

# Comprehensive Annual Financial Report

City of Kent, Washington

For the Fiscal Year Ended  
December 31, 2014

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# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
December 31, 2014

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

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### CARING

Commitment to respect and courtesy

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### COMMUNICATION

The open exchange of information and ideas

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### TEAMWORK

We work together cooperatively

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### INNOVATION

We find better ways to do our work

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### ACHIEVEMENT

We accomplish our goals

## KENT CARES

Together we can make it happen!

# 2014 Comprehensive Annual Financial Report

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## FINANCE ADMINISTRATION

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August 21, 2015

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, 2014. 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 fair 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).

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, 2014 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, 2014, 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.

In addition to the independent 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

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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 special revenue 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.

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 to 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 121,400 residents. The City provides many of its municipal services to the greater Kent area that encompasses over 154,000 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 City of Kent provides a full range of governmental services. At December 2014, the City of Kent had 635 budgeted full-time equivalent employees providing services of general government, public safety, public works, and leisure services. In the public safety area, the Police Department had 196 budgeted 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,

# 2014 Comprehensive Annual Financial Report

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 within the City's 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 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 late September. A second public hearing is held in November and the final budget is developed and submitted for Council approval in December. Beginning in 2013, the City implemented a biennial budget process and adopted a two-year budget for 2013-14, 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 80,000 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 1,017 employees, Columbia Distributing (a beverage distributor) with 620 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

# 2014 Comprehensive Annual Financial Report

strategic goals and the status quarterly. The five strategic goals identified in the plan and the key targets for the goals are:

## Develop and implement a sustainable funding model

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

## Create connections for people and places

Develop and implement a plan to improve government processes. Identify a funding source and revenue generating opportunities 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. 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. The City also updated its financial policies to include goals of a 10% fund balance in the General Fund as well as 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.

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.

# 2014 Comprehensive Annual Financial Report

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 at least a 75% cost recovery for these services and was 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 2014, the second year of the biennial budget, the City realized increased revenues of \$1.1 million in Business & Occupation taxes, \$2.6 million from sales tax, and \$.6 million from property tax as compared to 2013. As the local economy continues to improve, other taxes and charges for service also continued moderate growth during 2014

As a result of the increased revenues, in 2014 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 service levels in the growing city.

## **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

# 2014 Comprehensive Annual Financial Report

purpose of carrying out specific functions in accordance with special regulations, restrictions, or limitations. In 2014, the City reported on 27 individual funds. These are summarized into seven standard fund types to comply with the aforementioned standards of the Governmental Accounting Standards Board. The individual funds, in addition to being the basis of the accounting system, provide the legal budgetary control level for City expenditures. Certain funds operate on an annual budget. Other funds are project oriented or controlled by bond indentures or state law. Proprietary funds have flexible budgets that allow for expenditure adjustments based on receipt of additional revenue. The Notes to Financial Statements describe the fund types and their individual operating characteristics.

Although budgetary control is at the fund level, revenue and expenditure data is maintained by project, organization, program and object code. The high level program and object codes are prescribed for all local government units by the State Auditor's Office for consistency of reporting statewide. The remainder of the coding structure is established at the City's discretion based on its operational and management needs. In addition to prescribing certain coding for consistent reporting statewide, the State Auditor's Office prescribes certain accounting formats and specialized reports.

The State Auditor's Office is required by state law to make periodic independent audits of the books of accounts, financial records, and transactions of the City. The audit 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 2014 and at December 31, 2014, 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, 2014, the City's cash and investment position for all funds totaled \$82,683,085. The fair value of investments, including certificates of deposit, on December 31, 2014, totaled \$255,541. 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 \$139,528 of interest income in 2014, for a yield of .19 percent on average cash and investments of \$75,339,089.

# 2014 Comprehensive Annual Financial Report

## 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 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 Lexington Insurance Company on a replacement cost basis with a policy limit of \$300,000,000 per occurrence.

## 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. During 2014, the City implemented GASB Statement #67 *Financial Reporting for Pension Plans* for the Firemen's Relief and Pension Fund. As of December 31, 2014, the pension plan has net pension assets of \$515,815. In compliance with GASB Statement No. 45, the City recognized the Net Other Post Employment Benefit (OPEB) obligation/(assets) at December 31, 2014, in the amount of \$(335,218).

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.

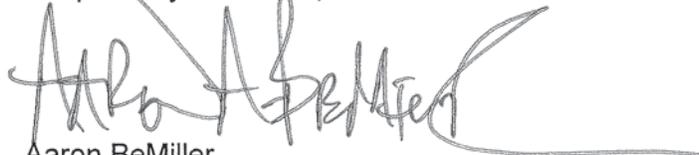
The City provides medical, prescription drug, dental, vision, long-term care, and other unreimbursed medical benefits to certain eligible public safety retirees. The Firemen's Relief and Pension Fund provides some of the funding to pay for those benefits relating to eligible Firefighters along with the 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.

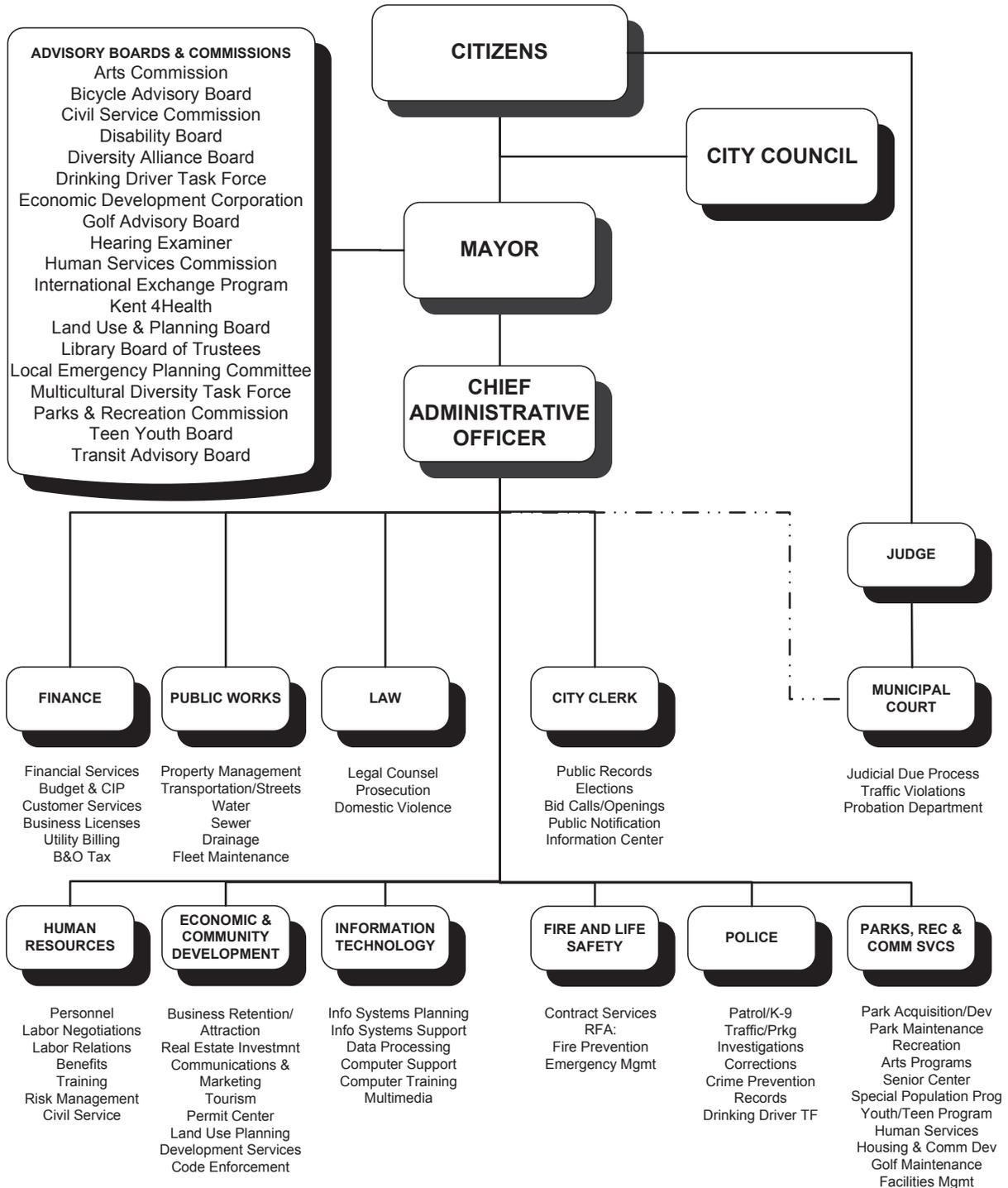
Respectfully submitted,



Aaron BeMiller  
Finance Director

# 2014 Comprehensive Annual Financial Report

## City of Kent 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.

	<b>Term Expiration</b>
<b>MAYOR</b>	
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

### **PUBLIC WORKS**

Tim LaPorte, Public Works Director



## Washington State Auditor's Office

### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

August 21, 2015

Mayor and City Council  
City of Kent  
Kent, Washington

#### REPORT ON THE 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

# 2014 Comprehensive Annual Financial Report

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General and Capital Improvement funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As described in Note 1, during the year ended December 31, 2014, the City has implemented the Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No. 70, *Nonexchange Financial Guarantees*. 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 21, information on postemployment benefits other than pensions on page 101 and pension trust fund information on pages 102 through 104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as other supplementary information on pages 105 through 146 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

# 2014 Comprehensive Annual Financial Report

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 August 18, 2015, 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,



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA



## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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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, 2014. 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 (\$1.01 billion) increased by \$51.9 million or 5.4 percent from 2013 restated levels, comprised of a \$23.8 million or a 3.7 percent increase resulting from governmental activities and a \$28.1 million or 9.2 percent increase as a result of business-type activities. Approximately \$21.5 million or 2.1 percent of the net position may be used to meet the City's ongoing obligations to citizens and creditors.
- With the implementation of GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the City reported a \$76.8 million contingent loan guarantee obligation in the governmental activities of the Statement of Net Position.
- Long-term liabilities (\$210.3 million) decreased by \$14.6 million or 6.5 percent from restated 2013 levels with 2014 debt payments.

#### OVERVIEW OF THE FINANCIAL STATEMENTS:

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

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

The statement of net position presents information on all of the City of Kent's assets, deferred outflows, liabilities and deferred inflows, except fiduciary funds, with the difference 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

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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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 23-25 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 the City's near-term financing requirements and what financial resources are available in the near future to finance the City's programs.

The focus of governmental funds is narrow and it is useful to compare the information provided by the government-wide financial statements for governmental activities with the governmental funds statements. This may give the reader a better understanding of how long-term impacts are affected by near-term financing decisions. To facilitate this comparison, reconciliations between the governmental funds and the governmental activities are provided immediately following the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances.

The City reports on 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. Budgetary schedules are also provided for the special revenue funds in the Combining & Individual Fund Statements and Schedules section of this document.

The governmental major funds financial statements are found on pages 26-33 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

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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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, (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 statement of net position, but their functions are prorated as to their usage between governmental and business-type activities in the government-wide 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 126-133.

The basic proprietary fund financial statements can be found on pages 36-45 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 46-47 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 50-99 of this report.

**Other information.** This report also includes required supplementary information concerning the City of Kent's employer contributions, money-weighted rate of return, and changes in net pension liability and related ratios for 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 101-104 of this report.

Combining statements for non-major governmental funds are also presented on pages 106-113 immediately following the other information mentioned above. Included with the combining statements are budgetary comparison schedules for the various special revenue funds, which are found on pages 114-119. Additionally, budgetary comparison schedules for three funds separately budgeted but combined into the General Fund for financial reporting are included on pages 122-124. The combining statements for the agency funds are found on pages 137-141 of this report.

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

#### 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 \$1.01 billion on December 31, 2014.

By far the largest portion of the City of Kent's net position (\$975.4 million or 96.8 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, site improvements, and equipment) less 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 to 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	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other Assets	\$ 85,949	\$ 73,351	\$ 52,444	\$ 49,709	\$ 138,393	\$ 123,060
Capital Assets	758,122	761,533	342,730	322,987	1,100,852	1,084,520
Total Assets	844,071	834,884	395,174	372,696	1,239,245	1,207,580
<b>Deferred Outflows</b>						
	554	533	132	-	686	533
Total Assets & Deferred Outflows	844,625	835,417	395,306	372,696	1,239,931	1,208,113
<b>Liabilities</b>						
Long-term	152,326	163,708	57,966	61,200	210,292	224,908
Other Liabilities	19,525	22,768	2,592	4,837	22,117	27,605
Total Liabilities & Deferred Inflows	171,851	186,476	60,558	66,037	232,409	252,513
<b>Net Position</b>						
Net Investment in Capital Assets	687,527	682,946	287,868	264,927	975,395	947,873
Restricted	9,500	10,722	1,111	3,631	10,611	14,353
Unrestricted	(24,253)	(44,727)	45,769	38,101	21,516	(6,626)
Total Net Position	\$ 672,774	\$ 648,941	\$ 334,748	\$ 306,659	\$1,007,522	\$ 955,600

\* 2013 numbers restated for prior period adjustments

Of the City of Kent's net position, 1.1 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$21.5 million (2.1 percent), may be used to meet the city's ongoing obligations to citizens and creditors. The unreserved net position of the City decreased over \$79 million with the implementation of GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (reflected in the restated 2013 numbers above).

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

# 2014 Comprehensive Annual Financial Report

City of Kent

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

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

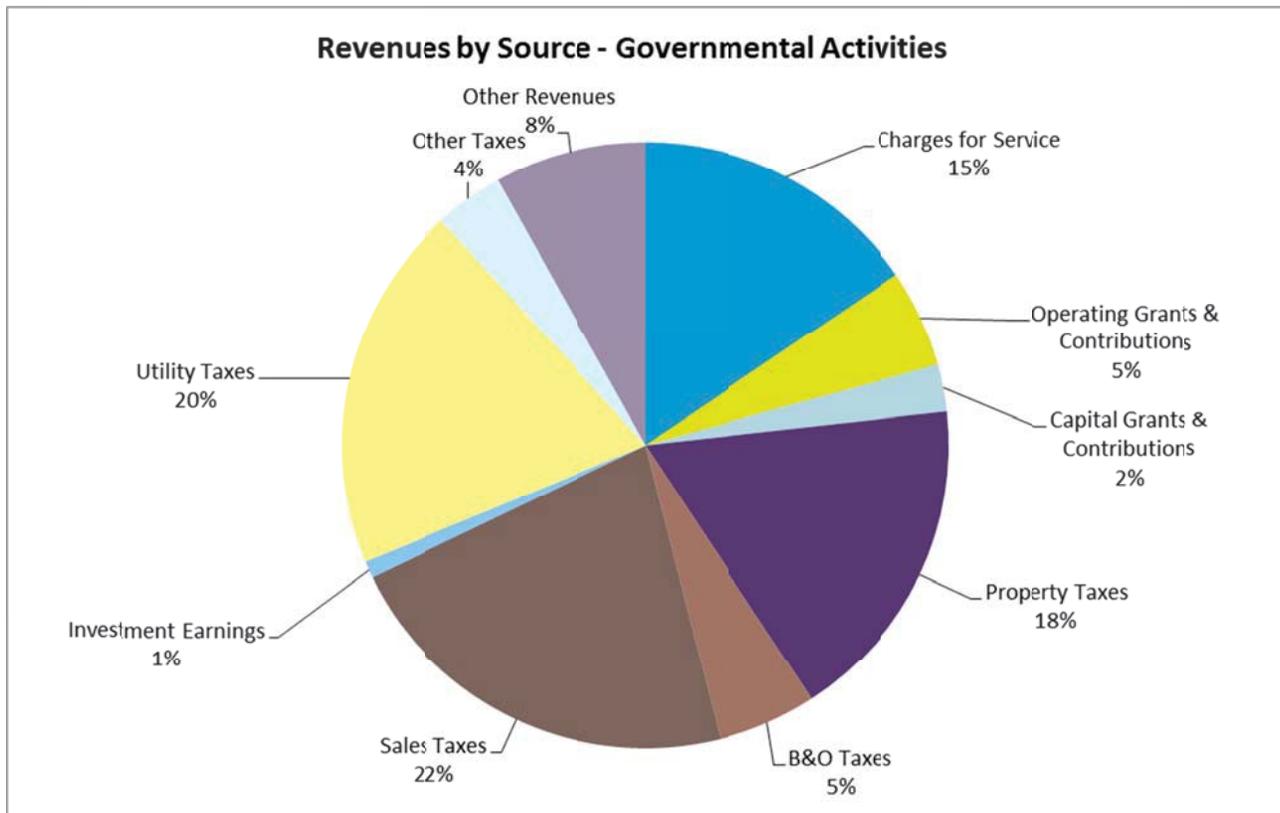
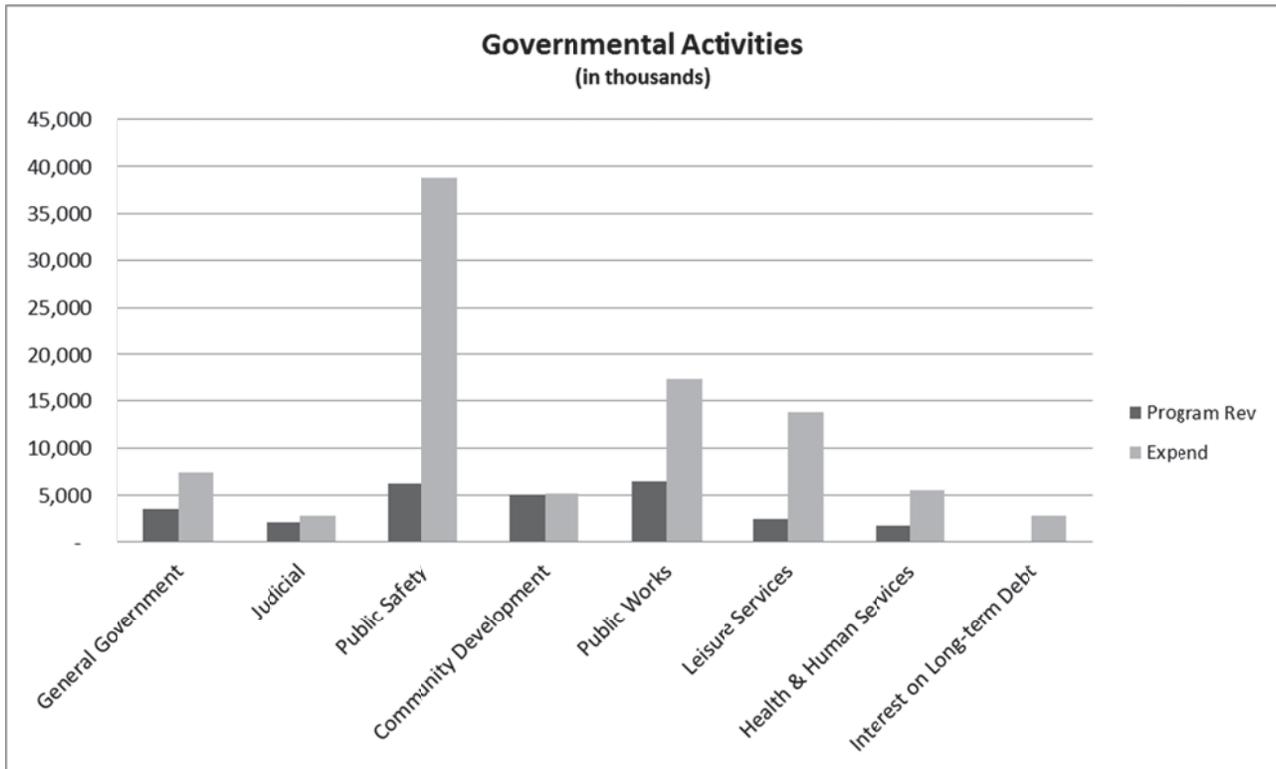
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Charges for Service	\$ 18,171	\$ 13,708	\$ 65,871	\$ 62,206	\$ 84,042	\$ 75,914
Operating Grants	6,166	6,090	177	81	6,343	6,171
Capital Grants	2,937	4,743	15,793	9,195	18,730	13,938
General Revenues:						
Taxes:						
Property Taxes	20,600	20,085	-	-	20,600	20,085
Sales Taxes	25,332	22,707	-	-	25,332	22,707
Utility Taxes	22,963	22,760	-	-	22,963	22,760
Business & Occupation Taxes	6,209	5,149	-	-	6,209	5,149
Other Taxes	4,541	5,157	-	-	4,541	5,157
Unrestricted Grants	6,851	6,760	-	-	6,851	6,760
Investment Earnings	1,053	896	125	154	1,178	1,050
Miscellaneous	2,596	3,687	-	-	2,596	3,687
Total Revenues	117,419	111,742	81,966	71,636	199,385	183,378
<b>Expenses:</b>						
General Government	7,343	8,959	-	-	7,343	8,959
Judicial	2,789	2,744	-	-	2,789	2,744
Public Safety	38,745	37,377	-	-	38,745	37,377
Community Development	5,176	5,097	-	-	5,176	5,097
Public Works	17,371	16,994	-	-	17,371	16,994
Leisure Services	13,862	15,909	-	-	13,862	15,909
Health & Human Services	5,479	5,275	-	-	5,479	5,275
Interest on Long-Term Debt	2,804	3,250	-	-	2,804	3,250
Water Utility	-	-	13,070	13,973	13,070	13,973
Sewerage Utility	-	-	37,952	37,681	37,952	37,681
Golf Complex	-	-	2,872	2,918	2,872	2,918
Total Expenses	93,569	95,605	53,894	54,572	147,463	150,177
Increase in Net Position before						
Transfers & Special Items	23,850	16,137	28,072	17,064	51,922	33,201
Transfers	(17)	762	17	(762)	-	-
Special Item	-	-	-	2,828	-	2,828
Increase in Net Position	23,833	16,899	28,089	19,130	51,922	36,029
Net Position – January 1 – restated*	648,941	632,042	306,659	287,529	955,600	919,571
Net Position – December 31	\$ 672,774	\$ 648,941	\$ 334,748	306,659	\$ 1,007,522	\$ 955,600

\* 2013 numbers restated for prior period adjustments

# 2014 Comprehensive Annual Financial Report

City of Kent

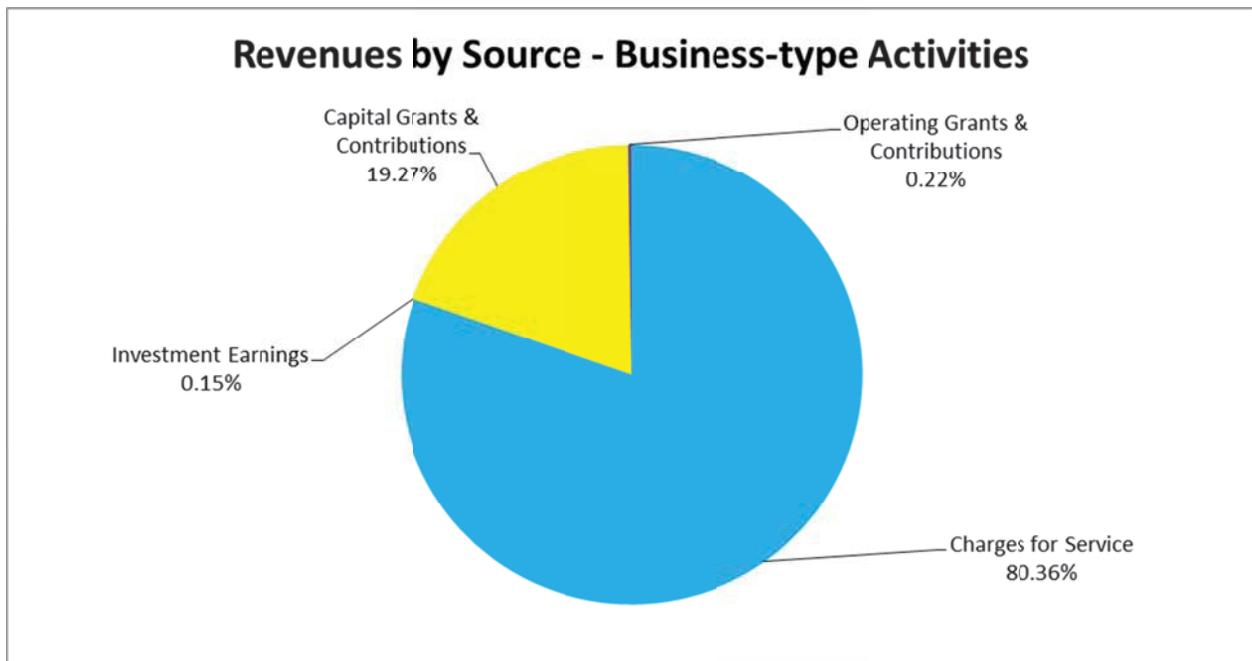
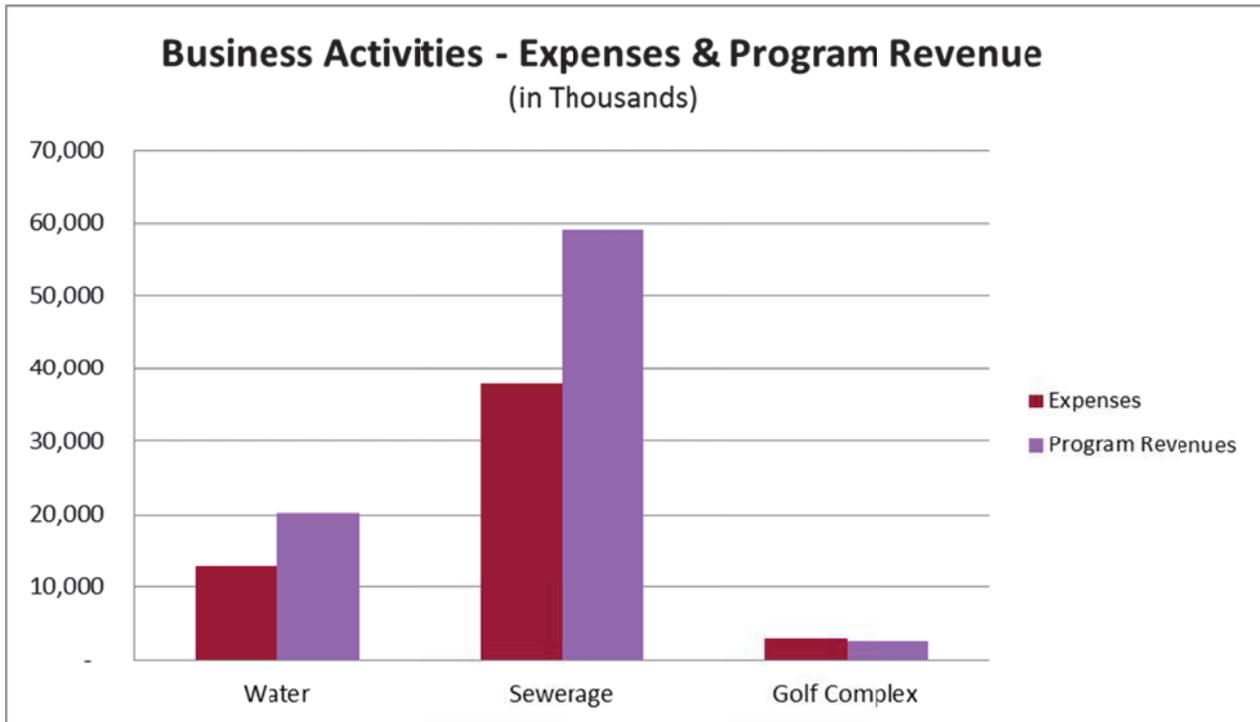
Management's Discussion and Analysis  
For the Year Ended December 31, 2014



# 2014 Comprehensive Annual Financial Report

City of Kent

Management's Discussion and Analysis  
For the Year Ended December 31, 2014



**Governmental activities.** Governmental activities net position increased \$23.8 million (3.7 percent) in fiscal year 2014. Some key revenue and expenditure highlights of governmental activities for fiscal year 2014 are as follows:

- Taxes – Property Taxes (\$20.6 million), Sales & Use Taxes (\$25.3 million), Utility Taxes (\$23.0 million), Business & Occupation Taxes (\$6.2 million), and Other Taxes (\$4.5 million)

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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increased/(decreased) by \$.5 million or 2.6 percent, \$2.6 million or 11.6 percent, \$.2 million or .9 percent, \$1.1 million or 20.6 percent and (\$.6) million or 11.9 percent, respectively as the economy continues slow growth. The City began collecting business & occupation taxes in 2013 and is continuing a strong education program, coupled with enforcement efforts to educate businesses on this new tax. The decrease in other taxes is primarily due to lower Real Estate Excise Tax collections during 2014.

- *Investment Earnings* (\$1.1 million) increased by \$.2 million or 17.5 percent. Although rates have remained fairly constant during 2014 the increase in investment earnings is the result of increased funds available for investing.
- *Charges for Service program revenues* (\$18.2 million) increased by \$4.5 million or 32.6 percent, with the largest increases in General Government, Public Safety, Community Development and Public Works.
  - General Government increased \$1.4 million (70.3 percent) with the inclusion of Internal Service Fund outside revenues to this category and function in 2014. They had previously been included in miscellaneous general revenues.
  - Public Safety increased \$1.6 million (87.0 percent) primarily due to three new fines that were collected in 2014. These include school zone camera fines of \$.9 million.
  - Community Development revenues increased \$1.2 million (30.3 percent) due to increasing permit and other building related fees, especially commercial building permits (up \$.5 million) and plan check fees (up \$.4 million) as construction continues to recover.
  - Public Works revenues increased \$.4 million primarily due to increased plans review fees and street impact fees as the result of the improved economy especially in commercial construction.
- *Grants and Contributions* –operating grants and contributions increased \$.1 million and capital grants decreased by \$1.8 million. The decrease in capital grants was primarily in Public Works due to Federal Highway Grants completed in 2013 and Leisure Services with the completion of some parks grants in 2013.
- Governmental Activities expenses decreased \$2.0 million with General Government and Leisure Services decreasing \$1.6 million and \$2.0 million respectively while Public Safety increased \$1.4 million. Interest on long-term debt also decreased \$.4 million with lower debt payments in 2014.
  - *General Government expenses* (\$7.3 million) decreased by \$1.6 million or 18.0 percent as compared to 2013. This is primarily due to a decrease in depreciation expense due to several large technology assets being fully depreciated in 2013.
  - *Leisure Services expenses* (\$13.9 million) decreased \$2.0 million primarily due to a decrease in the contingent loan guarantee obligation with the 2014 contribution to the PFD debt.
  - *Public Safety expenses* increased \$1.4 million, primarily due to a \$.5 million increase in salaries due to increased overtime and a \$.4 million increase in prisoner care costs and a \$.2 million cost of operating the new school zone cameras.

