

Comprehensive Annual Financial Report

City of Kent, Washington

For the Fiscal Year Ended
December 31, 2013





Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2013

Prepared by:

Finance Department
Financial Reporting Division

Aaron BeMiller
Finance Director



OUR VISION

Leading through excellence and public trust...*let us show you*

OUR MISSION

To enhance the quality of community life for those residing, doing business and visiting in Kent. Kent cares about honest and effective government service; protection of life and property; and ensuring that the City provides professional services to the citizens of Kent.

Our fundamental values that guide the City of Kent in fulfilling this mission are:

INTEGRITY

Act in a fair, honest, ethical manner

CARING

Commitment to respect and courtesy

COMMUNICATION

The open exchange of information and ideas

TEAMWORK

We work together cooperatively

INNOVATION

We find better ways to do our work

ACHIEVEMENT

We accomplish our goals

KENT CARES

Together we can make it happen!

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FINANCE ADMINISTRATION

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September 26, 2014

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, 2013. This transmittal letter provides an overview of the report and the financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it. The report is prepared in accordance with the Revised Code of Washington (RCW) 43.09.230. Management's Discussion and Analysis presented on pages 5-21 has a different focus than the transmittal letter and should be read in conjunction with the transmittal letter.

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 accounting principles generally accepted in the United States of America (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 accounting principles generally accepted in the United States of America and in conformance with financial reporting standards issued by the Governmental Accounting Standards Board (GASB).

www.kentwa.gov

● MAYOR SUZETTE COOKE

City of Kent Administration
Derek Matheson, CAO

City of Kent, Washington

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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, 2013 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, 2013, 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.

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

The Comprehensive Annual Financial Report is divided into three sections: Introductory Section, Financial Section, and Statistical Section. The Introductory Section includes the table of contents, this transmittal letter, a City organizational chart and a list of principal officials for the City.

The Financial Section includes the independent auditor's opinion, Management's Discussion and Analysis and the basic financial statements, consisting of 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 is required information on pensions as well as other supplemental information including 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, fiduciary funds statements and information about capital assets used in governmental operations.

Accounting principles generally accepted in the United States of America 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). The MD&A 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.

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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 Statement No. 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 120,500 residents. 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. At December 2013, the City of Kent had 616 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 192 police officers and non-uniformed personnel providing police and correction services to an expanding business and residential area. The Public Works Department provides engineering services for the City and maintains the City streets. In addition, Public Works operates the water, sewer, and drainage utilities that also serve many outside customers. The Parks, Recreation and Community Services Department maintains parks and recreation fields located throughout the City and provides numerous opportunities for organized recreational activities for the greater Kent area. It ensures human service resources are delivered effectively and efficiently to Kent residents by developing and implementing policies that guide the funding of human service programs, providing housing assistance, and participating in regional and local issues affecting Kent residents. It also operates a senior center; a community center for social and recreational programs, including racquetball, an 18-hole and par-3 golf course, and driving range. In the cultural area, the City has established cultural arts and sports programs. The Kent Special Events Center Public Facilities District is included in this report as a component unit. The Kent School District is an independent governmental unit and does not meet the established criteria for inclusion in the reporting entity and, accordingly, is excluded from this report.

The annual budget serves as the foundation for the City of Kent's financial planning and control. The City Council established its direction for the City with the development and adoption of the Strategic Goals in 2011. Those Strategic Goals are

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reviewed quarterly and are used in developing a biennial budget. The 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. Beginning with the 2013 budget cycle, the City has implemented biennial budgeting and adopts two year budgets with a mid biennial review of the second year of the adopted budget.

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 2,480 employees, REI Inc. (a recreational clothing and equipment retailer) with 1,026 employees and Carlisle Interconnect Technologies (designer and manufacturer of high performance wire and cable) with 650 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. The City has joint recreational programs with the schools and pays for sewage treatment services from the sewerage utility.

MAJOR INITIATIVES

The City Council established its direction for the City with development and adoption of the Strategic Goals as part of *The Vision for 2025* – Kent is a safe, connected and beautiful city, culturally vibrant with richly diverse urban centers. Since adoption, the Council reviews the strategic goals and the status quarterly. The five strategic goals identified in the plan and the key targets for the goals are:

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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 to deploy 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.

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.

During the 2013-2014 biennial budget process, the City recognized the continued economic challenges and looked at both service reductions and new revenue sources. The focus of the budget was to incorporate efficiencies, maintain the public's safety, and honor the strategic goals and it did just that. The City's Strategic Plan includes the development of a sustainable funding model. To provide a solid framework for the budget process, the City adopted a new biennial budget process which complements longer-term planning and it also updated its financial policies to include goals of a 10% fund balance in the General Fund and to establish contingency and reserve funds. In addition to these changes, the City also changed the way it calculates its human services funding from a percentage of General Fund revenues to a per capita calculation improving the stability of the funding.

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The City recognized the revenue limitations associated with the budget, both in amount and source. Property tax collections are capped at 1% growth and the City had suffered substantial declines in other revenues such as Real Estate Excise Tax and Sales Tax during the recession which had not yet fully recovered. It also recognized that there are some cost drivers beyond the City's control such as rising gas prices, insurance rates of all kinds, and employee pension costs. The revenues were not keeping pace with basic cost increases.

The 2013-2014 biennial budget included new and increased revenues. A new 6% Cable TV Utility Tax was implemented and expected to generate \$1.3 million which would be used for the City's technology needs. Permit and inspection fees were increased providing for a 75% cost recovery for these services and is estimated to generate \$1.2 million. The city also implemented a new Business & Occupation Tax projected to generate \$5 million annually to provide funding for street infrastructure. The City also increased its Internal Utility Tax by 3% on water, sewer and storm drainage utilities generating an additional \$1.76 million dedicated to pay debt service and increase the General Fund reserve.

The City did not increase revenues without also cutting expenses in the biennial budget. Although these cuts occurred throughout the departments within the City, it was particularly felt by Public Works, Police and Parks. Overall, 20 positions were eliminated during the budget process including a Human Services resource and referral coordinator, visual arts coordinator, and administrative support to name a few. Also, cuts were made to various programs through elimination or restructuring some programs. The programs impacted included the mobile technology bus, Morford Family Carousel, restructure of the police bike patrol, and reduced General Fund subsidy for the recreation programs.

During 2013, the first year of the biennial budget, the City realized increased revenues of \$5.1 million in Business & Occupation taxes, \$1.4 million for the cable utility tax, and \$1.8 million from the increased internal utility tax. As the local economy continues to improve, other taxes and charges for service also continued slow growth during 2013.

Because of increasing revenues, in the 2014 mid-biennial budget review process the City was able to fund cost-of-living increases for city personnel as well as reinstate 5.5 FTEs of previously cut positions and 2.75 new positions to maintain services levels in the growing city.

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FINANCIAL INFORMATION, MANAGEMENT, AND CONTROL

Internal Control System

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

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

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

Accounting and Budgetary Control System

The accounting and budgetary control system of the City is based on the fund structure. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts segregated for the purpose of carrying out specific functions in accordance with special regulations, restrictions, or limitations. In 2013, 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.

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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 is also 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 No. 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 2013 and at December 31, 2013, 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, 2013, the City's cash and investment position for all funds totaled \$68,672,181. The fair value of investments, including certificates of deposit, on December 31, 2013, totaled \$63,233,056. Funds are invested overnight with the State Treasurer's Investment Pool and, for longer-term investments, in certificates of deposit and U.S. government securities. The portfolio generated \$138,149 of interest income in 2013, for a yield of .024 percent on average cash and investments of \$57,520,237.

Risk Management

The City self insures for unemployment compensation, workers compensation, and medical and dental insurance coverage for its employees. Liability coverage consists of a self-insurance layer of \$250,000 combined with two layers of reinsurance, a \$5

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million primary layer and a \$15 million secondary layer. The reinsurance layers are through the Washington Public Entity Group (WAPEG), a risk purchase group organized through the City's broker, Alliant Insurance Services, Inc. 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 completed to ensure the plan will be able to fully meet its obligations to retired employees. As of December 31, 2013, there is no unfunded liability for the pension plan. In compliance with GASB Statement No. 45, the City recognized the Net Other Post Employment Benefit (OPEB) obligation at December 31, 2013, in the amount of \$1,112,245.

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.

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, Chief Administrative Officer and City Council members for their interest and support of our efforts to improve the City's Comprehensive Annual Financial Report.

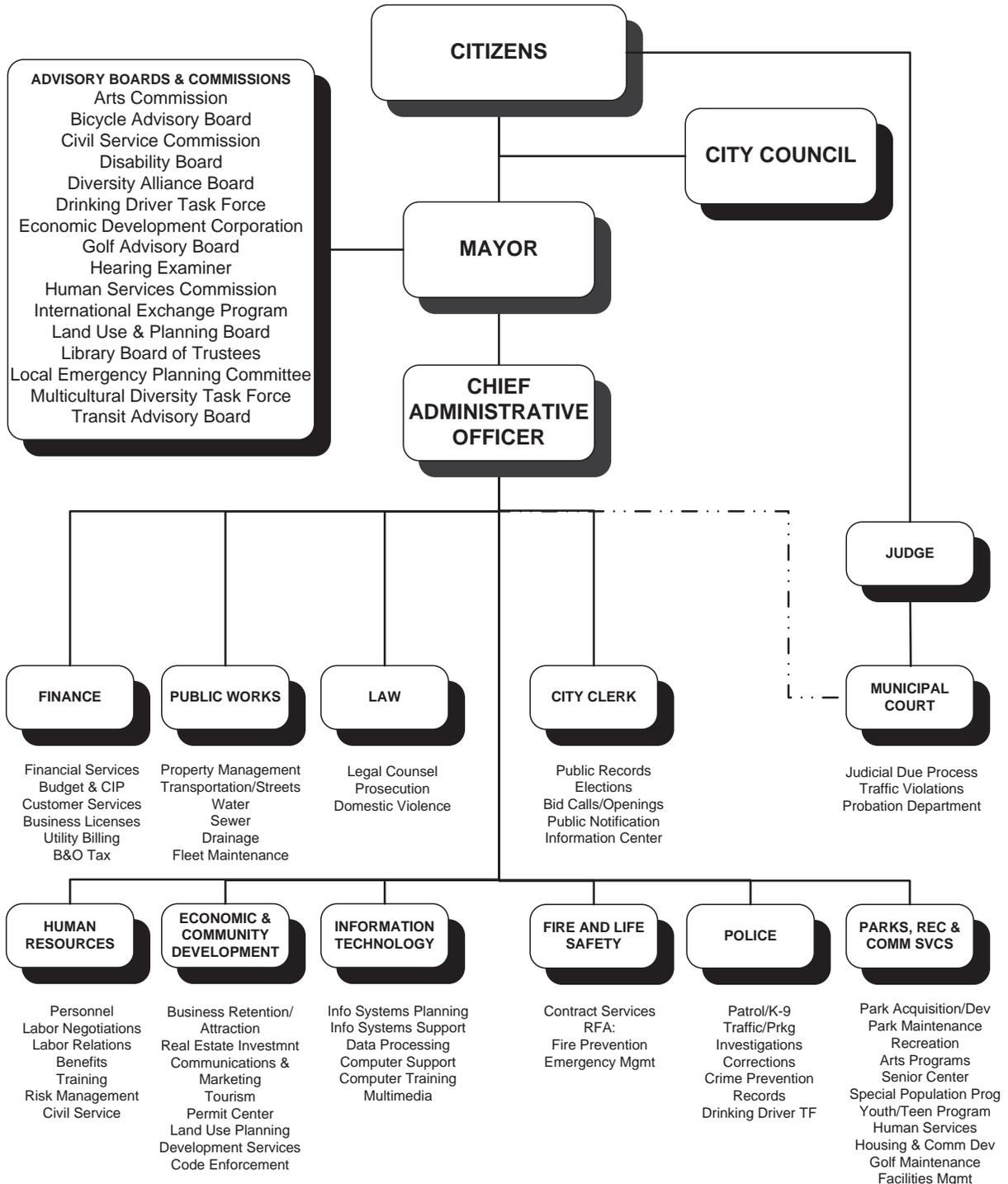
Respectfully submitted,



Aaron BeMiller
Finance Director

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City of Kent 2013 Organization Chart



PRINCIPAL OFFICIALS

Kent operates under a Mayor-Council form of government. The City Council consists of seven citizens of Kent who are elected at large to staggered, four-year terms. Members of the City council then elect one council member to serve as president of the Council. The member elected serves a two-year term as president, and can be re-elected to as many two-year terms as desired by a majority of the City council. The City Council President serves as the mayor Pro Tem during any absence from the city by the Mayor. 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	12-31-2017

COUNCIL MEMBERS

Dana Ralph, President (Effective 1/2014)	12-31-2015
Jim Berrios (Elected 1/2014)	12-31-2017
Bill Boyce	12-31-2015
Brenda Fincher (Appointed 2/2014 to replace Ken Sharp, elected 1/2014)	12-31-2017
Dennis Higgins (Re-elected 1/2014)	12-31-2017
Deborah Ranniger	12-31-2015
Les Thomas	12-31-2015

GENERAL GOVERNMENT

Derek Matheson, Chief Administrative Officer
Tom Brubaker, City Attorney
Lorraine Patterson, Human Resources Director
Aaron BeMiller, Finance Director
Michael Carrington, Information Technology Director

PARKS AND RECREATION

Jeff Watling, Parks, Recreation and Community Services Director

PUBLIC SAFETY

Ken Thomas, Police Chief

ECONOMIC AND COMMUNITY DEVELOPMENT

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



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

September 26, 2014

Mayor and City Council
City of Kent
Kent, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kent, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2013, the City has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 20, information on pension trust fund information on page 95 and 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information

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listed as combining financial statements and supplementary information 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated September 26, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY
STATE AUDITOR



2013 Comprehensive Annual Financial Report

Management's Discussion and Analysis For the Year Ended December 31, 2013

City of Kent

This 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, 2013. 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 position (\$1.03 billion) increased by \$36 million or 3.6 percent from 2012 restated levels, comprised of a \$16.9 million or a 2.4 percent increase resulting from governmental activities and a \$19.1 million or 6.7 percent increase as a result of business-type activities. Approximately \$71.3 million or 6.9 percent of the net position may be used to meet the City's ongoing obligations to citizens and creditors.
- Net Property, Plant and Equipment (\$1.1 billion) decreased by \$1.1 million or 0.1 percent from 2012 restated levels.
- Long-term debt (\$146.4 million) decreased by \$14.1 million or 8.8 percent from 2012 levels. The reduction was due to debt payments and the refinancing of a note from the City of Tacoma.

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 position presents information on all of the City of Kent's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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

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and human services. The business-type activities of the City of Kent include water and sewerage utilities and a municipal golf complex.

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

The government-wide financial statements can be found on pages 21-23 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 on the fund statements, reconciling net position 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, Non-Voted General Obligation Debt Fund, and Street Capital Projects Fund.

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

The governmental major funds financial statements are found on pages 24-31 of this report.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the activities that are business-like in nature, and are included in the business-type activities in the government-wide financial statements. Enterprise funds primarily serve customers outside of the governmental unit. The City maintains 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 Fund,

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(2) Central Services Fund (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 of net position, 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 on pages 110-117.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Kent's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains several 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 44-45 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements and should be read in conjunction with the financial statements. The notes can be found on pages 48-93 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. In addition, it provides information on the funding of the other post-employment benefits (including long-term care). This information can be found on pages 95-96 of this report.

Combining statements for non-major governmental funds are also presented on pages 98-105 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 106-108. The combining statements for the agency funds are found on pages 121-125 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kent, assets and deferred inflows exceeded liabilities and deferred outflows by \$1.03 billion on December 31, 2013.

By far the largest portion of the City of Kent's net position (\$947.8 million or 91.7 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, site improvements, and equipment) less

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depreciation and any related outstanding debt used to acquire or construct those assets. The City of Kent uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets and they are therefore not available for future spending. Although the City of Kent's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not intended be used to liquidate these liabilities.

CITY OF KENT'S NET POSITION As of December 31* (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other Assets	\$ 72,753	\$ 45,434	\$ 47,683	\$ 43,589	\$ 120,436	\$ 89,023
Capital Assets	761,533	771,937	322,987	313,721	1,084,520	1,085,658
Total Assets	834,286	817,371	370,670	357,310	1,204,956	1,174,681
Deferred Outflows	533	671	-	-	533	671
Total Assets & Deferred Outflows	834,819	818,042	370,670	357,310	1,205,489	1,175,352
Liabilities						
Long-term Debt	85,179	92,277	61,200	67,707	146,379	160,484
Other Liabilities	20,742	13,266	4,837	4,100	25,579	17,366
Total Liabilities & Deferred Inflows	105,921	106,043	66,037	71,807	171,958	177,850
Net Position						
Net Investment in Capital Assets	682,946	685,712	264,927	253,753	947,873	939,465
Restricted	10,722	10,288	3,631	2,463	14,353	12,751
Unrestricted	35,230	15,999	36,075	29,287	71,305	45,286
Total Net Position	\$ 728,898	\$ 711,999	\$ 304,633	\$ 285,503	\$1,033,531	\$ 997,502

* 2012 numbers restated for prior period adjustments

Of the City of Kent's net position, 1.4 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$71.3 million (6.9 percent), may be used to meet the city's ongoing obligations to citizens and creditors.

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

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CITY OF KENT'S CHANGES IN NET POSITION For the Years Ended December 31* (in thousands)

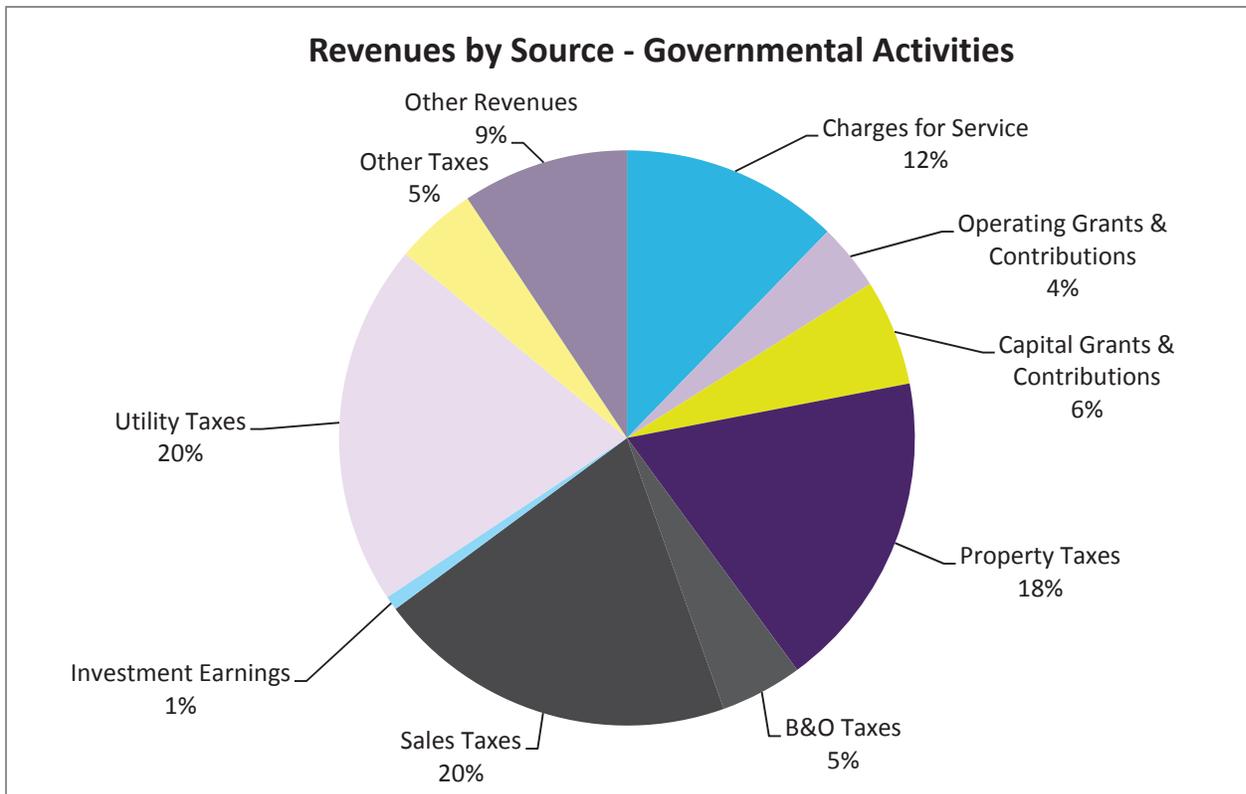
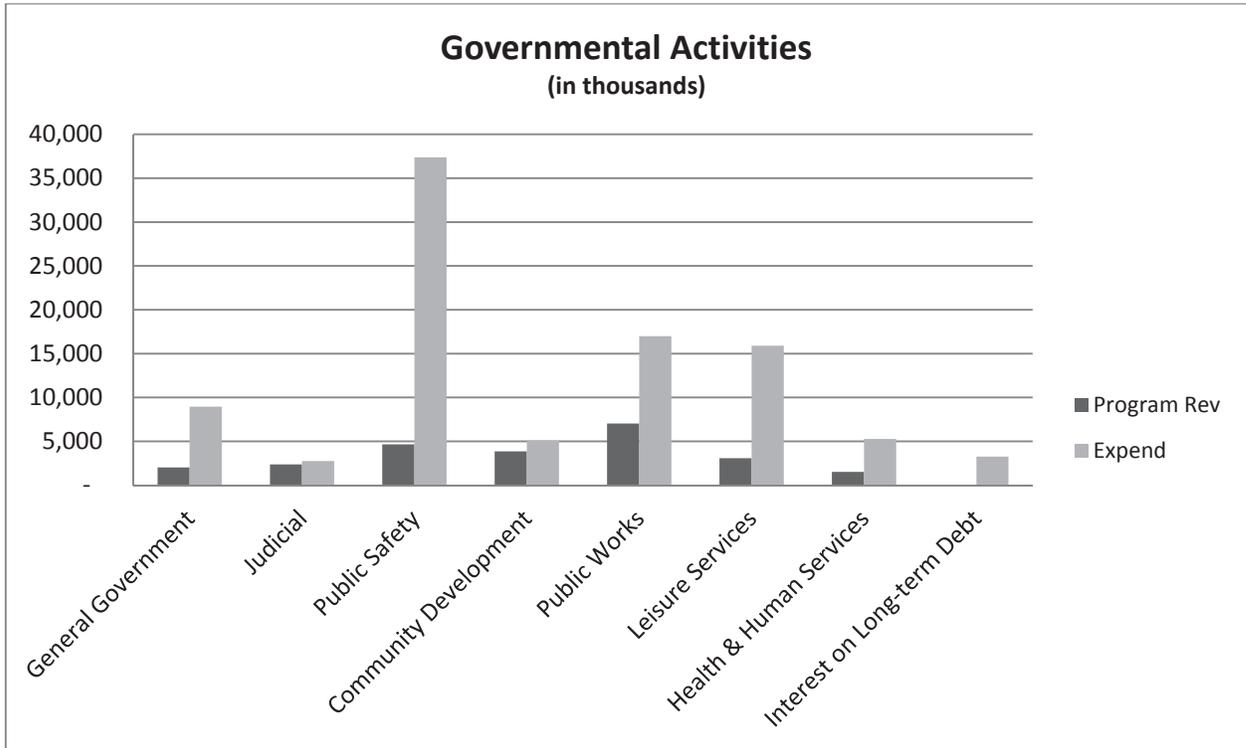
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Service	\$ 13,708	\$ 11,858	\$ 62,206	\$ 58,385	\$ 75,914	\$ 70,270
Operating Grants	4,177	4,125	81	771	4,258	4,896
Capital Grants	6,656	11,077	9,195	5,544	15,851	16,621
General Revenues:						
Taxes:						
Property Taxes	20,085	19,735	-	-	20,085	19,735
Sales Taxes	22,707	21,908	-	-	22,707	21,908
Utility Taxes	22,760	19,869	-	-	22,760	19,869
Business & Occupation Taxes	5,149	-	-	-	5,149	-
Other Taxes	5,157	4,853	-	-	5,157	4,853
Unrestricted Grants	6,760	6,846	-	-	6,760	6,846
Investment Earnings	896	701	154	79	1,050	780
Miscellaneous	3,687	4,907	-	-	3,687	4,907
Total Revenues	111,742	105,906	71,636	64,779	183,378	170,685
Expenses:						
General Government	8,959	6,352	-	-	8,959	6,652
Judicial	2,744	2,794	-	-	2,744	2,794
Public Safety	37,377	37,341	-	-	37,377	37,341
Community Development	5,097	5,333	-	-	5,097	5,333
Public Works	16,994	17,428	-	-	16,994	17,428
Leisure Services	15,909	16,844	-	-	15,909	16,844
Health & Human Services	5,275	5,553	-	-	5,275	5,553
Interest on Long-Term Debt	3,250	3,779	-	-	3,250	3,779
Water Utility	-	-	13,973	12,949	13,973	12,949
Sewerage Utility	-	-	37,681	36,392	37,681	36,392
Golf Complex	-	-	2,918	3,063	2,918	3,063
Total Expenses	95,605	95,424	54,572	52,404	150,177	147,828
Increase in Net Position before						
Transfers & Special Items	16,137	10,482	17,064	12,375	33,201	22,857
Transfers	762	110	(762)	(110)	-	-
Special Item	-	-	2,828	-	2,828	-
Increase in Net Position	16,899	10,592	19,130	12,265	36,029	22,857
Net Position – January 1 – restated*	711,999	701,407	285,503	273,238	997,502	974,645
Net Position – December 31	\$ 728,898	\$ 711,999	\$ 304,633	285,503	\$ 1,033,531	\$ 997,502

