Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

City of Tukwila
King County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012286

Issue Date
July 28, 2014

Washington State Auditor
Troy Kelley
Independence • Respect • Integrity

Washington State Auditor
Troy Kelley

July 28, 2014

Mayor and City Council
City of Tukwila
Tukwila, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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City of Tukwila
King County
January 1, 2013 through December 31, 2013

Federal Summary

City of Tukwila
King County
January 1, 2013 through December 31, 2013

The results of our audit of the City of Tukwila are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
16.710	ARRA - Public Safety Partnership and Community Policing Grants
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Tukwila
King County
January 1, 2013 through December 31, 2013

Mayor and City Council
City of Tukwila
Tukwila, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Tukwila, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2014. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated June 25, 2014.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 25, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

City of Tukwila
King County
January 1, 2013 through December 31, 2013

Mayor and City Council
City of Tukwila
Tukwila, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Tukwila, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

July 22, 2014

Independent Auditor's Report on Financial Statements

City of Tukwila
King County
January 1, 2013 through December 31, 2013

Mayor and City Council
City of Tukwila
Tukwila, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Tukwila, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Tukwila, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 27, budgetary comparison information on pages 97 through 100, pension trust fund information on page 101 through 102 and information on postemployment benefits other than pensions on page 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 25, 2014

Financial Section

City of Tukwila
King County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2013

The discussion and analysis of the City of Tukwila's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position, the amount by which total assets exceed total liabilities, equals $307.5 million. A total of 86 percent or $263.6 million of total net position is invested in capital assets such as streets, land, buildings, equipment, and other improvements. The remaining net position of $43.9 million is available for debt service, capital projects, and to meet the government's ongoing activities and obligations.

- The City's net position increased by $17 million. Governmental activities provided a $12 million increase, and business-type activities accounted for the difference. The City received donations of capital assets amounting to $5.4 million.

- As of the close of the current fiscal year, the City of Tukwila's governmental funds reported combined ending fund balances of $23.7 million, an increase of $5.3 million in comparison with the prior year due primarily to the proceeds received from the special assessment bond to reimburse the City for a portion of the costs of a major reconstruction of Southcenter Parkway to improve access to the urban center.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $15.3 million, or 32 percent of total general fund expenditures.

- The City of Tukwila's total debt increased by $2.3 million during the current fiscal year. This change is a combination of new debt issued including the $6.7 million special assessment and a general obligation bond of $1 million offset by debt service payments for the year and the redemption of $3.2 million bond for the construction of the golf course clubhouse.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. The governmental major fund presentation is used, utilizing the "sources and uses of resources" basis. This is the manner in which the budget is typically developed. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on the near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenditures. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions.

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

The City maintains twenty-four individual governmental funds. Of these, five are considered major (the general fund, the arterial street fund, the land acquisition recreation & park development fund, the local improvement district #33 fund, and the metropolitan park district fund) and are presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds". Beginning in 2013, the City's component unit, Metropolitan Park District, is reported as blended. Individual fund data for each of the other governmental funds can be found in the combining statements later in this report.

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

Proprietary Funds

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

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

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

Internal service funds are an essential accounting tool used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, and its insurance premiums. Internal service funds benefit both governmental and business-type activities, and are allocated accordingly in the government-wide statement of activities.

Fiduciary Funds

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including a budget vs. actuals report for the City's general fund, a schedule of major/non-major special revenue funds, and a schedule of funding progress for the Firemen's Pension Trust Fund and other post-employment benefits. Additional pension benefit information is found in Note 9.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Tukwila, total assets exceeded liabilities by $307.5 million at December 31, 2013.

The largest portion of the City's net position, $263.6 million, or 86 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding.

The City of Tukwila uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Tukwila's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities:

CITY OF TUKWILA NET POSITION
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/13	As of 12/31/12	As of 12/31/13	As of 12/31/12	As of 12/31/13	As of 12/31/12
Current and other assets	$57,557	$46,928	$14,703	$12,476	$72,260	$59,403
Capital assets, net of accumulated depreciation	223,051	218,767	65,040	63,118	288,090	281,885
Total assets	280,608	265,695	79,742	75,594	360,350	341,289
Deferred Outflows of Resources	524	-	-	-	524	-
Long-term liabilities	32,437	29,126	1,058	10,515	33,496	39,642
Other liabilities	10,057	10,417	9,333	725	19,391	11,142
Total liabilities	42,495	39,544	10,392	11,240	52,887	50,784
Deferred Inflows of Resources	515	-	-	-	515	-
Net position						
Net investment in capital assets	207,660	203,207	55,956	52,912	263,616	253,109
Restricted	3,480	2,750	430	430	3,910	3,180
Unrestricted	26,981	20,194	12,965	11,011	39,946	34,215
Total net position	$238,121	$226,151	$69,351	$64,354	$307,472	$290,504

The governmental unrestricted net position comprises $27 million. The general fund unrestricted net position is available for functions such as public safety employee salaries and supplies, park and road maintenance, and other general government services. The unrestricted net position of business-type activities, $13 million, may only be spent on activities related to one of the three City utilities (water, sewer, and surface water) or on the golf course activities. Examples of utility activities include maintenance of water/sewer mains, pump and lift stations, storm drain flushing, and water meter reading.

The $10.6 million increase in current and other assets for governmental activities includes a $6 million net increase in cash and investments from the repayment of bond funding on the Klickitat/Southcenter Parkway/I-5 Access Revision project. The increase of $2.2 million in current and other assets for business-type activities is comprised of an net increase of $3.3 million in cash and investments. This increase results from a rate structure design in the utility funds that build reserves for major infrastructure replacement and improvement.

Governmental capital assets increased by $4.3 million due to capital outlays of $5.8 million and capital contributions of $5.4 million, offset by depreciation. The addition is due to the activities in the major projects below:

- Interurban Avenue South, $577,814
- Tukwila Urban Transit Center, $1.1 million
- Tukwila Urban Center Ped/Bicycle Bridge, $336,480
- Southcenter Parkway Extension, $1.1 million

The $3.3 million increase in long-term liabilities for governmental activities is due to the $1 million bond issue to fund the Metropolitan Park District capital improvements, and $6.7 million special assessment debt on the Klickitat Urban Access project, offset by principal payments on existing debt. The increase in other liabilities comprise year-end payables that were settled in 2014.

Business-type activity capital assets increased by $1.9 million due to capital outlays of $5.8 million offset by depreciation. Capital outlays for the period primarily include drainage projects and construction activity on the Southcenter Parkway extension project amounting to $4.8 million.