### City of Kent

**Business-type activities.** Business-type activities net position increased \$28.1 million (9.2 percent) in fiscal year 2014. Key highlights of the change in net position are as follows:

- *Charges for Service (Operating Revenues)* (\$65.9 million) increased by \$3.7 million or 5.9 percent. The increase was due to rate increases as well as increased customers in both Water Utility and Sewerage Utility revenue resulting in \$1.4 million and \$2.2 million increases, respectively while Golf Complex charges for service remained steady. Refer to the analysis of the Proprietary Funds for further detail.
- *Operating Grants/Contributions* (\$.2 million) increased by \$.1 million with higher non-operating revenues in 2014 in both the water and sewer funds.
- *Capital Grants/Contributions* (\$15.8 million) increased \$6.6 million (71.7 percent). While the Water Fund decreased \$.7 million due to decreased capital contributions and connection and system development fees, the Sewerage Fund increased \$7.3 million with grant monies received from the State Department of Ecology and King County for drainage infrastructure.
- *Expenses – Water fund expenses* (\$13.0 million) decreased \$.9 million (6.5 percent) while *Sewerage Fund expenses* (\$38.0 million) increased \$.3 million (.8 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 \$32.4 million, an increase of \$15.3 million in comparison with the restated prior fiscal year balances. Of this amount, the unassigned fund balance is \$6.2 million, up \$8.4 million from the previous year. 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 (\$14.7 million), 3) committed for particular purposes (\$8.9 million), or assigned for particular purposes (\$2.5 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 \$12.8 million, representing a \$6.5 million or 104.7 percent increase from 2013. 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 Revenue Funds of the City (Public Safety Retiree Fund, Operating Grants and Projects Fund, and the Kent Events Center Fund). For budgetary purposes, these special revenue funds are still separate from the General Fund. Factors affecting the General Fund's ending fund balance include:

- Total General Fund revenues increased \$4.5 million (6.0 percent) from the previous year, generally due to continued slow economic growth. The major changes are discussed below.

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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- Property taxes of \$20.7 million were up \$.6 million from the previous year primarily due to addition of new construction into the assessed valuation.
- Sales and use taxes (\$17.8 million) increased \$2.0 million (12.5 percent) with continued economic growth.
- Building permits and other licenses and permits are up \$.7 million from the previous year as development showed some increases, especially in commercial construction.
- Charges for service increased \$1.5 million primarily due to increased plan check and review fees with the increase in construction activity.
- General Fund expenditures increased \$2.8 million (4.1 percent) from the previous year with the largest increases in Public Safety (\$1.1 million increase) and Leisure Services (\$1.0 million increase). Overall, while the City faced increasing costs due to inflation and increased costs of employee benefits, the City has continued to closely monitor services and budgets to continue rebuilding reserves and creating sustainable programs. The increase in Public Safety is due to higher overtime, salaries for four new positions, and higher prisoner care costs. The increase in Leisure services is primarily \$.2 million in salaries and \$.65 million in supplies and services due to higher utility cost and increased maintenance costs at Showare.

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 2013 levels:

- *Capital Improvement Fund*. Fund balance increased by \$4.4 million with the second year of a portion of the business and occupation tax dedicated to this fund to rebuild fund balance. Although revenues increased by \$1.0 million in 2014, the fund still has a deficit fund balance of \$3.0 million at the end of 2014. 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 were new revenues in 2013 as the City rebuilds this fund. In 2014, sales taxes, utility taxes and business and occupation taxes increased in this fund \$.5 million, \$.1 million and \$1.1 million respectively, while real estate taxes decreased \$.7 million. In 2014, the City also received \$2.3 million from the sale of land into this fund. This fund is responsible for the General Fund debt service payments, which accounts for \$7.3 million of the \$8.9 million in 2014 transfers out.
- *Special Assessments Fund*. Fund balance increased by \$.7 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 as well as transfers to capital projects being funded by special assessments. In 2014, revenues decreased \$.9 million from 2013 revenues due to several improvement districts being completed and closed, which also resulted in debt service expenditures decreasing \$.5 million. Transfers out to capital projects increased \$1.4 million.
- *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 \$.3 million in 2014.

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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- *Street Projects Fund.* Fund balance increased \$1.7 million to \$8.4 million. Revenues increased \$.2 million due to grants, while transfers in, primarily from the street operating fund, to fund capital projects increased \$1.8 million. Expenditures on capital projects increased \$3.6 million.

**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 \$1.1 million or .3 percent of the Enterprise funds' net position (\$334.7 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 \$7.2 million or 6.0 percent. This increase was due to net operating income of \$5.9 million, less non-operating net expenses of \$.4 million, plus capital contributions of \$1.7 million. Operating revenues increased by 8.2 percent or \$1.4 million primarily due to a 3 percent rate increase for meter access fees and usage rates per 100 cu. ft. effective January 1, 2014. Operating expenses decreased 7.0 percent or \$1.0 million with lower self-insured medical and liability insurance charges, as well as reductions in supplies. The operating income for 2014 was \$5.9 million as compared to \$3.6 million in 2013. Capital contributions decreased \$.7 million.
- *Sewerage Fund.* Fiscal year 2014 net position increased by \$21.3 million or 11.7 percent. While operating revenues increased \$2.2 million (5.2 percent), operating expenses increased \$.5 million (1.3 percent) compared to 2013 levels. A 3 percent rate increase was effective January 1, 2014 for single family sewer fees with no increase for storm drainage fees in 2014. The increase in expenses is due to increasing internal utility taxes (up \$.3 million) with the increased revenue (the tax is 3% of sewer and drainage customer charges), other services and charges (\$.1 million) and increased depreciation expense (\$.1 million) with additional capital assets.
- *Golf Complex.* Net position decreased by \$.4 million or 8.7 percent in fiscal year 2014. Operating revenues increased \$.5 million (2.2 percent), while expenses decreased by \$.5 million or 1.6 percent, but the facility continues to have a net operating loss in 2014.

Additional information on the City of Kent's Enterprise funds can be found in Note 12 on pages 74-76 of this report.

# 2014 Comprehensive Annual Financial Report

City of Kent

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

## GENERAL FUND BUDGETARY HIGHLIGHTS:

### CITY OF KENT'S BUDGET ACTIVITY BY FUNCTION For the Year Ended December 31, 2014 (in thousands)

	Original Budget	Supplemental Appropriations	Final Budget
General Government	\$ 7,679	\$ 51	\$ 7,730
Judicial	2,939	-	2,939
Public Safety	35,001	238	35,239
Community Development	5,740	259	5,999
Public Works	4,553	47	4,600
Leisure Services	10,372	28	10,400
Health & Human Services	4,932	32	4,964
	\$ 71,216	\$ 655	\$ 71,871

The General Fund's budget was increased by \$655,002 from the original budget. There were a few significant budget changes that occurred during the year, including:

- An adjustment was made to the Human Resources budget to carryover \$50,000 of professional services for city-wide training.
- An adjustment of \$70,000 was made to the Economic and Community Development budget to carry over expenditure authority for implementation of the Downtown Strategic Action Plan and Phase II of the ECD Strategic Plan.
- An adjustment of \$189,605 was made to increase the salaries, benefits and overtime budgets in Economic and Community Development to cover increased workload.
- An adjustment was made to add \$237,535 to the Public Safety budget to fund electronic monitoring services for the Corrections Facility.
- An adjustment of \$28,600 was made to increase the Parks budget for performers for cultural programs. The increase was offset by grant revenues.
- An adjustment of \$47,466 was made to increase salaries, benefits and overtime budgets in Public Works to cover increased workload.

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

- *Taxes.* Actual tax collections were \$2.6 million over budget. While all tax classifications were above budget, sales and use tax collections comprised the majority of the overage at nearly \$2.4 million or 15.2 percent over budget. The increased collections are largely the result of a strengthening economy and several large development projects. Property taxes and utility and other taxes were above budget by \$168,452 and \$69,717 respectively.

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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- *Licenses and Permits.* Licenses and permits were \$.6 million or 11.8 percent over budget. Both building permits and other licenses and permits ended the year above budget, largely as a result of increasing development activity.
- *Charges for Services.* Charges for services were about 31.2 percent or nearly \$1.6 million above budget. Of this revenue source, plan check fees were \$955,313 or 39.8 percent above budget, largely due to the recovery in the development and construction industry. Other fees, including parks and recreation fees were above budget by \$614,121 or 7.5 percent.
- *Functional Expenditures.* Overall, salaries and benefits ended the year under budget by \$1 million or 2.2 percent. Departments continue to closely monitor supplies and services expenditures to maintain savings wherever possible, so most of the general fund functions had budget savings in fiscal year 2014.
  - *General Government Expenditures.* The general government expenses were \$653,921 or 8.5 percent under budget. This was primarily the result of vacant positions remaining open, as well as savings in supplies and services.
  - *Leisure Services Expenditures.* Leisure services revenues were above budget by \$48,246 (4 percent) with a slight increase in the number of participants in some programs. Expenditures were \$403,989 (3.9 percent) below budget, primarily through close management of supplies costs. There were also small savings in salaries and benefits.
  - *Community Development Expenditures.* Saved \$747,588 (12.5 percent), primarily in other professional services for consulting contracts that were awarded and began in 2014, but the work is not fully completed. As a result, the budget for a portion of these savings will be carried over to next year to complete these projects, including the comprehensive plan update, retail retention strategy, downtown strategic action plan implementation, and the ECD strategic plan. There were also savings in salaries and benefits.
  - *Public Safety Expenditures.* Public safety had \$658,069 (1.9 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 capital assets for its governmental and business type activities as of December 31, 2014, were \$1.1 billion (net of accumulated depreciation), comprising 89.0 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.

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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

#### Governmental Activities:

- *Infrastructure.* During 2014, infrastructure increased as projects were closed and capitalized totaling \$5.0 million. In addition, the City received developer contributions totaling \$21,136. The annual depreciation of \$10.7 million was also recorded resulting in the net decrease to infrastructure of \$5.7 million as compared to 2013.
- *Construction in Progress.* Construction in progress (\$106.4 million) remained almost unchanged from 2013. Fiscal year 2014 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 Downtown ITS Improvements project in which \$5 million was capitalized to streets and IT systems project with \$2.2 million capitalized to equipment.
- *Land.* Land assets were increased by \$6,450 in 2014 with the capitalization of the Downtown ITS Improvements project.
- *Buildings.* Buildings increased \$2.7 million in 2014 with \$4 million in additions less \$1.3 million 2014 depreciation expense.
- *Site Improvements.* Net site improvements decreased by \$.2 million as compared to 2013 with \$2 million in additions (parks and public art) and \$2.2 million in 2014 depreciation.
- *Equipment.* Net equipment increased by \$.4 million in 2014. This was additions of \$1.2 million less net disposals of \$44,880 and depreciation of \$.8 million.

#### Business Type Activities:

- *Construction in Progress.* Compared to 2013, construction in progress increased \$17.2 million in 2014. This is primarily due to projects still in progress. Approximately \$25 million in ongoing projects were added to CIP in 2014, while \$7.8 million in projects were completed and capitalized from CIP into other capital asset categories.
  - The 2014 additions to some projects in CIP at December 31, 2014 are:
    - \$3.3 million for Desimone levee improvements
    - \$1.1 million for Upper Russell Road levee improvements
    - \$7.1 million for Briscoe levee improvements
    - \$5.6 million for Tacoma intertie water supply pipeline
  - Some projects that were completed and capitalized in 2014 are:
    - \$4 million for Citywide Storm Pipe & Culvert maintenance
    - \$1.2 million for Earthworks Overlays
    - \$.8 million for Green River Sandbag Removal project
- *Land.* Land assets were increased by \$1,500 in 2014 with the purchase of the Anderson property.

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

- *Site Improvements.* Additions to site improvements for 2014 were \$8.2 million and depreciation was \$5.8 million resulting in a net increase of \$2.4 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress mentioned above plus \$.4 million in developer contributed assets.
- *Equipment.* Net equipment increased by \$.2 million in 2014. This was additions of \$.3 million less depreciation of \$.1 million. The primary addition to equipment was the purchase of a Chevy 4500 TV truck.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 219,465	\$ 219,458	\$ 11,369	\$ 11,367	\$ 230,834	\$ 230,825
Buildings	102,130	99,514	591	743	102,721	100,257
Site Improvements	36,406	36,677	160,359	157,955	196,765	194,632
Equipment	10,336	9,959	1,070	845	11,406	10,804
Infrastructure	283,424	289,077	-	-	283,424	289,077
Construction in Progress	106,361	106,848	169,341	152,077	275,702	258,925
Total Capital Assets	\$ 758,122	\$ 761,533	\$ 342,730	\$ 322,987	\$ 1,100,852	\$ 1,084,520

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 66-67 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of \$76.9 million. Of this amount, \$54.8 million or 71.2 percent comprises general obligation debt backed by the full faith and credit of the government and \$2.0 million or 2.6 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 \$2.9 million or 5.4% 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 (\$20.2 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	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 51,818	\$ 57,328	\$ 2,938	\$ 3,665	\$ 54,756	\$ 60,993
Special Assessment Bonds	1,980	2,700	-	-	1,980	2,700
Revenue Bonds	-	-	20,190	21,165	20,190	21,165
Total Bonded Debt	\$ 53,798	\$ 60,028	\$ 23,128	\$ 24,830	\$ 76,926	\$ 84,858

The City of Kent's total bonded debt decreased by \$7.9 million or 9.4 percent during the current fiscal year. The City issued \$8.7 million in general obligation refunding bonds in 2014 that refunded \$8.9

# 2014 Comprehensive Annual Financial Report

## Management's Discussion and Analysis For the Year Ended December 31, 2014

### City of Kent

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million in outstanding 2004 series general obligation bonds. All required debt service payments were made during 2014.

At December 31, 2014, the City of Kent carried an "AA-" rating from Standard and Poor's as of February 1, 2014 and a "Baa2" rating from Moody's as of February 6, 2014. Both rating agencies upgraded the City's rating in February 2015 to AA from Standard & Poor's and A2 from Moody's.

The State of Washington limits the amount of general obligation debt a governmental entity may issue with and without a vote. The City's remaining unused debt capacity at year-end was \$983.8 million.

Additional information on the City of Kent's long-term debt can be found in Note 10 on pages 68-73 of this report.

### **ECONOMIC FACTORS AND BUDGETARY IMPACTS:**

In 2013 the City moved to a biennial budget process adopting a budget for 2013 and 2014. The City's biennial budget adopts two one-year budgets where the expenditure authority lapses at the end of each fiscal year (December 31<sup>st</sup>). The City includes a mid-biennium adjustment process for the between years of the biennium. The mid-biennium adjustment allows an opportunity for the City to adjust revenue projections and planned operating and capital expenditures.

The adopted 2014 budget recognized the continued economic challenges facing the City. The budget was built using conservative revenue estimates and was balanced based on those projections. The budget incorporated efficiencies, maintained the public's safety, and honored the strategic goals set by Council. It continued the diversification of the City's tax base which began in 2013 and took 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, provide funding of \$424,000 to the Strategic Opportunities Fund, and eliminate negative fund balances in our ShoWare Operating Fund.

With continued moderate 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 during the 2013 - 2014 biennial budget process. 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. The City budgets all vacant positions conservatively by assuming the 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 experiencing growth in building permit and plan check fees as our local economy begins to recover. Although this revenue is coming in considerably over budget, it is anticipated that much of this growth is attributable to "one-time" activity.

The 2014 budget continues several new or increased revenue sources implemented with the adoption of the 2013 – 2014 biennial budget: 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.

# 2014 Comprehensive Annual Financial Report

City of Kent

Management's Discussion and Analysis  
For the Year Ended December 31, 2014

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**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](http://www.kentwa.gov)



# 2014 Comprehensive Annual Financial Report

**CITY OF KENT**  
**STATEMENT OF NET POSITION**  
 December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Special Events Center PFD
<b>ASSETS</b>				
Cash and cash equivalents (Note 4)	\$ 52,518,881	\$ 27,468,856	\$ 79,987,737	\$ 5,071
Cash with fiscal agent/trustee	60,000	73,264	133,264	-
Investments, at fair value (Note 4)	254,874	667	255,541	-
Receivables (net of allowances) (Note 5)	27,585,155	18,733,974	46,319,129	144,028
Internal balances (Note 6)	(3,326,104)	3,326,104	-	-
Inventory, at cost (Note 6)	107,136	533,092	640,228	-
Prepaid items	882,967	901	883,868	845,205
Investment in Joint Venture (Note 16)	7,530,787	-	7,530,787	-
Restricted assets:				
Cash and cash equivalents (Note 4)	-	2,306,543	2,306,543	-
Note receivable from component unit (Note 5)	18,719,297	-	18,719,297	-
Less: Allowance for uncollectible	(18,719,297)	-	(18,719,297)	-
Net OPEB obligation	335,218	-	335,218	-
Property, plant, and equipment: (Note 7)				
Not being depreciated	325,825,694	180,709,944	506,535,638	-
Being depreciated, net of depreciation	432,296,354	162,020,518	594,316,872	-
<b>TOTAL ASSETS</b>	<b>844,070,962</b>	<b>395,173,863</b>	<b>1,239,244,825</b>	<b>994,304</b>
<b>DEFERRED OUTFLOWS</b>				
Deferred loss on refundings	554,382	131,683	686,065	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>554,382</b>	<b>131,683</b>	<b>686,065</b>	<b>-</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>844,625,344</b>	<b>395,305,546</b>	<b>1,239,930,890</b>	<b>994,304</b>
<b>LIABILITIES</b>				
Vouchers payable	2,739,999	1,065,222	3,805,221	-
Matured bonds/interest payable	60,000	-	60,000	-
Accounts/payroll payable	3,871,752	1,033,329	4,905,081	-
Incurred but not reported claims payable	4,195,026	-	4,195,026	-
Due to other governments	142,601	-	142,601	-
Accrued interest payable	217,317	180,399	397,716	251,288
Unearned revenue	8,298,297	312,978	8,611,275	-
Non-current liabilities:				
Due within one year (Note 10)				
Compensated absences-current	1,589,308	259,935	1,849,243	-
Contracts, leases, notes-current	1,786,103	1,639,028	3,425,131	-
General obligation bonds payable-current	5,069,385	513,615	5,583,000	-
Special assessment bonds payable with governmental commitment-current	725,000	-	725,000	-
Revenue bonds payable-current	-	1,015,000	1,015,000	865,000
Due in more than one year (Note 10)				
Compensated absences-long term	2,578,868	153,057	2,731,925	-
Contracts, leases, notes-long term	14,771,811	32,340,416	47,112,227	18,719,297
General obligation bonds payable-long term (net of unamortized discounts & premiums)	47,740,973	2,626,837	50,367,810	-
Special assessment bonds payable- long term	1,255,000	-	1,255,000	-
Revenue bonds payable-long term (net of unamortized discounts & premiums)	-	19,418,172	19,418,172	59,470,604
Contingent loan guarantee obligation (Note 18)	76,809,813	-	76,809,813	-
<b>TOTAL LIABILITIES</b>	<b>171,851,253</b>	<b>60,557,988</b>	<b>232,409,241</b>	<b>79,306,189</b>
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>171,851,253</b>	<b>60,557,988</b>	<b>232,409,241</b>	<b>79,306,189</b>
<b>NET POSITION</b>				
Net investment in capital assets	687,527,061	287,867,561	975,394,622	-
Restricted net position for:				
Debt service	9,499,778	1,111,144	10,610,922	-
Unrestricted net position	(24,252,748)	45,768,853	21,516,105	(78,311,885)
<b>TOTAL NET POSITION</b>	<b>\$ 672,774,091</b>	<b>\$ 334,747,558</b>	<b>\$ 1,007,521,649</b>	<b>\$ (78,311,885)</b>

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2014**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 7,342,670	\$ 3,483,161	\$ 3,694	\$ -
Judicial	2,789,535	1,846,731	220,008	-
Public Safety	38,744,658	3,388,295	2,757,290	-
Community Development	5,175,651	5,006,297	-	-
Public Works	17,371,560	2,185,990	2,365,184	1,865,263
Leisure services	13,861,675	1,418,600	49,094	983,068
Health and human services	5,478,974	841,690	771,230	88,400
Interest on long-term debt	2,804,432	-	-	-
Total governmental activities	93,569,155	18,170,764	6,166,500	2,936,731
Business-type Activities:				
Water	13,070,155	18,416,162	128,014	1,707,303
Sewerage	37,951,697	44,969,699	45,024	14,085,176
Golf Complex	2,872,165	2,485,348	3,946	-
Total business type activities	53,894,017	65,871,209	176,984	15,792,479
<b>Total Primary Government</b>	<b>\$ 147,463,172</b>	<b>\$ 84,041,973</b>	<b>\$ 6,343,484</b>	<b>\$ 18,729,210</b>
<b>Component Unit:</b>				
Special Events Center PFD	\$ 3,532,861	\$ -	\$ -	\$ -
<b>Total Component Units</b>	<b>\$ 3,532,861</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**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

Interest income

Miscellaneous

Gain(Loss) on disposal of capital asset

Transfers

**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

# 2014 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	
\$ (3,855,815)		\$ (3,855,815)		
(722,796)		(722,796)		
(32,599,073)		(32,599,073)		
(169,354)		(169,354)		
(10,955,123)		(10,955,123)		
(11,410,913)		(11,410,913)		
(3,777,654)		(3,777,654)		
(2,804,432)		(2,804,432)		
<u>(66,295,160)</u>		<u>(66,295,160)</u>		
	\$ 7,181,324	7,181,324		
	21,148,202	21,148,202		
	<u>(382,871)</u>	<u>(382,871)</u>		
	<u>27,946,655</u>	<u>27,946,655</u>		
\$ <u>(66,295,160)</u>	\$ <u>27,946,655</u>	\$ <u>(38,348,505)</u>		
			\$ <u>(3,532,861)</u>	
			\$ <u>(3,532,861)</u>	
20,599,891	-	20,599,891	-	
25,332,356	-	25,332,356	784,330	
22,962,565	-	22,962,565	-	
6,208,946	-	6,208,946	-	
3,184,596	-	3,184,596	-	
1,356,198	-	1,356,198	-	
6,851,351	-	6,851,351	-	
1,052,762	124,777	1,177,539	308	
162,971	-	162,971	-	
2,433,112	-	2,433,112	-	
(16,729)	16,729	-	-	
90,128,019	141,506	90,269,525	784,638	
23,832,859	28,088,161	51,921,020	(2,748,223)	
728,898,185	304,633,293	1,033,531,478	(60,100,035)	
<u>(79,956,953)</u>	<u>2,026,104</u>	<u>(77,930,849)</u>	<u>(15,463,627)</u>	
<u>648,941,232</u>	<u>306,659,397</u>	<u>955,600,629</u>	<u>(75,563,662)</u>	
\$ <u>672,774,091</u>	\$ <u>334,747,558</u>	\$ <u>1,007,521,649</u>	\$ <u>(78,311,885)</u>	

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
December 31, 2014**

	General Fund	Capital Improvement Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,984,425	\$ 1,069	\$ 4,303,182	\$ -
Cash with fiscal agent	-	-	60,000	-
Receivables (net of allowances for estimated uncollectibles):				
Taxes	7,876,728	1,223,819	-	-
Accounts	420,897	-	-	-
Special assessments				
Current	-	-	1,381,584	-
Delinquent	-	-	373,704	-
Unavailable	-	-	9,728,804	-
Penalty and Interest	-	-	938,763	-
Interfund loans receivable	70,000	-	-	-
Prepaid items	96,544	-	-	-
<b>TOTAL ASSETS</b>	<u>20,448,594</u>	<u>1,224,888</u>	<u>16,786,037</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 20,448,594</u>	<u>\$ 1,224,888</u>	<u>\$ 16,786,037</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Vouchers payable	\$ 1,493,685	\$ 6,429	\$ 482	\$ -
Matured bonds/interest payable	-	-	60,000	-
Accounts/payroll payable	2,871,748	-	-	-
Due to other governments	116,445	-	-	-
Interfund loans payable	506,526	4,225,000	-	-
Deposits and advances	741,124	-	-	-
Interfund loan payable - non-current	1,519,578	-	-	-
Total Liabilities	<u>7,249,106</u>	<u>4,231,429</u>	<u>60,482</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	396,911	-	12,422,855	-
Total Deferred Inflows of Resources	<u>396,911</u>	<u>-</u>	<u>12,422,855</u>	<u>-</u>
<b>FUND BALANCE</b>				
<b>Nonspendable:</b>				
Prepaid items	96,544	-	-	-
<b>Restricted:</b>				
Annexation	2,058,008	-	-	-
Street capital projects	-	-	-	-
Lodging tax purposes	-	-	-	-
Criminal justice programs	-	-	-	-
Parks capital projects	-	-	-	-
Facility capital projects	-	-	-	-
Special assessment debt	-	-	4,104,700	-
Assessment debt guaranty	-	-	198,000	-
Economic and community development	53,773	-	-	-
Human Services	5,017	-	-	-
<b>Committed:</b>				
Street operations	-	-	-	-
Youth/Teen program	-	-	-	-
Criminal justice programs	-	-	-	-
City arts program	281,177	-	-	-
Street capital projects	-	-	-	-
Parks capital projects	-	-	-	-
Technology systems	-	-	-	-
<b>Assigned:</b>				
Public safety retiree OPEB	1,030,551	-	-	-
Human services	98,291	-	-	-
Criminal justice programs	-	-	-	-
Street capital projects	-	-	-	-
Parks capital Projects	-	-	-	-
Technology capital Projects	-	-	-	-
Facility capital projects	-	-	-	-
<b>Unassigned:</b>	9,179,216	(3,006,541)	-	-
Total Fund Balance	<u>12,802,577</u>	<u>(3,006,541)</u>	<u>4,302,700</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<u>\$ 20,448,594</u>	<u>\$ 1,224,888</u>	<u>\$ 16,786,037</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

	Street Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	8,738,117	\$ 8,094,408	\$ 33,121,201
	-	-	60,000
	-	1,292,710	10,393,257
	142,773	1,657,739	2,221,409
	-	-	1,381,584
	-	-	373,704
	-	-	9,728,804
	-	-	938,763
	-	-	70,000
	-	4,295	100,839
	<u>8,880,890</u>	<u>11,049,152</u>	<u>58,389,561</u>
\$	<u>8,880,890</u>	\$ <u>11,049,152</u>	\$ <u>58,389,561</u>
\$	299,169	\$ 257,854	\$ 2,057,619
	-	-	60,000
	183,481	356,584	3,411,813
	291	25,865	142,601
	-	145,000	4,876,526
	-	330,146	1,071,270
	-	-	1,519,578
	<u>482,941</u>	<u>1,115,449</u>	<u>13,139,407</u>
	-	4,696	12,824,462
	<u>-</u>	<u>4,696</u>	<u>12,824,462</u>
	-	4,295	100,839
	-	-	2,058,008
	3,735,698	79,345	3,815,043
	-	371,803	371,803
	-	1,404,384	1,404,384
	-	1,386,666	1,386,666
	-	1,283,892	1,283,892
	-	-	4,104,700
	-	-	198,000
	-	-	53,773
	-	-	5,017
	-	1,328,611	1,328,611
	-	147,063	147,063
	-	911,846	911,846
	-	-	281,177
	4,662,251	-	4,662,251
	-	20,406	20,406
	-	1,602,146	1,602,146
	-	-	1,030,551
	-	-	98,291
	-	63,601	63,601
	-	16,132	16,132
	-	1,232,832	1,232,832
	-	31,928	31,928
	-	61,430	61,430
	-	(17,373)	6,155,302
	<u>8,397,949</u>	<u>9,929,007</u>	<u>32,425,692</u>
\$	<u>8,880,890</u>	\$ <u>11,049,152</u>	\$ <u>58,389,561</u>



# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014**

Fund balance - total governmental funds		\$	32,425,692
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds (Does not include Internal Service Fund capital assets)			
Cost of capital assets	\$	1,081,785,254	
Accumulated depreciation		<u>(328,981,955)</u>	752,803,299
Investment in Joint Venture (Note 16)			7,530,787
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, including capital assets, and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position.			25,594,792
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		(191,470)	
LID bonds		(5,099)	
Contracts & loans		<u>(20,748)</u>	(217,317)
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		396,911	
Voted Debt Service Fund		<u>4,696</u>	401,607
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			5,197,078
Unamortized bond costs are not reported on the governmental fund statements, but are reported on the statement of net position			
Prepaid bond insurance		41,790	
Deferred loss on refunding		554,382	
Unamortized bond (premium)/discount		<u>(992,003)</u>	(395,831)
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		(51,818,355)	
Special assessment bonds		(1,980,000)	
Contracts, leases and notes		(16,557,914)	
Compensated absences		(3,735,152)	
OPEB liability		335,218	
Contingent loan guarantee		<u>(76,809,813)</u>	(150,566,016)
Net Position of governmental activities (page 23)			<u><u>672,774,091</u></u>