* 2012 numbers restated for prior period adjustments

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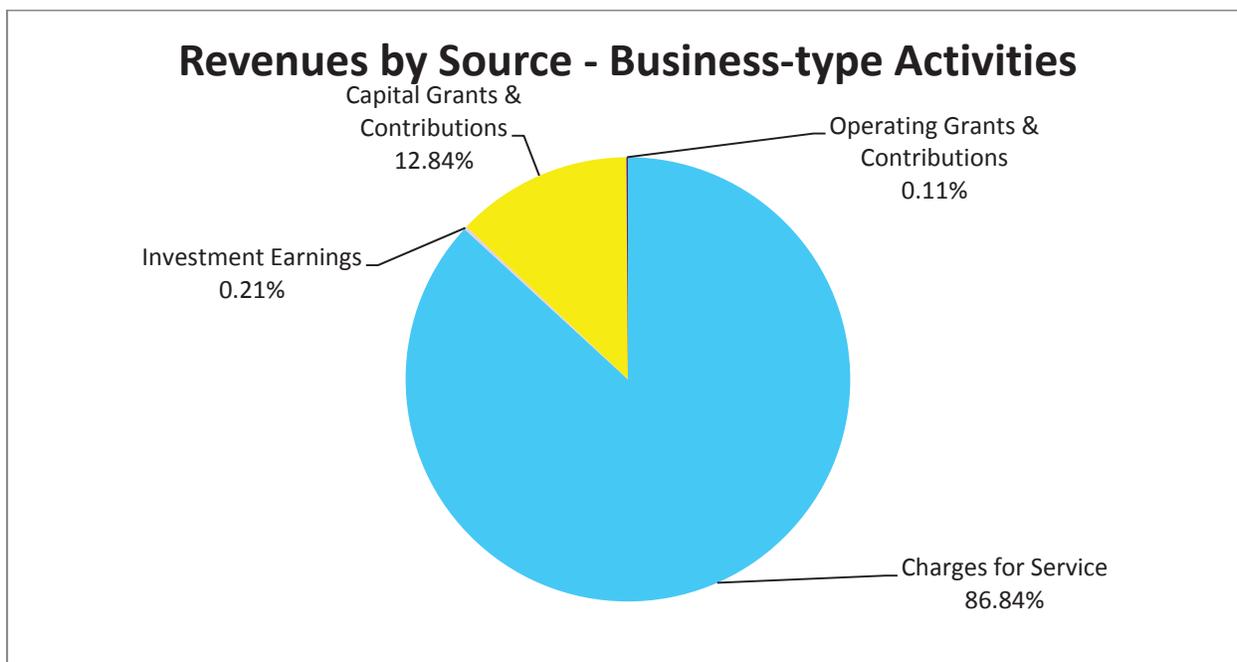
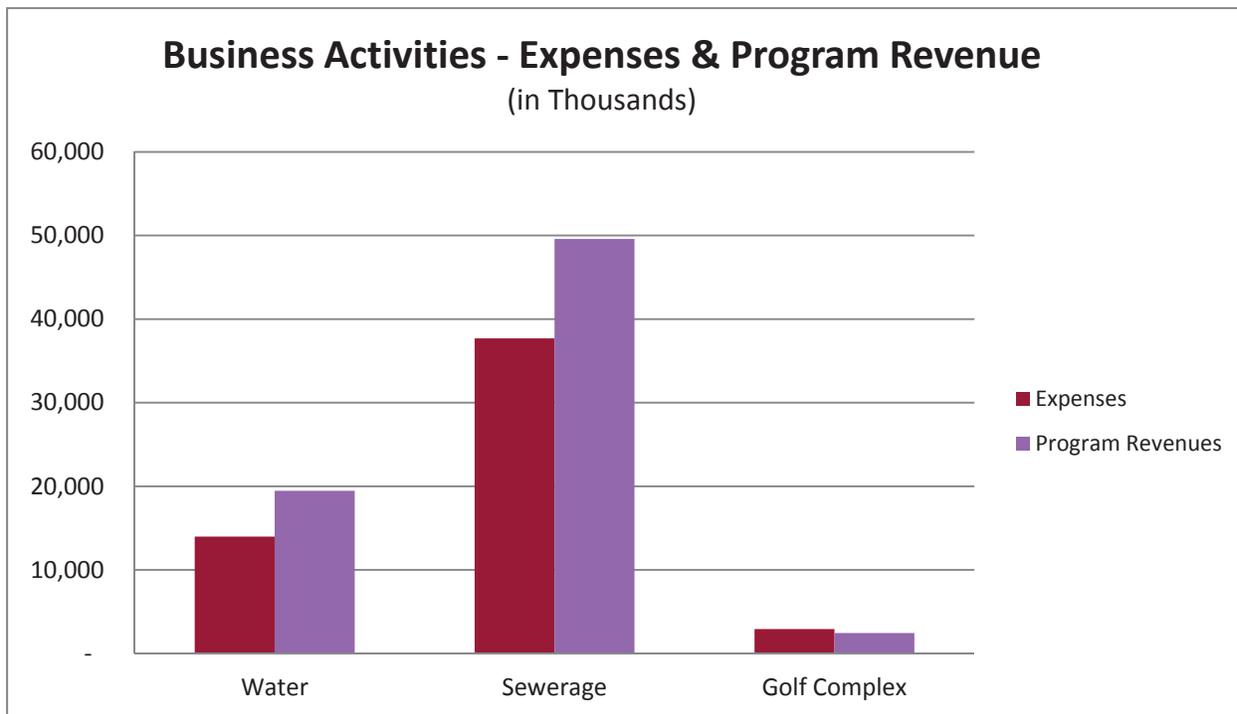
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Governmental activities. Governmental activities net position increased \$16.9 million (2.4 percent) in fiscal year 2013. Some key revenue and expenditure highlights of governmental activities for fiscal year 2013 are as follows:

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- *Taxes* – Property Taxes (\$20.1 million), Sales & Use Taxes (\$22.7 million), Utility Taxes (\$22.8 million), and Other Taxes (\$5.2 million) increased by \$.4 million or 1.8 percent, \$.8 million or 3.6 percent, \$2.9 million or 14.6 percent, and \$.3 million or 6.3 percent, respectively as the economy continues slow growth. The City began collecting business & occupation taxes in 2013 adding \$5.1 million in tax revenues as well as a new 6 percent cable utility tax with \$1.7 million in revenue. During the recession the City saw a reduction of 70% in Real Estate Excise Tax (REET). During 2013, the commercial real estate market continued to grow at a steady and constant pace. The largest impact to our REET is the sale of property with a sales price of more than \$1 million dollars. During 2013 there were 41 of those sales totaling \$403.5 million as compared to 2012 where there were 44 of those sales totaling \$370.3 million.
- *Investment Earnings* (\$.9 million) increased by \$.2 million or 27.8 percent. Although rates have remained fairly constant during 2013 the increase in investment earning is the result of increased funds available for investing.
- *Charges for Service program revenues* (\$13.7 million) increased by \$1.8 million or 15.6 percent, with the largest increases in Public Safety, Community Development and Public Works.
 - Public Safety increase (\$.7 million) was \$.3 million in increased permit/inspection fees and \$.4 million in increased fees and charges, primarily due to fee increases.
 - Community Development revenues increased \$.6 million due to increasing permit and other building related fees as construction continues to recover coupled with the 2012 fee restructuring and increases in some fees beginning in fiscal year 2013.
 - Public Works revenues increased \$.4 million primarily due to increased street impact fees. Just as we saw Community Development revenues increase as the result of the improved economy evidenced by the improvement in the construction industry, the City has realized an increase in revenue related to street impact fees of \$.3 million as compared to 2012.
- *Grants and Contributions* –operating grants and contributions increased \$.1 million and capital grants decreased by \$4.4 million. The decrease in capital grants was in Public Works (\$4.6 million) offset by an increase in Leisure Services (\$.2 million). The Public Works decrease was due to large Federal Highway Grants received in 2012 while Leisure Services was additional parks capital grants and donations and contributions.
- *Governmental Activities expenses* increased \$.2 million with General Government increasing \$2.6 million while Community Development, Public Works, Leisure Services and Health and Human Services decreased \$.2 million, \$.4 million, \$.9 million and \$.3 million respectively. Interest on long-term debt also decreased \$.5 million with lower debt payments and no allocation of bond issuance costs in 2013.
 - *General Government expenses* (\$9.0 million) increased by \$2.6 million or 41.1 percent as compared to 2012. This is due to a \$1.9 million increase in depreciation expense and \$.7 million increase in salaries and benefits, and services. The increase in depreciation reflects one year depreciation of a capital technology project.
 - *Public Works expenses* (\$17.0 million) also decreased \$.4 million, primary due to lower salaries and benefits as a result of savings related to vacant positions.

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- *Leisure Services expenses* (\$15.9 million) decreased \$.9 million representing the reduced amount paid by the City for the operating losses incurred at the ShoWare Center. The ShoWare Center brought in more shows and had a great hockey season during 2013 which reduced their operating loss.

Business-type activities. Business-type activities net position increased \$19.1 million (6.7 percent) in fiscal year 2013. Key highlights of the change in net position are as follows:

- *Charges for Service (Operating Revenues)* (\$62.2 million) increased by \$3.8 million or 6.5 percent. The increase was due to rate increases in both Water Utility and Sewerage Utility revenue resulting in a \$.7 million and a \$3.2 million increase, respectively while Golf Complex charges for service decreased \$.1 million. Refer to the analysis of the Proprietary Funds for further detail.
- *Operating Grants/Contributions* (\$.1 million) decreased by \$.7 million or 10.5 percent primarily the result of grants in the Sewerage Fund that were completed in 2012.
- *Capital Grants/Contributions* (\$9.2 million) increased \$3.6 million (65.8 percent). While the Water Fund increased \$.5 million due to increased capital contributions and connection and system development fees, the Sewerage Fund increased \$3.1 million with grant monies received from the State Department of Ecology and King County for drainage infrastructure.
- *Expenses – Water fund expenses* (\$13.9 million) increased \$1.0 million (7.9 percent) while *Sewerage Fund expenses* (\$37.7 million) increased \$1.3 million (3.5 percent). Refer to the analysis of the Proprietary Funds for further detail.

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 \$19.2 million, an increase of \$16.9 million in comparison with the prior fiscal year. Of this amount, the unassigned fund balance is a deficit of \$2.2 million. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$.1 million), 2) restricted for particular purposes (\$13.0 million), 3) committed for particular purposes (\$5.6 million), or assigned for particular purposes (\$2.7 million).

The *General Fund* is the chief operating fund of the City of Kent. At the end of the current fiscal year, fund balance of the General Fund was \$8.3 million, representing a \$5.9 million or 250.3 percent increase from 2012. 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

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the Kent Events Center Fund). For budgetary purposes, these special revenue funds are still separate from the General Fund. Factors affecting the General Fund's ending fund balance include:

- Total General Fund revenues increased \$4.1 million (5.7 percent) from the previous year, generally due to continued slow economic growth, some fee increases, and implementation of the business and occupation tax of which the General Fund received \$0.3 million.
- Property taxes of \$20.1 million were up \$.3 million from the previous year due to an increase in the tax rate, in addition to some new construction.
- Sales and use taxes (\$15.8 million) increased \$.4 million with continued slow economic growth.
- Utility taxes (\$17.7 million) increased \$1.6 million. A portion of the new cable utility tax (\$.3 million) is allocated to the General Fund. The majority of the utility tax increase was in the water, sewer and drainage categories due to the City dedicating one percent of a newly imposed three percent tax increase on City utilities to build General Fund reserves, as well as utilities usage rate increases causing an increased taxable base. Other categories of utility taxes also saw increased revenues.
- The new business and occupation tax has \$.3 million dedicated to the General Fund to pay for administration of the tax.
- Building permits and other licenses and permits are up \$.7 million from the previous year as development showed some increases and the fees were restructured and increased.
- General Fund expenditures increased \$.8 million (1.2 percent) from the previous year with the largest increases in Public Safety (\$1.2 million increase) and General Government (\$.7 million increase). Overall, while the City faced increasing costs due to inflation and increased costs of employee benefits, the City has continued to cut some services and trim budgets to allow for rebuilding reserves and creating sustainable programs. In 2013, Leisure Services and Health and Human Services reduced costs by \$.9 million and \$.2 million respectively.

Other major funds are the *Capital Improvement Fund*, the *Special Assessments Fund*, the *Non-voted General Obligation Debt Fund*, and the *Street Projects Fund*. Analysis of changes in net position from 2012 levels:

- *Capital Improvement Fund*. Fund balance increased by \$3.6 million with the implementation of the new business and occupation tax primarily dedicated to this fund. Although revenues increased by \$1.9 million in 2013, the fund still has a deficit fund balance of \$7.4 million at the end of 2013. The primary revenue sources for the Capital Improvement Fund are sales and use tax, utility tax, real estate excise tax, and business and occupation tax. The business and occupation tax and utility tax on internal City utilities are new revenues in 2013 as the City rebuilds this fund. In 2013, the City also received \$1.8 million from the sale of land. This fund is also responsible for the General Fund debt service payments, which accounts for \$7.3 million of the \$7.8 million in 2013 transfers out.
- *Special Assessments Fund*. Fund balance increased by \$2.5 million. Revenue in the fund is primarily collected from property owners for special assessments related to their property and that money is used for payment of debt service related to those assessments. In 2013,

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revenues increased \$1.5 million from 2012 revenues primarily due to \$1.2 million in collections for a new improvement district, while debt service expenditures decreased \$.8 million as some districts were paid off and no debt payments were yet due on the new district.

- *Non-voted General Obligation Debt Fund.* This fund pays the principal and interest payments on non-voted general obligation debt of the City. Funding is transfers in from various operating funds. Both expenditures and transfers in increased \$.9 million in 2013, primarily due to payments on long-term interfund loans.
- *Street Projects Fund.* Fund balance increased \$3.2 million to \$6.7 million. The increase is due to increased transfers from the Street Fund to fund infrastructure projects that have not yet been expended.

Proprietary Funds. The City of Kent's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's Enterprise utility funds continued to provide sufficient working capital to service their debt and fund capital outlays. Approximately \$3.6 million or 1.2 percent of the Enterprise funds' net position (\$304.6 million) is restricted for debt service bond covenant requirements. Analysis of changes in net position from prior fiscal year levels:

- *Water Fund.* Net position increased by \$8.4 million or 7.5 percent. This increase was due to net operating income of \$3.6 million, less non-operating expenses of \$.4 million, plus capital contributions of \$2.4 million and a special item of \$2.8 million from refinancing of a note payable. Operating revenues increased by 4.7 percent or \$.8 million primarily due to a 6 percent rate increase for meter access fees and usage rates per 100 cu. ft. effective January 1, 2013. Operating expenses increased 9.0 percent or \$1.1 million with the additional 3 percent internal tax on water sales somewhat offset by lower salary and benefit expenses. The operating income for 2013 was \$3.6 million as compared to \$3.9 million in 2012. Capital contributions increased \$.5 million.
- *Sewerage Fund.* Fiscal year 2013 net position increased by \$11.3 million or 6.6 percent. While operating revenues increased \$3.2 million (8.6 percent), operating expenses increased \$1.3 million (3.7 percent) compared to 2012 levels. A 9.5 percent rate increase was effective January 1, 2013 for single family sewer fees and a ten percent increase for storm drainage fees. Like the Water Fund, the increased expenses is primarily the additional 3 percent internal tax on sales somewhat offset by lower salary and benefit expenses.
- *Golf Complex.* Net position decreased by \$.5 million or 9.9 percent in fiscal year 2013. Operating revenues decreased by \$.1 million or 5.4 percent, while expenses decreased by \$.3 million or 8.3 percent. Salaries, supplies, services, and depreciation expenses had small decreases, while benefits expense had a small increase from the previous year.

Additional information on the City of Kent's Enterprise funds can be found in Note 12 on pages 71-72 of this report.

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GENERAL FUND BUDGETARY HIGHLIGHTS:

CITY OF KENT'S BUDGET ACTIVITY BY FUNCTION For the Year Ended December 31, 2013 (in thousands)

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 7,222	\$ 109	\$ 7,331
Judicial	2,860	2	2,862
Public Safety	33,536	320	33,856
Community Development	5,411	(10)	5,401
Public Works	4,772	-	4,772
Leisure Services	9,861	151	10,012
Health & Human Services	4,803	(6)	4,797
	\$ 68,465	\$ 566	\$ 69,031

The General Fund's budget was increased by \$566,469 from the original budget. There were a few significant budget changes that occurred during the year, including:

- An adjustment of \$81,694 was made to the Economic and Community Development budget to carry over expenditure authority for Phase II of the ECD Strategic Plan.
- An adjustment was made to add \$287,757 to the Public Safety budget to fund salary increases for Police. Additionally, other \$32,448 was added to cover salary increases for additional Police personnel not covered by the first adjustment.
- An adjustment of \$84,500 was made to increase the Parks budget for supplies for recreation programs. The increase was offset by revenue increases.
- An adjustment of \$20,000 was made to increase the overtime budget in Economic and Community Development to cover increased workload.
- Transfers out were increased by \$45,090 to fund consultants for an efficiency study.

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

- *Taxes.* Actual tax collections were \$.8 million over budget. While property taxes and other taxes were below budget by \$50,298 and \$54,775 respectively, sales and uses taxes and utility taxes were over budget by \$707,884, \$211,157 respectively.
- *Licenses and Permits.* Licenses and permits were \$.4 million or 9.1 percent over budget. Both building permits and other licenses and permits were above budget as development activity increased and fee increases were in place.
- *Charges for Services.* Charges for services were about 7.2 percent or \$346,001 above budget. Of this revenue source, parks and recreation fees were below budget by \$35,305 or 3 percent. Other fees, including plan check fees and plans review fees were \$381,306 or 10.6% over budget due to the recovery in the construction industry.

- *Functional Expenditures.* In general, the City is still holding open vacant positions longer thus causing savings in salaries and benefits, although some salary increases were granted during 2013. Departments are also closely monitoring expenditures to maintain savings wherever possible so most of the general fund functions had budget savings in fiscal year 2013.
 - *General Government Expenditures.* The general government expenses were \$469,570 or 6.4 percent under budget. This was primarily the result of the lag in hiring and holding open of vacant positions as well as savings in supplies and services.
 - *Leisure Services Expenditures.* Leisure services revenues were below budget with fewer participants in some programs. Expenditures were \$508,119 (5.1 percent) below budget, primarily in supplies and services due to the lower participation and savings in areas like utilities and internal allocations. There were also small savings in salaries and benefits.
 - *Community Development Expenditures.* Saved \$268,154 (5.0 percent), primarily in other professional services contract savings or delayed contracts for consulting.
 - *Public Safety Expenditures.* Public safety had \$241,927 (.7 percent) in budget savings in supplies and services, especially in the corrections, patrol, and traffic divisions.

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, 2013, was \$1.1 billion (net of accumulated depreciation), comprising 90.0 percent of the primary government's total assets at year-end. This investment in capital assets includes land, buildings, site improvements, equipment, infrastructure, and construction in progress as of that date.

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

Governmental Activities:

- *Infrastructure.* During 2013, infrastructure increased as projects were closed and capitalized totaling \$1.8 million. In addition, the City received developer contributions totaling \$.7 million. The annual depreciation of \$10.6 million was also recorded resulting in the net decrease to infrastructure of \$8.1 million as compared to 2012.
- *Construction in Progress.* Construction in progress (\$106.8 million) remained almost unchanged from 2012. Fiscal year 2013 spending on projects approximated the capitalization of completed projects in which the assets were recorded as land, building, site improvements or infrastructure. The two largest projects to be capitalized were the street overlay project in which \$1.2 million was capitalized to streets and IT Technology project with \$2.2 million capitalized to equipment.

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City of Kent

Management's Discussion and Analysis
For the Year Ended December 31, 2013

- *Land.* Land assets were unchanged in 2013.
- *Buildings.* Buildings increased \$1 million in 2013 with \$2.3 million in additions less \$1.3 million 2013 depreciation expense. The additions consisted of \$1.4 million for HVAC upgrades to the Centennial building and \$.9 million in assets transferred from the Sewer Fund and infrastructure.
- *Site Improvements.* Net site improvements decreased by \$1.8 million as compared to 2012 with \$.4 million in additions (parks and public art) and \$2.2 million in 2013 depreciation.
- *Equipment.* Net equipment decreased by \$14.9 million in 2013. This was additions of \$2.7 million less net disposals of \$41,368 and depreciation of \$17.6 million.

Business Type Activities:

- *Construction in Progress.* Compared to 2012, construction in progress increased \$5.4 million in 2013. This is primarily due to projects still in progress. Approximately \$13.5 million in ongoing projects were added to CIP in 2013, while \$8.1 million in projects were completed and capitalized from CIP into other capital asset categories.
 - The 2013 additions to some projects in CIP at December 31, 2013 are:
 - \$2.0 million for Horseshoe Bend levee improvements
 - \$1.1 million for Hawley Road levee
 - \$1.2 million for Upper Russell Road levee improvements
 - \$1.2 million for Boeing levee improvements
 - 1.4 million for Briscoe levee improvements
 - \$1.9 million for Tacoma intertie water supply pipeline
 - \$1.4 million for East Hill Pressure Zone
 - Some projects that were completed and capitalized in 2013 are:
 - \$2.1 million for Impoundment Reservoir
 - \$4.9 million for East Hill Reservoir
 - \$.4 million for Meridian Valley Creek project
- *Site Improvements.* Additions to site improvements for 2013 were \$9.5 million and depreciation was \$5.6 million resulting in a net increase of \$3.9 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress mentioned above plus \$2.0 million in developer contributed assets.

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City of Kent

Management's Discussion and Analysis
For the Year Ended December 31, 2013

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 219,458	\$ 219,458	\$ 11,367	\$ 11,126	\$ 230,825	\$ 230,584
Buildings	99,514	98,521	743	894	100,257	99,415
Site Improvements	36,677	38,507	157,955	154,023	194,632	192,530
Equipment	9,959	24,876	845	989	10,804	25,865
Infrastructure	289,077	297,188	-	-	289,077	297,188
Construction in Progress	106,848	106,879	152,077	146,689	258,925	253,568
Total Capital Assets	\$ 761,533	\$ 785,429	\$ 322,987	\$ 313,721	\$1,084,520	\$1,099,150

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 62-63 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of \$84.9 million. Of this amount, \$61.0 million or 71.9 percent comprises general obligation debt backed by the full faith and credit of the government and \$2.7 million or 3.2 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 \$3.7 million or 6.0% 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 (\$21.2 million) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF KENT'S BONDED OUTSTANDING DEBT
As of December 31
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 57,328	\$ 62,050	\$ 3,665	\$ 4,633	\$ 60,993	\$ 66,683
Special Assessment Bonds	2,700	3,823	-	-	2,700	3,823
Revenue Bonds	-	-	21,165	22,110	21,165	22,110
Total Bonded Debt	\$ 60,028	\$ 65,873	\$ 24,830	\$ 26,743	\$ 84,858	\$ 92,616

The City of Kent's total bonded debt decreased by \$7.8 million or 8.4 percent during the current fiscal year. All required debt service payments were made during 2013.

The City of Kent carries an "AA-" rating from Standard and Poor's as of November 26, 2013 and a "Baa2" 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 \$869.2 million.

Additional information on the City of Kent's long-term debt can be found in Note 10 on pages 64-70 of this report.

ECONOMIC FACTORS AND BUDGETARY IMPACTS:

Beginning with the 2013 budget, the City moved to a biennial budget process adopting a budget for 2013 and 2014.

The adopted 2013 – 2014 budget recognized continued economic challenges and included both service reductions and new revenue sources. It incorporated efficiencies, maintained the public's safety, and honored the strategic goals set by Council. It diversified the City's tax base and took bold steps towards stabilizing the City's financial future. This approach has helped the City to achieve the target reserve fund balance of 10% of expenditures, fully fund the Contingency for Unanticipated Costs of \$1.5 million and provide funding of \$424,000 to the Strategic Opportunities Fund.

With continued steady growth in revenues, during the mid-biennium review, the City was able to increase the fiscal year 2014 General Fund revenue budgets by \$385,000 or approximately 0.5% over the original 2014 General Fund revenue budgets adopted with the 2013 - 2014 biennial budget while still maintaining 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. After nearly four years without receiving a COLA, City employees received a pay increase of 2.2% in September 2013 and 1.7% in January 2014.

The City is seeing significant growth in building permit and plan check fees as our local economy is beginning to come back. Although this revenue is coming in considerably over budget, it is anticipated that some of this growth is attributable to "one-time" activity.

With the 2013 – 2014 budget, the City implemented several new or increased revenue sources: A new six percent tax Cable TV Utility Tax; building permit and inspection fees were increased to provide a 75% cost recovery for these services; a new Business and Occupation Tax was implemented to provide funding for street infrastructure; and an additional three percent Internal Utility Tax was implemented on the City's water, sewer, and storm drainage utilities.

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

2013 Comprehensive Annual Financial Report

CITY OF KENT
STATEMENT OF NET POSITION
 December 31, 2013

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Special
	Activities	Activities		Events
				Center
				PFID
ASSETS				
Cash and equity in pooled investments (Note 4)	\$ 20,032,620	\$ 3,589,563	\$ 23,622,183	\$ 1,686
Cash with fiscal agent/trustee	355,000	72,634	427,634	-
Investments, at fair value (Note 4)	22,479,874	17,341,103	39,820,977	-
Receivables (net of allowances) (Note 5)	29,471,663	13,297,710	42,769,373	129,011
Internal balances (Note 5e)	(8,074,808)	8,074,808	-	-
Due from other governments	258,830	-	258,830	-
Inventory, at cost (Note 6)	110,602	505,403	616,005	-
Prepaid items	740,801	797	741,598	889,607
Investment in Joint Venture (Note 16)	7,378,791	-	7,378,791	-
Restricted assets:				
Cash and cash equivalents (Note 4)	-	1,426,387	1,426,387	-
Investments (Note 4)	-	3,375,000	3,375,000	-
Property, plant, and equipment: (Note 7)				
Not being depreciated	326,306,455	163,444,436	489,750,891	-
Being depreciated, net of depreciation	435,226,976	159,542,548	594,769,524	-
TOTAL ASSETS	834,286,804	370,670,389	1,204,957,193	1,020,304
DEFERRED OUTFLOWS				
Deferred loss on refundings	532,616	-	532,616	-
TOTAL DEFERRED OUTFLOWS	532,616	-	532,616	-
TOTAL ASSETS & DEFERRED OUTFLOWS	834,819,420	370,670,389	1,205,489,809	1,020,304
LIABILITIES				
Vouchers payable	2,137,990	3,056,850	5,194,840	-
Matured bonds/interest payable	355,000	-	355,000	-
Accounts/payroll payable	4,570,261	1,142,079	5,712,340	-
Incurred but not reported claims payable	4,585,109	-	4,585,109	-
Due to other governments	32,705	-	32,705	-
Accrued interest payable	251,034	195,164	446,198	-
Unearned revenue	8,810,268	443,412	9,253,680	-
Non-current liabilities:				
Due within one year (Note 10)				
Compensated absences-current	3,011,358	353,935	3,365,293	-
Contracts, leases, notes-current	1,952,607	1,604,028	3,556,635	-
General obligation bonds payable-current	5,066,333	545,667	5,612,000	-
Special assessment bonds payable with governmental commitment-current	725,000	-	725,000	-
Revenue bonds payable-current	-	975,000	975,000	745,000
Due in more than one year (Note 10)				
Compensated absences-long term	1,736,360	126,559	1,862,919	-
Contracts, leases, notes-long term	16,762,829	33,979,445	50,742,274	-
General obligation bonds payable-long term (net of unamortized discounts & premiums)	52,837,136	3,119,759	55,956,895	-
Special assessment bonds payable- long term	1,975,000	-	1,975,000	-
Revenue bonds payable-long term (net of unamortized discounts & premiums)	-	20,495,198	20,495,198	60,375,339
Net OPEB Obligation	1,112,245	-	1,112,245	-
TOTAL LIABILITIES	105,921,235	66,037,096	171,958,331	61,120,339
TOTAL LIABILITIES & DEFERRED INFLOWS	105,921,235	66,037,096	171,958,331	61,120,339
NET POSITION				
Net investment in capital assets	682,946,045	264,927,149	947,873,194	
Restricted net position for:				
Debt service	10,721,573	3,631,223	14,352,796	
Unrestricted net position	35,230,567	36,074,921	71,305,488	(60,100,035)
TOTAL NET POSITION	\$ 728,898,185	\$ 304,633,293	\$ 1,033,531,478	\$ (60,100,035)

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 8,959,390	\$ 2,044,753	\$ -	\$ -
Judicial	2,743,574	2,108,024	271,955	-
Public Safety	37,378,185	1,811,747	2,846,271	-
Community Development	5,096,639	3,841,993	-	10,120
Public Works	16,993,893	1,810,854	258,216	4,935,608
Leisure services	15,908,830	1,380,839	92,176	1,602,754
Health and human services	5,275,046	709,948	708,477	107,093
Interest on long-term debt	3,250,089	-	-	-
Total governmental activities	95,605,646	13,708,158	4,177,095	6,655,575
Business-type Activities:				
Water	13,972,634	17,021,951	77,232	2,360,829
Sewerage	37,680,430	42,752,458	-	6,834,173
Golf Complex	2,917,964	2,431,782	4,172	-
Total business type activities	54,571,028	62,206,191	81,404	9,195,002
Total Primary Government	\$ 150,176,674	\$ 75,914,349	\$ 4,258,499	\$ 15,850,577
Component Unit:				
Special Events Center PFD	\$ 3,087,095	\$ -	\$ -	\$ -
Total Component Units	\$ 3,087,095	\$ -	\$ -	\$ -

General revenues:

Taxes:

Property taxes levied for general purpose

Sales taxes

Utility taxes

Business & occupation tax

Real Estate Excise Tax

Other taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Gain(Loss) on disposal of capital asset

