther Lake annexation, 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 recognized only half the year increase in sales tax. The total 2010 State Sales Tax credit received was \$1.8 million, while in 2011 this totaled \$3.5 million. In addition to the state sales tax credit, the City recognized additional increases to general sales tax and criminal justice sales tax revenue as the result of the annexation. 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 2011 accounted for \$4.9 million in revenues.
- *Utility Taxes* (\$19.3 million) increased by \$1.6 million or 9.2 percent primarily due to annexation revenues, which totaled \$2.9 million. 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. In addition, cellular companies discontinued submitting utility taxes on cellular phone data plans.
- *Other Taxes* (\$3.5 million) increased by \$595,000, or 20 percent, primarily due to the annexation of Panther Lake resulting in an increase of \$336,295. Real estate excise tax (REET) also saw an increase of \$426,300 as compared to 2010. During 2011, the City began to see an increase in sales over \$1 million which has contributed to the increased collections in REET.
- *Investment Earnings* (\$.5 million) decreased by \$.3 million or 39.5 percent as a result of decreased funds available for investing.
- *Intergovernmental Revenue* (\$14.7 million) decreased by \$6.2 million or 30 percent, due mainly to the elimination of revenue from contracted services with Fire District 37 and decreases in other grants and shared revenue.
- *Public Safety Expenditures* (\$48 million) decreased by \$12.1 million or 20.1 percent as compared by 2010 as the result of the formation of the Kent Regional Fire Authority on July 1, 2010. As per the Interlocal Agreement, the KRFA was allowed to complete the year using the 2010 established budget. However, beginning in 2011, the expenditures related to the Fire Department was removed and only the Interlocal agreement contract with the KRFA was budgeted.

Business-type activities. Business-type activities offset the governmental activities \$15.2 million decrease in assets with a \$20.3 million increase over 2010 levels resulting in a net increase of \$5 million. Key revenue highlights:

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- *Operating Revenues* (\$57.6 million) increased by \$4 million or 7.4 percent. The increase was due to rate increases in both Water Utility and Sewerage Utility revenue resulting in a \$.6 million and a \$3.3 million increase, respectively.
- *Operating Grants/Contributions* (\$348,477) decreased by \$2.45 million or 87.6 percent primarily the result of activity in the Sewerage Fund. During 2010, the City received \$2.5 million from King County Department of Natural Resources for Green River Flood Protection.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

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

At the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of (\$14.7) million, a decrease of \$7 million or 90 percent in comparison with the prior fiscal year. Of this amount, the unassigned fund balance constitutes a deficit unassigned fund balance of \$23 million. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$63,857), 2) restricted for particular purposes (\$5,607,478), 3) committed for particular purposes (\$2,132,916), or assigned for particular purposes (\$519,918).

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 \$142,462, representing a \$90,921 or 38.96 percent decrease from 2010. During 2011, the City implemented GASB 54. As a result, for reporting purposes, the General Fund is now comprised of the General Fund along with three funds once considered Special Revenues of the City (Public Safety Retiree Fund, Operating Grants and Projects Fund, and the Kent Events Center Fund). For budgetary purposes, these special revenue funds are still separate from the General Fund. The General Fund's 2011 beginning fund balance was restated to reflect this change. Factors affecting the General Fund's ending fund balance include:

- A decrease in property tax collections of \$9.8 million was the result of the formation of the Kent Regional Fire Authority (KRFA). Per the Interlocal agreement, the City of Kent reduced its property tax levy rate by \$1 per \$1,000 assessed valuation, the amount assessed by the KRFA.
- When the KRFA was formed, the contract with Fire District #37 was also eliminated resulting in a reduction to the intergovernmental revenue from that contract of \$3.2 million as compared to 2010.
- Public safety expenditures were down approximately \$17.6 million primarily due to the formation of the KRFA.
- An increase in sales and use tax of \$2.5 million, as well as an increase in utility taxes of \$1.2 million dollars, due to the Panther Lake Annexation.

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 2010 levels:

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- *Capital Improvement Fund.* Fund balance decreased by \$3.9 million. With a beginning fund balance of negative \$8.1 million, an increase in the fund's revenues of \$.7million, a decrease in expenditures of \$.2 million, and transfers out exceeding transfers in by \$7.1 million, that combined to produce a negative \$12 million fund balance at the end of 2011. The primary revenue sources for the Capital Improvement Fund are Sales and Use Tax and Real Estate Excise Tax. Real Estate Excise Tax did show an increase of 24 percent compared to 2010, but is still 31 percent below what was received in 2008. Sales tax has also seen a slight increase over 2010 of 4 percent, but is still below 2008 by 33 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 20 percent primarily due to a reduced guarantee fund requirement resulting in a transfer out of the fund in the amount of \$199,956. Revenues less expenditures resulted in a net decrease in fund balance of \$10,442. 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.* The beginning fund balance of this fund was restated due to a prior period correction of \$3.4 million which moved a portion of the expenditures of a combined water, sewer and street project originally charged to the Street Projects Fund to the appropriate accounts in the Water and Sewerage Funds. After the restatement, the net change in fund balance increased by \$2.26 million. The largest impact to the increase in fund balance was a transfer in from the General Fund of \$1.4 million to help offset the deficit fund balance carried forward from 2010.
- *Other Capital Projects Fund.* Fund balance decreased by \$7.4 million from a fund balance in 2010 of negative \$2.3 million. This fund consists of some capital projects as well as unspent bond proceeds. At the end of 2010, the City had \$8.6 million of unspent 2008 bond proceeds. During 2011, the City spent \$7.6 million of those bond proceeds decreasing the fund balance.

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 \$4.5 million or 1.6 percent of the Enterprise funds' net assets (\$273.2 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 \$5.3 million or 5.3 percent. This increase was primarily made up of net operating income of \$4.1 million and capital contributions of \$1.2 million. Operating revenues increased by 3.6 percent or \$560,539 primarily due to a 3 percent rate increase for meter access fees and usage rates per 100 cu. ft. effective January 1, 2011. Operating expenses increased by 6.7 percent or \$715,763. As a result, the operating income for 2011 was \$4.1 million as compared to \$4.4 million in 2010. The fund's interest income decreased by \$40,717 as it spent down some of the 2009 bond proceeds which were unspent in 2010 and available to invest.
- *Sewerage Fund.* The January 1, 2011, net assets were restated due to a prior period correction in the amount of (\$3.6 million). After the restatement, the 2011 net assets increased by \$15.7 million or 10.7 percent as compared to 2010, attributed primarily to increased sewerage utility

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operating revenues of \$3.3 million and decreased operating expenses of \$1.1 million or 4%. The operating revenue increase is primarily result of a 5% increase in drainage rates.

- *Golf Complex.* Net assets decreased by \$.7 million or 11.7 percent as compared to 2010. Although, operating revenues increased by \$124,907 or 5.2 percent, expenditures also increased by \$130,468 or 4.2 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 – 70 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS:

CITY OF KENT'S BUDGET ACTIVITY BY FUNCTION For the Year Ended December 31, 2011 (in thousands)

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 7,402	\$ (6)	\$ 7,396
Judicial	2,797	1	2,798
Public Safety	32,207	576	32,783
Community Development	5,796	(15)	5,781
Public Works	4,801	(301)	4,500
Leisure Services	9,672	(29)	9,643
Health and Human Services	4,830	(4)	4,826
	\$ 67,505	\$ 222	\$ 67,727

The General Fund's budget was increased by \$222,286 from the original budget. There were a few significant budget changes that occurred during the year, including:

- An adjustment to the liability insurance allocation throughout the city based on the recommendation of the actuarial study performed. The net effect on the city-wide budget was zero. However, it resulted in a decrease in liability insurance expenditure in the General Fund in the amount of \$107,076. This had an impact on each of the functions. General Government (\$47,998), Community Development (\$15,217), Public Works (\$218,763), and Health and Human Services (\$4,971) all saw reductions to their budgets. Judicial (\$843), Leisure Services (\$12,909) and Public Safety (\$166,121) all saw increases to their budget as a result of this adjustment.
- An adjustment to add a budget for the Off Duty Police Officer Program. This resulted in an increase in expenditure to Public Safety in the amount of \$205,000 and an increase to revenue generated by this program in the same amount.
- An adjustment for the carryover budget for equipment originally budgeted in 2010 but did not arrive on site until 2011. This increased the budget by \$93,500 impacting both the Leisure Services and Public Safety functions.

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

- *Sales and Use Taxes.* Sales taxes ended the year \$7 million or 30.7 percent under. However, it is important to look at the actuals for Streamlines Sales Tax mitigation (reported within Intergovernmental Revenues) in conjunction with Sales and Use Tax. Included in the sales tax budget was the Streamline Sales Tax (SST) mitigation budget of \$5 million. By adding the total revenues of \$5 million from SST to the current actual revenue of \$15.8 million, it results in a grand total of \$20.8 million. Therefore, the sales and use tax actual came in \$2 million below budget or 8.9 percent below budget. This variance was primarily the result of anticipated Sales and Use Tax collections from the annexation area coming in \$2 million below budget.
- *Utility Taxes.* Utility taxes were \$1.6 million or 9.15 percent under budget. The decrease was mainly due to a decrease in electric utility tax revenue that was \$.8 million under budget, followed by telephone utility tax revenue at \$.3 million under budget, then gas at \$.2 million and garbage utility tax at \$.1 million. The telephone utility collections have continued to decline as more customers are discontinuing their landline as well as the fact that the cellular companies have discontinued submitting utility tax on the data plans.
- *Licenses and Permits.* Licenses and permits were \$30,440 or 1.3 percent under budget. Within this source, development fees were (\$23,353) or 1.7 percent under budget, while building permits were \$7,088 or .7 percent under budget, due mainly to the slow recovery in construction activity.
- *Charges for Services.* Charges for services were about 0.7 percent or \$23,135 above budget. Of this revenue source, parks and recreation fees were above budget by \$17,409 or 1.6 percent. Plan check fees, however, were under budget by \$124,221 or 12.7 percent due to the slow recovery on construction demands due to the recession.
- *General Government Expenditures.* The general government expenses were \$1.5 million or 20.7 percent under budget. This was primarily the result of a lag in hiring, holding open of vacant positions and savings in the supplies and services.
- *Public Works Expenditures.* Public Works expenses were \$.9 million or 20.7 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, 2011, was \$1.1 billion (net of accumulated depreciation), comprising 93.9% 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 2011, a total of nearly \$3 million was added to infrastructure as projects were closed and capitalized totaling \$2.8 million. In addition, the City received developer

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contributions totaling \$134,607. The annual depreciation of \$9.8 million was also recorded resulting in the net reduction to infrastructure of \$6.8 million as compared to 2010.

- *Construction in Progress.* Compared to 2010, construction in progress is \$97.9 million less for 2011. This is primarily due to capitalization of completed projects in which the assets were recorded as land, building, site improvements or infrastructure. The largest project to be capitalized was the ShoWare Event Center project in which \$76.5 million was capitalized to buildings and \$4 million was capitalized to equipment.
- *Land.* During 2011, land increased by \$9.2 million due to capitalization of closed projects of \$12.3 million in park lands and \$.6 million for a completed street project. However, in accordance with the inter-local agreement between the City and the Kent Regional Fire Authority (KRFA), assets were transferred to the KRFA for \$1. This included land valued at \$3.1 million, which included the West Hill Station for \$1.2 million, Washington Avenue property for \$.8 million, Fire Station 75 for \$.3 million, just to name a few.
- *Buildings.* In 2011, as a result of the inter-local agreement between the City and the KRFA whereby assets were transferred to the KRFA for \$1, real property totaling \$3.8 million (net of depreciation) were transferred to the KRFA, some of which include: Station 75 main building and shed, Station 71, Station 72, Station 1 and tower. In addition, the ShoWare Event Center project was capitalized resulting in an increase to buildings totaling \$76.5 million. Overall, buildings saw an increase of \$71 million, net of depreciation (\$1.7 million), as compared to 2010.
- *Site Improvements.* Additions to site improvements increased by \$8.3 million as compared to 2010. The additions included capitalization of numerous parks projects, such as Town Square Park (\$6.4 million), Turnkey Neighborhood Park (\$.3 million), Clarke Lake Management Plan (\$.3 million), HVAC Replacements (\$.3 million), and Kent Commons Upgrades (\$.2 million). Site improvements saw reductions of \$428,983, net of depreciation, in improvements transferred to the KRFA per the interlocal agreement mentioned above. The annual depreciation was recorded as \$1.8 million. The net of all these transactions was an increase to site improvements of \$6 million.

Business Type Activities:

- *Construction in Progress.* Compared to 2010, construction in progress added \$33.4 million in 2011. This is primarily due to projects still in progress. For example, construction in progress increased by:
 - \$5.5 million for S. 228th Drainage Bypass
 - \$5.4 million for the Horseshoe Bend Levee
 - \$3.2 million for the Misc. Sewer Improvement project
 - \$2.9 million for the East Hill Reservoir project
 - \$2.7 million for the East Hill Operations Center project
 - \$1.7 million for Riverview Park project
 - \$1.6 million for Citywide Storm Pipe/Culvert Maintenance
 - \$1.3 million for Misc. Water Improvements
- *Site Improvements.* Additions to site improvements for 2011 were \$.6 million and depreciation was \$5.4 million resulting in a net reduction of \$4.9 million. The primary additions to site

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improvements were the result of completed projects that were part of construction in progress in 2011.

CITY OF KENT'S CAPITAL ASSETS (Net of Accumulated Depreciation) December 31, 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 217,938	\$ 208,731	\$ 11,122	\$ 11,122	\$ 229,060	\$ 219,853
Buildings	99,937	28,948	1,048	1,202	100,985	30,150
Site Improvements	39,763	33,716	147,556	152,412	187,319	186,128
Other Capital	24,546	22,665	768	231	25,314	22,896
Infrastructure	272,412	279,246			272,412	279,246
Construction in Progress	138,346	236,232	142,746	109,380	281,092	345,612
Total Property, Plant and Equipment	\$ 792,942	\$ 809,538	\$ 303,240	\$ 274,347	\$ 1,096,182	\$ 1,083,885
Investment in Joint Venture	7,114	6,842			7,114	6,842
Total Capital Assets	\$ 800,056	\$ 816,380	\$ 303,240	\$ 274,347	\$ 1,103,296	\$ 1,090,727

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 \$100.6 million. Of this amount, \$71.5 million or 71.1 percent comprises general obligation debt backed by the full faith and credit of the government and \$5.7 million or 5.7 percent is special assessment debt. The special assessment bonds are supported solely by the property owners and the Local Improvement Guarantee Fund and are not a general obligation of the City. The City intends \$5.7 million or 5.7% 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 (\$23.3 million) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF KENT'S BONDED OUTSTANDING DEBT December 31, 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 65,812	\$ 70,395	\$ 5,735	\$ 6,714	\$ 71,547	\$ 77,109
Special Assessment Bonds	5,716	7,698			5,716	7,698
Revenue Bonds			23,299	24,241	23,299	24,241
Total Bonded Debt	\$ 71,528	\$ 78,093	\$ 29,034	\$ 30,955	\$ 100,562	\$ 109,048

Comprehensive Annual Financial Report 2011

Management's Discussion and Analysis For the Year Ended December 31, 2011

City of Kent

The City of Kent's total bonded debt decreased by \$8.5 million or 7.8 percent during the current fiscal year. The required debt service payments were made during 2011.

The City of Kent carries an "A+" rating from Standard and Poor's as of June 28, 2011 and an "A1" rating from Moody's as of February 6, 2012.

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 \$860.8 million.

Additional information on the City of Kent's long-term debt can be found in Note 10 on pages 58 – 67 of this report.

ECONOMIC FACTORS AND THE 2012 BUDGET:

The following was considered during the production of the 2012 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 2012. At the beginning of the 2012 Budget process, the City started with 664.72 full-time equivalents (FTE's). During the budget process, 35.81 positions were eliminated, which included 23.5 vacant positions, offset by a 1.25 FTE increase in the Facilities Fund. The decreases were in the following: 8.31 from Parks, seven from Economic and Community Development, five in Public Works, five in Police, 3.75 in Information Technology, 2.5 from the Mayor's Office/Clerk/Council, two from law, two from Finance and .25 from Municipal court (reduction from full to part-time). Of those budgeted positions, 16 were eliminated from servicing the annexation area. In keeping with our conservative approach, we have not factored in any lag for turnover.

The Panther Lake annexation budget was also adjusted from 2011 where revenue budgets were overstated by almost 15 percent or \$1.8 million based on projections provided by King County. The budget is now in line with actual history of monies received over the past year.

Budget reductions at the state level resulted in a 3.4%, or roughly \$300,000 decrease in state-shared revenues received by the City, affecting streamlined sales tax mitigation, liquor excise tax, a special public safety funding. The impact of these cutbacks affected both the General Fund and the Criminal Justice Fund.

In order to maintain core city services and infrastructure, the 2012 budget included fee increases through the restructuring of fees for permitting and development Services generating an additional \$400,000. A new technology fee was applied to permitting, parks, business licenses, and utility billing transactions generating an additional \$240,000. Business license fees were also restructured resulting in increased revenue of \$100,000. Finally, a new 4% internal utility tax for water, sewer and drainage was assessed.

While basic expenditure budgets remained flat, the 2012 budget reflected significant increases as the result of state mandates, contracted county services and rate increase. These increases included

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Management's Discussion and Analysis For the Year Ended December 31, 2011

City of Kent

\$572,000 utility (electricity, water, sewer, garbage, etc.) cost increase in city-owned facilities and parks, \$500,000 towards repayment of a water fund loan related to land acquisition for Kent Station, \$373,000 increase for workers compensation claims, \$343,000 increase for state-mandated pension costs, \$247,857 increase for services provided by Valley Communications, and \$96,000 increase in animal control services to name a few.

Finally, revenues for the general Capital Budget have dropped significantly since 2008: 35 percent decrease in sales tax collections and 70 percent decrease in real estate excise taxes (REET) collected. In the past, Council policy has dedicated 25 percent of the general sales tax collected to fund general capital needs of the City. As a short-term financial fix, the 2012 budget allocates an additional 5 percent of general sales tax to capital projects, resulting in a new allocation of 70 percent to the General Fund and 30 percent to the Capital Fund.

REQUESTS FOR INFORMATION:

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

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

Comprehensive Annual Financial Report 2011

**CITY OF KENT
STATEMENT OF NET ASSETS
December 31, 2011**

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Kent	Special
	Activities	Activities		Economic Development Corporation	Events Center PFD
ASSETS					
Cash and equity in pooled investments (Note 4)	\$ 9,314,488	\$ 612,606	\$ 9,927,094	\$ 3,433	
Cash with fiscal agent/trustee	1,035,000	-	1,035,000		
Investments, at fair value (Note 4)	12,149,874	4,149,552	16,299,426	15,000	
Receivables (net of allowances) (Note 5)	20,527,800	9,741,080	30,268,880		119,932
Internal balances (Note 5e)	(25,246,179)	25,246,179	-		
Inventory, at cost (Note 6)	136,665	506,111	642,776		
Prepaid items	364,281	2,208	366,489		
Investment in Joint Venture (Note 16)	7,114,254		7,114,254		
Restricted assets:					
Cash and cash equivalents (Note 4)		5,192,188	5,192,188		1,278
Investments (Note 4)		500,000	500,000		
Property, plant, and equipment: (Note 7)					
Not being depreciated	356,284,326	153,868,539	510,152,865		
Being depreciated, net of depreciation	436,658,157	149,371,518	586,029,675		
TOTAL ASSETS	818,338,666	349,189,981	1,167,528,647	18,433	121,210
LIABILITIES:					
Vouchers payable	2,585,918	3,536,016	6,121,934		
Matured bonds/interest payable	602,100	-	602,100		
Accounts/payroll payable	3,060,342	827,792	3,888,134		
Incurred but not reported claims payable	5,468,284		5,468,284		
Due to other governments	47,518		47,518		
Accrued interest payable	309,200	275,085	584,285		
Unearned revenue	2,132,355	397,771	2,530,126		
Due within one year					
Contracts, leases, notes, assessments and compensated absences (Note 10)	4,052,812	1,671,536	5,724,348		
General obligation bonds payable (Note 10)	4,816,287	910,713	5,727,000		
Special assessment bonds payable governmental commitment (Note 8)	1,952,038		1,952,038		
Revenue bonds payable, current portion (net of unamortized discount) (Note 9)		920,000	920,000		630,000
Due in more than one year					
Contracts, leases, notes, assessments and compensated absences (Note 10)	14,113,683	40,246,919	54,360,602		
General obligation bonds payable, non current portion (net of unamortized discount, premiums, and deferred) (Note 10)	60,995,574	4,823,994	65,819,568		52,753,487
Special assessment bonds payable	3,764,015		3,764,015		
Revenue bonds payable, noncurrent portion (net of unamortized discount) (Note 9)		22,379,522	22,379,522		7,750,000
Net OPEB Obligation	860,760		860,760		
TOTAL LIABILITIES	104,760,886	75,989,348	180,750,234	-	61,133,487
NET ASSETS					
Invested in capital assets, net of related debt	708,913,377	241,629,839	950,543,216		
Restricted net assets for:					
Debt service	10,034,770	4,497,103	14,531,873		
Unrestricted net assets	(5,370,367)	27,073,691	21,703,324	18,433	(61,012,277)
TOTAL NET ASSETS	\$ 713,577,780	\$ 273,200,633	\$ 986,778,413	\$ 18,433	(61,012,277)

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,400,374	\$ 433,840	\$	\$ -
Judicial	2,745,430	2,140,781	44,932	
Public Safety	48,030,603	996,471	3,167,169	-
Community Development	5,441,202	2,171,303	-	43,089
Public Works	21,195,696	834,042	278,585	3,978,798
Leisure services	16,414,532	1,549,202	46,578	1,207,258
Health and human services	5,915,128	674,983	864,991	82,338
Library	99,243			
Interest on long-term debt	4,000,555			
Total governmental activities	110,242,763	8,800,622	4,402,255	5,311,483
Business-type Activities:				
Water	11,991,035	15,986,832	90,209	1,212,808
Sewerage	29,194,159	39,108,510	258,269	5,687,611
Golf Complex	3,226,066	2,519,852		-
Total business type activities	44,411,260	57,615,194	348,478	6,900,419
Total Primary Government	\$ 154,654,023	\$ 66,415,816	\$ 4,750,733	\$ 12,211,902
Component Units:				
Kent Economic Development Corporation	\$ 3,032	\$ 2,500	\$	\$
Special Events Center PFD	\$ 3,145,350	\$	\$	\$
Total Component Units	\$ 3,148,382	\$ 2,500	\$ -	\$ -