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2014**

	General Fund	Capital Improvement Fund	Special Assessments Fund	Non-Voted General Obligation Debt Fund
<b>REVENUES</b>				
Taxes:				
Property	\$ 20,696,272	\$ -	\$ -	\$ -
Sales and use	17,761,585	5,323,729	-	-
Utility	17,775,687	1,243,121	-	-
Business & occupation	303,600	1,279,740	-	-
Real estate excise tax	-	3,184,596	-	-
Lodging	-	-	-	-
Other	1,106,821	-	-	-
Licenses and permits:				
Building permits	3,074,546	-	-	-
Other licenses and permits	2,744,069	-	-	-
Intergovernmental revenue	7,515,935	-	-	-
Charges for services:				
Park and recreation fees	1,664,221	-	-	-
Other fees and charges	4,935,083	-	-	-
Fines and forfeitures	1,284,798	-	-	-
Miscellaneous revenue:				
Special assessments	-	-	2,387,329	-
Interest income	156,879	1,617	727,899	-
Contributions and Donations	853,450	-	-	-
Other miscellaneous revenue	926,248	-	-	-
<b>TOTAL REVENUES</b>	<b>80,799,194</b>	<b>11,032,803</b>	<b>3,115,228</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current:				
General government	7,101,445	42,149	271	-
Judicial	2,849,954	-	-	-
Public safety	35,467,912	-	-	-
Community development	5,251,662	-	-	-
Public works	4,929,327	-	-	-
Leisure services	10,992,192	2,729,824	-	-
Health and human services	4,759,123	-	-	-
Debt service:				
Principal	-	-	747,256	7,349,895
Interest	-	-	124,207	2,573,493
Capital outlay	8,000	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>71,359,615</b>	<b>2,771,973</b>	<b>871,734</b>	<b>9,923,388</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,439,579</b>	<b>8,260,830</b>	<b>2,243,494</b>	<b>(9,923,388)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of LTGO Refunding Bonds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Premium on general obligation bonds	-	-	-	-
Sale of capital assets	-	2,314,228	-	-
Transfers in	931,217	2,766,676	-	9,923,205
Transfers out	(3,822,042)	(8,925,896)	(1,555,750)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,890,825)</b>	<b>(3,844,992)</b>	<b>(1,555,750)</b>	<b>9,923,205</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,548,754</b>	<b>4,415,838</b>	<b>687,744</b>	<b>(183)</b>
<b>FUND BALANCE, January 1</b>	<b>8,279,927</b>	<b>(7,422,379)</b>	<b>3,614,956</b>	<b>183</b>
Prior period correction	(2,026,104)	-	-	-
<b>ADJUSTED FUND BALANCE, January 1</b>	<b>6,253,823</b>	<b>(7,422,379)</b>	<b>3,614,956</b>	<b>183</b>
<b>FUND BALANCE (DEFICIT), December 31</b>	<b>\$ 12,802,577</b>	<b>\$ (3,006,541)</b>	<b>\$ 4,302,700</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

Street Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 20,696,272
-	2,247,042	25,332,356
-	3,943,757	22,962,565
-	4,625,606	6,208,946
-	-	3,184,596
-	249,377	249,377
-	-	1,106,821
-	-	3,074,546
-	-	2,744,069
1,133,317	5,382,860	14,032,112
-	-	1,664,221
560	1,007,276	5,942,919
-	1,189,092	2,473,890
-	-	2,387,329
5,347	11,020	902,762
322,170	70,213	1,245,833
-	266,861	1,193,109
<u>1,461,394</u>	<u>18,993,104</u>	<u>115,401,723</u>
-	-	7,143,865
-	-	2,849,954
-	4,435,078	39,902,990
-	71,441	5,323,103
-	2,719,574	7,648,901
-	342,000	14,064,016
-	835,776	5,594,899
-	-	8,097,151
-	286,574	2,984,274
<u>7,128,768</u>	<u>3,388,447</u>	<u>10,525,215</u>
7,128,768	12,078,890	104,134,368
(5,667,374)	6,914,214	11,267,355
-	8,671,070	8,671,070
-	(8,929,574)	(8,929,574)
-	547,704	547,704
118,874	-	2,433,102
7,300,398	3,515,445	24,436,941
<u>(61,561)</u>	<u>(8,799,714)</u>	<u>(23,164,963)</u>
7,357,711	(4,995,069)	3,994,280
1,690,337	1,919,145	15,261,635
6,707,612	8,009,862	19,190,161
6,707,612	8,009,862	(2,026,104)
6,707,612	8,009,862	17,164,057
<u>\$ 8,397,949</u>	<u>\$ 9,929,007</u>	<u>\$ 32,425,692</u>



# 2014 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, 2014**

Net change in fund balance - total governmental funds		\$	15,261,635
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	\$	10,525,215	
Depreciation expense		<u>(15,101,892)</u>	(4,576,677)
The net effect of various miscellaneous transactions involving capital assets is to increase net position.			153,225
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			(96,381)
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.			(1,908,283)
The issuance of long-term debt provides current financial resources in the governmental funds, but creates a long-term liability on the government-wide statements.			85,963
Repayment of bonds/contracts principal is an expenditure in the governmental funds, but reduces long-term liabilities on the government-wide statements.			
Principal repayments		<u>8,097,151</u>	8,097,151
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		131,596	
Amortization of loss on refunding		<u>(353,397)</u>	(228,408)
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.			3,849,470
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		593,053	
Interest expense accrual		33,612	
Net OPEB obligation		(262,223)	
Contingent loan guarantee obligation		<u>2,830,722</u>	3,195,164
Change in net position of governmental activities (page 23)			<u>23,832,859</u>

The accompanying notes are an integral part of the financial statements

# 2014 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, 2014**

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 20,527,820	20,527,820	20,696,272	\$ 168,452
Sales and use	15,412,060	15,412,060	17,761,585	2,349,525
Utility	17,754,886	17,754,886	17,775,687	20,801
Business & occupation	300,000	300,000	303,600	3,600
Other	1,057,905	1,057,905	1,106,821	48,916
Licenses and permits:				
Building permits	2,429,377	2,645,908	3,074,546	428,638
Other licenses and permits	2,557,675	2,557,675	2,744,069	186,394
Intergovernmental revenue:				
Other grants and shared revenue	7,195,329	7,223,929	7,515,935	292,006
Charges for services:				
Park and recreation fees	1,199,321	1,199,321	1,664,221	464,900
Other fees and charges	3,830,549	3,830,549	4,935,083	1,104,534
Fines and forfeitures	1,552,429	1,552,429	1,284,798	(267,631)
Miscellaneous revenue:				
Interest income	103,383	103,383	156,060	52,677
Other miscellaneous revenue	1,178,631	1,178,631	960,678	(217,953)
<b>TOTAL REVENUES</b>	<b>75,099,365</b>	<b>75,344,496</b>	<b>79,979,355</b>	<b>4,634,859</b>
<b>EXPENDITURES</b>				
Current:				
General government	7,679,644	7,729,644	7,075,723	653,921
Judicial	2,938,747	2,938,747	2,849,954	88,793
Public safety	35,001,410	35,238,945	34,580,876	658,069
Community development	5,740,185	5,999,250	5,251,662	747,588
Public works	4,552,647	4,600,113	4,929,327	(329,214)
Leisure services	10,371,947	10,400,547	9,996,558	403,989
Health and human services	4,931,665	4,964,001	4,737,954	226,047
<b>TOTAL EXPENDITURES</b>	<b>71,216,245</b>	<b>71,871,247</b>	<b>69,422,054</b>	<b>2,449,193</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>3,883,120</b>	<b>3,473,249</b>	<b>10,557,301</b>	<b>7,084,052</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,006,524	1,006,524	931,217	(75,307)
Transfers out	(4,134,673)	(6,340,473)	(7,648,239)	(1,307,766)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,128,149)</b>	<b>(5,333,949)</b>	<b>(6,717,022)</b>	<b>(1,383,073)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>754,971</b>	<b>(1,860,700)</b>	<b>3,840,279</b>	<b>5,700,979</b>
<b>FUND BALANCE, January 1</b>	<b>17,380,664</b>	<b>17,380,664</b>	<b>9,497,676</b>	<b>(7,882,988)</b>
Prior period correction	-	-	(2,026,104)	(2,026,104)
<b>ADJUSTED FUND BALANCE, January 1</b>	<b>17,380,664</b>	<b>17,380,664</b>	<b>7,471,572</b>	<b>(9,909,092)</b>
<b>FUND BALANCE, December 31</b>	<b>\$ 18,135,635</b>	<b>\$ 15,519,964</b>	<b>\$ 11,311,851</b>	<b>\$ (4,208,113)</b>

Note: This budgetary statement represents the true General Fund. Certain other funds are combined with the General Fund for financial reporting purposes (see Note 1.d). Separate budgetary schedules are provided for those other funds,

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

## CITY OF KENT

### CAPITAL IMPROVEMENT SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ 4,874,950	\$ 4,874,950	\$ 5,323,729	\$ 448,779
Utility	1,218,674	1,218,674	1,243,121	24,447
Business & occupation	-	-	1,279,740	1,279,740
Real estate excise tax	3,097,638	3,097,638	3,184,596	86,958
Miscellaneous revenue:				
Interest income	3,978	3,978	1,617	(2,361)
<b>TOTAL REVENUES</b>	<u>9,195,240</u>	<u>9,195,240</u>	<u>11,032,803</u>	<u>1,837,563</u>
<b>EXPENDITURES</b>				
General government	-	5,800	42,149	36,349
Leisure services	2,400,000	2,400,000	2,729,824	329,824
<b>TOTAL EXPENDITURES</b>	<u>2,400,000</u>	<u>2,405,800</u>	<u>2,771,973</u>	<u>366,173</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	6,795,240	6,789,440	8,260,830	1,471,390
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	3,500,000	3,500,000	2,314,228	(1,185,772)
Transfers in	2,259,600	2,265,400	2,766,676	501,276
Transfer Out	(8,165,195)	(10,504,834)	(8,925,896)	1,578,938
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,405,595)</u>	<u>(4,739,434)</u>	<u>(3,844,992)</u>	<u>894,442</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	4,389,645	2,050,006	4,415,838	2,365,832
<b>FUND BALANCES, January 1</b>	(7,426,649)	(7,426,649)	(7,422,379)	4,270
<b>FUND BALANCES, December 31</b>	<u>\$ (3,037,004)</u>	<u>\$ (5,376,643)</u>	<u>\$ (3,006,541)</u>	<u>\$ 1,475,660</u>

Note: Budgeted transfers of \$300,000 between business units with the fund have been eliminated for financial reporting purposes.

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

CITY OF KENT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 December 31, 2014

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 16,445,371	\$ 10,702,086	\$ 321,399
Cash with fiscal agent	73,264	-	-
Investments, at fair value	178	489	-
Restricted cash, cash equivalents, & investments:			
For bond redemption:			
Cash and cash equivalents	124,143	56,256	-
Receivables (net of allowances for estimated uncollectibles):			
Taxes	-	-	-
Accounts	1,592,896	11,864,961	55,282
Notes	2,610,416	2,610,416	-
Accrued interest	1	2	-
Interfund loan receivable	4,424,536	381,990	-
Inventory, at cost	340,768	35,961	156,363
Prepaid expenses	330	571	-
<b>Total Current Assets</b>	<b>25,611,903</b>	<b>25,652,732</b>	<b>533,044</b>
<b>Noncurrent Assets:</b>			
Restricted cash, cash equivalents, and investments:			
For bond reserve:			
Cash and cash equivalents	1,063,072	1,063,072	-
Interfund loan receivable - non-current portion	598,608	920,970	-
Property, plant and equipment			
Land	1,994,193	4,031,815	5,342,508
Buildings	2,151,264	75,522	2,954,818
Site Improvements	84,574,526	173,964,302	4,540,222
Equipment	1,970,342	1,619,789	585,792
Less: Accumulated Depreciation	(38,662,347)	(65,236,280)	(6,517,432)
Construction In Progress	92,018,504	77,322,924	-
<b>Total noncurrent assets</b>	<b>145,708,162</b>	<b>193,762,114</b>	<b>6,905,908</b>
<b>TOTAL ASSETS</b>	<b>\$ 171,320,065</b>	<b>\$ 219,414,846</b>	<b>\$ 7,438,952</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	-	131,683	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ 131,683</b>	<b>\$ -</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 171,320,065</b>	<b>\$ 219,546,529</b>	<b>\$ 7,438,952</b>

The accompanying notes are an integral part of the financial statements

# 2014 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>
\$ 27,468,856 73,264 667  180,399  - 13,513,139 5,220,832 3 4,806,526 533,092 901 <hr/> 51,797,679   2,126,144 1,519,578  11,368,516 5,181,604 263,079,050 4,175,923 (110,416,059) <hr/> 169,341,428 346,376,184  <hr/> \$ <u>398,173,863</u>	\$ 19,397,680 - 254,874  - 121,836 86,336 2,339,411 51 3,000,000 107,136 740,338 <hr/> 26,047,662   - - - 1,008,268 361,952 20,811,913 (18,525,410) <hr/> 1,662,026 5,318,749  <hr/> \$ <u>31,366,411</u>
<hr/> \$ <u>131,683</u> <hr/> \$ <u>131,683</u>	<hr/> - <hr/> \$ <u>          -</u>
<hr/> \$ <u>398,305,546</u>	<hr/> \$ <u>31,366,411</u>

Continued

# 2014 Comprehensive Annual Financial Report

CITY OF KENT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 December 31, 2014

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewerage Fund	Golf Complex Fund
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Vouchers payable	\$ 124,275	\$ 932,277	\$ 8,670
Accounts/payroll payable	269,837	681,279	82,213
Incurred but not reported claims payable	-	-	-
Interfund loans payable	-	-	3,000,000
Accrued interest payable	124,143	56,256	-
Compensated absences payable - current portion	100,419	116,564	42,952
General obligation bonds payable - current portion	-	513,615	-
Notes payable - current portion	1,564,028	75,000	-
Revenue bonds payable - current portion	507,500	507,500	-
Deposits and unearned revenue	19,253	41,184	252,541
Total Current Liabilities	<u>2,709,455</u>	<u>2,923,675</u>	<u>3,386,376</u>
<b>Noncurrent Liabilities:</b>			
Compensated absences payable- non-current portion	49,345	64,400	39,312
Notes payable - non-current portion	31,665,416	675,000	-
General obligation bonds payable - non-current portion	-	2,424,030	-
Plus: unamortized premium	-	202,807	-
Revenue bonds payable - non-current portion	9,587,500	9,587,500	-
Plus: unamortized premium	121,586	121,586	-
Total noncurrent liabilities	<u>41,423,847</u>	<u>13,075,323</u>	<u>39,312</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 44,133,302</u>	<u>\$ 15,998,998</u>	<u>\$ 3,425,688</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>\$ 44,133,302</u>	<u>\$ 15,998,998</u>	<u>\$ 3,425,688</u>
<b>NET POSITION</b>			
Net investment in capital assets	102,446,097	178,515,556	6,905,908
Restricted for debt service	555,572	555,572	-
Unrestricted	24,185,094	24,476,403	(2,892,644)
<b>TOTAL NET POSITION</b>	<u>\$ 127,186,763</u>	<u>\$ 203,547,531</u>	<u>\$ 4,013,264</u>

The accompanying notes are an integral part of the financial statements

# 2014 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>	
\$	1,065,222	\$	682,380
	1,033,329		459,939
	-		4,195,026
	3,000,000		-
	180,399		-
	259,935		174,440
	513,615		-
	1,639,028		-
	1,015,000		-
	312,978		1,250
	<u>9,019,506</u>		<u>5,513,035</u>
	153,057		258,584
	32,340,416		-
	2,424,030		-
	202,807		-
	19,175,000		-
	243,172		-
	<u>54,538,482</u>		<u>258,584</u>
\$	<u>63,557,988</u>	\$	<u>5,771,619</u>
\$	<u>63,557,988</u>	\$	<u>5,771,619</u>
	287,867,561		5,318,749
	1,111,144		-
	45,768,853		20,276,043
\$	<u><u>334,747,558</u></u>	\$	<u><u>25,594,792</u></u>

Concluded

# 2014 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, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewerage Utility</b>	<b>Golf Complex</b>
<b>OPERATING REVENUES</b>			
Sales	\$ 17,907,534	\$ -	\$ 420,095
Charges for services	501,487	44,961,341	1,823,948
Contributions	-	-	-
Rental and lease income	-	-	240,694
Other operating revenue	7,141	8,358	611
<b>TOTAL OPERATING REVENUES</b>	<b>18,416,162</b>	<b>44,969,699</b>	<b>2,485,348</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,900,191	2,690,121	966,493
Benefits	880,734	1,090,956	376,529
Supplies	530,365	368,757	496,882
Services and charges	7,366,028	29,119,595	833,918
Depreciation	1,810,788	4,108,145	195,714
<b>TOTAL OPERATING EXPENSES</b>	<b>12,488,106</b>	<b>37,377,574</b>	<b>2,869,536</b>
<b>OPERATING INCOME (LOSS)</b>	<b>5,928,056</b>	<b>7,592,125</b>	<b>(384,188)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	67,630	57,076	68
Unrealized net gain/(loss) in fair value of investments	1	2	-
Miscellaneous non-operating revenues	128,014	45,024	3,946
Interest expense	(582,049)	(574,123)	(2,629)
Gain (loss) on disposal of capital assets	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(386,404)</b>	<b>(472,021)</b>	<b>1,385</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEM</b>	<b>5,541,652</b>	<b>7,120,104</b>	<b>(382,803)</b>
Capital contributions	1,707,303	14,085,176	-
Transfers in	-	161,653	-
Transfers out	(71,920)	(73,004)	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>7,177,035</b>	<b>21,293,929</b>	<b>(382,803)</b>
<b>NET POSITION, January 1</b>	<b>119,211,584</b>	<b>181,025,642</b>	<b>4,396,067</b>
Prior period adjustment	798,144	1,227,960	-
<b>ADJUSTED NET POSITION, January 1</b>	<b>120,009,728</b>	<b>182,253,602</b>	<b>4,396,067</b>
<b>NET POSITION, December 31</b>	<b>\$ 127,186,763</b>	<b>\$ 203,547,531</b>	<b>\$ 4,013,264</b>

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

<u>Business-type Activities Enterprise Funds</u>		<u>Governmental Activities</u>	
<u>Totals</u>		<u>Internal Service Funds</u>	
\$	18,327,629	\$	1,174,703
	47,286,776		13,221,349
	-		12,642,942
	240,694		-
	16,110		876,479
	<u>65,871,209</u>		<u>27,915,473</u>
	5,556,805		4,640,656
	2,348,219		1,769,467
	1,396,004		1,924,916
	37,319,541		15,733,562
	6,114,647		602,322
	<u>52,735,216</u>		<u>24,670,923</u>
	<u>13,135,993</u>		<u>3,244,550</u>
	124,774		59,594
	3		-
	176,984		1,416,596
	(1,158,801)		(523)
	-		4,498
	<u>(857,040)</u>		<u>1,480,165</u>
	<u>12,278,953</u>		<u>4,724,715</u>
	15,792,479		-
	161,653		57,882
	(144,924)		(1,346,589)
	<u>28,088,161</u>		<u>3,436,008</u>
	304,633,293		22,158,784
	2,026,104		-
	<u>306,659,397</u>		<u>22,158,784</u>
\$	<u><u>334,747,558</u></u>	\$	<u><u>25,594,792</u></u>

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2014**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Water</b>	<b>Sewerage</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 18,796,906	\$ 38,988,969
Cash received from other funds for services	-	-
Cash payments to employees	(2,802,921)	(3,612,589)
Cash payments to suppliers	(10,385,054)	(29,327,010)
Other cash received	7,141	8,358
Net cash provided by operating activities	<u>5,616,072</u>	<u>6,057,728</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund loan issued for noncapital purposes	(798,144)	(1,302,960)
Interfund loan payment for noncapital purposes	-	-
Operating grants/non-operating revenue received	128,014	45,024
Prior period adjustment	798,144	1,227,960
Transfers in	-	161,653
Transfers out	(71,920)	(73,004)
Net cash provided by (used for) noncapital financing	<u>56,094</u>	<u>58,673</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from bond sales	-	3,783,728
Proceeds from capital asset removal	-	-
Acquisition and construction of capital assets	(8,241,598)	(17,182,972)
Interfund loan for capital outlays	5,675,000	774,808
Defeasement of bonds	-	(3,783,728)
Principal paid on bonds and equipment contracts	(2,016,529)	(1,290,281)
Interest paid on bonds and equipment contracts	(619,496)	(542,338)
Transfers in	-	-
Transfers out	-	-
Capital contributed by subdividers, capital grants, local impr. districts	1,488,631	13,886,880
Net cash (used for) capital & related financing	<u>(3,713,992)</u>	<u>(4,353,903)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(28,050,000)	(35,070,000)
Proceeds from sale and maturities of investments	40,895,116	42,935,320
Interest and dividends on investments	67,630	57,077
Net cash provided by (used for) investing activities	<u>12,912,746</u>	<u>7,922,397</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>14,870,920</b>	<b>9,684,895</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b>2,834,930</b>	<b>2,136,519</b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<b><u>\$ 17,705,850</u></b>	<b><u>\$ 11,821,414</u></b>
<b>CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:</b>		
Current Assets: Cash and cash equivalents	\$ 16,445,371	\$ 10,702,086
Current Assets: Cash with fiscal agent	73,264	-
Restricted for Bond Redemption: Cash and cash equivalents	124,143	56,256
Restricted for Bond Reserve: Cash and cash equivalents	1,063,072	1,063,072
	<u>\$ 17,705,850</u>	<u>\$ 11,821,414</u>

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Golf</b>		<b>Internal</b>	
<b>Complex</b>	<b>Totals</b>	<b>Service Funds</b>	
\$ 2,502,525	\$ 60,288,400	\$ 14,412,076	
-	-	13,339,869	
(1,339,444)	(7,754,954)	(6,390,064)	
(1,349,224)	(41,061,288)	(18,329,419)	
611	16,110	876,479	
<u>(185,532)</u>	<u>11,488,268</u>	<u>3,908,941</u>	
3,000,000	898,896	(3,000,000)	
(2,600,000)	(2,600,000)	1,500,000	
3,946	176,984	1,416,596	
-	2,026,104	-	
-	161,653	-	
-	(144,924)	-	
<u>403,946</u>	<u>518,713</u>	<u>(83,404)</u>	
-	3,783,728	-	
-	-	62,793	
(16,589)	(25,441,159)	(1,411,228)	
-	6,449,808	-	
-	(3,783,728)	-	
-	(3,306,810)	(31,087)	
(2,629)	(1,164,463)	(628)	
-	-	57,882	
-	-	(1,346,589)	
-	15,375,511	-	
<u>(19,218)</u>	<u>(8,087,113)</u>	<u>(2,668,857)</u>	
(340,000)	(63,460,000)	(18,725,000)	
345,000	84,175,436	34,085,000	
68	124,775	59,594	
<u>5,068</u>	<u>20,840,211</u>	<u>15,419,594</u>	
204,264	24,760,079	16,576,274	
117,135	5,088,584	2,821,406	
<u>\$ 321,399</u>	<u>\$ 29,848,663</u>	<u>\$ 19,397,680</u>	
\$ 321,399	\$ 27,468,856	\$ 19,397,680	
-	73,264	-	
-	180,399	-	
-	2,126,144	-	
<u>\$ 321,399</u>	<u>\$ 29,848,663</u>	<u>\$ 19,397,680</u>	

Continued

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2014**

**Business-type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewerage</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 5,928,056	\$ 7,592,125
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,810,788	4,108,145
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	50,702	(6,290,136)
(Increase) Decrease in notes receivable	410,973	383,717
(Increase) Decrease in inventory	(17,694)	11,898
(Increase) Decrease in prepaid expenses	(130)	26
Increase (Decrease) in vouchers payable	(2,462,523)	469,198
Increase (Decrease) in accounts/payroll payable	2,521	(115,523)
Increase (Decrease) in incurred but not reported claims payable	-	-
Increase (Decrease) in deposits and deferred revenues	(73,790)	(65,953)
Increase (Decrease) in compensated absences	(32,831)	(35,769)
Total Adjustments	<u>(311,984)</u>	<u>(1,534,397)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 5,616,072</u></b>	<b><u>\$ 6,057,728</u></b>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital assets contributed	\$ 218,672	\$ 198,296
(Decrease) in fair value of investments	1	2

The accompanying notes are an integral part of the financial statements

# 2014 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>	
\$ (384,188)	\$ 13,135,993	\$ 3,244,550	
195,714	6,114,647	602,322	
8,479	(6,230,955)	712,951	
-	794,690	-	
(21,893)	(27,689)	3,466	
-	(104)	(131,109)	
1,697	(1,991,628)	(110,694)	
4,252	(108,750)	(35,972)	
-	-	(390,083)	
9,309	(130,434)	-	
1,098	(67,502)	13,510	
<u>198,656</u>	<u>(1,647,725)</u>	<u>664,391</u>	
<u>\$ (185,532)</u>	<u>\$ 11,488,268</u>	<u>\$ 3,908,941</u>	
\$ -	\$ 416,968	\$ -	
-	3	-	

Concluded

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2014**

	<b>Firemen's Relief &amp; Pension Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,852,659	\$ 1,470,705
Investments, at fair value		
Government Agencies	889,972	-
Due from other governments	-	4,335
Net pension asset	515,815	
<b>TOTAL ASSETS</b>	<u>3,258,446</u>	<u>1,475,040</u>
<b>LIABILITIES</b>		
Accounts/payroll payable	5,937	1,175,361
Deposits and unearned revenue	-	299,679
<b>Total Liabilities</b>	<u>5,937</u>	<u>1,475,040</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 3,252,509</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ended December 31, 2014**

	<b>Firemen's Relief &amp; Pension Fund</b>
<b>ADDITIONS</b>	
Contributions:	
State insurance fees	\$ 178,899
Investment earnings:	
Interest	54,674
Unrealized net gain/(loss) in fair value of investments	179
<b>TOTAL ADDITIONS</b>	<u>233,752</u>
<b>DEDUCTIONS</b>	
Benefits	514,104
Administrative Expense	8,325
<b>TOTAL DEDUCTIONS</b>	<u>522,429</u>
<b>CHANGE IN NET POSITION</b>	(288,677)
<b>NET POSITION RESTRICTED FOR PENSIONS, January 1</b>	2,880,593
Prior period adjustment (Note 20)	660,593
<b>NET POSITION RESTRICTED FOR PENSIONS, January 1 restated</b>	3,541,186
<b>NET POSITION RESTRICTED FOR PENSIONS, December 31</b>	<u>\$ 3,252,509</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 financial statements of the City of Kent have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Effective for fiscal year 2014, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 67 – *Financial Reporting for Pension Plans*. This statement replaces earlier guidance on accounting and financial reporting for the activities of pension plans that are administered through trusts. The statement applies to the Firemen’s Relief and Pension Trust Fund of the City.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement requires governments that extend a nonexchange financial guarantee to recognize a liability when qualitative and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

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, “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. Through an interlocal agreement, the RFA provides emergency management, fire prevention and fire inspection services for the City and the City provides some staff services for the RFA. Provided services are billed to the other agency.

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 reported separately from its component unit. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables, as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the changes in the aggregate financial position resulting from the activities of the fiscal period.

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 has 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 revenues 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 placed 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 government-wide 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 and are detailed in combining statements included as supplementary information after the basic 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. The costs of the internal service funds are spread to the appropriate function or segment on the government-wide Statement of Activities and the revenues and expenses of the internal service funds are eliminated from the government-wide financial statements to avoid a doubling up effect of these revenues and expenses.

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

The accounting and 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 trust 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.

When applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No.33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, receivable and revenues are recognized when applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported

as advances or deferred inflows.

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.

**GOVERNMENTAL FUNDS:** Governmental funds are used to account for the City's general government activities. The City 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, internal utility tax, and business & occupation tax that is restricted or committed to be utilized to provide funding for governmental non-street related capital and operating projects, and debt service 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 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.

**PROPRIETARY FUNDS:** Proprietary funds account for the activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Enterprise Funds are used to account for those operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

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.

The City reports the following major proprietary funds, which are all of the enterprise funds of the City:

**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 internal service funds are presented as one column on the proprietary fund financial statements. Combining financial statements are also presented for the internal service funds, but are not part of the basic financial statements. 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 reporting focus is on net assets and changes in net assets and employs accounting principles similar to proprietary funds. The Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs.

Pension Trust Funds are used to account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. 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.

d. **BUDGETARY INFORMATION**

**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 and for which budgetary comparison statements or schedules are prepared are listed below.

General Fund, Special Revenue Funds: Street Fund, Lodging Tax Fund, Youth/Teen Fund, Criminal Justice Fund, Environmental Mitigation Fund, and Housing & Community Development Fund. Budgetary information is also provided for the Public Safety Retiree Fund, Operating Grants and Project Fund, and Events Center Operating Fund although these funds are combined into the General Fund for financial statement reporting.

The City adopts a biennial budget by December of the fiscal year proceeding 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.

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.

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

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. The table below does not include transfers.

Fund	Original Budget	Supplemental Appropriations	Final Budget
General Fund	\$ 71,216,245	\$ 655,002	\$ 71,871,247
Special Revenue Funds:			
Street	2,393,514	213,280	2,606,794
Lodging Tax	178,500	-	178,500
Youth/Teen Programs	42,000	-	42,000
Criminal Justice	2,863,414	617,144	3,480,558
Environmental Mitigation	-	335,177	335,177
Housing & Community Development	914,499	50,232	964,731
<b>Total</b>	<b>\$ 77,608,172</b>	<b>\$ 1,870,835</b>	<b>\$ 79,479,007</b>

### 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 35 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 are also presented for the Public Safety Retiree, Other Operating Grants and Projects, and Kent Events Center funds which may be found on pages 122-124. Below, you will find the combining of these funds with the General Fund for reporting purposes.