Transfers

Special item: gain on note refinancing

Total general revenues, special items, and transfers

Change in net position

Net position - beginning

Prior Period Adjustment

Beginning net assets - adjusted

Net position-ending

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

Net (Expenses) Revenue and Changes in Net Position

			Component Unit
Primary Government			Special Events
Governmental Activities	Business-Type Activities	Total	Center PFD
\$ (6,914,637)		\$ (6,914,637)	
(363,595)		(363,595)	
(32,720,167)		(32,720,167)	
(1,244,526)		(1,244,526)	
(9,989,215)		(9,989,215)	
(12,833,061)		(12,833,061)	
(3,749,528)		(3,749,528)	
(3,250,089)		(3,250,089)	
<u>(71,064,818)</u>		<u>(71,064,818)</u>	
	\$ 5,487,378	5,487,378	
	11,906,201	11,906,201	
	<u>(482,010)</u>	<u>(482,010)</u>	
	16,911,569	16,911,569	
\$ <u>(71,064,818)</u>	\$ <u>16,911,569</u>	\$ <u>(54,153,249)</u>	
			\$ <u>(3,087,095)</u>
			\$ <u>(3,087,095)</u>
20,085,117	-	20,085,117	-
22,707,244	-	22,707,244	714,360
22,760,019	-	22,760,019	-
5,149,172	-	5,149,172	-
3,837,948	-	3,837,948	-
1,319,462	-	1,319,462	-
6,760,236	-	6,760,236	-
895,815	153,554	1,049,369	301
1,740,638	-	1,740,638	3,104,475
1,945,741	-	1,945,741	-
762,322	(762,322)	-	-
-	<u>2,827,682</u>	<u>2,827,682</u>	-
87,963,714	2,218,914	90,182,628	3,819,136
16,898,896	19,130,483	36,029,379	732,041
724,143,802	285,465,592	1,009,609,394	(60,394,797)
(12,144,513)	37,218	(12,107,295)	(437,279)
711,999,289	285,502,810	997,502,099	(60,832,076)
\$ <u>728,898,185</u>	\$ <u>304,633,293</u>	\$ <u>1,033,531,478</u>	\$ <u>(60,100,035)</u>

2013 Comprehensive Annual Financial Report

**CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2013**

	General Fund	Capital Improvement Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
ASSETS				
Cash and equity in pooled investments	\$ 5,703,366	\$ 221,338	\$ 3,353,595	\$ -
Cash with fiscal agent	-	-	355,000	-
Investments, at fair value	715,000	-	265,000	-
Receivables (net of allowances for estimated uncollectables):				
Taxes	7,039,065	1,151,255	-	-
Accounts	270,547	11,500	-	183
Special assessments				
Current	-	-	2,107,856	-
Delinquent	-	-	344,144	-
Unavailable	-	-	11,419,421	-
Penalty and Interest	-	-	1,029,169	-
Interfund loans receivable	100,000	-	-	-
Due from other governments	2,250	-	-	-
Prepaid items	80,055	-	-	-
TOTAL ASSETS	\$ 13,910,283	\$ 1,384,093	\$ 18,874,185	\$ 183
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 13,910,283	\$ 1,384,093	\$ 18,874,185	\$ 183
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Vouchers payable	\$ 944,222	\$ 2,472	\$ 3,639	\$ -
Matured bonds/interest payable	-	-	355,000	-
Accounts/payroll payable	3,321,670	4,000	-	-
Due to other governments	22,318	-	-	-
Interfund loans payable	-	8,800,000	-	-
Deposits and advances	849,263	-	-	-
Total Liabilities	5,137,473	8,806,472	358,639	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	492,883	-	14,900,590	-
Total Deferred Inflows of Resources	492,883	-	14,900,590	-
FUND BALANCE				
Nonspendable:				
Prepaid items	80,055	-	-	-
Restricted:				
Annexation	1,761,783	-	-	-
United Way	22,226	-	-	-
Street capital projects	-	-	-	-
Lodging tax purposes	-	-	-	-
Criminal justice programs	-	-	-	-
Parks capital projects	-	-	-	-
Facility capital projects	-	-	-	-
Bond retirement	-	-	-	183
Special assessment debt	-	-	3,342,230	-
Assessment debt guaranty	-	-	272,726	-
Economic and community development	55,116	-	-	-
Human Services	7,007	-	-	-
Committed:				
Street operations	-	-	-	-
Youth/Teen program	-	-	-	-
Criminal justice programs	-	-	-	-
City arts program	184,691	-	-	-
Street capital projects	-	-	-	-
Parks capital projects	-	-	-	-
Technology systems	-	-	-	-
Assigned:				
Public safety retiree OPEB	861,791	-	-	-
Human services	107,075	-	-	-
Criminal justice programs	-	-	-	-
Street capital projects	-	-	-	-
Parks capital Projects	-	-	-	-
Technology capital Projects	-	-	-	-
Facility capital projects	-	-	-	-
Unassigned:	5,200,183	(7,422,379)	-	-
Total Fund Balance	8,279,927	(7,422,379)	3,614,956	183
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 13,910,283	\$ 1,384,093	\$ 18,874,185	\$ 183

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

	Street Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	2,671,533	\$ 5,261,382	\$ 17,211,214
	-	-	355,000
	4,445,000	1,440,000	6,865,000
	-	1,132,575	9,322,895
	327,765	1,377,598	1,987,593
	-	-	2,107,856
	-	-	344,144
	-	-	11,419,421
	-	-	1,029,169
	-	-	100,000
	33,555	223,025	258,830
	-	3,120	83,175
\$	<u>7,477,853</u>	<u>\$ 9,437,700</u>	<u>\$ 51,084,297</u>
	<u>7,477,853</u>	<u>9,437,700</u>	<u>51,084,297</u>
\$	24,855	\$ 369,728	\$ 1,344,916
	-	-	355,000
	45,517	703,163	4,074,350
	61	10,326	32,705
	699,808	175,000	9,674,808
	-	164,516	1,013,779
	<u>770,241</u>	<u>1,422,733</u>	<u>16,495,558</u>
	-	5,105	15,398,578
	<u>-</u>	<u>5,105</u>	<u>15,398,578</u>
	-	3,120	83,175
	-	-	1,761,783
	-	-	22,226
	3,150,234	40,241	3,190,475
	-	193,663	193,663
	-	1,476,567	1,476,567
	-	1,152,324	1,152,324
	-	1,281,087	1,281,087
	-	1,083	1,266
	-	-	3,342,230
	-	-	272,726
	-	-	55,116
	-	-	7,007
	-	1,108,879	1,108,879
	-	157,337	157,337
	-	146,322	146,322
	-	-	184,691
	3,457,026	-	3,457,026
	-	286,746	286,746
	-	561,753	561,753
	-	-	861,791
	-	-	107,075
	-	24,558	24,558
	100,352	-	100,352
	-	1,326,597	1,326,597
	-	166,868	166,868
	-	108,361	108,361
	-	(25,644)	(2,247,840)
	<u>6,707,612</u>	<u>8,009,862</u>	<u>19,190,161</u>
\$	<u>7,477,853</u>	<u>\$ 9,437,700</u>	<u>\$ 51,084,297</u>



2013 Comprehensive Annual Financial Report

**CITY OF KENT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balance - total governmental funds		\$	19,190,161
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds			
Capital assets (Note 7)	\$	761,533,431	
Capital Assets - Internal Service Funds		<u>(4,568,138)</u>	756,965,293
Investment in Joint Venture (Note 16)			7,378,791
Internal Service Funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and self-insurance costs to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position (page 111)			22,158,784
Interest accrued on governmental long-term debt, but not due and payable in the current period, is not reported on the governmental fund statements, but is accrued and reported on the statement of net position			
Councilmanic general obligation bonds		(218,999)	
Voted general obligation bonds		-	
LID bonds		(6,728)	
Contracts & loans		<u>(25,202)</u>	(250,929)
Property tax revenue earned but not received within 60 days of year-end, and therefore not available to pay current year liabilities, are deferred inflows on the governmental statements, but is recognized as revenue for the government-wide statements			
General Fund		492,883	
Voted Debt Service Fund		<u>5,105</u>	497,988
Deferred inflows for long-term special assessments is shown on the government funds balance sheet, but is not a deferred inflow on the statement of net position			7,105,351
Unamortized bond costs are not reported on the governmental fund statements, but are reported on the statement of net position			
Prepaid bond insurance		48,397	
Deferred loss on refunding		532,616	
Unamortized bond (premium)/discount		<u>(575,895)</u>	5,118
Long-term liabilities, including bonds and contracts, are not due and payable in the current period and therefore are not reported in the governmental funds			
General obligation bonds		(57,327,574)	
Special assessment bonds		(2,700,000)	
Contracts, leases and notes		(18,684,349)	
Compensated absences		(4,328,204)	
OPEB liability		<u>(1,112,245)</u>	(84,152,372)
Net Position of governmental activities (page 21)			<u><u>728,898,185</u></u>

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

**CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013**

	General Fund	Capital Improvement Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
REVENUES				
Taxes:				
Property	\$ 20,125,761	\$ -	\$ -	\$ -
Sales and use	15,787,973	4,841,673	-	-
Utility	17,708,030	1,178,131	-	-
Business & occupation	299,907	175,213	-	-
Real estate excise tax	-	3,837,948	-	-
Lodging	-	-	-	-
Other	1,101,844	-	-	-
Licenses and permits:				
Building permits	1,734,228	-	-	-
Other licenses and permits	3,365,687	-	-	-
Intergovernmental revenue	7,487,288	-	-	-
Charges for services:				
Park and recreation fees	1,158,442	-	-	-
Other fees and charges	3,967,526	-	-	-
Fines and forfeitures	1,493,381	-	-	-
Miscellaneous revenue:				
Special assessments	-	-	3,188,365	-
Interest income	128,129	1,086	869,979	-
Contributions and Donations	764,820	-	-	-
Other miscellaneous revenue	1,141,451	-	-	-
TOTAL REVENUES	76,264,467	10,034,051	4,058,344	-
EXPENDITURES				
Current:				
General government	6,870,345	22,714	-	-
Judicial	2,781,005	-	-	-
Public safety	34,396,767	-	-	-
Community development	5,132,560	-	-	-
Public works	4,742,973	-	-	-
Leisure services	10,035,360	2,812,872	-	-
Health and human services	4,560,981	-	-	-
Debt service:				
Principal	-	-	1,203,319	6,659,313
Interest	-	-	180,786	2,998,852
Capital outlay	48,674	-	-	-
TOTAL EXPENDITURES	68,568,665	2,835,586	1,384,105	9,658,165
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,695,802	7,198,465	2,674,239	(9,658,165)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	1,827,862	-	-
Transfers in	1,036,877	2,361,219	-	9,658,348
Transfers out	(2,816,515)	(7,772,929)	(130,451)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,779,638)	(3,583,848)	(130,451)	9,658,348
NET CHANGE IN FUND BALANCE	5,916,164	3,614,617	2,543,788	183
FUND BALANCE, January 1	2,363,763	(11,036,996)	1,071,168	-
FUND BALANCE (DEFICIT), December 31	\$ 8,279,927	\$ (7,422,379)	\$ 3,614,956	\$ 183

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

	Street Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	-	\$ -	20,125,761
	-	2,077,598	22,707,244
	-	3,873,858	22,760,019
	-	4,674,052	5,149,172
	-	-	3,837,948
	-	217,618	217,618
	-	-	1,101,844
	-	-	1,734,228
	-	-	3,365,687
	606,006	5,851,057	13,944,351
	-	-	1,158,442
	8,299	777,687	4,753,512
	-	42,439	1,535,820
	131,204	-	3,319,569
	69,012	5,912	1,074,118
	459,987	288,366	1,513,173
	-	195,809	1,337,260
	<u>1,274,508</u>	<u>18,004,396</u>	<u>109,635,766</u>
	-	2,078	6,895,137
	-	-	2,781,005
	-	3,765,244	38,162,011
	-	123,499	5,256,059
	-	2,475,171	7,218,144
	-	342,000	13,190,232
	-	807,099	5,368,080
	-	-	7,862,632
	-	-	3,179,638
	<u>3,531,833</u>	<u>2,481,696</u>	<u>6,062,203</u>
	3,531,833	9,996,787	95,975,141
	(2,257,325)	8,007,609	13,660,625
	-	138,591	1,966,453
	5,483,092	2,399,846	20,939,382
	-	(8,898,779)	(19,618,674)
	<u>5,483,092</u>	<u>(6,360,342)</u>	<u>3,287,161</u>
	3,225,767	1,647,267	16,947,786
	3,481,845	6,362,595	2,242,375
\$	<u>6,707,612</u>	<u>\$ 8,009,862</u>	<u>\$ 19,190,161</u>



2013 Comprehensive Annual Financial Report

**CITY OF KENT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - total governmental funds		\$	16,947,786
Governmental funds report capital outlays as expenditures. On the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays	\$	6,062,203	
Depreciation expense		<u>(17,988,507)</u>	(11,926,304)
The net effect of various miscellaneous transactions involving capital assets is to increase net position.			2,878,004
Certain revenues are unavailable in the governmental funds because they do not provide current financial resources, but are considered revenues on the statement of activities.			
Property taxes			(40,644)
Special assessment principal payments received are revenues on the governmental operating statement, but are reductions to the outstanding special assessment debt on the Statement of Activities.			
			(2,110,774)
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities on the government-wide statements.			
Principal repayments		7,862,632	
Valley Com contribution to principal		<u>10,120</u>	7,872,752
Certain bond transactions, like premiums, discounts, insurance and loss of refunding, are reported as revenues or expenditures in the governmental funds because they provide, or use, current financial resources. However, for the government-wide statements, these costs are recognized or amortized (expensed) over the life of the bonds.			
Amortization of prepaid bond insurance		(6,607)	
Amortization of premium/discount		78,016	
Amortization of loss on refunding		<u>(138,464)</u>	(67,055)
Internal Service Funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and self-insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.			
			3,690,968
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Compensated absences		(236,708)	
Interest expense accrual		193	
Net OPEB obligation		<u>(109,322)</u>	(345,837)
Change in net position of governmental activities (page 23)			<u>16,898,896</u>

The accompanying notes are an integral part of the financial statements



2013 Comprehensive Annual Financial Report

**CITY OF KENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013**

	2013 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 20,176,059	\$ 20,176,059	20,125,761	\$ (50,298)
Sales and use	15,080,089	15,080,089	15,787,973	707,884
Utility	17,496,873	17,496,873	17,708,030	211,157
Business & occupation		300,000	299,907	(93)
Other	1,456,619	1,156,619	1,101,844	(54,775)
Licenses and permits:				
Building permits	2,195,443	1,607,115	1,734,228	127,113
Other licenses and permits	2,480,831	3,069,159	3,365,687	296,528
Intergovernmental revenue:				
Other grants and shared revenue	6,806,757	6,844,507	7,462,288	617,781
Charges for services:				
Park and recreation fees	1,122,747	1,193,747	1,158,442	(35,305)
Other fees and charges	3,586,220	3,586,220	3,967,526	381,306
Fines and forfeitures	1,537,250	1,537,250	1,493,381	(43,869)
Miscellaneous revenue:				
Interest income	14,000	80,867	127,077	46,210
Other miscellaneous revenue	1,222,384	1,192,017	1,173,315	(18,702)
TOTAL REVENUES	73,175,272	73,320,522	75,505,459	2,184,937
EXPENDITURES				
Current:				
General government	7,221,853	7,331,386	6,861,816	469,570
Judicial	2,860,167	2,862,271	2,781,005	81,266
Public safety	33,535,906	33,856,151	33,614,224	241,927
Community development	5,411,377	5,400,714	5,132,560	268,154
Public works	4,771,654	4,771,654	4,742,973	28,681
Leisure services	9,861,494	10,011,744	9,503,625	508,119
Health and human services	4,802,538	4,797,538	4,536,565	260,973
Capital outlay	-	-	10,499	(10,499)
TOTAL EXPENDITURES	68,464,989	69,031,458	67,183,267	1,848,191
DEFICIENCY OF REVENUES OVER EXPENDITURES	4,710,283	4,289,064	8,322,192	4,033,128
OTHER FINANCING SOURCES (USES)				
Transfers in	994,139	1,119,139	1,036,877	(82,262)
Transfers out	(3,874,291)	(3,919,381)	(3,991,369)	(71,988)
TOTAL OTHER FINANCING SOURCES (USES)	(2,880,152)	(2,800,242)	(2,954,492)	(154,250)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,830,131	1,488,822	5,367,700	3,878,878
FUND BALANCE, January 1	2,557,464	4,129,976	4,129,976	
FUND BALANCE, December 31	\$ 4,387,595	\$ 5,618,798	\$ 9,497,676	\$ 3,878,878

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2013**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
ASSETS			
Current Assets:			
Cash and equity in pooled investments	\$ 2,028,698	\$ 1,443,730	\$ 117,135
Cash with fiscal agent	72,634	-	-
Investments, at fair value	11,640,294	5,695,809	5,000
Restricted cash, equity in pooled cash, and investments:			
For bond redemption:			
Cash and equity in pooled investments	130,579	64,585	-
Receivables (net of allowances for estimated uncollectables):			
Accounts	1,643,598	5,574,825	63,761
Notes	3,021,389	2,994,133	-
Accrued interest	1	3	-
Interfund loan receivable	9,900,000	774,808	-
Inventory, at cost	323,074	47,859	134,470
Prepaid expenses	200	597	-
Total Current Assets	28,760,467	16,596,349	320,366
Noncurrent Assets:			
Restricted cash, equity in pooled cash, and investments:			
For bond redemption:			
Cash and equity in pooled investments	599,947	625,132	-
Investments, at fair value	145,000	1,110,000	-
For bond reserve:			
Cash and equity in pooled investments	3,072	3,072	-
Investments, at fair value	1,060,000	1,060,000	-
Property, plant and equipment			
Land	1,994,193	4,030,315	5,342,508
Buildings	2,151,264	75,522	2,954,818
Site Improvements	83,501,769	166,803,968	4,540,222
Equipment	1,970,342	1,276,850	569,203
Less: Accumulated Depreciation	(36,851,558)	(61,128,134)	(6,321,718)
Construction In Progress	84,630,991	67,446,429	-
Total noncurrent assets	139,205,020	181,303,154	7,085,033
TOTAL ASSETS	\$ 167,965,487	\$ 197,899,503	\$ 7,405,399
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 167,965,487	\$ 197,899,503	\$ 7,405,399

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

<u>Business-type Activities</u> <u>Enterprise Funds</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service Funds</u>
\$ 3,589,563 72,634 17,341,103 195,164 7,282,184 6,015,522 4 10,674,808 505,403 797 <hr/> 45,677,182 1,225,079 1,255,000 6,144 2,120,000 11,367,016 5,181,604 254,845,959 3,816,395 (104,301,410) <hr/> 152,077,420 327,593,207	\$ 2,821,406 - 15,614,874 - 577,243 2,683,291 51 1,500,000 110,602 609,229 <hr/> 23,916,696 - - - - - 1,008,269 361,953 19,907,275 (18,181,993) <hr/> 1,472,634 4,568,138 <hr/> \$ 28,484,834 <hr/> \$ 28,484,834

Continued

2013 Comprehensive Annual Financial Report

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2013**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Vouchers payable	\$ 2,586,798	\$ 463,079	\$ 6,973
Accounts/payroll payable	267,316	796,802	77,961
Incurred but not reported claims payable	-	-	-
Interfund loans payable	-	-	2,600,000
Accrued interest payable	130,579	64,585	-
Compensated absences payable - current portion	136,319	171,539	46,077
General obligation bonds payable - current portion	-	545,667	-
Notes payable - current portion	1,529,028	75,000	-
Revenue bonds payable - current portion	487,500	487,500	-
Deposits and unearned revenue	93,043	107,137	243,232
Total Current Liabilities	5,230,583	2,711,309	2,974,243
Noncurrent Liabilities:			
Compensated absences payable- non-current portion	46,276	45,194	35,089
Notes payable - non-current portion	33,229,445	750,000	-
General obligation bonds payable - non-current portion	-	3,119,759	-
Revenue bonds payable - non-current portion	10,095,000	10,095,000	-
Plus: unamortized premium	152,599	152,599	-
Total noncurrent liabilities	43,523,320	14,162,552	35,089
TOTAL LIABILITIES	\$ 48,753,903	\$ 16,873,861	\$ 3,009,332
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 48,753,903	\$ 16,873,861	\$ 3,009,332
NET POSITION			
Net investment in capital assets	93,792,255	164,049,861	7,085,033
Restricted for debt service	1,320,519	2,310,704	-
Unrestricted	24,098,810	14,665,077	(2,688,966)
TOTAL NET POSITION	\$ 119,211,584	\$ 181,025,642	\$ 4,396,067

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

<u>Business-type Activities</u> <u>Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Totals</u>		<u>Internal Service Funds</u>	
\$	3,056,850	\$	793,074
	1,142,079		495,911
	-		4,585,109
	2,600,000		-
	195,164		105
	353,935		296,783
	545,667		-
	1,604,028		31,087
	975,000		-
	443,412		1,250
	<u>10,916,135</u>		<u>6,203,319</u>
	126,559		122,731
	33,979,445		-
	3,119,759		-
	20,190,000		-
	305,198		-
	<u>57,720,961</u>		<u>122,731</u>
\$	<u>68,637,096</u>	\$	<u>6,326,050</u>
\$	<u>68,637,096</u>	\$	<u>6,326,050</u>
	264,927,149		4,537,051
	3,631,223		-
	36,074,921		17,621,733
	<u>304,633,293</u>		<u>22,158,784</u>

Concluded

2013 Comprehensive Annual Financial Report

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2013**

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewerage Utility	Golf Complex
OPERATING REVENUES			
Sales	\$ 16,504,451	\$ -	\$ 434,242
Charges for services	502,629	42,744,251	1,749,820
Contributions	-	-	-
Rental and lease income	-	-	246,911
Other operating revenue	14,871	8,207	809
TOTAL OPERATING REVENUES	17,021,951	42,752,458	2,431,782
OPERATING EXPENSES			
Salaries and wages	1,882,324	2,603,882	987,782
Benefits	956,903	1,105,352	404,967
Supplies	621,781	373,562	539,649
Services and charges	8,275,986	28,838,374	782,237
Depreciation	1,685,287	3,983,969	200,027
TOTAL OPERATING EXPENSES	13,422,281	36,905,139	2,914,662
OPERATING INCOME (LOSS)	3,599,670	5,847,319	(482,880)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	90,536	62,990	29
Unrealized net gain/(loss) in fair value of investments	-	(1)	-
Miscellaneous non-operating revenues	77,232	-	4,172
Interest expense	(550,353)	(775,291)	(3,302)
Gain (loss) on disposal of capital assets	-	(627,797)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(382,585)	(1,340,099)	899
INCOME (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM	3,217,085	4,507,220	(481,981)
Capital contributions	2,360,829	6,834,173	-
Transfers in	-	-	-
Transfers out	(53,948)	(77,631)	(2,946)
Special item - Savings on note refinancing	2,827,682	-	-
INCREASE (DECREASE) IN NET POSITION	8,351,648	11,263,762	(484,927)
NET POSITION, January 1	110,932,336	169,678,292	4,854,964
Prior period adjustment	(72,400)	83,588	26,030
ADJUSTED NET POSITION, January 1	110,859,936	169,761,880	4,880,994
NET POSITION, December 31	\$ 119,211,584	\$ 181,025,642	\$ 4,396,067

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

<u>Business-type Activities Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Totals</u>		<u>Internal Service Funds</u>	
\$	16,938,693 44,996,700 -	\$	1,137,043 12,144,980 15,637,351 -
	246,911 23,887		966,206
	62,206,191		29,885,580
	5,473,988 2,467,222 1,534,992 37,896,597 5,869,283		4,174,175 1,673,079 1,938,070 18,491,150 586,058
	53,242,082		26,862,532
	8,964,109		3,023,048
	153,555 (1) 81,404 (1,328,946) (627,797)		67,199 (20,712) 1,369,647 (3,589) -
	(1,721,785)		1,412,545
	7,242,324		4,435,593
	9,195,002 -		39,465 119,191
	(134,525) 2,827,682		(1,305,374) -
	19,130,483		3,288,875
	285,465,592 37,218 285,502,810		18,895,939 (26,030) 18,869,909
\$	304,633,293	\$	22,158,784

2013 Comprehensive Annual Financial Report

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013**

	<u>Business-type Activities - Enterprise Funds</u>	
	Water	Sewerage
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 17,452,579	\$ 44,242,404
Cash received from other funds for services	-	-
Cash payments to employees	(2,822,371)	(3,701,949)
Cash payments to suppliers	(6,355,881)	(31,056,066)
Other cash received	14,871	8,207
Net cash provided by operating activities	<u>8,289,198</u>	<u>9,492,596</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan issued for noncapital purposes	-	-
Interfund loan payment for noncapital purposes	-	-
Operating grants/non-operating revenue received	77,232	-
Prior period adjustment	-	-
Transfers in	-	-
Transfers out	(53,948)	(77,631)
Net cash provided by (used for) noncapital financing	<u>23,284</u>	<u>(77,631)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital asset removal	-	-
Transfer of plant to Governmental Capital Assets	-	-
Acquisition and construction of capital assets	(4,435,494)	(9,070,774)
Interfund loan for capital outlays	3,700,000	159,660
Principal paid on bonds and equipment contracts	(2,006,477)	(1,589,591)
Interest paid on bonds and equipment contracts	(593,013)	(811,318)
Capital contributed by subdividers, capital grants, local impr. districts	1,519,371	5,419,249
Net cash (used for) capital & related financing	<u>(1,815,613)</u>	<u>(5,892,774)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(30,540,000)	(37,415,000)
Proceeds from sale and maturities of investments	23,480,106	32,315,291
Interest and dividends on investments	90,537	62,991
Net cash provided by (used for) investing activities	<u>(6,969,357)</u>	<u>(5,036,718)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(472,488)	(1,514,527)
CASH AND EQUITY IN POOLED INVESTMENTS, January 1	3,307,418	3,651,046
CASH AND EQUITY IN POOLED INVESTMENTS, December 31	\$ <u>2,834,930</u>	\$ <u>2,136,519</u>
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:		
Current Assets: Cash and equity in pooled investments	\$ 2,028,698	\$ 1,443,730
Current Assets: Cash with fiscal agent	72,634	-
Restricted for Bond Redemption: Cash & pooled investments	730,526	689,717
Restricted for Bond Reserve: Cash & pooled investments	3,072	3,072
	<u>\$ 2,834,930</u>	<u>\$ 2,136,519</u>

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

Business-type Activities - Enterprise Funds		Governmental Activities	
Golf		Internal	
Complex	Totals	Service Funds	
\$ 2,441,691	\$ 64,136,674	\$ 13,295,040	
-	-	16,594,750	
(1,396,843)	(7,921,163)	(5,654,182)	
(1,323,903)	(38,735,850)	(19,667,039)	
809	23,887	966,206	
<u>(278,246)</u>	<u>17,503,548</u>	<u>5,534,775</u>	
2,600,000	2,600,000	(1,500,000)	
(2,250,000)	(2,250,000)	1,250,000	
4,172	81,404	1,369,647	
26,030	26,030	(26,030)	
-	-	119,191	
(2,946)	(134,525)	(1,305,374)	
<u>377,256</u>	<u>322,909</u>	<u>(92,566)</u>	
-	-	20,656	
-	-	39,465	
-	(13,506,268)	894,824	
-	3,859,660	-	
-	(3,596,068)	(104,233)	
(3,302)	(1,407,633)	(3,931)	
-	6,938,620	-	
<u>(3,302)</u>	<u>(7,711,689)</u>	<u>846,781</u>	
(210,000)	(68,165,000)	(18,074,874)	
205,000	56,000,397	10,409,874	
29	153,557	67,165	
<u>(4,971)</u>	<u>(12,011,046)</u>	<u>(7,597,835)</u>	
90,737	(1,896,278)	(1,308,845)	
26,398	6,984,862	4,130,251	
<u>\$ 117,135</u>	<u>\$ 5,088,584</u>	<u>\$ 2,821,406</u>	
\$ 117,135	\$ 3,589,563	\$ 2,821,406	
-	72,634	-	
-	1,420,243	-	
-	6,144	-	
<u>\$ 117,135</u>	<u>\$ 5,088,584</u>	<u>\$ 2,821,406</u>	

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2013 Comprehensive Annual Financial Report

**CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013**

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewerage</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 3,599,670	\$ 5,847,319
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,685,287	3,983,969
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	2,612	1,137,840
(Increase) Decrease in notes receivable	436,746	355,867
(Increase) Decrease in inventory	(18,876)	27,715
(Increase) Decrease in prepaid expenses	(200)	(597)
Increase (Decrease) in vouchers payable	2,547,872	(542,488)
Increase (Decrease) in accounts/payroll payable	36,969	(1,310,292)
Increase (Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in deposits and deferred revenues	6,141	4,446
Increase (Decrease) in compensated absences	(7,023)	(11,183)
Total Adjustments	<u>4,689,528</u>	<u>3,645,277</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,289,198</u>	<u>\$ 9,492,596</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ 841,458	\$ 1,414,924
(Decrease) in fair value of investments	-	(1)
Special Item - savings on note refinancing	2,827,682	-

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Golf Complex</u>	<u>Totals</u>	<u>Internal Service Funds</u>	
\$ (482,880)	\$ 8,964,109	\$ 3,023,048	
200,027	5,869,283	586,058	
(7,098)	1,133,354	986,127	
-	792,613	-	
4,644	13,483	20,669	
-	(797)	(4,057)	
(4,235)	2,001,149	643,048	
(2,586)	(1,275,909)	(123,478)	
-	-	102,521	
17,816	28,403	(15,711)	
(3,934)	(22,140)	316,550	
<u>204,634</u>	<u>8,539,439</u>	<u>2,511,727</u>	
<u>\$ (278,246)</u>	<u>\$ 17,503,548</u>	<u>\$ 5,534,775</u>	
\$ -	\$ 2,256,382	\$ -	
-	(1)	-	
-	2,827,682	-	

Concluded

2013 Comprehensive Annual Financial Report

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2013**

	Firemen's Relief & Pension Fund	Agency Funds
ASSETS		
Cash and equity in pooled investments	\$ 18,550	\$ 906,803
Investments, at fair value		
State Treasurer's Investment Pool	2,252,533	-
Government Agencies (various)	614,535	-
Due from other governments		3,971
TOTAL ASSETS	<u>2,885,618</u>	<u>910,774</u>
LIABILITIES		
Accounts/payroll payable	5,025	640,343
Deposits and unearned revenue	-	270,431
Total Liabilities	<u>5,025</u>	<u>910,774</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,880,593</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

2013 Comprehensive Annual Financial Report

**CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended December 31, 2013**

	Firemen's Relief & Pension Fund
ADDITIONS	
Contributions:	
Employer	\$ 155,012
Investment earnings:	
Interest	51,800
Unrealized net gain/(loss) in fair value of investments	(74,213)
TOTAL ADDITIONS	<u>132,599</u>
DEDUCTIONS	
Benefits	321,149
TOTAL DEDUCTIONS	<u>321,149</u>
CHANGE IN NET POSITION	(188,550)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, January 1	3,069,143
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, December 31	<u>\$ 2,880,593</u>

The accompanying notes are an integral part of the financial statements



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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 2013, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 65 – *Item previously reported as Assets and Liabilities* – This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

a. REPORTING ENTITY

Based on the criteria of Statement No. 14, as amended by Statement No. 61, of the Government Accounting Standards Board (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 the Primary Government's will, or the component unit provides a financial benefit to or imposes a financial burden on the primary government. The Special Events Center Public Facilities District (PFD) meets these criteria. In this case, the City appoints a voting majority of the board, and the organization presents a potential financial benefit or burden to the City. The PFD is discretely presented in the financial statements in a separate column on the Basic Financial Statements. For further details on the Component Unit and how to obtain copies of the completed financial statements of the component unit, please see Note 17 – COMPONENT UNIT.