Changes in Net Position

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

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

CITY OF TUKWILA CHANGES IN NET POSITION
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	$6,213	$5,832	$18,464	$17,034	$24,676	$22,866
Operating grants and contributions	3,290	4,412	-	-	3,290	4,412
Capital grants and contributions	16,948	1,582	339	136	17,286	1,717
General revenues						
Property taxes	14,510	14,132	-	-	14,510	14,132
Sales and use taxes	16,316	15,442	-	-	16,316	15,442
Natural gas use tax	204	232	-	-	204	232
Hotel/Motel taxes	527	522	-	-	527	522
Utility taxes	3,880	4,001	-	-	3,880	4,001
Interfund utility taxes	1,687	1,535	-	-	1,687	1,535
Business taxes	2,570	2,498	-	-	2,570	2,498
Excise taxes	2,745	2,861	-	-	2,745	2,861
State entitlements	1,862	1,896	-	-	1,862	1,896
Investment earnings	102	117	-	-	102	117
Miscellaneous	305	102	-	-	305	102
Total revenues	71,159	55,162	18,803	17,170	89,962	72,332
Expenses:						
General government	10,195	8,343	-	-	10,195	8,343
Public safety	25,939	26,598	-	-	25,939	26,598
Transportation	7,658	7,315	-	-	7,658	7,315
Physical environment	2,611	3,626	-	-	2,611	3,626
Culture and recreation	5,635	4,243	-	-	5,635	4,243
Economic environment	5,210	4,801	-	-	5,210	4,801
Interest on long-term debt	1,039	1,152	-	-	1,039	1,152
Water/sewer			10,421	10,150	10,421	10,150
Foster golf course			1,708	1,701	1,708	1,701
Surface water			2,563	2,700	2,563	2,700
Total expenses	58,287	56,078	14,692	14,550	72,979	70,629
Increase (decrease) in net position before transfers	12,872	-917	4,110	2,620	16,983	1,703
Transfers	1,061	1,057	-1,061	-1,057	-	-
Change in net position	13,933	140	3,050	1,563	16,983	1,703
Net position-beginning of period	227,888	226,011	64,354	62,791	292,242	288,801
Prior Period Adjustment / Restatements	-3,700	-	1,947	-	-1,752	-
Net position-beginning balance, as restated	224,189	226,011	66,301	62,791	290,489	288,801
Net position-end of period	$238,121	$226,151	$69,351	$64,354	$307,472	$290,504

Governmental activities ended the year with $14 million increase in the City's net position. Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. However, asset purchases are not recorded as expenses in the year purchased and construction costs are not recorded as expenses in the year incurred. Instead, the costs are recorded as long-term assets and are depreciated over their useful life.

Revenues from governmental activities increased $16 million from 2012 activity. The components and explanation of this increase follows.

- Capital grants and contributions increased $15.4 million mainly due to $5.4 million of donated assets from private contributors or by government transfer. In addition, the City recognized $9.5 million in special assessment revenue, a reimbursement to the City for Klickitat urban access project costs. Of this assessment, $2.8 million was prepaid by property owners.

- Sales and use taxes category increased $874,715 due to increased construction activity.

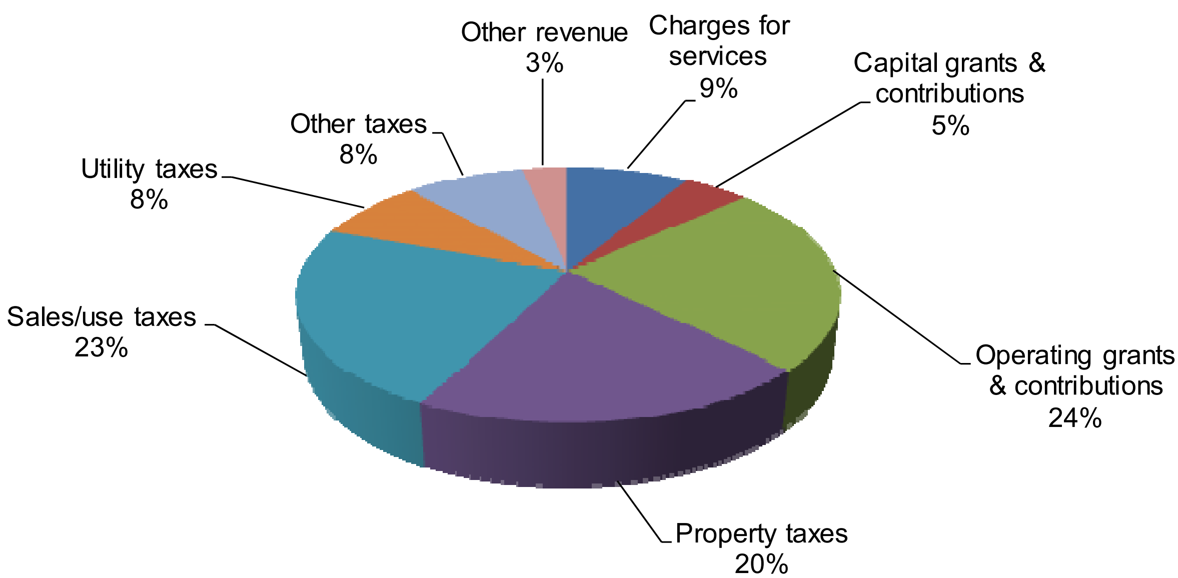
- Charges for services increased $380,967 due to increased permitting activity and receipts.

- Miscellaneous category change of $203,016 includes $61,000 of seized funds.

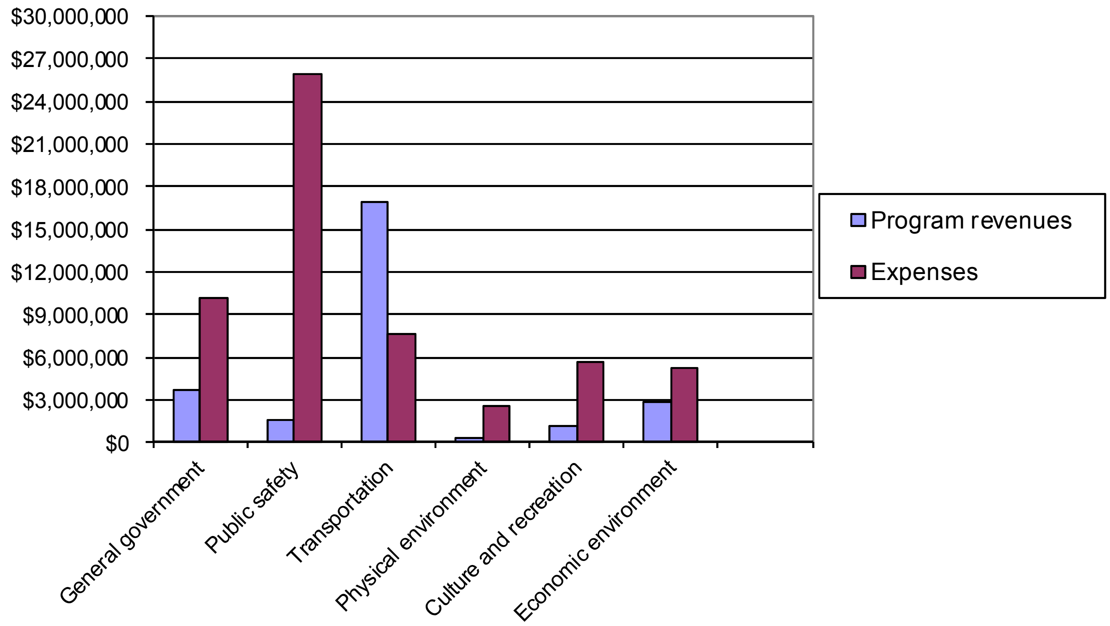
Total governmental expenses increased by $2.2 million. Physical environment expenses decreased by $1 million or 28% primarily due to the completion of the removal of flood response protective measures. Culture and recreation expenses increased by almost $1.4 million, or 32%, as a result of implementing GASB Statement No. 61, where the City was required to change the reporting of its component unit from discreet to blended. Interest expense on long-term debt decreased $113,212.

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

Revenues by Source – Governmental Activities



Program Revenues and Expenses - Governmental Activities



Business-type net position increased by $3 million during 2013. Key components of this increase include:

- $1,429,181 or 8% increase in charges for services primarily due to utility rate increase effective January 2013, and water and sewer hook up fees on new construction.