General revenues:

Taxes:

Property taxes levied for general purpose

Property taxes levied for debt service

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 2011

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
\$ (5,966,534)		\$ (5,966,534)		
(559,717)		(559,717)		
(43,866,963)		(43,866,963)		
(3,226,810)		(3,226,810)		
(16,104,271)		(16,104,271)		
(13,611,494)		(13,611,494)		
(4,292,816)		(4,292,816)		
(99,243)		(99,243)		
(4,000,555)		(4,000,555)		
<u>(91,728,403)</u>		<u>(91,728,403)</u>		
	\$ 5,298,814	5,298,814		
	15,860,231	15,860,231		
	<u>(706,214)</u>	<u>(706,214)</u>		
	20,452,831	20,452,831		
\$ <u>(91,728,403)</u>	\$ <u>20,452,831</u>	\$ <u>(71,275,572)</u>		
			\$ (532)	
			\$ <u>(532)</u>	(3,145,350)
			\$ <u>(532)</u>	<u>(3,145,350)</u>
19,287,114		19,287,114		
9,750		9,750		
21,458,253		21,458,253		649,277
19,365,153		19,365,153		
2,235,174		2,235,174		
1,313,231		1,313,231		
7,102,872		7,102,872		
495,029	119,565	614,594	28	645
4,931,321		4,931,321		3,093,077
312,344	<u>(312,344)</u>	-		
76,510,241	(192,779)	76,317,462	28	3,742,999
(15,218,162)	20,260,052	5,041,890	(504)	597,649
<u>725,377,330</u>	<u>256,359,193</u>	<u>981,736,523</u>	<u>18,937</u>	<u>(61,609,926)</u>
3,418,612	<u>(3,418,612)</u>	-		
<u>728,795,942</u>	<u>252,940,581</u>	<u>981,736,523</u>	<u>18,937</u>	<u>(61,609,926)</u>
\$ <u>713,577,780</u>	\$ <u>273,200,633</u>	\$ <u>986,778,413</u>	\$ <u>18,433</u>	\$ <u>(61,012,277)</u>

Comprehensive Annual Financial Report 2011

**CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2011**

	General Fund	Capital Improvement	Special Assessments	Street Projects
ASSETS				
Cash and equity in pooled investments	\$ 656,132	\$ 107,206	\$ 366,432	\$ 777,079
Cash with fiscal agent	500,000		535,000	
Investments, at fair value			500,000	2,190,000
Receivables (net of allowances for estimated uncollectables):				
Taxes	5,875,097	1,137,794		
Accounts	279,149			144,519
Special assessments				
Current			1,766,681	
Delinquent			330,963	
Deferred			7,538,302	
Penalty and Interest			767,765	
Accrued interest	1			
Due from other funds	523,378			750,000
Interfund loans receivable	50,000			
Due from other governments				
Prepaid items	59,539			
TOTAL ASSETS	\$ 7,943,296	\$ 1,245,000	\$ 11,805,143	\$ 3,861,598
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Vouchers payable	\$ 1,253,491	\$ 6,420	\$ 340	\$ 214,266
Matured bonds/interest payable	67,100		535,000	
Accounts/payroll payable	2,339,302			30,835
Due to other funds	750,000	450,000		1
Due to other governments	33,731			61
Interfund loans payable	2,000,000	12,750,000		1,046,179
Deposits and deferred revenue	1,357,210		10,403,711	1,048
Total Liabilities	7,800,834	13,206,420	10,939,051	1,292,390
FUND BALANCE				
Nonspendable:				
Prepaid items	59,539			
Restricted:				
United Way	5,028			
Street Projects				
Lodging Tax purposes				
Criminal Justice Programs				
Parks Capital Projects				
Facility Capital Projects				
Bond Retirement				
Special assessment debt			278,692	
Assessment debt guaranty			587,400	
Street capital projects				2,527,203
Committed:				
Street Operations				
Youth/Teen Program				
Criminal Justice Programs				
City Arts Program	206,933			
Human Services	3,257			
Economic & Community Development	73,488			
Street capital projects				42,005
Municipal Court				
IT Systems				
Assigned:				
Public Safety Retiree OPEB				
Emergency Flood Preparedness				
Human Services				
Criminal Justice Programs				
Environmental Mitigation Operating				
Waste Reduction Recycling				
Parks Capital Projects				
Technology Capital Projects				
Facility Capital Projects				
Unassigned:	(205,783)	(11,961,420)	866,092	2,569,208
Total Fund Balance	142,462	(11,961,420)	866,092	2,569,208
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,943,296	\$ 1,245,000	\$ 11,805,143	\$ 3,861,598

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

Other Projects	Other Governmental Funds	Total Governmental Funds	Reconciliation of total Governmental Fund Balances to Net Assets of Governmental Activities as of December 31, 2011
			Fund Balance-Total Governmental Funds (this page) \$ (14,693,114)
\$ 978,597	\$ 2,311,227	\$ 5,196,673	
	510,000	1,035,000	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds
		3,200,000	Capital assets - Note 7 \$792,942,483
	1,167,355	8,180,246	Capital Assets - Internal Service Funds <u>(\$6,104,223)</u> 786,838,260
	555,727	979,395	Investment in Joint Venture (Note 16) 7,114,254
		1,766,681	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) 14,677,109
		330,963	
		7,538,302	
		767,765	
		1	
		1,273,378	
		50,000	
	4,318	63,857	Interest accrued on governmental long term debt, but not due and payable in the current period, and not reported in the governmental funds.
\$ 978,597	\$ 4,548,627	\$ 30,382,261	
			Voted GO Bonds -
			Councilmanic GO Bonds (266,073)
			LID Bonds <u>(42,210)</u> (308,283)
\$ 7,397	\$ 477,911	\$ 1,959,825	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.
36,559	357,989	2,764,685	General Fund \$606,775
	73,377	1,273,378	Voted Debt Service Fund <u>\$8,421</u> 615,196
	13,726	47,518	
10,700,000	50,000	26,546,179	Earned but deferred revenue:
	119,721	11,881,690	Special Assessments 9,167,643
10,743,956	1,092,724	45,075,375	
			Amortized issuance discounts, premiums, and deferred amounts on refunded debt for governmental bonds. (Note 10)
			Unamortized Premium \$626,103
			Unamortized Discount/Deferred <u>\$608,806</u> 1,234,909
	4,318	63,857	
		5,028	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) (91,068,194)
	16,147	16,147	
	86,810	86,810	
	996,753	996,753	
	181,030	181,030	
	927,380	927,380	
	1,035	1,035	
		278,692	
		587,400	
		2,527,203	
	551,795	551,795	
	20,579	20,579	
	164,138	164,138	
		206,933	
		3,257	
		73,488	
		42,005	
734,152		734,152	
336,569		336,569	
			Net Assets-ending of Governmental Activities (page 19) \$ <u>713,577,780</u>
	130,637	130,637	
	17,433	17,433	
	3,826	3,826	
	319,847	319,847	
	21,210	21,210	
	26,965	26,965	
(10,836,080)	(14,000)	(23,017,283)	
(9,765,359)	3,455,903	(14,693,114)	
\$ 978,597	\$ 4,548,627	\$ 30,382,261	

Comprehensive Annual Financial Report 2011

**CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011**

	General Fund	Capital Improvement	Special Assessments	Street Projects
REVENUES				
Taxes:				
Property	\$ 19,367,630		\$	\$
Sales and use	15,826,344	3,784,084		
Utility	15,544,305			
Real estate excise tax		2,235,174		
Lodging				
Other	1,130,391			
Licenses and permits:				
Building permits	952,486			
Other licenses and permits	1,296,535			
Intergovernmental revenue	7,518,359			1,036,051
Charges for services:				
Park and recreation fees	1,131,651			
Other fees and charges	2,286,029			46
Fines and forfeitures	1,543,311			
Miscellaneous revenue:				
Special assessments			1,819,694	465,992
Interest income	71,472	3,381	577,317	44,640
Unrealized net gain/(loss) in fair value of investments	1			
Contributions and Donations	735,503			
Other miscellaneous revenue	1,139,343	100,000		460,441
TOTAL REVENUES	68,543,360	6,122,639	2,397,011	2,007,170
EXPENDITURES				
Current:				
General government	5,908,708	36,716		
Judicial	2,639,800			
Public safety	32,913,818			
Community development	5,108,566			
Public works	3,569,089		3,678	
Leisure services	10,103,137	2,793,076		
Health and human services	4,644,484			
Debt service:				
Principal			2,021,715	
Interest			382,060	
Capital outlay	139,804			1,205,184
TOTAL EXPENDITURES	65,027,406	2,829,792	2,407,453	1,205,184
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,515,954	3,292,847	(10,442)	801,986
OTHER FINANCING SOURCES (USES)				
Transfers in	1,864,294	450,000		1,459,343
Transfers out	(5,471,169)	(7,597,338)	(199,956)	
TOTAL OTHER FINANCING SOURCES (USES)	(3,606,875)	(7,147,338)	(199,956)	1,459,343
NET CHANGE IN FUND BALANCE	(90,921)	(3,854,491)	(210,398)	2,261,329
FUND BALANCE, January 1	233,383	(8,106,929)	1,076,490	(3,110,733)
Prior period correction				3,418,612
ADJUSTED FUND BALANCE, January 1	233,383	(8,106,929)	1,076,490	307,879
FUND BALANCE (DEFICIT), December 31	\$ 142,462	\$ (11,961,420)	\$ 866,092	\$ 2,569,208

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

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, 2011
			Amounts reported for governmental activities in the statement of activities are different because:
\$	\$		
	420	19,368,050	
	1,847,825	21,458,253	
	3,820,848	19,365,153	Net change in fund balances-total governmental funds (this page) \$ (6,972,081)
		2,235,174	
	182,840	182,840	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.
		1,130,391	Capital outlays 193,929
		952,486	Depreciation expense (14,937,523)
		1,296,535	
	6,162,047	14,716,457	The net effect of various miscellaneous transactions involving capital assets is to increase net assets. 406,968
		1,131,651	
	204,836	2,490,911	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.
	83,304	1,626,615	Additional accruals: Property tax (71,186)
		2,285,686	Special assessments (1,984,449)
14,678	264	711,752	
		1	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. 7,545,897
		735,503	
	244,976	1,944,760	
14,678	12,547,360	91,632,218	
		6,051,000	
105,576		2,639,800	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.
	4,013,243	36,927,061	Compensated absences 244,393
	143,500	5,252,066	Interest expense accrual 45,883
	3,104,812	6,677,579	Net OPEB Obligation (277,123)
	216,670	13,112,883	
	892,713	5,537,197	
	5,647,430	7,669,145	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.
	3,464,504	3,846,564	Revenue 587,130
21,918	9,707,322	11,074,228	
127,494	27,190,194	98,787,523	Change in net assets of governmental activities (page 21) \$ (15,218,162)
(112,816)	(14,642,834)	(7,155,305)	
301,187	20,498,414	24,573,238	
(7,611,261)	(3,510,290)	(24,390,014)	
(7,310,074)	16,988,124	183,224	
(7,422,890)	2,345,290	(6,972,081)	
(2,342,469)	1,110,613	(11,139,645)	
(2,342,469)	1,110,613	3,418,612	
		(7,721,033)	
\$ (9,765,359)	\$ 3,455,903	\$ (14,693,114)	

Comprehensive Annual Financial Report 2011

**CITY OF KENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011**

	2011 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 19,386,873	\$ 19,386,873	19,367,630	\$ (19,243)
Sales and use	22,848,189	22,848,189	15,826,344	(7,021,845)
Utility	18,110,446	17,110,446	15,544,305	(1,566,141)
Other	1,370,000	1,370,000	1,130,391	(239,609)
Licenses and permits:				
Building permits	959,574	959,574	952,486	(7,088)
Other licenses and permits	1,319,887	1,319,887	1,296,535	(23,352)
Intergovernmental revenue:				
Fire District # 37 Contract				
Other grants and shared revenue	2,097,880	2,089,130	7,491,580	5,402,450
Charges for services:				
Park and recreation fees	1,114,242	1,114,242	1,131,651	17,409
Other fees and charges	2,280,303	2,280,303	2,286,029	5,726
Fines and forfeitures	1,771,460	1,771,460	1,543,311	(228,149)
Miscellaneous revenue:				
Interest income	1,022,748	1,022,748	70,430	(952,318)
Net increase (decrease) in fair value of investments			1	1
Other miscellaneous revenue	861,393	1,067,392	1,139,343	71,951
TOTAL REVENUES	73,142,995	72,340,244	67,780,036	(4,560,208)
EXPENDITURES				
Current:				
General government	7,402,233	7,395,988	5,865,160	1,530,828
Judicial	2,797,078	2,797,921	2,639,800	158,121
Public safety	32,207,042	32,783,163	31,810,921	972,242
Community development	5,796,140	5,780,923	5,108,566	672,357
Public works	4,800,502	4,500,058	3,569,089	930,969
Leisure services	9,671,884	9,643,084	9,309,776	333,308
Health and human services	4,830,095	4,826,123	4,567,955	258,168
Capital outlay	-	-	132,572	(132,572)
TOTAL EXPENDITURES	67,504,974	67,727,260	63,003,839	4,723,421
DEFICIENCY OF REVENUES OVER EXPENDITURES	5,638,021	4,612,984	4,776,197	163,213
OTHER FINANCING SOURCES (USES)				
Proceeds from fixed asset sales				
Transfers in	1,166,206	1,102,377	1,001,277	(101,100)
Transfers out	(7,542,146)	(6,542,146)	(5,960,068)	582,078
TOTAL OTHER FINANCING SOURCES (USES)	(6,375,940)	(5,439,769)	(4,958,791)	480,978
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(737,919)	(826,785)	(182,594)	644,191
FUND BALANCE, January 1	6,511,813	826,109	826,109	
Prior period correction				
ADJUSTED FUND BALANCE, January 1	6,511,813	826,109	826,109	
FUND BALANCE, December 31	\$ 5,773,894	\$ (676)	\$ 643,515	\$ 644,191

See accompanying notes to financial statements



Comprehensive Annual Financial Report 2011

CITY OF KENT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water	Sewerage	Golf Complex
ASSETS			
Current Assets:			
Cash and equity in pooled investments	\$ 156,770	\$ 210,595	\$ 245,241
Investments, at fair value	3,703,187	441,365	5,000
Restricted cash, equity in pooled cash, and investments:			
For bond redemption	200,721	74,364	
Receivables (net of allowances for estimated uncollectables):			
Accounts	1,737,946	7,842,834	26,245
Notes	134,048		
Accrued interest	2	5	
Interfund loan receivable	18,450,000	9,046,179	
Inventory, at cost	304,415	35,412	166,284
Prepaid expenses	1,387	821	
Total Current Assets	24,688,476	17,651,575	442,770
Noncurrent Assets:			
Restricted cash, equity in pooled cash, and investments:			
For bond redemption	1,306,530	2,334,199	
For bond reserve	888,190	888,184	
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	72,538,212	156,354,763	4,540,222
Equipment	1,970,342	896,344	569,203
Less: Accumulated Depreciation	(33,544,320)	(53,281,742)	(5,853,110)
Construction In Progress	87,421,456	55,324,671	
Total noncurrent assets	134,484,763	166,618,756	7,553,641
TOTAL ASSETS	\$ 159,173,239	\$ 184,270,331	\$ 7,996,411

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service Funds</u>
\$ 612,606 4,149,552 275,085 9,607,025 134,048 7 27,496,179 506,111 2,208 <hr/> 42,782,821 3,640,729 1,776,374 11,122,412 5,181,604 233,433,197 3,435,889 (92,679,172) 142,746,127 <hr/> 308,657,160 \$ <u>351,439,981</u>	\$ 4,117,815 8,949,874 948,590 15,840 17 1,250,000 136,665 300,424 <hr/> 15,719,225 1,008,269 361,953 19,183,761 (17,536,607) 3,086,847 <hr/> 6,104,223 \$ <u>21,823,448</u>

Continued on the following page

Comprehensive Annual Financial Report 2011

CITY OF KENT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water	Sewerage	Golf Complex
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Vouchers payable	\$ 765,096	\$ 2,748,939	\$ 21,981
Accounts/payroll payable	420,429	670,110	126,801
Incurred but not reported claims payable			
Interfund loans payable			2,250,000
Accrued interest payable	200,721	74,364	
General obligation bonds payable-current portion		910,713	
Notes payable, current portion	1,206,988	75,000	
Revenue bonds payable, current portion	460,000	460,000	
Deposits and deferred revenue	75,210	104,310	218,251
Total Current Liabilities	<u>3,128,444</u>	<u>5,043,436</u>	<u>2,617,033</u>
Noncurrent Liabilities:			
Compensated absences payable	57,250	61,716	31,835
Notes payable	39,121,118	975,000	
General obligation bonds payable		4,632,517	
Plus: unamortized premium		200,094	
Less: unamortized deferred refunding		(3,736)	
Less: unamortized discount		(4,881)	
Revenue bonds payable	11,055,000	11,055,000	
Plus: unamortized premium	214,624	214,624	
Less: unamortized deferred refunding	(27,868)	(27,868)	
Less: unamortized discount	(51,995)	(51,995)	
Total noncurrent liabilities	<u>50,368,129</u>	<u>17,050,471</u>	<u>31,835</u>
Total Liabilities	53,496,573	22,093,907	2,648,868
NET ASSETS			
Invested in capital assets, net of related debt	85,728,887	148,347,311	7,553,641
Restricted for debt service	1,734,720	2,762,383	
Unrestricted	18,213,059	11,066,730	(2,206,098)
TOTAL NET ASSETS	<u>\$ 105,676,666</u>	<u>\$ 162,176,424</u>	<u>\$ 5,347,543</u>

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

<u>Business-type Activities</u> <u>Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Totals</u>		<u>Internal Service Funds</u>	
\$	3,536,016	\$	626,093
	1,217,340		605,646
			5,468,284
	2,250,000		
	275,085		917
	910,713		
	1,281,988		143,290
	920,000		
	397,771		33,504
	<u>10,788,913</u>		<u>6,877,734</u>
	150,801		133,285
	40,096,118		135,320
	4,632,517		
	200,094		
	(3,736)		
	(4,881)		
	22,110,000		
	429,248		
	(55,736)		
	(103,990)		
	<u>67,450,435</u>		<u>268,605</u>
	78,239,348		7,146,339
	241,629,839		5,825,613
	4,497,103		8,851,496
	27,073,691		
	<u>273,200,633</u>		<u>14,677,109</u>

Continued on the following page

Comprehensive Annual Financial Report 2011

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2011**

	Business-type Activities - Enterprise Funds		
	Water	Sewerage	Golf Complex
OPERATING REVENUES			
Sales	\$ 15,529,327	\$	\$ 490,066
Charges for services	455,142	39,098,798	1,804,505
Contributions			
Rental and lease income			225,139
Other operating revenue	2,363	9,712	142
TOTAL OPERATING REVENUES	15,986,832	39,108,510	2,519,852
OPERATING EXPENSES			
Salaries and wages	2,223,798	3,383,726	1,080,658
Benefits	961,979	1,268,402	381,244
Supplies	472,806	525,593	576,022
Services and charges	6,071,794	19,424,870	915,986
Depreciation	1,611,520	3,731,470	270,100
TOTAL OPERATING EXPENSES	11,341,897	28,334,061	3,224,010
OPERATING INCOME	4,644,935	10,774,449	(704,158)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	66,457	64,011	153
Unrealized net gain/(loss) in fair value of investments	(10,861)	(195)	
Miscellaneous non-operating revenues	90,209	258,269	1,237
Miscellaneous non-operating expense			
Interest expense	(649,138)	(860,098)	(3,293)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(503,333)	(538,013)	(1,903)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,141,602	10,236,436	(706,061)
Capital contributions	1,212,808	5,687,611	
Transfers in			
Transfers out	(54,198)	(258,146)	
INCREASE (DECREASE) IN NET ASSETS	5,300,212	15,665,901	(706,061)
NET ASSETS, January 1	100,186,702	150,118,887	6,053,604
Prior period adjustment	189,752	(3,608,364)	
ADJUSTED NET ASSETS, January 1	100,376,454	146,510,523	6,053,604
NET ASSETS, December 31	\$ 105,676,666	\$ 162,176,424	\$ 5,347,543

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service Funds</u>
\$ 16,019,393	\$ 932,860
41,358,445	11,441,745
	15,295,208
225,139	
12,217	4,410,550
57,615,194	32,080,363
6,688,182	4,432,729
2,611,625	1,643,497
1,574,421	2,111,377
26,412,650	23,040,478
5,613,090	1,419,622
42,899,968	32,647,703
14,715,226	(567,340)
130,621	20,477
(11,056)	
349,715	6,982
	(539,678)
(1,512,529)	(14,626)
(1,043,249)	(526,845)
13,671,977	(1,094,185)
6,900,419	132,572
	343,542
(312,344)	(214,422)
20,260,052	(832,493)
256,359,193	15,509,602
(3,418,612)	
252,940,581	15,509,602
\$ 273,200,633	\$ 14,677,109