	General Fund	Public Safety Retiree	Operating Grants & Projects	Kent Events Center Fund	Eliminations	Revised General Fund
<b>Revenues:</b>						
Taxes	\$ 57,643,965	-	-	-	-	\$ 57,643,965
Licenses & permits	5,818,615	-	-	-	-	5,818,615
Other grants/shared revenue	7,515,935	-	-	-	-	7,515,935
Charges for service	6,599,304	-	-	-	-	6,599,304
Fines and forfeitures	1,284,798	-	-	-	-	1,284,798
Interest income	156,060	819	-	-	-	156,879
Contributions & donations	34,430	805,020	14,000	-	-	853,450
Other miscellaneous revenue	926,248	-	-	-	-	926,248
<b>Total Revenues</b>	<b>79,979,355</b>	<b>805,839</b>	<b>14,000</b>	<b>-</b>	<b>-</b>	<b>80,799,194</b>

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# 2014 Comprehensive Annual Financial Report

City of Kent

Notes to the Financial Statements  
December 31, 2014

	General Fund	Public Safety Retiree	Operating Grants & Projects	Kent Events Center Fund	Eliminations	Revised General Fund
<b>Expenditures:</b>						
General Government	7,075,723	-	25,722	-	-	7,101,445
Judicial	2,849,954	-	-	-	-	2,849,954
Public Safety	34,580,876	887,036	-	-	-	35,467,912
Community development	5,251,662	-	-	-	-	5,251,662
Public works	4,929,327	-	-	-	-	4,929,327
Leisure services	9,996,558	-	23,587	972,047	-	10,992,192
Health & human services	4,737,954	-	21,169	-	-	4,759,123
Capital outlay	-	-	-	8,000	-	8,000
<b>Total Expenditures</b>	<b>69,422,054</b>	<b>887,036</b>	<b>70,478</b>	<b>980,047</b>	<b>-</b>	<b>71,359,615</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>10,557,301</b>	<b>(81,197)</b>	<b>(56,478)</b>	<b>(980,047)</b>	<b>-</b>	<b>9,439,579</b>
<b>Other Financing Sources (uses)</b>						
Transfers in	931,217	250,000	120,073	3,456,124	(3,826,197)	931,217
Transfers out* (see below)	(7,648,239)	-	-	-	3,826,197	(3,822,042)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,717,022)</b>	<b>250,000</b>	<b>120,073</b>	<b>3,456,124</b>	<b>-</b>	<b>(2,890,825)</b>
<b>Net Change in Fund Balance</b>	<b>3,840,279</b>	<b>168,803</b>	<b>63,595</b>	<b>2,476,077</b>	<b>-</b>	<b>6,548,754</b>
<b>Fund Balance, January 1</b>	<b>7,471,572</b>	<b>862,223</b>	<b>376,115</b>	<b>(2,456,087)</b>	<b>-</b>	<b>6,253,823</b>
<b>Fund Balance, December 31</b>	<b>\$ 11,311,851</b>	<b>\$ 1,031,026</b>	<b>\$ 439,710</b>	<b>\$ 19,990</b>	<b>\$ -</b>	<b>\$ 12,802,577</b>

\*Transfers Out reconciliation to General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 35 is shown as follows:

Transfers Out per Budget	\$ 7,648,239
Less Intrafund Transfer to: Public Safety Retiree	250,000
Other Operating Grants & Projects	120,073
Kent Events Center Fund	3,456,124
	<u>\$ 3,822,042</u>

e. **ASSETS & DEFERED OUTFLOWS, LIABILITIES & DEFERRED INFLOWS, AND NET POSITION**

**(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, including restricted assets, 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 (LGIP). Excluded from this category are cash balances held by fiscal Agents since the City does not have discretionary use of these funds.

Interest earned on pooled cash and investments is prorated to the various funds. Interest earned on a specific fund's investments is credited to the fund holding the investment.

**(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** (refer to Note 5)

Taxes receivable consists of property taxes (refer to Note 13), sales taxes, and City assessed business and occupation, utility, lodging, real-estate excise taxes and gambling taxes and

related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Unearned assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited.

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

All receivables are shown on the financial statements net of an allowance for uncollectible accounts, if applicable.

**(4) Inventory 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. The inventory recorded in governmental activities arises from the inclusion of the Internal Service Funds into 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.

**(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** (also refer to Note 6)

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 shown in Note 6.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of interfund loans receivable and payable is furnished in Note 6, *Interfund Balances and Transfers*.

h. **CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 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:

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

Property, Plant and Equipment for governmental activities is stated at historical cost, or market value at date received in the case of contributions. Purchase and construction of such assets 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. 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 estimated market value at the date of donation. Depreciation is recorded in the fund statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

## 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 29.

### 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 33.

## 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

## 4. DEPOSITS AND INVESTMENTS

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

### DEPOSITS

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

### INVESTMENTS

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

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

As of December 31, 2014, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)		
		<1	1-5	6-10
Cash Equivalents				
State Treasurer's Investment Pool	\$ 77,006,806	\$ 77,006,806	\$ -	\$ -
Investments				
Government Agencies (various)	890,639	-	890,639	-
Certificates of Deposit	254,874	254,874	-	-
Total investments	78,152,319	77,261,680	890,639	-
Less cash equivalents & investments held by Fiduciary Funds	(2,724,972)	(1,835,000)	(889,972)	-
Total Primary Government	\$ 75,427,347	\$ 75,426,680	\$ 667	\$ -

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

#### **PRIMARY GOVERNMENT**

##### **From Statement of Net Position:**

Cash & cash equivalents	\$ 79,987,737
Cash with fiscal agent/trustee	133,264
Investments, at fair value	255,541
Restricted cash & cash equivalents	2,306,543
<b>Total from Statement of Net Position</b>	<b>\$ 82,683,085</b>

##### **Summary by Type:**

Cash on hand and in bank	\$ 7,122,474
State Pool (cash equivalents)	75,171,806
Deposits with fiscal agent/trustee	133,264
Certificates of deposit	254,874
Investments	667
<b>Total by Type</b>	<b>\$ 82,683,085</b>

#### **COMPONENT UNIT**

##### **Special Events Center PFD:**

Cash on hand and in bank	\$ 5,071
<b>Total Cash &amp; Investments</b>	<b>\$ 5,071</b>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits, to the extent possible, the average life of the portfolio not exceed five years. As of December 31, 2014, the weighted average of maturity for the portfolio was 17 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, 2014, the LGIP had a weighted average maturity of 43 days.

*Credit Risk:* State statute, as well as City policy, requires at the time of purchase that an investment carry a rating of one of the three highest credit ratings of a nationally recognized rating agency. As of December 31, 2014, 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

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

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, 2014, 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
<b>Governmental Activities:</b>						
General Fund	\$ 7,876,728	\$ 427,174	\$ (6,277)	\$ -	\$ -	\$ 8,297,625
Capital Improvements Fund	1,223,819	-	-	-	-	1,223,819
Special Assessments Fund	-	-	-	12,422,855	-	12,422,855
Street Capital Project Fund	-	145,333	(2,560)	-	-	142,773
Other Governmental Funds	1,292,710	1,657,739	-	-	-	2,950,449
Internal Service Funds	121,836	86,382	(46)	2,339,411	51	2,547,634
Subtotal	\$10,515,093	\$ 2,316,628	\$ (8,883)	\$ 14,762,266	\$ 51	\$ 27,585,155
<b>Business-Type Activities:</b>						
Water Fund	\$ -	\$ 1,621,939	\$ (29,043)	\$ 2,610,416	\$ 1	\$ 4,203,313
Sewerage Fund	-	11,917,382	(52,421)	2,610,416	2	14,475,379
Golf Complex Fund	-	58,676	(3,394)	-	-	55,282
Subtotal	\$ -	\$ 13,597,997	\$ (84,858)	\$ 5,220,832	\$ 3	\$ 18,733,974
Total Primary Government	\$10,515,093	\$ 15,914,625	\$ (93,741)	\$ 19,983,098	\$ 54	\$ 46,319,129
<b>Component Unit Activities:</b>						
Special Events Center PFD	\$ 144,028	\$ -	\$ -	\$ -	\$ -	\$ 144,028
Total Component Unit	\$ 144,028	\$ -	\$ -	\$ -	\$ -	\$ 144,028

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, 2014, the unearned revenue reported in the governmental funds related to special assessments was \$12,422,855. Of that amount, \$373,704 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.

**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."

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

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 special assessment bonds. The City has assessments and miscellaneous notes receivable in its Proprietary Funds for development charges and notes in lieu of assessments.

Under the Contingent Loan Agreement (see Note 18 - Contingencies) between the City and the Kent Public Facilities District, a discretely presented component unit of the City, the City has to date made \$18,493,452 in debt payments on behalf of the District. At December 31, 2014, the City has recorded a note receivable of \$18,719,297 (including interest) from the District on the governmental activities of the government-wide Statement of Net Position. Since the City believes the likelihood of the District being able to repay this note is remote, the City has also recorded an allowance for doubtful accounts for the entire balance of the note.

#### d. ACCRUED INTEREST RECEIVABLE

Accrued investment interest totaling \$54 was recognized at December 31, 2014. This interest was recorded in each fund based on its investment position.

## 6. INTERFUND BALANCES AND TRANSFERS

### INTERFUND BALANCES

	Interfund Loan Receivable	Interfund Loan Payable
<b>Governmental Activities:</b>		
<b>Governmental Funds:</b>		
General Fund	\$ 70,000	\$ 2,026,104
Capital Improvement Fund	-	4,225,000
Other Governmental Funds	-	145,000
<b>Internal Service Funds:</b>		
Insurance Fund	3,000,000	-
<b>Business-type Activities:</b>		
<b>Proprietary Funds:</b>		
Enterprise Funds:		
Water Fund	5,023,144	-
Sewerage Fund	1,302,960	-
Golf Complex Fund	-	3,000,000
<b>Totals</b>	<b>\$ 9,396,104</b>	<b>\$ 9,396,104</b>

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

The net internal balances shown on the Statement of Net Position is \$3,326,104 due from governmental activities to business-type activities.

In December 2014, the Mayor approved a \$3,000,000 one-year interfund loan from the Insurance Fund to the Golf Complex Fund to cover working capital. Also approved were one-day loans of \$75,000 from the Sewerage Fund to the Environmental Mitigation Fund and \$4,225,000 from the Water Fund to Other Capital Projects Fund to cover year-end expenditures as well as temporary cash flow shortages. These loans are bearing interest at the City's daily funds rate.

Also executed by the City on December 31, 2014, was a non-interest bearing loan for \$70,000 from the General Fund to the Housing & Community Development Fund to cover year-end expenditures.

Additionally, during fiscal year 2014, the City established a \$2,026,104 repayment from the General Fund to the Water (\$798,144) and Sewerage (\$1,227,960) Funds to be repaid over four years, beginning in 2015.

### TRANSFERS

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
<b>Governmental Funds:</b>		
<u>Major Funds:</u>		
General Fund	\$ 931,217	\$ 3,822,042
Capital Improvement Fund	2,766,676	8,925,896
Special Assessment Fund	-	1,555,750
Non-voted Debt	9,923,205	-
Street Capital Projects Fund	7,300,398	61,561
Subtotal	\$ 20,921,496	\$ 14,365,249
<u>Non-major Funds:</u>		
Street	\$ -	\$ 7,942,117
Youth/Teen Programs	-	856,524
Criminal Justice	101,882	-
Voted Debt Service	-	1,073
Parks Capital Projects	2,100,000	-
Technology Capital Projects	1,313,563	-
Subtotal	\$ 3,515,445	\$ 8,799,714
Total Governmental	\$ 24,436,941	\$ 23,164,963
<b>Proprietary Funds:</b>		
<u>Major Funds:</u>		
Water Utility	\$ -	\$ 71,920
Sewerage Utility	161,653	73,004
Subtotal	\$ 161,653	\$ 144,924
<u>Internal Service Funds:</u>		
Equipment Rental	\$ 57,882	\$ -
Central Services	-	1,313,563
Facilities	-	33,026
Subtotal	\$ 57,882	\$ 1,346,589
Total Proprietary	\$ 219,535	\$ 1,491,513
<b>Total Transfers</b>	<b>\$ 24,656,476</b>	<b>\$ 24,656,476</b>

# 2014 Comprehensive Annual Financial Report

Notes to the Financial Statements  
December 31, 2014

City of Kent

## 7. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

### a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2014 changes in governmental capital assets:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 219,458,162	\$ 6,450	\$ -	\$ 219,464,612
Construction in Progress	106,848,293	11,536,258	(12,023,469)	106,361,082
Total non-depreciable assets	326,306,455	11,542,708	(12,023,469)	325,825,694
Capital Assets being depreciated:				
Buildings	128,375,959	3,962,584	-	132,338,543
Site Improvements	53,662,622	1,945,532	-	55,608,154
Equipment	52,078,331	1,537,689	(382,747)	53,233,273
Infrastructure	533,625,974	4,997,775	-	538,623,749
Total depreciable assets, gross	767,742,886	12,443,580	(382,747)	779,803,719
Less Accumulated Depreciation for:				
Buildings	(28,862,159)	(1,346,230)	-	(30,208,389)
Site Improvements	(16,985,718)	(2,216,169)	-	(19,201,887)
Equipment	(42,119,329)	(1,076,892)	299,297	(42,896,924)
Infrastructure	(244,548,704)	(10,651,461)	-	(255,200,165)
Total Accumulated Depreciation	(332,515,910)	(15,290,752)	299,297	(347,507,365)
Total depreciable assets, net	435,226,976	(2,847,172)	(83,450)	432,296,354
<b>Governmental Activities Capital Assets, net</b>				
	\$ 761,533,431	\$ 8,695,536	\$(12,106,919)	\$ 758,122,048

### b. BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS

A summary of Business-type Property, Plant, and Equipment at December 31, 2014 follows:

	Balance January 1	Additions	Transfers & Retirements	Balance December 31
<b>Business-type Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 11,367,016	\$ 1,500	\$ -	\$ 11,368,516
Construction in Progress	152,077,420	25,080,813	(7,816,805)	169,341,428
Total non-depreciable assets	163,444,436	25,082,313	(7,816,805)	180,709,944
Capital Assets being depreciated:				
Buildings	5,181,604	-	-	5,181,604
Site Improvements	254,845,959	8,233,091	-	263,079,050
Equipment	3,816,395	359,528	-	4,175,923
Total depreciable assets, gross	263,843,958	8,592,619	-	272,436,577
Less Accumulated Depreciation for:				
Buildings	(4,439,039)	(151,360)	-	(4,590,399)
Site Improvements	(96,891,051)	(5,828,514)	-	(102,719,565)
Equipment	(2,971,320)	(134,775)	-	(3,106,095)
Total Accumulated Depreciation	(104,301,410)	(6,114,649)	-	(110,416,059)
Total depreciable assets, net	159,542,548	2,477,970	-	162,020,518
<b>Business-type Activities Capital Assets, net</b>				
	\$ 322,986,984	\$ 27,560,283	\$(7,816,805)	\$ 342,730,462

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

City of Kent

### c. DEPRECIATION EXPENSE BY FUNCTION/PROGRAM

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

<b>Governmental Activities:</b>	
General Government	\$ 762,631
Judicial	51,076
Public Safety	370,851
Community Development	9,250
Public Works	10,966,167
Leisure Services	3,098,522
Health and Human Services	32,255
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$ 15,290,752</b>
<b>Business-type Activities:</b>	
Water	\$ 1,810,788
Sewerage	4,108,145
Golf Complex	195,714
<b>Total Depreciation Expense – Business-type Activities</b>	<b>\$ 6,114,647</b>

### 8. SHORT-TERM DEBT

The City of Kent did not have any short-term debt during the current fiscal year, January through December 2014.

### 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 current lease commenced on April 1, 2014 and continues for a period of five years. The City pays \$4,750 per month for the first two years and \$5,000 per month for the remaining three years of the lease. Additionally, the City reimburses Charlie Perkins for all property taxes applicable to the property during the lease term. The City paid \$57,000 in 2014 for this lease.

The Golf Complex has leases with Yamaha Leasing for 76 Golf carts with payments of \$6,369 per month ending October 2014. No lease payments are due for the months of November 2014 through February 2015 when a new eight month lease of \$6,368 per month, plus taxes will begin. Additionally the City pays the annual property tax on the rented carts. The City paid \$54,107 in 2014 for this lease.

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

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 107,949
2016	59,250
2017	60,000
2018	60,000
2019	15,000

## 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 \$78,363,982 and (b) **non-bonded debt** of \$55,118,526 for a total of \$133,482,508 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 \$54,756,000 (net of premiums and discounts) 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 without a vote (1.5 percent of assessed taxable property value) at December 31, 2014 is \$139,709,297. Total additional general obligation capacity for all purposes at December 31, 2014 is \$983,802,101. 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, 2014 and Standard and Poor's "AA-" rating as of February 21, 2014.

##### (2) Special Assessment Bonds with Governmental Commitment

Special Assessment Bonds totaling \$1,980,000 are paid through the collection of special assessments levied against the property owners benefited by the improvements. In accordance with GASB Statement No. 6, special assessment debt is reported in the government's financial statements because the government is contingently liable for the 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. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2014, the guaranty reserve was \$198,000, which amounts to 10.0 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, 2014, totaled \$20,433,172, 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.

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

The following is a summary of long-term bonded debt transactions of the City for the year ended December 31, 2014:

	<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	\$ 57,903,469	\$ 2,700,000	\$ 3,665,426	\$ 21,470,198	\$ 85,739,093
Unamortized Discount-prior year	95,942	-	-	-	95,942
Unamortized Premium-prior year	(671,837)	-	-	(305,198)	(977,035)
Bonded Long-Term Debt Payable at 1/1	57,327,574	2,700,000	3,665,426	21,165,000	84,858,000
New issues	8,671,070	-	3,558,930	-	12,230,000
Debt retired or extinguished	14,180,289	720,000	4,286,711	975,000	20,162,000
Bonded Long-Term Debt Payable at 12/31	51,818,355	1,980,000	2,937,645	20,190,000	76,926,000
Unamortized Discount	(87,578)	-	-	-	(87,578)
Unamortized premium	1,079,581	-	202,807	243,172	1,525,560
Net Bonded Long-Term Debt Payable at 12/31	\$ 52,810,358	\$ 1,980,000	\$ 3,140,452	\$ 20,433,172	\$ 78,363,982
Current Portion	\$ 5,069,385	\$ 725,000	\$ 513,165	\$ 1,015,000	\$ 7,322,550

The following is a summary of bonded debt issuance and redemption information as of December 31, 2014

	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Redemption to Date</u>	<u>Outstanding 12/31/14</u>	<u>Due Within One Year</u>
<b>GENERAL BONDED DEBT:</b>							
<b>GENERAL OBLIGATION BONDS – GOVERNMENTAL ACTIVITIES</b>							
<u>LTGO Bonds:</u>							
General Purpose	2003	2018	2.3-5.5%	\$ 7,518,000	\$ 6,863,000	\$ 655,000	\$ 151,000
General Purpose	2004	2021	2-4.13%	16,505,000	16,505,000	-	-
General Purpose	2005	2020	4.05%	2,252,000	591,000	1,661,000	232,000
General Purpose	2006	2024	4.0-5.0%	12,000,000	2,600,000	9,400,000	800,000
Less: Unamortized Discount					36,950	(36,950)	
General Purpose	2008	2025	4.1-5.2%	24,000,000	4,005,000	19,995,000	730,000
Less: Unamortized Discount					50,628	(50,628)	
General Purpose	2009	2019	3.0-4.0%	8,410,000	3,745,000	4,665,000	865,000
Plus: Unamortized Premium					(161,238)	161,238	
General Purpose	2012	2022	2.0-4.5%	10,840,000	2,555,000	8,285,000	1,040,000
Plus: Unamortized Premium					(424,219)	424,219	
General Purpose	2014	2021	2.0-4.0%	8,671,070	1,513,715	7,157,355	1,251,385
Plus: Unamortized Premium					(494,124)	494,124	
Total General Obligation – LGTO (Net)				\$ 90,196,070	\$37,385,712	\$52,810,358	\$ 5,069,385
<b>TOTAL GOVERNMENTAL ACTIVITIES (Net)</b>				<b>\$ 90,196,070</b>	<b>\$37,385,712</b>	<b>\$52,810,358</b>	<b>\$ 5,069,385</b>
<b>GENERAL OBLIGATION BONDS – BUSINESS-TYPE ACTIVITIES</b>							
<u>LTGO Bonds:</u>							
Drainage	2004	2021	2-4.13%	6,775,000	6,775,000	-	-
Drainage – 04 Refunding	2014	2021	2.0-4.0%	3,558,930	621,285	2,937,645	513,615
Plus: Unamortized Premium					(202,807)	202,807	-
Total Sewerage Fund (Net)				\$ 10,333,930	\$ 7,193,478	\$ 3,140,452	\$ 513,615
<b>TOTAL BUSINESS-TYPE ACTIVITIES (Net)</b>				<b>\$ 10,333,930</b>	<b>\$ 7,193,478</b>	<b>\$ 3,140,452</b>	<b>\$ 513,615</b>
<b>TOTAL GENERAL OBLIGATION BONDS (Net)</b>				<b>\$100,530,000</b>	<b>\$44,579,190</b>	<b>\$55,950,810</b>	<b>\$ 5,583,000</b>

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

City of Kent

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/14	Due Within One Year
<b>SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES:</b>							
LID 353 et. al.	2004	2019	2.5-4.7%	\$ 11,758,557	\$ 9,778,557	\$ 1,980,000	\$ 725,000
<b>TOTAL SPECIAL ASSESSMENT BONDS</b>				<b>\$ 11,758,557</b>	<b>\$ 9,778,557</b>	<b>\$ 1,980,000</b>	<b>\$ 725,000</b>
<b>TOTAL GENERAL BONDED DEBT (Net)</b>				<b>\$112,288,557</b>	<b>\$54,357,747</b>	<b>\$57,930,810</b>	<b>\$ 6,308,000</b>
<b>REVENUE BONDS – BUSINESS-TYPE ACTIVITIES:</b>							
<b>Water Fund:</b>							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$ 4,560,000	\$ 2,405,000	\$ 2,155,000	\$ 507,500
Plus: Unamortized Premium					(121,586)	121,586	
Revenue Bonds Series B	2009	2029	5.06-6.12%	\$ 7,940,000	\$ -	\$ 7,940,000	\$ -
Total (Net)				\$ 12,500,000	\$ 2,283,414	\$10,216,586	\$ 507,500
<b>Sewerage Fund:</b>							
Revenue Bonds Series A	2009	2018	3.0-5.0%	\$ 4,560,000	\$ 2,405,000	\$ 2,155,000	\$ 507,500
Plus: Unamortized Premium					(121,586)	121,586	
Revenue Bonds Series B	2009	2029	5.06-6.12%	\$ 7,940,000	\$ -	\$ 7,940,000	\$ -
Total (Net)				\$ 12,500,000	\$ 2,283,414	\$10,216,586	\$ 507,500
<b>TOTAL REVENUE BONDS (Net)</b>				<b>\$ 25,000,000</b>	<b>\$ 4,566,828</b>	<b>\$20,433,172</b>	<b>\$ 1,015,000</b>
<b>TOTAL BONDED DEBT (Net)</b>				<b>\$137,288,557</b>	<b>\$58,924,575</b>	<b>\$78,363,982</b>	<b>\$ 7,323,000</b>

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	
2015	\$ 5,069,385	\$ 2,297,184	\$ 513,615	\$ 98,634	\$ 7,978,818
2016	5,026,765	2,115,880	461,235	88,362	7,692,242
2017	5,015,330	1,926,970	398,670	74,525	7,415,495
2018	4,968,895	1,725,601	336,105	62,565	7,093,166
2019	4,885,350	1,514,187	334,650	49,121	6,783,308
2020-2024	24,362,630	4,319,574	893,370	49,470	29,625,044
2025-2029	2,490,000	130,725	-	-	2,620,725
<b>Total</b>	<b>\$51,818,355</b>	<b>\$ 14,030,121</b>	<b>\$ 2,937,645</b>	<b>\$ 422,677</b>	<b>\$ 69,208,798</b>

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

Year	Governmental Activities		Total
	Principal	Interest	
2015	725,000	92,070	817,070
2016	675,000	58,358	733,358
2017	580,000	26,970	606,970
<b>Total</b>	<b>\$ 1,980,000</b>	<b>\$ 177,398</b>	<b>\$ 2,157,398</b>

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

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

Revenue bond debt service requirements to maturity are as follows:

Year	Water Revenue Bonds		Sewerage Revenue Bonds		Total
	Principal	interest	principal	interest	
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	600,000	462,572	600,000	462,572	2,125,144
2020-2024	3,332,500	1,800,479	3,332,500	1,800,479	10,265,958
2025-2029	4,007,500	754,902	4,007,500	754,902	9,524,804
<b>Total</b>	<b>\$10,095,000</b>	<b>\$ 5,110,741</b>	<b>\$10,095,000</b>	<b>\$ 5,110,741</b>	<b>\$ 30,411,482</b>

### 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 \$60,335,604.

The following is a summary of bonded debt issuance and redemption information as of December 31, 2014:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/14	Due Within One Year
Sales Tax Bonds	2008	2037	4-5.25%	\$ 53,150,000	\$ -	\$53,150,000	\$ -
Plus: Unamortized Premium					(910,604)	910,604	
Revenue Bonds	2008	2020	3.16-5.75%	10,130,000	3,855,000	6,275,000	865,000
<b>TOTAL BONDED DEBT (Net)</b>				<b>\$ 63,280,000</b>	<b>\$ 2,944,396</b>	<b>\$60,335,604</b>	<b>\$ 865,000</b>

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

Special Events Center Public Facilities District			
Year	Principal	Interest	Total
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	1,400,000	2,794,061	4,194,061
2020-2024	9,715,000	12,706,290	22,421,290
2025-2029	15,535,000	9,795,900	25,330,900
2030-2034	18,680,000	5,181,000	23,861,000
2035-2039	9,900,000	1,012,500	10,912,500
<b>Total</b>	<b>\$ 59,425,000</b>	<b>\$43,263,664</b>	<b>\$ 102,688,664</b>

### Arbitrage Compliance

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

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

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 \$2,578,867 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 \$153,057 is recorded in the Proprietary Funds. See Note 14a for additional information pertaining to compensated absences.

The following is a summary of non-bonded debt issuance and redemption information as of December 31, 2014:

	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>						
<b>General Obligation:</b>						
Contract-Valley Com 2010 Ref	2015	\$ 432,000	\$ -	\$ 212,000	\$ 220,000	\$ 220,000
Trust Fund Loan (Streets) 2004	2024	5,532,155	-	507,774	5,024,381	507,774
Trust Fund Loan (Streets) 2008	2028	4,021,382	-	268,092	3,753,290	268,092
Interfund Loans 2012	2022	8,671,556	-	1,111,313	7,560,243	790,237
LID 358-Internal financing		27,256	-	27,256	-	-
Compensated Absences		4,328,204	3,219,499	3,812,551	3,735,152	1,414,868
Total General Government		\$ 23,012,553	\$ 3,219,499	\$ 5,938,986	\$ 20,293,066	\$ 3,200,971
<b>Internal Service Funds:</b>						
<u>Equipment Rental Fund:</u>						
Compensated Absences		\$ 50,365	\$ 23,854	\$ 43,093	\$ 31,126	\$ 20,898
<u>Central Services Fund:</u>						
Compensated Absences		199,766	203,640	198,757	204,649	72,571
<u>Facilities Fund:</u>						
Energy Conservation Loan 2004	2014	31,087	-	31,087	-	-
Compensated Absences		113,335	147,746	129,499	131,582	45,912
<u>Insurance Fund:</u>						
Compensated Absences		56,048	50,684	41,065	65,667	35,059
Total Internal Service Funds		\$ 450,601	\$ 425,924	\$ 443,501	\$ 433,024	\$ 174,440
<b>Total Governmental Activities</b>						
<b>Non-Bonded Long-Term Debt</b>		\$ 23,463,154	\$ 3,645,423	\$ 6,382,487	\$ 20,726,090	\$ 3,375,411

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

City of Kent

	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES:</b>						
<b>Proprietary Funds:</b>						
<u>Water Fund:</u>						
Trust Fund Loan 2001	2021	\$ 4,222,223	\$ -	\$ 527,779	\$ 3,694,444	\$ 527,778
Trust Fund Loan 2002	2022	4,781,250	-	531,250	4,250,000	531,250
Contract Tacoma Pipeline 2010	2040	11,140,000	-	265,000	10,875,000	270,000
Contract Tacoma Pipeline Ref 20022032		14,615,000	-	205,000	14,410,000	235,000
Compensated Absences		182,595	116,799	149,630	149,764	100,419
<b>Total Water Fund</b>		<b>\$ 34,941,068</b>	<b>\$ 116,799</b>	<b>\$ 1,678,659</b>	<b>\$ 33,379,208</b>	<b>\$ 1,664,447</b>
<u>Sewerage Fund:</u>						
Trust Fund Loan 2004	2024	\$ 825,000	\$ -	\$ 75,000	\$ 750,000	\$ 75,000
Compensated Absences		216,733	159,209	194,978	180,964	116,564
<b>Total Sewerage Fund</b>		<b>\$ 1,041,733</b>	<b>\$ 159,209</b>	<b>\$ 269,978</b>	<b>\$ 930,964</b>	<b>\$ 191,564</b>
<u>Golf Complex Fund:</u>						
Compensated Absences		\$ 81,166	\$ 69,360	\$ 68,262	\$ 82,264	\$ 42,952
<b>Total Golf Complex Fund</b>		<b>\$ 81,166</b>	<b>\$ 69,360</b>	<b>\$ 68,262</b>	<b>\$ 82,264</b>	<b>\$ 42,952</b>
<b>Total Business-Type Activities</b>						
<b>Non-Bonded Long-Term Debt</b>		<b>\$ 36,063,967</b>	<b>\$ 345,368</b>	<b>\$ 2,016,899</b>	<b>\$ 34,392,436</b>	<b>\$ 1,898,963</b>
<b>TOTAL NON-BONDED</b>						
<b>LONG-TERM DEBT</b>		<b>\$ 59,527,121</b>	<b>\$ 3,990,791</b>	<b>\$ 8,399,386</b>	<b>\$ 55,118,526</b>	<b>\$ 5,274,374</b>

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

Year	<b>Contract, Loans, and Notes</b>				
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2015	\$ 1,786,104	\$ 163,414	\$ 1,639,028	\$ 1,100,251	\$ 4,688,797
2016	1,578,115	142,715	1,519,028	1,080,719	4,320,577
2017	1,590,309	126,663	1,549,028	1,061,277	4,327,277
2018	1,602,689	110,426	1,549,028	1,040,435	4,302,578
2019	1,615,257	94,001	1,779,028	1,019,793	4,508,079
2020-2024	6,421,470	203,291	7,334,306	4,586,703	18,545,770
2025-2029	1,072,368	13,404	8,325,000	3,147,358	12,558,130
2030-2034	-	-	6,830,000	1,253,161	8,083,161
2035-2039	-	-	2,825,000	432,045	3,257,045
2040-2044	-	-	630,000	23,018	653,018
<b>Total</b>	<b>\$15,666,312</b>	<b>\$ 853,914</b>	<b>\$33,979,446</b>	<b>\$14,744,760</b>	<b>\$ 65,244,432</b>

### c. CURRENT REFUNDINGS

During fiscal year 2014, the City issued \$12,230,000 Series 2014 General Obligation Bonds for the purpose of a current refunding of the outstanding balance of the Series 2004 General Obligation Bonds. Under the terms of the refunding bonds, sufficient assets to pay all principal and interest on the refunded bond issue have been placed in an irrevocable trust account at a commercial bank and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payments of principal and interest of the issue refunded. The City had a \$1,148,348 cash flow savings and an economic gain (the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate) of \$1,068,187.