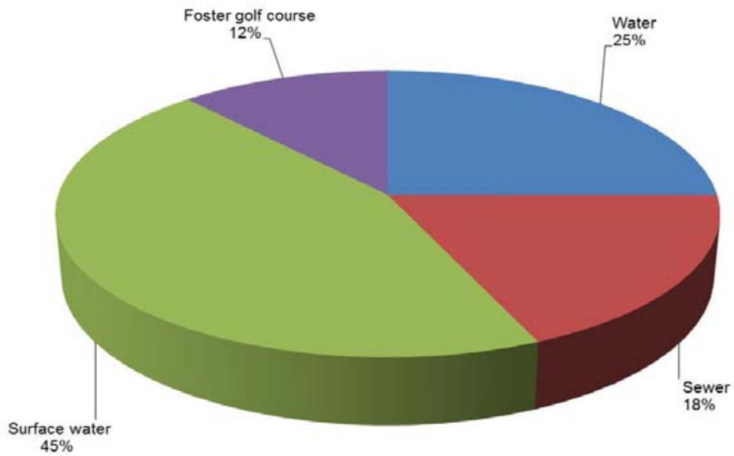
- $3,863,455 of utility related construction costs were transferred from the Arterial Street fund as a prior period adjustment.

- Income before capital contributions and transfers amounted to:

o Water fund:	$ 812,887
o Sewer fund:	1,912,181
o Foster golf course fund:	(303,729)
o Surface water fund:	1,322,665
	$ 3,744,003

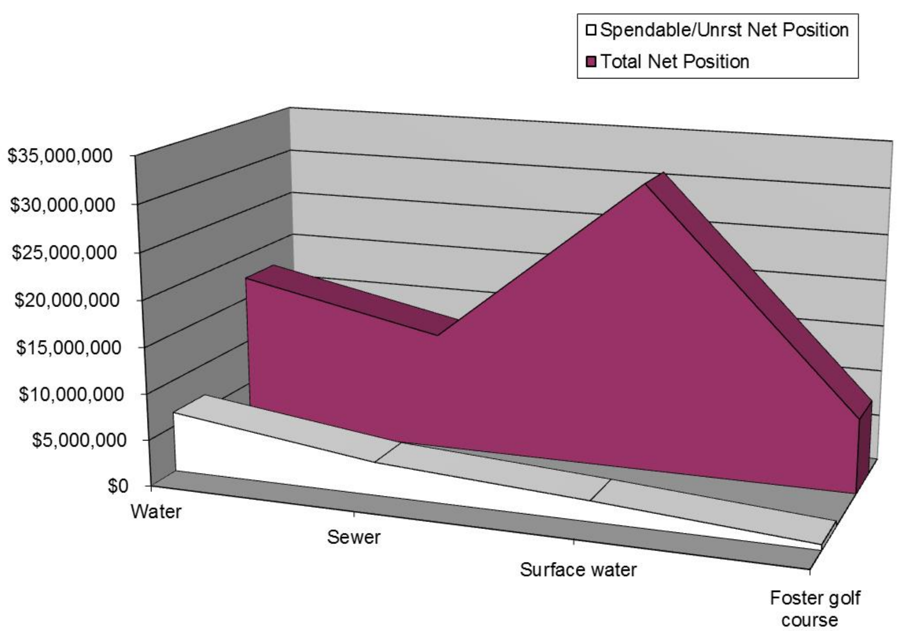
The following chart shows the relative net position balances for each business-type fund:

Business-Type Net Position - By Fund

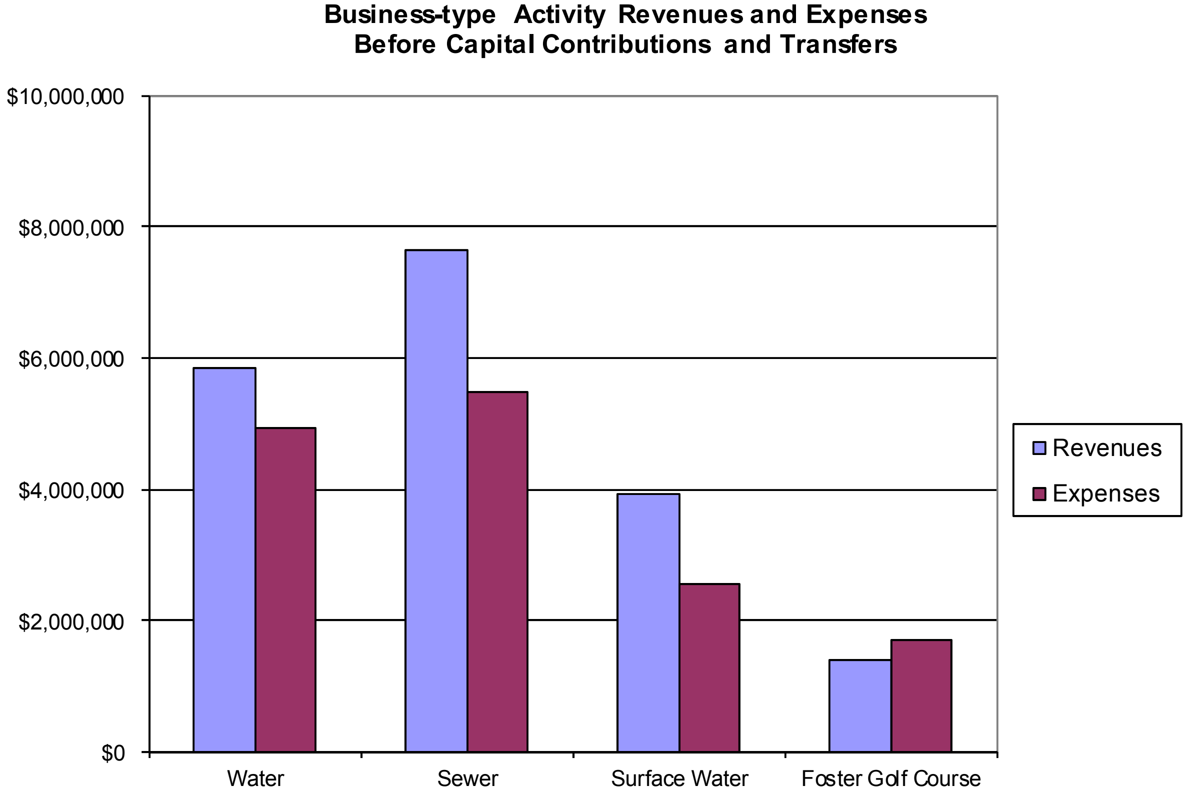


The majority of net position in the City's enterprise funds relate to capital asset infrastructure, such as water and sewer mains, and the golf course land. As such, most of the net position is not available to support the ongoing expenses of the funds. The following chart contrasts the total net position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

Comparison of Total Net Position to Spendable Net Position
Business-Type Funds



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



Financial Analysis of Governmental Funds

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

As of December 31, 2013, the City's governmental funds had combined fund balances of $23.7 million, an increase of $5.3 million or 29%. This increase is related to delayed capital expenditures and reimbursement of constructions costs via a local improvement district assessment.