Comprehensive Annual Financial Report 2011

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011**

	Business-type Activities - Enterprise Funds	
	Water	Sewerage
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 16,020,942	\$ 36,316,428
Cash received from other funds for services		
Cash payments to employees	(3,192,484)	(4,660,603)
Cash payments to suppliers	(6,406,805)	(17,625,027)
Other cash received	2,363	9,712
Net cash provided by operating activities	<u>6,424,016</u>	<u>14,040,510</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
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	90,209	258,269
Non-Operating expenses		
Interest paid on interfund loan		
Transfers in		
Transfers out		
Net cash provided by (used for) noncapital financing	<u>90,209</u>	<u>258,269</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from general obligation refunding bonds		
Proceeds from intergovernmental loan		
Proceeds from loan		
Proceeds from capital asset removal		
Principal repayment on interfund loan		
Transfer of plant to Governmental Capital Assets		
Acquisition and construction of capital assets	(7,632,058)	(30,292,982)
Interfund loan for capital outlays	(13,450,000)	3,216,084
Defease refunded bonds		
Principal paid on bonds and equipment contracts	(1,649,065)	(1,466,687)
Interest paid on bonds and equipment contracts	(723,520)	(923,069)
Payments for Arbitrage Rebate		
Transfers in		
Transfers out	(54,198)	(258,146)
Capital contributed by subdividers, capital grants, local impr. districts	1,212,808	5,687,611
Net cash (used for) capital & related financing	<u>(22,296,033)</u>	<u>(24,037,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(17,631,401)	(47,509,994)
Proceeds from sale and maturities of investments	33,338,723	57,055,057
Interest and dividends on investments	77,318	64,206
Net cash provided by (used for) investing activities	<u>15,784,640</u>	<u>9,609,269</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,832	(129,141)
CASH AND EQUITY IN POOLED INVESTMENTS, January 1	2,549,379	3,136,483
CASH AND EQUITY IN POOLED INVESTMENTS, December 31	<u>\$ 2,552,211</u>	<u>\$ 3,007,342</u>
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:		
Current Assets: Cash and equity in pooled investments	\$ 156,770	\$ 210,595
Restricted for Bond Redemption: Cash & pooled invest.	1,507,251	1,908,563
Restricted for Bond Reserve: Cash & pooled invest.	888,190	888,184
	<u>\$ 2,552,211</u>	<u>\$ 3,007,342</u>

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

Business-type Activities - Enterprise Funds			Governmental Activities	
Golf		Totals	Internal	
Complex			Service Funds	
\$	2,606,723	\$ 54,944,093	\$	13,045,745
	(1,474,900)	(9,327,987)		15,115,156
	(1,482,252)	(25,514,084)		(6,214,979)
		12,075		(25,143,590)
				4,410,551
	<u>(350,429)</u>	<u>20,114,097</u>		<u>1,212,883</u>
	2,250,000	2,250,000		(1,250,000)
	(2,000,000)	(2,000,000)		5,900,000
	1,237	349,715		6,982
	<u>251,237</u>	<u>599,715</u>		<u>4,656,982</u>
				1,479,817
				132,572
		(37,925,040)		(32,546)
		(10,233,916)		
		(3,115,752)		(137,827)
	(3,293)	(1,649,882)		(15,077)
				343,542
		(312,344)		(214,422)
		6,900,419		
	<u>(3,293)</u>	<u>(46,336,515)</u>		<u>1,556,059</u>
	(540,000)	(65,681,395)		(22,759,874)
	535,000	90,928,780		17,824,875
	153	141,677		20,713
	<u>(4,847)</u>	<u>25,389,062</u>		<u>(4,914,286)</u>
	(107,332)	(233,641)		2,511,638
	352,573	6,038,435		1,606,177
\$	<u>245,241</u>	<u>5,804,794</u>	\$	<u>4,117,815</u>
\$	245,241	612,606	\$	4,117,815
		3,415,814		
		1,776,374		
\$	<u>245,241</u>	<u>5,804,794</u>	\$	<u>4,117,815</u>

Comprehensive Annual Financial Report 2011

CITY OF KENT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2011

Business-type Activities - Enterprise Funds

	Water	Sewerage
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 4,644,935	\$ 10,774,449
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,611,520	3,731,470
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	24,668	(2,811,341)
(Increase) Decrease in inventory	(42,636)	3,033
(Increase) in prepaid expenses	(1,387)	(821)
Increase (Decrease) in vouchers payable	185,549	2,352,278
Increase (Decrease) in accounts/payroll payable	18,174	7,481
Increase in incurred but not reported claims payable		
Increase (Decrease) in due to other funds		
Increase in deposits and deferred revenues	11,805	28,971
Increase in compensated absences	(28,612)	(45,010)
Total Adjustments	<u>1,779,081</u>	<u>3,266,061</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,424,016</u>	<u>\$ 14,040,510</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ 81,525	\$ 170,869
Increase (Decrease) in fair value of investments	(10,861)	(195)

Comprehensive Annual Financial Report 2011

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Golf</u>		<u>Internal</u>	
<u>Complex</u>	<u>Totals</u>	<u>Service Funds</u>	
\$ (704,158)	\$ 14,715,226	\$ (567,340)	\$
270,100	5,613,090	1,419,622	
78,472	(2,708,201)	492,308	
24,781	(14,822)	(14,981)	
	(2,208)	619,105	
(17,128)	2,520,699	(1,031,887)	
(11,246)	14,409	(140,846)	
		436,029	
8,399	49,175	(1,220)	
351	(73,271)	2,093	
<u>353,729</u>	<u>5,398,871</u>	<u>1,780,223</u>	
\$ <u>(350,429)</u>	\$ <u>20,114,097</u>	\$ <u>1,212,883</u>	\$
\$	\$ 252,394	\$	\$
	(11,056)	(1)	

Comprehensive Annual Financial Report 2011

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2011**

	Firemen's Relief & Pension Fund	Agency Funds
ASSETS		
Cash and equity in pooled investments	\$ 28,112	\$ 911,775
Investments, at fair value		
State Treasurer's Investment Pool	1,510,000	
Government Agencies (various)	1,621,189	
TOTAL ASSETS	<u>3,159,301</u>	<u>911,775</u>
LIABILITIES		
Accounts/payroll payable	5,035	703,481
Deposits		208,294
Total Liabilities	<u>5,035</u>	<u>911,775</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 3,154,266</u>	<u>\$</u>

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Years Ended December 31, 2011**

	Firemen's Relief & Pension Fund
ADDITIONS	
Contributions:	
Employer	\$ 151,338
Investment earnings:	
Interest	186,894
Unrealized net gain/(loss) in fair value of investments	(35,573)
TOTAL ADDITIONS	<u>302,659</u>
DEDUCTIONS	
Benefits	321,518
TOTAL DEDUCTIONS	<u>321,518</u>
CHANGE IN NET ASSETS	(18,859)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, January 1	3,173,125
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, December 31	<u>\$ 3,154,266</u>

See accompanying notes to financial statements

Comprehensive Annual Financial Report 2011

Notes to the Financial Statements
December 31, 2011

City of Kent

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The 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.

Effective for fiscal year 2011, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Types* – This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The statement further provides clarified definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type.

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 meet 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 current Kent City Council: Dennis Higgins, Bill Boyce and Les Thomas. In addition, the board has three members from Fire District 37 and one member from the City of Covington.

Comprehensive Annual Financial Report 2011

City of Kent

Notes to the Financial Statements
December 31, 2011

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 do 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 revenue are 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.

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Capital Improvement 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 fund's resources includes 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

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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**

Budget Process

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

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.

General Fund	Special Revenue Funds
General Fund	Lodging Tax Fund
	Youth/Teen Programs Fund

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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 (including Annexation)	\$ 76,017,289	\$(777,714)	\$75,239,575
Special Revenue Fund:			
Lodging Tax	158,500	0	158,500
Youth/Teen Programs	908,206	(63,829)	844,377
Total	\$ 77,083,995	\$(841,543)	\$ 76,242,452

Reconciliation of Budgetary Information to GAAP

For managerial purposes, the City of Kent budgets the General Fund, Public Safety Retiree, Other Operating Grants and Projects, and Kent Events Center funds separately. However, the latter three funds do not meet the criteria of a special revenue fund as set forth in GASB 54 and for reporting purposes are presented in combination with the General Fund in order to comply with GAAP. However, the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual on page 26 compares only the General Fund as adopted in the budget along with the related revenues and expenditures. It does not include the budget or actual data for the Public Safety Retiree, Operating Grants and Projects, or Kent Events Center Funds. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual is also presented for the Public Safety Retirees fund and can be found on page 106. Below, you will find the combining of these funds for reporting purposes.

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	General Fund	Public Safety Retiree	Operating Grants & Projects	Kent Events Center Fund	Revised General Fund
Revenues					
Taxes	\$ 51,868,670				\$51,868,670
Licenses & permits	2,249,021				2,249,021
Other grants/shared revenue	7,491,580		26,779		7,518,359
Charges for services	3,417,680				3,417,680
Fines & forfeitures	1,543,311				1,543,311
Interest Income	70,430	1,042			71,472
Unrealized net gain/(loss) in fair value of investments	1				1
Contributions & Donations		732,123	3,380		735,503
Other miscellaneous revenue	1,139,343				1,139,343
Total Revenues	67,780,036	733,165	30,159		68,543,360
Expenditures					
General government	5,865,160		43,548		5,908,708
Judicial	2,639,800				2,639,800
Public safety	31,810,921	1,102,897			32,913,818
Community development	5,108,566				5,108,566
Public works	3,569,089				3,569,089
Leisure services	9,309,776		15,727	777,633	10,103,137
Health & human services	4,567,955		76,529		4,644,484
Capital Outlay	132,572		7,232		139,804
Total Expenditures	63,003,839	1,102,897	143,037	777,633	65,027,406
Excess (Deficiency of Revenues Over (Under) Expenditures	4,776,197	(369,732)	(112,878)	(777,633)	3,515,954
Other Financing Sources (Uses)					
Transfers in	1,001,277		563,016	300,001	1,864,294
Transfers out* (See Below)	(5,471,169)				(5,471,169)
Total Other Financing Sources (Uses)	(4,469,892)		563,016	300,001	(3,606,875)
Net Change in Fund Balance	306,305	(369,732)	450,138	(477,632)	(90,921)
Fund Balance, January 1	826,109	647,099	387,285	(1,627,111)	233,383
Fund Balance (Deficit), December 31	\$1,132,414	\$ 277,367	\$ 837,424	\$(2,104,743)	\$ 142,462

*Transfers Out Reconciliation to **General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual** on Page 26 is shown as follows:

Transfers Out Per Budget	\$5,960,068
Less Intrafund Transfer to: Public Safety Retiree	(250,000)
Other Operating Grants & Projects	(45,000)
Kent Events Center Fund	<u>(193,899)</u>
	<u>\$5,471,169</u>

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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 expenditures are initially made from one fund but are more appropriately applicable to another fund. These items are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund initially charged. An example of this type of transaction occurs when the Public Works and Finance Departments allocate a certain amount of their time to provide services for 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.

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A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
<u>Governmental:</u>		
Major Funds		
General Fund	\$ 1,864,294	\$ 5,471,169
Capital Improvement	450,000	7,597,338
Special Assessments		199,956
Street Capital Projects	1,459,343	
Other Capital Projects	301,187	7,611,261
Subtotal	\$ 4,074,824	\$ 20,879,724
Non-Major Funds		
Street	\$ 2,105,000	\$ 2,707,781
Lodging tax		1,188
Youth/Teen		762,377
Criminal Justice	1,085,000	38,944
Environmental Mitigation	339,045	
Non-Voted Debt Service	9,097,934	
Parks Capital Projects	263,001	
Technology Projects	1,702,241	
Facilities Projects	5,906,193	
Subtotal	\$ 20,498,414	\$ 3,510,290
<u>Business-Type:</u>		
Major Funds		
Water Enterprise	\$ 6,838,199	\$ 54,198
Sewerage Enterprise		258,146
Subtotal	\$ 17,723,769	\$ 312,344
Internal Service Funds		
Equipment Rental	\$ 21,294	\$ 214,422
Facilities	322,248	
Subtotal	\$ 343,542	\$ 214,422
Total Transfers	\$ 24,916,780	\$ 24,916,780

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.

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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:

Depreciation Schedule	
Buildings	10-50 years
Site Improvements	10-50 years
Infrastructure	15-50 years
Other Capital	3-10 years

Property, Plant and Equipment for governmental activities is stated at 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. On 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 \$91,068,194 difference are as follows:

Bonds payable	\$72,762,823
Notes Payable	13,291,536
Compensated Absences Payable	4,153,075
Net OPEB Obligation	860,760
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$91,068,194

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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 \$7,545,897 difference are as follows:

Principal repayments	\$(7,669,145)
Valley Com Contribution to Principal	(62,000)
Current year amortization	185,248
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$(7,545,897)

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.

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As of December 31, 2011, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		<1	1-5	6-10
State Treasurer's Investment Pool	\$32,303,427	\$32,303,427	\$	\$
Government Agencies (various)	1,766,024	999,800	2,145	764,079
Certificates of Deposits	254,874	254,874		
Total Investments	34,324,325	33,558,101	2,145	764,079
Less Investments Held By:				
Fiduciary Funds	(3,131,189)	(2,367,110)		(764,079)
Component Units:				
Economic Development Corp	(15,000)	(15,000)		
Total Primary Government	\$31,178,136	\$31,175,991	\$ 2,145	\$ 0

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	\$ 15,119,282
Cash with fiscal agent/trustee	535,000
Investments, at fair value	17,299,426

Total From Statement of Net Assets \$ 32,953,708

Summary by Type:

Cash on hand and in bank	\$ 1,240,572
Deposits with fiscal agent/trustee	535,000
Certificates of deposit	254,874
Total	2,030,446

Investments 30,923,262

Total by Type \$ 32,953,708

COMPONENT UNITS

Economic Development Corp:

Cash on hand and in bank	\$ 3,433
Investments, at fair value	15,000

Total Cash and Investments \$ 18,433

Special Events Center PFD:

Cash on hand and in bank	\$ 1,278
Investments, at fair value	0

Total Cash and Investments \$ 1,278

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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, 2011, the weighted average of maturity for the portfolio was 47 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, 2011, the LGIP had a weighted average maturity of 109 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, 2011, the City did not have any investments meeting that criterion.

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 criterion 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.

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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 \$26 was recognized at December 31, 2011. This interest was recorded in each fund based on its investment position.

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
Governmental Activities:						
General Fund	\$5,875,097	\$ 284,526	\$ (5,377)	\$.	\$ 1	\$ 6,154,247
Capital Improvements	1,134,192	3,602				1,134,794
Special Assessments				10,403,711		10,403,711
Street Projects		146,657	(2,138)			144,519
Other Governmental Funds	1,167,355	555,937	(210)			1,723,082
Subtotal	\$8,176,644	\$ 990,722	\$ (7,725)	\$10,403,711	\$ 1	\$19,563,353
Business-Type Activities:						
Water Fund	\$.	\$ 1,878,723	\$ (6,729)	\$.	\$ 2	\$ 1,871,996
Sewerage Fund		7,875,012	(32,179)		5	7,842,838
Golf Fund		26,412	(166)			26,246
Internal Service Funds		964,437	(7)		17	964,447
Subtotal	\$.	\$ 10,744,584	\$ (39,081)	\$.	\$ 24	\$10,705,527
Total Primary Government	\$8,176,644	\$11,735,306	\$ (46,806)	\$10,403,711	\$ 25	\$30,268,880
Component Unit Activities:						
Special Events Center PFD	\$ 119,932					\$ 119,932
Total Component Units	\$ 119,932					\$ 119,932

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 \$10,052,490. Of that amount, \$330,963 is delinquent.

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City of Kent

Notes to the Financial Statements
December 31, 2011

e. INTERFUND LOANS

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
General Fund	\$ 50,000	\$ 2,000,000
CIP Payable		12,750,000
Street Projects Payable		1,046,179
Other Capital Projects Fund		10,700,000
Other Governmental Funds		50,000
Business-Type Activities:		
Water Fund	18,450,000	
Sewerage Fund	9,046,179	
Golf Fund		2,250,000
Internal Service Activities:		
Equipment Rental	1,250,000	
	\$28,796,179	\$28,796,179

In December 2011, the Mayor approved a \$1,250,000 one-year interfund loan from the Equipment Rental Fund to the Golf Complex Fund and a \$1,000,000 one-year interfund loan from the Water Fund to the Golf Complex Fund to cover working capital. Also approved were a \$1,000,000 one-year interfund loan from the Water Fund to the Other Capital Projects Fund to cover the balance left on the Kent Station project, a \$2,000,000 one-year interfund loan from the Water Fund to the General Fund to cover ShoWare Center Expenditures, a \$1,046,178.99 one-year interfund loan from the Sewerage Fund to the Street Capital Projects Fund for interim financing of LID 359. All loans are bearing interest at the City's daily funds rate through December 2012.

Also executed by the City on December 31, 2011, was a non-interest bearing loan for \$50,000 from the General Fund to the Housing & Community Development Fund that was needed to cover year-end expenditures.

Additionally, interest bearing loans for \$8,000,000 from Sewerage Fund to Capital Improvement Fund, \$4,750,000 from the Water Fund to the Capital Improvement Fund, and \$9,700,000 from Water Fund to Other Capital Projects Fund were executed. These loans were approved to cover year-end expenditures as well as temporary cash flow shortages that will be reimbursed by funds reserved in 2012.

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Notes to the Financial Statements
December 31, 2011

f. **INTERFUND RECEIVABLES AND PAYABLES**

The following are the interfund balances at December 31, 2011

	Total Fair Value Adjustment		Total Interfund - Other	
	Due From Other Funds	Due To Other Funds	Due From Other Funds	Due To Other Funds
Governmental Activities:				
General Fund	\$ 1		\$ 523,377	\$ 750,000
Capital Improvement				450,000
Street Projects		1	750,000	
YouthTeen				73,377
Total	\$ 1	\$ 1	\$1,273,377	\$1,273,377

The balance of \$1 is due from Street Project funds to the General Fund reflecting the fair market value adjustment of pooled investments as the result of GASB 31 reporting. The balance of \$1,273,377 consists of \$523,377 due to the General Fund from the Capital Improvement and Youth/Teen Fund, and \$750,000 due to the Street Projects Fund from the General 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.

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City of Kent

Notes to the Financial Statements
December 31, 2011

7. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2011 changes in governmental capital assets:

	Balance Jan 1, 2011	Additions	Transfers & Retirements	Balance Dec 31, 2011
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$208,730,964	\$ 12,258,715	\$ (3,051,625)	\$217,938,054
Construction in Progress	236,232,436		(97,886,164)	138,346,272
Total Capital Assets, Not depreciated	\$444,963,400	\$12,258,715	\$ (100,937,789)	\$356,284,326
Capital Assets, being depreciated:				
Buildings	57,801,845	76,492,723	(8,196,390)	126,098,178
Site Improvements	45,574,893	8,329,873	(1,525,366)	52,379,400
Other Capital	53,781,651	4,492,934	(9,342,244)	48,932,341
Infrastructure	493,520,839	2,976,533		496,497,372
Total Capital Assets, Depreciated	\$650,679,228	\$ 92,292,063	\$(19,064,000)	\$723,907,291
Less Accumulated Depreciation for:				
Buildings	(28,853,536)	(1,701,531)	4,394,388	(26,160,679)
Site Improvements	(11,858,504)	(1,854,648)	1,096,383	(12,616,769)
Other Capital	(31,117,154)	(1,570,743)	8,301,827	(24,386,070)
Infrastructure	(214,275,014)	(9,810,602)		(224,085,616)
Total Accumulated Depreciation	\$(286,104,208)	\$(14,937,524)	\$ 13,792,598	\$(287,249,134)
Total Capital Assets, being depreciated, net	\$ 364,575,020	\$ 77,354,539	\$ (5,271,402)	\$ 436,658,157
Governmental Activities Capital Assets, net	\$ 809,538,420	\$ 89,613,254	\$ (106,209,191)	\$ 792,942,483

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City of Kent

Notes to the Financial Statements
December 31, 2011

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

A summary of Business-type Property, Plant and Equipment at December 31, 2011 follows:

	Balance Jan 1, 2011	Additions	Transfers & Retirements	Balance Dec 31, 2011
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 11,122,413	\$ 000,000	\$.	\$ 11,122,413
Construction in Progress	109,379,799	33,366,328		142,746,127
Total Capital Assets, Not depreciated	\$120,502,212	\$33,366,328	\$	\$153,868,540
Capital Assets, being depreciated:				
Buildings	5,181,604			5,181,604
Site Improvements	232,876,146	557,050		233,433,196
Other Capital	2,852,839	583,049		3,435,888
Total Capital Assets, Depreciated	\$240,910,589	\$ 1,140,099		\$242,050,688
Less Accumulated Depreciation for:				
Buildings	(3,980,405)	(153,518)		(4,133,923)
Site Improvements	(80,463,504)	(5,413,986)		(85,877,490)
Other Capital	(2,622,172)	(45,587)		(2,667,759)
Total Accumulated Depreciation	\$(87,066,081)	\$ (5,613,091)		\$(92,679,172)
Total Capital Assets, being depreciated, net	\$153,844,508	\$ (4,472,992)		\$149,371,516
Business-type Activities Capital Assets, net	\$274,346,720	\$28,893,336		\$303,240,056

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

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

Governmental Activities:	
General Government	\$ 347,630
Judicial	50,607
Public Safety	605,733
Public Works	9,816,038
Leisure Services	2,484,111
Health and Human Services	114,539
Library	99,243
Internal Services	1,419,622
Total Depreciation Expense – Governmental Activities	\$14,937,524
Business-type Activities:	
Water	\$ 1,611,520
Sewerage	3,731,470
Golf	270,100
Total Depreciation Expense – Business-Type Activities	\$ 5,613,090

8. **SHORT-TERM DEBT**

The City of Kent did not have any short-term debt during the current fiscal year, January through December 2011.

9. **LEASES**

Operating Leases

The City leases space from Charlie Perkins for storage space on Smith Street. Beginning April 2011, the City paid \$4,750 per month plus one-half of the property tax each year. For 2011, the City paid \$7,377 in property taxes. Payment will be made through 2012, at which time the lease shall terminate. With a written agreement, the City will have the option of extending the least for one year.

The Golf Complex has leases with Northwest Yamaha for 54 Golf carts with payments of \$5,568 per month and another for 24 carts with payments of \$2,216 per month, both ending October 2011. No lease payments are due for the months of November through February 2012. In 2011, the City paid \$68,275 for the leases, including taxes. In 2012, the City will pay \$54,472, plus any taxes due.