## 11. FUND BALANCE

### 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 Fund had a deficit fund balance of \$3,006,541 as of December 31, 2014. In the non-major funds, the Environmental Mitigation Special Revenue Fund had a deficit fund balance of \$17,383 as December 31, 2014.

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, 2014, both meter access fees and usage fees increased three percent (Ordinance 3915). This follows a three percent increase in fees on January 1, 2013.

Shown below are the new rates effective as of January 1, 2014 compared to 2013 rates:

# 2014 Comprehensive Annual Financial Report

City of Kent

Notes to the Financial Statements  
December 31, 2014

## Meter Access Fee Rates (monthly)

Meter Size	Effective 2013	Effective 2014
3/4" or 5/8"	\$ 12.72	\$ 13.10
1"	21.61	22.26
1½"	32.99	33.98
2"	43.73	45.04
3"	92.72	95.50
4"	112.35	115.72
6"	166.89	171.90
8"	213.98	220.40
10"	273.27	281.47

## Usage Rates 2013

Monthly		Inside City Limits	Outside City Limits
Summer (5/1-9/30)	First 700 cu. ft.	\$3.99 per 100 cu. ft.	\$4.88 per 100 cu. ft.
	Over 700 cu. ft.	\$5.09 per 100 cu. ft.	\$5.99 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	\$3.03 per 100 cu. ft.	\$3.99 per 100 cu. ft.
	Over 700 cu. ft.	\$4.10 per 100 cu. ft.	\$5.09 per 100 cu. ft.

## Usage Rates 2014

Monthly		Inside City Limits	Outside City Limits
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 2014 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.

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 was unchanged for 2014. 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.

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

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

	Amounts shown in thousands		
	Sewer	Drainage	Total
Operating Revenue	\$ 25,660	\$ 19,310	\$ 44,970
Operating Expenses	27,211	10,167	37,378
Operating Income	\$ (1,551)	\$ 9,143	\$ 7,592

#### 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 \$382,803 in 2014, and net position of \$4,013,264 at December 31, 2014.

### 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, 2014 include \$434,132 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 2014, the City's regular tax levy was \$1.645 per \$1,000 of assessed valuation based on the 2013 assessed valuation of \$12,651,208,800 for a total regular levy of \$20,726,325.

## 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 \$1,589,308 and the estimated long term, portion, including internal services is \$2,578,868. The liabilities are typically liquidated by the general fund, with exception to those related to internal services. In the Proprietary Funds, the current portion is that amount which is anticipated to be paid within the next fiscal period. The Proprietary Funds fully accrue compensated absences plus estimated benefits thereon, and separate current and long-term portions for balance sheet purposes only. In the Business-type Activities Statement of Net Position, the estimated current amount is \$259,935 and the estimated long-term portion is \$153,057.

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

#### b. RETIREMENT

The City's contributions to retirement programs in 2014 were:

To Federal Social Security System	\$3,722,409
To State administered employee retirement systems	<u>4,018,480</u>
Total	<u>\$7,740,889</u>

Retirement payments to City employees from all City funds in 2014 were:

From Firemen's Relief and Pension Fund	<u>\$ 396,326</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.

The Department of Retirement Systems DRS, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained from their website [www.drs.wa.gov](http://www.drs.wa.gov) 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 as amended by GASB Statement No. 67 Financial Reporting for Pension Plans an amendment of GASB Statement No. 25.

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

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. 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 either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining

the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees 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 Plan 3.

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 accounts 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 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** member are vested after five years of eligible service. Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 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.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 3 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 2 percent of the AFC for each year of service reduced by 2 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 at 3 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 2 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 3 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 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

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 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined 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 1 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.

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

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 and 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 5 percent for each year before age 65.

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

PERS 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.

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 Plan 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 AFC.

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.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and beneficiaries receiving benefits	85,328
Terminated plan members entitled to, but not yet receiving, benefits	31,047
Active plan members vested	150,706
Terminated plan members non-vested	101,191
<b>Total</b>	<b>368,272</b>

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## Funding Policy

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 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. 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 rates range from 5 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 contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members not participating in JBM:

	<b>Plan 1 Required</b>	<b>Plan 2 Required</b>	<b>Plan 3 Required</b>
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 13.73% for Plan 1 and 9.21% 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 4.92% for Plan 2.

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

Members participating in JBM:

	<b>Plan 1 Required</b>	<b>Plan 2 Required</b>	<b>Plan 3 Required</b>
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.

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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
2014	\$ 61,471	\$2,448,126	\$ 563,258
2013	67,506	2,096,179	464,661
2012	70,265	1,935,045	414,761

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

### Plan Description

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 only 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 a 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 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:

<u>Term of Service</u>	<u>% of Final Average Salary</u>
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 5 percent of the 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 receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the 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 benefit is 50 percent of the FAS plus 5 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 2 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 3 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 3 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 2 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 3 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 receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

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 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

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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 insurance 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 these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and beneficiaries receiving benefits	10,511
Terminated plan members entitled to, but not yet receiving, benefits	699
Active plan members vested	16,830
Terminated plan members non-vested	1,600
<b>Total</b>	<b>29,640</b>

## 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 2014, the state contributed \$55.6 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.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, were as follows:

	<b>Plan 1 Required</b>	<b>Plan 2 Required</b>
Employer*	0.18%	5.23%
Employee	0.00%	8.41%
State	N/A	3.36%
<b>Total</b>	<b>0.18%</b>	<b>17.00%</b>

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

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

	LEOFF Plan 1	LEOFF Plan 2
2014	\$ -	\$ 747,455
2013	-	697,390
2012	34	672,934

### (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 membership includes:

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

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; 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
- 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 2014, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation

from PSERS-covered employment.

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

PSERS members may retire with a monthly benefit of 2 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 10 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 3 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 3 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 2 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 Consumer Price Index), capped at 3 percent annually.

PSERS 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 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, 2013:

Retirees and beneficiaries receiving benefits	43
Terminated plan members entitled to, but not receiving, benefits	119
Active plan members vested	4,513
Terminated plan members non-vested	1,383
<b>Total</b>	<b>6,058</b>

#### Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	<b>Plan 2 Required</b>
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:

	<b>PSERS Plan 2</b>
2014	\$ 189,555
2013	160,043
2012	128,920

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

##### Plan Description

The Firemen's Relief and Pension system is a single employer defined benefit pension plan authorized under RCW 41.18. Membership is limited to firefighters employed prior to March 1, 1970. The plan is closed to new entrants. Annual funding for the plan comes from an allocation of the state fire insurance premium tax. The City would be responsible for any additional contributions needed to maintain the Plan.

When the State Legislature established the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) in 1970 (RCW 41.26), LEOFF replaced the City's retirement system for fire fighters, but plan members in the system at that time were guaranteed that their benefits would not decrease with the switch to LEOFF. The LEOFF Act had the following impact on the City's pension plan:

- Benefits for firefighters leaving service prior to March 1, 1970 continue to be paid entirely by the City's Firefighters' Relief and Pension System under RCW 41.18.
- Firefighters in service on March 1, 1970 are entitled to receive the greater of the benefits provided under the prior pension law, or the LEOFF 1 Act (RCW 41.26.040).
- Firefighters hired after March 1, 1970 are covered only under the LEOFF Act.

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 is used to prepare the Firemen's Relief and Pension Fund statements. Plan member contributions, if any, are recognized in the period in which the contributions are due. The City's contributions, including insurance fees collected by the State, 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.

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As of December 31, 2014 the plan covers the following:

Retirees and beneficiaries receiving benefits	10
Inactive plan members entitled to, but not receiving, benefits	3
<b>Total</b>	<b>13</b>

Although medical and long-term care benefits may be paid from the Fund, the Plan does not administer a postemployment healthcare plan.

## Investments

The Plan operates under the City's investment policy and state statutes and participates in the pooled cash and investments of the City (see Note 4), but also carries specific investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. At December 31, 2014, the Plan held investments in the Federal Home Loan Mortgage Corporation (federal government backed securities) with a fair market value of \$889,972.

## Net Pension Liability

<b>Firefighters' Pension Fund</b>		
<b>GASB Statement No. 67 Net Pension Liability</b>		
	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Total pension liability	\$ 2,220,000	\$ 2,220,879
Fiduciary net position *	2,880,593	2,736,694
Net pension liability (asset)	(660,593)	(515,815)
Fiduciary net position as a % of total pension liability	129.76%	123.23%

\* Fiduciary net position in this table is before posting the net pension obligation (asset) to the financial statements.

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB Statement No. 67.

### Other key actuarial assumptions:

Valuation Date	January 1, 2014	January 1, 2014
Measurement Date	December 31, 2013	December 31, 2014
Inflation	2.50 %	2.50%
Salary increases		
Including inflation	3.50%	3.50%
Mortality	RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry age normal	Entry age normal

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## Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses. For the year ended December 31, 2014, the annual money-weighted rate of return was 1.96 percent.

## Discount Rate

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Discount rate	3.75%	3.50%
Long-term expected rate of return, Net of investment expense	3.75%	3.50%
Municipal bond rate	N/A	3.50%

GASB Statement No. 67 generally requires that a blended discount rate be used to measure the Total Pension Liability. The long-term expected rate of return may be used to discount liabilities to the extent that the Plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20 year high quality (AA/Aa or higher) municipal bond rate must be used for periods when Fiduciary Net Position is not projected to cover benefits and administrative expenses. The Bond Buyer General Obligation 20-year municipal bond index for December 31, 2014 is 3.56%.

The plan's fiduciary net position, along with expected future contributions, was projected to be available to make all projected future benefit payments of current members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

## Sensitivity Analysis

The following presents the net pension liability of the Plan, calculated using the discount rate of 3.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate.

	<u>1% Decrease 2.50%</u>	<u>Current Discount Rate 3.50%</u>	<u>1% Increase 4.50%</u>
Total pension liability	\$ 2,442,176	\$ 2,220,879	\$ 2,030,190
Fiduciary net position *	2,736,694	2,736,694	2,736,694
Net pension liability (asset)	\$ (294,518)	\$ (515,815)	\$ (706,504)

\* Fiduciary net position in this table is before posting the net pension obligation (asset) to the financial statements.

## Long-term Expected Rate of Return

The best-estimate for the long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2014.

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Asset Class	Index	Long-term Expected Real Rate of Return
Cash	Citigroup 90 Day T-Bills	0.54%
Long-term Bonds	Barclays Long Gov/Cred	2.99%
Assumed Inflation – Mean		2.25%
<b>Long-Term Expected Rate of Return</b>		<b>3.50%</b>

**Firefighters' Pension Fund**  
**GASB Statement No. 67 Changes in Net Pension Liability**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2013	\$ 2,220,000	\$ 2,880,593	\$ (660,593)
Changes for the year:			
Service costs	-	-	-
Interest on total pension liability	77,086		77,086
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	-		-
Effects of assumptions changes or inputs	67,119		67,119
Benefit payments	(143,326)	(143,326)	-
Medical payments from fund		(226,000)	226,000
Employer contributions		-	-
Contributions from state fire insurance premium tax		178,899	(178,899)
Net investment income		54,853	(54,853)
Administrative expenses		(8,325)	8,325
Balance as of December 31, 2014	\$ 2,220,879	\$ 2,736,694	\$ (515,815)

Note: Fiduciary net position in this table is before posting the net pension obligation (asset) to the financial statements.

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

During the year ended December 31, 2007, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45), which requires the City to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the City, under GASB No. 45, has recorded an asset of \$335,218 for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. Such asset is included in restricted assets in the December 31, 2014 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, 2014 by approximately \$262,223.

*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

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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, 2014, the City contributed an estimated \$993,812 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:

	12/31/14
Amortization of unfunded actuarial Accrued liability (UAAL) at transition	\$ 1,246,316
ARC	1,246,316
Interest on net OBEB obligation	(547)
Adjustment to annual required contribution	10,266
Annual OBEB cost (expense)	1,256,035
Contributions made	(993,812)
Increase in net OPEB obligation	262,223
Net OBEP obligation - beginning of year	(597,441)
Net OPEB obligation - end of year	\$ (335,218)

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, 2014	\$ 1,256,035	79.1%	\$ (335,218)
December 31, 2013	1,256,035	72.7%	(597,441)
December 31, 2012	803,567	117.7%	(940,587)

*Funded Status and Funding Progress:* The funded status of the Health Plan as of December 31, 2013, the date of the last actuarial valuation, follows:

(Rounded to thousands)	
Actuarial accrued liability (AAL) – Unit Credit	\$28,375,494
Actuarial value of plan assets	862,223
Unfunded actuarial accrued liability (UAAL)	27,513,271
Funded ratio (actuarial value of plan assets/AAL)	3.0%

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 in 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, 2013 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 0.24% investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 8.0% for medical/prescription drug/unreimbursed medical expenses and 4.0% for dental, reduced by decrements to ultimate rates of 4.2% and 4.0% after 73 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, 2013 was 24.0 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 \$93,577 during 2014 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 2014 and 2013 as carried in the City's Internal Service Funds:

	Worker's Compensation		Medical and Dental		Liability		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Claims liabilities, 1/1	\$ 2,436,279	\$ 1,757,476	\$ 670,800	\$ 753,100	\$ 1,478,030	\$ 1,972,012	\$ 4,585,109	\$ 4,482,588
Less: Claims paid	(627,747)	(613,662)	(9,390,568)	(9,560,152)	(404,589)	(634,850)	(10,422,904)	(10,808,664)
Plus claims and Changes in estimates	(18,597)	1,292,465	9,462,568	9,477,852	588,850	140,868	10,032,821	10,911,185
Claims Liabilities 12/31	\$ 1,789,935	\$ 2,436,279	\$ 742,800	\$ 670,800	\$ 1,662,291	\$ 1,478,030	\$ 4,195,026	\$ 4,585,109

City of Kent

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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 \$88,559 in unemployment compensation claims in fiscal year 2014. At December 31, 2014, fund equity was \$740,157.

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, 2013. The study projected ultimate loss for 2014 of \$1,075,305. At December 31, 2014, incurred but not reported and claims payable were estimated at \$1,789,935. At December 31, 2014 fund equity was \$2,128,253. A contingency reserve of \$112,069 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, 2014, the City booked a liability for open and incurred but not reported claims to equal estimated outstanding claims liability of \$1,662,291. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2014.

At December 31, 2014, fund equity was \$2,503,777. In 2014, the City expensed \$1,543,323 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, 2014 fund equity was \$236,645. In 2014, the City expensed \$508,423 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.

# 2014 Comprehensive Annual Financial Report

City of Kent

Notes to the Financial Statements  
December 31, 2014

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 by Delta Dental are both Preferred Provider Plans with different maximums depending on the plan enrolled. In 2014, Premera Blue Cross covered approximately 95 percent of the employees for a cost of \$8,577,676. 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 August 9, 2013 for fiscal year 2014. The City's incurred but not reported claims liabilities increased from \$705,200 as of December 31, 2013 to \$780,700 as of December 31, 2014. These amounts include the estimated IBNR for LEOFF1 Retirees of \$34,400 as of December 31, 2013 and \$37,900 as of December 31, 2014.

Group Health Cooperative provided health care to approximately five percent of the employees for 2014 premiums of \$429,337.

The fund's net position decreased by \$162,811 to \$7,057,627 at December 31, 2014. In 2014, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

## f. 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
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Cash and cash equivalents	\$ 742,259	\$ 2,184,998	\$5,305,852	\$3,156,789	\$ (5,416)	\$11,384,482
Other investments	-	254,874	-	-	-	254,874
Receivables:						
Accounts	-	-	179	-	-	179
Notes	-	-	2,339,411	-	-	2,339,411
Accrued interest	-	51	-	-	-	51
Interfund loans receivable	-	1,500,000	500,000	1,000,000	-	3,000,000
Prepaid expenses	233	-	4,330	31,598	244,395	280,556
<b>TOTAL ASSETS</b>	<b>\$ 742,492</b>	<b>\$ 3,939,923</b>	<b>\$8,149,772</b>	<b>\$4,188,387</b>	<b>\$ 238,979</b>	<b>\$17,259,553</b>
<b>LIABILITIES</b>						
Current:						
Vouchers Payable	\$ -	\$ 2,004	\$ 290,507	\$ 12,044	\$ -	\$ 304,555
Accrued expenses	140	1,800,885	758,783	1,662,925	139	4,222,872
Compensated absences - current	2,195	8,781	12,247	9,641	2,195	35,059
Long-term:						
Compensated absences	-	-	30,608	-	-	30,608
<b>TOTAL LIABILITIES</b>	<b>2,335</b>	<b>1,811,670</b>	<b>1,092,145</b>	<b>1,684,610</b>	<b>2,334</b>	<b>4,593,094</b>
<b>NET POSITION</b>	<b>740,157</b>	<b>2,128,253</b>	<b>7,057,627</b>	<b>2,503,777</b>	<b>236,645</b>	<b>12,666,459</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 742,492</b>	<b>\$ 3,939,923</b>	<b>\$8,149,772</b>	<b>\$4,188,387</b>	<b>\$ 238,979</b>	<b>\$17,259,553</b>
<b>INCOME STATEMENT</b>						
OPERATING REVENUES	\$ 379,716	\$ 1,503,023	\$9,637,438	\$ 539,259	\$ 568,080	\$12,627,516
OPERATING EXPENSES	112,106	80,345	9,845,908	1,543,323	508,423	12,090,105
OPERATING INCOME	267,610	1,422,678	(208,470)	(1,004,064)	59,657	537,411
NON-OPERATING REVENUES (EXPENSES)	640	3,174	45,659	4,710	27	54,210
TRANSFERS IN/(OUT)	-	-	-	-	-	-
NET INCOME	268,250	1,425,852	(162,811)	(999,354)	59,684	591,621
NET POSITION 1/1	471,907	702,401	7,220,438	3,503,131	176,961	12,074,838
NET POSITION 12/31	\$ 740,157	\$ 2,128,253	\$7,057,627	\$2,503,777	\$ 236,645	\$12,666,459

## 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 2014, the City paid \$212,000 towards this debt. The new balance of the City of Kent's obligation was \$220,000 at December 31, 2014.

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

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

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

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

The Interlocal Agreement calls for allocation of prorated financial participation among the five participating cities based on the percentage of estimated dispatched calls attributed to each jurisdiction compared to the total estimated dispatched calls for the current year ended December 31. Percentages are applied to the

# 2014 Comprehensive Annual Financial Report

## Notes to the Financial Statements December 31, 2014

### City of Kent

current approved budget, less revenue from all other sources.

In 2014 the cost distribution for the five participating cities was as follows:

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

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	30.67%	21.79%	20.69%	12.11%	14.74%	100.00%
Equity 1/1/14	\$ 7,378,791	\$ 5,240,607	\$ 4,959,646	\$2,927,158	\$ 3,508,470	\$ 24,014,672
Current Yr Increase	151,995	109,645	119,731	47,125	111,474	539,970
Equity 12/31/13	\$ 7,530,786	\$ 5,350,252	\$ 5,079,377	\$2,974,283	\$ 3,619,944	\$ 24,554,642

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

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

## 17. COMPONENT UNITS

### 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, 2014, the PFD generated \$784,638 in revenue and had net position of \$(78,311,985).

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 discrete presentation

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

## 18. CONTINGENCIES AND LITIGATIONS

In the normal course of its various operations, the City is involved in lawsuits and is the recipient of claims for damages alleging that the City is responsible for damages incurred by third parties. The City believes the ultimate liability, if any, will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity. Please refer to Note 15 – *Risk Management*.

The City participates in a number of federal and state assisted programs. These programs are subject to audit and adjustment by the grantor or their representatives. Such audits could result in requests for reimbursement to the grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

On February 20, 2008, The City entered into a Contingent Loan and Support Agreement with the Kent Public Facilities District, a discretely presented component unit of the City. The agreement was authorized by City Council under Ordinance No. 3863. Under the agreement, in the event that the District is unable to provide for the payment of principal or interest on any bonds issued by the District for the construction of the Kent Special Events Center, the City shall loan to the District the amount necessary to make such timely payment. The District issued \$63,280,000 in bonds in 2008 (see Note 10 – *Long-Term Indebtedness*). The Contingent Loan and Support Agreement remains in effect for the life of bonds. The bonds mature annually on December 1 until 2037 with semiannual interest payments. There is \$59,425,000 outstanding on these bonds at December 31, 2014. As of December 31, 2014, the City has loaned the District \$18,493,452 and accrued interest of \$225,845 for a total of \$18,719,297. The City loaned the District \$3,029,824, in 2014. As discussed in Note 5 – *Receivables*, although the City has booked a receivable from the District for the cumulative amounts loaned under the agreement, the City believes that the District will be unable to repay the City and therefore has offset 100 percent of the receivable with an allowance for uncollectibles. The City anticipates that District revenues will continue to fall short of the debt service requirements and the City will continue to make contingent payments on the District's outstanding bonds. In compliance with GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the City has recorded a liability on the government-wide Statement of Net Assets for \$76,809,813, the present value of estimated future payments under the guarantee agreement.

The liability recognized for the financial guarantee at December 31, 2014 is as follows:

Beginning of year	Increases	Decreases	End of Year
\$ 79,640,535	\$ 199,102	\$3,029,824	\$ 76,809,813

## 19. COMMITMENTS

As of December 31, 2014, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	\$ 23,735,207
Parks Capital Projects	2,591,982
Miscellaneous Projects	5,293,926
Technology Capital Projects	1,488,907
Facilities Fund Capital Projects	1,143,615
Facilities Fund	1,243,301
Water Capital Projects	13,179,981
Sewerage Capital Projects	22,053,011
Total	\$ 70,729,930

## 20. PRIOR PERIOD ADJUSTMENTS

During 2014, the City changed the methodology used to charge the water and sewerage funds for a portion of the administrative costs housed in the general fund. During this process, management determined that the water and sewerage funds had been overcharged in past years and were owed a refund of \$2,026,104. During the 2015/2016 biennial budget process, the Council adopted a four year repayment plan. At December 31, 2014, an interfund note was created and prior period adjustments have been done as follows:

General Fund	\$(2,026,104)
Water Fund	798,144
Sewerage Fund	1,227,960

An error was discovered in the calculation of the Net OBEB obligation due to a misunderstanding on the City's part, miscalculation in the actuarial report as of December 31, 2013, and the December 31, 2013 actuarial report not being received by the City in time for the fiscal year 2013 CAFR. The cumulative effect of these errors is a \$1,709,686 prior period adjustment to net position of the governmental activities on the government-wide Statement of Activities.

With the implementation of GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, the City reported a prior period adjustment on its government-wide financial statements for December 31, 2013 present value of anticipated payments under the Contingent Loan Agreement with the Kent Public Facilities District (see Note 18 *Contingencies and Litigation*).

	Governmental Activities
Liability for Contingent Loan Payments	\$ (79,640,535)

With the implementation of GASB Statement No. 67 *Financial Reporting for Pension Plans*, the City reported a prior period adjustment in the Firemen's Relief & Pension Trust Fund for the effect of the net pension.

### Discretely Presented Component Unit – Special Event Center

Under the contingent loan agreement (discussed further in Note 18) between the City and the Kent Public Facilities District, a discretely presented component unit of the City, payments made by the City towards the District debt are to be treated as loans. Since the City considers these loans to be uncollectible, it had not booked loans receivable (City) or loans payable (District). During the audit of the 2013 District financial statements, the State Auditors required that the note payable be booked on the District's books. Since it was not booked on the City's 2014 financial statements, it is reflected as a prior period adjustment of \$15,463,628 for the component unit in the 2015 government-wide financial statements. See Note 5 for further discussion of the City's side of this transaction.

## 21. SUBSEQUENT EVENTS

On April 6, 2015 the City received an upgrade on the General Obligation Bonds and Kent Public Facilities District Bonds from AA- to AA from Standard & Poor's Rating Service. Also on April 17, 2015 the City received an upgrade from Baa2 to A2 on the General Obligation Bonds and Local Improvement District Bonds from Moody's Investors Service.



# 2014 Comprehensive Annual Financial Report

City of Kent

Required Supplementary Information

**RETIREMENT HEALTH CARE BENEFITS -- LEOFF 1 RETIREMENT SYSTEM**  
**Schedule of Funding Progress**  
**As of December 31, 2013 \***

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Liabilities (AAL) Entry Age (b)	Unfunded Actuarial Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll <sup>1</sup> [(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%
December 31, 2011	527,368	20,201,844	19,674,476	2.6%	98,750	19924%
December 31, 2012	699,508	29,732,103	29,032,595	2.4%	21,250	136624%
December 31, 2013	862,223	28,375,494	27,513,271	3.0%	-	N/A

\* Most recent actuarial study

<sup>1</sup> The last employee eligible for LEOFF 1 benefits retired in fiscal year 2012

RSI continued on following pages

# 2014 Comprehensive Annual Financial Report

City of Kent

Required Supplementary Information

## Firefighters' Pension Fund

### GASB Statement No. 67 Schedule of Employer Contributions

#### Last 10 Fiscal Years

	Fiscal Year Ending December 31		
	2014	2013	2012
Actuarially determined contribution	\$ (47,101)	\$ (41,988)	\$ (59,033)
Actual employer contribution *	(47,101)	(41,988)	(59,033)
Contribution deficiency (excess)	-	-	-

\* Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150. It includes revenue from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions.

Firefighters' retiree medical and long-term care benefits may be paid from the Firefighters' Pension Fund. As noted above, payments for retiree medical and long-term care benefits are subtracted from other contributions, leaving a negative total contribution. The City has been budgeting a portion of the excess plan assets to pay these benefits based on an actuarially determined amount. The City limits the amount of retiree medical and long-term care benefits paid from the Fund to the budgeted amounts, and thus the actual employer contributions are equal to the actuarially determined contributions in the table above.

Note: Since this is a closed plan covering retirees, there is no covered payroll, therefore covered payroll and contributions as a % of covered payroll are not applicable and are not shown in this table. [GASB Statement No. 67 Implementation Guide, question 57]

## Firefighters' Pension Fund

### GASB Statement No. 67 Money-Weighted Rate of Return

Fiscal Year Ending December 31	Net Weighted Rate of Return
2014	1.96%

Note: The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information is not available for prior years.

# 2014 Comprehensive Annual Financial Report

City of Kent

Required Supplementary Information

Fiscal Year Ended December 31						
2011	2010	2009	2008	2007	2006	2005
\$ (48,662)	\$ (64,151)	\$ (62,265)	\$ (59,543)	\$ (70,193)	\$ (114,942)	\$ (124,739)
(48,662)	(64,151)	(62,265)	(59,543)	(70,193)	(114,942)	(124,739)
-	-	-	-	-	-	-

# 2014 Comprehensive Annual Financial Report

## City of Kent

## Required Supplementary Information

### Firefighters' Pension Fund

### GASB Statement No. 67 - Schedules of Changes in Net Pension Liability and Related Ratios

(Thousands \$)

	Fiscal Year Ending December 31 2014
<b>Total Pension Liability</b>	
Service cost	\$ -
Interest on total pension liability	77
Effect of plan changes	-
Effect of economic/demographic gains (losses)	-
Effect of assumption changes or inputs	67
Benefit payments	(143)
Net change in total pension liability	<u>1</u>
Total net pension liability - beginning	2,220
Total net pension liability - ending (a)	<u>\$ 2,221</u>
<b>Fiduciary Net Position</b>	
Employer contributions	\$ -
Contribution for state fire insurance premium tax	179
Investment income net of investment expenses	55
Benefit payments	(144)
Medical payments from fund	(226)
Administrative expenses	(8)
Net change in fiduciary net position	<u>(144)</u>
Fiduciary net position - beginning	2,881
Fiduciary net position - ending (b)	<u>\$ 2,737</u>
Net pension liability (asset) - ending = (a) - (b)	<u>\$ (516)</u>
Fiduciary net position as a % of total pension liability	123.23%

Note: The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information is not available for prior years.

Note: Since this is a closed plan covering retirees, there is no covered payroll, therefore covered payroll and contributions as a % of covered payroll are not applicable and are not shown in this table. [GASB Statement No. 67 Implementation Guide, question 57]

## 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.

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.