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 interest in the joint venture.

JOINTLY GOVERNED ORGANIZATIONS – On April 27, 2010, the passage of Proposition No. 1 authorized the merger of the Kent Fire Department and King County Fire District 37 into one organization, the 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 six voting members and two non-voting members. Three of the voting members 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 non-voting member from the City of Covington and one non-voting member from the City of SeaTac.

b. **BASIC FINANCIAL STATEMENTS**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report on all non-fiduciary activities of the City and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The primary government is separated from its component unit.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of the various functions, programs and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, program or segment. Interest on governmental activities long-term debt is not allocated to the various functions or programs. Program revenues include: 1) charges to customers or users (user charges) who purchase, use or directly benefit from goods, services or privileges provided by a particular function, program or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, program or segment. Taxes, investment income and other revenues that are not directly identifiable with a function, program or segment are included as general revenues. Internally dedicated resources are also reported as general revenues. The general revenues support the net costs of the functions, programs or segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Although GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, it also gives governments the option of displaying other funds as major funds. The City has opted to display some funds as major funds because of community focus. Major governmental and enterprise funds are reported in separate columns in the fund financial statements, while non-major

funds are combined into a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

The internal service funds, which provide services to the other funds of the government, are presented in a single column in the proprietary fund financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets, deferred outflows, liabilities and deferred inflows of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position.

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

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

Governmental fund types are presented, in the fund financial statements, using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unassigned fund balance is a measure of available spendable resources. The *modified accrual basis* of accounting is used by governmental funds. 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, business and occupation, 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 upon 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 an expenditure. Other exceptions include (1) inventories of materials and prepaid items are reported as expenditures when purchased, (2) interest on long-term debt is not accrued, but is recorded as an expenditure when due, (3) accumulated unpaid vacation and sick pay are considered expenditures when paid.

The government reports the following major governmental funds:

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

Capital 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.

Non-Voted General Obligation Debt Fund – This debt service fund records the principal and interest payments on non-voted Councilmanic General Obligation Bonds. Funding is transfers from other funds.

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

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 Complex 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 fund 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.

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

The 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. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

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

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.

Appropriated budgets are adopted for the general and certain special revenue funds on the modified accrual basis of accounting on a biennial basis. 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

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

The steps in the budget process are as follows:

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

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Notes to the Financial Statements December 31, 2013

City of Kent

The biennial budget statute requires a mid-biennium review and modification of the second year of the adopted budget. The review steps are largely the same as the original budget process, although on a smaller scale. The Council adopts by ordinance the adjustments to the second year of the final balanced biennial budget no later than December 31.

Annual appropriated budgets are adopted at the fund level, on a biennial cycle. Transfers or revisions within budgets are allowed if approved by the Chief Administrative Officer. Only City Council has the authority to increase a given fund's annual budget. A budget ordinance summarizing Council approved increases or adjustments is adopted by ordinance on a quarterly basis. The budget amounts in the financial statements are the final amounts as revised during the year. Budget to Actual comparisons are only prepared for annually budgeted 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	\$72,339,280	\$ 611,559	\$72,950,839
Special Revenue Funds:			
Lodging Tax	178,500	-	178,500
Youth/Teen Programs	886,139	-	886,139
Total	\$73,403,919	\$ 611,559	\$74,015,478

Reconciliation of Budgetary Information to GAAP

For managerial purposes, the City of Kent treats the General Fund, Public Safety Retiree, Other Operating Grants and Projects, and Kent Events Center funds separately. However, the latter three funds do not meet the criteria of a special revenue fund as set forth in GASB Statement No. 54 and for reporting purposes are presented in combination with the General Fund in order to comply with GAAP. However, the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual on page 33 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, Other 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 with the General Fund for reporting purposes.

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Notes to the Financial Statements December 31, 2013

City of Kent

	General Fund	Public Safety Retiree	Operating Grants & Projects	Kent Events Center Fund	Eliminations	Revised General Fund
Revenues:						
Taxes	\$ 55,023,515	-	-	-	-	\$ 55,023,515
Licenses & permits	5,099,915	-	-	-	-	5,099,915
Other grants/shared revenue	7,462,288	-	25,000	-	-	7,487,288
Charges for service	5,125,968	-	-	-	-	5,125,968
Fines and forfeitures	1,493,381	-	-	-	-	1,493,381
Interest income	127,077	1,052	-	-	-	128,129
Contributions & donations	31,864	694,206	38,750	-	-	764,820
Other miscellaneous revenue	1,141,451	-	-	-	-	1,141,451
Total Revenues	75,505,459	695,258	63,750	-	-	76,264,467
Expenditures:						
General Government	6,861,816	-	8,529	-	-	6,870,345
Judicial	2,781,005	-	-	-	-	2,781,005
Public Safety	33,614,224	782,543	-	-	-	34,396,767
Community development	5,132,560	-	-	-	-	5,132,560
Public works	4,742,973	-	-	-	-	4,742,973
Leisure services	9,503,625	-	60,051	471,684	-	10,035,360
Health & human services	4,536,565	-	24,416	-	-	4,560,981
Capital outlay	10,499	-	38,175	-	-	48,674
Total Expenditures	67,183,267	782,543	131,171	471,684	-	68,568,665
Excess (Deficiency) of Revenues over (under) Expenditures						
	8,322,192	(87,285)	(67,421)	(471,684)	-	7,695,802
Other Financing Sources (uses)						
Transfers in	1,036,877	250,000	173,449	751,405	(1,174,854)	1,036,877
Transfers out* (see below)	(3,991,369)	-	-	-	1,174,854	(2,816,515)
Total Other Financing Sources (Uses)	(2,954,492)	250,000	173,449	751,405	-	(1,779,638)
Net Change in Fund Balance	5,367,700	162,715	106,028	279,721	-	5,916,164
Fund Balance, January 1	4,129,976	699,508	270,087	(2,735,808)	-	2,363,763
Fund Balance, December 31	\$ 9,497,676	\$ 862,223	\$ 376,115	\$(2,456,087)	\$ -	\$ 8,279,927

*Transfers Out Reconciliation to General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 33 is shown as follows:

Transfers Out per Budget	
Less Intrafund Transfer to:	
Public Safety Retiree	\$ 250,000
Other Operating Grants & Projects	173,449
Kent Events Center Fund	751,405
	<u>\$ 1,174,854</u>

e. ASSETS & DEFERED OUTFLOWS, LIABILITIES & DEFERRED INFLOWS, 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)

The City reports investments at amortized costs (state pool) or historical costs (CDs) which approximates fair value in the statements of position and recognizes the corresponding change in fair value of investments in the year in which the change occurred. It is generally the City's

policy to hold investments to maturity.

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

All receivables are shown net of an allowance for uncollectible accounts, if applicable.

(4) Inventory and prepaid items (refer to note 6)

(5) Deferred outflows

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

(6) Deferred inflows

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

(7) Compensated Absences (also refer to note 14)

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

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

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

(8) Refunded (Defeased) Bonds

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

Refer to Note 10 for further disclosures related to any current year debt refunding transactions, or any advance refunding where funds are still outstanding in a trust account.

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 since they do not constitute expenditures or liabilities, encumbrances are not reported in either the fund financial statements or the government-wide financial statements. For operating funds, amounts not expended within the budget year lapse. For project funds, budgets remain available until completion of the project.

g. **INTERFUND TRANSACTIONS AND TRANSFERS**

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 the Utility Divisions administratively overseen by those departments (i.e. the Water and Sewer Utilities are administratively under the Public Works Department and Customer Service and Meter Reading are administratively under the Finance Department). The expense is transferred to the Utility Divisions with a corresponding reduction of expense in the Public Works and Finance Departments. These reductions are accounted for in separate organizational units so both gross and net expenditures may be tracked.

(2) **Interfund Transfers**

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

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
Major Funds:		
General Fund	\$ 1,036,877	\$ 2,816,515
Capital Improvement Fund	2,361,219	7,772,929
Special Assessment Fund	-	130,451
Non-voted Debt	9,658,348	-
Street Capital Projects Fund	5,483,092	-
Subtotal	\$ 18,539,536	\$ 10,719,895

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Notes to the Financial Statements December 31, 2013

City of Kent

	Transfers In	Transfers Out
Non-major Funds:		
Street	\$ -	\$ 7,763,433
Lodging Tax	4,063	-
Youth/Teen Programs	-	781,426
Criminal Justice	74,803	125,000
Parks Capital Projects	800,000	-
Other Capital Projects	-	228,920
Technology Capital Projects	1,468,268	-
Facilities Capital Projects	52,712	-
Subtotal	\$ 2,399,846	\$ 8,898,779
Total Governmental	\$ 20,939,382	\$ 19,618,674
Proprietary Funds:		
Major Funds:		
Water Utility	\$ -	\$ 53,948
Sewerage Utility	-	77,631
Golf Complex	-	2,946
Subtotal	\$ -	\$ 134,525
Internal Service Funds:		
Equipment Rental	\$ -	\$ 134
Central Services	119,191	1,304,211
Facilities	-	949
Facilities	-	80
Subtotal	\$ 119,191	\$ 1,305,374
Total Proprietary	\$ 119,191	\$ 1,439,899
Total Transfers	\$ 21,058,573	\$ 21,058,573

h. CAPITAL ASSETS

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

The initial capitalization of infrastructure assets reported as governmental activities include all such items regardless of their acquisition date. The historical cost for the initial reporting of these assets was established through back trending. 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 are recorded as expenditures in the appropriate Governmental Fund and capitalized for government-wide reporting. Incomplete capital projects, including infrastructure, are capitalized as construction in progress at year end. Street related right of way purchases are recorded as land purchases at the time the projects are 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 POSITION

A reconciliation between the governmental fund balance sheet *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position is provided on page 27.

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

A reconciliation between the governmental fund statement of revenue, expenditures and changes in fund balance *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities is provided on page 31.

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.

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City of Kent

INVESTMENTS

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

As of December 31, 2013, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)		
		<1	1-5	6-10
State Treasurer's Investment Pool	\$ 65,007,079	\$ 65,007,079	\$ -	\$ -
Government Agencies (various)	838,171	-	1,103	837,068
Certificates of Deposit	254,874	254,874	-	-
Total investments	66,100,124	65,261,953	1,103	837,068
Less investments held by				
Fiduciary Funds	(2,867,068)	(2,030,000)	-	(837,068)
Total Primary Government	\$ 63,233,056	\$ 63,231,953	\$ 1,103	\$ -

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

PRIMARY GOVERNMENT

From Statement of Net Position:

Cash & equity in pooled investments	\$ 23,622,183
Cash with fiscal agent/trustee	427,634
Investments, at fair value	39,820,977
Restricted cash and cash equivalents	1,426,387
Restricted investments, at fair value	3,375,000
Total from Statement of Net Position	\$ 68,672,181

Summary by Type:

Cash on hand and in bank	\$ 5,011,491
Deposits with fiscal agent/trustee	427,634
Certificates of deposit	254,874
Subtotal	5,693,999
Investments	62,978,182
Total by Type	\$ 68,672,181

COMPONENT UNIT

Special Events Center PFD:

Cash on hand and in bank	\$ 1,686
Total Cash & Investments	\$ 1,686

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, 2013, the weighted average of maturity for the portfolio was 22 days. The LGIP is an unrated 2a-7 like pool, as defined by GASB Statement No. 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 December 31, 2013, the LGIP had a weighted average maturity of 57 days.

Credit Risk: State statute, as well as City policy, requires at the time of purchase that an investment carry a

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rating of one of the three highest credit ratings of a nationally recognized rating agency. As of December 31, 2013, the ratings for all fixed rate non-callable and callable agency securities were AAA. The LGIP is an unrated 2a-7 like pool. Per GASB Statement No. 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 Statement No. 40, the City will report any investment in any one issuer that is 5% or more of the total City portfolio. As of December 31, 2013, 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 following table lists the receivables and accrued revenue by fund type and by source:

	Taxes	Accounts	Allowances for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Governmental Activities:						
General Fund	\$7,039,138	\$ 275,671	\$ (5,197)	\$ -	\$ -	\$ 7,309,612
Capital Improvements Fund	1,151,255	11,500	-	-	-	1,162,755
Special Assessments Fund	-	-	-	14,900,590	-	14,900,590
Non-voted GO Debt	-	183	-	-	-	183
Street Capital Project Fund	-	330,326	(2,561)	-	-	327,765
Other Governmental Funds	1,132,575	1,377,598	-	-	-	2,510,173
Internal Service Funds	-	577,318	(75)	2,683,291	51	3,260,585
Subtotal	\$9,322,968	\$ 2,572,596	\$ (7,833)	\$ 17,583,881	\$ 51	\$29,471,663
Business-Type Activities:						
Water Fund	\$ -	\$ 1,671,831	\$ (28,233)	\$ 3,021,389	\$ 1	\$ 4,664,988
Sewerage Fund	-	5,623,980	(49,155)	2,994,133	3	8,568,961
Golf Complex Fund	-	65,907	(2,146)	-	-	63,761
Subtotal	\$ -	\$ 7,361,718	\$ (79,534)	\$ 6,015,522	\$ 4	\$13,297,710
Total Primary Government	\$9,322,968	\$ 9,934,314	\$ (87,367)	\$ 23,599,403	\$ 55	\$42,769,373
Component Unit Activities:						
Special Events Center PFD	\$ 129,011	\$ -	\$ -	\$ -	\$ -	\$ 129,011
Total Component Unit	\$ 129,011	\$ -	\$ -	\$ -	\$ -	\$ 129,011

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2013, the unearned revenue reported in the governmental funds related to special assessments was \$14,900,590. Of that amount, \$344,144 is delinquent.

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

a. TAXES RECEIVABLE

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

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Property taxes are levied as of January 1 of each year. The taxes receivable at year end reflect only delinquent taxes. Revenue is recognized to the extent of collections within sixty days of year end. Taxes to be received beyond this period are recorded as deferred inflows. See Note 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 No. 33, "Accounting and financial Reporting for Non-Exchange Transactions."

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

b. ACCOUNTS RECEIVABLE

In the General Fund, accounts receivable represent billing for miscellaneous licenses, permits, fines, and damages. In the Special Revenue and Capital Project Funds, accounts receivable represents reimbursement for grants particularly Housing and Community Development block grants for which the services have been provided. Enterprise Funds accounts receivable are primarily for utility amounts billed but uncollected at year end plus accruals for unbilled revenues. Accounts receivable are shown at net. See table above 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 \$55 was recognized at December 31, 2013. This interest was recorded in each fund based on its investment position.

e. INTERFUND LOANS

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
Governmental Funds:		
General Fund	\$ 100,000	\$ -
Capital Improvement Fund	-	8,800,000
Streets Capital Projects Fund	-	699,808
Other Governmental Funds	-	175,000
Internal Service Funds:		
Equipment Rental	1,500,000	-
Business-type Activities:		
Proprietary Funds:		
Enterprise Funds:		
Water Fund	9,900,000	-
Sewerage Fund	774,808	-
Golf Complex Fund	-	2,600,000
Totals	\$ 12,274,808	\$ 12,274,808

The net internal balances shown on the Statement of Net Position is \$8,074,808 due from governmental activities to business-type activities.

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In December 2013, the Mayor approved a \$1,500,000 one-year interfund loan from the Equipment Rental Fund to the Golf Complex Fund and a \$1,100,000 one-year interfund loan from the Water Fund to the Golf Complex Fund to cover working capital. Also approved was a \$699,808 loan from the Sewerage Fund to the Street Capital Projects Fund. All loans are bearing interest at the City's daily funds rate.

Also executed by the City on December 31, 2013, were non-interest bearing loans for \$100,000 from the General Fund to the Housing & Community Development Fund and a \$75,000 loan from the Sewer Fund to the Environmental Mitigation Fund that were needed to cover year-end expenditures.

Additionally, an interest bearing loan for \$8,800,000 from Water Fund to Other Capital Projects Fund was executed. This loan was approved to cover year-end expenditures as well as temporary cash flow shortages.

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. 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.

7. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2013 changes in governmental capital assets:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 219,458,162	\$ -	\$ -	\$ 219,458,162
Construction in Progress	106,878,856	6,025,284	(6,055,847)	106,848,293
Total non-depreciable assets	326,337,018	6,025,284	(6,055,847)	326,306,455
Capital Assets being depreciated:				
Buildings	126,061,620	2,314,339	-	128,375,959
Site Improvements	53,289,354	373,268	-	53,662,622
Equipment	49,658,683	2,706,307	(286,659)	52,078,331
Infrastructure	531,178,891	2,447,083	-	533,625,974
Total depreciable assets, gross	760,188,548	7,840,997	(286,659)	767,742,886
Less Accumulated Depreciation for:				
Buildings	(27,540,248)	(1,321,911)	-	(28,862,159)
Site Improvements	(14,782,019)	(2,203,699)	-	(16,985,718)
Equipment	(24,783,199)	(17,581,421)	245,291	(42,119,329)
Infrastructure	(233,991,151)	(10,557,553)	-	(244,548,704)
Total Accumulated Depreciation	(301,096,617)	(31,664,584)	245,291	(332,515,910)
Total depreciable assets, net	459,091,931	(23,823,587)	(41,368)	435,226,976
Governmental Activities Capital Assets, net	\$ 785,428,949	\$(17,798,303)	\$(6,097,215)	\$ 761,533,431

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Notes to the Financial Statements December 31, 2013

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b. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

A summary of Business-type Property, Plant, and Equipment at December 31, 2013 follows:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
Business-type Activities:				
Capital Assets not being depreciated:				
Land	\$ 11,125,912	\$ 241,104	\$ -	\$ 11,367,016
Construction in Progress	146,689,605	14,758,884	(9,371,069)	152,077,420
Total non-depreciable assets	157,815,517	14,999,988	(9,371,069)	163,444,436
Capital Assets being depreciated:				
Buildings	5,181,604	-	-	5,181,604
Site Improvements	245,340,025	10,133,731	(627,797)	254,845,959
Equipment	3,816,395	-	-	3,816,395
Total depreciable assets, gross	254,338,024	10,133,731	(627,797)	263,843,958
Less Accumulated Depreciation for:				
Buildings	(4,287,679)	(151,360)	-	(4,439,039)
Site Improvements	(91,316,711)	(5,574,340)	-	(96,891,051)
Equipment	(2,827,737)	(143,583)	-	(2,971,320)
Total Accumulated Depreciation	(98,432,127)	(5,869,283)	-	(104,301,410)
Total depreciable assets, net	155,905,897	4,264,448	(627,797)	159,542,548
Business-type Activities Capital Assets, net	\$ 313,721,414	\$ 19,264,436	\$ (9,998,896)	\$ 322,986,984

c. DEPRECIATION EXPENSE BY FUNCTION/PROGRAM

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

Governmental Activities:	
General Government	\$ 3,688,446
Judicial	51,229
Public Safety	453,620
Community Development	8,659
Public Works	10,717,720
Leisure Services	2,937,059
Health and Human Services	32,531
Library	99,243
Total Depreciation Expense – Governmental Activities	\$ 17,988,507
Business-type Activities:	
Water	\$ 1,685,287
Sewerage	3,983,969
Golf Complex	200,027
Total Depreciation Expense – Business-type Activities	\$ 5,869,283

8. SHORT-TERM DEBT

The City of Kent did not have any short-term debt during the current fiscal year, January through December 2013.

9. LEASES

The City leases storage space and equipment under non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the leases agreement are not reflected in the City's Statement of Net Position.

Operating Leases

The City leases space from Charlie Perkins for storage space on Smith Street. The City pays \$4,750 per month plus the property tax each year. For 2013, the City paid \$57,000 plus \$8,517 in property taxes for a total of \$65,517. The lease term is one year expiring in March, but the City is in the process of entering into a new five year lease agreement with Mr. Perkins.

The Golf Complex has leases with Yamaha Leasing for 76 Golf carts with payments of \$6,369 per month ending October 2013. No lease payments are due for the months of November 2013 through February 2014 when a new eight month lease of \$6,368 per month, plus taxes will begin.

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

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 65,194

10. LONG-TERM INDEBTEDNESS

PRIMARY GOVERNMENT:

The City of Kent has two types of long-term debt: (a) **bonded debt** (net of unamortized premium/discount) of \$85,739,093 and (b) **nonbonded debt** of 59,527,121 for a total of \$145,266,214 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 \$60,993,000 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 is paid for by the Water, Sewerage and Golf enterprise funds. Additional LTGO bond capacity at December 31, 2013 is \$110,086,952. Total additional general obligation capacity for all purposes at December 31, 2013 is \$869,159,480. The general obligation bonds have various interest rates between 2.0 percent and 5.45 percent with maturity dates to 2025. The City's general obligation bonds carry a Moody's "Baa2" rating as of February 6, 2012 and Standard and Poor's "AA-" rating as of November 26, 2013.

(2) **Special Assessment Bonds**

Special Assessment Bonds totaling \$2,700,000 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

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City of Kent

obligation of the City. As of December 31, 2013, the guaranty reserve was \$272,726, which amounts to 10.1 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, 2013, totaled \$21,470,198, including unamortized premium, 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.

The following is a summary of long-term bonded debt transactions of the City for the year ended December 31, 2013:

Previous year amounts in the following tables have been restated to reflect the implementation of GASB Statement No. 65.

	<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	\$ 62,704,394	\$ 3,822,681	\$ 4,632,517	\$ 22,477,223	\$ 93,636,815
Unamortized Discount-prior year	104,306	-	-	-	104,306
Unamortized Premium-prior year	(758,217)	-	-	(367,223)	(1,125,440)
Bonded Long-Term Debt Payable at 1/1	62,050,483	3,822,681	4,632,517	22,110,000	92,615,681
Debt retired or extinguished	4,722,909	1,122,681	967,091	945,000	7,757,681
Bonded Long-Term Debt Payable at 12/31	57,327,574	2,700,000	3,665,426	21,165,000	84,858,000
Unamortized Discount	(95,942)	-	-	-	(95,942)
Unamortized premium	671,837	-	-	305,198	977,035
Net Bonded Long-Term Debt Payable at 12/31	\$ 57,903,469	\$ 2,700,000	\$ 3,665,426	\$ 21,470,198	\$ 85,739,093
Current Portion	\$ 5,066,333	\$ 725,000	\$ 545,667	\$ 975,000	\$ 7,312,000

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The following is a summary of bonded debt issuance and redemption information as of December 31, 2013

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/13	Due Within One Year
GENERAL BONDED DEBT:							
GENERAL OBLIGATION BONDS – GOVERNMENTAL ACTIVITIES							
<u>LTGO Bonds:</u>							
General Purpose	2003	2018	2.3-5.5%	\$ 7,518,000	\$ 6,720,000	\$ 798,000	\$ 143,000
General Purpose	2004	2021	2-4.13%	16,505,000	7,575,426	8,929,574	1,329,333
General Purpose	2005	2020	4.05%	2,252,000	367,000	1,885,000	224,000
General Purpose	2006	2024	4.0-5.0%	12,000,000	1,800,000	10,200,000	800,000
Less: Unamortized Discount					40,677	(40,677)	
General Purpose	2008	2025	4.1-5.2%	24,000,000	3,280,000	20,720,000	725,000
Less: Unamortized Discount					55,265	(55,265)	
General Purpose	2009	2019	3.0-4.0%	8,410,000	2,910,000	5,500,000	835,000
Plus: Unamortized Premium					(194,033)	194,033	
General Purpose	2012	2022	2.0-4.5%	10,840,000	1,545,000	9,295,000	1,010,000
Plus: Unamortized Premium					(477,804)	477,804	
Total General Obligation – LGTO (Net)				\$ 81,525,000	\$23,621,531	\$57,903,469	\$ 5,066,333
TOTAL GOVERNMENTAL ACTIVITIES (Net)				\$ 81,525,000	\$23,621,531	\$57,903,469	\$ 5,066,333
GENERAL OBLIGATION BONDS – BUSINESS-TYPE ACTIVITIES							
<u>LTGO Bonds:</u>							
Drainage	2004	2021	2-4.13%	6,775,000	3,109,574	3,665,426	545,667
Sewerage – 93 Refunding	2005	2020	4.05%	2,437,000	2,437,000	-	-
Sewerage – 96 Refunding	2006	2013	4.05%	1,125,000	1,125,000	-	-
Total Sewerage Fund (Net)				\$ 10,337,000	\$ 6,671,574	\$ 3,665,426	\$ 545,667
TOTAL BUSINESS-TYPE ACTIVITIES (Net)				\$ 10,337,000	\$ 6,671,574	\$ 3,665,426	\$ 545,667
TOTAL GENERAL OBLIGATION BONDS (Net)				\$ 91,862,000	\$30,293,105	\$61,568,895	\$ 5,612,000
	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/13	Due Within One Year
SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES:							
LID 340,349	1999	2014	4.1-5.9%	\$ 13,221,661	\$13,221,661	\$ -	\$ -
LID 351	2001	2015	3.8-5.5%	5,367,217	5,367,217	-	-
LID 350, 352, 354	2003	2013	3.75-%	1,363,439	1,363,439	-	-
LID 353 et. al.	2004	2019	2.5-4.7%	11,758,557	9,058,557	2,700,000	725,000
TOTAL SPECIAL ASSESSMENT BONDS				\$ 31,710,874	\$29,010,874	\$ 2,700,000	\$ 725,000
TOTAL GENERAL BONDED DEBT (Net)				\$123,572,874	\$59,303,979	\$64,268,895	\$ 6,337,000
	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/13	Due Within One Year
REVENUE BONDS – BUSINESS-TYPE ACTIVITIES:							
<u>Water Fund:</u>							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$ 4,560,000	\$ 1,917,500	\$ 2,642,500	\$ 487,500
Plus: Unamortized Premium					(152,599)	152,599	
Revenue Bonds Series B	2009	2029	5.06-6.12%	\$ 7,940,000	\$ -	\$ 7,940,000	\$ -
Total (Net)				\$ 12,500,000	\$ 1,764,901	\$10,735,099	\$ 487,500
<u>Sewerage Fund:</u>							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$ 4,560,000	\$ 1,917,500	\$ 2,642,500	\$ 487,500
Plus: Unamortized Premium					(152,599)	152,599	
Revenue Bonds Series B	2009	2029	5.06-6.12%	\$ 7,940,000	\$ -	\$ 7,940,000	\$ -
Total (Net)				\$ 12,500,000	\$ 1,764,901	\$10,735,099	\$ 487,500
TOTAL REVENUE BONDS (Net)				\$ 25,000,000	\$ 3,529,802	\$21,470,198	\$ 975,000
TOTAL BONDED DEBT (Net)				\$148,572,874	\$62,833,781	\$85,739,093	\$ 7,312,000

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City of Kent

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	
2014	\$ 5,066,333	\$ 2,627,461	\$ 545,667	\$ 174,692	\$ 8,414,153
2015	5,058,711	2,415,978	509,289	147,408	8,131,386
2016	5,055,089	2,194,566	472,911	120,671	7,843,237
2017	5,068,473	1,978,884	420,527	95,843	7,563,727
2018	5,046,857	1,752,870	368,143	73,765	7,241,635
2019-2023	24,672,111	5,482,340	1,348,889	109,881	31,613,221
2024-2028	7,360,000	509,625	-	-	7,869,625
Total	\$57,327,574	\$ 16,961,724	\$ 3,665,426	\$ 722,260	\$ 78,676,984

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

Year	Governmental Activities		Total
	Principal	Interest	
2014	\$ 725,000	\$ 125,550	\$ 850,550
2015	750,000	91,838	841,838
2016	675,000	56,963	731,963
2017	550,000	25,575	575,575
Total	\$ 2,700,000	\$ 299,926	\$ 2,999,926

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	
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	550,000	513,072	550,000	513,072	2,126,144
2018	570,000	491,072	570,000	491,072	2,122,144
2019-2023	3,217,500	1,977,680	3,217,500	1,977,680	10,390,360
2024-2028	3,857,500	987,335	3,857,500	987,335	9,689,670
2029-2033	865,000	52,938	865,000	52,938	1,835,876
Total	\$10,582,500	\$ 5,684,713	\$10,582,500	\$ 5,684,713	\$ 32,534,426

DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:

The City of Kent Special Events Center Public Facilities District (PFD) has outstanding bonded debt (net of unamortized amounts) of \$61,120,339.