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City of Kent

Notes to the Financial Statements
December 31, 2011

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 \$100,562,143 and (b) **nonbonded debt** of \$60,084,951 for a total of \$160,647,094 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 \$71.5 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, 2011 is \$102,508,735. Total additional general obligation capacity for all purposes at December 31, 2011 is \$860,849,030. The general obligation bonds have various interest rates between 2.0 percent and 5.5 percent with maturity dates to 2025. The City's general obligation bonds carry a Moody's "A1" rating as of February 6, 2012 and Standard and Poor's "A+" rating as of June 28, 2011.

(2) Special Assessment Bonds

Special Assessment Bonds totaling \$5,716,053 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, 2011, the guaranty reserve was \$587,400, which amounts to 10.28 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, 2011, totaled \$23,030,000 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 2029. 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 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

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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, 2011 was \$3,010,000 for Sewerage Fund and \$10,780,000 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.

- (b) 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, 2011, the balance of the 1993 issue was \$730,000, 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.
- (c) 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, 2011, the balance of the 1999 issue was \$6,080,000. The transaction resulted in an economic gain of \$436,890 and a reduction of \$445,879 in future debt service payments.

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Notes to the Financial Statements December 31, 2011

City of Kent

The following is a summary of long-term bonded debt transactions of the City for the year ended December 31, 2011:

	<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 1/1/11	\$70,395,426	\$ 7,698,091	\$ 6,713,611	\$24,241,262	\$109,048,390
Unamortized Discount-Prior Year	662,617		14,525	175,011	852,153
Unamortized Premium-Prior Year	757,540		(240,719)	(491,273)	25,548
Bonded Long-Term Debt Payable at 1/1/11	\$71,815,583	\$ 7,698,091	\$ 6,487,417	\$23,925,000	\$109,926,091
Debt Retired, Extinguished and Amortized	4,768,813	1,982,038	944,187	895,000	8,590,038
Bonded Long-Term Debt Payable at 12/31/11	\$67,046,770	\$ 5,716,053	\$ 5,543,230	\$23,030,000	\$101,336,053
Unamortized Premium	(626,103)		200,094	429,248	3,239
Unamortized Discount/Deferred Costs	(608,806)		(8,617)	(159,726)	(777,149)
Net Bonded Long-Term Debt Payable at 12/31/11	\$65,811,861	\$ 5,716,053	\$ 5,734,707	\$23,299,522	\$100,562,143
Current Portion	\$ 4,816,287	\$ 1,952,038	\$ 910,713	920,000	\$ 8,599,038

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Notes to the Financial Statements December 31, 2011

City of Kent

The following is a summary of bonded debt issuance and redemption information as of December 31, 2011

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/11	Due Within One Year
GENERAL BONDED DEBT							
GENERAL OBLIGATION BONDS – GOVERNMENTAL ACTIVITIES							
<u>LTGO Bonds</u>							
General Purpose	2000	2020	4.5-5.5%	11,485,000	7,565,000	3,920,000	535,000
Less: Unamortized Discount					91,530	(91,530)	
General Purpose	2002	2022	3.0-5.0%	13,685,000	5,830,000	7,855,000	785,000
Less: Unamortized Discount					23,829	(23,829)	
General Purpose	2003	2018	2.3-5.5%	7,518,000	5,544,000	1,974,000	577,000
Less: Unamortized Discount					11,816	(11,816)	
General Purpose	2004	2021	2-4.13%	16,505,000	5,388,230	11,116,770	1,049,287
Less: Unamortized Discount					191,288	(191,288)	
Less: Unamortized Deferred Refunding					362,905	(362,905)	
General Purpose	2005	2020	4.05%	2,252,000	131,000	2,121,000	15,000
Less: Unamortized Discount					9,513	(9,513)	
Less: Unamortized Deferred Refunding					93,245	(93,245)	
General Purpose	2006	2024	4.0-5.0%	12,000,000	1,200,000	10,800,000	300,000
Less: Unamortized Discount					154,117	(154,117)	
General Purpose	2008	2025	4.1-5.2%	24,000,000	1,835,000	22,165,000	770,000
Less: Unamortized Discount					189,635	(189,635)	
General Purpose	2009	2019	3.0-4.0%	8,410,000	1,315,000	7,095,000	785,000
Less: Unamortized Discount					(62,922)	62,922	
Plus: Unamortized Deferred Refunding					169,953	(169,953)	
Total General Obligation - LTGO				\$95,855,000	\$30,043,139	\$65,811,861	\$4,816,287
GOVERNMENTAL ACTIVITIES				\$95,855,000	\$30,043,139	\$65,811,861	\$4,816,287

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December 31, 2011

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/11	Due Within One Year
GENERAL OBLIGATION BONDS – BUSINESS-TYPE ACTIVITIES							
LTGO Bonds							
Sewerage Fund:							
Drainage	2004	2021	2-4.13%	\$ 6,775,000	\$ 2,211,770	\$ 4,563,230	\$ 430,713
Plus: Unamortized Premium					(200,094)	200,094	
Sewerage – 93 Ref.	2005	2013	4.05%	2,437,000	1,757,000	680,000	333,000
Less: Unamortized Discount					4,881	(4,881)	
Sewerage – 96 Ref.	2005	2013	4.05%	1,125,000	825,000	300,000	147,000
Less: Unamortized Deferred Costs					3,737	(3,737)	
Total Sewerage Fund (Net)				\$ 10,337,000	\$ 4,602,294	\$ 5,734,706	\$ 910,713
BUSINESS-TYPE ACTIVITIES				\$ 10,337,000	\$ 4,602,294	\$ 5,734,706	\$ 910,713
TOTAL GENERAL OBLIGATION BONDS				\$106,192,000	\$ 34,645,433	\$71,546,567	\$5,727,000
SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES							
LID 347, 348	1998	2015	4.3-5.6%	942,617	912,617	30,000	30,000
LID 340, 349	1999	2014	4.1-5.9%	13,221,661	12,196,661	1,025,000	790,000
LID 351	2001	2015	3.8-5.5%	5,367,217	4,947,217	420,000	310,000
LID 350, 352, 354	2003	2013	3.75%	1,363,439	1,237,386	126,053	117,038
LID 353 et. al.	2004	2019	2.5-4.7%	11,758,557	7,643,557	4,115,000	705,000
TOTAL SPECIAL ASSESSMENT BONDS				\$ 32,653,491	\$ 26,937,438	\$ 5,716,053	\$1,952,038
TOTAL GENERAL BONDED DEBT				\$138,845,491	\$ 61,582,871	\$77,262,620	\$7,679,338

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	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/11	Due Within One Year
REVENUE BONDS - BUSINESS-TYPE ACTIVITIES							
Water Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$4,560,000	\$ 985,000	\$ 3,575,000	\$ 460,000
Plus: Unamortized Premium					(214,624)	214,624	
Less Unamortized Discount					14,066	(14,066)	
Less Unamortized Deferred Costs					8,290	(8,290)	
Revenue Bonds Series B	2009	2029	5.06/6.12%	7,940,000		7,940,000	
Less: Unamortized Discount					37,928	(37,929)	
Less Unamortized Deferred Costs					19,578	(19,578)	
Total (Net)				\$ 12,500,000	\$ 850,238	\$ 11,649,762	\$ 460,000
Sewer Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$4,560,000	\$ 985,000	\$ 3,575,000	\$ 460,000
Plus: Unamortized Premium					(214,624)	214,624	
Less Unamortized Discount					14,066	(14,066)	
Less Unamortized Deferred Costs					8,290	(8,290)	
Revenue Bonds Series B	2009	2029	5.06/6.12%	7,940,000		7,940,000	
Less: Unamortized Discount					37,929	(37,929)	
Less: Unamortized Discount					19,578	(19,578)	
Total (Net)				\$ 12,500,000	\$ 850,239	\$ 11,649,761	\$ 460,000
TOTAL REVENUE BONDS				\$ 25,000,000	\$ 1,700,477	\$ 23,299,523	\$ 920,000
TOTAL BONDED DEBT				\$163,845,491	\$63,283,348	\$100,562,143	\$ 8,599,038

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	
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	5,055,089	2,292,359	472,912	120,671	7,941,031
2017-2021	24,832,441	7,918,842	2,137,558	279,488	35,168,329
2022-2025	17,600,000	2,036,213			19,636,213
Total	\$67,046,770	\$23,663,151	\$ 5,543,230	\$1,199,827	\$97,452,978

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

Year	Governmental Activities		
	Principal	Interest	Total
2012	1,952,038	284,878	2,236,916
2013	1,009,015	178,708	1,187,723
2014	770,000	128,620	898,620
2015	750,000	92,303	842,303
2016	675,000	57,428	732,428
2017-2019	560,000	26,040	586,040
Total	\$5,716,053	\$ 767,977	\$6,484,030

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	
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	527,500	534,172	527,500	534,172	2,123,344
2017-2021	1,720,000	2,331,141	1,720,000	2,331,141	8,102,281
2022-2026	3,332,500	1,787,155	3,332,500	1,787,155	10,239,310
2027-2029	4,007,500	735,777	4,007,500	735,777	9,486,554
Total	\$11,515,000	\$7,706,783	\$11,515,000	\$7,706,783	\$38,443,566

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 \$61,133,487.

The following is a summary of bonded debt issuance and redemption information as of December 31, 2011:

	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					(1,029,809)	1,029,809	
Less: Unamortized Deferred Costs					1,426,322	(1,426,322)	
Revenue Bonds	2008	2020	3.16-5.75%	\$ 10,130,000	\$ 1,750,000	\$ 8,380,000	\$ 630,000
Total Bonded Debt				\$ 63,280,000	\$ 2,146,513	\$ 61,133,487	\$ 630,000

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December 31, 2011

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

Special Events Center Public Facilities District			
Year	Principal	Interest	Total
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	980,000	2,973,244	3,953,244
2017-2021	7,060,000	13,933,958	20,993,958
2022-2026	11,805,000	11,693,145	23,498,145
2027-2031	18,560,000	8,181,238	26,741,238
2032-2036	16,605,000	3,297,400	19,902,400
2037	3,550,000	168,625	3,718,625
Total	\$61,530,000	\$52,505,391	\$114,035,391

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 is 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 \$1,665,895 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 \$150,801 is recorded in the Proprietary Funds. See Note 14a for additional information pertaining to compensated absences.

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The following is a summary of non-bonded debt issuance and redemption information as of December 31, 2011:

	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES						
General Obligation:						
Contract–King County 1996		\$ 1,810,709	\$.	\$.	\$ 1,810,709	\$.
Contract–Valley Comm 2010 Ref	2015	1,044,000		196,000	848,000	201,000
Trust Fund Loans (Street) 2004	2024	6,980,479		507,774	6,472,705	507,775
Trust Fund Loans (Street) 2008	2028	4,263,158		236,842	4,026,316	236,842
LID 358 – Internal Financing		173,485		39,677	133,808	33,452
Compensated Absences		4,397,468	4,161,406	4,405,799	4,153,075	2,620,465
Total General Government		\$18,669,299	\$4,161,406	\$5,386,092	\$17,444,613	\$3,599,534
Internal Service Funds:						
<i>Equipment Rental Fund:</i>						
Compensated Absences		\$ 52,862	\$ 58,229	\$ 64,641	\$ 46,450	\$ 33,695
<i>Central Services Fund:</i>						
Compensated Absences		190,217	229,274	203,580	215,911	152,944
<i>Facilities Fund:</i>						
Energy Conservation Ln. 2003	2013	211,325		82,120	129,205	85,313
Energy Conservation Ln. 2004	2014	205,110		55,705	149,405	57,977
Compensated Absences		130,047	151,291	163,040	118,298	79,601
<i>Insurances Fund:</i>						
Compensated Absences		77,565	58,927	73,877	62,615	43,749
Total Internal Service Funds		\$ 867,126	\$ 497,721	\$ 642,963	\$ 721,884	\$ 453,279
Total Governmental Activities						
Non-Bonded Long-Term Debt		\$19,536,425	\$4,659,127	\$6,029,055	\$18,166,497	\$4,052,813

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City of Kent

Notes to the Financial Statements
December 31, 2011

	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BUSINESS-TYPE ACTIVITIES						
Proprietary Funds:						
<i>Water Fund:</i>						
Trust Fund Loan 2001	2021	\$ 5,805,556	\$.	\$ 527,778	\$ 5,277,778	\$ 527,778
Trust Fund Loan 2002	2022	6,375,000		531,250	5,843,750	531,250
Contract–Tacoma Pipeline	2032	17,949,115		142,537	17,806,578	147,960
Contract–Tac. Pipeline 2010	2040	11,400,000			11,400,000	
Compensated Absences		237,374	241,907	270,520	208,761	151,511
Total Water Fund		\$41,767,045	\$ 241,907	\$ 1,472,085	\$40,536,867	\$1,358,499
<i>Sewerage Fund:</i>						
Trust Fund Loan 2004		\$ 1,125,000	\$.	\$ 75,000	\$ 1,050,000	\$ 75,000
Compensated Absences		295,784	337,848	382,858	250,774	189,058
Total Sewerage Fund		\$ 1,420,784	\$ 337,848	\$ 457,858	\$ 1,300,774	\$ 264,058
<i>Golf Complex Fund:</i>						
Compensated Absences		\$ 80,462	\$ 25,731	\$ 25,380	\$ 80,813	\$ 48,978
Total Golf Complex Fund		\$ 80,462	\$ 25,731	\$ 25,380	\$ 80,813	\$ 48,978
Total Business-Type Activities						
Non-Bonded Long-Term Debt		\$43,268,291	\$ 605,486	\$ 1,955,323	\$41,918,454	\$1,671,535
TOTAL NON-BONDED LONG-TERM DEBT		\$62,804,716	\$ 5,264,613	\$7,984,378	\$60,084,951	\$5,724,348

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

Year	LID Internal Financing		Contracts, Loans, and Notes				Total
	Governmental Activities		Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	33,452	6,021	1,184,207	178,565	1,281,988	1,297,065	3,981,298
2013	33,452	4,516	1,159,150	159,887	1,556,247	1,187,447	4,100,699
2014	33,452	3,011	1,083,004	140,846	1,573,263	1,153,036	3,986,612
2015	33,452	1,505	1,059,917	124,435	1,602,295	1,117,467	3,939,071
2016			839,917	108,151	1,619,312	1,080,694	3,648,074
2016-2020			4,199,585	421,518	9,237,934	4,762,273	18,621,310
2021-2025			3,055,672	204,677	7,923,151	3,534,798	14,718,298
2026-2030			854,886	24,616	10,565,373	2,137,631	13,582,506
2031-2035					3,633,543	774,595	4,408,138
2036-2040					2,385,000	221,777	2,606,777
Total	\$133,808	\$15,053	\$13,436,338	\$1,362,695	\$41,378,106	\$17,266,783	\$73,592,783

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11. FUND EQUITY

Fund Balance

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

Nonspendable – items that cannot be spent due to form; inventories, prepaid amounts, long-term loan receivables, or amounts that must be maintained intact legally.

Restricted – amounts constrained for specific purposes imposed by external parties.

Committed – amounts constrained by the City Council, either through formal budget adoption, contract approvals or for other purposes formally approved by the Council.

Assigned – all amounts remaining in governmental funds, other than the general fund, not classified as nonspendable, restricted or committed. Amounts reported as assigned also include year-end encumbrances that have received approval from the city council and re-appropriated in the following year's carry forward budget. Also, the City's financial policies require a target amount of 10 percent fund balance to remain in the general fund for cash flow purposes.

Unassigned – any remaining fund balance in the general fund not classified as nonspendable, restricted, committed or assigned.

- **Deficit** fund balance is excess of current liabilities over current assets. Of the major funds, the Capital Improvement and Other Projects had deficit fund balances of \$11,961,420 and \$9,765,359, respectively, as of December 31, 2011. In the non-major funds, the Non-voted Debt Service Fund had a deficit fund balance of \$14,000 as December 31, 2011.

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

The City has included funds previously reported as separate Special Revenue funds in the General Fund to meet the requirements of GASB 54. The General Fund beginning balance has been restated to include those beginning balances as follows:

General Fund beginning balance	\$	826,109
Public Safety Retiree		647,099
Operating Grants & Projects		387,285
Kent Events Center Fund		(1,627,111)
General Fund beginning balance restated	\$	<u>233,383</u>

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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. Per ordinance 3915, effective January 1, 2011, water Access Fee rates increased 3% as were water usage rates. Shown below are the new rates effective as of January 1, 2011 compared to 2010 rates:

Meter Access Fee Rates (monthly)

	Effective 2010	Effective 2011
<u>Meter Size</u>		
3/4" or 5/8"	\$11.64	\$11.99
1"	\$19.78	\$20.37
1 1/2"	\$30.19	\$31.09
2"	\$40.02	\$41.22
3"	\$84.85	\$87.39
4"	\$102.82	\$105.90

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.

Usage Rates 2011

		Inside City Limits	Outside City Limits
<u>Monthly</u>			
Summer (5/1-9/30)	First 700 cu. ft.	\$3.77 per 100 cu. ft.	\$4.60 per 100 cu. ft.
	Over 700 cu. ft.	\$4.80 per 100 cu. ft.	\$5.65 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$2.85 per 100 cu. ft.	\$3.77 per 100 cu. ft.
	Over 700 cu. ft.	\$3.86 per 100 cu. ft.	\$4.80 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.

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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 and stayed the same for 2011. 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	\$ 22,760	\$ 16,348	\$ 39,108
Operating Expenses	(22,064)	(6,270)	(28,334)
Operating Income	\$ 696	\$ 10,078	\$ 10,774

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 a decrease of net assets of \$706,061 in 2011, and net assets of \$5,347,543 at December 31, 2011.

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.

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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 \$548,130 for delinquent property taxes. No estimate of uncollectible taxes is made since state law allows for sale of property for failure to pay taxes.

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

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

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

For 2011, the City's regular tax levy was \$1.478 per \$1,000 of assessed valuation based on the 2010 assessed valuation of \$13,070,047,120 for a total regular levy of \$19,386,873.

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.

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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 \$2,930,454 and the estimated long term, portion, including internal services is \$1,665,895. 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 \$389,547 and the estimated long-term portion is \$150,801.

b. **RETIREMENT**

The City's contributions to retirement programs in 2011 were:

To Federal Social Security System	\$3,728,235
To State administered employee retirement systems	<u>2,981,243</u>
Total	<u>\$6,709,478</u>

Retirement payments to City employees from all City funds in 2011 were:

From Firemen's Relief and Pension Fund	<u>\$ 321,518</u>
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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 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:

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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*.

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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.

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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 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan members Nonvested	51,005
Total	262,285

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.

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The City's contribution rates expressed as a percentage of covered payroll, for the year ending December 31, 2011 were:

Members not participating in JBM:

	Plan 1 Required	Plan 2 Required	Plan 3 Required
Employer*	7.25%**	7.25%****	7.25%***
Employee	6.00%****	4.64%****	****
Total	13.25%	11.89%****	7.25%

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

**The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% 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 4.64% 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	7.25%	7.25%	7.25%**
Employee	12.26%	11.60%	7.50%***
Total	19.51%	18.85%	14.75%

*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
2011	\$ 83,652	\$1,731,599	\$381,649
2010	\$ 86,446	\$1,437,394	\$282,245
2009	\$117,134	\$1,881,779	\$374,928

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

The Legislature established LEOFF in 1970. 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.

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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

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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.

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There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of June 30, 2010, the latest actuarial valuation date for the plans:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Non-vested	3,356
Total	27,505

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, 2011, were as follows:

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

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

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

	LEOFF Plan 1	LEOFF Plan 2
2011	\$ 158	\$ 671,528
2010	\$ 350	\$1,118,831
2009	\$ 643	\$1,531,492

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(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. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

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

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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 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	4,210
Total	4,217

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, 2010, were as follows:

	Plan 2 Required
Employer*	8.86%
Employee	6.36%
Total	15.22%

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

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

	PSERS Plan 2
2011	\$107,702
2010	\$ 96,625
2009	\$108,165

(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, 2011 there were a total of 13 individuals covered by this system and drawing benefits. The City's covered payroll for year ending December 31, 2011 was \$121,518. The most recent actuarial study of the system was done by Milliman & Robertson, Inc. to determine the funding requirements as of January 1, 2012. As of that date, the fair value of all assets was \$3,159,301 and the actuarial present value of future benefits was \$2,729,000. The City contributed \$151,338 in 2011. 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 2.75% inflation rate, a 4.0% investment return, and an annual 3.75% 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.

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GASB Statement No. 27			
Annual Pension Cost and Net Pension Obligation			
	12/31/10	12/31/11	12/31/12
Annual required contribution (ARC)			
1 Annual Normal Cost (BOY)	\$ 0	\$ 0	\$ 0
2 Amortization of UAAL (BOY)	(46,150)	(46,150)	(33,607)
3 Interest to EOY [(1)+(2)] ¹ x(i) ¹	(1,846)	(1,846)	(1,344)
4 ARC at EOY [(1)+(2)+(3)]	\$ (47,996)	\$ (47,996)	\$ (34,951)
5 Interest on NPO	(13,763)	(12,660)	(12,178)
6 Adjustment to ARC	(25,190)	(24,039)	(24,063)
7 Annual pension cost [(4)+(5)-(6)]	\$ (36,569)	\$ (36,617)	\$ (23,066)
8 Employer Contributions ²	(64,151)	(48,662)	(49,000)***
9 Change in NPO [(7)-(8)]	\$ 27,582	12,045	25,934
10 NPO at BOY [(11) prior year]	\$ (344,078)	\$ (316,496)	\$ (304,451)
11 NPO at EOY [(9)+(10)]	\$ (316,496)	\$ (304,451)	\$ (278,517)***

¹i is the assumed interest rate that year: 5.0% in 2009, 4.0% in 2010, 4.0% in 2011, 4.0% in 2012.

²Employer 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.