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
December 31, 2014**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
<b>ASSETS</b>			
Cash and cash equivalents	\$ 774,362	\$ 341,841	\$ 53,038
Receivables (net of allowances for estimated uncollectibles):			
Taxes	716,935	30,075	94,025
Accounts	738	-	-
Prepaid items	900	-	-
<b>TOTAL ASSETS</b>	<u>1,492,935</u>	<u>371,916</u>	<u>147,063</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 1,492,935</u>	<u>\$ 371,916</u>	<u>\$ 147,063</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Vouchers payable	\$ 2,349	\$ 113	\$ -
Accounts/payroll payable	65,246	-	-
Due to other governments	352	-	-
Interfund loans payable	-	-	-
Deposits and advances	-	-	-
Total Liabilities	<u>67,947</u>	<u>113</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
<b>Nonspendable:</b>			
Prepaid items	900	-	-
<b>Restricted:</b>			
Street capital projects	79,345	-	-
Lodging tax purposes	-	371,803	-
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Facility capital projects	-	-	-
<b>Committed:</b>			
Street operations	1,328,611	-	-
Youth/Teen programs	-	-	147,063
Criminal justice programs	-	-	-
Parks capital projects	-	-	-
Technology capital projects	-	-	-
<b>Assigned:</b>			
Criminal justice programs	-	-	-
Streets Capital Projects	16,132	-	-
Parks capital projects	-	-	-
Technology capital projects	-	-	-
Facility capital projects	-	-	-
<b>Unassigned</b>			
-	-	-	-
Total Fund Balance	<u>1,424,988</u>	<u>371,803</u>	<u>147,063</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, &amp; FUND BALANCE</b>	<u>\$ 1,492,935</u>	<u>\$ 371,916</u>	<u>\$ 147,063</u>

# 2014 Comprehensive Annual Financial Report

Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 2,117,211	\$ 3,215	\$ 5,978	\$ 3,295,645
445,417	-	-	1,286,452
489,804	67,785	117,352	675,679
3,395	-	-	4,295
<u>3,055,827</u>	<u>71,000</u>	<u>123,330</u>	<u>5,262,071</u>
\$ <u>3,055,827</u>	\$ <u>71,000</u>	\$ <u>123,330</u>	\$ <u>5,262,071</u>
\$ 159,634	\$ 13,383	\$ 23,957	\$ 199,436
162,013	-	28,056	255,315
23,731	-	1,317	25,400
-	75,000	70,000	145,000
327,223	-	-	327,223
<u>672,601</u>	<u>88,383</u>	<u>123,330</u>	<u>952,374</u>
-	-	-	-
-	-	-	-
3,395	-	-	4,295
-	-	-	79,345
-	-	-	371,803
1,404,384	-	-	1,404,384
-	-	-	-
-	-	-	-
-	-	-	1,328,611
-	-	-	147,063
911,846	-	-	911,846
-	-	-	-
-	-	-	-
63,601	-	-	63,601
-	-	-	16,132
-	-	-	-
-	-	-	-
-	(17,383)	-	(17,383)
<u>2,383,226</u>	<u>(17,383)</u>	<u>-</u>	<u>4,309,697</u>
\$ <u>3,055,827</u>	\$ <u>71,000</u>	\$ <u>123,330</u>	\$ <u>5,262,071</u>

Continued

# 2014 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>
<b>ASSETS</b>	
Cash and equity in pooled investments	\$ -
Receivables (net of allowances for estimated uncollectables):	
Taxes	4,706
Accounts	-
Prepaid items	-
<b>TOTAL ASSETS</b>	<u>4,706</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 4,706</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Vouchers payable	\$ -
Accounts/payroll payable	-
Due to other governments	-
Interfund loans payable	-
Deposits and advances	
Total Liabilities	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	4,696
Total Deferred Inflows of Resources	<u>4,696</u>
<b>FUND BALANCE</b>	
<b>Nonspendable:</b>	
Prepaid items	-
<b>Restricted:</b>	
Street Projects	-
Lodging Tax Purposes	-
Criminal Justice Programs	-
Parks Capital Projects	-
Facility Capital Projects	-
<b>Committed:</b>	
Street Operating Programs	-
Youth/Teen Programs	-
Criminal justice programs	-
Parks capital projects	-
Technology capital projects	-
<b>Assigned:</b>	
Criminal Justice Programs	-
Streets Capital Projects	-
Parks Capital Projects	-
Technology Capital Projects	-
Facility Capital Projects	-
<b>Unassigned:</b>	10
Total Fund Balance	<u>10</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 4,706</u>

# 2014 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	
\$ 1,754,164	\$ 201,708	\$ 1,694,443	\$ 1,148,448	\$ 4,798,763	\$ 8,094,408	
1,552	-	-	-	1,552	1,292,710	
982,060	-	-	-	982,060	1,657,739	
-	-	-	-	-	4,295	
<u>2,737,776</u>	<u>201,708</u>	<u>1,694,443</u>	<u>1,148,448</u>	<u>5,782,375</u>	<u>11,049,152</u>	
<u>\$ 2,737,776</u>	<u>\$ 201,708</u>	<u>\$ 1,694,443</u>	<u>\$ 1,148,448</u>	<u>\$ 5,782,375</u>	<u>\$ 11,049,152</u>	
\$ 6,494	\$ -	\$ 48,993	\$ 2,931	\$ 58,418	\$ 257,854	
87,990	-	11,376	1,903	101,269	356,584	
465	-	-	-	465	25,865	
-	-	-	-	-	145,000	
2,923	-	-	-	2,923	330,146	
<u>97,872</u>	<u>-</u>	<u>60,369</u>	<u>4,834</u>	<u>163,075</u>	<u>1,115,449</u>	
-	-	-	-	-	4,696	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,696</u>	
-	-	-	-	-	4,295	
-	-	-	-	-	79,345	
-	-	-	-	-	371,803	
-	-	-	-	-	1,404,384	
1,386,666	-	-	-	1,386,666	1,386,666	
-	201,708	-	1,082,184	1,283,892	1,283,892	
-	-	-	-	-	1,328,611	
-	-	-	-	-	147,063	
-	-	-	-	-	911,846	
20,406	-	-	-	20,406	20,406	
-	-	1,602,146	-	1,602,146	1,602,146	
-	-	-	-	-	63,601	
-	-	-	-	-	16,132	
1,232,832	-	-	-	1,232,832	1,232,832	
-	-	31,928	-	31,928	31,928	
-	-	-	61,430	61,430	61,430	
-	-	-	-	-	(17,373)	
<u>2,639,904</u>	<u>201,708</u>	<u>1,634,074</u>	<u>1,143,614</u>	<u>5,619,300</u>	<u>9,929,007</u>	
<u>\$ 2,737,776</u>	<u>\$ 201,708</u>	<u>\$ 1,694,443</u>	<u>\$ 1,148,448</u>	<u>\$ 5,782,375</u>	<u>\$ 11,049,152</u>	

Concluded

# 2014 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, 2014**

	Special Revenue		
	Street	Lodging Tax	Youth/Teen Programs
<b>REVENUES</b>			
Taxes:			
Sales and use	\$ -	\$ -	\$ -
Utility	3,055,855	-	887,902
Business & occupation	4,625,606	-	-
Lodging tax	-	249,377	-
Intergovernmental revenue:			
Federal grants	205,280	-	-
State shared fuel tax - general street	-	-	-
State shared fuel tax - arterial street	1,918,416	-	-
State shared revenue-criminal justice	-	-	-
State grants	3,087	-	-
Local government grants	-	-	-
Charges for services	822,756	-	-
Fines and forfeitures	67,200	-	-
Miscellaneous revenue:			
Interest income	9,219	204	348
Contributions and donations	-	-	-
Other miscellaneous revenue	-	-	-
<b>TOTAL REVENUES</b>	<b>10,707,419</b>	<b>249,581</b>	<b>888,250</b>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	-	-
Community development	-	71,441	-
Public works	2,489,434	-	-
Leisure services	-	-	42,000
Health and human services	-	-	-
Debt service:			
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,489,434</b>	<b>71,441</b>	<b>42,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>8,217,985</b>	<b>178,140</b>	<b>846,250</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of LGTO Refunding Bonds	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Premium on general obligation bonds	-	-	-
Transfers in	-	-	-
Transfers out	(7,942,117)	-	(856,524)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(7,942,117)</b>	<b>-</b>	<b>(856,524)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>275,868</b>	<b>178,140</b>	<b>(10,274)</b>
<b>FUND BALANCES (DEFICIT), January 1</b>	<b>1,149,120</b>	<b>193,663</b>	<b>157,337</b>
<b>FUND BALANCES, December 31</b>	<b>\$ 1,424,988</b>	<b>\$ 371,803</b>	<b>\$ 147,063</b>

# 2014 Comprehensive Annual Financial Report

Special Revenue			
Criminal Justice	Environmental Mitigation	Housing & Community Development	Total Non-Major Special Revenue Funds
\$ 2,247,042	\$ -	\$ -	\$ 2,247,042
-	-	-	3,943,757
-	-	-	4,625,606
-	-	-	249,377
136,643	-	835,776	1,177,699
-	-	-	-
-	-	-	1,918,416
181,944	-	-	181,944
1,001,821	88,926	-	1,093,834
159,521	149,475	-	308,996
175,475	-	-	998,231
1,121,892	-	-	1,189,092
-	-	-	-
966	-	-	10,737
55,713	-	-	55,713
264	-	-	264
<u>5,081,281</u>	<u>238,401</u>	<u>835,776</u>	<u>18,000,708</u>
4,435,078	-	-	4,435,078
-	-	-	71,441
-	230,140	-	2,719,574
-	-	-	42,000
-	-	835,776	835,776
-	-	-	-
15,426	-	-	15,426
<u>4,450,504</u>	<u>230,140</u>	<u>835,776</u>	<u>8,119,295</u>
630,777	8,261	-	9,881,413
-	-	-	-
-	-	-	-
-	-	-	-
101,882	-	-	101,882
-	-	-	(8,798,641)
<u>101,882</u>	<u>-</u>	<u>-</u>	<u>(8,696,759)</u>
732,659	8,261	-	1,184,654
1,650,567	(25,644)	-	3,125,043
<u>\$ 2,383,226</u>	<u>\$ (17,383)</u>	<u>\$ -</u>	<u>\$ 4,309,697</u>

Continued

# 2014 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, 2014**

	<u>Debt Service</u>
	<u>General Obligation</u>
	<u>Voted</u>
<b>REVENUES</b>	
Taxes:	
Sales and use	\$ -
Utility	-
Business & occupation	-
Lodging tax	-
Intergovernmental revenue:	
Federal grants	-
State shared fuel tax - general street	-
State shared fuel tax - arterial street	-
State shared revenue-criminal justice	-
State grants	-
Local government grants	-
Charges for services	-
Fines and forfeitures	-
Miscellaneous revenue:	
Interest income	-
Contributions and Donations	-
Other miscellaneous revenue	-
<b>TOTAL REVENUES</b>	<u>-</u>
<b>EXPENDITURES</b>	
Current:	
Public safety	-
Community development	-
Public works	-
Leisure services	-
Health and human services	-
Debt service:	
Interest and fiscal charges	-
Capital outlay	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of LGTO Refunding Bonds	-
Payment to Refunded Bond Escrow Agent	-
Premium on general obligation bonds	-
Transfers in	-
Transfers out	(1,073)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,073)</u>
<b>SOURCES OVER EXPENDITURES AND OTHER USES</b>	(1,073)
<b>FUND BALANCES, January 1</b>	1,083
<b>FUND BALANCES, December 31</b>	<u>\$ 10</u>

# 2014 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	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	2,247,042
	-		-		-		-		-		3,943,757
	-		-		-		-		-		4,625,606
	-		-		-		-		-		249,377
	-		-		-		-		-		1,177,699
	9,690		-		-		-		9,690		9,690
	-		-		-		-		-		1,918,416
	-		-		-		-		-		181,944
	227,153		-		-		-		227,153		1,320,987
	465,128		-		-		-		465,128		774,124
	9,045		-		-		-		9,045		1,007,276
	-		-		-		-		-		1,189,092
	104		179		-		-		283		11,020
	14,500		-		-		-		14,500		70,213
	266,597		-		-		-		266,597		266,861
	<u>992,217</u>		<u>179</u>		<u>-</u>		<u>-</u>		<u>992,396</u>		<u>18,993,104</u>
	-		-		-		-		-		4,435,078
	-		-		-		-		-		71,441
	-		-		-		-		-		2,719,574
	300,000		-		-		-		300,000		342,000
	-		-		-		-		-		835,776
	-		286,574		-		-		286,574		286,574
	2,917,980		-		408,110		46,931		3,373,021		3,388,447
	<u>3,217,980</u>		<u>286,574</u>		<u>408,110</u>		<u>46,931</u>		<u>3,959,595</u>		<u>12,078,890</u>
	(2,225,763)		(286,395)		(408,110)		(46,931)		(2,967,199)		6,914,214
	-		8,671,070		-		-		8,671,070		8,671,070
	-		(8,929,574)		-		-		(8,929,574)		(8,929,574)
	-		547,704		-		-		547,704		547,704
	2,100,000		-		1,313,563		-		3,413,563		3,515,445
	-		-		-		-		-		(8,799,714)
	<u>2,100,000</u>		<u>289,200</u>		<u>1,313,563</u>		<u>-</u>		<u>3,702,763</u>		<u>(4,995,069)</u>
	(125,763)		2,805		905,453		(46,931)		735,564		1,919,145
	2,765,667		198,903		728,621		1,190,545		4,883,736		8,009,862
\$	<u>2,639,904</u>	\$	<u>201,708</u>	\$	<u>1,634,074</u>	\$	<u>1,143,614</u>	\$	<u>5,619,300</u>	\$	<u>9,929,007</u>

Concluded

# 2014 Comprehensive Annual Financial Report

## CITY OF KENT

### STREET SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Utility	\$ 2,995,844	\$ 2,995,844	\$ 3,055,855	\$ 60,011
Business & occupation	4,700,000	4,700,000	4,625,606	(74,394)
Intergovernmental:				
Federal grants	-	213,280	205,280	(8,000)
State Shared fuel tax	1,905,592	1,905,592	1,918,416	12,824
State grants	-	-	3,087	3,087
Charges for services	-	556,614	822,756	266,142
Fines and forfeitures	-	-	67,200	67,200
Miscellaneous revenue:				
Interest income	70	70	9,219	9,149
<b>TOTAL REVENUES</b>	<u>9,601,506</u>	<u>10,371,400</u>	<u>10,707,419</u>	<u>336,019</u>
<b>EXPENDITURES</b>	2,393,514	2,606,794	2,489,434	(117,360)
<b>TOTAL EXPENDITURES</b>	<u>2,393,514</u>	<u>2,606,794</u>	<u>2,489,434</u>	<u>(117,360)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	7,207,992	7,764,606	8,217,985	453,379
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	155,000	155,000	-	(155,000)
Transfer Out	(7,334,877)	(8,248,109)	(7,942,117)	305,992
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(7,179,877)</u>	<u>(8,093,109)</u>	<u>(7,942,117)</u>	<u>150,992</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	28,115	(328,503)	275,868	604,371
<b>FUND BALANCES, January 1</b>	916,269	916,269	1,149,120	232,851
<b>FUND BALANCES, December 31</b>	<u>\$ 944,384</u>	<u>\$ 587,766</u>	<u>\$ 1,424,988</u>	<u>\$ 686,230</u>

Note: Budgeted transfers of \$155,000 between business units with the fund have been eliminated for financial reporting purposes.

# 2014 Comprehensive Annual Financial Report

**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, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Lodging Tax	\$ 196,812	\$ 196,812	\$ 249,377	\$ 52,565
Miscellaneous revenue:				
Interest income	50	50	204	154
<b>TOTAL REVENUES</b>	<u>196,862</u>	<u>196,862</u>	<u>249,581</u>	<u>52,719</u>
<b>EXPENDITURES</b>	178,500	178,500	71,441	(107,059)
<b>TOTAL EXPENDITURES</b>	<u>178,500</u>	<u>178,500</u>	<u>71,441</u>	<u>(107,059)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	18,362	18,362	178,140	159,778
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	18,362	18,362	178,140	159,778
<b>FUND BALANCES, January 1</b>	193,663	193,663	193,663	-
<b>FUND BALANCES, December 31</b>	<u>\$ 212,025</u>	<u>\$ 212,025</u>	<u>\$ 371,803</u>	<u>\$ 159,778</u>

# 2014 Comprehensive Annual Financial Report

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, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Utility	\$ 902,806	\$ 902,806	\$ 887,902	\$ (14,904)
Miscellaneous revenue:				
Interest income	255	255	348	93
<b>TOTAL REVENUES</b>	<u>903,061</u>	<u>903,061</u>	<u>888,250</u>	<u>(14,811)</u>
<b>EXPENDITURES</b>	42,000	42,000	42,000	-
<b>TOTAL EXPENDITURES</b>	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	861,061	861,061	846,250	(14,811)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(856,524)	(856,524)	(856,524)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(856,524)</u>	<u>(856,524)</u>	<u>(856,524)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	4,537	4,537	(10,274)	(14,811)
<b>FUND BALANCES, January 1</b>	157,337	157,337	157,337	-
<b>FUND BALANCES, December 31</b>	<u>\$ 161,874</u>	<u>\$ 161,874</u>	<u>\$ 147,063</u>	<u>\$ (14,811)</u>

# 2014 Comprehensive Annual Financial Report

## CITY OF KENT

### CRIMINAL JUSTICE SPECIAL REVENUE FUND

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

For the Year Ended December 31, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Sales and use	\$ 1,942,648	\$ 1,942,648	\$ 2,247,042	\$ 304,394
Intergovernmental revenue:				
Federal grants	-	208,452	136,643	(71,809)
State shared - criminal justice	229,883	229,883	181,944	(47,939)
State grants	-	371,978	1,001,821	629,843
Local government grants	146,039	153,039	159,521	6,482
Charges for services	7,200	7,200	175,475	168,275
Fines and forfeitures	53,386	53,386	1,121,892	1,068,506
Miscellaneous revenue:				
Interest income	1,383	1,383	966	(417)
Contributions and donations	2,500	35,332	55,713	20,381
Other miscellaneous revenue	-	-	264	264
<b>TOTAL REVENUES</b>	<b>2,383,039</b>	<b>3,003,301</b>	<b>5,081,281</b>	<b>2,077,980</b>
<b>EXPENDITURES</b>	<b>2,863,414</b>	<b>3,480,558</b>	<b>4,450,504</b>	<b>969,946</b>
<b>TOTAL EXPENDITURES</b>	<b>2,863,414</b>	<b>3,480,558</b>	<b>4,450,504</b>	<b>969,946</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(480,375)</b>	<b>(477,257)</b>	<b>630,777</b>	<b>1,108,034</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	121,500	118,382	101,882	(16,500)
Transfers out	(16,500)	(16,500)	-	16,500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>105,000</b>	<b>101,882</b>	<b>101,882</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(375,375)</b>	<b>(375,375)</b>	<b>732,659</b>	<b>1,108,034</b>
<b>FUND BALANCES, January 1</b>	<b>1,509,236</b>	<b>1,509,236</b>	<b>1,650,567</b>	<b>141,331</b>
<b>FUND BALANCES, December 31</b>	<b>\$ 1,133,861</b>	<b>\$ 1,133,861</b>	<b>\$ 2,383,226</b>	<b>\$ 1,249,365</b>

Note: Budgeted transfers of \$16,500 between business units with the fund have been eliminated for financial reporting purposes.

# 2014 Comprehensive Annual Financial Report

CITY OF KENT  
 ENVIRONMENTAL MITIGATION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
 For the Year Ended December 31, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue:				
State grants	\$ -	\$ 213,063	\$ 88,926	\$ (124,137)
Local government grants	-	122,114	149,475	27,361
<b>TOTAL REVENUES</b>	<u>-</u>	<u>335,177</u>	<u>238,401</u>	<u>(96,776)</u>
<b>EXPENDITURES</b>	-	335,177	230,140	(105,037)
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>335,177</u>	<u>230,140</u>	<u>(105,037)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	8,261	8,261
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	-	8,261	8,261
<b>FUND BALANCES, January 1</b>	3,826	3,826	(25,644)	(29,470)
<b>FUND BALANCES, December 31</b>	<u>\$ 3,826</u>	<u>\$ 3,826</u>	<u>\$ (17,383)</u>	<u>\$ (21,209)</u>

# 2014 Comprehensive Annual Financial Report

CITY OF KENT  
 HOUSING & COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
 For the Year Ended December 31, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal grants	\$ 914,499	\$ 964,731	\$ 835,776	\$ (128,955)
<b>TOTAL REVENUES</b>	<u>914,499</u>	<u>964,731</u>	<u>835,776</u>	<u>(128,955)</u>
<b>EXPENDITURES</b>				
<b>TOTAL EXPENDITURES</b>	<u>914,499</u>	<u>964,731</u>	<u>835,776</u>	<u>(128,955)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	-	-
<b>FUND BALANCES, January 1</b>	-	-	-	-
<b>FUND BALANCES, December 31</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## OTHER BUDETARY SCHEDULES

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, as well as the Operating Grants & Projects Fund and the Events Center Fund, are now combined with the General Fund for financial reporting. For budgetary purposes, however, they are separately budgeted and are presented as a *Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual* just as the other Special Revenue Funds are.

# 2014 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, 2014**

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Contributions and Donations	\$ 823,294	\$ 823,294	\$ 805,020	\$ (18,274)
Miscellaneous revenue:				
Interest income	2,500	2,500	819	(1,681)
<b>TOTAL REVENUES</b>	<u>825,794</u>	<u>825,794</u>	<u>805,839</u>	<u>(19,955)</u>
<b>EXPENDITURES</b>	1,184,337	1,184,337	887,036	(297,301)
<b>TOTAL EXPENDITURES</b>	<u>1,184,337</u>	<u>1,184,337</u>	<u>887,036</u>	<u>(297,301)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(358,543)	(358,543)	(81,197)	277,346
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	250,000	250,000	250,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(108,543)	(108,543)	168,803	277,346
<b>FUND BALANCES, January 1</b>	862,223	862,223	862,223	-
<b>FUND BALANCES, December 31</b>	<u>\$ 753,680</u>	<u>\$ 753,680</u>	<u>\$ 1,031,026</u>	<u>\$ 277,346</u>

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.  
The transfer into this fund is eliminated when combined with the General Fund for financial reporting.

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT**  
**OPERATING GRANTS & PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2014**

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Miscellaneous revenue:				
Contributions and Donations	\$ -	\$ -	\$ 14,000	\$ 14,000
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>14,000</u>
<b>EXPENDITURES</b>	-	-	70,478	70,478
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>70,478</u>	<u>70,478</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	(56,478)	(56,478)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	120,073	120,073	120,073	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>120,073</u>	<u>120,073</u>	<u>120,073</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	120,073	120,073	63,595	(56,478)
<b>FUND BALANCES, January 1</b>	184,691	184,691	376,115	191,424
<b>FUND BALANCES, December 31</b>	<u>\$ 304,764</u>	<u>\$ 304,764</u>	<u>\$ 439,710</u>	<u>\$ 134,946</u>

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.  
The transfer into this fund is eliminated when combined with the General Fund for financial reporting.

# 2014 Comprehensive Annual Financial Report

CITY OF KENT  
EVENTS CENTER OPERATIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Year Ended December 31, 2014

	2014 Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Charges for Service	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
<b>TOTAL REVENUES</b>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
<b>EXPENDITURES</b>				
	520,200	995,200	980,047	(15,153)
<b>TOTAL EXPENDITURES</b>	<u>520,200</u>	<u>995,200</u>	<u>980,047</u>	<u>(15,153)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(320,200)	(795,200)	(980,047)	(184,847)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	900,000	2,400,000	3,456,124	1,056,124
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>900,000</u>	<u>2,400,000</u>	<u>3,456,124</u>	<u>1,056,124</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	579,800	1,604,800	2,476,077	871,277
<b>FUND BALANCES, January 1</b>	(2,456,087)	(2,456,087)	(2,456,087)	-
<b>FUND BALANCES, December 31</b>	<u>\$ (1,876,287)</u>	<u>\$ (851,287)</u>	<u>\$ 19,990</u>	<u>\$ (184,847)</u>

Note: This fund is separately budgeted, but is combined with the General Fund for financial reporting purposes.  
The transfer into this fund is eliminated when combined with the General Fund for financial reporting.

## 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.

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
December 31, 2014**

	<b>Equipment Rental</b>	<b>Central Services</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,125,124	\$ 1,613,708
Investments, at fair value	-	-
Receivables (net of allowances for estimated uncollectibles):		
Taxes	-	121,836
Accounts	1,925	55,568
Notes	-	-
Accrued interest	-	-
Interfund loan receivable	-	-
Inventory, at cost	84,445	22,691
Prepaid expenses	214	454,818
Total Current Assets	<u>3,211,708</u>	<u>2,268,621</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Buildings	108,702	675,071
Site improvements	253,568	28,964
Equipment	15,061,660	5,644,905
Less: accumulated depreciation	(11,878,052)	(6,337,334)
Construction in progress	-	-
Total Property, Plant and Equipment	<u>3,545,878</u>	<u>11,606</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,757,586</u>	<u>\$ 2,280,227</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 6,757,586</u>	<u>\$ 2,280,227</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Vouchers payable	\$ 164,800	\$ 96,111
Accounts/payroll payable	89,983	224,852
Incurred but not reported claims payable	-	-
Compensated absences payable - current portion	20,898	72,571
Deposits and unearned revenue	-	-
Total Current Liabilities	<u>275,681</u>	<u>393,534</u>
<b>LONG-TERM LIABILITIES</b>		
Compensated absences payable - non-current	<u>10,228</u>	<u>132,078</u>
Total Long-Term Liabilities	<u>10,228</u>	<u>132,078</u>
<b>TOTAL LIABILITIES</b>	<u>285,909</u>	<u>525,612</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>\$ 285,909</u>	<u>\$ 525,612</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,545,878	11,606
Unrestricted	2,925,799	1,743,009
<b>TOTAL NET POSITION</b>	<u>\$ 6,471,677</u>	<u>\$ 1,754,615</u>

# 2014 Comprehensive Annual Financial Report

	Facilities	Insurance	Totals
\$	3,274,366	\$ 11,384,482	\$ 19,397,680
	-	254,874	254,874
	-	-	121,836
	28,664	179	86,336
	-	2,339,411	2,339,411
	-	51	51
	-	3,000,000	3,000,000
	-	-	107,136
	4,750	280,556	740,338
	<u>3,307,780</u>	<u>17,259,553</u>	<u>26,047,662</u>
	224,495	-	1,008,268
	79,420	-	361,952
	105,348	-	20,811,913
	(310,024)	-	(18,525,410)
	<u>1,662,026</u>	<u>-</u>	<u>1,662,026</u>
	1,761,265	-	5,318,749
\$	<u>5,069,045</u>	<u>\$ 17,259,553</u>	<u>\$ 31,366,411</u>
\$	<u>5,069,045</u>	<u>\$ 17,259,553</u>	<u>\$ 31,366,411</u>
\$	116,914	\$ 304,555	\$ 682,380
	117,258	27,846	459,939
	-	4,195,026	4,195,026
	45,912	35,059	174,440
	1,250	-	1,250
	<u>281,334</u>	<u>4,562,486</u>	<u>5,513,035</u>
	<u>85,670</u>	<u>30,608</u>	<u>258,584</u>
	85,670	30,608	258,584
	<u>367,004</u>	<u>4,593,094</u>	<u>5,771,619</u>
\$	<u>367,004</u>	<u>\$ 4,593,094</u>	<u>\$ 5,771,619</u>
	1,761,265	-	5,318,749
	2,940,776	12,666,459	20,276,043
\$	<u>4,702,041</u>	<u>\$ 12,666,459</u>	<u>\$ 25,594,792</u>

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
For the Year Ended December 31, 2014**

	<b>Equipment Rental</b>	<b>Central Services</b>
<b>OPERATING REVENUES</b>		
Sales	\$ 1,030,738	\$ 143,965
Charges for services	3,318,057	5,685,765
Contributions	15,426	-
Other operating revenue	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>4,364,221</u>	<u>5,829,730</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	583,202	2,166,024
Benefits	244,356	732,999
Supplies	1,252,823	305,835
Services and charges	705,576	1,948,539
Depreciation	593,801	4,350
<b>TOTAL OPERATING EXPENSES</b>	<u>3,379,758</u>	<u>5,157,747</u>
<b>OPERATING INCOME (LOSS)</b>	<u>984,463</u>	<u>671,983</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	2,740	-
Gain/(loss) on disposal of capital assets	4,498	-
Miscellaneous non-operating revenues	11,161	1,405,435
Interest expense	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>18,399</u>	<u>1,405,435</u>
<b>NET INCOME (LOSS)</b>	<u>1,002,862</u>	<u>2,077,418</u>
Transfers in	57,882	-
Transfers out	-	(1,313,563)
<b>CHANGE IN NET POSITION</b>	<u>1,060,744</u>	<u>763,855</u>
<b>NET POSITION, January 1</b>	5,410,933	990,760
<b>NET POSITION, December 31</b>	\$ <u><u>6,471,677</u></u>	\$ <u><u>1,754,615</u></u>

# 2014 Comprehensive Annual Financial Report

	Facilities	Insurance	Totals
\$	-	\$ -	\$ 1,174,703
	4,217,527	-	13,221,349
	-	12,627,516	12,642,942
	876,479	-	876,479
	<u>5,094,006</u>	<u>12,627,516</u>	<u>27,915,473</u>
	1,458,100	433,330	4,640,656
	661,882	130,230	1,769,467
	326,729	39,529	1,924,916
	1,592,431	11,487,016	15,733,562
	4,171	-	602,322
	<u>4,043,313</u>	<u>12,090,105</u>	<u>24,670,923</u>
	<u>1,050,693</u>	<u>537,411</u>	<u>3,244,550</u>
	2,644	54,210	59,594
	-	-	4,498
	-	-	1,416,596
	(523)	-	(523)
	<u>2,121</u>	<u>54,210</u>	<u>1,480,165</u>
	<u>1,052,814</u>	<u>591,621</u>	<u>4,724,715</u>
	-	-	57,882
	(33,026)	-	(1,346,589)
	<u>1,019,788</u>	<u>591,621</u>	<u>3,436,008</u>
	3,682,253	12,074,838	22,158,784
\$	<u><u>4,702,041</u></u>	<u><u>12,666,459</u></u>	<u><u>25,594,792</u></u>

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended December 31, 2014**

	Equipment Rental	Central Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 4,362,502	\$ 5,860,711
Cash received from other funds for services	-	-
Cash payments to employees	(837,470)	(2,867,737)
Cash payments to suppliers	(1,917,389)	(2,545,205)
Other cash received	-	-
Net cash provided by (used for) operating activities	<u>1,607,643</u>	<u>447,769</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund loan issued for noncapital purposes	-	-
Interfund loan payment for noncapital purposes	1,500,000	-
Operating grants/non-operating revenue received	11,161	1,405,435
Net cash provided by noncapital financing	<u>1,511,161</u>	<u>1,405,435</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds on disposal of capital assets	62,793	-
Acquisition and construction of capital assets	(1,221,837)	-
Principal paid on bonds	-	-
Interest paid on bonds	-	-
Transfers in	57,882	-
Transfers out	-	(1,313,563)
Net cash used for capital and related financing	<u>(1,101,162)</u>	<u>(1,313,563)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(5,430,000)	-
Proceeds from sale and maturities of investment securities	6,245,000	-
Interest and dividends on investments	2,740	-
Net cash provided by (used for) investing activities	<u>817,740</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,835,382	539,641
<b>CASH AND CASH EQUIVALENTS, January 1</b>	289,742	1,074,067
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<u>\$ 3,125,124</u>	<u>\$ 1,613,708</u>

# 2014 Comprehensive Annual Financial Report

Facilities	Insurance	Total
\$ 4,188,863	\$ -	\$ 14,412,076
-	13,339,869	13,339,869
(2,095,754)	(589,103)	(6,390,064)
(1,983,408)	(11,883,417)	(18,329,419)
876,479	-	876,479
986,180	867,349	3,908,941
-	(3,000,000)	(3,000,000)
-	-	1,500,000
-	-	1,416,596
-	(3,000,000)	(83,404)
-	-	62,793
(189,391)	-	(1,411,228)
(31,087)	-	(31,087)
(628)	-	(628)
-	-	57,882
(33,026)	-	(1,346,589)
(254,132)	-	(2,668,857)
(3,660,000)	(9,635,000)	(18,725,000)
5,955,000	21,885,000	34,085,000
2,644	54,210	59,594
2,297,644	12,304,210	15,419,594
3,029,692	10,171,559	16,576,274
244,674	1,212,923	2,821,406
\$ 3,274,366	\$ 11,384,482	\$ 19,397,680

Continued

# 2014 Comprehensive Annual Financial Report

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended December 31, 2014**

	Equipment Rental	Central Services
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 984,463	\$ 671,983
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	593,801	4,350
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(1,719)	30,981
(Increase) Decrease in inventory	(5,735)	9,201
(Increase) Decrease in prepaid expenses	(5)	(162,818)
Increase (Decrease) in vouchers payable	26,428	(79,658)
Increase (Decrease) in accounts/payroll payable	29,649	(31,153)
Increase in incurred but not reported claims payable	-	-
Increase (Decrease) in compensated absences	(19,239)	4,883
Total Adjustments	<u>623,180</u>	<u>(224,214)</u>
Net cash provided by operating activities	<u>\$ 1,607,643</u>	<u>\$ 447,769</u>

# 2014 Comprehensive Annual Financial Report

<u>Facilities</u>	<u>Insurance</u>	<u>Total</u>
\$ 1,050,693	\$ 537,411	\$ 3,244,550
4,171	-	602,322
(28,664)	712,353	712,951
-	-	3,466
-	31,714	(131,109)
(58,940)	1,476	(110,694)
673	(35,141)	(35,972)
-	(390,083)	(390,083)
18,247	9,619	13,510
(64,513)	329,938	664,391
\$ 986,180	\$ 867,349	\$ 3,908,941

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.