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

• General fund	$8,057,430
• Arterial Street fund	$198,884
• Land Acq., & Park Development	$129,702
• Other governmental funds	($3,048,992)

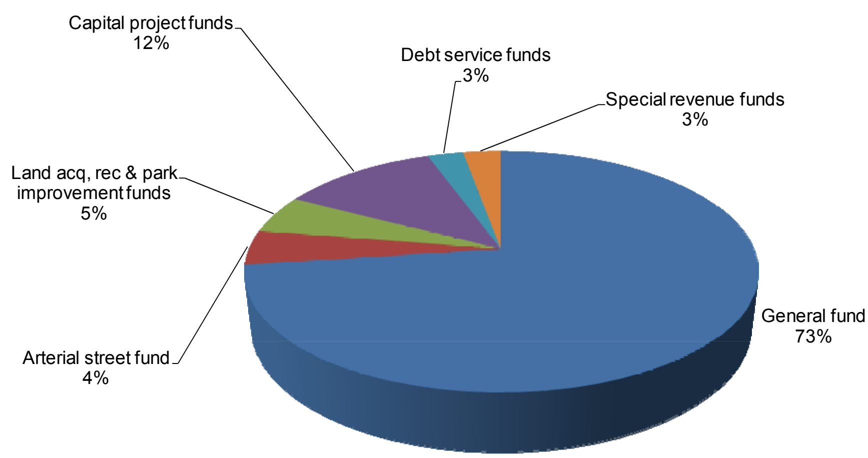
The increase in the general fund is due to improved current year results and receipt of Local Improvement District #33 reimbursement funds. The decrease in other governmental funds is due primarily to the $2.6 million early retirement of the 2003 general obligation bonds originally issued to fund the construction of the golf course clubhouse.

Of the governmental fund balances $1,743,362 is nonspendable. Restricted fund balances constrained for a specific purpose by external parties or enabling legislation consist of $714,946 for tourism, $1,185,955 for streets, $397,420 for arterial street improvements, $75,609 for drug seizure, $437,222 for fire improvements, and $668,849 for debt service. Assigned fund balances intended to be used for specific purposes consist of $698,115 for arterial streets, $1,219,890 for land acquisition and park development, $1,902,602 for facility replacement, $451,755 for general government improvements, $230,000 for residential street improvements, $8,261 dedicated for debt repayment, and $225,000 for public safety equipment.

The general fund is the primary operating fund of the City. All receipts and payments of ordinary City operations are processed through it unless they are required to be accounted for in another fund. At the end of 2013, the general fund had an unassigned fund balance of $15,317,624.

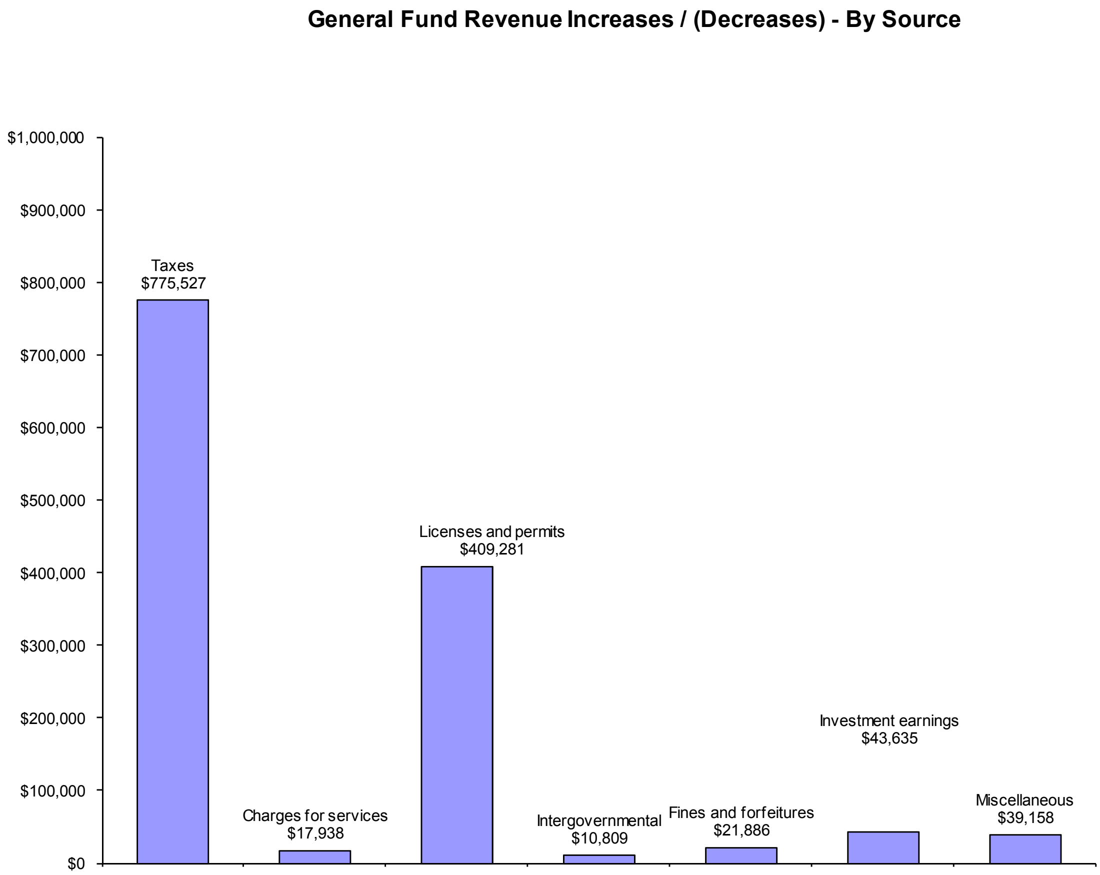
The following chart shows the relative fund balances for governmental funds:

Governmental Funds – Fund Balances



The $8,057,430 increase in the general fund balance results from revenue of $50,012,664, expenses of $47,217,490, transfers into the fund of $14,919,606, transfers out of $10,662,843, a bond issue of $1 million to fund the Metropolitan Park District capital improvements, and sale of capital assets of $5,493. In comparison with 2012, revenue increased $1,318,235, expenses increased $2,578,762, transfers into the fund increased $12,588,941 and transfers out of the fund increased $4,384,989.

The general fund revenue increase of $1.3 million came from the following sources:



Financial Analysis of Proprietary Funds

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

General Fund Budgetary Highlights

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

• Increase in salary and benefits for Council approved decisions and programs	$ 126,000
• Additional funding for staff coverage in the fire department	200,000
• Additional funding for parks department public utility costs	85,000
• Bond proceeds to fund capital improvements to Metropolitan Park District	1,000,000
• Lending of bond proceeds to Metropolitan Park District	(1,000,000)
• Delayed capital equipment expenditures and compensation study	(112,000)

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

- Revenue from sales and use tax were over eight percent higher than budget. This increase is primarily from a rise in construction activity. In addition, there is a combined gain of almost two percent, or $198 thousand on interfund utility tax from water and sewer.

- Capital equipment purchases planned for 2013 were carried over to the second half of the biennium.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for both its governmental and business-type activities as of December 31, 2013 totaled $288.2 million (net of accumulated depreciation), an increase of $3.5 million, or 1.2%, from 2012. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, utility transmission/distribution systems, roads, bridges, and other infrastructure.