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

GASB Statement No. 27			
Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2010	(36,569)	N/A	(316,496)
December 31, 2011	(36,617)	N/A	(304,451)
December 31, 2012	(23,066)	N/A	(278,517)*

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

Schedule of Employer Contributions					
Fiscal Year Ending	Employer Contributions*	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution ARC	Percentage of ARC Contributed
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	\$(194,350)	\$132,085	\$(62,265)	\$(46,550)	(133.76)%
December 31, 2010	\$(210,727)	\$146,576	\$(64,151)	\$(47,996)	(133.66)%
December 31, 2011	\$(200,000)	\$151,338	\$(48,662)	\$(47,996)	(101.39)%
December 31, 2012**	\$(205,000)	\$156,000	\$(49,000)	\$(34,951)	(140.20)%

*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.

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

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The Firemen's Relief and Pension System's investments at December 31, 2011, of \$3,131,189 recorded at fair market value, were in the following obligations:

	Market Value
Refcorp. Strips	\$ 857,110
Government Agencies	764,079
State Investment Pool	1,510,000
Total	\$3,131,189

(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. Instead of recording expense on a "pay-as-you-go" basis, the City, under GASB No. 45, has recorded an asset of approximately \$791,059 for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. Such liability is included in other noncurrent assets in the December 31, 2010 balance sheet. The effect of GASB No. 45 for the current fiscal year was to increase the City's excess of revenue over expenses before capital contributions and the City's decrease in net assets for the year ended December 31, 2010 by approximately \$79,550.

Plan Description. The City of Kent Health Plan for LEOFF I Retirees (the Health Plan) is a single-employer defined-benefit healthcare plan administered by the City. The Health Plan provides medical, prescription drug, dental, vision, long-term care, and other unreimbursed medical benefits to eligible retirees. The Health Plan's actuary is Healthcare. The Health Plan does not issue a separate stand-alone financial report.

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

For the fiscal year ended December 31, 2011, the City contributed an estimated \$873,268 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:

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	12/31/11
Amortization of unfunded actuarial accrued liability (UAAL) at transition	\$ 803,567
ARC	\$ 803,567
Annual OPEB cost (expense)	\$ 803,567
Contributions made	(873,268)
Increase in net OPEB obligation	\$ (69,701)
Net OPEB obligation – beginning of year	(791,059)
Net OPEB obligation – end of year	\$ (860,760)

*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, 2009	\$ 505,997	150.2%	\$ 870,609
December 31, 2010	\$ 834,735	90.5%	\$ 791,059
December 31, 2011	\$ 803,567	108.7%	\$ 860,760

Funded Status and Funding Progress. The funded status of the Health Plan as of December 31, 2010, follows:

Actuarial accrued liability (AAL) – Unit Credit	\$20,959,291
Actuarial value of plan assets	647,099
Unfunded actuarial accrued liability (UAAL)	<u>\$20,312,192</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>3.1%</u>

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.

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The December 31, 2010 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 0.26% investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 10.5% for medical/prescription drug/unreimbursed medical expenses and 7.0% for dental, reduced by decrements to ultimate rates of 4.2% and 4.0% after 7 years and 4 years, respectively. The vision and long-term care trend rates are 4.0% for all years. All trend rates included a 3.0% inflation assumption. Recalculation of the UAAL occurs each year and the amortization is a level dollar amount on a closed basis. The remaining amortization period at December 31, 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 \$98,958 during 2011 for this coverage.

d. **DEFERRED COMPENSATION**

In 1984 the City established a deferred compensation program for its employees in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) deposited to a trust. The City has no claim to these assets and, 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 2011 and 2010 as carried in the City's Internal Service Funds:

	Worker's Compensation		Medical and Dental		Liability		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Claims Liabilities, January 1	\$1,869,584	\$1,693,251	\$ 1,036,700	\$ 927,000	\$2,125,971	\$1,717,156	\$5,032,255	\$4,337,407
Less: Claims Paid	(958,549)	(1,365,128)	(12,637,171)	(10,360,169)	(523,446)	(557,983)	(14,119,166)	(12,283,280)
Plus: Claims and changes in estimates	1,522,528	1,541,461	12,463,871	10,469,869	568,796	966,798	14,555,195	12,978,128
Claims Liabilities, December 31	\$2,433,563	\$1,869,584	\$ 863,400	\$ 1,036,700	\$2,171,321	\$2,125,971	\$5,468,284	\$5,032,255

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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, 2011, fund equity was \$207,790 and 2011 claims were \$213,403.

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, 2010. The study projected ultimate loss for 2011 of \$1,138,050. At December 31, 2011, incurred but not reported and claims payable were estimated at \$2,433,563. At December 31, 2011 fund equity was (\$509,195). A contingency reserve of \$81,890 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.

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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, 2011, the City booked incurred but not reported claims to equal estimated outstanding claims liability of \$2,171,321. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2011.

At December 31, 2011, fund equity was \$831,667 in its liability fund and \$104,731 in its property fund. In 2011, the City expensed \$1,630,968 for its liability claims and insurance coverage and \$410,253 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 2011, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$11,477,872. 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, 2011. The City's incurred but not reported claims liabilities decreased from \$1,084,300 as of December 31, 2010 to \$930,500 as of December 31, 2011. These amounts include the estimated IBNR for LEOFF1 Retirees of \$47,600 as of December 31, 2010 and \$67,100 as of December 31, 2011.

Group Health Cooperative provided health care to approximately five percent of the employees for 2011 premiums of \$464,304.

The fund's net assets increased by \$1,415,202 to \$4,634,833 at December 31, 2011. In 2011, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

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City of Kent

Notes to the Financial Statements
December 31, 2011

The 2011 financial highlights for the individual insurance operations are shown below:

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
BALANCE SHEET						
ASSETS						
Cash and residual investments	\$ 204,082	\$ 213,271	\$ 578,658	\$ 873,517	\$ 62,023	\$ 1,931,551
Other investments		1,729,874	4,460,000	2,165,000	45,000	8,399,874
Receivables:						
Accounts			851,883			851,883
Accrued interest		17				17
Prepaid expenses		725				725
TOTAL ASSETS	\$ 204,082	\$ 1,943,887	\$ 5,890,541	\$3,038,517	\$ 107,023	\$ 11,184,050
LIABILITIES						
Current:						
Vouchers payable	\$	\$ 105	\$ 262,269	\$ 26,360	\$	\$ 288,734
Accrued expenses	1,614	2,450,244	907,672	2,177,777	1,614	5,538,921
Deposits and Deferred Revenue		21				21
Long term:						
Compensated absences	678	2,713	12,084	2,713	678	18,866
TOTAL LIABILITIES	2,292	2,453,083	1,182,025	2,206,850	2,292	5,846,542
NET ASSETS	201,790	(509,196)	4,708,516	831,667	104,731	5,337,508
TOTAL LIABILITIES AND NET ASSETS						
NET ASSETS	\$ 204,082	\$1,943,887	\$ 5,890,541	\$3,038,517	\$ 107,023	\$11,184,050

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
INCOME STATEMENT						
OPERATING REVENUES	\$ 401,758	\$1,405,996	\$14,480,508	\$2,295,112	\$ 444,697	\$ 19,028,069
OPERATING EXPENSES	242,415	1,789,826	13,049,615	1,630,968	410,253	17,123,075
OPERATING INCOME (LOSS)	159,343	(383,830)	1,430,893	664,144	34,444	1,904,994
NON-OPERATING REVENUE (EXPENSES)	197	2,744	8,231	4,061	20	15,254
NET INCOME (LOSS)	159,540	(381,086)	1,439,124	668,205	34,464	1,920,248
NET ASSETS 1/1	42,250	(128,110)	3,269,392	163,462	70,267	3,417,261
NET ASSETS 12/31	\$ 201,790	\$ (509,196)	\$ 4,708,516	\$ 831,667	\$ 104,731	\$ 5,337,509

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Notes to the Financial Statements
December 31, 2011

City of Kent

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. In 2011, Valley Com contributed \$62,000 of the payment owed by the City which left a balance of \$134,000 that the City paid. The new balance of the City of Kent's obligation was \$848,000 at December 31, 2011.

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.

The Interlocal Agreement calls for allocation of prorated financial participation among the five participating cities based on the percentage of estimated dispatched calls attributed to each jurisdiction compared to the

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City of Kent

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 2011 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	94,760	27.57%
Renton	73,519	21.39%
Auburn	66,805	19.43%
Tukwila	33,025	9.61%
Federal Way	75,628	22.00%
Totals	343,737	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	30.84%	21.87%	20.67%	12.29%	14.33%	100.00%
Equity 1/1/2011	\$6,841,894	\$4,833,671	\$4,575,538	\$2,739,460	\$3,090,648	\$22,081,211
Current Yr Increase	272,360	211,309	192,012	94,921	217,371	987,973
Equity 12/31/2011	\$7,114,254	\$5,044,980	\$4,767,550	\$2,834,381	\$3,308,019	\$23,069,184

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

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

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

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Notes to the Financial Statements December 31, 2011

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obligations. The City had no financial liability for these obligations. In 2011, United Warehouses was sold and the outstanding revenue bonds were settled by the purchaser, REEP-IND Kent LLC, who paid the outstanding principal on the bonds of \$1,495,000 plus interest of \$41,860 on May 9, 2011.

In 2011, the Corporation generated \$2,528 in revenue and had net assets of \$18,433 at December 31, 2011. 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 – 4th 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, 2011, the PFD generated \$3,742,999 in revenue and had net assets of \$(61,012,277).

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 – 4th Avenue South, Kent, WA 98032.

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, 2011, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$13,125,405
Parks Capital Projects	778,042
Miscellaneous Projects	7,317,909
Technology Capital Projects	290,173
Facilities Fund Capital Projects	1,553,432
Facilities Fund	341,753
Water Capital Projects	20,524,301
Sewerage Capital Projects	9,805,524
Total	\$53,736,539

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City of Kent

Notes to the Financial Statements
December 31, 2011

20. PRIOR PERIOD ADJUSTMENTS

In 2011, a prior period correction was made to reclassify expenditures from the Street Capital Projects Fund back to the projects where they originated. A portion of a combined water, sewerage and street project had inadvertently been charged to the Street Capital Projects Fund. The error was corrected in 2011, moving the portions related to water and sewerage to their respective funds and removing it from the Street Capital Projects Fund. A total of \$3,418,612 was reallocated from the Street Capital Projects Fund back to the Sewerage Fund projects for \$2,808,693 and to the Water Fund projects for \$609,919. Additionally, expenditures were also reclassified from the Water Fund projects back to the Sewerage Fund projects in the amount of \$799,671 making the prior period adjustment total \$4,218,283.

	Debit	Credit
Sewerage Fund	\$2,808,693	
Water Fund	609,919	
Street Capital Projects Fund		\$3,418,612
Sewerage Fund	799,671	
Water Fund		799,671
Total Adjustments	\$4,218,283	\$4,218,283

21. SUBSEQUENT EVENTS

There are no subsequent events to report.



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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
Jan. 1, 2012	\$3,154	\$2,729	(\$425)	116%	\$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, 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	(\$210,727)	\$146,576	(\$64,151)	(\$47,996)	N/A
Dec 31, 2011	(\$200,000)	\$151,338	(\$48,662)	(\$47,996)	N/A
Dec 31, 2012**	(\$205,000)	\$156,000	(\$49,000)	(\$34,951)	N/A

* Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under 41.26.150 and administrative expenses.

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

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City of Kent

Required Supplementary Information

RETIREMENT HEALTH CARE BENEFITS -- LEOFF 1 RETIREMENT SYSTEM
Schedule of Funding Progress
As of December 31, 2010

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%	\$113,000	7397%
December 31, 2008	\$607,604	\$8,609,653	\$8,002,049	7.1%	\$123,981	6454%
December 31, 2009	\$734,159	\$8,609,653	\$7,875,494	8.5%	\$124,404	6331%
December 31, 2010	\$647,099	\$20,959,291	\$20,312,192	3.1%	\$119,207	17039%

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NON-MAJOR GOVERNMENTAL FUNDS

The SPECIAL REVENUE FUNDS are used to account for proceeds of specific taxes or other earmarked revenues. This revenue is segregated into individual SPECIAL REVENUE FUNDS to insure expenditures for a specific purpose. The Street Fund uses 1.0% of 6.0% local utility taxes to fund transfers for street debt service and construction projects. The Lodging Tax Fund uses a 1% tax on the rental of any hotel, motel, rooming house, tourist court or trailer camp to be utilized for the acquisition of or operation of tourism-related facilities. The Youth/Teen Programs Fund uses .3% of 6.0% local utility taxes to fund youth/teen programs. The Criminal Justice Fund uses state grants and a King County voter approved sales tax levy of .1% to fund criminal justice activity. The Environmental Mitigation Fund 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. No longer included is the Public Safety Retiree Special Revenue Fund, which uses contributions from the City to fund the OPEB obligation and pay healthcare costs of LEOFF 1 retirees. It is now combined with the General Fund due to GASB 54 implementation. For budgetary purposes, however, it is included and presented as a *Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual* just as the Lodging Tax and Youth/Teen Special Revenue Funds are.

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.

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CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2011

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
ASSETS			
Cash and equity in pooled investments	\$ 970	\$ 53,430	\$ 137
Investments, at fair value		10,000	
Receivables (net of allowances for estimated uncollectables):			
Taxes	608,052	23,380	93,819
Accounts	27,365		
Prepaid items			
TOTAL ASSETS	<u>\$ 636,387</u>	<u>\$ 86,810</u>	<u>\$ 93,956</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$ 23,371	\$	
Accounts/payroll payable	44,801		
Due to other funds			73,377
Due to other governments	273		
Interfund loans payable			
Deposits and deferred revenue			
Total Liabilities	<u>68,445</u>		<u>73,377</u>
FUND BALANCE			
Nonspendable:			
Prepaid items			
Restricted:			
Street Projects	16,147		
Lodging Tax Purposes		86,810	
Criminal Justice Programs			
Parks Capital Projects			
Facility Capital Projects			
Bond retirement			
Committed:			
Street Operations	551,795		
Youth/Teen Programs			20,579
Criminal Justice Programs			
Assigned:			
Criminal Justice Programs			
Environmental Mitigation Operating			
Waste Reduction Recycling			
Parks Capital Projects			
Technology Capital Projects			
Facility Capital Projects			
Unassigned			
Total Fund Balance	<u>567,942</u>	<u>86,810</u>	<u>20,579</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 636,387</u>	<u>\$ 86,810</u>	<u>\$ 93,956</u>

Comprehensive Annual Financial Report 2011

Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 447,356	\$	\$ 3,253	\$ 505,146
500,000			510,000
431,907			1,157,158
351,620	33,736	84,127	496,848
4,318			4,318
<u>\$ 1,735,201</u>	<u>\$ 33,736</u>	<u>\$ 87,380</u>	<u>\$ 2,673,470</u>
\$ 82,971	\$ 11,786	\$ 15,711	\$ 133,839
234,657	164	20,336	299,958
			73,377
10,400	527	1,333	12,533
-		50,000	50,000
111,327			111,327
<u>439,355</u>	<u>12,477</u>	<u>87,380</u>	<u>681,034</u>
4,318			4,318
			-
			16,147
			86,810
996,753			996,753
			-
			-
			-
			551,795
			20,579
164,138			164,138
			-
130,637			130,637
	3,826		3,826
	17,433		17,433
			-
			-
			-
<u>1,295,846</u>	<u>21,259</u>	<u></u>	<u>1,992,436</u>
<u>\$ 1,735,201</u>	<u>\$ 33,736</u>	<u>\$ 87,380</u>	<u>\$ 2,673,470</u>

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CITY OF KENT
 NONMAJOR GOVERNMENTAL FUNDS (continued)
 COMBINING BALANCE SHEET (continued)
 December 31, 2011

	Debt Service		Total Non-Major Debt Service Funds
	General Obligation		
	Voted	Non-voted	
ASSETS			
Cash and equity in pooled investments	\$ 724	\$	\$ 724
Investments, at fair value			
Receivables (net of allowances for estimated uncollectables):			
Taxes	8,705		8,705
Accounts			
Prepaid items			
TOTAL ASSETS	<u>\$ 9,429</u>	<u>\$ -</u>	<u>\$ 9,429</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$	\$ 14,000	\$ 14,000
Accounts/payroll payable			-
Due to other funds			-
Due to other governments			-
Interfund loans payable			-
Deposits and deferred revenue	8,394		8,394
Total Liabilities	<u>8,394</u>	<u>14,000</u>	<u>22,394</u>
FUND BALANCE			
Nonspendable:			
Prepaid items			-
Restricted:			
Street Projects			-
Lodging Tax Purposes			-
Criminal Justice Programs			-
Parks Capital Projects			-
Facility Capital Projects			-
Bond retirement	1,035		1,035
Committed:			
Street Operating Programs			-
Youth/Teen Programs			-
Criminal Justice Programs			-
Assigned:			
Criminal Justice Programs			-
Environmental Mitigation Operating			-
Waste Reduction Recycling			-
Parks Capital Projects			-
Technology Capital Projects			-
Facility Capital Projects			-
Unassigned:			
		(14,000)	(14,000)
Total Fund Balance	<u>1,035</u>	<u>(14,000)</u>	<u>(12,965)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,429</u>	<u>\$ -</u>	<u>\$ 9,429</u>

Comprehensive Annual Financial Report 2011

Capital Projects				
Parks Capital Projects	Technology Capital Projects	Facility Capital Projects	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
\$ 497,873	\$ 294,833	\$ 1,012,651	\$ 1,805,357	\$ 2,311,227
			-	510,000
1,492			1,492	1,167,355
55,819	3,060		58,879	555,727
			-	4,318
<u>\$ 555,184</u>	<u>\$ 297,893</u>	<u>\$ 1,012,651</u>	<u>\$ 1,865,728</u>	<u>\$ 4,548,627</u>
\$ 24,640	\$ 247,126	\$ 58,306	\$ 330,072	\$ 477,911
28,474	29,557		58,031	357,989
			-	73,377
1,193			1,193	13,726
			-	50,000
			-	119,721
<u>54,307</u>	<u>276,683</u>	<u>58,306</u>	<u>389,296</u>	<u>1,092,724</u>
			-	4,318
			-	16,147
			-	86,810
			-	996,753
181,030			181,030	181,030
		927,380	927,380	927,380
			-	1,035
			-	551,795
			-	20,579
			-	164,138
			-	130,637
			-	3,826
			-	17,433
319,847			319,847	319,847
	21,210		21,210	21,210
		26,965	26,965	26,965
			-	(14,000)
<u>500,877</u>	<u>21,210</u>	<u>954,345</u>	<u>1,476,432</u>	<u>3,455,903</u>
<u>\$ 555,184</u>	<u>\$ 297,893</u>	<u>\$ 1,012,651</u>	<u>\$ 1,865,728</u>	<u>\$ 4,548,627</u>

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**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2011**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
REVENUES			
Taxes:			
Property tax	\$	\$	\$
Sales and use			
Utility	2,939,114		881,734
Lodging tax		182,840	
Intergovernmental revenue:			
Federal grants			
State shared fuel tax - general street	1,809,260		
State shared revenue-criminal justice			
State grants	41,764		
Local government grants			
Charges for services	93,316		
Fines and forfeitures			
Miscellaneous revenue:			
Interest income		34	223
Contributions and Donations			
Other miscellaneous revenue			
TOTAL REVENUES	<u>4,883,454</u>	<u>182,874</u>	<u>881,957</u>
EXPENDITURES			
Current:			
Public safety			
Community development		143,500	
Public works	2,774,344		
Leisure services			42,000
Health and human services			
Debt service:			
Principal			
Interest and fiscal charges			
Capital outlay			
TOTAL EXPENDITURES	<u>2,774,344</u>	<u>143,500</u>	<u>42,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,109,110	39,374	839,957
OTHER FINANCING SOURCES (USES)			
Transfers in	2,105,000		
Transfers out	(2,707,781)	(1,188)	(762,377)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(602,781)</u>	<u>(1,188)</u>	<u>(762,377)</u>
NET CHANGE IN FUND BALANCES	1,506,329	38,186	77,580
FUND BALANCES (DEFICIT), January 1	(938,387)	48,624	(57,001)
FUND BALANCES, December 31	<u>\$ 567,942</u>	<u>\$ 86,810</u>	<u>\$ 20,579</u>

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Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 1,847,825	\$	\$	\$ -
			1,847,825
			3,820,848
			182,840
658,264		892,713	1,550,977
352,606			1,809,260
915,950	73,131		352,606
140,329	163,690		1,030,845
103,570			304,019
83,304			196,886
			83,304
7			264
46,572			-
			46,572
<u>4,148,427</u>	<u>236,821</u>	<u>892,713</u>	<u>11,226,246</u>
4,013,243			4,013,243
			143,500
	330,468		3,104,812
		892,713	42,000
			892,713
			-
			-
			-
<u>4,013,243</u>	<u>330,468</u>	<u>892,713</u>	<u>8,196,268</u>
135,184	(93,647)		3,029,978
1,085,000	339,045		3,529,045
(38,944)			(3,510,290)
<u>1,046,056</u>	<u>339,045</u>		<u>18,755</u>
1,181,240	245,398		3,048,733
114,606	(224,139)		(1,056,297)
<u>\$ 1,295,846</u>	<u>\$ 21,259</u>	<u>\$</u>	<u>\$ 1,992,436</u>

Continued on the following page

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CITY OF KENT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (continued)
 For the Year Ended December 31, 2011

	Debt Service		Total Non-Major Debt Service Funds
	General Obligation		
	Voted	Non-voted	
REVENUES			
Taxes:			
Property tax	\$ 420	\$	\$ 420
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			
TOTAL REVENUES	<u>420</u>	<u>-</u>	<u>420</u>
EXPENDITURES			
Current:			
Public safety			
Community development			
Public works			
Leisure services			
Health and human services			
Debt service:			
Principal		5,647,430	5,647,430
Interest and fiscal charges		3,464,504	3,464,504
Capital outlay			-
TOTAL EXPENDITURES	<u>-</u>	<u>9,111,934</u>	<u>9,111,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	420	(9,111,934)	(9,111,514)
OTHER FINANCING SOURCES (USES)			
Transfers in		9,097,934	9,097,934
Transfers out			-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>9,097,934</u>	<u>9,097,934</u>
SOURCES OVER EXPENDITURES AND OTHER USES	420	(14,000)	(13,580)
FUND BALANCES, January 1	615	-	615
FUND BALANCES, December 31	<u>\$ 1,035</u>	<u>\$ (14,000)</u>	<u>\$ (12,965)</u>