# 2014 Comprehensive Annual Financial Report

CITY OF KENT  
AGENCY FUNDS  
COMBINING STATEMENT OF NET POSITION  
December 31, 2014

	Trust Funds	Impact Fees	Municipal Court	Total
<b>ASSETS</b>				
Cash and equity in pooled investments	\$ 75,273	\$ 496,564	\$ 898,868	\$ 1,470,705
Due from other governments	-	-	4,335	4,335
<b>TOTAL ASSETS</b>	<u>\$ 75,273</u>	<u>\$ 496,564</u>	<u>\$ 903,203</u>	<u>\$ 1,475,040</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ -	\$ 496,564	678,797	\$ 1,175,361
Deposits and unearned revenue	75,273	-	224,406	299,679
<b>TOTAL LIABILITIES</b>	<u>\$ 75,273</u>	<u>\$ 496,564</u>	<u>\$ 903,203</u>	<u>\$ 1,475,040</u>

# 2014 Comprehensive Annual Financial Report

CITY OF KENT  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 For the Year Ended December 31, 2014

	Trust Funds			Balance December 31, 2014
	Balance January 1, 2014	Increases	Decreases	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,071	\$ 57,261	\$ 7,059	\$ 75,273
Cash with fiscal agent	-	-	-	-
Due from other governments	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 25,071</u>	<u>\$ 57,261</u>	<u>\$ 7,059</u>	<u>\$ 75,273</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ -	\$ -	\$ -	\$ -
Deposits and unearned revenue	25,071	50,202	-	75,273
<b>TOTAL LIABILITIES</b>	<u>\$ 25,071</u>	<u>\$ 50,202</u>	<u>\$ -</u>	<u>\$ 75,273</u>

# 2014 Comprehensive Annual Financial Report

Impact Fees				
Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014	
\$ 68,301	\$ 3,185,823	\$ 2,757,560	\$	496,564
-	-	-	-	-
<u>68,301</u>	<u>3,185,823</u>	<u>2,757,560</u>	<u>\$</u>	<u>496,564</u>
\$ 68,301	\$ 1,582,645	\$ 1,154,382	\$	496,564
-	-	-	-	-
<u>68,301</u>	<u>1,582,645</u>	<u>1,154,382</u>	<u>\$</u>	<u>496,564</u>

Continued

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended December 31, 2014**

	Municipal Court			Balance December 31, 2014
	Balance January 1, 2014	Increases	Decreases	
<b>ASSETS</b>				
Cash and equity in pooled investments	\$ 813,431	\$ 5,751,706	\$ 5,666,269	\$ 898,868
Due from other governments	3,971	5,295,306	5,294,942	4,335
<b>TOTAL ASSETS</b>	<u>\$ 817,402</u>	<u>\$ 11,047,012</u>	<u>\$ 10,961,211</u>	<u>\$ 903,203</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ 572,042	\$ 6,011,432	\$ 5,904,677	\$ 678,797
Deposits and unearned revenue	245,360	56,422	77,376	224,406
<b>TOTAL LIABILITIES</b>	<u>\$ 817,402</u>	<u>\$ 6,067,854</u>	<u>\$ 5,982,053</u>	<u>\$ 903,203</u>

# 2014 Comprehensive Annual Financial Report

Total				
Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014	
\$ 906,803	\$ 8,994,790	\$ 8,430,888	\$ 1,470,705	
3,971	5,295,306	5,294,942	4,335	
-	-	-	-	
<u>\$ 910,774</u>	<u>\$ 14,290,096</u>	<u>\$ 13,725,830</u>	<u>\$ 1,475,040</u>	
\$ 640,343	\$ 7,594,077	\$ 7,059,059	\$ 1,175,361	
270,431	106,624	77,376	299,679	
-	-	-	-	
<u>\$ 910,774</u>	<u>\$ 7,700,701</u>	<u>\$ 7,136,435</u>	<u>\$ 1,475,040</u>	

Concluded



## GOVERNMENTAL CAPITAL ASSET SCHEDULES

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.

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULE BY SOURCE  
December 31, 2014  
With Comparison to December 31, 2013**

	2014	2013
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>		
Land	\$ 219,464,612	\$ 219,458,162
Buildings	127,367,690	127,367,690
Site improvements	55,246,202	53,300,670
Equipment	36,383,946	32,171,055
Infrastructure	538,623,749	533,625,974
Construction in progress	104,699,056	105,375,659
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b><u>\$ 1,081,785,255</u></b>	<b><u>\$ 1,071,299,210</u></b>
<b>INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE:</b>		
General governmental revenues	\$ 264,287,969	\$ 257,103,710
General obligation bonds	209,523,492	208,599,818
Federal grants	71,498,222	71,487,590
State grants	330,797,583	329,447,745
County and local grants	19,918,895	19,411,392
Special assessments	42,611,987	42,611,987
Gifts and contributions	143,147,107	142,636,968
<b>TOTAL INVESTMENTS IN GOVERNMENTAL CAPITAL ASSETS</b>	<b><u>\$ 1,081,785,255</u></b>	<b><u>\$ 1,071,299,210</u></b>

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

# 2014 Comprehensive Annual Financial Report

**CITY OF KENT  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
December 31, 2014**

	Land	Buildings	Site Improvements	Equipment	Infrastructure	Total
<b>GENERAL GOVERNMENT</b>						
Administration	\$ 239,582	\$ 240,855	\$ -	\$ 52,101	\$ -	\$ 532,538
Attorney	-	-	-	51,966	-	51,966
Finance	-	-	-	316,779	-	316,779
Planning	-	-	33,553	140,991	-	174,544
Public office buildings	4,244,809	32,812,745	3,229,334	2,922,209	-	43,209,097
Other	-	-	-	23,415,232	-	23,415,232
Total	4,484,391	33,053,600	3,262,887	26,899,278	-	67,700,156
<b>PUBLIC SAFETY</b>						
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
<b>PUBLIC WORKS</b>						
Engineering	2,650,000	-	1,302,586	570,692	-	4,523,278
Streets	159,982,434	-	210,179	122,152	538,623,749	698,938,514
Total	162,632,434	-	1,512,765	692,844	538,623,749	703,461,792
<b>PARKS, RECREATION AND CULTURE</b>						
Parks and recreation	47,235,730	1,556,893	48,564,759	54,416	-	97,411,798
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	-	3,970,585	-	80,426,749
Cultural arts	-	-	756,648	709,019	-	1,465,667
Total	49,391,500	85,457,642	49,760,222	5,202,300	-	189,811,664
<b>LIBRARY</b>						
	2,222,461	3,934,754	-	46,414	-	6,203,629
Total	2,222,461	3,934,754	-	46,414	-	6,203,629
TOTAL	219,464,612	127,367,690	55,246,202	36,383,946	538,623,749	977,086,199
Construction in progress	-	-	-	-	-	104,699,056
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$ 219,464,612</u>	<u>\$ 127,367,690</u>	<u>\$ 55,246,202</u>	<u>\$ 36,383,946</u>	<u>\$ 538,623,749</u>	<u>\$ 1,081,785,255</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.

# 2014 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, 2014**

	Governmental Fund Capital Assets 1-1-14	Additions	Retirements and Transfers	Governmental Fund Capital Assets 12-31-14
<b>GENERAL GOVERNMENT</b>				
Administration	\$ 532,538	\$ -	\$ -	\$ 532,538
Attorney	51,966	-	-	51,966
Finance	316,779	-	-	316,779
Planning	174,544	-	-	174,544
Public office buildings	43,209,097	-	-	43,209,097
Other	19,135,451	4,279,781	-	23,415,232
Total	<u>63,420,375</u>	<u>4,279,781</u>	<u>-</u>	<u>67,700,156</u>
<b>PUBLIC SAFETY</b>				
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>
<b>PUBLIC WORKS</b>				
Engineering	4,523,278	-	-	4,523,278
Streets	693,934,289	5,004,225	-	698,938,514
Total	<u>698,457,567</u>	<u>5,004,225</u>	<u>-</u>	<u>703,461,792</u>
<b>PARKS, RECREATIONS AND CULTURE</b>				
Parks and recreation	95,541,156	1,915,522	44,880	97,411,798
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	8,000	-	80,426,749
Cultural arts	1,465,667	-	-	1,465,667
Total	<u>187,933,022</u>	<u>1,923,522</u>	<u>44,880</u>	<u>189,811,664</u>
<b>LIBRARY</b>				
	6,203,629	-	-	6,203,629
Total	<u>6,203,629</u>	<u>-</u>	<u>-</u>	<u>6,203,629</u>
Construction in progress	105,375,659	11,346,866	12,023,469	104,699,056
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$ 1,071,299,210</u>	<u>\$ 22,554,394</u>	<u>\$ 12,068,349</u>	<u>\$ 1,081,785,255</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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>150</b>
<i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b>	<b>160</b>
<i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</i>	
<b>Debt Capacity</b>	<b>170</b>
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b>	<b>175</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</i>	
<b>Operating Information</b>	<b>178</b>
<i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	

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



# 2014 Comprehensive Annual Financial Report

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# 2014 Comprehensive Annual Financial Report

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

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 261,167,805	\$ 643,727,989	\$ 667,980,093	\$ 713,371,701
Restricted	3,444,592	23,292,082	20,821,401	17,491,729
Unrestricted	42,909,071	33,742,641	21,120,567	20,686,229
Total governmental activities net position	<u>\$ 307,521,468</u>	<u>\$ 700,762,712</u>	<u>\$ 709,922,061</u>	<u>\$ 751,549,659</u>
Business-type activities				
Net investment in capital assets	\$ 176,318,621	\$ 186,009,250	\$ 191,875,855	\$ 200,774,256
Restricted	1,578,076	1,509,777	722,344	803,354
Unrestricted	32,236,084	28,789,356	29,736,610	25,617,802
Total business-type activities net position	<u>\$ 210,132,781</u>	<u>\$ 216,308,383</u>	<u>\$ 222,334,809</u>	<u>\$ 227,195,412</u>
Primary government				
Net investment in capital assets	\$ 437,486,426	\$ 829,737,239	\$ 859,855,948	\$ 914,145,957
Restricted	5,022,668	24,801,859	21,543,745	18,295,083
Unrestricted	75,145,155	62,531,997	50,857,177	46,304,031
Total primary government net position	<u>\$ 517,654,249</u>	<u>\$ 917,071,095</u>	<u>\$ 932,256,870</u>	<u>\$ 978,745,071</u>

Note: Unreserved net position of governmental activities dropped in FY14 with the implementation of GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees.

Source: Statement of Net Position

# 2014 Comprehensive Annual Financial Report

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 710,700,685	\$ 727,782,834	\$ 708,913,377	\$ 697,830,001	\$ 682,946,045	\$ 687,527,061
14,297,401	12,145,319	10,034,770	10,288,377	10,721,573	9,499,778
11,612,766	(14,550,823)	(5,370,367)	16,025,424	35,230,567	(24,252,748)
<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>	<u>\$ 672,774,091</u>
\$ 184,890,067	\$ 214,631,648	\$ 241,629,839	\$ 253,742,128	\$ 264,927,149	\$ 287,867,561
2,119,806	3,065,319	4,497,103	2,463,535	3,631,223	1,111,144
49,908,497	38,662,226	27,073,691	29,259,929	36,074,921	45,768,853
<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>	<u>\$ 334,747,558</u>
\$ 895,590,752	\$ 942,414,482	\$ 950,543,216	\$ 951,572,129	\$ 947,873,194	\$ 975,394,622
16,417,207	15,210,638	14,531,873	12,751,912	14,352,796	10,610,922
61,521,263	24,111,403	21,703,324	45,285,353	71,305,488	21,516,105
<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>	<u>\$ 1,007,521,649</u>

# 2014 Comprehensive Annual Financial Report

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

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 5,704,405	\$ 7,670,278	\$ 7,024,180	\$ 26,661,964
Judicial	1,867,345	1,968,044	2,147,737	2,388,567
Public Safety	43,315,168	45,707,880	50,255,708	57,177,887
Community Development	4,024,190	4,363,668	4,683,786	5,030,233
Public Works	10,002,252	19,318,340	20,483,858	20,097,918
Leisure services	8,795,174	8,956,064	10,476,159	11,525,707
Health and human services	5,286,639	5,248,403	6,004,932	6,175,999
Interest on long-term debt	4,821,064	4,803,588	4,263,751	4,149,135
Total governmental activities expenses	<u>83,816,237</u>	<u>98,036,265</u>	<u>105,340,111</u>	<u>133,207,410</u>
Business-type activities:				
Water	8,037,342	8,991,114	8,998,124	10,250,612
Sewerage	22,524,649	23,866,177	26,097,746	27,231,263
Golf	2,753,449	2,861,007	3,078,174	2,941,512
Total business-type activities expenses	<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>\$ 117,131,677</u>	<u>\$ 133,754,563</u>	<u>\$ 143,514,155</u>	<u>\$ 173,630,797</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General Government	\$ 220,034	\$ 228,938	\$ 365,124	\$ 392,469
Judicial	1,408,560	1,442,322	1,676,314	1,847,107
Public Safety	1,002,235	994,770	1,105,526	1,148,454
Community Development	3,110,206	2,902,293	3,080,526	2,186,907
Public Works	6,109,139	2,367,161	2,100,155	1,362,739
Leisure services	1,111,552	1,253,149	1,301,497	1,343,048
Health and human services	760,568	777,522	1,055,544	793,590
Operating grants and contributions	7,126,887	6,881,204	8,723,491	10,575,098
Capital grants and contributions	15,566,905	10,879,385	13,389,132	75,635,801
Total governmental activities program revenues	<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	7,735,500	\$ 8,255,311	\$ 8,342,104	\$ 8,778,926
Sewerage	\$ 23,357,426	25,063,532	27,000,243	28,118,989
Golf Complex	2,765,037	2,807,934	2,816,789	2,895,616
Operating grants and contributions	9,025,542	69,870	84,629	793,473
Capital grants and contributions	2,845,980	3,865,640	4,448,759	3,628,766
Total business-type activities program revenues	<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>\$ 82,145,571</u>	<u>\$ 67,789,031</u>	<u>\$ 75,489,833</u>	<u>\$ 139,500,983</u>

Source: Statement Activities

# 2014 Comprehensive Annual Financial Report

		Fiscal Year					
		2009	2010	2011	2012	2013	2014
\$	7,230,905	\$ 6,931,002	\$ 6,400,374	\$ 6,351,823	\$ 8,959,390	\$ 7,342,670	
	2,487,918	2,544,075	2,745,430	2,793,914	2,743,574	2,789,535	
	58,880,087	60,147,355	48,030,603	37,340,409	37,378,185	38,744,658	
	4,487,550	5,524,342	5,441,202	5,332,561	5,096,639	5,175,651	
	19,453,467	16,219,754	21,195,696	17,427,549	16,993,893	17,371,560	
	14,195,932	15,149,745	16,513,775	16,844,202	15,908,830	13,861,675	
	6,198,375	5,996,524	5,915,128	5,553,369	5,275,046	5,478,974	
	4,933,465	4,295,374	4,000,555	3,779,473	3,250,089	2,804,432	
	117,867,699	116,808,171	110,242,763	95,423,300	95,605,646	93,569,155	
	10,401,686	11,241,367	11,991,035	12,949,247	13,972,634	13,070,155	
	28,947,993	29,668,499	29,194,159	36,391,713	37,680,430	37,951,697	
	2,896,509	3,123,644	3,226,066	3,062,851	2,917,964	2,872,165	
	42,246,188	44,033,510	44,411,260	52,403,811	54,571,028	53,894,017	
\$	160,113,887	\$ 160,841,681	\$ 154,654,023	\$ 147,827,111	\$ 150,176,674	\$ 147,463,172	
\$	369,217	\$ 385,644	\$ 433,840	\$ 1,958,626	\$ 2,044,753	\$ 3,483,161	
	1,878,098	2,128,646	2,140,781	1,963,025	2,108,024	1,846,731	
	1,092,168	1,174,585	996,471	1,081,323	1,811,747	3,388,295	
	1,411,773	2,058,564	2,171,303	3,262,546	3,841,993	5,006,297	
	967,622	475,866	834,042	1,420,839	1,810,854	2,185,990	
	1,308,717	1,328,562	1,549,202	1,357,619	1,380,839	1,418,600	
	834,782	698,819	674,983	814,518	709,948	841,690	
	10,298,875	9,432,962	4,402,255	4,124,615	4,177,095	6,166,500	
	12,596,207	9,459,649	5,311,483	11,076,621	6,655,575	2,936,731	
	30,757,459	27,143,297	18,514,360	27,059,732	24,540,828	27,273,995	
\$	11,876,537	\$ 15,426,293	\$ 15,986,832	\$ 16,253,067	\$ 17,021,951	\$ 18,416,162	
	31,298,410	35,841,828	39,108,510	39,562,059	42,752,458	44,969,699	
	2,698,663	2,394,945	2,519,852	2,570,012	2,431,782	2,485,348	
	112,236	2,799,480	348,478	770,997	81,404	176,984	
	5,939,641	6,761,033	6,900,419	5,544,456	9,195,002	15,792,479	
	51,925,487	63,223,579	64,864,091	64,700,591	71,482,597	81,840,672	
\$	82,682,946	\$ 90,366,876	\$ 83,378,451	\$ 91,760,323	\$ 96,023,425	\$ 109,114,667	

(continued)

# 2014 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (47,400,151)	\$ (70,309,521)	\$ (72,542,802)	\$ (37,922,197)
Business-type activities	12,414,045	4,343,989	4,518,480	3,792,383
Total primary government net expense	<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	\$ 23,912,889	\$ 24,360,387	\$ 25,594,680	\$ 26,576,727
Property taxes levied for debt service	1,786,244	1,781,124	609,561	598,922
Sales taxes	22,820,585	26,099,325	26,812,760	25,460,470
Utility taxes	14,542,310	16,414,038	17,417,969	17,569,974
Business & Occupation taxes	-	-	-	-
Real Estate taxes	5,930,310	5,514,863	4,952,380	3,225,515
Other taxes	476,354	707,963	768,973	771,055
Unrestricted grants and contributions	998,572	1,333,120	1,023,819	1,876,367
Investment earnings	3,366,907	4,489,127	3,904,796	2,133,806
Miscellaneous	5,122,930	595,018	737,751	1,479,608
Gain on disposal of capital assets	-	-	-	-
Transfers	294,353	(6,793)	50,690	(142,649)
Total governmental activities	<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	1,027,798	1,547,289	1,558,636	925,571
Transfers	(294,353)	6,793	(50,690)	142,649
Special item	-	-	-	-
Total business-type activities	<u>733,445</u>	<u>1,554,082</u>	<u>1,507,946</u>	<u>1,068,220</u>
Total primary government	<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	\$ 31,851,303	\$ 10,978,651	\$ 9,330,577	\$ 41,627,598
Business-type activities	13,147,490	5,898,071	6,026,426	4,860,603
Total primary government	<u>\$ 44,998,793</u>	<u>\$ 16,876,722</u>	<u>\$ 15,357,003</u>	<u>\$ 46,488,201</u>

Source: Statement of Activities

# 2014 Comprehensive Annual Financial Report

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ (87,110,240)	\$ (89,664,874)	\$ (91,728,403)	\$ (68,363,568)	\$ (71,064,818)	\$ (66,295,160)
9,679,299	19,190,069	20,452,831	12,296,780	16,911,569	27,946,655
\$ (77,430,941)	\$ (70,474,805)	\$ (71,275,572)	\$ (56,066,788)	\$ (54,153,249)	\$ (38,348,505)
\$ 27,048,764	\$ 29,272,194	\$ 19,287,114	\$ 19,726,551	\$ 20,085,117	\$ 20,599,891
596,696		9,750	8,421	-	-
17,234,352	18,600,976	21,458,253	21,908,275	22,707,244	25,332,356
17,379,153	17,725,934	19,365,153	19,868,738	22,760,019	22,962,565
-	-	-	-	5,149,172	6,208,946
1,888,137	1,805,871	2,235,174	3,547,963	3,837,948	3,184,596
889,426	1,147,963	1,313,231	1,304,761	1,319,462	1,356,198
5,407,702	6,328,500	7,102,872	6,845,773	6,760,236	6,851,351
1,173,891	818,063	495,029	701,443	895,815	1,052,762
374,306	2,825,148	4,931,321	4,907,310	1,740,638	162,971
-	-	-	-	1,945,741	2,433,112
175,974	14,400	312,344	110,355	762,322	(16,729)
72,168,401	78,539,049	76,510,241	78,929,590	87,963,714	90,128,019
219,633	157,457	119,565	78,534	153,554	124,777
(175,974)	(14,400)	(312,344)	(110,355)	(762,322)	16,729
-	-	-	-	2,827,682	-
43,659	143,057	(192,779)	(31,821)	2,218,914	141,506
\$ 72,212,060	\$ 78,682,106	\$ 76,317,462	\$ 78,897,769	\$ 90,182,628	\$ 90,269,525
\$ (14,941,839)	\$ (11,125,825)	\$ (15,218,162)	\$ 10,566,022	\$ 16,898,896	\$ 23,832,859
9,722,958	19,333,126	20,260,052	12,264,959	19,130,483	28,088,161
\$ (5,218,881)	\$ 8,207,301	\$ 5,041,890	\$ 22,830,981	\$ 36,029,379	\$ 51,921,020

(concluded)

# 2014 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			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 219,303	\$ 251,540	\$ 2,532,147	\$ 256,156
Unreserved	5,719,490	6,885,799	5,493,860	6,672,432
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 5,938,793</u>	<u>\$ 7,137,339</u>	<u>\$ 8,026,007</u>	<u>\$ 6,928,588</u>
All Other Governmental Funds				
Reserved	\$ 2,394,628	\$ 3,486,406	\$ 2,965,944	\$ 2,107,366
Unreserved, reported in:				
Special revenue funds	7,639,675	4,653,558	9,018,627	4,627,119
Debt service funds	1,056,261	-	-	-
Capital projects funds	14,559,622	10,582,468	(8,618,307)	11,402,348
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 25,650,186</u>	<u>\$ 18,722,432</u>	<u>\$ 3,366,264</u>	<u>\$ 18,136,833</u>

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

Source: Governmental Funds Balance Sheet

# 2014 Comprehensive Annual Financial Report

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 60,569	\$ 57,586	\$ -	\$ -	\$ -	\$ -
1,999,665	768,523	-	-	-	-
-	-	59,539	103,364	80,055	96,544
-	-	5,028	67,447	1,846,132	2,116,798
-	-	283,678	129,557	184,691	281,177
-	-	-	772,591	968,866	1,128,842
-	-	(205,783)	1,290,804	5,200,183	9,179,216
<u>\$ 2,060,234</u>	<u>\$ 826,109</u>	<u>\$ 142,462</u>	<u>\$ 2,363,763</u>	<u>\$ 8,279,927</u>	<u>\$ 12,802,577</u>
\$ 1,278,319	\$ 1,727,814	\$ -	\$ -	\$ -	\$ -
(3,886,045)	(9,756,662)	-	-	-	-
-	-	-	-	-	-
3,782,839	(3,936,907)	-	-	-	-
-	-	4,318	950	3,120	4,295
-	-	5,602,450	7,834,952	10,910,338	12,564,488
-	-	1,849,238	1,929,285	5,718,063	8,672,323
-	-	519,918	1,291,659	1,726,736	1,405,923
-	-	(22,811,500)	(11,178,234)	(7,448,023)	(3,023,914)
<u>\$ 1,175,113</u>	<u>\$ (11,965,755)</u>	<u>\$ (14,835,576)</u>	<u>\$ (121,388)</u>	<u>\$ 10,910,234</u>	<u>\$ 19,623,115</u>

# 2014 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>				
Taxes (see Schedule 5)	\$ 69,385,293	\$ 74,785,604	\$ 75,827,108	\$ 73,895,588
Licenses and permits	2,643,393	2,608,064	2,809,392	2,364,302
Intergovernmental	21,392,337	15,588,288	17,748,774	85,192,892
Charges for services	5,473,845	5,204,130	5,110,691	3,995,114
Fines and forfeitures	1,171,934	1,227,897	1,492,780	1,705,410
Special assessments	3,676,698	3,667,926	2,439,661	2,589,995
Investment earnings	3,001,655	3,883,343	3,203,446	1,732,781
Other revenues	3,093,620	2,183,209	3,499,918	2,388,171
<b>Total Revenues</b>	<b>109,838,775</b>	<b>109,148,461</b>	<b>112,131,770</b>	<b>173,864,253</b>
<b>Expenditures</b>				
General government	5,327,140	6,882,585	5,798,802	6,441,299
Judicial	1,872,295	1,947,553	2,115,342	2,266,382
Public safety	43,218,034	45,090,400	48,730,640	53,453,187
Community development	4,210,727	4,434,360	4,641,802	4,910,964
Public works	5,306,468	6,479,232	7,275,763	6,805,027
Leisure services	7,362,855	7,436,780	8,808,851	9,621,646
Health and human services	5,269,934	5,170,441	5,838,255	5,876,570
Debt Service				
Principal	8,854,245	9,646,741	9,344,892	7,707,320
Interest	4,638,657	4,605,109	4,034,925	4,005,422
Capital Outlay	36,163,362	32,955,075	41,109,628	85,302,585
<b>Total expenditures</b>	<b>122,223,717</b>	<b>124,648,276</b>	<b>137,698,900</b>	<b>186,390,402</b>
Excess of revenues over (under) expenditures	(12,384,942)	(15,499,815)	(25,567,130)	(12,526,149)
<b>Other Financing Sources (Uses)</b>				
Bonds issued	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			-	-
Premium/(discount) on bonds	-	-	-	-
Sale of capital assets	4,518,249	1,165,137	311,894	304,979
Transfers in	16,158,803	29,236,665	23,932,686	17,209,577
Transfers out	(16,124,572)	(28,938,139)	(24,537,645)	(18,133,279)
<b>Total other financing sources (uses)</b>	<b>4,754,480</b>	<b>21,612,062</b>	<b>(293,065)</b>	<b>25,802,054</b>
<b>Net change in fund balances</b>	<b>\$ (7,630,462)</b>	<b>\$ 6,112,247</b>	<b>\$ (25,860,195)</b>	<b>\$ 13,275,905</b>
Debt service as a percentage of noncapital expenditures	15.7%	15.5%	13.9%	11.6%

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

# 2014 Comprehensive Annual Financial Report

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 64,986,755	\$ 68,488,317	\$ 63,739,861	\$ 66,441,273	\$ 75,899,606	\$ 79,740,933
1,849,252	2,091,190	2,249,021	4,361,182	5,099,915	5,818,615
24,279,630	20,956,542	14,716,457	14,139,092	13,944,351	14,032,112
2,874,696	3,328,744	3,622,562	4,703,711	5,911,954	7,607,140
1,583,731	1,737,615	1,626,615	1,511,762	1,535,820	2,473,890
2,627,522	1,939,156	2,285,686	3,808,216	3,319,569	2,387,329
1,066,402	786,379	711,753	689,240	1,074,118	902,762
3,069,013	3,529,510	2,680,263	3,445,064	2,850,433	2,438,942
<b>102,337,001</b>	<b>102,857,453</b>	<b>91,632,218</b>	<b>99,099,540</b>	<b>109,635,766</b>	<b>115,401,723</b>
6,191,850	5,821,839	6,051,000	6,148,530	6,895,137	7,143,865
2,411,494	2,415,602	2,639,800	2,726,273	2,781,005	2,849,954
55,681,381	57,122,596	36,927,061	36,785,762	38,162,011	39,902,990
4,419,094	5,237,571	5,252,066	5,325,071	5,256,059	5,323,103
6,118,684	5,877,368	6,677,579	7,334,764	7,218,144	7,648,901
12,318,938	12,603,919	13,112,883	13,801,117	13,190,232	14,064,016
5,995,763	5,641,216	5,537,197	5,501,456	5,368,080	5,594,899
7,624,942	7,246,851	7,669,145	7,667,099	7,862,632	8,097,151
4,899,979	4,126,828	3,846,564	3,646,216	3,179,638	2,984,274
21,500,239	10,754,848	11,074,228	4,058,121	6,062,203	10,525,215
<b>127,162,364</b>	<b>116,848,638</b>	<b>98,787,523</b>	<b>92,994,409</b>	<b>95,975,141</b>	<b>104,134,368</b>
(24,825,363)	(13,991,185)	(7,155,305)	6,105,131	13,660,625	11,267,355
-	-	-	-	-	-
8,757,076	-	-	10,840,000	-	8,671,070
2,500,000	-	-	500,000	-	-
-	-	-	9,702,213	-	-
(8,140,000)	-	-	(10,990,000)	-	(8,929,574)
-	-	-	-	-	547,704
-	150	-	198,526	1,966,453	2,433,102
14,941,530	16,091,163	24,573,238	15,997,350	20,939,382	24,436,941
(15,066,349)	(16,262,423)	(24,390,014)	(15,417,731)	(19,618,674)	(23,164,963)
<b>2,992,257</b>	<b>(171,110)</b>	<b>183,224</b>	<b>10,830,358</b>	<b>3,287,161</b>	<b>3,994,280</b>
<b>\$ (21,833,106)</b>	<b>\$ (14,162,295)</b>	<b>\$ (6,972,081)</b>	<b>\$ 16,935,489</b>	<b>\$ 16,947,786</b>	<b>\$ 15,261,635</b>
11.9%	10.7%	13.1%	12.7%	12.3%	11.8%

# 2014 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
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
2014*	20,696,272 **	25,332,356 ***	22,962,565 ***	3,184,596 ****	6,208,946	249,377	1,106,821	79,740,933
Change 2005-2014	-19.2%	11.0%	57.9%	-46.3%	20.6%	79.6%	227.9%	14.9%

\* 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  
 2014 = \$4,822,400

\*\* 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 \$3.5 million and \$4.2 million for 2013 and 2014 respectively.