The following is a summary of bonded debt issuance and redemption information as of December 31, 2013:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/13	Due Within One Year
Sales Tax Bonds	2008	2037	4-5.25%	\$ 53,150,000	\$ -	\$53,150,000	\$ -
Plus: Unamortized Premium					(950,339)	950,339	
Revenue Bonds	2008	2020	3.16-5.75%	10,130,000	3,110,000	7,020,000	745,000
TOTAL BONDED DEBT (Net)				\$ 63,280,000	\$ 2,159,661	\$61,120,339	\$ 745,000

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

Year	Special Events Center Public Facilities District		
	Principal	Interest	Total
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	1,100,000	2,921,755	4,021,755
2018	1,250,000	2,862,861	4,112,861
2019-2023	8,760,000	13,154,535	21,914,535
2024-2028	14,220,000	10,479,515	24,699,515
2029-2033	19,520,000	6,192,625	25,712,625
2034-2038	12,730,000	1,663,075	14,393,075
Total	\$ 60,170,000	\$46,314,723	\$ 106,484,723

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 certain contracts that are considered direct obligations of the City for which its full faith and credit is pledged. Debt service is paid from the Non-Voted Debt Service Fund. It is funded by transfers from operating funds. Long-term debt for the long-term portion of compensated absences of \$1,736,360 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 \$126,559 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, 2013:

	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	647,000	-	215,000	432,000	212,000
Trust Fund Loan (Streets) 2004	2024	5,964,930	-	432,775	5,532,155	507,774
Trust Fund Loan (Streets) 2008	2028	4,289,474	-	268,092	4,021,382	268,092
Interfund Loans 2012	2022	9,698,149	-	1,026,593	8,671,556	906,398
LID 358-Internal financing		107,894	-	80,638	27,256	27,256
Compensated Absences		4,091,496	4,257,449	4,020,741	4,328,204	2,714,575
Total General Government		\$ 26,609,652	\$ 4,257,449	\$ 7,854,548	\$ 23,012,553	\$ 4,636,095
Internal Service Funds:						
<u>Equipment Rental Fund:</u>						
Compensated Absences		\$ 47,262	\$ 66,223	\$ 63,120	\$ 50,365	\$ 40,681
<u>Central Services Fund:</u>						
Compensated Absences		181,581	182,240	164,055	199,766	138,832
<u>Facilities Fund:</u>						
Energy Conservation Loan 2003	2013	43,892	-	43,892	-	-
Energy Conservation Loan 2004	2014	91,428	-	60,341	31,087	31,087
Compensated Absences		90,931	147,438	125,034	113,335	80,187
<u>Insurance Fund:</u>						
Compensated Absences		48,327	52,216	44,495	56,048	37,083
Total Internal Service Funds		\$ 503,421	\$ 448,117	\$ 500,937	\$ 450,601	\$ 327,870
Total Governmental Activities		\$ 27,113,073	\$ 4,705,566	\$ 8,355,485	\$ 23,463,154	\$ 4,963,965
Non-Bonded Long-Term Debt						
BUSINESS-TYPE ACTIVITIES:						
Proprietary Funds:						
<u>Water Fund:</u>						
Trust Fund Loan 2001	2021	\$ 4,750,000	\$ -	\$ 527,777	\$ 4,222,223	\$ 527,778
Trust Fund Loan 2002	2022	5,312,500	-	531,250	4,781,250	531,250
Contract Tacoma Pipeline 2002	2032	17,657,632	-	17,657,632	-	-
Contract Tacoma Pipeline 2010	2040	11,400,000	-	260,000	11,140,000	265,000
Contract Tacoma Pipeline Ref 20022032		-	14,790,000	175,000	14,615,000	205,000
Compensated Absences		189,618	166,111	173,134	182,595	136,319
Total Water Fund		\$ 39,309,750	\$14,956,111	\$19,324,793	\$ 34,941,068	\$ 1,665,347
<u>Sewerage Fund:</u>						
Trust Fund Loan 2004	2024	\$ 975,000	\$ -	\$ 150,000	\$ 825,000	\$ 75,000
Compensated Absences		227,916	240,737	251,920	216,733	171,539
Total Sewerage Fund		\$ 1,202,916	\$ 240,737	\$ 401,920	\$ 1,041,733	\$ 246,539
<u>Golf Complex Fund:</u>						
Compensated Absences		\$ 85,100	\$ 28,436	\$ 32,370	\$ 81,166	\$ 46,077
Total Golf Complex Fund		\$ 85,100	\$ 28,436	\$ 32,370	\$ 81,166	\$ 46,077
Total Business-Type Activities		\$ 40,597,766	\$15,225,284	\$19,759,083	\$ 36,063,967	\$ 1,957,963
Non-Bonded Long-Term Debt						
TOTAL NON-BONDED LONG-TERM DEBT		\$ 67,710,839	\$19,930,850	\$28,114,568	\$ 59,527,121	\$ 6,921,928

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

Year	<u>LID Internal Financing</u>		<u>Contract, Loans, and Notes</u>				Total
	<u>Governmental Activities</u>		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 27,256	\$ 1,227	\$ 1,925,351	\$ 197,240	\$ 1,604,028	\$ 1,124,804	\$ 4,879,906
2015	-	-	1,916,041	170,498	1,639,028	1,103,561	4,829,128
2016	-	-	1,710,028	143,854	1,519,028	1,080,719	4,453,629
2017	-	-	1,724,227	125,798	1,549,028	1,061,277	4,460,330
2018	-	-	1,738,642	107,525	1,549,028	1,040,435	4,435,630
2019-2023	-	-	7,879,018	256,755	7,593,333	4,760,630	20,489,736
2024-2028	-	-	1,794,873	22,356	8,020,000	3,517,842	13,355,071
2029-2033	-	-	-	-	8,150,000	1,583,858	9,733,858
2024-2038	-	-	-	-	2,725,000	531,607	3,256,607
2039-2043	-	-	-	-	1,235,000	68,141	1,303,141
Total	\$ 27,256	\$ 1,227	\$18,688,180	\$ 1,024,026	\$ 35,583,473	\$15,872,874	\$71,197,036

11. FUND EQUITY

Fund Balance

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

Nonspendable – 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 through ordinance.

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.

Unassigned – any remaining fund balance in the general fund not classified as nonspendable, restricted, committed or assigned. The City's financial policies require a target amount of 10 percent fund balance to remain in the general fund for cash flow purposes.

- **Deficit** fund balance is excess of current liabilities and deferred inflows over current assets and deferred outflows. Of the major funds, the Capital Improvement had a deficit fund balances of \$7,422,379 as of December 31, 2013. In the non-major funds, the Environmental Mitigation Special Revenue Fund had a deficit fund balance of \$25,644 as December 31, 2013.

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.

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. The water service fees include a flat monthly meter access fee and a water usage fee based on a customer's water consumption. Effective January 1, 2013, both meter access fees and usage fees increased six percent. This follows a three percent increase in fees on January 1, 2012.

Shown below are the new rates effective as of January 1, 2013 compared to 2012 rates:

Meter Access Fee Rates (monthly)

<u>Meter Size</u>	<u>Effective 2012</u>	<u>Effective 2013</u>
3/4" or 5/8"	\$ 12.35	\$ 13.10
1"	20.98	22.26
1½"	32.03	33.98
2"	42.46	45.04
3"	90.02	95.50
4"	109.08	115.72

Usage Rates 2012

		<u>Inside City Limits</u>	<u>Outside City Limits</u>
<u>Monthly</u>			
Summer (5/1-9/30)	First 700 cu. ft.	\$3.88 per 100 cu. ft.	\$4.74 per 100 cu. ft.
	Over 700 cu. ft.	\$4.94 per 100 cu. ft.	\$5.82 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$2.94 per 100 cu. ft.	\$3.88 per 100 cu. ft.
	Over 700 cu. ft.	\$3.98 per 100 cu. ft.	\$4.94 per 100 cu. ft.

Usage Rates 2013

		<u>Inside City Limits</u>	<u>Outside City Limits</u>
<u>Monthly</u>			
Summer (5/1-9/30)	First 700 cu. ft.	\$4.11 per 100 cu. ft.	\$5.02 per 100 cu. ft.
	Over 700 cu. ft.	\$5.24 per 100 cu. ft.	\$6.17 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$3.12 per 100 cu. ft.	\$4.11 per 100 cu. ft.
	Over 700 cu. ft.	\$4.22 per 100 cu. ft.	\$5.24 per 100 cu. ft.

b. SEWERAGE

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

The sewer operation is a collection system which pumps wastes to METRO, a regional treatment agency under King County. All collection districts in King County contract with METRO for sewage treatment. Rate increases for sewer are primarily related to pass through charges from METRO. For fiscal year 2013 the single family residential rates for sewer were a City fee of \$17.96 per month and a METRO fee of \$39.79 per month for a total monthly fee of \$57.75. All other than single family residential customers pay a sewer rate based on their water consumption with a minimum base rate of \$57.75 per month.

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The drainage operation started in May 1985 and collects revenue to fund operating charges. Effective January 1, 2012, the drainage fee for single family residences increased ten percent from \$10.56 to \$11.64 per month. The rate for multi-family and commercial establishments varies based on the property size, percentage of impervious surface, and the basin or basins in which the property is located.

The following shows the separation of the Sewerage Fund into its components.

	Amounts shown in thousands		
	Sewer	Drainage	Total
Operating Revenue	\$ 24,698	\$ 18,054	\$ 42,752
Operating Expenses	26,546	10,359	36,905
Operating Income	\$ (1,848)	\$ 7,695	\$ 5,847

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 position of \$484,927 in 2013, and net position of \$4,396,067 at December 31, 2013.

13. PROPERTY TAXES

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

Tax bills are mailed on February 14 and are due on April 30. They may be paid in two equal installments on April 30 and October 31. If not remitted by April 30, the whole amount becomes delinquent with penalties and delinquent interest assessed on that amount. The County Treasurer remits collections to the individual taxing districts daily by electronic funds transfer as amounts are received and allocated to taxing districts. General and Debt Service Funds receivables at December 31, 2013 include \$580,652 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 2013, the City's regular tax levy was \$1.694 per \$1,000 of assessed valuation based on the 2012 assessed valuation of \$12,009,757,520 for a total regular levy of \$20,258,863.

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, based on their tenure, at a percentage (between 20 and 80 percent) 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 Statement No. 16.

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

In the Governmental Activities Statement of Net Position, the current portion of compensated absences plus estimated benefits, including internal services, is estimated to be \$3,011,358 and the estimated long term, portion, including internal services is \$1,736,360. The liabilities are typically

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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 Position, the estimated current amount is \$353,935 and the estimated long-term portion is \$126,559.

b. RETIREMENT

The City's contributions to retirement programs in 2013 were:

To Federal Social Security System	\$3,618,512
To State administered employee retirement systems	<u>3,518,546</u>
Total	<u>\$7,137,058</u>

Retirement payments to City employees from all City funds in 2013 were:

From Firemen's Relief and Pension Fund	<u>\$ 321,149</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 No. 27, Accounting for Pensions by State and Local Government Employers and GASB Statement No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

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

The State Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement 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. (As used in this context, "plans" refers to tiers within PERS. The actual plan is PERS.)

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by August 31, 2002 are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after September 1, 2002 have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 account for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after completion of five years of eligible service. Plan 1 members are eligible for retirement from active service at any age with at least 30 years of service, or at the age of 60 with at least five years of service, or at the age of 55 with at least 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for 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. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is two percent of the AFC for each year of service

reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped a three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. 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 three percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS 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 if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013 and who are at least age 55 and have at least 30 years of service have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible children of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from five percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a five percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined benefit contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is one percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years, are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of five percent for each year before age 65.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

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 two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one 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 three percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make an 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 AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

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There are 2,304 employers participating in one or more PERS plan. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	82,242
Terminated plan members entitled to, but not yet receiving, benefits	30,515
Active plan members vested	106,317
Active plan members Nonvested	44,273
Total	263,347

Funding Policy

The State Legislature has established minimum contribution rates for the PERS plans (Chapter 56, Laws of 2009). All employers are required to contribute at the level established by the Legislature.

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rate ranges from five percent to 15 percent.

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 PERS contribution rates are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The City's contribution rates expressed as a percentage of current-year covered payroll, for the year ending December 31, 2013 are as follows:

Members not participating in JBM:

	Plan 1 Required	Plan 2 Required	Plan 3 Required
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****
Total	15.21%	14.13%	9.21%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

**The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% 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.

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Members participating in JBM:

	Plan 1 Required	Plan 2 Required	Plan 3 Required
Employer*	9.21%	9.21%	9.21%**
Employee	12.26%	12.30%	7.50%***
Total	21.47%	21.51%	16.71%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

**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 last three fiscal years December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$ 67,506	\$2,096,179	\$ 464,661
2012	70,265	1,935,045	414,761
2011	83,652	1,731,599	381,649

(2) Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

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.

LEOFF 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 legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate of specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of 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 (FAS) 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 (based on the Consumer Price Index).

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

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus five percent for each child up to a maximum of 60 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 benefit or service retirement benefit.

LEOFF Plan 2 members are vested after an employee completes five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of two percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is two percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. 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.

A 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 LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 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 LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to received retirement benefit of at least ten percent of FAS and two percent per year of service beyond five years. The first ten 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.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by 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 eligible health care premiums.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of those options are available to their survivors.

There are 425 employers participating in one or both of the LEOFF plans. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	10,189
Terminated plan members entitled to, but not yet receiving, benefits	689
Active plan members vested	14,273
Active plan members non-vested	2,633
<u>Total</u>	<u>27,784</u>

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

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The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, were as follows:

	Plan 1 Required	Plan 2 Required
Employer*	0.18%	5.23%
Employee	0.00%	8.41%
State	N/A	3.38%
Total	0.18%	17.02%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

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

	LEOFF Plan 1	LEOFF Plan 2
2013	\$ -	\$ 697,390
2012	34	672,934
2011	158	671,528

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

Plan Description

PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS Plan 2 membership includes:

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

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;
- Washington state cities except for Seattle, Tacoma and Spokane; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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

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- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest there on, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after the completion of five years of eligible service.

PSERS members may retire with a monthly benefit of two percent of the average final compensation (AFC) at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. 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 three percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is two percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Seattle Consumer Price Index), capped at three percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of those options are available to their survivors.

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

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and beneficiaries receiving benefits	27
Terminated plan members entitled to, but not receiving, benefits	60
Active plan members vested	2,083
Active plan members non-vested	2,167
Total	4,337

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. The methods used to determine the contribution requirements are established under state statute in accordance with

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Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	Plan 2 Required
Employer*	10.54%
Employee	6.36%
Total	16.90%

*The employer rate includes an employer administrative expense fee of 0.18%.

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
2013	\$ 160,043
2012	128,920
2011	107,702

(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, 2013 there were a total of 10 individuals covered by this system and drawing benefits. The City's covered payroll for year ending December 31, 2013 was \$124,149. 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 plan assets was \$3,154,301 and the actuarial present value of future benefits was \$2,729,000. The City contributed \$155,012 in 2013. 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			
	12/31/11	12/31/12	12/31/13
Annual required contribution (ARC)			
1 Annual normal cost (BOY)	\$ 0	\$ 0	\$ 0
2 Amortization of IAAL (BOY)	(46,150)	(33,607)	(33,607)
3 Interest to EOY [(1)+(2)] ¹ x (i) ¹	(1,846)	(1,344)	(1,344)
4 ARC at EOY [(1)+(2)+(3)]	\$ (47,996)	\$ (34,951)	\$ (34,951)
5 Interest on NPO	(12,660)	(12,178)	(10,739)
6 Adjustment to ARC	(24,039)	(24,063)	(22,155)
7 Annual pension cost [(4)+(5)-(6)]	\$ (36,617)	\$ (23,066)	\$ (23,535)
8 Employer contributions ²	(48,662)	(59,033)	(41,988)
9 Change in NPO [(7)-(8)]	\$ 12,045	\$ 35,967	\$ 18,453
10 NPO at BOY [(11) prior year]	(316,496)	(304,451)	(268,404)
11 NPO at EOY [(9)+(10)]	\$ (304,451)	\$ (268,484)	\$ (250,031)

¹i is the assumed interest rate that year: 4.0% in 2011, 4.0% in 2012 and 4.0% in 2013.

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.

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, 2011	\$ (36,617)	N/A	\$ (304,451)
December 31, 2012	(23,066)	N/A	(268,484)
December 31, 2013	(23,535)	N/A	(250,031)

Schedule of Employer Contributions					
Fiscal Year Ended	Employer Contributions*	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution ARC	Percentage of ARC Contributed
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)	(101.38)%
December 31, 2012	(204,825)	145,792	(59,033)	(34,951)	(168.90)%
December 31, 2013	(197,000)	155,012	(41,988)	(34,951)	(120.13)%

*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.

The Firemen's Relief and Pension System's investments at December 31, 2013, of \$2,867,068 recorded at fair market value, were in the following obligations:

	Market Value
Government Agencies	\$ 614,535
State Investment Pool	2,252,533
Total	\$ 2,867,068

(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

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benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the City, under GASB No. 45, has recorded a liability of \$1,112,245 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 liabilities in the December 31, 2013 statement of net position. The effect of GASB No. 45 for the current fiscal year was to decrease the City's excess of revenue over expenses and the City's net position for the year ended December 31, 2013 by approximately \$109,322.

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, 2013, the City contributed an estimated \$912,889 to the Health Plan to prefund benefits.

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

	12/31/13
Amortization of unfunded actuarial Accrued liability (UAAL) at transition	\$ 803,567
ARC	<u>803,567</u>
Annual OPEB cost (expense)	803,567
Contributions made	<u>(912,889)</u>
Increase in net OPEB obligation	
Net OPEB obligation - beginning of year	<u>(1,002,923)</u>
Net OPEB obligation - end of year	<u>\$ (1,112,245)</u>

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, 2013	\$ 803,567	113.6%	\$ 1,112,245
December 31, 2012	803,567	117.7%	1,002,923
December 31, 2011	<u>\$ 803,567</u>	108.7%	<u>\$ 860,760</u>

Funded Status and Funding Progress: The funded status of the Health Plan as of December 31, 2010, the date of the last actuarial valuation, follows:

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

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

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

The December 31, 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 6.4% and 4.0% after 10 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.

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 \$93,343 during 2013 for this coverage.

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 2013 and 2012 as carried in the City's Internal Service Funds:

	Worker's Compensation		Medical and Dental		Liability		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Claims liabilities, 1/1	\$ 1,757,476	\$ 2,433,563	\$ 753,100	\$ 863,400	\$ 1,972,012	\$ 2,171,321	\$ 4,482,588	\$ 5,468,284
Less: Claims paid	(613,662)	(881,630)	(9,560,152)	(12,886,016)	(634,850)	(322,299)	(10,808,664)	(14,089,945)
Plus claims and Changes in estimates	1,292,465	205,543	9,477,852	12,775,716	140,868	122,990	10,911,185	13,104,249
Claims Liabilities 12/31	\$ 2,436,279	\$ 1,757,476	\$ 670,800	\$ 753,100	\$ 1,478,030	\$ 1,972,012	\$ 4,585,109	\$ 4,482,588

a. UNEMPLOYMENT COMPENSATION

The City self-insures its unemployment compensation program through the Washington State Employment Security Department. Reserves are set each year based on estimates of employment activity. The City paid \$163,725 in unemployment compensation claims in fiscal year 2013. At December 31, 2013, fund equity was \$471,907.

b. WORKER'S COMPENSATION

The City became self-insured for worker's compensation in 1981. Contributions are made from the operating funds based upon actuarially determined costs. The funding and allocations for the worker's compensation program are reviewed by an actuary on an annual basis. The latest actuarial study was made by Fallquist Actuaries, Inc., as of December 31, 2012. The study projected ultimate loss for 2013 of \$957,600. At December 31, 2013, incurred but not reported and claims payable were estimated at \$2,436,279. At December 31, 2013 fund equity was \$702,401. A contingency reserve of \$104,319 was set up for a worker's compensation claim. The City carries excess workers' compensation insurance coverage with a private carrier for losses exceeding \$500,000 per occurrence to a maximum indemnity in accordance with statutory limits.

c. LIABILITY

Liability coverage consists of a self-insurance layer of \$250,000 combined with two layers of reinsurance, a \$5 million primary layer and a \$15 million secondary layer for a total of \$20 million. The reinsurance layers are through the Washington Public Entity Group (WAPEG), a risk purchase group organized through the City's broker, Alliant Insurance Services, Inc. Coverage is occurrence based and includes general, automobile, police, public officials' errors and omissions, employment practices, stop gap, and employee benefits liability. Loss reserves are maintained by the City on the basis of annual actuarial studies.

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

At December 31, 2013, the City booked a liability for open and incurred but not reported claims to equal estimated outstanding claims liability of \$1,478,030. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2013.

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Notes to the Financial Statements December 31, 2013

City of Kent

At December 31, 2013, fund equity was \$3,503,131 in its liability fund. In 2013, the City expensed \$1,030,374 for its liability claims and insurance coverage.

d. PROPERTY

Property coverage is provided by Lexington for all risks including earthquake and flood for buildings, contents, business income, extra expense, mobile equipment, fine arts and vehicles. Deductibles are \$100,000 per occurrence.

At December 31, 2013 fund equity was \$176,961. In 2013, the City expensed \$526,864 for its property claims and insurance coverage.

e. 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 \$175,000 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 2013, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$8,163,158. 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, 2013. The City's incurred but not reported claims liabilities decreased from \$805,800 as of December 31, 2012 to \$705,200 as of December 31, 2013. These amounts include the estimated IBNR for LEOFF1 Retirees of \$52,700 as of December 31, 2012 and \$57,600 as of December 31, 2013.

Group Health Cooperative provided health care to approximately five percent of the employees for 2013 premiums of \$426,597.

The fund's net position increased by \$1,170,126 to \$7,220,438 at December 31, 2013. In 2013, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

e. FINANCIAL HIGHLIGHTS

The 2013 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	\$ 99,467	\$ 123,666	\$ 923,908	\$ 150,338	\$ (84,456)	\$ 1,212,923
Other investments	410,000	3,019,874	4,240,000	4,835,000	-	12,504,874
Receivables:						
Accounts	-	-	368,652	-	-	368,652
Notes	-	-	2,683,291	-	-	2,683,291
Accrued interest	-	51	-	-	-	51
Prepaid expenses	-	13,388	3,823	31,731	263,328	312,270
TOTAL ASSETS	\$ 509,467	\$ 3,156,979	\$8,219,674	\$5,017,069	\$ 178,872	\$17,082,061

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Notes to the Financial Statements December 31, 2013

City of Kent

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
LIABILITIES						
Current:						
Vouchers Payable	\$ -	\$ 312	\$ 275,355	\$ 27,412	\$ -	\$ 303,079
Accrued expenses	35,786	2,447,168	686,355	1,478,650	137	4,648,096
Compensated absences - current	1,153	4,611	25,050	5,116	1,153	37,083
Long-term:						
Compensated absences	621	2,487	12,476	2,760	621	18,965
TOTAL LIABILITIES	37,560	2,454,578	999,236	1,513,938	1,911	5,007,223
NET POSITION	471,907	702,401	7,220,438	3,503,131	176,961	12,074,838
TOTAL LIABILITIES & NET POSITION	\$ 509,467	\$ 3,156,979	\$8,219,674	\$5,017,069	\$ 178,872	\$17,082,061
INCOME STATEMENT						
OPERATING REVENUES	\$ 378,004	\$ 1,504,861	\$10,951,450	\$2,340,300	\$ 562,455	\$15,737,070
OPERATING EXPENSES	186,813	1,499,879	9,832,520	1,030,374	526,864	13,076,450
OPERATING INCOME	191,191	4,982	1,118,930	1,309,926	35,591	2,660,620
NON-OPERATING REVENUES						
(EXPENSES)	483	3,704	51,245	6,118	53	61,603
TRANSFERS IN/(OUT)	-	(31)	(49)	-	-	(80)
NET INCOME	191,674	8,655	1,170,126	1,316,044	35,644	2,722,143
NET POSITION 1/1	280,233	693,746	6,050,312	2,187,087	141,317	9,352,695
NET POSITION 12/31	\$ 471,907	\$ 702,401	\$7,220,438	\$3,503,131	\$ 176,961	\$12,074,838

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 2013, Valley Com contributed \$10,120 of the payment owed by the City which left a balance of \$204,880 that the City paid. The new balance of the City of Kent's obligation was \$432,000 at December 31, 2013.

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

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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 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 2013 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	97,579	27.76%
Renton	72,740	20.70%
Auburn	71,881	20.45%
Tukwila	34,192	9.73%
Federal Way	75,073	21.36%
Totals	351,464	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	30.73%	21.82%	20.65%	12.19%	14.61%	100.00%
Equity 1/1/13	\$ 7,139,778	\$ 5,062,434	\$ 4,783,577	\$ 2,843,407	\$ 3,324,584	\$ 23,153,780
Current Yr Increase	239,013	178,173	176,069	83,751	183,886	860,892
Equity 12/31/13	\$ 7,378,791	\$ 5,240,607	\$ 4,959,646	\$ 2,927,158	\$ 3,508,470	\$ 24,014,672

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

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, 2013, the PFD generated \$3,819,136 in revenue and had net position of \$(60,100,035).