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Capital Projects				
Parks Capital Projects	Technology Capital Projects	Facility Capital Projects	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
\$	\$	\$	\$	\$
				420
				1,847,825
				3,820,848
				182,840
	72,649		72,649	1,623,626
	9,141		9,141	1,818,401
			-	352,606
	1,032,550		1,032,550	1,030,845
	7,950		7,950	1,336,569
				204,836
				83,304
				264
				-
	198,404		198,404	244,976
	1,320,694		1,320,694	12,547,360
				4,013,243
				143,500
				3,104,812
	174,670		174,670	216,670
				892,713
				5,647,430
	1,433,104	2,210,473	6,063,745	9,707,322
	1,607,774	2,210,473	6,063,745	9,881,992
	(287,080)	(2,210,473)	(6,063,745)	(8,561,298)
				(14,642,834)
	263,001	1,702,241	5,906,193	7,871,435
				-
	263,001	1,702,241	5,906,193	7,871,435
	(24,079)	(508,232)	(157,552)	(689,863)
				2,345,290
	524,956	529,442	1,111,897	1,110,613
\$	500,877	\$ 21,210	\$ 954,345	\$ 1,476,432
				\$ 3,455,903

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CITY OF KENT
 PUBLIC SAFETY RETIREE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 For the Year Ended December 31, 2011

	2011 Budget		Actual	Variance
	Original	Final		
REVENUES				
Contributions and Donations	\$ 772,577	\$ 772,577	\$ 732,123	\$ (40,454)
Miscellaneous revenue:				
Interest income	12,500	12,500	1,042	(11,458)
TOTAL REVENUES	<u>785,077</u>	<u>785,077</u>	<u>733,165</u>	<u>(51,912)</u>
EXPENDITURES	970,169	970,169	1,102,897	132,728
TOTAL EXPENDITURES	<u>970,169</u>	<u>970,169</u>	<u>1,102,897</u>	<u>132,728</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(185,092)	(185,092)	(369,732)	(184,640)
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	250,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	64,908	64,908	(119,732)	(184,640)
FUND BALANCES, January 1	654,314	647,099	647,099	-
FUND BALANCES, December 31	\$ <u>719,222</u>	\$ <u>712,007</u>	\$ <u>527,367</u>	\$ <u>(184,640)</u>

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CITY OF KENT

LODGING TAX SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2011

	2011 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Lodging Tax	\$ 160,000	\$ 160,000	\$ 182,840	\$ 22,840
Miscellaneous revenue:				
Interest income	1,100	1,100	34	(1,066)
TOTAL REVENUES	<u>161,100</u>	<u>161,100</u>	<u>182,874</u>	<u>21,774</u>
EXPENDITURES	158,500	158,500	143,500	(15,000)
TOTAL EXPENDITURES	<u>158,500</u>	<u>158,500</u>	<u>143,500</u>	<u>(15,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,600	2,600	39,374	36,774
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(1,188)	(1,188)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(1,188)</u>	<u>(1,188)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,600	2,600	38,186	35,586
FUND BALANCES, January 1	7,222	48,624	48,624	-
FUND BALANCES, December 31	<u>\$ 9,822</u>	<u>\$ 51,224</u>	<u>\$ 86,810</u>	<u>\$ 35,586</u>

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CITY OF KENT
 YOUTH/TEEN PROGRAMS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 For the Year Ended December 31, 2011

	2011 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 891,430	\$ 827,601	\$ 881,734	\$ 54,133
Miscellaneous revenue:				
Interest income	6,474	6,474	223	(6,251)
TOTAL REVENUES	<u>897,904</u>	<u>834,075</u>	<u>881,957</u>	<u>47,882</u>
EXPENDITURES	42,000	42,000	42,000	-
TOTAL EXPENDITURES	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	855,904	792,075	839,957	47,882
OTHER FINANCING SOURCES (USES)				
Transfers out	(866,206)	(802,377)	(762,377)	40,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(866,206)</u>	<u>(802,377)</u>	<u>(762,377)</u>	<u>40,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(10,302)	(10,302)	77,580	87,882
FUND BALANCES, January 1	73,583	(57,001)	(57,001)	-
FUND BALANCES, December 31	<u>\$ 63,281</u>	<u>\$ (67,303)</u>	<u>\$ 20,579</u>	<u>\$ 87,882</u>

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INTERNAL SERVICE FUNDS

The INTERNAL SERVICE FUNDS are used to account for services performed by designated operations within the City of Kent for other operations 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.

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CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
December 31, 2011

	Equipment Rental	Central Services
ASSETS		
CURRENT ASSETS		
Cash and equity in pooled investments	\$ 1,344,820	\$ 322,156
Investments, at fair value		
Receivables (net of allowances for estimated uncollectables):		
Accounts		62,266
Notes	15,840	
Accrued interest		
Interfund loan receivable	1,250,000	
Inventory, at cost	120,979	15,686
Prepaid expenses	291	289,314
Total Current Assets	<u>2,731,930</u>	<u>689,422</u>
PROPERTY, PLANT AND EQUIPMENT		
Buildings	108,702	675,071
Site improvements	253,569	28,964
Equipment	13,433,508	5,644,905
Less: accumulated depreciation	(10,939,135)	(6,324,273)
Construction in progress		
Total Property, Plant and Equipment	<u>2,856,644</u>	<u>24,667</u>
TOTAL ASSETS	<u>\$ 5,588,574</u>	<u>\$ 714,089</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ 81,540	\$ 140,820
Accounts/payroll payable	83,033	257,603
Incurred but not reported claims payable		
Accrued interest payable		
Contracts, leases and notes payable-current portion		
Deposits and deferred revenue	18,019	13,378
Total Current Liabilities	<u>182,592</u>	<u>411,801</u>
LONG-TERM LIABILITIES		
Compensated absences payable	12,755	62,967
Contracts, leases and notes payable		
Total Long-Term Liabilities	<u>12,755</u>	<u>62,967</u>
Total Liabilities	195,347	474,768
NET ASSETS		
Invested in capital assets, net of related debt	2,856,644	24,667
Unrestricted	2,536,583	214,654
TOTAL NET ASSETS	<u>\$ 5,393,227</u>	<u>\$ 239,321</u>

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	Facilities	Insurance	Totals
\$	519,287	\$	4,117,815
	550,000	8,399,874	8,949,874
	34,441	851,883	948,590
		17	15,840
			17
			1,250,000
			136,665
	<u>10,094</u>	<u>725</u>	<u>300,424</u>
	1,113,822	11,184,051	15,719,225
	224,496		1,008,269
	79,420		361,953
	105,348		19,183,761
	(273,199)		(17,536,607)
	<u>3,086,847</u>		<u>3,086,847</u>
	3,222,912		6,104,223
\$	<u><u>4,336,734</u></u>	\$	<u><u>11,184,051</u></u>
		\$	<u><u>21,823,448</u></u>
\$	114,999	\$	626,093
	194,373	288,734	605,646
		70,637	5,468,284
		5,468,284	5,468,284
	917		917
	143,290		143,290
	<u>2,086</u>	<u>21</u>	<u>33,504</u>
	455,665	5,827,676	6,877,734
	38,697	18,866	133,285
	<u>135,320</u>		<u>135,320</u>
	174,017	18,866	268,605
	629,682	5,846,542	7,146,339
	2,944,302		5,825,613
	<u>762,750</u>	<u>5,337,509</u>	<u>8,851,496</u>
\$	<u><u>3,707,052</u></u>	\$	<u><u>5,337,509</u></u>
		\$	<u><u>14,677,109</u></u>

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CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2011

	Equipment Rental	Central Services
OPERATING REVENUES		
Sales	\$ 799,938	\$ 132,922
Charges for services	2,619,155	4,786,014
Contributions		
Other operating revenue		
TOTAL OPERATING REVENUES	<u>3,419,093</u>	<u>4,918,936</u>
OPERATING EXPENSES		
Salaries and wages	559,473	1,860,759
Benefits	215,558	579,283
Supplies	1,395,124	285,547
Services and charges	2,529,710	1,988,526
Depreciation	1,384,929	9,830
TOTAL OPERATING EXPENSES	<u>6,084,794</u>	<u>4,723,945</u>
OPERATING INCOME (LOSS)	(2,665,701)	194,991
NON-OPERATING REVENUES (EXPENSES)		
Interest income	3,590	
Miscellaneous non-operating revenues	6,942	40
Miscellaneous non-operating (expense)	(539,678)	
Interest expense		
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(529,146)</u>	<u>40</u>
NET INCOME (LOSS)	(3,194,847)	195,031
Contributed capital	126,352	
Transfers in	21,294	
Transfers out	(214,422)	
CHANGE IN NET ASSETS	(3,261,623)	195,031
NET ASSETS, January 1	8,654,850	44,290
Prior Period Adjustment		
ADJUSTED NET ASSETS, January 1	8,654,850	44,290
NET ASSETS, December 31	<u>\$ 5,393,227</u>	<u>\$ 239,321</u>

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Facilities	Insurance	Totals
\$ 4,036,576	\$ 15,295,208	\$ 932,860
677,689	3,732,861	11,441,745
<hr/>	<hr/>	<hr/>
4,714,265	19,028,069	32,080,363
1,577,614	434,883	4,432,729
705,168	143,488	1,643,497
407,748	22,958	2,111,377
2,000,496	16,521,746	23,040,478
24,863		1,419,622
<hr/>	<hr/>	<hr/>
4,715,889	17,123,075	32,647,703
(1,624)	1,904,994	(567,340)
1,633	15,254	20,477
		6,982
(14,626)		(539,678)
		(14,626)
<hr/>	<hr/>	<hr/>
(12,993)	15,254	(526,845)
(14,617)	1,920,248	(1,094,185)
6,220		132,572
322,248		343,542
		(214,422)
313,851	1,920,248	(832,493)
3,393,201	3,417,261	15,509,602
3,393,201	3,417,261	15,509,602
<hr/>	<hr/>	<hr/>
\$ 3,707,052	\$ 5,337,509	\$ 14,677,109

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CITY OF KENT - DRAFT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

	Equipment Rental	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,418,812	\$ 4,915,889
Cash received from other funds for services		
Cash payments to employees	(784,729)	(2,412,200)
Cash payments to suppliers	(3,978,376)	(2,318,860)
Other cash received		
Net cash provided by (used for) operating activities	<u>(1,344,293)</u>	<u>184,829</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan payment for noncapital purposes	2,450,000	
Interfund loan issued for noncapital purposes	(1,250,000)	
Operating grants/non-operating revenue received	<u>6,942</u>	<u>40</u>
Net cash provided by noncapital financing	1,206,942	40
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on sale of assets	1,479,817	
Transfer of plant from Governmental Capital Assets	126,352	
Acquisition and construction of capital assets		
Principal paid on general obligation bonds		
Interest paid on general obligation bonds		
Transfers in	21,294	
Transfers out	(214,422)	
Net cash used for capital and related financing	<u>1,413,041</u>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(3,540,000)	
Proceeds from sale and maturities of investment securities	3,540,000	
Interest and dividends on investments	3,590	
Net cash provided by (used for) investing activities	<u>3,590</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,279,280	184,869
CASH AND EQUITY IN POOLED INVESTMENTS, January 1	65,540	137,287
CASH AND EQUITY IN POOLED INVESTMENTS, December 31	<u>\$ 1,344,820</u>	<u>\$ 322,156</u>

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Facilities	Insurance	Total
\$ 4,711,044		\$ 13,045,745
	15,115,156	15,115,156
(2,424,385)	(593,665)	(6,214,979)
(2,762,336)	(16,084,018)	(25,143,590)
677,689	3,732,862	4,410,551
202,012	2,170,335	1,212,883
350,000	3,100,000	5,900,000
		(1,250,000)
		6,982
350,000	3,100,000	4,656,982
		1,479,817
6,220		132,572
(32,546)		(32,546)
(137,827)		(137,827)
(15,077)		(15,077)
322,248		343,542
		(214,422)
143,018		1,556,059
(3,530,000)	(15,689,874)	(22,759,874)
2,980,000	11,304,875	17,824,875
1,634	15,489	20,713
(548,366)	(4,369,510)	(4,914,286)
146,664	900,825	2,511,638
372,623	1,030,727	1,606,177
\$ 519,287	\$ 1,931,552	\$ 4,117,815

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CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

	Equipment Rental	Central Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,665,701)	\$ 194,991
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,384,929	9,830
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(232)	(1,866)
(Increase) Decrease in due from other funds		
(Increase) Decrease in inventory	(16,328)	1,347
(Increase) Decrease in prepaid expenses	(171)	4,433
Increase (Decrease) in vouchers payable	(37,042)	(50,567)
Increase (Decrease) in accounts/payroll payable	(12,075)	21,944
Increase in incurred but not reported claims payable		
Increase (Decrease) in deposits & deferred revenues	(50)	(1,181)
Increase (Decrease) in compensated absences	2,377	5,898
Total Adjustments	<u>1,321,408</u>	<u>(10,162)</u>
Net cash provided by operating activities	<u>\$ (1,344,293)</u>	<u>\$ 184,829</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

Increase (Decrease) in fair value of investments -

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<u>Facilities</u>	<u>Insurance</u>	<u>Total</u>
\$ (1,624)	\$ 1,904,994	\$ (567,340)
24,863		1,419,622
674,458	(180,052)	492,308
		(14,981)
1,269	613,574	619,105
(355,362)	(588,916)	(1,031,887)
(141,059)	(9,656)	(140,846)
	436,029	436,029
11		(1,220)
(544)	(5,638)	2,093
203,636	265,341	1,780,223
\$ 202,012	\$ 2,170,335	\$ 1,212,883
	\$ (1.00)	\$ (1.00)



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AGENCY FUNDS

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



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CITY OF KENT
 AGENCY FUNDS
 COMBINING STATEMENT OF NET ASSETS
 December 31, 2011

	Trust Funds	Impact Fees	Municipal Court	Total
ASSETS				
Cash and equity in pooled investments	\$ 7,059	\$ 137,510	\$ 767,206	\$ 911,775
TOTAL ASSETS	<u>\$ 7,059</u>	<u>\$ 137,510</u>	<u>\$ 767,206</u>	<u>\$ 911,775</u>
LIABILITIES				
Vouchers payable	\$	\$ 137,510	\$ 565,369	\$ 702,879
Due to other governments			(2,576)	(2,576)
Deposits and deferred revenue	7,059		204,413	211,472
TOTAL LIABILITIES	<u>\$ 7,059</u>	<u>\$ 137,510</u>	<u>\$ 767,206</u>	<u>\$ 911,775</u>

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CITY OF KENT
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended December 31, 2011

	Trust Funds			Balance December 31, 2011
	Balance December 31, 2010	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 7,059	\$	\$	\$ 7,059
TOTAL ASSETS	<u>\$ 7,059</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7,059</u>
LIABILITIES				
Vouchers payable	\$	\$	\$	\$
Due to other governments				
Deposits and deferred revenue	7,059			7,059
TOTAL LIABILITIES	<u>\$ 7,059</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7,059</u>

Comprehensive Annual Financial Report 2011

Impact Fees				
Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011	
\$ 29,198	\$ 2,165,989	\$ 2,057,677	\$	137,510
<u>\$ 29,198</u>	<u>\$ 2,165,989</u>	<u>\$ 2,057,677</u>	<u>\$</u>	<u>137,510</u>
\$ 29,198	\$ 1,330,989	\$ 1,222,677	\$	137,510
-				
<u>\$ 29,198</u>	<u>\$ 1,330,989</u>	<u>\$ 1,222,677</u>	<u>\$</u>	<u>137,510</u>

Continued on the following page

Comprehensive Annual Financial Report 2011

CITY OF KENT
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended December 31, 2011

	Municipal Court			Balance December 31, 2011
	Balance December 31, 2010	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 654,594	\$ 5,068,918	\$ 4,956,306	\$ 767,206
TOTAL ASSETS	<u>\$ 654,594</u>	<u>\$ 5,068,918</u>	<u>\$ 4,956,306</u>	<u>\$ 767,206</u>
LIABILITIES				
Vouchers payable	\$ 516,300	\$ 4,568,307	\$ 4,519,238	\$ 565,369
Due to other governments	(2,726)	7,153	7,003	(2,576)
Deposits and deferred revenue	141,020	63,393		204,413
TOTAL LIABILITIES	<u>\$ 654,594</u>	<u>\$ 4,638,853</u>	<u>\$ 4,526,241</u>	<u>\$ 767,206</u>

Comprehensive Annual Financial Report 2011

Total			
Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011
\$ 690,851	\$ 7,234,907	\$ 7,013,983	\$ 911,775
<u>\$ 690,851</u>	<u>\$ 7,234,907</u>	<u>\$ 7,013,983</u>	<u>\$ 911,775</u>
\$ 545,498	\$ 5,899,296	\$ 5,741,915	\$ 702,879
(2,726)	7,153	7,003	(2,576)
148,079	63,393		211,472
<u>\$ 690,851</u>	<u>\$ 5,969,842</u>	<u>\$ 5,748,918</u>	<u>\$ 911,775</u>



Comprehensive Annual Financial Report 2011

CAPITAL ASSETS

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 2011

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
December 31, 2011
With Comparison to December 31, 2010**

	2011	2010
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 217,938,054	\$ 208,730,964
Buildings	125,089,910	56,793,576
Site improvements	52,017,448	45,212,941
Equipment	29,748,579	27,411,418
Infrastructure	496,497,372	493,520,839
Construction in progress	135,259,426	231,317,417
Investment in joint venture	7,114,254	6,841,893
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 1,063,665,043	\$ 1,069,829,048
INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:		
General governmental revenues	\$ 269,228,430	\$ 286,609,318
General obligation bonds	197,559,200	189,806,589
Federal grants	69,947,902	69,106,701
State grants	327,824,751	327,598,464
County and local grants	18,645,772	17,508,341
Special assessments	42,115,493	41,605,864
Gifts and contributions	138,343,495	137,593,771
TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS	\$ 1,063,665,043	\$ 1,069,829,048

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 2011

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2011**

	Land	Buildings	Site Improvements	Equipment	Infrastructure	Total
GENERAL GOVERNMENT						
Administration	\$ 239,582	\$ 240,855		\$ 52,101	\$	532,538
Attorney				51,966		51,966
Finance				316,779		316,779
Planning			33,553	140,991		174,544
Public office buildings	4,244,809	30,498,406	2,862,584	2,922,209		40,528,008
Other				16,886,426		16,886,426
Total	4,484,391	30,739,261	2,896,137	20,370,472		58,490,261
PUBLIC SAFETY						
Police	450,258	2,193,973	585,206	3,245,985		6,475,422
Fire	283,568	2,727,721	125,122	132,667		3,269,078
Total	733,826	4,921,694	710,328	3,378,652		9,744,500
PUBLIC WORKS						
Engineering	2,650,000		1,302,586	570,692		4,523,278
Streets	158,455,876		210,179	122,152	496,497,372	655,285,579
Total	161,105,876		1,512,765	692,844	496,497,372	659,808,857
PARKS, RECREATION AND CULTURE						
Parks and recreation	47,235,730	1,556,893	45,881,302	99,296		94,773,221
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	246,830	137,668		4,107,024
ShoWare Center		76,492,723		3,962,585		80,455,308
Cultural arts			578,101	730,036		1,308,137
Total	49,391,500	85,494,201	46,898,218	5,260,197		187,044,116
LIBRARY						
	2,222,461	3,934,754		46,414		6,203,629
Total	2,222,461	3,934,754		46,414		6,203,629
TOTAL	217,938,054	125,089,910	52,017,448	29,748,579	496,497,372	921,291,363
Construction in progress						135,259,426
Investment in joint venture						7,114,254
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 217,938,054	\$ 125,089,910	\$ 52,017,448	\$ 29,748,579	\$ 496,497,372	\$ 1,063,665,043

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 2011

CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
Year Ended December 31, 2011

	Governmental Fund Capital Assets 1-1-11	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12-31-11	
GENERAL GOVERNMENT					
Administration	\$ 532,538	\$	\$	532,538	532,538
Attorney	51,966			51,966	51,966
Finance	316,779			316,779	316,779
Planning	174,544			174,544	174,544
Public office buildings	40,089,307	438,701		40,528,008	40,528,008
Other	16,886,426			16,886,426	16,886,426
Total	<u>58,051,560</u>	<u>438,701</u>		<u>58,490,261</u>	
PUBLIC SAFETY					
Police	6,475,422			6,475,422	6,475,422
Fire	17,805,979		14,536,901	3,269,078	3,269,078
Total	<u>24,281,401</u>		<u>14,536,901</u>	<u>9,744,500</u>	
PUBLIC WORKS					
Engineering	4,523,278			4,523,278	4,523,278
Streets	651,612,224	3,673,355		655,285,579	655,285,579
Total	<u>656,135,502</u>	<u>3,673,355</u>		<u>659,808,857</u>	
PARKS, RECREATIONS AND CULTURE					
Parks and recreation	75,426,870	19,346,351		94,773,221	94,773,221
Senior center	5,829,623			5,829,623	5,829,623
Parks maintenance	570,803			570,803	570,803
Kent commons	3,869,445	237,579		4,107,024	4,107,024
ShoWare Center		80,455,308		80,455,308	
Cultural arts	1,300,905	7,232		1,308,137	1,308,137
Total	<u>86,997,646</u>	<u>100,046,470</u>		<u>187,044,116</u>	
LIBRARY					
	6,203,629			6,203,629	6,203,629
Total	<u>6,203,629</u>			<u>6,203,629</u>	
Construction in progress	231,317,417	11,074,228	107,132,219	135,259,426	
Investment in joint venture	6,841,893	272,361		7,114,254	6,181,790
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 1,069,829,048</u>	<u>\$ 115,505,115</u>	<u>\$ 121,669,120</u>	<u>\$ 1,063,665,043</u>	