Utility Taxes - Annexation revenues totaled \$2.7 million for 2013 and \$2.7 million for 2014.

\*\*\*\* Business & Occupation tax started in 2013

Source: City financial records

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

# 2014 Comprehensive Annual Financial Report

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2005	8,400,023,599	993,616,797	9,393,640,396	2.933
2006	9,190,267,772	1,075,601,911	10,265,869,683	2.824
2007	10,351,653,984	1,204,420,660	11,556,074,644	2.562
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	2.355
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
2014	12,813,126,300	1,255,087,106	14,068,213,406	1.645

**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

# 2014 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
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
2013	1.694	-	1.694	2.567	1.473	0.068	0.233	6.028	0.500	0.567	0.300	0.132
2014	1.645	-	1.645	2.470	1.458	0.058	0.215	5.735	0.500	0.562	0.335	0.154

**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.

# 2014 Comprehensive Annual Financial Report

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

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
PSE/Electric & Gas	\$ 220,636,612	1	1.57%	\$ 133,929,913	2	1.43%
Boeing	218,143,681	2	1.55%	304,267,310	1	3.24%
KTR Kent Valley LLC (formerly Calstrs)	144,582,100	3	1.03%	90,319,000	4	0.96%
AMB Property	89,919,700	4	0.64%	110,246,400	3	1.17%
Segale Properties (formerly La Terra Ltd)	89,440,200	5	0.64%	54,138,000	6	0.58%
CSHV Kent North LLC (formerly Ellis CB Richard)	49,373,200	6	0.35%	37,517,688	8	0.40%
Red Mortgage Capital Inc.	39,899,000	7	0.28%	69,959,000	5	0.74%
Qwest Corporation (formerly U.S. West)	37,526,270	8	0.27%			
Fred Meyer	36,084,200	9	0.26%	38,499,000	7	0.41%
HEXCEL Corporation	31,731,310	10	0.23%			
Property Reserve				21,393,700	9	0.23%
Sysco				19,162,580	10	0.20%
	<u>\$ 957,336,273</u>		<u>6.80%</u>	<u>\$ 879,432,591</u>		<u>9.36%</u>

Source: King County Assessor's Office



# 2014 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
2005	25,800,548	25,324,613	98.16%	475,935	25,800,548	100.00%
2006	26,400,938	25,723,330	97.43%	677,608	26,400,938	100.00%
2007	26,194,032	25,750,298	98.31%	442,963	26,193,261	100.00%
2008	27,225,624	26,564,249	97.57%	652,782	27,217,031	99.97%
2009	27,815,136	27,136,428	97.56%	674,487	27,810,915	99.98%
2010	29,273,116	28,806,516	98.41%	457,584	29,264,100	99.97%
2011*	19,298,192	18,981,959	98.36%	305,004	19,286,963	99.94%
2012	19,896,581	19,593,500	98.48%	270,235	19,863,735	99.83%
2013	20,258,863	19,948,297	98.47%	220,496	20,168,793	99.56%
2014	20,726,325	20,394,209	98.40%	-	20,394,209	98.40%

**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.

# 2014 Comprehensive Annual Financial Report

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

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Unknown	2,889,211	2,562,325	743,328	960,908
Agriculture, Forestry, Fishing	324,202	556,164	480,758	421,594
Mining	276,815	143,563	126,143	1,111,403
Utilities	17,444,817	25,929,247	32,804,185	20,292,827
Construction	280,567,441	339,844,719	314,927,177	329,122,168
Manufacturing	145,756,409	153,080,983	271,089,687	171,095,850
Wholesale Trade	471,349,351	507,855,299	537,750,994	376,973,038
Retail Trade	1,034,703,327	1,191,891,094	1,093,635,050	864,206,993
Transportation and Warehousing	6,944,753	8,279,538	9,709,071	8,606,606
Information	110,148,507	157,065,993	114,296,024	138,282,101
Finance and Insurance	21,205,368	20,019,726	18,444,097	19,337,663
Real Estate, Rental, Leasing	94,843,961	102,929,495	100,269,365	87,787,763
Prof, Sci, Technical Svcs	29,052,029	30,635,428	34,514,927	47,004,048
Company Management	354,019	434,919	395,740	203,812
Admin, Supp, Remed Svcs	37,873,104	39,221,048	46,233,624	38,659,998
Educational Services	2,433,927	2,803,957	5,386,733	4,705,329
Health Care Social Assistance	4,187,207	3,761,970	3,882,634	4,134,840
Arts, Entertain, Recreation	12,372,720	12,997,168	14,199,392	15,543,553
Accommodation and Food Svcs	137,351,291	156,165,384	166,220,492	164,615,802
Other Services	63,107,841	65,088,034	72,939,468	75,835,651
Public Administration	16,662,522	13,378,848	21,778,264	30,271,537
Total	<u>\$ 2,489,848,823</u>	<u>\$ 2,834,644,903</u>	<u>\$ 2,859,827,153</u>	<u>\$ 2,399,173,484</u>

City direct sales tax rate 0.85%.

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

# 2014 Comprehensive Annual Financial Report

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
999,746	858,268	477,054	339,351	196,495	65,704
518,595	718,861	692,359	877,496	1,202,184	1,533,526
540,569	647,324	617,757	607,282	144,459	98,998
23,789,845	17,472,906	5,078,454	7,112,634	10,873,877	6,071,984
242,972,325	188,425,022	186,982,818	224,155,491	224,529,870	321,680,722
69,750,959	96,582,517	81,988,703	88,519,357	147,815,483	140,966,275
301,507,123	217,175,584	252,503,957	232,141,988	241,905,173	258,868,775
616,882,158	647,338,680	681,641,901	682,878,774	722,025,334	752,229,005
6,983,433	8,256,303	6,620,144	6,843,425	7,058,638	7,704,255
111,604,712	113,484,774	112,088,847	115,588,551	95,410,564	112,338,420
22,253,860	18,871,102	16,381,423	21,585,061	25,203,335	25,454,579
74,188,983	67,979,949	73,151,966	71,912,403	73,550,514	87,699,058
40,297,213	48,470,587	41,794,489	46,798,059	32,408,933	36,389,911
170,204	646,516	13,351	20,847	25,943	0
30,272,316	31,230,882	42,594,079	41,021,656	42,476,396	39,458,138
3,167,476	3,205,201	3,968,920	3,243,933	3,711,272	3,712,154
2,726,198	2,254,145	1,783,015	1,505,938	1,275,885	2,412,082
19,222,372	18,658,668	19,773,143	19,055,120	21,189,254	21,779,009
143,820,138	146,494,696	159,382,256	171,055,204	182,181,720	195,809,112
66,338,283	73,591,515	82,917,327	77,191,369	71,633,560	73,587,409
20,201,288	19,850,671	24,692,051	24,752,900	26,185,952	28,971,834
<b>\$ 1,798,207,796</b>	<b>\$ 1,722,214,171</b>	<b>\$ 1,795,144,014</b>	<b>\$ 1,837,206,839</b>	<b>\$ 1,931,004,841</b>	<b>\$ 2,116,830,950</b>

# 2014 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>
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%
2014	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

# 2014 Comprehensive Annual Financial Report

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

	Fiscal Year 2014				Fiscal Year 2005			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	12	0.1%	85,628	0.6%	54	0.4%	71,644	0.3%
Agriculture, Forestry, Fishing	45	0.2%	13,061	0.1%	34	0.3%	2,728	0.0%
Mining	6	0.0%	743	0.0%	11	0.1%	2,329	0.0%
Utilities	13	0.1%	53,370	0.4%	11	0.1%	147,681	0.7%
Construction	4,006	21.8%	2,489,342	17.4%	3,335	27.7%	2,327,551	11.3%
Manufacturing	1,388	7.6%	1,394,311	9.7%	583	4.8%	1,253,690	6.1%
Wholesale Trade	2,867	15.6%	2,107,355	14.7%	1,712	14.2%	3,971,334	19.3%
Retail Trade	4,564	24.8%	6,280,046	43.8%	2,353	19.6%	8,492,675	41.4%
Transportation and Warehousing	131	0.7%	58,267	0.4%	91	0.8%	56,236	0.3%
Information	626	3.4%	797,516	5.6%	287	2.4%	469,358	2.3%
Finance and Insurance	150	0.8%	209,658	1.5%	137	1.1%	184,308	0.9%
Real Estate, Rental, Leasing	449	2.4%	706,392	4.9%	390	3.2%	802,159	3.9%
Prof, Sci, Technical Svcs	993	5.4%	313,547	2.2%	581	4.8%	238,869	1.2%
Company Management	3	0.0%	6	0.0%	2	0.0%	1,312	0.0%
Admin, Supp, Remed Svcs	1,275	6.9%	327,330	2.3%	980	8.2%	317,116	1.5%
Educational Services	144	0.8%	34,279	0.2%	38	0.3%	20,512	0.1%
Health Care Social Assistance	162	0.9%	15,898	0.1%	96	0.8%	35,236	0.2%
Arts, Entertain, Recreation	126	0.7%	187,473	1.3%	74	0.6%	104,073	0.5%
Accommodation and Food Svcs	429	2.3%	1,622,866	11.3%	393	3.3%	1,154,533	5.6%
Other Services	960	5.2%	617,923	4.3%	846	7.0%	530,201	2.6%
Public Administration	21	0.1%	238,331	1.7%	13	0.1%	354,672	1.7%
<b>Total</b>	<b>18,370</b>	<b>100.00%</b>	<b>\$ 17,553,342</b>	<b>122.48%</b>	<b>12,021</b>	<b>100.00%</b>	<b>\$ 20,538,217</b>	<b>100.00%</b>

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

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

# 2014 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 <sup>a</sup>	Per Capita <sup>b</sup>	Other Governmental Activities Debt	
	General Obligation Bonds	Less: Amounts Available In Debt Fund	Total			Loans, Notes and Contracts <sup>d</sup>	Special Assessment Bonds
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
2014	51,818,355	10	51,818,345	0.37%	426.84	16,557,914	1,980,000

## Business-type Activities

Fiscal Year	General Obligation Bonds	Revenue Bonds	Loans, Notes and Contracts <sup>d</sup>	Total Primary Government <sup>c</sup>	Percentage of Personal Income <sup>b</sup>	Per Capita <sup>b</sup>
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	1.84%	1,154.82
2014	2,937,645	20,190,000	33,979,444	127,463,348	1.67%	1,049.95

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements. Bonded debt is presented in this schedule exclusive of premiums and discounts.

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

<sup>b</sup> See Schedule 17 for population and personal income data.

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

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

**Source:** City financial records

# 2014 Comprehensive Annual Financial Report

**Schedule 14  
City of Kent  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2014**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b><u>Governmental Unit</u></b>			
King County	796,669,841	3.6247%	28,876,892
Port of Seattle	225,420,000	3.6247%	8,170,799
Federal Way School District No. 210	168,901,003	6.5654%	11,089,026
Highline School District No. 401	253,586,059	1.4817%	3,757,385
Renton School District No. 403	286,352,998	3.8739%	11,093,029
Auburn School District No. 408	159,950,489	0.7871%	1,258,970
Tahoma School District No. 409	106,379,225	0.0256%	27,233
Kent School District No. 415	156,461,139	66.0150%	103,287,821
Hospital District No. 1	-	33.6386%	-
Kent Regional Fire Authority No. 62	-	84.0949%	-
Rural Library District	118,264,183	6.1313%	<u>7,251,132</u>
Subtotal Overlapping Debt			174,812,286
<b>City of Kent direct debt</b>			<u>70,356,259</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 245,168,545</u></u>

**Source:** King County: County Assessor and Department of Finance  
City financial records

**Note:**

<sup>a</sup> Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kent based on tax parcel information. 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.

# 2014 Comprehensive Annual Financial Report

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

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 704,523,030	\$ 769,940,226	\$ 866,705,598	\$ 959,759,211
Total net debt applicable to limit	79,120,514	91,240,947	83,350,659	103,458,010
Legal debt margin	\$ 625,402,516	\$ 678,699,279	\$ 783,354,939	\$ 856,301,201
Total net debt applicable to the limit as a percentage of debt limit	11.23%	11.85%	9.62%	10.78%
Assessed Value	\$ 9,393,640,396	\$ 10,265,869,683	\$ 11,556,074,644	\$ 12,796,789,489
Debt limit:				
2.5% of General purpose limit, voted & non-voted	\$ 234,841,010	\$ 256,646,742	\$ 288,901,866	\$ 319,919,737
2.5% Utility purpose limit, voted	234,841,010	256,646,742	288,901,866	319,919,737
2.5% Open Space, Park Facilities, voted	234,841,010	256,646,742	288,901,866	319,919,737
Total debt limit	<u>704,523,030</u>	<u>769,940,226</u>	<u>866,705,598</u>	<u>959,759,211</u>
Debt applicable to limit:				
Voted	3,380,000	1,735,000	1,175,000	600,000
Non-voted	75,763,864	89,555,023	82,217,683	102,884,256
Less: Amount set aside for repayment of voted general obligation debt	(23,350)	(49,076)	(42,024)	(26,246)
Total net debt applicable to limit	<u>79,120,514</u>	<u>91,240,947</u>	<u>83,350,659</u>	<u>103,458,010</u>

Source: City's financial records

# 2014 Comprehensive Annual Financial Report

		Fiscal Year									
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>				
\$	879,997,185	\$	984,336,387	\$	956,014,131	\$	900,731,814	\$	948,840,660	\$	1,055,116,005
	99,616,380		92,817,781		86,025,305		89,227,500		79,680,097		71,313,904
\$	780,380,805	\$	891,518,606	\$	869,988,826	\$	811,504,314	\$	869,160,563	\$	983,802,101
	11.32%		9.43%		9.00%		9.91%		8.40%		6.76%
\$	11,733,295,807	\$	13,124,485,153	\$	12,746,855,069	\$	12,009,757,520	\$	12,651,208,800	\$	14,068,213,406
\$	293,332,395	\$	328,112,129	\$	318,671,377	\$	300,243,938	\$	316,280,220	\$	351,705,335
	293,332,395		328,112,129		318,671,377		300,243,938		316,280,220		351,705,335
	293,332,395		328,112,129		318,671,377		300,243,938		316,280,220		351,705,335
	879,997,185		984,336,387		956,014,131		900,731,814		948,840,660		1,055,116,005
	-		-		-		-		-		-
	99,619,967		92,817,781		86,026,340		89,228,583		79,681,180		71,313,914
	(3,587)		-		(1,035)		(1,083)		(1,083)		(10)
	99,616,380		92,817,781		86,025,305		89,227,500		79,680,097		71,313,904

# 2014 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 <sup>2</sup>	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005 <sup>3</sup>	7,735,500	6,476,377	1,259,123	-	-	N/A
2006 <sup>3</sup>	8,255,311	7,316,267	939,044	-	-	N/A
2007 <sup>3</sup>	8,342,104	7,364,764	977,340	-	-	N/A
2008 <sup>3</sup>	8,778,926	8,573,049	205,877	-	-	N/A
2009 <sup>5</sup>	11,876,537	8,498,185	3,378,352	105,000	154,366	13.03
2010	15,426,293	9,029,965	6,396,328	432,500	628,347	6.03
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
2014	18,416,162	10,677,318	7,738,844	487,500	573,972	7.29

Fiscal Year	Sewerage Revenue Bonds <sup>1</sup>					
	Sewerage Operating Revenue	Less: Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	23,357,426	19,044,556	4,312,870	665,000	125,615	5.46
2006 <sup>4</sup>	25,063,532	20,244,531	4,819,001	992,571	445,806	3.35
2007 <sup>4</sup>	27,000,243	22,469,093	4,531,150	-	-	N/A
2008 <sup>4</sup>	28,118,989	23,522,768	4,596,221	-	-	N/A
2009 <sup>5</sup>	31,298,410	24,995,990	6,302,420	105,000	154,366	24.30
2010	35,841,828	25,196,002	10,645,826	432,500	628,347	10.04
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
2014	44,969,699	33,269,429	11,700,270	487,500	573,972	11.02

Fiscal Year	Special Assessment Bonds			
	Revenues	Debt Service		Coverage
		Principal	Interest	
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 <sup>6</sup>	4,058,344	1,203,319	180,786	2.93
2014 <sup>6</sup>	3,115,228	747,256	124,207	3.57

Source: City financial records

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

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

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

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

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

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

<sup>6</sup> Most of the outstanding LID's are internally financed with no outstanding bonds. As funds are received, they are transferred to the capital project to fund construction.

Details regarding coverage can be found in the Official Statements.

# 2014 Comprehensive Annual Financial Report

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

<u>Calendar Year</u>	<u>Population</u> <sup>1</sup>	<u>County Personal Income</u> <sup>2</sup> (thousands of dollars)	<u>County Per Capita Income</u> <sup>3</sup>	<u>Median Age</u> <sup>4</sup>	<u>School Enrollment</u> <sup>5</sup>	<u>County Unemployment Rate</u> <sup>6</sup>
2005	84,920	89,431,448	49,582	36.83	27,571	4.8%
2006	85,650	99,608,475	54,370	36.94	27,590	4.2%
2007	86,660	106,637,605	57,409	36.98	26,861	3.7%
2008	86,980	109,551,329	58,141	37.00	27,582	4.3%
2009	88,380	109,053,408	56,904	37.08	26,764	8.1%
2010 <sup>7</sup>	117,869	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	128,330,859	62,770	37.70	27,500	5.2%
2014	121,400	*	*	37.44	27,484	4.6%

<sup>1</sup> April 1, 2014 Population of Cities, Towns, and Countries: Washington State Office of Financial Management

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

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

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

<sup>5</sup> Kent School District - May 2014: Washington State Report Card

<sup>6</sup> Annual average for King County: US Bureau of Labor Statistics

<sup>7</sup> Annual average for King County: Washington State Employment Security Department

\*2014 information is not available, will be included in 2015 CAFR.

# 2014 Comprehensive Annual Financial Report

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Kent Public Schools	3289	1	4.22%	3,196	1	7.99%
Boeing Company	2480	2	3.18%			
REI Inc.	1017	3	1.30%	684	3	1.71%
Carlisle Interconnect Industries	650	4	0.83%			
Exotic Metals Forming Co	618	7	0.79%			
King County Regional Justice Center				630	5	1.58%
Coho Distributing LLC dba Columbia Dist.	620	6	0.79%			
City of Kent	635	5	0.81%	786	2	1.97%
Sysco	510	8	0.65%	680	4	1.70%
Oberto Sausage	507	9	0.65%	450	8	1.13%
HEXCEL Corporation	471	10	0.60%			
Alaska Distributors Co.				510	7	1.28%
Alaska Airlines				400	10	1.00%
Mikron Industries				630	5	1.58%
Starbucks Coffee Company				422	9	1.06%
	<u>10,797</u>		<u>13.24%</u>	<u>8,388</u>		<u>20.97%</u>

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

# 2014 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									
	2005	2006	2007	2008	2009 <sup>b</sup>	2010 <sup>c</sup>	2011	2012	2013	2014
General government										
Mayor's Office	10.00	11.00	11.00	12.00	9.00	13.00	13.00	10.50	10.53	10.53
Human Resource	13.00	13.00	13.00	13.00	11.00	11.00	12.00	12.00	12.20	13.20
Finance	22.00	22.00	22.00	21.00	19.50	19.00	20.55	18.55	20.55	20.55
Information Technology	25.00	25.00	26.00	29.00	25.00	25.00	28.70	25.00	24.96	26.00
Other	39.00	42.00	42.50	43.50	43.00	43.50	45.90	41.25	37.80	39.00
Judicial	18.00	18.00	18.00	19.00	18.00	21.00	21.53	21.28	20.28	20.28
Public Safety										
Police	176.00	178.00	183.00	187.00	179.00	193.00	201.28	196.28	191.75	195.75
Fire	161.00	161.00	176.00	177.00	169.00	-	-	-	-	-
Law-Criminal	9.00	10.00	10.50	10.50	9.50	10.00	11.70	10.60	9.80	8.80
Community Development	40.00	41.00	42.00	42.00	42.00	43.00	43.60	36.60	36.60	38.33
Public Works										
Engineering	5.25	5.25	5.58	5.58	5.33	5.33	5.33	5.33	9.00	9.00
Operations	13.00	13.00	13.00	13.00	13.00	12.00	12.00	12.00	12.00	25.00
Streets	71.75	72.75	77.75	77.75	65.50	70.50	73.02	71.02	64.09	67.50
Leisure Services	57.00	59.00	60.00	63.00	60.00	60.00	61.63	59.13	60.16	63.91
Health and Human Services	19.00	18.00	18.00	18.00	17.00	18.00	21.34	17.53	15.73	16.06
Water	26.00	26.00	26.00	27.00	25.00	26.00	26.00	26.00	32.41	29.08
Sewerage										
Sewer	10.25	10.25	10.58	10.58	10.33	10.33	10.33	10.33	9.08	9.08
Storm	25.75	26.75	27.09	27.09	26.34	34.34	34.34	34.34	26.42	20.09
Water & Sewer Utility Billing	7.00	7.00	9.00	10.00	9.50	10.00	11.11	11.11	11.11	11.11
Golf	9.00	9.00	9.00	9.00	8.00	8.00	11.35	11.35	11.35	11.35
<b>Total</b>	<b>757.00</b>	<b>768.00</b>	<b>800.00</b>	<b>815.00</b>	<b>765.00</b>	<b>633.00</b>	<b>664.71</b>	<b>630.20</b>	<b>615.81</b>	<b>634.61</b>

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

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

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

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

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

# 2014 Comprehensive Annual Financial Report

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Business licenses issued	3,856	3,856	3,796	3,834	3,787	4,183	3,658	5,048	3,767	4,243
Judicial										
Number of court filings <sup>a</sup>	20,240	18,710	19,216	21,285	23,466	20,330	18,377	17,992	18,531	17,184
Public Safety										
Police										
Physical arrests	4,100	4,119	4,808	4,658	4,704	4,249	4,673	4,678	4,778	4,587
Parking violations	2,516	2,594	2,439	2,557	2,295	2,115	2,367	2,272	1,479	2,066
Traffic violations	20,240	18,681	19,219	18,713	18,188	15,343	13,079	12,774	18,531	
School Zone Tickets <sup>*</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8,366
Community Development										
Building permits issued <sup>b</sup>	1,478	1,672	1,437	1,123	913	1,004	2,074	2,277	2,334	3,789
Building inspections conducted	17,569	20,984	16,912	16,226	15,480	12,883	13,375	14,050	14,067	12,443
Public Works										
Street resurfacing (sq yds)	117,701	169,000	126,097	156,091	467,777	12,200	26,190	22,488	31,100	48,350
Leisure Services										
Recreation programs offered	1,516	1,694	1,911	2,050	2,050	1,791	2,147	2,096	2,070	2,050
Number of recreation participants <sup>d</sup>	74,672	79,438	98,616	102,939	106,027	73,600	16,705	33,462	24,392	23,143
Health and Human Services										
Citizens served in specialized recreation setting <sup>d</sup>	3,092	2,500	3,200	3,200	3,250	3,150	1,575	1,632	1,512	1,704
Participants in Senior programs/workshops <sup>d</sup>	9,000	12,242	18,339	22,714	23,395	34,697	14,157	17,115	18,180	20,415
Water										
New connections	191	279	258	171	141	189	136	164	160	135
Average daily consumption (million gallons-estimated)	7.72	8	8	8	8	8	7.5	7.0	7.1	7.4
Golf										
Number of participants	173,970	170,361	171,033	156,580	156,950	153,750	151,950	153,800	154,100	155,260
Number of tournaments	106	103	117	100	85	83	76	72	63	57
Library										
Number of Items	150,497	150,497	150,497	156,050	151,605	159,246	159,246	159,300	159,173	107,933
Items circulated <sup>c</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	745,994	613,603	550,416

**Source:** Various City Departments

\* January 2014 School Zone Camera Tickets implemented.

<sup>a</sup> Includes parking violations

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

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

<sup>d</sup> Beginning in 2011, only registered participants are counted.

# 2014 Comprehensive Annual Financial Report

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	42	42	42	44 <sup>b</sup>	51 <sup>b</sup>	50 <sup>b</sup>	50 <sup>b</sup>	51 <sup>b</sup>	58 <sup>b</sup>	49 <sup>b</sup>
Public Works										
Streets (lane miles)	555	551	556	569	725	725	726	726	726	726
Streetlights	4,883	4,950	5,171	5,176	6,573	6,573	6,573	6,600	6,600	6,600
Traffic signals	109	111	130	103	104	119	119	119	119	119
Traffic beacons/advisory devices							57	58	69	70
Leisure Services										
Acres of parks/open space <sup>a</sup>	1,346	1,346	860	870	982	1,434	1,434	1,434	1,178	1,178
Parks <sup>c</sup>	75	75	75	90	80	58	58	58	53	53
Miles of trails	23	23	23	19	19	23	23	28	28	28
Ball fields	24	24	24	18	18	21	21	21	21	21
Tennis courts	15	15	15	12	13	15	15	15	15	15
Water										
Water mains (miles)	269	272	274	281	280	280	280	280	280	284
Water customers *	N/A	N/A	N/A	13,061	13,130	13,202	13,327	13,469	13,629	13,810
Reservoir/Tanks	8	8	8	8	8	8	9	9	9	9
Reservoir storage capacity (millions of gallons)	23.3	23.3	23.3	23.3	23.3	21.0	23.2	23.2	23.2	23.2
Sewerage										
Sanitary sewers (miles)	193	201	206	209	209	209	209	215	215	215
Storm sewers (miles)	228	238	247	248	248	248	249	324	324	324
Sewer customers *	N/A	N/A	N/A	26,653	26,876	27,000	27,268	27,662	27,977	28,245
Drainage customers *	N/A	N/A	N/A	16,915	17,051	22,122	24,750	25,100	25,285	25,486
Golf										
18-Hole course (yards)	6,666	6,666	6,666	6,666	6,666	6,701	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.

<sup>a</sup> Does not include Commons Playfield. 2007 - 2009

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

<sup>c</sup> Prior to 2010, counted other properties like detention basins





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[KentWA.gov](http://KentWA.gov)