SUMMARY OF CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities				
	As of 12/31/13	Beginning Balance 12/31/2012	Blended Component Unit	Prior Period Adjustment	Beginning Balance 12/31/2012 Restated
Land	$ 42,191,328	$ 40,501,509	$ -	$ -	$ 40,501,509
Intangible Assets, Non-depreciable	770,000	-	-	-	-
Buildings	14,466,801	12,181,708	1,859,013	-	14,040,721
Other Improvements	7,587,915	7,943,508	-	-	7,943,508
Machinery and Equipment	5,456,039	5,597,527	-	-	5,597,527
Infrastructure	141,611,727	104,089,598	-	-	104,089,598
Intangible Assets, Depreciable	482,907	510,592	-	-	510,592
Construction in Progress	10,483,961	47,942,200	942,119	(3,863,455)	45,020,864
Total	$223,050,679	$218,766,642	$ 2,801,132	$ (3,863,455)	$217,704,319

Business-Type Activities

	As of 12/31/13	Beginning Balance 12/31/2012	Prior Period Adjustment	Beginning Balance 12/31/2012 Restated
Land	$ 1,929,684	$ 2,214,118	$ -	$ 2,214,118
Intangible Assets, Non-depreciable	308,074	-	-	-
Buildings	8,947,243	8,099,220	-	8,099,220
Other Improvements	50,294,183	44,569,514	-	44,569,514
Machinery and Equipment	502,211	584,202	-	584,202
Infrastructure	-	-	-	-
Intangible Assets, Depreciable	53,858	56,012	-	56,012
Construction in Progress	3,104,260	7,595,365	2,427,372	10,022,737
Total	$65,139,514	$63,118,430	$ 2,427,372	$ 65,545,804

Total

	As of 12/31/13	Beginning Balance 12/31/2012	Blended Component Unit	Prior Period Adjustment	Beginning Balance 12/31/2012 Restated
Land	$ 44,121,012	$ 42,715,627	$ -	$ -	$ 42,715,627
Intangible Assets, Non-depreciable	1,078,074	-	-	-	-
Buildings	23,414,044	20,280,928	1,859,013	-	22,139,941
Other Improvements	57,882,099	52,513,021	-	-	52,513,022
Machinery and Equipment	5,958,250	6,181,729	-	-	6,181,729
Infrastructure	141,611,727	104,089,598	-	-	104,089,598
Intangible Assets, Depreciable	536,765	566,604	-	-	566,604
Construction in Progress	13,588,221	55,537,565	942,119	(1,436,083)	55,043,602
Total	$288,190,193	$281,885,072	$ 2,801,132	$ (1,436,083)	$283,250,123

More detailed information on capital assets is provided in Note 7.

On September 12, 2011, the Board of Commissioners approved the formation of the Tukwila Metropolitan Park District (MPD) Pool. For the comprehensive annual financial report years of 2011 and 2012, the MPD Pool was treated as a discretely presented component unit. Effective with the report year for 2013, the beginning balances to the capital asset categories for Construction in Progress in the amount of $942,119 and Buildings Net of Accumulated Depreciation for Buildings of $1,859,013 now reflect these totals carried over on behalf of the MPD Pool and is, therefore, presented in this Management's Discussion and Analysis Section to the Financial Statements as a blended component unit. Construction work in progress and capital improvement costs of nearly $1.7 million incurred during years 2012 and 2013 were completed for the MPD Pool in the current period.

General capital outlay purchases added $250,482 in machinery and equipment. Among these include final payment in the amount of $117,224 for the new permitting software, traffic signal housing units totaling $53,074, and various computer equipment purchases in the amount of $47,177.

Major construction projects completed in 2013 include the Klickitat/Southcenter Parkway/I-5 Access Revision and the Southcenter Parkway Extension with total overall previous and current years' construction-in-progress costs of $22.3 million and $23.1 million, respectively, have been capitalized into the various asset categories of roadway, bridges, traffic control, and utilities infrastructure.

Many of the remaining projects in the Arterial Street fund continue to be in the construction phase adding $2.0 million in construction-in-progress for the period. The major arterial street fund activities are comprised of the following:

- Tukwila Urban Center (TUC) Transit Center, $659,662
- Interurban Avenue South, $577,814
- Tukwila Urban Center (TUC)-Pedestrian//Bicycle Bridge, $336,480
- Various other Arterial Street Fund projects total $434,283

Land Acquisition, Recreation & Park Development activities consist of $233,714 for the Duwamish Gardens and Duwamish Hill Preserve work in progress improvements.

Other governmental funds' activity in the areas of residential streets and facilities improvements provided an additional $362,123 to work in progress costs for the year.

Business-type activities consisted of nearly $1.5 million in added construction in progress work for the year. Major projects in the utility funds comprise of the following:

- Surface Water Small Drainage, Storm Lift Station #15, and Others, $1.0 million
- Sewer Utility Projects, $391,766

A total of $940,287 in purchases of pipes, catch basins, and other utility infrastructure were capitalized during the current period.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $17,781,009. Of this amount, $14,706,009 is general obligation bonds, and $3,075,000 is revenue bonds for the water/sewer and surface water utilities. The reduction in outstanding bonds is due to the principal payments redeemed for the year. The City currently maintains a rating of A1 with Moody's and AA- with Fitch's Investor Service for its general obligation debt. The City also has $6.7 million in special assessment debt.

The following schedule summarizes the City's bonded debt:

	Governmental Activities		Business-type Activities		Total	
	As of 12/31/13	As of 12/31/12	As of 12/31/13	As of 12/31/12	As of 12/31/13	As of 12/31/12
General obligation bonds	$ 14,706,009	$ 18,360,000	$ -	$ -	$ 14,706,009	$ 18,360,000
Revenue bonds	-	-	3,075,000	3,540,000	3,075,000	3,540,000
	$ 14,706,009	$ 18,360,000	$ 3,075,000	$ 3,540,000	$ 17,781,009	$ 21,900,000
Other						
Special assessment bonds	$ 6,687,500	$ -	$ -	$ -	$ 6,687,500	$ -

Below is a summary of additional long-term debt of the City:

	Governmental Activities		Business-type Activities		Total	
Other Long-term Debt	As of 12/31/13	As of 12/31/12	As of 12/31/13	As of 12/31/12	As of 12/31/13	As of 12/31/12
Public Works Trust Fund loans	$ -	$ -	$ 6,063,071	$ 6,621,364	$ 6,063,071	$ 6,621,364
Employee leave benefits	3,337,967	3,168,775	319,303	308,530	3,657,270	3,477,305
Due to other governments	7,021,600	7,392,600			7,021,600	7,392,600
	$ 10,359,567	$ 10,561,375	$ 6,382,374	$ 6,929,894	$ 16,741,941	$ 17,491,269

More detailed information on long-term debt is provided in Note 11.

Economic Factors

The outlook for 2014 is positive. The economy is showing steady signs of recovery. The City of Tukwila has a small residential population, yet the City works hard to serve the regional economy and has become an economic powerhouse providing jobs and revenue for the region and State. Several major pending developments will have significant impacts on the future of Tukwila's economy:

- Tukwila Village - The Board of Architecture Review approved the design of the library on November 14, 2013 and of the first development phase (and includes the plaza and commons) on November 26, 2013. The building permit applications have been submitted and construction is starting in summer 2014. The library and first phase are scheduled to open in 2015, the second phase in late 2015/16, and the third and final phase in 2016.

- Tukwila Urban Center Transit Center – The current facilities are inadequate in size and location to serve Metro operations and transit riders. The design work for the project was completed in 2013. Construction began in 2014 and is expected to be functional in June to coincide with the new F-Line Rapid Ride.

- Major Tenant Improvements/Additions – Tenant improvements and additions were completed for Tahoma Clinic, Vulcan, Boeing, Providence Infusion and Pharmacy, as well as other improvements. This added $203,895 in revenue receipts, and added $17.5 million in property values.

- Urban Renewal - Safety along Tukwila International Boulevard is a major concern for the City. Reducing crime is the City's highest priority for 2013 and 2014 with an emphasis on Tukwila International Boulevard. Certain areas along Tukwila International Boulevard have long been identified as "hot spots", where a large amount of serious crime occurs. In early 2013 the City's police department evaluated crime for all commercial properties in the Tukwila community renewal area and recommended the City purchase certain properties in order to reduce crime. The City is currently in negotiations with property owners to purchase the Spruce Motel and the Smoke Shop. The City is also currently working through the U.S. Attorney's Office and the lenders (banks) to purchase the Great Bear, Boulevard, and Traveler's Choice motels.