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

Comprehensive Annual Financial Report 2011

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	132
<i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
Revenue Capacity	142
<i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</i>	
Debt Capacity	152
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	157
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	159
<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 2011

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 181,746,963	\$ 208,333,330	\$ 217,630,057	\$ 261,167,805
Restricted	2,572,217	2,460,179	3,563,661	3,444,592
Unrestricted	18,638,817	13,874,512	28,057,598	42,909,071
Total governmental activities net position	<u>\$ 202,957,997</u>	<u>\$ 224,668,021</u>	<u>\$ 249,251,316</u>	<u>\$ 307,521,468</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 165,273,239	\$ 170,311,604	\$ 168,160,887	\$ 176,318,621
Restricted	437,863	1,285,477	1,221,643	1,578,076
Unrestricted	18,400,231	19,794,301	27,602,761	32,236,084
Total business-type activities net position	<u>\$ 184,111,333</u>	<u>\$ 191,391,382</u>	<u>\$ 196,985,291</u>	<u>\$ 210,132,781</u>
Primary government				
Invested in capital assets, net of related debt	\$ 347,020,202	\$ 378,644,934	\$ 385,790,944	\$ 437,486,426
Restricted	3,010,080	3,745,656	4,785,304	5,022,668
Unrestricted	37,039,048	33,668,813	55,660,359	75,145,155
Total primary government net position	<u>\$ 387,069,330</u>	<u>\$ 416,059,403</u>	<u>\$ 446,236,607</u>	<u>\$ 517,654,249</u>

Comprehensive Annual Financial Report 2011

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 643,727,989	\$ 667,980,093	\$ 713,371,701	\$ 710,700,685	\$ 727,782,834	\$ 708,913,377
23,292,082	20,821,401	17,491,729	14,297,401	12,145,319	10,034,770
33,742,641	21,120,567	20,686,229	11,612,766	(14,550,823)	(5,370,367)
\$ 700,762,712	\$ 709,922,061	\$ 751,549,659	\$ 736,610,852	\$ 725,377,330	\$ 713,577,780
\$ 186,009,250	\$ 191,875,855	\$ 200,774,256	\$ 184,890,067	\$ 214,631,648	\$ 241,629,839
1,509,777	722,344	803,354	2,119,806	3,065,319	4,497,103
28,789,356	29,736,610	25,617,802	49,908,497	38,662,226	27,073,691
\$ 216,308,383	\$ 222,334,809	\$ 227,195,412	\$ 236,918,370	\$ 256,359,193	\$ 273,200,633
\$ 829,737,239	\$ 859,855,948	\$ 914,145,957	\$ 895,590,752	\$ 942,414,482	\$ 950,543,216
24,801,859	21,543,745	18,295,083	16,417,207	15,210,638	14,531,873
62,531,997	50,857,177	46,304,031	61,521,263	24,111,403	21,703,324
\$ 917,071,095	\$ 932,256,870	\$ 978,745,071	\$ 973,529,222	\$ 981,736,523	\$ 986,778,413

Comprehensive Annual Financial Report 2011

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

	Fiscal Year				
	<u>2002</u> ^a	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Governmental activities:					
General Government	\$ 5,524,141	\$ 5,833,696	\$ 5,773,165	\$ 5,704,405	\$ 7,670,278
Judicial	1,734,472	1,821,975	1,782,114	1,867,345	1,968,044
Public Safety	39,596,544	39,830,381	40,883,387	43,315,168	45,707,880
Community Development	3,712,593	3,767,904	3,722,914	4,024,190	4,363,668
Public Works	6,153,710	5,616,775	5,553,671	10,002,252	19,318,340
Leisure services	7,906,075	7,978,519	8,489,334	8,695,931	8,856,821
Health and human services	4,557,522	4,941,168	5,349,446	5,286,639	5,248,403
Library	82,373	99,243	99,515	99,243	99,243
Interest on long-term debt	4,791,531	4,930,082	6,871,723	4,821,064	4,803,588
Total governmental activities expenses	<u>74,058,961</u>	<u>74,819,743</u>	<u>78,525,269</u>	<u>83,816,237</u>	<u>98,036,265</u>
Business-type activities:					
Water	7,560,110	7,746,675	8,054,179	8,037,342	8,991,114
Sewerage	20,726,554	21,187,225	23,512,763	22,524,649	23,866,177
Golf	2,895,924	2,816,183	2,845,989	2,753,449	2,861,007
Total business-type activities expenses	<u>31,182,588</u>	<u>31,750,083</u>	<u>34,412,931</u>	<u>33,315,440</u>	<u>35,718,298</u>
Total primary government expenses	<u>\$ 105,241,549</u>	<u>\$ 106,569,826</u>	<u>\$ 112,938,200</u>	<u>\$ 117,131,677</u>	<u>\$ 133,754,563</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 247,074	\$ 208,496	\$ 221,405	\$ 220,034	\$ 228,938
Judicial	1,617,997	1,825,154	1,628,674	1,408,560	1,442,322
Public Safety	651,939	450,230	564,781	1,002,235	994,770
Community Development	1,665,498	1,854,042	2,312,737	3,110,206	2,902,293
Public Works	3,290,472	3,183,429	6,337,902	6,109,139	2,367,161
Leisure services	1,243,939	1,355,857	1,283,203	1,111,552	1,253,149
Health and human services	726,551	813,245	604,449	760,568	777,522
Operating grants and contributions	6,066,497	5,843,572	6,289,737	7,126,887	6,881,204
Capital grants and contributions	23,116,006	7,971,138	8,553,692	15,566,905	10,879,385
Total governmental activities program revenues	<u>38,625,973</u>	<u>23,505,163</u>	<u>27,796,580</u>	<u>36,416,086</u>	<u>27,726,744</u>
Business-type activities					
Charges for services:					
Water	6,978,146	7,609,119	7,833,929	7,735,500	\$ 8,255,311
Sewerage	\$ 22,043,249	\$ 22,277,646	\$ 22,213,930	\$ 23,357,426	25,063,532
Golf Complex	2,808,866	2,710,001	2,757,423	2,765,037	2,807,934
Operating grants and contributions	16,479	(28,388)	2,533,578	9,025,542	69,870
Capital grants and contributions	6,924,821	6,630,324	4,476,206	2,845,980	3,865,640
Total business-type activities program revenues	<u>38,771,561</u>	<u>39,198,702</u>	<u>39,815,066</u>	<u>45,729,485</u>	<u>40,062,287</u>
Total primary government program revenues	<u>\$ 77,397,534</u>	<u>\$ 62,703,865</u>	<u>\$ 67,611,646</u>	<u>\$ 82,145,571</u>	<u>\$ 67,789,031</u>

Comprehensive Annual Financial Report 2011

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 7,024,180	\$ 26,661,964	\$ 7,230,905	\$ 6,931,002	\$ 6,400,374
2,147,737	2,388,567	2,487,918	2,544,075	2,745,430
50,255,708	57,177,887	58,880,087	60,147,355	48,030,603
4,683,786	5,030,233	4,487,550	5,524,342	5,441,202
20,483,858	20,097,918	19,453,467	16,219,754	21,195,696
10,376,916	11,426,192	14,096,689	15,050,502	16,414,532
6,004,932	6,175,999	6,198,375	5,996,524	5,915,128
99,243	99,515	99,243	99,243	99,243
4,263,751	4,149,135	4,933,465	4,295,374	4,000,555
<u>105,340,111</u>	<u>133,207,410</u>	<u>117,867,699</u>	<u>116,808,171</u>	<u>110,242,763</u>
8,998,124	10,250,612	10,401,686	11,241,367	11,991,035
26,097,746	27,231,263	28,947,993	29,668,499	29,194,159
3,078,174	2,941,512	2,896,509	3,123,644	3,226,066
<u>38,174,044</u>	<u>40,423,387</u>	<u>42,246,188</u>	<u>44,033,510</u>	<u>44,411,260</u>
<u>\$ 143,514,155</u>	<u>\$ 173,630,797</u>	<u>\$ 160,113,887</u>	<u>\$ 160,841,681</u>	<u>\$ 154,654,023</u>
\$ 365,124	\$ 392,469	\$ 369,217	\$ 385,644	\$ 433,840
1,676,314	1,847,107	1,878,098	2,128,646	2,140,781
1,105,526	1,148,454	1,092,168	1,174,585	996,471
3,080,526	2,186,907	1,411,773	2,058,564	2,171,303
2,100,155	1,362,739	967,622	475,866	834,042
1,301,497	1,343,048	1,308,717	1,328,562	1,549,202
1,055,544	793,590	834,782	698,819	674,983
8,723,491	10,575,098	10,298,875	9,432,962	4,402,255
13,389,132	75,635,801	12,596,207	9,459,649	5,311,483
<u>32,797,309</u>	<u>95,285,213</u>	<u>30,757,459</u>	<u>27,143,297</u>	<u>18,514,360</u>
\$ 8,342,104	\$ 8,778,926	\$ 11,876,537	\$ 15,426,293	\$ 15,986,832
27,000,243	28,118,989	31,298,410	35,841,828	39,108,510
2,816,789	2,895,616	2,698,663	2,394,945	2,519,852
84,629	793,473	112,236	2,799,480	348,478
4,448,759	3,628,766	5,939,641	6,761,033	6,900,419
<u>42,692,524</u>	<u>44,215,770</u>	<u>51,925,487</u>	<u>63,223,579</u>	<u>64,864,091</u>
<u>\$ 75,489,833</u>	<u>\$ 139,500,983</u>	<u>\$ 82,682,946</u>	<u>\$ 90,366,876</u>	<u>\$ 83,378,451</u>

Comprehensive Annual Financial Report 2011

Schedule 2 - continued

City of Kent

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2002 ^a	2003	2004	2005	2006
Net (Expense)/Revenue					
Governmental activities	\$ (35,432,988)	\$ (51,314,580)	\$ (50,728,689)	\$ (47,400,151)	\$ (70,309,521)
Business-type activities	7,588,973	7,448,619	5,402,135	12,414,045	4,343,989
Total primary government net expense	\$ (27,844,015)	\$ (43,865,961)	\$ (45,326,554)	\$ (34,986,106)	\$ (65,965,532)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes levied for general purpose	\$ 20,775,828	\$ 21,680,559	\$ 22,234,770	\$ 23,912,889	\$ 24,360,387
Property taxes levied for debt service	1,770,903	1,767,370	1,770,182	1,786,244	1,781,124
Sales taxes	21,106,522	20,274,191	22,246,215	22,820,585	26,099,325
Utility taxes	10,529,816	12,170,246	13,674,524	14,542,310	16,414,038
Real Estate taxes	3,273,526	3,650,413	3,775,658	5,930,310	5,514,863
Other taxes	425,324	418,966	414,720	476,354	707,963
Unrestricted grants and contributions	1,106,829	836,652	941,613	998,572	1,333,120
Investment earnings	2,583,081	1,870,565	1,880,861	3,366,907	4,489,127
Miscellaneous	309,355	9,771,414	8,137,324	5,122,930	595,018
Transfers	511,198	584,228	236,116	294,353	(6,793)
Total governmental activities	62,392,382	73,024,604	75,311,983	79,251,454	81,288,172
Business-type activities					
Investment earnings	702,445	415,658	427,890	1,027,798	1,547,289
Transfers	(556,198)	(584,228)	(236,116)	(294,353)	6,793
Total business-type activities	146,247	(168,570)	191,774	733,445	1,554,082
Total primary government	\$ 62,538,629	\$ 72,856,034	\$ 75,503,757	\$ 79,984,899	\$ 82,842,254
Change in Net Assets					
Governmental activities	\$ 26,959,394	\$ 21,710,024	\$ 24,583,294	\$ 31,851,303	\$ 10,978,651
Business-type activities	7,735,220	7,280,049	5,593,909	13,147,490	5,898,071
Total primary government	\$ 34,694,614	\$ 28,990,073	\$ 30,177,203	\$ 44,998,793	\$ 16,876,722

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Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (72,542,802)	\$ (37,922,197)	\$ (87,110,240)	\$ (89,664,874)	\$ (91,728,403)
4,518,480	3,792,383	9,679,299	19,190,069	20,452,831
<u>\$ (68,024,322)</u>	<u>\$ (34,129,814)</u>	<u>\$ (77,430,941)</u>	<u>\$ (70,474,805)</u>	<u>\$ (71,275,572)</u>
\$ 25,594,680	\$ 26,576,727	\$ 27,048,764	\$ 29,272,194	\$ 19,287,114
609,561	598,922	596,696		9,750
26,812,760	25,460,470	17,234,352	18,600,976	21,458,253
17,417,969	17,569,974	17,379,153	17,725,934	19,365,153
4,952,380	3,225,515	1,888,137	1,805,871	2,235,174
768,973	771,055	889,426	1,147,963	1,313,231
1,023,819	1,876,367	5,407,702	6,328,500	7,102,872
3,904,796	2,133,806	1,173,891	818,063	495,029
737,751	1,479,608	374,306	2,825,148	4,931,321
50,690	(142,649)	175,974	14,400	312,344
<u>81,873,379</u>	<u>79,549,795</u>	<u>72,168,401</u>	<u>78,539,049</u>	<u>76,510,241</u>
1,558,636	925,571	219,633	157,457	119,565
(50,690)	142,649	(175,974)	(14,400)	(312,344)
<u>1,507,946</u>	<u>1,068,220</u>	<u>43,659</u>	<u>143,057</u>	<u>(192,779)</u>
<u>\$ 83,381,325</u>	<u>\$ 80,618,015</u>	<u>\$ 72,212,060</u>	<u>\$ 78,682,106</u>	<u>\$ 76,317,462</u>
\$ 9,330,577	\$ 41,627,598	\$ (14,941,839)	\$ (11,125,825)	\$ (15,218,162)
6,026,426	4,860,603	9,722,958	19,333,126	20,260,052
<u>\$ 15,357,003</u>	<u>\$ 46,488,201</u>	<u>\$ (5,218,881)</u>	<u>\$ 8,207,301</u>	<u>\$ 5,041,890</u>

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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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Reserved	\$ 17,720	\$ 250,792	\$ 480,456	\$ 219,303
Unreserved	5,716,990	4,137,323	4,793,227	5,719,490
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 5,734,710</u>	<u>\$ 4,388,115</u>	<u>\$ 5,273,683</u>	<u>\$ 5,938,793</u>
All Other Governmental Funds				
Reserved	\$ 1,848,368	\$ 1,512,806	\$ 2,504,694	\$ 2,394,628
Unreserved, reported in:				
Special revenue funds	4,959,645	3,830,470	5,879,346	7,639,675
Debt service funds	724,604	947,578	1,058,967	1,056,261
Capital projects funds	20,721,434	16,667,629	24,522,238	14,559,622
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 28,254,051</u>	<u>\$ 22,958,483</u>	<u>\$ 33,965,245</u>	<u>\$ 25,650,186</u>

* Fund balances restated for GASB 54 implementation.

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Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>
\$ 251,540	\$ 2,532,147	\$ 256,156	\$ 60,569	\$ 57,586	\$ -
6,885,799	5,493,860	6,672,432	1,999,665	768,523	-
-	-	-	-	-	59,539
-	-	-	-	-	5,028
-	-	-	-	-	283,678
-	-	-	-	-	-
-	-	-	-	-	(205,783)
\$ 7,137,339	\$ 8,026,007	\$ 6,928,588	\$ 2,060,234	\$ 826,109	\$ 142,462
\$ 3,486,406	\$ 2,965,944	\$ 2,107,366	\$ 1,278,319	\$ 1,727,814	\$ -
4,653,558	9,018,627	4,627,119	(3,886,045)	(9,756,662)	-
-	-	-	-	-	-
10,582,468	(8,618,307)	11,402,348	3,782,839	(3,936,907)	-
-	-	-	-	-	4,318
-	-	-	-	-	5,602,450
-	-	-	-	-	1,849,238
-	-	-	-	-	519,918
-	-	-	-	-	(22,811,500)
\$ 18,722,432	\$ 3,366,264	\$ 18,136,833	\$ 1,175,113	\$ (11,965,755)	\$ (14,835,576)

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Taxes (see Schedule 5)	\$ 57,673,600	\$ 59,910,914	\$ 64,122,276	\$ 69,385,293	\$ 74,785,604
Licenses and permits	1,645,214	1,730,573	1,909,492	2,643,393	2,608,064
Intergovernmental	28,548,498	11,918,320	14,388,605	21,392,337	15,588,288
Charges for services	2,863,335	3,077,954	3,371,266	5,473,845	5,204,130
Fines and forfeitures	1,506,127	1,553,071	1,364,041	1,171,934	1,227,897
Special assessments	2,494,038	2,347,459	5,482,303	3,676,698	3,667,926
Investment earnings	2,365,961	1,765,927	1,742,440	3,001,655	3,883,343
Other revenues	2,676,030	3,770,425	3,768,110	3,093,620	2,183,209
Total Revenues	99,772,803	86,074,643	96,148,533	109,838,775	109,148,461
Expenditures					
General government	5,450,982	5,494,883	4,950,640	5,327,140	6,882,585
Judicial	1,716,299	1,811,801	1,726,236	1,872,295	1,947,553
Public safety	38,122,299	38,866,999	39,351,050	43,218,034	45,090,400
Community development	3,639,085	3,747,600	3,603,513	4,210,727	4,434,360
Public works	5,874,644	5,344,774	4,797,335	5,306,468	6,479,232
Leisure services	6,555,450	6,828,869	7,089,535	7,362,855	7,436,780
Health and human services	4,376,972	4,796,032	5,227,751	5,269,934	5,170,441
Debt Service					
Principal	7,388,000	18,037,152	29,071,344	8,854,245	9,646,741
Interest	4,666,251	4,839,185	6,570,116	4,638,657	4,605,109
Capital Outlay	33,354,153	13,214,404	19,405,538	36,163,362	32,955,075
Total expenditures	111,144,135	102,981,699	121,793,058	122,223,717	124,648,276
Excess of revenues over (under) expenditures	(11,371,332)	(16,907,056)	(25,644,525)	(12,384,942)	(15,499,815)
Other Financing Sources (Uses)					
Bonds issued	13,685,000	7,889,287	33,733,676	2,252,000	11,929,507
Refunding bonds issued	-	-	-	(2,050,000)	
Notes/contracts issued	-	-	-		8,218,892
Payments to escrow agent	-	-	-		
Sale of capital assets	28,450	169,810	3,275,936	4,518,249	1,165,137
Transfers in	22,796,370	16,416,984	13,731,222	16,158,803	29,236,665
Transfers out	(21,843,748)	(14,210,983)	(13,204,184)	(16,124,572)	(28,938,139)
Total other financing sources (uses)	14,666,072	10,265,098	37,536,650	4,754,480	21,612,062
Net change in fund balances	\$ 3,294,740	\$ (6,641,958)	\$ 11,892,125	\$ (7,630,462)	\$ 6,112,247
Debt service as a percentage of noncapital expenditures	15.5%	25.5%	34.8%	15.7%	15.5%

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Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 75,827,108	\$ 73,895,588	\$ 64,986,755	\$ 68,488,317	\$ 63,739,861
2,809,392	2,364,302	1,849,252	2,091,190	2,249,021
17,748,774	85,192,892	24,279,630	20,956,542	14,716,457
5,110,691	3,995,114	2,874,696	3,328,744	3,622,562
1,492,780	1,705,410	1,583,731	1,737,615	1,626,615
2,439,661	2,589,995	2,627,522	1,939,156	2,285,686
3,203,446	1,732,781	1,066,402	786,379	711,753
3,499,918	2,388,171	3,069,013	3,529,510	2,680,263
<u>112,131,770</u>	<u>173,864,253</u>	<u>102,337,001</u>	<u>102,857,453</u>	<u>91,632,218</u>
5,798,802	6,441,299	6,191,850	5,821,839	6,051,000
2,115,342	2,266,382	2,411,494	2,415,602	2,639,800
48,730,640	53,453,187	55,681,381	57,122,596	36,927,061
4,641,802	4,910,964	4,419,094	5,237,571	5,252,066
7,275,763	6,805,027	6,118,684	5,877,368	6,677,579
8,808,851	9,621,646	12,318,938	12,603,919	13,112,883
5,838,255	5,876,570	5,995,763	5,641,216	5,537,197
9,344,892	7,707,320	7,624,942	7,246,851	7,669,145
4,034,925	4,005,422	4,899,979	4,126,828	3,846,564
41,109,628	85,302,585	21,500,239	10,754,848	11,074,228
<u>137,698,900</u>	<u>186,390,402</u>	<u>127,162,364</u>	<u>116,848,638</u>	<u>98,787,523</u>
(25,567,130)	(12,526,149)	(24,825,363)	(13,991,185)	(7,155,305)
-	26,420,777	-	-	-
-	-	8,757,076	-	-
-	-	2,500,000	-	-
-	-	(8,140,000)	-	-
311,894	304,979	-	150	-
23,932,686	17,209,577	14,941,530	16,091,163	24,573,238
(24,537,645)	(18,133,279)	(15,066,349)	(16,262,423)	(24,390,014)
<u>(293,065)</u>	<u>25,802,054</u>	<u>2,992,257</u>	<u>(171,110)</u>	<u>183,224</u>
<u>\$ (25,860,195)</u>	<u>\$ 13,275,905</u>	<u>\$ (21,833,106)</u>	<u>\$ (14,162,295)</u>	<u>\$ (6,972,081)</u>

13.9% 11.6% 11.9% 10.7% 13.1%

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

Fiscal Year	Property	Sales & Use	Utility	Real Estate Excise	Lodging	Other	Total
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
2011*	19,368,050 **	21,458,253 ***	19,365,153 ***	2,235,174	182,840	1,130,391 ***	63,739,861
Change							
2002-2011	-13.3%	1.7%	83.9%	-31.7%	43.5%	279.4%	10.5%

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

2008 = \$1,159,920.61
2009 = \$4,379,386.94
2010 = \$4,891,833.21
2011 = \$4,961,615.99

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

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

Sales & Use Tax - City receives 0.2% of state sales tax collected within City for the next 10 yrs--this totaled \$3.5 million for 2011.