Per GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 61, 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, 2013, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$ 18,307,555
Parks Capital Projects	3,241,045
Miscellaneous Projects	5,293,926
Technology Capital Projects	652,339
Facilities Fund Capital Projects	1,190,546
Facilities Fund	862,692
Water Capital Projects	17,328,615
Sewerage Capital Projects	30,264,113
Total	\$ 77,140,831

20. PRIOR PERIOD ADJUSTMENT

With the implementation of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, certain items related to bonded debt are required to be treated differently than in the past. The Statement requires that the accounting changes adopted to conform to the provisions of the statement be applied retroactively, either by restating financial statements for all period presented, or by reporting a restatement of beginning net position or fund balance. The transactions to implement GASB Statement No. 65 and also correct other issues with previous deferred bond costs have been reported as a prior period adjustment to beginning net position in the proprietary fund and government-wide financial statements:

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Notes to the Financial Statements December 31, 2013

City of Kent

Additionally, the City corrected errors in prior year financial reports to correct certain internal charges between the Equipment Rental Fund (Internal Service) and the Golf Complex Fund, to write off debt to King County, and to correct prior years' depreciation expense on certain capital assets.

	Proprietary Funds	Governmental Activities
Write off of bond issuance costs previously capitalized and other adjustments to deferred bond costs	\$ 11,188	\$ (437,080)
Correct previous years' charges from the Equipment Rental Fund to the Golf Complex Fund	26,030	(26,030)
Write off King County debt		1,810,709
Correction to prior depreciation expense		(13,492,112)
Total	<u>\$ 37,218</u>	<u>\$ (12,144,513)</u>

21. SUBSEQUENT EVENTS

On April 9, 2014 the City issued \$12,230,000 in General Obligation Refunding Bonds for the purpose of refunding the outstanding balance of the 2004 General Obligation Refunding Bonds (\$12,595,000). The proceeds of the 2014 bonds were placed into an irrevocable trust fund and invested in state and local government securities. On June 1, 2014 the 2004 General Obligation Refunding Bonds were called.

On February 21, 2014, the City received an upgrade on the General Obligation Bonds from A+ to AA-from Standard & Poor's Rating Service. Also on February 6, 2014 Moody's Rating Service reaffirmed their Baa2 rating on the General Obligation Bonds, but upgraded the rating outlook to "stable".



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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%	-	N/A
Jan. 1, 2012	3,154	2,729	(425)	116%	-	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, 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	(204,825)	145,792	(59,033)	(34,951)	N/A
Dec 31, 2013	(197,000)	155,012	(41,988)	(34,951)	N/A

* 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

Continued on the following page

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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 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%

* Most recent actuarial study

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. With the implementation of GASB Statement No. 54, the Public Safety Retiree Special Revenue Fund, which uses contributions from the City to fund the OPEB obligation and pay healthcare costs of LEOFF 1 retirees is now combined with the General Fund for financial reporting. 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 Fund is to provide debt service payments on voted General Obligation Bonds. Property tax revenue provides the financing source for voted General Obligation Bonds.

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, miscellaneous other capital projects, 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, 2013**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
ASSETS			
Cash and equity in pooled investments	\$ 551,541	\$ 32,777	\$ 77,139
Investments, at fair value	65,000	135,000	-
Receivables (net of allowances for estimated uncollectables):			
Taxes	575,372	25,886	80,198
Accounts	27,261	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
TOTAL ASSETS	<u>\$ 1,219,174</u>	<u>\$ 193,663</u>	<u>\$ 157,337</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,219,174</u>	<u>193,663</u>	<u>157,337</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Vouchers payable	\$ 4,528	\$ -	\$ -
Accounts/payroll payable	65,253	-	-
Due to other governments	273	-	-
Interfund loans payable	-	-	-
Deposits and advances	-	-	-
Total Liabilities	<u>70,054</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Street capital projects	40,241	-	-
Lodging tax purposes	-	193,663	-
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Facility capital projects	-	-	-
Bond retirement	-	-	-
Committed:			
Street operations	1,108,879	-	-
Youth/Teen programs	-	-	157,337
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Technology capital projects	-	-	-
Assigned:			
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Technology capital projects	-	-	-
Facility capital projects	-	-	-
Unassigned			
-	-	-	-
Total Fund Balance	<u>1,149,120</u>	<u>193,663</u>	<u>157,337</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,219,174</u>	<u>\$ 193,663</u>	<u>\$ 157,337</u>

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Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 309,692	\$ 17,807	\$ 180,294	\$ 1,169,250
995,000	-	-	1,195,000
444,456	-	-	1,125,912
283,364	57,506	151,899	520,030
222,693	-	332	223,025
3,120	-	-	3,120
<u>\$ 2,258,325</u>	<u>\$ 75,313</u>	<u>\$ 332,525</u>	<u>\$ 4,236,337</u>
<u>2,258,325</u>	<u>75,313</u>	<u>332,525</u>	<u>4,236,337</u>
\$ 103,930	\$ 25,957	\$ 78,518	\$ 212,933
331,041	-	152,690	548,984
8,281	-	1,317	9,871
-	75,000	100,000	175,000
164,506	-	-	164,506
<u>607,758</u>	<u>100,957</u>	<u>332,525</u>	<u>1,111,294</u>
-	-	-	-
-	-	-	-
3,120	-	-	3,120
-	-	-	-
-	-	-	40,241
-	-	-	193,663
1,476,567	-	-	1,476,567
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,108,879
-	-	-	157,337
146,322	-	-	146,322
-	-	-	-
-	-	-	-
24,558	-	-	24,558
-	-	-	-
-	-	-	-
-	-	-	-
-	(25,644)	-	(25,644)
<u>1,650,567</u>	<u>(25,644)</u>	<u>-</u>	<u>3,125,043</u>
<u>\$ 2,258,325</u>	<u>\$ 75,313</u>	<u>\$ 332,525</u>	<u>\$ 4,236,337</u>

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2013 Comprehensive Annual Financial Report

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2013**

	<u>Debt Service</u>
	<u>General Obligation</u>
	<u>Voted</u>
ASSETS	
Cash and equity in pooled investments	\$ 1,091
Investments, at fair value	-
Receivables (net of allowances for estimated uncollectables):	
Taxes	5,107
Accounts	-
Due from other governments	-
Prepaid items	-
TOTAL ASSETS	<u>\$ 6,198</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>6,198</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	
LIABILITIES	
Vouchers payable	\$ -
Accounts/payroll payable	-
Due to other governments	-
Interfund loans payable	-
Deposits and advances	10
Total Liabilities	<u>10</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	5,105
Total Deferred Inflows of Resources	<u>5,105</u>
FUND BALANCE	
Nonspendable:	
Prepaid items	-
Restricted:	
Street Projects	-
Lodging Tax Purposes	-
Criminal Justice Programs	-
Parks Capital Projects	-
Facility Capital Projects	-
Bond retirement	1,083
Committed:	
Street Operating Programs	-
Youth/Teen Programs	-
Criminal justice programs	-
Parks capital projects	-
Technology capital projects	-
Assigned:	
Criminal Justice Programs	-
Parks Capital Projects	-
Technology Capital Projects	-
Facility Capital Projects	-
Unassigned:	
Total Fund Balance	<u>1,083</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,198</u>

2013 Comprehensive Annual Financial Report

		Capital Projects				
Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds	
\$ 1,843,813	\$ 58,903	\$ 992,945	\$ 1,195,380	\$ 4,091,041	\$ 5,261,382	
105,000	140,000	-	-	245,000	1,440,000	
1,556	-	-	-	1,556	1,132,575	
857,568	-	-	-	857,568	1,377,598	
-	-	-	-	-	223,025	
-	-	-	-	-	3,120	
<u>\$ 2,807,937</u>	<u>\$ 198,903</u>	<u>\$ 992,945</u>	<u>\$ 1,195,380</u>	<u>\$ 5,195,165</u>	<u>\$ 9,437,700</u>	
<u>2,807,937</u>	<u>198,903</u>	<u>992,945</u>	<u>1,195,380</u>	<u>5,195,165</u>	<u>9,437,700</u>	
\$ 19,231	\$ -	\$ 134,632	\$ 2,932	\$ 156,795	\$ 369,728	
22,584	-	129,692	1,903	154,179	703,163	
455	-	-	-	455	10,326	
-	-	-	-	-	175,000	
-	-	-	-	-	164,516	
<u>42,270</u>	<u>-</u>	<u>264,324</u>	<u>4,835</u>	<u>311,429</u>	<u>1,422,733</u>	
-	-	-	-	-	5,105	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,105</u>	
-	-	-	-	-	3,120	
-	-	-	-	-	40,241	
-	-	-	-	-	193,663	
-	-	-	-	-	1,476,567	
1,152,324	-	-	-	1,152,324	1,152,324	
-	198,903	-	1,082,184	1,281,087	1,281,087	
-	-	-	-	-	1,083	
-	-	-	-	-	1,108,879	
-	-	-	-	-	157,337	
-	-	-	-	-	146,322	
286,746	-	-	-	286,746	286,746	
-	-	561,753	-	561,753	561,753	
-	-	-	-	-	24,558	
1,326,597	-	-	-	1,326,597	1,326,597	
-	-	166,868	-	166,868	166,868	
-	-	-	108,361	108,361	108,361	
-	-	-	-	-	(25,644)	
<u>2,765,667</u>	<u>198,903</u>	<u>728,621</u>	<u>1,190,545</u>	<u>4,883,736</u>	<u>8,009,862</u>	
<u>\$ 2,807,937</u>	<u>\$ 198,903</u>	<u>\$ 992,945</u>	<u>\$ 1,195,380</u>	<u>\$ 5,195,165</u>	<u>\$ 9,437,700</u>	

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2013 Comprehensive Annual Financial Report

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2013**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
REVENUES			
Taxes:			
Sales and use	\$ -	\$ -	\$ -
Utility	2,979,891	-	893,967
Business & occupation	4,674,052	-	-
Lodging tax	-	217,618	-
Intergovernmental revenue:			
Federal grants	-	-	-
State shared fuel tax - general street	1,912,362	-	-
State shared revenue-criminal justice	-	-	-
State grants	65,199	-	-
Local government grants	-	-	-
Charges for services	645,397	-	-
Fines and forfeitures	23,484	-	-
Miscellaneous revenue:			
Interest income	3,818	85	338
Contributions and Donations	-	-	-
Other miscellaneous revenue	-	-	-
TOTAL REVENUES	10,304,203	217,703	894,305
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	123,499	-
Public works	2,257,171	-	-
Leisure services	-	-	42,000
Health and human services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	2,257,171	123,499	42,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,047,032	94,204	852,305
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Transfers in	-	4,063	-
Transfers out	(7,763,433)	-	(781,426)
TOTAL OTHER FINANCING SOURCES (USES)	(7,763,433)	4,063	(781,426)
NET CHANGE IN FUND BALANCES	283,599	98,267	70,879
FUND BALANCES (DEFICIT), January 1	865,521	95,396	86,458
FUND BALANCES, December 31	\$ 1,149,120	\$ 193,663	\$ 157,337

2013 Comprehensive Annual Financial Report

Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 2,077,598	\$ -	\$ -	\$ 2,077,598
-	-	-	3,873,858
-	-	-	4,674,052
-	-	-	217,618
136,371	-	807,099	943,470
-	-	-	1,912,362
295,333	-	-	295,333
1,125,096	75,715	-	1,266,010
148,906	117,302	-	266,208
124,415	-	-	769,812
18,955	-	-	42,439
-	-	-	-
1,169	-	-	5,410
45,949	-	-	45,949
3,146	-	-	3,146
<u>3,976,938</u>	<u>193,017</u>	<u>807,099</u>	<u>16,393,265</u>
-	-	-	-
3,765,244	-	-	3,765,244
-	-	-	123,499
-	218,000	-	2,475,171
-	-	-	42,000
-	-	807,099	807,099
-	-	-	-
-	-	-	-
28,966	-	-	28,966
<u>3,794,210</u>	<u>218,000</u>	<u>807,099</u>	<u>7,241,979</u>
182,728	(24,983)	-	9,151,286
-	-	-	-
74,803	-	-	78,866
(125,000)	-	-	(8,669,859)
<u>(50,197)</u>	<u>-</u>	<u>-</u>	<u>(8,590,993)</u>
132,531	(24,983)	-	560,293
1,518,036	(661)	-	2,564,750
<u>\$ 1,650,567</u>	<u>\$ (25,644)</u>	<u>\$ -</u>	<u>\$ 3,125,043</u>

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2013 Comprehensive Annual Financial Report

**CITY OF KENT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2013**

	<u>Debt Service</u>
	<u>General Obligation</u>
	<u>Voted</u>
REVENUES	
Taxes:	
Sales and use	\$ -
Utility	-
Business & occupation	-
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>-</u>
EXPENDITURES	
Current:	
General government	-
Public safety	-
Community development	-
Public works	-
Leisure services	-
Health and human services	-
Debt service:	
Principal	-
Interest and fiscal charges	-
Capital outlay	-
TOTAL EXPENDITURES	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	-
Transfers in	-
Transfers out	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
SOURCES OVER EXPENDITURES AND OTHER USES	-
FUND BALANCES, January 1	1,083
FUND BALANCES, December 31	\$ <u><u>1,083</u></u>

2013 Comprehensive Annual Financial Report

		Capital Projects				
Parks Capital Projects	Other Capital Projects	Technology Capital Projects	Facility Capital Projects	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,077,598	
-	-	-	-	-	3,873,858	
-	-	-	-	-	4,674,052	
-	-	-	-	-	217,618	
-	-	-	-	-	943,470	
9,660	-	-	-	9,660	1,922,022	
-	-	-	-	-	295,333	
689,403	-	-	-	689,403	1,955,413	
468,611	-	-	-	468,611	734,819	
7,875	-	-	-	7,875	777,687	
-	-	-	-	-	42,439	
136	366	-	-	502	5,912	
242,417	-	-	-	242,417	288,366	
188,599	4,064	-	-	192,663	195,809	
<u>1,606,701</u>	<u>4,430</u>	<u>-</u>	<u>-</u>	<u>1,611,131</u>	<u>18,004,396</u>	
-	2,078	-	-	2,078	2,078	
-	-	-	-	-	3,765,244	
-	-	-	-	-	123,499	
-	-	-	-	-	2,475,171	
300,000	-	-	-	300,000	342,000	
-	-	-	-	-	807,099	
-	-	-	-	-	-	
-	-	-	-	-	-	
1,099,076	-	1,299,063	54,591	2,452,730	2,481,696	
<u>1,399,076</u>	<u>2,078</u>	<u>1,299,063</u>	<u>54,591</u>	<u>2,754,808</u>	<u>9,996,787</u>	
207,625	2,352	(1,299,063)	(54,591)	(1,143,677)	8,007,609	
-	138,591	-	-	138,591	138,591	
800,000	-	1,468,268	52,712	2,320,980	2,399,846	
-	(228,920)	-	-	(228,920)	(8,898,779)	
<u>800,000</u>	<u>(90,329)</u>	<u>1,468,268</u>	<u>52,712</u>	<u>2,230,651</u>	<u>(6,360,342)</u>	
1,007,625	(87,977)	169,205	(1,879)	1,086,974	1,647,267	
1,758,042	286,880	559,416	1,192,424	3,796,762	6,362,595	
<u>\$ 2,765,667</u>	<u>\$ 198,903</u>	<u>\$ 728,621</u>	<u>\$ 1,190,545</u>	<u>\$ 4,883,736</u>	<u>\$ 8,009,862</u>	

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2013 Comprehensive Annual Financial Report

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, 2013

	2013 Budget		Actual	Variance
	Original	Final		
REVENUES				
Contributions and Donations	\$ 733,806	\$ 700,806	\$ 694,206	\$ (6,600)
Miscellaneous revenue:				
Interest income	2,500	2,500	1,052	(1,448)
TOTAL REVENUES	<u>736,306</u>	<u>703,306</u>	<u>695,258</u>	<u>(8,048)</u>
EXPENDITURES	1,121,608	1,121,608	782,543	(339,065)
TOTAL EXPENDITURES	<u>1,121,608</u>	<u>1,121,608</u>	<u>782,543</u>	<u>(339,065)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(385,302)	(418,302)	(87,285)	331,017
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	(135,302)	(168,302)	162,715	331,017
FUND BALANCES, January 1	472,982	699,508	699,508	-
FUND BALANCES, December 31	<u>\$ 337,680</u>	<u>\$ 531,206</u>	<u>\$ 862,223</u>	<u>\$ 331,017</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, 2013

	2013 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Lodging Tax	\$ 194,382	\$ 194,382	\$ 217,618	\$ 23,236
Miscellaneous revenue:				
Interest income	50	50	85	35
TOTAL REVENUES	<u>194,432</u>	<u>194,432</u>	<u>217,703</u>	<u>23,271</u>
EXPENDITURES	178,500	178,500	123,499	(55,001)
TOTAL EXPENDITURES	<u>178,500</u>	<u>178,500</u>	<u>123,499</u>	<u>(55,001)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,932	15,932	94,204	78,272
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,063	
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>4,063</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	15,932	15,932	98,267	82,335
FUND BALANCES, January 1	94,907	95,396	95,396	-
FUND BALANCES, December 31	<u>\$ 110,839</u>	<u>\$ 111,328</u>	<u>\$ 193,663</u>	<u>\$ 82,335</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, 2013

	2013 Budget		Actual	Variance
	Original	Final		
REVENUES				
Taxes:				
Utility	\$ 892,380	\$ 892,380	\$ 893,967	\$ 1,587
Miscellaneous revenue:				
Interest income	250	250	338	88
TOTAL REVENUES	<u>892,630</u>	<u>892,630</u>	<u>894,305</u>	<u>1,675</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	850,630	850,630	852,305	1,675
OTHER FINANCING SOURCES (USES)				
Transfers out	(844,139)	(844,139)	(781,426)	62,713
TOTAL OTHER FINANCING SOURCES (USES)	<u>(844,139)</u>	<u>(844,139)</u>	<u>(781,426)</u>	<u>62,713</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	6,491	6,491	70,879	64,388
FUND BALANCES, January 1	119,957	86,458	86,458	-
FUND BALANCES, December 31	<u>\$ 126,448</u>	<u>\$ 92,949</u>	<u>\$ 157,337</u>	<u>\$ 64,388</u>

INTERNAL SERVICE FUNDS

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

2013 Comprehensive Annual Financial Report

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2013**

	Equipment Rental	Central Services
ASSETS		
CURRENT ASSETS		
Cash and equity in pooled investments	\$ 289,742	\$ 1,074,067
Investments, at fair value	815,000	-
Receivables (net of allowances for estimated uncollectables):		
Accounts	206	208,385
Notes	-	-
Accrued interest	-	-
Interfund loan receivable	1,500,000	-
Inventory, at cost	78,710	31,892
Prepaid expenses	209	292,000
Total Current Assets	<u>2,683,867</u>	<u>1,606,344</u>
PROPERTY, PLANT AND EQUIPMENT		
Buildings	108,702	675,071
Site improvements	253,569	28,964
Equipment	14,157,022	5,644,905
Less: accumulated depreciation	(11,543,156)	(6,332,984)
Construction in progress	-	-
Total Property, Plant and Equipment	<u>2,976,137</u>	<u>15,956</u>
TOTAL ASSETS	<u>\$ 5,660,004</u>	<u>\$ 1,622,300</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 5,660,004</u>	<u>\$ 1,622,300</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Vouchers payable	\$ 138,372	\$ 175,769
Accounts/payroll payable	60,334	256,005
Incurred but not reported claims payable	-	-
Accrued interest payable	-	-
Compensated absences payable - current portion	40,681	138,832
Contracts, leases and notes payable - current portion	-	-
Deposits and unearned revenue	-	-
Total Current Liabilities	<u>239,387</u>	<u>570,606</u>
LONG-TERM LIABILITIES		
Compensated absences payable - non-current	<u>9,684</u>	<u>60,934</u>
Total Long-Term Liabilities	9,684	60,934
TOTAL LIABILITIES	<u>249,071</u>	<u>631,540</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 249,071</u>	<u>\$ 631,540</u>
NET POSITION		
Net investment in capital assets	2,976,137	15,956
Unrestricted	2,434,796	974,804
TOTAL NET POSITION	<u>\$ 5,410,933</u>	<u>\$ 990,760</u>

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	Facilities	Insurance	Totals
\$	244,674	\$ 1,212,923	\$ 2,821,406
	2,295,000	12,504,874	15,614,874
	-	368,652	577,243
	-	2,683,291	2,683,291
	-	51	51
	-	-	1,500,000
	-	-	110,602
	4,750	312,270	609,229
	<u>2,544,424</u>	<u>17,082,061</u>	<u>23,916,696</u>
	224,496	-	1,008,269
	79,420	-	361,953
	105,348	-	19,907,275
	(305,853)	-	(18,181,993)
	<u>1,472,634</u>	<u>-</u>	<u>1,472,634</u>
	1,576,045	-	4,568,138
\$	<u>4,120,469</u>	\$ <u>17,082,061</u>	\$ <u>28,484,834</u>
\$	<u>4,120,469</u>	\$ <u>17,082,061</u>	\$ <u>28,484,834</u>
\$	175,854	\$ 303,079	\$ 793,074
	116,585	62,987	495,911
	-	4,585,109	4,585,109
	105	-	105
	80,187	37,083	296,783
	31,087	-	31,087
	1,250	-	1,250
	<u>405,068</u>	<u>4,988,258</u>	<u>6,203,319</u>
	<u>33,148</u>	<u>18,965</u>	<u>122,731</u>
	33,148	18,965	122,731
	<u>438,216</u>	<u>5,007,223</u>	<u>6,326,050</u>
\$	<u>438,216</u>	\$ <u>5,007,223</u>	\$ <u>6,326,050</u>
	1,544,958	-	4,537,051
	2,137,295	12,074,838	17,621,733
\$	<u>3,682,253</u>	\$ <u>12,074,838</u>	\$ <u>22,158,784</u>

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**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2013**

	Equipment Rental	Central Services
OPERATING REVENUES		
Sales	\$ 1,009,730	\$ 127,313
Charges for services	2,960,549	5,147,931
Contributions	-	-
Other operating revenue	-	-
TOTAL OPERATING REVENUES	<u>3,970,279</u>	<u>5,275,244</u>
OPERATING EXPENSES		
Salaries and wages	575,886	1,844,898
Benefits	260,357	621,909
Supplies	1,363,952	241,112
Services and charges	782,577	2,119,962
Depreciation	574,608	4,350
TOTAL OPERATING EXPENSES	<u>3,557,380</u>	<u>4,832,231</u>
OPERATING INCOME (LOSS)	412,899	443,013
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,899	-
Gain/(loss) on disposal of capital assets	(20,712)	-
Miscellaneous non-operating revenues	5,859	1,363,788
Interest expense	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(11,954)</u>	<u>1,363,788</u>
NET INCOME (LOSS)	400,945	1,806,801
Contributed capital	39,465	-
Transfers in	-	119,191
Transfers out	(134)	(1,304,211)
CHANGE IN NET POSITION	440,276	621,781
NET POSITION, January 1	4,996,687	368,979
Prior Period Adjustment	(26,030)	-
ADJUSTED NET POSITION, January 1	4,970,657	368,979
NET POSITION, December 31	<u>\$ 5,410,933</u>	<u>\$ 990,760</u>

2013 Comprehensive Annual Financial Report

	Facilities	Insurance	Totals
\$	-	\$	-
	4,036,500		1,137,043
	-	-	12,144,980
	866,487	15,637,351	15,637,351
		99,719	966,206
	<u>4,902,987</u>	<u>15,737,070</u>	<u>29,885,580</u>
	1,354,782	398,609	4,174,175
	659,303	131,510	1,673,079
	311,515	21,491	1,938,070
	3,063,771	12,524,840	18,491,150
	7,100	-	586,058
	<u>5,396,471</u>	<u>13,076,450</u>	<u>26,862,532</u>
	(493,484)	2,660,620	3,023,048
	2,697	61,603	67,199
	-	-	(20,712)
	-	-	1,369,647
	(3,589)	-	(3,589)
	<u>(892)</u>	<u>61,603</u>	<u>1,412,545</u>
	(494,376)	2,722,223	4,435,593
	-	-	39,465
	-	-	119,191
	(949)	(80)	(1,305,374)
	(495,325)	2,722,143	3,288,875
	4,177,578	9,352,695	18,895,939
	-	-	(26,030)
	4,177,578	9,352,695	18,869,909
\$	<u><u>3,682,253</u></u>	\$	<u><u>12,074,838</u></u>
		\$	<u><u>22,158,784</u></u>

2013 Comprehensive Annual Financial Report

**CITY OF KENT - DRAFT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2013**

	Equipment Rental	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,969,981	\$ 5,288,559
Cash received from other funds for services	-	-
Cash payments to employees	(829,632)	(2,366,059)
Cash payments to suppliers	(2,036,140)	(2,163,857)
Other cash received	-	-
Net cash provided by (used for) operating activities	<u>1,104,209</u>	<u>758,643</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund loan issued for noncapital purposes	(1,500,000)	-
Interfund loan payment for noncapital purposes	1,250,000	-
Operating grants/non-operating revenue received	5,859	1,363,788
Prior period adjustment	(26,030)	-
Transfers in	-	119,191
Transfers out	(134)	(1,304,211)
Net cash provided by noncapital financing	<u>(270,305)</u>	<u>178,768</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on disposal of capital assets	20,656	-
Transfer of plant from Governmental Capital Assets	39,465	-
Acquisition and construction of capital assets	(452,281)	-
Principal paid on bonds	-	-
Interest paid on bonds	-	-
Net cash used for capital and related financing	<u>(392,160)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(2,975,000)	-
Proceeds from sale and maturities of investment securities	2,280,000	-
Interest and dividends on investments	2,899	-
Net cash provided by (used for) investing activities	<u>(692,101)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(250,357)	937,411
CASH AND EQUITY IN POOLED INVESTMENTS, January 1	540,099	136,656
CASH AND EQUITY IN POOLED INVESTMENTS, December 31	\$ <u>289,742</u>	\$ <u>1,074,067</u>

2013 Comprehensive Annual Financial Report

Facilities	Insurance	Total
\$ 4,036,500	\$ -	\$ 13,295,040
-	16,594,750	16,594,750
(1,970,471)	(488,020)	(5,654,182)
(3,266,755)	(12,200,287)	(19,667,039)
866,487	99,719	966,206
(334,239)	4,006,162	5,534,775
-	-	(1,500,000)
-	-	1,250,000
-	-	1,369,647
-	-	(26,030)
-	-	119,191
(949)	(80)	(1,305,374)
(949)	(80)	(92,566)
-	-	20,656
-	-	39,465
1,347,105	-	894,824
(104,233)	-	(104,233)
(3,931)	-	(3,931)
1,238,941	-	846,781
(3,075,000)	(12,024,874)	(18,074,874)
1,785,000	6,344,874	10,409,874
2,697	61,569	67,165
(1,287,303)	(5,618,431)	(7,597,835)
(383,550)	(1,612,349)	(1,308,845)
628,224	2,825,272	4,130,251
\$ 244,674	\$ 1,212,923	\$ 2,821,406

Continued

2013 Comprehensive Annual Financial Report

**CITY OF KENT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2013**

	Equipment Rental	Central Services
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 412,899	\$ 443,013
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	574,608	4,350
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	15,413	13,315
(Increase) Decrease in inventory	28,654	(7,985)
(Increase) Decrease in prepaid expenses	(69)	53,976
Increase (Decrease) in vouchers payable	81,804	151,226
Increase (Decrease) in accounts/payroll payable	(34,305)	(45,752)
Increase in incurred but not reported claims payable	-	-
Increase (Decrease) in deposits & unearned revenue	(15,711)	-
Increase (Decrease) in compensated absences	40,916	146,500
Total Adjustments	<u>691,310</u>	<u>315,630</u>
Net cash provided by operating activities	<u>\$ 1,104,209</u>	<u>\$ 758,643</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed	\$ -	\$ -
Increase (Decrease) in fair value of investments	-	-
Amortization of (premium) discount on investment purchases		

2013 Comprehensive Annual Financial Report

Facilities	Insurance	Total
\$ (493,484)	\$ 2,660,620	\$ 3,023,048
7,100	-	586,058
-	957,399	986,127
-	-	20,669
(1,532)	(56,432)	(4,057)
110,063	299,955	643,048
(43,283)	(138)	(123,478)
-	102,521	102,521
-	-	(15,711)
86,897	42,237	316,550
159,245	1,345,542	2,511,727
\$ (334,239)	\$ 4,006,162	\$ 5,534,775
\$ -	\$ -	\$ -
-	-	-

Concluded



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.