Requests for Information

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
CASH AND CASH EQUIVALENTS	$ 27,944,806	$ 9,633,326	$ 37,578,131
INVESTMENTS	5,085,228	2,078,276	7,163,504
RECEIVABLES:			
TAXES	4,997,723	854	4,998,577
CUSTOMER ACCOUNTS	876,455	1,291,785	2,168,241
INTEREST ON INVESTMENTS	47,848	42,224	90,072
DUE FROM OTHER GOVERNMENTAL UNITS	947,561	47,387	994,948
INVENTORY OF MATERIALS AND SUPPLIES	208,180	597,547	805,727
NOTES RECEIVABLE	6,242,835	403,041	6,645,875
RESTRICTED CASH AND CASH EQUIVALENTS	397,420	508,340	905,760
NET PENSION ASSET	380,893	-	380,893
INVESTMENT IN JOINT VENTURES	10,427,892	-	10,427,892
NON-DEPRECIABLE CAPITAL ASSETS	53,445,289	5,342,019	58,787,307
DEPRECIABLE CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION	169,605,390	59,797,496	229,402,886
TOTAL ASSETS	280,607,519	79,742,293	360,349,812
DEFERRED OUTFLOWS OF RESOURCES:			
DEFRRED CHARGE ON REFUNDING	524,100	-	524,100
TOTAL DEFERRED OUTFLOWS OF RESOURCES	524,100	-	524,100
LIABILITIES:			
ACCOUNTS PAYABLE	1,685,549	630,714	2,316,263
ACCRUED WAGES AND BENEFITS PAYABLE	1,431,578	120,298	1,551,876
ACCRUED INTEREST PAYABLE	56,750	43,921	100,671
REVENUES COLLECTED IN ADVANCE	204,767	20,549	225,316
OTHER LIABILITIES	2,117,010	73,013	2,190,023
BONDS AND OTHER DEBT PAYABLE:			
DUE WITHIN ONE YEAR	2,288,988	1,058,391	3,347,379
DUE IN MORE THAN ONE YEAR	30,148,368	8,444,831	38,593,199
NET OTHER POST EMPLOYMENT OBLIGATION	4,561,781	-	4,561,781
TOTAL LIABILITIES	42,494,791	10,391,717	52,886,508
DEFERRED INFLOWS OF RESOURCES:			
NON-EXCHANGE REVENUE RECEIVED IN ADVANCE	515,333	-	515,333
TOTAL DEFERRED INFLOWS OF RESOURCES	515,333	-	515,333
NET POSITION:			
NET INVESTMENT IN CAPITAL ASSETS	207,660,389	55,955,595	263,615,984
RESTRICTED FOR DEBT SERVICE	-	430,444	430,444
RESTRICTED BY ENABLING LEGISLATION:			
TOURISM PROMOTION	714,946	-	714,946
RESIDENTIAL STREET IMPROVEMENTS	1,185,955	-	1,185,955
ARTERIAL STREET IMPROVEMENTS	397,420		397,420
DRUG INVESTIGATION AND ENFORCEMENT	75,609	-	75,609
DEBT SERVICE GUARANTY FUND	668,849	-	668,849
FIRE IMPROVEMENTS	437,222	-	437,222
UNRESTRICTED NET POSITION	26,981,105	12,964,539	39,945,644
TOTAL NET POSITION	$ 238,121,496	$ 69,350,577	$ 307,472,073

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

CITY OF TUKWILA, WASHINGTON

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	PRIMARY GOVERNMENT							COMPONENT UNIT
		-------- PROGRAM REVENUES --------			--NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION--			
	EXPENSES	CHARGES For Services	OPERATING Grants and Contributions	CAPITAL Grants and Contributions	GOVERNMENTAL Activities	BUSINESS-TYPE Activities	TOTAL	TOTAL
FUNCTIONS / PROGRAMS:								
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES:								
GENERAL GOVERNMENT	$ 10,195,049	$ 1,495,438	$ 2,145,397	$ -	$ (6,554,214)		$ (6,554,214)	$ -
PUBLIC SAFETY	25,938,946	871,919	715,581	36,000	(24,315,446)		(24,315,446)	-
TRANSPORTATION	7,658,280	287,956	37,875	16,581,425	9,248,975		9,248,975	-
PHYSICAL ENVIRONMENT	2,610,591	27,407	246,545	-	(2,336,639)		(2,336,639)	-
CULTURE AND RECREATION	5,635,347	744,014	70,881	330,104	(4,490,349)		(4,490,349)	-
ECONOMIC ENVIRONMENT	5,209,954	2,786,178	73,540	-	(2,350,236)		(2,350,236)	-
INTEREST ON LONG-TERM DEBT	1,038,851	-			(1,038,851)		(1,038,851)	-
Total Governmental Activities	58,287,017	6,212,911	3,289,818	16,947,529	(31,836,759)	-	(31,836,759)	-
BUSINESS-TYPE ACTIVITIES:								
WATER	4,949,381	5,762,267	-	83,776	-	896,663	896,663	-
SEWER	5,471,683	7,383,864	-	248,946	-	2,161,126	2,161,126	-
SURFACE WATER	2,563,132	3,913,184	-	6,221	-	1,356,273	1,356,273	-
FOSTER GOLF COURSE	1,707,993	1,404,264	-	-	-	(303,729)	(303,729)	-
Total Business-Type Activities	14,692,189	18,463,578	-	338,943	-	4,110,332	4,110,332	-
TOTAL PRIMARY GOVERNMENT	$ 72,979,205	$ 24,676,490	$ 3,289,818	$ 17,286,471	$ (31,836,759)	$ 4,110,332	$ (27,726,426)	$ -
GENERAL REVENUES:								
TAXES								
PROPERTY TAXES					$ 14,510,241	$ -	$ 14,510,241	$ -
RETAIL SALES AND USE TAXES					16,316,398	-	16,316,398	-
NATURAL GAS USE TAX					204,457	-	204,457	-
HOTEL/MOTEL TAXES					526,832	-	526,832	-
UTILITY TAXES					3,879,992	-	3,879,992	-
INTERFUND UTILITY TAXES					1,686,859	-	1,686,859	-
BUSINESS TAXES					2,570,111	-	2,570,111	-
EXCISE TAXES					2,745,475	-	2,745,475	-
STATE ENTITLEMENTS					1,861,511	-	1,861,511	-
UNRESTRICTED INVESTMENT EARNINGS					102,486		102,486	-
MISCELLANEOUS					304,704		304,704	-
TRANSFERS					1,060,650	(1,060,650)	0	-
TOTAL GENERAL REVENUES					45,769,716	(1,060,650)	44,709,066	-
CHANGE IN NET POSITION					13,932,957	3,049,682	16,982,640	
NET POSITION - BEGINNING					226,150,953	64,353,504	290,504,457	1,737,441
RESTATEMENT FOR BLENDED COMPONENT UNIT					1,737,441	-	1,737,441	(1,737,441)
NET POSITION - BEGINNING RESTATED					227,888,394	64,353,504	292,241,898	-
CHANGE IN ACCOUNTING PRINCIPLE					(249,721)	(66,661)	(316,382)	
PRIOR PERIOD ADJUSTMENT					(3,450,134)	2,014,051	(1,436,083)	
NET POSITION - BEGINNING RESTATED					224,188,538	66,300,894	290,489,433	-
NET POSITION - ENDING					$ 238,121,496	$ 69,350,577	$ 307,472,073	$ -