Utility Taxes - Annexation revenues totaled \$2.9 million for 2011.

Other Taxes - Annexation revenues totaled \$.3 million for 2011.

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

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Total Direct Tax Rate
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
2011	11,450,528,835	1,306,246,531	12,756,775,366	1.484

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.

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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
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
2011	1.484	-	1.484	2.280	1.338	0.720	0.224	5.387	0.558	0.566	0.300	0.110

Source: King County Assessor's Office

Note: The City is permitted by law to levy up to \$3.60 per \$1,000 assessed valuation for general government services. Due to formation of the Regional Fire Authority (RFA) on July 1, 2010, \$1 per \$1000 assessed valuation now goes to the RFA and \$.5 per \$1000 goes to the library. Therefore, the City is limited to assess a total of \$2.10 per \$1000. 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.

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

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Boeing	\$ 402,451,587	1	3.18%	\$416,053,792	1	5.09%
PSE/Electric & Gas	189,745,071	2	1.50%	122,944,375	3	1.50%
AMB Property	112,726,200	3	0.89%	89,859,900	4	1.10%
Calstrs (formerly McElroy George)	107,974,900	4	0.85%	133,055,700	2	1.63%
Segale Properties (formerly La Terra Ltd)	83,342,100	5	0.66%			
Starbucks	47,309,142	6	0.37%			
Qwest Corporation	42,936,438	7	0.34%			
CSHV Kent North LLC (formerly Ellis CB Richard)	42,891,600	8	0.34%			
Fred Meyer	32,668,700	9	0.26%			
Red Mortgage Capital Inc.	29,896,000	10	0.24%			
U.S. West				60,700,531	5	0.74%
First American Tax Valuation				38,049,400	6	0.47%
Mikron Industries				25,565,880	7	0.31%
Pacific NW Group A				20,592,800	8	0.25%
Property Reserve				19,577,700	9	0.24%
HEXCEL Corporation				19,169,772	10	0.23%
	<u>\$1,091,941,738</u>		<u>8.64%</u>	<u>\$945,569,850</u>		<u>11.57%</u>

Source: King County Assessor's Office



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

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	475,693	23,479,266	100.00%
2004	24,073,724	23,663,292	98.30%	409,469	24,072,761	100.00%
2005	25,800,548	25,324,613	98.16%	470,344	25,794,957	99.98%
2006	26,400,938	25,723,330	97.43%	672,436	26,395,766	99.98%
2007	26,194,032	25,750,298	98.31%	432,328	26,182,626	99.96%
2008	27,225,624	26,564,249	97.57%	640,736	27,204,985	99.92%
2009	27,815,136	27,136,428	97.56%	593,304	27,729,732	99.69%
2010	29,273,116	28,806,516	98.41%	275,343	29,081,860	99.35%
2011*	19,298,192	18,981,959	98.36%		18,981,959	98.36%

Source: King County Assessor's Office

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Unknown	2,638,575	2,788,565	2,860,967	2,889,211
Agriculture, Forestry, Fishing	496,125	241,811	259,927	324,202
Mining	183,031	165,812	76,669	276,815
Utilities	10,469,471	12,592,843	13,066,851	17,444,817
Construction	206,988,920	200,883,086	241,657,790	280,567,441
Manufacturing	134,637,498	124,167,116	133,711,143	145,756,409
Wholesale Trade	501,239,439	421,817,406	572,981,503	471,349,351
Retail Trade	828,185,986	859,359,112	965,767,217	1,034,703,327
Transportation and Warehousing	4,555,143	6,941,953	9,242,882	6,944,753
Information	180,909,734	141,101,281	114,599,268	110,148,507
Finance and Insurance	25,414,037	28,310,575	20,123,087	21,205,368
Real Estate, Rental, Leasing	101,102,110	79,714,100	89,459,326	94,843,961
Prof, Sci, Technical Svcs	39,047,697	30,250,721	29,642,946	29,052,029
Company Management	6,851	10,581	168,253	354,019
Admin, Supp, Remed Svcs	46,626,192	46,697,067	40,321,875	37,873,104
Educational Services	2,080,002	2,302,294	2,291,215	2,433,927
Health Care Social Assistance	407,797	2,292,399	3,270,662	4,187,207
Arts, Entertain, Recreation	11,567,931	11,039,253	11,477,093	12,372,720
Accommodation and Food Svcs	121,307,562	123,047,958	129,577,791	137,351,291
Other Services	59,871,392	59,484,659	57,895,065	63,107,841
Public Administration	10,514,231	9,694,552	13,042,626	16,662,522
Total	\$ 2,288,249,724	\$ 2,162,903,145	\$ 2,451,494,158	\$ 2,489,848,823

City direct sales tax rate 0.9%.

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Calendar Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
2,562,325	743,328	960,908	999,746	858,268	477,054
556,164	480,758	421,594	518,595	718,861	692,359
143,563	126,143	1,111,403	540,569	647,324	617,757
25,929,247	32,804,185	20,292,827	23,789,845	17,472,906	5,078,454
339,844,719	314,927,177	329,122,168	242,972,325	188,425,022	186,982,818
153,080,983	271,089,687	171,095,850	69,750,959	96,582,517	81,988,703
507,855,299	537,750,994	376,973,038	301,507,123	217,175,584	252,503,957
1,191,891,094	1,093,635,050	864,206,993	616,882,158	647,338,680	681,641,901
8,279,538	9,709,071	8,606,606	6,983,433	8,256,303	6,620,144
157,065,993	114,296,024	138,282,101	111,604,712	113,484,774	112,088,847
20,019,726	18,444,097	19,337,663	22,253,860	18,871,102	16,381,423
102,929,495	100,269,365	87,787,763	74,188,983	67,979,949	73,151,966
30,635,428	34,514,927	47,004,048	40,297,213	48,470,587	41,794,489
434,919	395,740	203,812	170,204	646,516	13,351
39,221,048	46,233,624	38,659,998	30,272,316	31,230,882	42,594,079
2,803,957	5,386,733	4,705,329	3,167,476	3,205,201	3,968,920
3,761,970	3,882,634	4,134,840	2,726,198	2,254,145	1,783,015
12,997,168	14,199,392	15,543,553	19,222,372	18,658,668	19,773,143
156,165,384	166,220,492	164,615,802	143,820,138	146,494,696	159,382,256
65,088,034	72,939,468	75,835,651	66,338,283	73,591,515	82,917,327
13,378,848	21,778,264	30,271,537	20,201,288	19,850,671	24,692,051
\$ 2,834,644,903	\$ 2,859,827,153	\$ 2,399,173,484	\$ 1,798,207,796	\$ 1,722,214,171	\$ 1,795,144,014

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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>
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%
2011	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.00% *

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

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

	Fiscal Year 2011				Fiscal Year 2002			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	27	0.2%	231,587	1.5%	41	0.4%	110,142	0.6%
Agriculture, Forestry, Fishing	48	0.3%	5,821	0.0%	29	0.3%	4,185	0.0%
Mining	11	0.1%	6,031	0.0%	9	0.1%	1,540	0.0%
Utilities	15	0.1%	30,786	0.2%	11	0.1%	87,775	0.5%
Construction	3,765	21.9%	1,563,230	10.3%	3,078	27.5%	1,718,887	9.0%
Manufacturing	1,193	6.9%	895,222	5.9%	553	4.9%	1,136,920	6.0%
Wholesale Trade	2,573	15.0%	2,065,845	13.6%	1,725	15.4%	4,238,496	22.2%
Retail Trade	4,230	24.6%	5,729,741	37.6%	2,149	19.2%	6,812,856	35.7%
Transportation and Warehousing	131	0.8%	54,385	0.4%	74	0.7%	36,155	0.2%
Information	543	3.2%	909,391	6.0%	291	2.6%	1,238,500	6.5%
Finance and Insurance	160	0.9%	142,496	0.9%	145	1.3%	216,578	1.1%
Real Estate, Rental, Leasing	430	2.5%	587,628	3.9%	406	3.6%	840,993	4.4%
Prof. Sci, Technical Svcs	948	5.5%	356,544	2.3%	445	4.0%	327,334	1.7%
Company Management	5	0.0%	200	0.0%	2	0.0%	58	0.0%
Admin, Supp, Remed Svcs	1,260	7.3%	325,936	2.1%	922	8.2%	395,647	2.1%
Educational Services	128	0.7%	32,021	0.2%	31	0.3%	17,517	0.1%
Health Care Social Assistance	170	1.0%	15,427	0.1%	101	0.9%	3,432	0.0%
Arts, Entertain, Recreation	112	0.7%	63,381	0.4%	55	0.5%	97,392	0.5%
Accommodation and Food Svcs	426	2.5%	1,321,510	8.7%	352	3.1%	1,021,297	5.4%
Other Services	989	5.8%	689,402	4.5%	754	6.7%	504,761	2.6%
Public Administration	19	0.1%	210,142	1.4%	13	0.1%	256,283	1.3%
Total	17,183	100.00%	\$ 15,236,726	100.00%	11,186	100.00%	\$ 19,066,748	100.00%

Source: Taxtools 4.1.0 Database by Microflex, Inc.

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

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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 ^a	Per Capita ^b	Other Governmental Activities Debt	
	General Obligation Bonds	Less: Amounts Available In Debt Fund	Total			Loans, Notes and Contracts ^d	Special Assessment Bonds
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	14,688,266	7,698,091
2011	67,046,770	1,035	67,045,735	0.53%	\$ 567.22	13,570,148	5,716,053

Business-type Activities

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans, Notes and Contracts ^d	Total Primary Government ^c	Percentage of Personal Income ^b	Per Capita ^b
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	167,269,027	1.27%	\$ 1,419.11
2011	5,543,230	23,030,000	41,378,106	156,283,272	1.23%	\$ 1,322.19

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

^a See Schedule 6 for taxable property value data.

^b Population and personal income data can be found in Schedule 17.

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

^d Excludes compensated absences.

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**Schedule 14
City of Kent
Direct and Overlapping Governmental Activities Debt
As of December 31, 2011**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Governmental Unit</u>			
King County	1,129,992,165	3.9901%	45,087,817
Port of Seattle	336,120,000	3.9901%	13,411,524
School District No. 210	186,971,207	6.4259%	12,014,583
School District No. 401	282,847,275	1.4740%	4,169,169
School District No. 403	305,738,450	4.1732%	12,759,077
School District No. 408	86,955,424	0.3343%	290,692
School District No. 409	25,082,736	0.0228%	5,719
School District No. 415	206,038,741	66.6033%	137,228,601
Hospital District No. 1	33,932,240	35.0442%	11,891,282
Rural Library District	123,116,633	1.8912%	<u>2,328,382</u>
Subtotal Overlapping Debt			239,186,846
City of Kent direct debt			<u>87,076,339</u>
Total direct and overlapping debt			<u><u>\$ 326,263,185</u></u>

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

Note:

^a Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kent. 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 2011

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$613,183,677	\$633,977,562	\$659,852,343	\$ 701,084,358
Total net debt applicable to limit	<u>91,795,749</u>	<u>86,195,732</u>	<u>82,353,984</u>	<u>79,202,905</u>
Legal debt margin	<u>\$521,387,928</u>	<u>\$547,781,830</u>	<u>\$577,498,359</u>	<u>\$ 621,881,453</u>
Total net debt applicable to the limit as a percentage of debt limit	14.97%	13.60%	12.48%	11.30%

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Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 766,839,672	\$ 863,746,026	\$ 956,906,355	\$ 879,375,501	\$ 980,253,534	\$ 947,925,369
91,259,633	84,703,586	104,733,011	100,816,381	93,942,781	87,076,339
<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>	<u>\$ 860,849,030</u>
11.90%	9.81%	10.94%	11.46%	9.58%	9.19%

Assessed value	\$	12,639,004,936
Debt limit:		
2.5% of General purpose limit, voted & non-voted		315,975,123
2.5% Utility purpose limit, voted		315,975,123
2.5% Open Space, Park Facilities, voted		315,975,123
Total debt limit		<u>947,925,369</u>
Debt applicable to limit:		
Non-voted		<u>87,076,339</u>
Total net debt applicable to limit		87,076,339
Legal debt margin		<u><u>860,849,030</u></u>

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

Fiscal Year	Water Revenue Bonds					
	Water Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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 ³	7,833,929	6,493,433	1,340,496	205,000	9,430	6.25
2009 ⁵	11,876,537	8,498,185	3,378,352	105,000	154,366	13.03
2010	15,426,293	9,029,965	6,396,328	432,500	628,347	6.03
2011	15,986,832	9,730,377	6,256,455	447,500	615,372	5.89

Fiscal Year	Sewerage Revenue Bonds ¹					
	Sewerage Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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 ⁴	25,063,532	20,244,531	4,819,001	992,571	445,806	3.35
2009 ⁵	31,298,410	24,995,990	6,302,420	105,000	154,366	24.30
2010	35,841,828	25,196,002	10,645,826	432,500	628,347	10.04
2011	39,108,510	24,602,591	14,505,919	447,500	615,372	13.65

Fiscal Year	Special Assessment Bonds			
	Revenues	Debt Service		Coverage
		Principal	Interest	
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
2011	2,397,011	2,021,715	382,060	1.00

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.

¹ Amounts include Sewer and Drainage operations.

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

³ Water revenue bonds matured in 2004.

⁴ Sewerage revenue bonds matured in 2006.

⁵ Issued in 2009--Combined Utility System Revenue Bonds, Series 2009A, and Combined Utility System Revenue Bonds,

⁷ Series 2009B Taxable (BABs) issued for a total of \$25,000,000--split between Water and Sewerage Fund.

⁸ Details regarding coverage can be found in the Official Statement.

Comprehensive Annual Financial Report 2011

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

<u>Calendar Year</u>	<u>Population¹</u>	<u>County Personal Income²</u> (thousands of dollars)	<u>Per Capita Income County³</u>	<u>Median Age⁴</u>	<u>School Enrollment⁵</u>	<u>County Unemployment Rate⁶</u>
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 ⁷	117,869	106,806,333	55,136	37.24	27,050	8.8%
2011	118,200	-	-	37.49	27,397	7.6%

¹ City of Kent Planning Department & 2000 US Census.

² Personal Income for King County: US Bureau of Economic Analysis.

³ Per Capita Income for King County: US Bureau of Economic Analysis.

⁴ Median Age for Washington State: Office of Financial Management.

⁵ Per Kent School District full student headcount, as of October 2008.

⁶ Average for King County: Washington State Employment Security Department

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

*2011 information is not available, will be included in 2012 CAFR.

Comprehensive Annual Financial Report 2011

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Boeing Company	4,000	1	5.13%	4,838	1	12.10%
Kent Public Schools	3,292	2	4.22%	3,382	2	8.46%
REI Inc.	1,096	3	1.41%	675	5	1.69%
City of Kent	816	4	1.05%	794	4	1.99%
King County Regional Justice Center	630	5	0.81%	630	6	1.58%
Coho Distributing LLC dba Columbia Dist.	620	6	0.79%			
Exotic Metals Forming Co	613	7	0.79%			
Sysco	510	8	0.65%	600	7	1.50%
HEXCEL Corporation	471	9	0.60%			
Starbucks Coffee Company	453	10	0.58%	409	10	1.02%
Property Reserve				920	3	2.30%
Mikron Industries				490	8	1.23%
Oberto Sausage				443	9	1.11%
	<u>12,501</u>		<u>16.03%</u>	<u>13,181</u>		<u>32.95%</u>

Source: City of Kent Business License System

Comprehensive Annual Financial Report 2011

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									
	2002	2003 ^a	2004	2005	2006	2007	2008	2009 ^b	2010 ^c	2011
General government										
Mayor's Office	13.00	8.00	8.00	10.00	11.00	11.00	12.00	9.00	13.00	13.00
Employee Services	17.00	12.00	12.00	13.00	13.00	13.00	13.00	11.00	11.00	12.00
Finance	24.50	22.00	22.00	22.00	22.00	22.00	21.00	19.50	19.00	19.95
Information Technology	35.00	27.00	26.00	25.00	25.00	26.00	29.00	25.00	25.00	26.00
Other	44.00	39.00	37.75	39.00	42.00	42.50	43.50	43.00	43.50	44.40
Judicial	19.00	18.00	18.00	18.00	18.00	18.00	19.00	18.00	21.00	21.00
Public Safety										
Police	186.00	178.00	176.00	176.00	178.00	183.00	187.00	179.00	193.00	200.00
Fire	160.00	158.00	160.00	161.00	161.00	176.00	177.00	169.00	-	-
Law-Criminal	7.00	7.00	7.25	9.00	10.00	10.50	10.50	9.50	10.00	10.10
Community Development	43.00	37.00	40.00	40.00	41.00	42.00	42.00	42.00	43.00	43.00
Public Works										
Engineering	9.00	9.25	9.50	5.25	5.25	5.58	5.58	5.33	5.33	5.33
Operations	13.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00
Streets	68.50	59.50	59.50	71.75	72.75	77.75	77.75	65.50	70.50	72.50
Leisure Services	62.50	59.00	62.00	57.00	59.00	60.00	63.00	60.00	60.00	61.00
Health and Human Services	16.00	18.00	17.00	19.00	18.00	18.00	18.00	17.00	18.00	19.00
Water	27.50	28.25	29.50	26.00	26.00	26.00	27.00	25.00	26.00	26.00
Sewerage										
Sewer	9.50	9.75	10.50	10.25	10.25	10.58	10.58	10.33	10.33	10.33
Storm	24.50	24.25	25.00	25.75	26.75	27.09	27.09	26.34	34.34	34.34
Water & Sewer Utility Billing	8.00	8.00	7.00	7.00	7.00	9.00	10.00	9.50	10.00	10.05
Golf	11.00	9.00	9.00	9.00	9.00	9.00	9.00	8.00	8.00	9.00
Total	798.00	743.00	749.00	757.00	768.00	800.00	815.00	765.00	633.00	649.00

Source: City of Kent Financial Planning Department

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

^a Beginning 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.

^b 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.

^c 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 2011

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Business licenses issued	3,861	3,821	3,821	3,856	3,856	3,796	3,834	3,787	4,183	3,658
Judicial										
Number of court filings ^a	20,027	23,100	19,990	20,240	18,710	19,216	21,285	23,466	20,330	18,377
Public Safety										
Police										
Physical arrests	4,289	4,296	3,550	4,100	4,119	4,808	4,658	4,704	4,249	4,673
Parking violations	2,524	2,468	3,240	2,516	2,594	2,439	2,557	2,295	2,115	2,367
Traffic violations	27,472	30,287	32,476	20,240	18,681	19,219	18,713	18,188	15,343	13,079
Community Development										
Building permits issued ^b	1,088	1,206	1,189	1,478	1,672	1,437	1,123	913	1,004	2,074
Building inspections conducted	16,470	19,141	17,108	17,569	20,984	16,912	16,226	15,480	12,883	13,375
Public Works										
Street resurfacing (sq yds) ^f	174,475	76,329	110,493	117,701	169,000	126,097	156,091	467,777	12,200	26,190
Leisure Services										
Recreation programs offered	1,299	1,508	1,494	1,516	1,694	1,911	2,050	2,050	1,791	2,147
Number of recreation participants ^g	75,704	71,118	79,950	74,672	79,438	98,616	102,939	106,027	73,600	16,705
Health and Human Services										
Citizens served in specialized recreation setting	2,081	2,014	2,188	3,092	2,500	3,200	3,200	3,250	3,150	3,150
Participants in Senior programs/workshops ^e	6,550	7,715	8,000	9,000	12,242	18,339	22,714	23,395	34,697	14,157
Water										
New connections	105	76	256	42	279	258	171	141	189	136
Average daily consumption (million gallons-estimated)	7.9	8.1	8.0	7.72	8	8	8	8	8	7.5
Golf										
Number of participants	175,925	177,575	171,885	173,970	170,361	171,033	156,580 ^d	156,950	153,750	151,950
Number of tournaments	118	118	108	106	103	117	100	85	83	76
Library										
Number of Items	174,119	150,497	150,497	150,497	150,497	150,497	156,050	151,605	159,246	159,246

Source: Various City Departments

^a Includes parking violations

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

^c Information not available for years indicated.

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

Comprehensive Annual Financial Report 2011

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	40	40	41	42	42	42	44 ^b	51 ^b	50 ^b	50 ^b
Public Works										
Streets (lane miles)	728	728	550	555	551	556	569	725	725	726
Streetlights	4,437	4,475	4,475	4,883	4,950	5,171	5,176	6,573	6,573	6,573
Traffic signals	110	108	109	109	111	130	103	104	119	119
Leisure Services										
Acres of park land	1,349	1,349	1,338	1,346	1,346	860 ^a	870	982	1,434	1,434
Parks	68	68	68	75	75	75	90	80	83	83
Miles of trails	20	20	20	23	23	23	19	24	23	23
Ball fields	31	31	31	24	24	24	18	18	21	21
Tennis courts	15	15	15	15	15	15	12	13	15	15
Water										
Water mains (miles)	260	260	269	269	272	274	281	280	280	280
Water customers (residents)	55,325	56,625	57,956	59,318	60,712	62,140	65,548	69,800	66,006	66,235
Reservoir/Tanks	8	8	8	8	8	8	8	8	8	9
Reservoir storage capacity (millions of gallons)	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	21.0	23.2
Sewerage										
Sanitary sewers (miles)	209	209	209	193	201	206	209	209	209	209
Storm sewers (miles)	233	233	233	228	238	247	248	248	248	249
Sewer customers	13,207	13,456	13,788	14,054	14,300	14,545	14,900	15,609	15,874	15,995
Drainage customers	15,601	15,727	16,238	16,417	17,000	16,798	16,925	17,042	22,113	24,741
Golf										
18-Hole course (yards)	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,701	6,701
Par 3 course (yards)	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174
Driving range (stalls)	32	32	32	32	32	32	32	32	32	32
Miniature golf course 18-hole	1	1	1	1	1	1	1	1	1	1
Merchandise center	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments

Notes:

*Information not available for years indicated.

^a Does not include Commons Playfield.

^b Includes 1 Patrol boat