2013 Comprehensive Annual Financial Report

**CITY OF KENT
AGENCY FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2013**

	Trust Funds	Impact Fees	Municipal Court	Total
ASSETS				
Cash and equity in pooled investments	\$ 25,071	\$ 68,301	\$ 813,431	\$ 906,803
Due from other governments	-	-	3,971	3,971
TOTAL ASSETS	<u>\$ 25,071</u>	<u>\$ 68,301</u>	<u>\$ 817,402</u>	<u>\$ 910,774</u>
LIABILITIES				
Vouchers payable	\$ -	\$ 68,301	\$ 572,042	\$ 640,343
Due to other governments	-	-	-	-
Deposits and unearned revenue	25,071	-	245,360	270,431
TOTAL LIABILITIES	<u>\$ 25,071</u>	<u>\$ 68,301</u>	<u>\$ 817,402</u>	<u>\$ 910,774</u>

2013 Comprehensive Annual Financial Report

**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2013**

	Trust Funds			Balance December 31, 2013
	Balance December 31, 2012	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 17,571	\$ 7,500	\$ -	\$ 25,071
TOTAL ASSETS	<u>\$ 17,571</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 25,071</u>
LIABILITIES				
Vouchers payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Deposits and unearned revenue	17,571	7,500	-	25,071
TOTAL LIABILITIES	<u>\$ 17,571</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 25,071</u>

2013 Comprehensive Annual Financial Report

Impact Fees				
Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013	
\$ 174,225	\$ 3,198,573	\$ 3,304,497	\$ 68,301	
<u>\$ 174,225</u>	<u>\$ 3,198,573</u>	<u>\$ 3,304,497</u>	<u>\$ 68,301</u>	
\$ 174,225	\$ 1,878,573	\$ 1,984,497	\$ 68,301	
-	-	-	-	
<u>\$ 174,225</u>	<u>\$ 1,878,573</u>	<u>\$ 1,984,497</u>	<u>\$ 68,301</u>	

Continued

2013 Comprehensive Annual Financial Report

**CITY OF KENT
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended December 31, 2013**

	Municipal Court			Balance December 31, 2013
	Balance December 31, 2012	Increases	Decreases	
ASSETS				
Cash and equity in pooled investments	\$ 707,121	\$ 5,835,383	\$ 5,729,073	\$ 813,431
Due from other governments	-	3,971		3,971
TOTAL ASSETS	<u>\$ 707,121</u>	<u>\$ 5,839,354</u>	<u>\$ 5,729,073</u>	<u>\$ 817,402</u>
LIABILITIES				
Vouchers payable	\$ 127,429	\$ 5,437,668	\$ 4,993,055	\$ 572,042
Due to other governments	346,676	4,784,347	5,131,023	-
Deposits and unearned revenue	233,016	12,344	-	245,360
TOTAL LIABILITIES	<u>\$ 707,121</u>	<u>\$ 10,234,359</u>	<u>\$ 10,124,078</u>	<u>\$ 817,402</u>

2013 Comprehensive Annual Financial Report

Total			
Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013
\$ 898,917	\$ 9,041,456	\$ 9,033,570	\$ 906,803
-	3,971	-	3,971
<u>898,917</u>	<u>9,045,427</u>	<u>9,033,570</u>	<u>910,774</u>
\$ 301,654	\$ 7,316,241	\$ 6,977,552	\$ 640,343
346,676	4,784,347	5,131,023	-
250,587	19,844	-	270,431
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>898,917</u>	<u>12,120,432</u>	<u>12,108,575</u>	<u>910,774</u>

Concluded



CAPITAL ASSETS

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

2013 Comprehensive Annual Financial Report

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
December 31, 2013
With Comparison to December 31, 2012**

	2013	2012
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 219,458,162	\$ 219,458,162
Buildings	127,367,690	125,053,351
Site improvements	53,300,670	52,927,401
Equipment	32,171,055	29,917,030
Infrastructure	533,625,974	531,178,891
Construction in progress	105,375,659	104,059,117
Investment in joint venture	7,378,791	7,139,778
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ <u>1,078,678,001</u>	\$ <u>1,069,733,730</u>
INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:		
General governmental revenues	\$ 264,482,501	\$ 260,484,712
General obligation bonds	208,599,818	207,704,399
Federal grants	71,487,590	70,535,348
State grants	329,447,745	328,259,177
County and local grants	19,411,392	19,388,508
Special assessments	42,611,987	42,417,507
Gifts and contributions	142,636,968	140,944,079
TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS	\$ <u>1,078,678,001</u>	\$ <u>1,069,733,730</u>

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

2013 Comprehensive Annual Financial Report

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2013**

	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	32,812,745	3,229,334	2,922,209	-	43,209,097
Other	-	-	-	19,135,451	-	19,135,451
Total	4,484,391	33,053,600	3,262,887	22,619,497	-	63,420,375
PUBLIC SAFETY						
Police	450,258	2,193,973	585,206	3,410,443	-	6,639,880
Fire	283,568	2,727,721	125,122	132,667	-	3,269,078
Total	733,826	4,921,694	710,328	3,543,110	-	9,908,958
PUBLIC WORKS						
Engineering	2,650,000	-	1,302,586	570,692	-	4,523,278
Streets	159,975,984	-	210,179	122,152	533,625,974	693,934,289
Total	162,625,984	-	1,512,765	692,844	533,625,974	698,457,567
PARKS, RECREATION AND CULTURE						
Parks and recreation	47,235,730	1,556,893	46,649,237	99,296	-	95,541,156
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	-	76,456,164	-	3,962,585	-	80,418,749
Cultural arts	-	-	726,638	739,029	-	1,465,667
Total	49,391,500	85,457,642	47,814,690	5,269,190	-	187,933,022
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	219,458,162	127,367,690	53,300,670	32,171,055	533,625,974	965,923,551
Construction in progress	-	-	-	-	-	105,375,659
Investment in joint venture	-	-	-	-	-	7,378,791
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 219,458,162</u>	<u>\$ 127,367,690</u>	<u>\$ 53,300,670</u>	<u>\$ 32,171,055</u>	<u>\$ 533,625,974</u>	<u>\$ 1,078,678,001</u>

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

2013 Comprehensive Annual Financial Report

**CITY OF KENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
Year Ended December 31, 2013**

	Governmental Fund Capital Assets 1-1-13	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12-31-13
GENERAL GOVERNMENT				
Administration	\$ 532,538	\$ -	\$ -	\$ 532,538
Attorney	51,966	-	-	51,966
Finance	316,779	-	-	316,779
Planning	174,544	-	-	174,544
Public office buildings	40,894,758	2,314,339	-	43,209,097
Other	16,886,426	2,249,025	-	19,135,451
Total	<u>58,857,011</u>	<u>4,563,364</u>	<u>-</u>	<u>63,420,375</u>
PUBLIC SAFETY				
Police	6,639,880	-	-	6,639,880
Fire	3,269,078	-	-	3,269,078
Total	<u>9,908,958</u>	<u>-</u>	<u>-</u>	<u>9,908,958</u>
PUBLIC WORKS				
Engineering	4,523,278	-	-	4,523,278
Streets	691,487,206	2,447,083	-	693,934,289
Total	<u>696,010,484</u>	<u>2,447,083</u>	<u>-</u>	<u>698,457,567</u>
PARKS, RECREATIONS AND CULTURE				
Parks and recreation	95,201,062	340,094	-	95,541,156
Senior center	5,829,623	-	-	5,829,623
Parks maintenance	570,803	-	-	570,803
Kent commons	4,107,024	-	-	4,107,024
ShoWare Center	80,418,749	-	-	80,418,749
Cultural arts	1,427,492	38,175	-	1,465,667
Total	<u>187,554,753</u>	<u>378,269</u>	<u>-</u>	<u>187,933,022</u>
LIBRARY				
	6,203,629	-	-	6,203,629
Total	<u>6,203,629</u>	<u>-</u>	<u>-</u>	<u>6,203,629</u>
Construction in progress	104,059,117	5,960,865	4,644,323	105,375,659
Investment in joint venture	7,139,778	239,013	-	7,378,791
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 1,069,733,730</u>	<u>\$ 13,588,594</u>	<u>\$ 4,644,323</u>	<u>\$ 1,078,678,001</u>

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

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.

2013 Comprehensive Annual Financial Report

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 217,630,057	\$ 261,167,805	\$ 643,727,989	\$ 667,980,093
Restricted	3,563,661	3,444,592	23,292,082	20,821,401
Unrestricted	28,057,598	42,909,071	33,742,641	21,120,567
Total governmental activities net position	<u>\$ 249,251,316</u>	<u>\$ 307,521,468</u>	<u>\$ 700,762,712</u>	<u>\$ 709,922,061</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 168,160,887	\$ 176,318,621	\$ 186,009,250	\$ 191,875,855
Restricted	1,221,643	1,578,076	1,509,777	722,344
Unrestricted	27,602,761	32,236,084	28,789,356	29,736,610
Total business-type activities net position	<u>\$ 196,985,291</u>	<u>\$ 210,132,781</u>	<u>\$ 216,308,383</u>	<u>\$ 222,334,809</u>
Primary government				
Net investment in capital assets	\$ 385,790,944	\$ 437,486,426	\$ 829,737,239	\$ 859,855,948
Restricted	4,785,304	5,022,668	24,801,859	21,543,745
Unrestricted	55,660,359	75,145,155	62,531,997	50,857,177
Total primary government net position	<u>\$ 446,236,607</u>	<u>\$ 517,654,249</u>	<u>\$ 917,071,095</u>	<u>\$ 932,256,870</u>

2013 Comprehensive Annual Financial Report

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 713,371,701	\$ 710,700,685	\$ 727,782,834	\$ 708,913,377	\$ 697,830,001	\$ 682,946,045
17,491,729	14,297,401	12,145,319	10,034,770	10,288,377	10,721,573
20,686,229	11,612,766	(14,550,823)	(5,370,367)	16,025,424	35,230,567
<u>\$ 751,549,659</u>	<u>\$ 736,610,852</u>	<u>\$ 725,377,330</u>	<u>\$ 713,577,780</u>	<u>\$ 724,143,802</u>	<u>\$ 728,898,185</u>
\$ 200,774,256	\$ 184,890,067	\$ 214,631,648	\$ 241,629,839	\$ 253,742,128	\$ 264,927,149
803,354	2,119,806	3,065,319	4,497,103	2,463,535	3,631,223
25,617,802	49,908,497	38,662,226	27,073,691	29,259,929	36,074,921
<u>\$ 227,195,412</u>	<u>\$ 236,918,370</u>	<u>\$ 256,359,193</u>	<u>\$ 273,200,633</u>	<u>\$ 285,465,592</u>	<u>\$ 304,633,293</u>
\$ 914,145,957	\$ 895,590,752	\$ 942,414,482	\$ 950,543,216	\$ 951,572,129	\$ 947,873,194
18,295,083	16,417,207	15,210,638	14,531,873	12,751,912	14,352,796
46,304,031	61,521,263	24,111,403	21,703,324	45,285,353	71,305,488
<u>\$ 978,745,071</u>	<u>\$ 973,529,222</u>	<u>\$ 981,736,523</u>	<u>\$ 986,778,413</u>	<u>\$ 1,009,609,394</u>	<u>\$ 1,033,531,478</u>

2013 Comprehensive Annual Financial Report

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses					
Governmental activities:					
General Government	\$ 5,773,165	\$ 5,704,405	\$ 7,670,278	\$ 7,024,180	\$ 26,661,964
Judicial	1,782,114	1,867,345	1,968,044	2,147,737	2,388,567
Public Safety	40,883,387	43,315,168	45,707,880	50,255,708	57,177,887
Community Development	3,722,914	4,024,190	4,363,668	4,683,786	5,030,233
Public Works	5,553,671	10,002,252	19,318,340	20,483,858	20,097,918
Leisure services	8,588,849	8,795,174	8,956,064	10,476,159	11,525,707
Health and human services	5,349,446	5,286,639	5,248,403	6,004,932	6,175,999
Interest on long-term debt	6,871,723	4,821,064	4,803,588	4,263,751	4,149,135
Total governmental activities expenses	<u>78,525,269</u>	<u>83,816,237</u>	<u>98,036,265</u>	<u>105,340,111</u>	<u>133,207,410</u>
Business-type activities:					
Water	8,054,179	8,037,342	8,991,114	8,998,124	10,250,612
Sewerage	23,512,763	22,524,649	23,866,177	26,097,746	27,231,263
Golf	2,845,989	2,753,449	2,861,007	3,078,174	2,941,512
Total business-type activities expenses	<u>34,412,931</u>	<u>33,315,440</u>	<u>35,718,298</u>	<u>38,174,044</u>	<u>40,423,387</u>
Total primary government expenses	<u>\$ 112,938,200</u>	<u>\$ 117,131,677</u>	<u>\$ 133,754,563</u>	<u>\$ 143,514,155</u>	<u>\$ 173,630,797</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 221,405	\$ 220,034	\$ 228,938	\$ 365,124	\$ 392,469
Judicial	1,628,674	1,408,560	1,442,322	1,676,314	1,847,107
Public Safety	564,781	1,002,235	994,770	1,105,526	1,148,454
Community Development	2,312,737	3,110,206	2,902,293	3,080,526	2,186,907
Public Works	6,337,902	6,109,139	2,367,161	2,100,155	1,362,739
Leisure services	1,283,203	1,111,552	1,253,149	1,301,497	1,343,048
Health and human services	604,449	760,568	777,522	1,055,544	793,590
Operating grants and contributions	6,289,737	7,126,887	6,881,204	8,723,491	10,575,098
Capital grants and contributions	8,553,692	15,566,905	10,879,385	13,389,132	75,635,801
Total governmental activities program revenues	<u>27,796,580</u>	<u>36,416,086</u>	<u>27,726,744</u>	<u>32,797,309</u>	<u>95,285,213</u>
Business-type activities					
Charges for services:					
Water	7,833,929	7,735,500	8,255,311	8,342,104	8,778,926
Sewerage	\$ 22,213,930	\$ 23,357,426	25,063,532	27,000,243	28,118,989
Golf Complex	2,757,423	2,765,037	2,807,934	2,816,789	2,895,616
Operating grants and contributions	2,533,578	9,025,542	69,870	84,629	793,473
Capital grants and contributions	4,476,206	2,845,980	3,865,640	4,448,759	3,628,766
Total business-type activities program revenues	<u>39,815,066</u>	<u>45,729,485</u>	<u>40,062,287</u>	<u>42,692,524</u>	<u>44,215,770</u>
Total primary government program revenues	<u>\$ 67,611,646</u>	<u>\$ 82,145,571</u>	<u>\$ 67,789,031</u>	<u>\$ 75,489,833</u>	<u>\$ 139,500,983</u>

Source: Statement Activities

2013 Comprehensive Annual Financial Report

Fiscal Year				
2009	2010	2011	2012	2013
\$ 7,230,905	\$ 6,931,002	\$ 6,400,374	\$ 6,351,823	\$ 8,959,390
2,487,918	2,544,075	2,745,430	2,793,914	2,743,574
58,880,087	60,147,355	48,030,603	37,340,409	37,378,185
4,487,550	5,524,342	5,441,202	5,332,561	5,096,639
19,453,467	16,219,754	21,195,696	17,427,549	16,993,893
14,195,932	15,149,745	16,513,775	16,844,202	15,908,830
6,198,375	5,996,524	5,915,128	5,553,369	5,275,046
4,933,465	4,295,374	4,000,555	3,779,473	3,250,089
<u>117,867,699</u>	<u>116,808,171</u>	<u>110,242,763</u>	<u>95,423,300</u>	<u>95,605,646</u>
10,401,686	11,241,367	11,991,035	12,949,247	13,972,634
28,947,993	29,668,499	29,194,159	36,391,713	37,680,430
2,896,509	3,123,644	3,226,066	3,062,851	2,917,964
<u>42,246,188</u>	<u>44,033,510</u>	<u>44,411,260</u>	<u>52,403,811</u>	<u>54,571,028</u>
<u>\$ 160,113,887</u>	<u>\$ 160,841,681</u>	<u>\$ 154,654,023</u>	<u>\$ 147,827,111</u>	<u>\$ 150,176,674</u>
\$ 369,217	\$ 385,644	\$ 433,840	\$ 1,958,626	\$ 2,044,753
1,878,098	2,128,646	2,140,781	1,963,025	2,108,024
1,092,168	1,174,585	996,471	1,081,323	1,811,747
1,411,773	2,058,564	2,171,303	3,262,546	3,841,993
967,622	475,866	834,042	1,420,839	1,810,854
1,308,717	1,328,562	1,549,202	1,357,619	1,380,839
834,782	698,819	674,983	814,518	709,948
10,298,875	9,432,962	4,402,255	4,124,615	4,177,095
12,596,207	9,459,649	5,311,483	11,076,621	6,655,575
<u>30,757,459</u>	<u>27,143,297</u>	<u>18,514,360</u>	<u>27,059,732</u>	<u>24,540,828</u>
\$ 11,876,537	\$ 15,426,293	\$ 15,986,832	\$ 16,253,067	\$ 17,021,951
31,298,410	35,841,828	39,108,510	39,562,059	42,752,458
2,698,663	2,394,945	2,519,852	2,570,012	2,431,782
112,236	2,799,480	348,478	770,997	81,404
5,939,641	6,761,033	6,900,419	5,544,456	9,195,002
<u>51,925,487</u>	<u>63,223,579</u>	<u>64,864,091</u>	<u>64,700,591</u>	<u>71,482,597</u>
<u>\$ 82,682,946</u>	<u>\$ 90,366,876</u>	<u>\$ 83,378,451</u>	<u>\$ 91,760,323</u>	<u>\$ 96,023,425</u>

(continued)

2013 Comprehensive Annual Financial Report

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (Expense)/Revenue					
Governmental activities	\$ (50,728,689)	\$ (47,400,151)	\$ (70,309,521)	\$ (72,542,802)	\$ (37,922,197)
Business-type activities	5,402,135	12,414,045	4,343,989	4,518,480	3,792,383
Total primary government net expense	<u>\$ (45,326,554)</u>	<u>\$ (34,986,106)</u>	<u>\$ (65,965,532)</u>	<u>\$ (68,024,322)</u>	<u>\$ (34,129,814)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes					
Property taxes levied for general purpose	\$ 22,234,770	\$ 23,912,889	\$ 24,360,387	\$ 25,594,680	\$ 26,576,727
Property taxes levied for debt service	1,770,182	1,786,244	1,781,124	609,561	598,922
Sales taxes	22,246,215	22,820,585	26,099,325	26,812,760	25,460,470
Utility taxes	13,674,524	14,542,310	16,414,038	17,417,969	17,569,974
Business & Occupation taxes	-	-	-	-	-
Real Estate taxes	3,775,658	5,930,310	5,514,863	4,952,380	3,225,515
Other taxes	414,720	476,354	707,963	768,973	771,055
Unrestricted grants and contributions	941,613	998,572	1,333,120	1,023,819	1,876,367
Investment earnings	1,880,861	3,366,907	4,489,127	3,904,796	2,133,806
Miscellaneous	8,137,324	5,122,930	595,018	737,751	1,479,608
Gain on disposal of capital assets	-	-	-	-	-
Transfers	236,116	294,353	(6,793)	50,690	(142,649)
Total governmental activities	<u>75,311,983</u>	<u>79,251,454</u>	<u>81,288,172</u>	<u>81,873,379</u>	<u>79,549,795</u>
Business-type activities					
Investment earnings	427,890	1,027,798	1,547,289	1,558,636	925,571
Transfers	(236,116)	(294,353)	6,793	(50,690)	142,649
Special item	-	-	-	-	-
Total business-type activities	<u>191,774</u>	<u>733,445</u>	<u>1,554,082</u>	<u>1,507,946</u>	<u>1,068,220</u>
Total primary government	<u>\$ 75,503,757</u>	<u>\$ 79,984,899</u>	<u>\$ 82,842,254</u>	<u>\$ 83,381,325</u>	<u>\$ 80,618,015</u>

Change in Net Position

Governmental activities	\$ 24,583,294	\$ 31,851,303	\$ 10,978,651	\$ 9,330,577	\$ 41,627,598
Business-type activities	5,593,909	13,147,490	5,898,071	6,026,426	4,860,603
Total primary government	<u>\$ 30,177,203</u>	<u>\$ 44,998,793</u>	<u>\$ 16,876,722</u>	<u>\$ 15,357,003</u>	<u>\$ 46,488,201</u>

2013 Comprehensive Annual Financial Report

Fiscal Year				
2009	2010	2011	2012	2013
\$ (87,110,240)	\$ (89,664,874)	\$ (91,728,403)	\$ (68,363,568)	\$ (71,064,818)
9,679,299	19,190,069	20,452,831	12,296,780	16,911,569
\$ (77,430,941)	\$ (70,474,805)	\$ (71,275,572)	\$ (56,066,788)	\$ (54,153,249)
\$ 27,048,764	\$ 29,272,194	\$ 19,287,114	\$ 19,726,551	\$ 20,085,117
596,696		9,750	8,421	-
17,234,352	18,600,976	21,458,253	21,908,275	22,707,244
17,379,153	17,725,934	19,365,153	19,868,738	22,760,019
-	-	-	-	5,149,172
1,888,137	1,805,871	2,235,174	3,547,963	3,837,948
889,426	1,147,963	1,313,231	1,304,761	1,319,462
5,407,702	6,328,500	7,102,872	6,845,773	6,760,236
1,173,891	818,063	495,029	701,443	895,815
374,306	2,825,148	4,931,321	4,907,310	1,740,638
-	-	-	-	1,945,741
175,974	14,400	312,344	110,355	762,322
72,168,401	78,539,049	76,510,241	78,929,590	87,963,714
219,633	157,457	119,565	78,534	153,554
(175,974)	(14,400)	(312,344)	(110,355)	(762,322)
-	-	-	-	2,827,682
43,659	143,057	(192,779)	(31,821)	2,218,914
\$ 72,212,060	\$ 78,682,106	\$ 76,317,462	\$ 78,897,769	\$ 90,182,628
\$ (14,941,839)	\$ (11,125,825)	\$ (15,218,162)	\$ 10,566,022	\$ 16,898,896
9,722,958	19,333,126	20,260,052	12,264,959	19,130,483
\$ (5,218,881)	\$ 8,207,301	\$ 5,041,890	\$ 22,830,981	\$ 36,029,379

(concluded)

2013 Comprehensive Annual Financial Report

Schedule 3
City of Kent
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Reserved	\$ 480,456	\$ 219,303	\$ 251,540	\$ 2,532,147
Unreserved	4,793,227	5,719,490	6,885,799	5,493,860
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u><u>\$ 5,273,683</u></u>	<u><u>\$ 5,938,793</u></u>	<u><u>\$ 7,137,339</u></u>	<u><u>\$ 8,026,007</u></u>
All Other Governmental Funds				
Reserved	\$ 2,504,694	\$ 2,394,628	\$ 3,486,406	\$ 2,965,944
Unreserved, reported in:				
Special revenue funds	5,879,346	7,639,675	4,653,558	9,018,627
Debt service funds	1,058,967	1,056,261	-	-
Capital projects funds	24,522,238	14,559,622	10,582,468	(8,618,307)
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u><u>\$ 33,965,245</u></u>	<u><u>\$ 25,650,186</u></u>	<u><u>\$ 18,722,432</u></u>	<u><u>\$ 3,366,264</u></u>

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

Source: Governmental Funds Balance Sheet

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Fiscal Year					
2008	2009	2010	2011*	2012	2013
\$ 256,156	\$ 60,569	\$ 57,586	\$ -	\$ -	\$ -
6,672,432	1,999,665	768,523	-	-	-
-	-	-	59,539	103,364	80,055
-	-	-	5,028	67,447	1,846,132
-	-	-	283,678	129,557	184,691
-	-	-	-	772,591	968,866
-	-	-	(205,783)	1,290,804	5,200,183
\$ 6,928,588	\$ 2,060,234	\$ 826,109	\$ 142,462	\$ 2,363,763	\$ 8,279,927
\$ 2,107,366	\$ 1,278,319	\$ 1,727,814	\$ -	\$ -	\$ -
4,627,119	(3,886,045)	(9,756,662)	-	-	-
-	-	-	-	-	-
11,402,348	3,782,839	(3,936,907)	-	-	-
-	-	-	4,318	950	3,120
-	-	-	5,602,450	7,834,952	10,910,338
-	-	-	1,849,238	1,929,285	5,718,063
-	-	-	519,918	1,291,659	1,726,736
-	-	-	(22,811,500)	(11,178,234)	(7,448,023)
\$ 18,136,833	\$ 1,175,113	\$ (11,965,755)	\$ (14,835,576)	\$ (121,388)	\$ 10,910,234

2013 Comprehensive Annual Financial Report

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues					
Taxes (see Schedule 5)	\$ 64,122,276	\$ 69,385,293	\$ 74,785,604	\$ 75,827,108	\$ 73,895,588
Licenses and permits	1,909,492	2,643,393	2,608,064	2,809,392	2,364,302
Intergovernmental	14,388,605	21,392,337	15,588,288	17,748,774	85,192,892
Charges for services	3,371,266	5,473,845	5,204,130	5,110,691	3,995,114
Fines and forfeitures	1,364,041	1,171,934	1,227,897	1,492,780	1,705,410
Special assessments	5,482,303	3,676,698	3,667,926	2,439,661	2,589,995
Investment earnings	1,742,440	3,001,655	3,883,343	3,203,446	1,732,781
Other revenues	3,768,110	3,093,620	2,183,209	3,499,918	2,388,171
Total Revenues	96,148,533	109,838,775	109,148,461	112,131,770	173,864,253
Expenditures					
General government	4,950,640	5,327,140	6,882,585	5,798,802	6,441,299
Judicial	1,726,236	1,872,295	1,947,553	2,115,342	2,266,382
Public safety	39,351,050	43,218,034	45,090,400	48,730,640	53,453,187
Community development	3,603,513	4,210,727	4,434,360	4,641,802	4,910,964
Public works	4,797,335	5,306,468	6,479,232	7,275,763	6,805,027
Leisure services	7,089,535	7,362,855	7,436,780	8,808,851	9,621,646
Health and human services	5,227,751	5,269,934	5,170,441	5,838,255	5,876,570
Debt Service					
Principal	29,071,344	8,854,245	9,646,741	9,344,892	7,707,320
Interest	6,570,116	4,638,657	4,605,109	4,034,925	4,005,422
Capital Outlay	19,405,538	36,163,362	32,955,075	41,109,628	85,302,585
Total expenditures	121,793,058	122,223,717	124,648,276	137,698,900	186,390,402
Excess of revenues over (under) expenditures	(25,644,525)	(12,384,942)	(15,499,815)	(25,567,130)	(12,526,149)
Other Financing Sources (Uses)					
Bonds issued	33,733,676	2,252,000	11,929,507	-	26,420,777
Refunding bonds issued	-	(2,050,000)	-	-	-
Loans/contracts issued	-	-	8,218,892	-	-
Issuance of installment notes	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-
Sale of capital assets	3,275,936	4,518,249	1,165,137	311,894	304,979
Transfers in	13,731,222	16,158,803	29,236,665	23,932,686	17,209,577
Transfers out	(13,204,184)	(16,124,572)	(28,938,139)	(24,537,645)	(18,133,279)
Total other financing sources (uses)	37,536,650	4,754,480	21,612,062	(293,065)	25,802,054
Net change in fund balances	\$ 11,892,125	\$ (7,630,462)	\$ 6,112,247	\$ (25,860,195)	\$ 13,275,905
Debt service as a percentage of noncapital expenditures	34.8%	15.7%	15.5%	13.9%	11.6%

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

2013 Comprehensive Annual Financial Report

Fiscal Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 64,986,755	\$ 68,488,317	\$ 63,739,861	\$ 66,441,273	\$ 75,899,606
1,849,252	2,091,190	2,249,021	4,361,182	5,099,915
24,279,630	20,956,542	14,716,457	14,139,092	13,944,351
2,874,696	3,328,744	3,622,562	4,703,711	5,911,954
1,583,731	1,737,615	1,626,615	1,511,762	1,535,820
2,627,522	1,939,156	2,285,686	3,808,216	3,319,569
1,066,402	786,379	711,753	689,240	1,074,118
3,069,013	3,529,510	2,680,263	3,445,064	2,850,433
<u>102,337,001</u>	<u>102,857,453</u>	<u>91,632,218</u>	<u>99,099,540</u>	<u>109,635,766</u>
6,191,850	5,821,839	6,051,000	6,148,530	6,895,137
2,411,494	2,415,602	2,639,800	2,726,273	2,781,005
55,681,381	57,122,596	36,927,061	36,785,762	38,162,011
4,419,094	5,237,571	5,252,066	5,325,071	5,256,059
6,118,684	5,877,368	6,677,579	7,334,764	7,218,144
12,318,938	12,603,919	13,112,883	13,801,117	13,190,232
5,995,763	5,641,216	5,537,197	5,501,456	5,368,080
7,624,942	7,246,851	7,669,145	7,667,099	7,862,632
4,899,979	4,126,828	3,846,564	3,646,216	3,179,638
21,500,239	10,754,848	11,074,228	4,058,121	6,062,203
<u>127,162,364</u>	<u>116,848,638</u>	<u>98,787,523</u>	<u>92,994,409</u>	<u>95,975,141</u>
(24,825,363)	(13,991,185)	(7,155,305)	6,105,131	13,660,625
-	-	-	-	-
8,757,076	-	-	10,840,000	-
2,500,000	-	-	500,000	-
-	-	-	9,702,213	-
(8,140,000)	-	-	(10,990,000)	-
-	150	-	198,526	1,966,453
14,941,530	16,091,163	24,573,238	15,997,350	20,939,382
(15,066,349)	(16,262,423)	(24,390,014)	(15,417,731)	(19,618,674)
<u>2,992,257</u>	<u>(171,110)</u>	<u>183,224</u>	<u>10,830,358</u>	<u>3,287,161</u>
<u>\$ (21,833,106)</u>	<u>\$ (14,162,295)</u>	<u>\$ (6,972,081)</u>	<u>\$ 16,935,489</u>	<u>\$ 16,947,786</u>
11.9%	10.7%	13.1%	12.7%	12.3%

2013 Comprehensive Annual Financial Report

Schedule 5

City of Kent

Tax Revenue by Source - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property	Sales & Use	Utility	Real Estate Excise	Business & Occupation	Lodging	Other	Total
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
2012*	19,811,536	** 21,908,275	*** 19,868,738	*** 3,547,963	-	187,971	1,116,790	66,441,273
2013*	20,125,761	** 22,707,244	*** 22,760,019	*** 3,837,948	**** 5,149,172	217,618	1,101,844	75,899,606
Change								
2004-2013	-16.2%	2.1%	66.4%	1.6%		79.8%	275.1%	18.4%

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

2008 = \$1,159,921
 2009 = \$4,379,387
 2010 = \$4,891,833
 2011 = \$4,961,619
 2012 = \$4,744,454
 2013 = \$4,899,642

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

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

Sales & Use Tax - City receives 0.2% of state sales tax collected within the City for 10 yrs--this totaled \$4.4 million and \$4.3 million for 2012 and 2013 respectively.