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

CITY OF TUKWILA, WASHINGTON

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	GENERAL FUND	ARTERIAL STREET	LAND ACQ. REC & PARK DEVELOPMENT	LOCAL IMPROVEMENT DISTRICT #33	METROPOLITAN PARK DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:							
CASH AND CASH EQUIVALENTS	$ 13,550,093	$ 769,736	$ 1,159,366	$ 17,681	$ 407,664	$ 5,610,806	$ 21,515,345
RECEIVABLES:							
TAXES	4,843,959	43,254	147	-	-	110,363	4,997,723
CUSTOMER ACCOUNTS	279,798	-	-	-	306	151,642	431,746
CURRENT ASSESSMENT		-	-	444,710	-		444,710
INTEREST	3,050	-	-	-	-	-	3,050
INTERFUND LOAN RECEIVABLE	199,340	-	-	-	-	-	199,340
DUE FROM OTHER GOVERNMENTAL UNITS	200,254	601,101	112,204	-	3,059	30,943	947,561
RESTRICTED ASSETS:			-	-			
CASH AND CASH EQUIVALENTS	-	397,420	-	-	-	-	397,420
SPECIAL ASSESSMENT RECEIVABLE	-	-	-	6,242,835	-	-	6,242,835
ADVANCES TO OTHER FUNDS	1,743,362	-	-	-	-	-	1,743,362
TOTAL ASSETS	$ 20,819,855	$ 1,811,511	$ 1,271,717	$ 6,705,225	$ 411,028	$ 5,903,755	$ 36,923,091
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:							
LIABILITIES:							
ACCOUNTS PAYABLE	763,141	698,709	50,983	-	18,019	109,148	1,640,000
ACCRUED WAGES & BENEFITS	1,362,613	17,267	345	-	13,078	19,407	1,412,710
OTHER CURRENT LIABILITIES	123,038	-	500	-	3,176	100,000	226,714
REVENUE COLLECTED IN ADVANCE	186,857	-	-	17,681	229	-	204,767
INTERFUND LOAN PAYABLE	-	-			199,340	-	199,340
ADVANCES FROM OTHER FUNDS	-	-			1,743,362	-	1,743,362
TOTAL LIABILITIES	2,435,649	715,976	51,828	17,681	1,977,203	228,555	5,426,892
DEFERRED INFLOW OF RESOURCES:							
UNAVAILABLE REVENUE-SPECIAL ASSESSMENT	-	-	-	6,687,544	-	-	6,687,544
NON-EXCHANGE REVENUE RECEIVED IN ADVANCE	515,333	-	-	-	-	-	515,333
UNAVAILABLE REVENUE-OTHER	582,886	-	-	-	-	-	582,886
TOTAL DEFERRED INFLOW OF RESOURCES	1,098,220	-	-	6,687,544	-	-	7,785,764
FUND BALANCES:							
NONSPENDABLE:	1,743,362					-	1,743,362
RESTRICTED FOR:							
HOTEL MOTEL TAX	-	-	-	-	-	714,946	714,946
RESIDENTIAL STREET IMPROVEMENTS	-	-	-	-	-	1,185,955	1,185,955
ARTERIAL STREET CAPIAL IMPROVEMENTS	-	397,420	-	-	-	-	397,420
DRUG INVESTIGATION AND ENFORCEMENT	-	-	-	-	-	75,609	75,609
FIRE IMPROVEMENTS	-	-	-	-	-	437,222	437,222
DEBT SERVICE GUARANTY FUND	-	-	-	-	-	668,849	668,849
ASSIGNED FOR:							
ARTERIAL STREET		698,115	-	-	-	-	698,115
LAND ACQ. REC & PARK DEVELOPMENT	-	-	1,219,890	-	-	-	1,219,890
FACILITY REPLACEMENT	-	-	-	-	-	1,902,602	1,902,602
GENERAL GOVERNMENT IMPROVEMENTS	-	-	-	-	-	451,755	451,755
RESIDENTIAL STREET IMPROVEMENTS	-	-	-	-	-	230,000	230,000
PUBLIC SAFETY EQUIPMENT	225,000	-	-	-	-	-	225,000
DEBT SERVICE	-	-	-	-	-	8,261	8,261
UNASSIGNED	15,317,624	-	-	-	(1,566,175)	-	13,751,448
TOTAL FUND BALANCES	17,285,986	1,095,535	1,219,890	-	(1,566,175)	5,675,199	23,710,435
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 20,819,855	$ 1,811,511	$ 1,271,717	$ 6,705,225	$ 411,028	$ 5,903,755	$ 36,923,091

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

CITY OF TUKWILA, WASHINGTON

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2013

		TOTAL GOVERNMENTAL FUNDS
Total governmental fund balances as reported on this statement		$ 23,710,435
Amounts reported for governmental activities in the statement of net position are different because: The purchases method is used in Governmental Funds to account for Materials and Supplies - Inventory amount outstanding.		194,845
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Governmental funds assets	218,617,727	
Internal service fund assets	4,432,951	223,050,679
The net pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore is not reported in the funds.		380,893
The City has an equity interest in two joint ventures. This equity interest for the provision of governmental services is not a current financial resource and therefore is not reported in the funds.		10,427,892
Unavailable revenue reported for property taxes that are current and prior year tax levies that were not collected and available to pay current year liabilities	582,886	
Unavailable revenue reported for special assessment	6,687,544	7,270,431
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long Term Liabilities Due Within One Year	(2,288,988)	
Long Term Liabilities Due in More Than One Year	(23,126,768)	
Due to Other Governmental Units	(7,021,600)	
Unfunded Other Post Employment Benefits	(4,561,781)	
Accrued Interest Payable	(53,700)	
Deferred charge on refunding	524,100	(36,528,737)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.		9,615,058
Net position of government activities as reported on the statement of net position		$ 238,121,496

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

CITY OF TUKWILA, WASHINGTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	GENERAL FUND	ARTERIAL STREET	LAND ACQ. REC & PARK DEVELOPMENT	LOCAL IMPROVEMENT DISTRICT #33	METROPOLITAN PARK DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
TAXES	$ 40,615,890	$ 349,560	$ 228,501	$ -	$ 681,288	$ 526,832	$ 42,402,070
LICENSES AND PERMITS	2,013,875	-	-	-	-	-	2,013,875
INTERGOVERNMENTAL	4,719,583	1,545,665	271,562	-	3,059	650,456	7,190,325
CHARGES FOR SERVICES	2,202,307	270,446	25,661	-	226,709	1,022,524	3,747,646
FINES AND FORFEITURES	242,638	-	-	-	-	-	242,638
INVESTMENT EARNINGS	108,053	5,650	1,904	-	-	36,303	151,911
SPECIAL ASSESSMENTS	-	-	-	2,788,350	-	-	2,788,350
MISCELLANEOUS	110,317	231,086	-	-	3,044	82,922	427,368
TOTAL REVENUES	50,012,664	2,402,407	527,627	2,788,350	914,100	2,319,036	58,964,183
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	9,266,330	-	-	-	-	37,411	9,303,742
PUBLIC SAFETY	25,650,155	-	-	-	-	70,729	25,720,884
PHYSICAL ENVIRONMENT	1,766,087	-	-	-	-	169,808	1,935,895
TRANSPORTATION	2,759,506	351,987	-	-	-	-	3,111,493
ECONOMIC ENVIRONMENT	3,893,111	-	-	-	-	1,331,852	5,224,964
CULTURE AND RECREATION	3,631,819	-	91,753	-	662,820	-	4,386,392
DEBT SERVICE:							
PRINCIPAL	-	-	-	-	-	5,024,991	5,024,991
INTEREST	-	-	-	-	39,016	1,123,633	1,162,649
CAPITAL OUTLAY	250,482	3,808,636	306,173	-	739,109	750,561	5,854,962
TOTAL EXPENDITURES	47,217,490	4,160,623	397,926	-	1,440,946	8,508,985	61,725,970
EXCESS (DEFICIENCY) OF REVENUES							
OVER (UNDER) EXPENDITURES	2,795,173	(1,758,216)	129,702	2,788,350	(526,846)	(6,189,949)	(2,761,786)
OTHER FINANCING SOURCES (USES):							
TRANSFERS IN	14,919,606	1,650,000	-	-	1,100,048	3,249,329	20,918,983
TRANSFER IN - ASSESSMENT		2,788,350	-	-	-	-	2,788,350
TRANSFERS OUT	(10,662,843)	(8,500,000)	-	(2,788,350)	(1,100,048)	(250,276)	(23,301,516)
GO BONDS ISSUED	1,000,000	-	-	-	-	-	1,000,000
ASSESSMENT BONDS ISSUED	-	6,018,750	-	-	-	668,750	6,687,500
PROCEEDS FROM SALES OF CAPITAL ASSETS	5,493	-	-	-	-	-	5,493
TOTAL OTHER FINANCING SOURCES AND USES	5,262,256	1,957,100	-	(2,788,350)	-	3,667,803	8,098,809
NET CHANGE IN FUND BALANCES	8,057,430	198,884	129,702	-	(526,846)	(2,522,146)	5,337,023
FUND BALANCES - BEGINNING	8,378,557	483,331	1,090,188	-	(189,329)	8,197,345	17,960,092
CHANGE IN ACCOUNTING PRINCIPLE	850,000	-	-	-	(850,000)	-	-
PRIOR PERIOD ADJUSTMENT	-	413,321	-	-	-	-	413,321
FUND BALANCES - BEGINNING AS RESTATED	8,378,557	896,651	1,090,188	-	(189,329)	8,197,345	18,373,412
FUND BALANCES - ENDING	$ 17,285,986	$ 1,095,535	$ 1,219,890	$ -	$ (1,566,175)	$ 5,675,199	$ 23,710,435