Utility Taxes - Annexation revenues totaled \$2.4 million for 2012 and \$2.7 million for 2013.

**** Business & Occupation tax started in 2013

Source: City financial records

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

2013 Comprehensive Annual Financial Report

**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
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	1,363,755,233	11,733,295,807	2.180
2010*	11,833,000,822	1,291,484,331	13,124,485,153	2.362
2011	11,450,528,835	1,296,326,234	12,746,855,069	1.484
2012	10,844,075,182	1,165,682,338	12,009,757,520	1.568
2013	11,421,918,163	1,229,290,637	12,651,208,800	1.694

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 is required at least once every six years.

* Increased assessed value due to Panther Lake annexation

2013 Comprehensive Annual Financial Report

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
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
2012	1.568	-	1.568	2.422	1.416	0.071	0.230	5.600	0.500	0.500	0.300	0.116
2012	1.694	-	1.694	2.567	1.541	0.068	0.233	6.028	0.500	0.567	0.300	0.132

Source: King County Assessor's Office

Note: The City is permitted by law to levy up to \$3.60 per \$1,000 assessed valuation for general government services. Due to formation of the Regional Fire Authority (RFA) on July 1, 2010, \$1 per \$1,000 assessed valuation now goes to the RFA and \$.5 per \$1,000 goes to the library. Therefore, the City is limited to assess a total of \$2.10 per \$1,000. Statutory levy rate cannot exceed \$10 per \$1,000 of assessed valuation. This 1% value limit does not include tax levies for Port and Utility Districts. This limit is subject to further reduction per State statute limiting overlapping levy 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.

2013 Comprehensive Annual Financial Report

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

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Boeing	\$ 234,563,722	1	1.85%	\$324,917,983	1	3.68%
PSE/Electric & Gas	195,977,733	2	1.55%	131,000,305	3	1.48%
KTR Kent Valley LLC (formerly Calstrs)	110,810,400	3	0.88%	132,056,000	2	1.50%
Segale Properties (formerly La Terra Ltd)	84,663,700	4	0.67%	46,219,620	6	0.52%
AMB Property	84,227,100	5	0.67%	111,364,500	4	1.26%
CSHV Kent North LLC (formerly Ellis CB Richard)	44,243,900	6	0.35%	60,404,082	5	0.68%
Fred Meyer	38,726,121	7	0.31%			0.00%
Qwest Corporation (formerly U.S. West)	37,877,910	8	0.30%			
Red Mortgage Capital Inc.	36,475,000	9	0.29%	20,543,000	9	0.23%
Kennedy Wilson Multifamily	30,000,000	10	0.24%			
Mikron Industries				27,343,816	7	0.31%
Property Reserve				21,156,300	8	0.24%
Sysco				18,233,346	10	0.21%
	<u>\$ 897,565,586</u>		<u>7.09%</u>	<u>\$893,238,952</u>		<u>10.12%</u>

Source: King County Assessor's Office



2013 Comprehensive Annual Financial Report

**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
2004	24,073,724	23,663,292	98.30%	410,432	24,073,724	100.00%
2005	25,800,548	25,324,613	98.16%	476,027	25,800,640	100.00%
2006	26,400,938	25,723,330	97.43%	677,210	26,400,540	100.00%
2007	26,194,032	25,750,298	98.31%	435,925	26,186,223	99.97%
2008	27,225,624	26,564,249	97.57%	657,580	27,221,829	99.99%
2009	27,815,136	27,136,428	97.56%	672,840	27,809,268	99.98%
2010	29,273,116	28,806,516	98.41%	433,061	29,239,577	99.89%
2011*	19,298,192	18,981,959	98.36%	249,695	19,231,654	99.66%
2012	19,896,581	19,593,500	98.48%	197,024	19,790,524	99.47%
2013	20,258,863	19,948,297	98.47%	-	19,948,297	98.47%

Source: King County Assessor's Office

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

2013 Comprehensive Annual Financial Report

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

	<u>Fiscal Year</u>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Unknown	2,860,967	2,889,211	2,562,325	743,328
Agriculture, Forestry, Fishing	259,927	324,202	556,164	480,758
Mining	76,669	276,815	143,563	126,143
Utilities	13,066,851	17,444,817	25,929,247	32,804,185
Construction	241,657,790	280,567,441	339,844,719	314,927,177
Manufacturing	133,711,143	145,756,409	153,080,983	271,089,687
Wholesale Trade	572,981,503	471,349,351	507,855,299	537,750,994
Retail Trade	965,767,217	1,034,703,327	1,191,891,094	1,093,635,050
Transportation and Warehousing	9,242,882	6,944,753	8,279,538	9,709,071
Information	114,599,268	110,148,507	157,065,993	114,296,024
Finance and Insurance	20,123,087	21,205,368	20,019,726	18,444,097
Real Estate, Rental, Leasing	89,459,326	94,843,961	102,929,495	100,269,365
Prof, Sci, Technical Svcs	29,642,946	29,052,029	30,635,428	34,514,927
Company Management	168,253	354,019	434,919	395,740
Admin, Supp, Remed Svcs	40,321,875	37,873,104	39,221,048	46,233,624
Educational Services	2,291,215	2,433,927	2,803,957	5,386,733
Health Care Social Assistance	3,270,662	4,187,207	3,761,970	3,882,634
Arts, Entertain, Recreation	11,477,093	12,372,720	12,997,168	14,199,392
Accommodation and Food Svcs	129,577,791	137,351,291	156,165,384	166,220,492
Other Services	57,895,065	63,107,841	65,088,034	72,939,468
Public Administration	13,042,626	16,662,522	13,378,848	21,778,264
Total	<u>\$ 2,451,494,158</u>	<u>\$ 2,489,848,823</u>	<u>\$ 2,834,644,903</u>	<u>\$ 2,859,827,153</u>

City direct sales tax rate 0.9%.

Source: Taxtools 4.1.0 Database by Microflex, Inc.

2013 Comprehensive Annual Financial Report

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
960,908	999,746	858,268	477,054	339,351	196,495
421,594	518,595	718,861	692,359	877,496	1,202,184
1,111,403	540,569	647,324	617,757	607,282	144,459
20,292,827	23,789,845	17,472,906	5,078,454	7,112,634	10,873,877
329,122,168	242,972,325	188,425,022	186,982,818	224,155,491	224,529,870
171,095,850	69,750,959	96,582,517	81,988,703	88,519,357	147,815,483
376,973,038	301,507,123	217,175,584	252,503,957	232,141,988	241,905,173
864,206,993	616,882,158	647,338,680	681,641,901	682,878,774	722,025,334
8,606,606	6,983,433	8,256,303	6,620,144	6,843,425	7,058,638
138,282,101	111,604,712	113,484,774	112,088,847	115,588,551	95,410,564
19,337,663	22,253,860	18,871,102	16,381,423	21,585,061	25,203,335
87,787,763	74,188,983	67,979,949	73,151,966	71,912,403	73,550,514
47,004,048	40,297,213	48,470,587	41,794,489	46,798,059	32,408,933
203,812	170,204	646,516	13,351	20,847	25,943
38,659,998	30,272,316	31,230,882	42,594,079	41,021,656	42,476,396
4,705,329	3,167,476	3,205,201	3,968,920	3,243,933	3,711,272
4,134,840	2,726,198	2,254,145	1,783,015	1,505,938	1,275,885
15,543,553	19,222,372	18,658,668	19,773,143	19,055,120	21,189,254
164,615,802	143,820,138	146,494,696	159,382,256	171,055,204	182,181,720
75,835,651	66,338,283	73,591,515	82,917,327	77,191,369	71,633,560
30,271,537	20,201,288	19,850,671	24,692,051	24,752,900	26,185,952
\$ 2,399,173,484	\$ 1,798,207,796	\$ 1,722,214,171	\$ 1,795,144,014	\$ 1,837,206,839	\$ 1,931,004,841

2013 Comprehensive Annual Financial Report

**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>	<u>Total Overlapping Rate</u>
2004	0.85%	6.50%	0.80%	0.40%	0.15%	0.10%	0.50%	9.30%
2005	0.85%	6.50%	0.80%	0.40%	0.15%	0.10%	0.50%	9.30%
2006	0.85%	6.50%	0.80%	0.40%	0.15%	0.10%	0.50%	9.30%
2007	0.85%	6.50%	0.80%	0.40%	0.25%	0.10%	0.50%	9.40%
2008	0.85%	6.50%	0.80%	0.40%	0.35%	0.10%	0.50%	9.50%
2009	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.50%	10.00%
2010	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.50%	10.00%
2011	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.00% *	9.50%
2012	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.00%	9.50%
2013	0.85%	6.50%	0.80%	0.90%	0.35%	0.10%	0.00%	9.50%

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

Source: Washington State Department of Revenue

2013 Comprehensive Annual Financial Report

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

	Fiscal Year 2013				Fiscal Year 2004			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	31	0.1%	38,314	0.3%	61	0.5%	65,817	0.3%
Agriculture, Forestry, Fishing	64	0.3%	10,041	0.1%	28	0.2%	2,168	0.0%
Mining	12	0.1%	1,252	0.0%	11	0.1%	645	0.0%
Utilities	17	0.1%	89,712	0.6%	12	0.1%	109,337	0.5%
Construction	5,173	23.0%	1,958,796	13.7%	3,341	28.3%	1,997,963	9.8%
Manufacturing	1,626	7.2%	1,011,121	7.1%	560	4.7%	1,164,129	5.7%
Wholesale Trade	3,302	14.7%	2,045,286	14.3%	1,720	14.6%	4,821,018	23.7%
Retail Trade	5,600	24.9%	6,029,041	42.1%	2,284	19.3%	7,949,900	39.1%
Transportation and Warehousing	178	0.8%	55,954	0.4%	88	0.7%	74,696	0.4%
Information	672	3.0%	910,053	6.4%	296	2.5%	623,988	3.1%
Finance and Insurance	177	0.8%	212,416	1.5%	151	1.3%	174,735	0.9%
Real Estate, Rental, Leasing	500	2.2%	627,881	4.4%	382	3.2%	772,547	3.8%
Prof, Sci, Technical Svcs	1,283	5.7%	263,474	1.8%	499	4.2%	244,855	1.2%
Company Management	7	0.0%	307	0.0%	2	0.0%	64	0.0%
Admin, Supp, Remed Svcs	1,608	7.2%	379,709	2.6%	966	8.2%	342,948	1.7%
Educational Services	163	0.7%	27,548	0.2%	33	0.3%	19,269	0.1%
Health Care Social Assistance	202	0.9%	10,459	0.1%	103	0.9%	27,523	0.1%
Arts, Entertain, Recreation	158	0.7%	171,984	1.2%	73	0.6%	96,676	0.5%
Accommodation and Food Svcs	499	2.2%	1,519,775	10.6%	375	3.2%	1,090,178	5.4%
Other Services	1,169	5.2%	603,891	4.2%	822	7.0%	488,415	2.4%
Public Administration	27	0.1%	219,311	1.5%	12	0.1%	267,355	1.3%
Total	22,468	100.00%	\$ 16,186,325	112.94%	11,819	100.00%	\$ 20,334,226	100.00%

Source: Taxtools 4.1.0 Database by Microflex, Inc.

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

2013 Comprehensive Annual Financial Report

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

Fiscal Year	General Bonded Debt			Percentage of Assessed 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
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	0.56%	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
2012	62,050,483	1,083	62,049,400	0.52%	520.99	22,653,476	3,822,681
2013	57,327,574	1,083	57,326,491	0.45%	475.74	18,715,436	2,700,000

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
2004	9,524,000	3,600,000	38,166,932	147,019,075	3.47%	1,738.64
2005	12,546,885	415,000	35,840,360	135,606,741	3.22%	1,596.88
2006	11,500,998	-	34,625,250	143,363,692	3.08%	1,673.83
2007	10,270,688	-	35,193,351	133,319,806	2.68%	1,538.42
2008	8,994,557	-	33,738,999	149,275,130	2.95%	1,716.20
2009	7,822,919	24,790,000	32,536,165	166,730,859	3.32%	1,886.52
2010	6,487,417	23,925,000	42,654,670	167,269,027	2.57%	1,419.11
2011	5,543,230	23,030,000	41,378,106	156,283,272	2.29%	1,322.19
2012	4,632,517	22,110,000	40,095,132	155,363,206	2.17%	1,304.48
2013	3,665,426	21,165,000	35,583,473	139,155,826	2.00%	1,154.82

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

^a See Schedule 6 for taxable assessed property value data.

^b See Schedule 17 for population and personal income data.

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

^d Excludes compensated absences.

Source: City financial records

2013 Comprehensive Annual Financial Report

**Schedule 14
City of Kent
Direct and Overlapping Governmental Activities Debt
As of December 31, 2013**

	<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	812,796,000	3.7139%	30,186,431
Port of Seattle	283,815,000	3.7139%	10,540,605
Federal Way School District No. 210	177,054,408	6.6126%	11,707,900
Highline School District No. 401	263,629,947	1.5385%	4,055,947
Renton School District No. 403	306,807,998	4.2431%	13,018,170
Auburn School District No. 408	130,733,445	0.5044%	659,419
Tahoma School District No. 409	113,207,820	0.0245%	27,736
Kent School District No. 415	176,796,097	67.0430%	118,529,407
Hospital District No. 1	-	34.3513%	-
Kent Regional Fire Authority No. 62	-	84.7498%	-
Rural Library District	127,607,269	6.0204%	<u>7,682,468</u>
Subtotal Overlapping Debt			196,408,083
City of Kent direct debt			<u>79,681,180</u>
Total direct and overlapping debt			<u><u>\$ 276,089,263</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.

2013 Comprehensive Annual Financial Report

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 662,298,654	\$ 704,523,030	\$ 769,940,226	\$ 866,705,598
Total net debt applicable to limit	81,115,591	79,120,514	91,240,947	83,353,584
Legal debt margin	\$ 581,183,063	\$ 625,402,516	\$ 678,699,279	\$ 783,352,014
Total net debt applicable to the limit as a percentage of debt limit	12.25%	11.23%	11.85%	9.62%
Assessed Value	\$ 8,830,648,706	\$ 9,393,640,396	\$ 10,265,869,683	\$ 11,556,074,644
Debt limit:				
2.5% of General purpose limit, voted & non-voted	\$ 220,766,218	\$ 234,841,010	\$ 256,646,742	\$ 288,901,866
2.5% Utility purpose limit, voted	220,766,218	234,841,010	256,646,742	288,901,866
2.5% Open Space, Park Facilities, voted	220,766,218	234,841,010	256,646,742	288,901,866
Total debt limit	<u>662,298,654</u>	<u>704,523,030</u>	<u>769,940,226</u>	<u>866,705,598</u>
Debt applicable to limit:				
Voted	4,950,000	3,380,000	1,735,000	1,175,000
Non-voted	76,166,491	75,763,864	89,555,023	82,217,683
Less: Amount set aside for repayment of voted general obligation debt	(900)	(23,350)	(49,076)	(39,099)
Total net debt applicable to limit	<u>81,115,591</u>	<u>79,120,514</u>	<u>91,240,947</u>	<u>83,353,584</u>

Source: City's financial records

2013 Comprehensive Annual Financial Report

		Fiscal Year									
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>				
\$	959,759,211	\$	879,997,185	\$	984,336,387	\$	956,014,131	\$	900,731,814	\$	948,840,660
	103,458,010		99,619,967		92,817,781		86,026,340		89,228,583		79,681,180
\$	856,301,201	\$	780,377,218	\$	891,518,606	\$	869,987,791	\$	811,503,231	\$	869,159,480
	10.78%		11.32%		9.43%		9.00%		9.91%		8.40%
\$	12,796,789,489	\$	11,733,295,807	\$	13,124,485,153	\$	12,746,855,069	\$	12,009,757,520	\$	12,651,208,800
\$	319,919,737	\$	293,332,395	\$	328,112,129	\$	318,671,377	\$	300,243,938	\$	316,280,220
	319,919,737		293,332,395		328,112,129		318,671,377		300,243,938		316,280,220
	319,919,737		293,332,395		328,112,129		318,671,377		300,243,938		316,280,220
	959,759,211		879,997,185		984,336,387		956,014,131		900,731,814		948,840,660
	600,000		-		-		-		-		-
	102,884,256		99,619,967		92,817,781		86,026,340		89,228,583		79,681,180
	(26,246)		-		-		-		-		-
	103,458,010		99,619,967		92,817,781		86,026,340		89,228,583		79,681,180

2013 Comprehensive Annual Financial Report

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	
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
2012	16,253,067	10,697,089	5,555,978	460,000	601,947	5.23
2013	17,021,951	11,736,994	5,284,957	475,000	588,147	4.97

Fiscal Year	Sewerage Revenue Bonds ¹					
	Sewerage Operating Revenue	Less: Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2012	39,562,059	31,726,712	7,835,347	460,000	601,947	7.38
2013	42,752,458	32,921,170	9,831,288	472,000	588,147	9.27

Fiscal Year	Special Assessment Bonds			
	Revenues	Debt Service		Coverage
		Principal	Interest	
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
2012	2,590,862	1,919,285	279,818	1.18
2013 ⁶	4,058,344	1,203,319	180,786	2.93

Source: City financial records

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

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

⁶ LID 368 formed and \$1.8 million received but no debt payments in fiscal 2013.

Details regarding coverage can be found in the Official Statements.

2013 Comprehensive Annual Financial Report

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

<u>Calendar Year</u>	<u>Population¹</u>	<u>County Personal Income² (thousands of dollars)</u>	<u>County Per Capita Income³</u>	<u>Median Age⁴</u>	<u>School Enrollment⁵</u>	<u>County Unemployment Rate⁶</u>
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	37.05	27,050	8.8%
2011	118,200	113,922,436	57,837	37.37	27,397	7.6%
2012	119,100	120,627,950	60,090	37.69	26,975	6.8%
2013	120,500	*	*	37.70	27,500	5.2%

¹ City of Kent Economic & Community Development Department & 2010 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: Washington State Office of Financial Management.

⁵ Kent School District - May 2013: Washington State Report Card

⁶ Annual average for King County: Washington State Employment Security Department

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

*2013 information is not available, will be included in 2014 CAFR.

2013 Comprehensive Annual Financial Report

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Kent Public Schools	3,714	1	4.76%	3,196	1	7.99%
Boeing Company	2,480	2	3.18%			
REI Inc.	1,026	3	1.32%	684	3	1.71%
Carlisle Interconnect Industries	650	4	0.83%			
Exotic Metals Forming Co	649	5	0.83%			
King County Regional Justice Center	630	6	0.81%	630	6	1.58%
Coho Distributing LLC dba Columbia Dist.	620	7	0.79%			
City of Kent	616	8	0.79%	773	2	1.93%
Sysco	510	9	0.65%	680	4	1.70%
Oberto Sausage	507	10	0.65%	437	7	1.09%
Mikron Industries				630	5	1.58%
Patient Accounting Service Center				430	8	1.08%
Starbucks Coffee Company				409	9	1.02%
Fred Meyer				371	10	0.93%
	<u>7,688</u>		<u>13.13%</u>	<u>8,240</u>		<u>20.60%</u>

Source: City of Kent Business License System

2013 Comprehensive Annual Financial Report

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									
	2004	2005	2006	2007	2008	2009 ^b	2010 ^c	2011	2012	2013
General government										
Mayor's Office	8.00	10.00	11.00	11.00	12.00	9.00	13.00	13.00	10.50	10.53
Employee Services	12.00	13.00	13.00	13.00	13.00	11.00	11.00	12.00	12.00	12.20
Finance	22.00	22.00	22.00	22.00	21.00	19.50	19.00	20.55	18.55	20.55
Information Technology	26.00	25.00	25.00	26.00	29.00	25.00	25.00	28.70	25.00	24.96
Other	37.75	39.00	42.00	42.50	43.50	43.00	43.50	45.90	41.25	37.80
Judicial	18.00	18.00	18.00	18.00	19.00	18.00	21.00	21.53	21.28	20.28
Public Safety										
Police	176.00	176.00	178.00	183.00	187.00	179.00	193.00	201.28	196.28	191.75
Fire	160.00	161.00	161.00	176.00	177.00	169.00	-	-	-	-
Law-Criminal	7.25	9.00	10.00	10.50	10.50	9.50	10.00	11.70	10.60	9.80
Community Development	40.00	40.00	41.00	42.00	42.00	42.00	43.00	43.60	36.60	36.60
Public Works										
Engineering	9.50	5.25	5.25	5.58	5.58	5.33	5.33	5.33	5.33	9.00
Operations	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00	12.00	12.00
Streets	59.50	71.75	72.75	77.75	77.75	65.50	70.50	73.02	71.02	64.09
Leisure Services	62.00	57.00	59.00	60.00	63.00	60.00	60.00	61.63	59.13	60.16
Health and Human Services	17.00	19.00	18.00	18.00	18.00	17.00	18.00	21.34	17.53	15.73
Water	29.50	26.00	26.00	26.00	27.00	25.00	26.00	26.00	26.00	32.41
Sewerage										
Sewer	10.50	10.25	10.25	10.58	10.58	10.33	10.33	10.33	10.33	9.08
Storm	25.00	25.75	26.75	27.09	27.09	26.34	34.34	34.34	34.34	26.42
Water & Sewer Utility Billing	7.00	7.00	7.00	9.00	10.00	9.50	10.00	11.11	11.11	11.11
Golf	9.00	9.00	9.00	9.00	9.00	8.00	8.00	11.35	11.35	11.35
Total	749.00	757.00	768.00	800.00	815.00	765.00	633.00	664.71	630.20	615.81

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.

2013 Comprehensive Annual Financial Report

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Business licenses issued	3,821	3,856	3,856	3,796	3,834	3,787	4,183	3,658	5,048	3,767
Judicial										
Number of court filings ^a	19,990	20,240	18,710	19,216	21,285	23,466	20,330	18,377	17,992	18,531
Public Safety										
Police										
Physical arrests	3,550	4,100	4,119	4,808	4,658	4,704	4,249	4,673	4,678	4,778
Parking violations	3,240	2,516	2,594	2,439	2,557	2,295	2,115	2,367	2,272	1,479
Traffic violations	32,476	20,240	18,681	19,219	18,713	18,188	15,343	13,079	12,774	18,531
Community Development										
Building permits issued ^b	1,189	1,478	1,672	1,437	1,123	913	1,004	2,074	2,277	2,334
Building inspections conducted	17,108	17,569	20,984	16,912	16,226	15,480	12,883	13,375	14,050	14,067
Public Works										
Street resurfacing (sq yds)	110,493	117,701	169,000	126,097	156,091	467,777	12,200	26,190	22,488	31,100
Leisure Services										
Recreation programs offered	1,494	1,516	1,694	1,911	2,050	2,050	1,791	2,147	2,096	2,070
Number of recreation participants ^d	79,950	74,672	79,438	98,616	102,939	106,027	73,600	16,705	33,462	24,392
Health and Human Services										
Citizens served in specialized recreation setting ^d	2,188	3,092	2,500	3,200	3,200	3,250	3,150	1,575	1,632	1,512
Participants in Senior programs/ workshops ^d	8,000	9,000	12,242	18,339	22,714	23,395	34,697	14,157	17,115	18,180
Water										
New connections	256	191	279	258	171	141	189	136	164	160
Average daily consumption (million gallons-estimated)	8.0	7.72	8	8	8	8	8	7.5	7.0	7.1
Golf										
Number of participants	171,885	173,970	170,361	171,033	156,580	156,950	153,750	151,950	153,800	154,100
Number of tournaments	108	106	103	117	100	85	83	76	72	63
Library										
Number of Items	150,497	150,497	150,497	150,497	156,050	151,605	159,246	159,246	159,300	159,173
Items circulated ^c	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	745,994	613,603

Source: Various City Departments

^a Includes parking violations

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

^c Information not available for years indicated.

^d Beginning in 2011, only registered participants are counted.

2013 Comprehensive Annual Financial Report

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	41	42	42	42	44 ^b	51 ^b	50 ^b	50 ^b	51 ^b	58 ^b
Public Works										
Streets (lane miles)	550	555	551	556	569	725	725	726	726	726
Streetlights	4,475	4,883	4,950	5,171	5,176	6,573	6,573	6,573	6,600	6,600
Traffic signals	109	109	111	130	103	104	119	119	119	119
Traffic beacons/advisory devices								57	58	69
Leisure Services										
Acres of parks/open space ^a	1,338	1,346	1,346	860	870	982	1,434	1,434	1,434	1,178
Parks ^c	68	75	75	75	90	80	58	58	58	53
Miles of trails	20	23	23	23	19	19	23	23	28	58
Ball fields	31	24	24	24	18	18	21	21	21	21
Tennis courts	15	15	15	15	12	13	15	15	15	15
Water										
Water mains (miles)	269	269	272	274	281	280	280	280	280	280
Water customers *	N/A	N/A	N/A	N/A	13,061	13,130	13,202	13,327	13,469	13,629
Reservoir/Tanks	8	8	8	8	8	8	8	9	9	9
Reservoir storage capacity (millions of gallons)	23.3	23.3	23.3	23.3	23.3	23.3	21.0	23.2	23.2	23.2
Sewerage										
Sanitary sewers (miles)	209	193	201	206	209	209	209	209	215	215
Storm sewers (miles)	233	228	238	247	248	248	248	249	324	324
Sewer customers *	N/A	N/A	N/A	N/A	26,653	26,876	27,000	27,268	27,662	27,977
Drainage customers *	N/A	N/A	N/A	N/A	16,915	17,051	22,122	24,750	25,100	25,285
Golf										
18-Hole course (yards)	6,666	6,666	6,666	6,666	6,666	6,666	6,701	6,701	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. 2007 - 2009

^b Includes 1 Patrol boat

^c Prior to 2010, counted other properties like detention basins