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

CITY OF TUKWILA, WASHINGTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances per the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 5,337,023
Amounts reported as change in net position in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital Outlay	5,854,962	
Depreciation Expense	(6,538,166)	(683,204)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Contributed capital assets	5,432,639	
Net book value of disposed assets	(532,340)	
Net book value of equipment contributed to internal service fund	(1,257,928)	3,642,371
The net pension asset (negative net pension obligation) amortization amount is not a financial resource and therefore not reported in the funds.		44,541
The City has equity interests in two joint ventures. The equity interests for the provision of governmental services are not current financial resources and therefore are not reported in the funds.		332,431
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Bond Principal Retirement	5,024,991	
Issuance premium amortization	143,552	5,168,543
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		
Special Assessment Bonds	(6,687,500)	
General Obligation Bonds-MPD	(1,000,000)	(7,687,500)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
Capital contribution of equipment from governmental fund	1,257,928	
Other net revenue	106,010	1,363,938
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the government funds. Unavailable revenues increased by this amount this year.		
Miscellaneous receivables	250,647	
Property taxes	38,295	
Special Assessment	6,687,544	6,976,486
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in Accrued Interest	15,485	
Amortization of deferred charge on bond refunding	(74,256)	
Increase in Compensated Absences	(169,192)	
Increase in Unfunded Other Post Employment Benefits	(128,455)	
Other-Park District	(10,408)	
Decrease in inventory	(194,846)	
Total Additional Expense (Increase) Decrease		(561,672)
Change in net position on the Statement of Activities		$ 13,932,957

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	WATER UTILITY	SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
CURRENT ASSETS:						
CASH AND CASH EQUIVALENTS	$ 3,951,346	$ 2,628,239	$ 478,346	$ 2,575,395	$ 9,633,326	$ 6,429,460
INVESTMENTS	2,078,276	-	-	-	2,078,276	5,085,228
RECEIVABLES:						
CUSTOMER ACCOUNTS	427,404	647,787	5,127	212,321	1,292,639	-
INTEREST ON INVESTMENTS	-	1,742	-	40,483	42,224	44,798
DUE FROM OTHER GOVERNMENTAL UNITS	-	-	-	47,387	47,387	-
INVENTORY OF MATERIALS AND SUPPLIES	250,180	51,826	247,162	48,379	597,547	13,335
CURRENT ASSETS RESTRICTED:						
CASH AND CASH EQUIVALENTS	19,115	-	58,780	-	77,895	-
TOTAL CURRENT ASSETS	6,726,321	3,329,594	789,415	2,923,964	13,769,294	11,572,822
NONCURRENT ASSETS:						
RESTRICTED CASH, CASH EQUIVALENTS	266,713	126,834	-	36,897	430,444	-
NOTES RECEIVABLE	-	403,041	-	-	403,041	-
CAPITAL ASSETS:						
LAND AND INTANGIBLE ASSETS	87,347	69,525	1,609,575	471,311	2,237,758	-
BUILDINGS AND EQUIPMENT	1,416,567	3,333,973	6,627,496	1,165,129	12,543,165	-
OTHER IMPROVEMENTS	19,868,170	14,586,442	3,559,992	41,132,401	79,147,004	-
MACHINERY AND EQUIPMENT	820,244	1,242,767	163,358	34,979	2,261,349	12,264,907
CONSTRUCTION IN PROGRESS	226,623	491,922	-	2,385,715	3,104,260	1,304,333
LESS: ACCUMULATED DEPRECIATION	(9,506,992)	(7,095,104)	(4,492,836)	(13,059,090)	(34,154,022)	(9,136,288)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	12,911,959	12,629,525	7,467,585	32,130,445	65,139,514	4,432,951
TOTAL NONCURRENT ASSETS	13,178,672	13,159,400	7,467,585	32,167,342	65,972,999	4,432,951
TOTAL ASSETS	19,904,993	16,488,994	8,257,000	35,091,306	79,742,293	16,005,773
LIABILITIES:						
CURRENT LIABILITIES:						
ACCOUNTS PAYABLE	9,806	50,989	6,158	536,315	603,268	55,395
RETAINAGE PAYABLE	-	7,616	-	19,830	27,446	-
ACCRUED WAGES AND BENEFITS	27,213	21,125	33,649	38,311	120,298	18,868
DUE TO OTHER GOVERNMENTAL UNITS	95,080	192,261	-	270,953	558,293	-
OTHER CURRENT LIABILITIES	-	4,620	478	-	5,098	1,883,500
REVENUE RECEIVED IN ADVANCE	3,530	-	129	16,890	20,549	-
REVENUE BOND PRINCIPAL	391,400	86,800	-	16,800	495,000	-
DEPOSITS	44,011	10,627	53,898	8,398	116,934	-
TOTAL CURRENT LIABILITIES	571,040	374,038	94,312	907,496	1,946,886	1,957,763
NONCURRENT LIABILITIES:						
REVENUE BONDS PAYABLE (NET OF UNAMORTIZED PREMIUMS)	966,006	1,390,679	-	269,164	2,625,848	-
COMPENSATED ABSENCES	99,616	38,363	85,112	91,114	314,205	-
OTHER LONG-TERM LIABILITIES	907,435	1,922,608	-	2,674,735	5,504,778	-
TOTAL NONCURRENT LIABILITIES	1,973,056	3,351,649	85,112	3,035,013	8,444,830	-
TOTAL LIABILITIES	2,544,097	3,725,688	179,424	3,942,509	10,391,717	1,957,763
NET POSITION:						
NET INVESTMENT IN CAPITAL ASSETS	10,552,038	9,037,178	7,467,588	28,898,793	55,955,595	4,432,952
RESTRICTED FOR:						
DEBT SERVICE	266,713	126,834	-	36,897	430,444	-
UNRESTRICTED	6,542,145	3,599,294	609,988	2,213,107	12,964,539	9,615,058
TOTAL NET POSITION	$ 17,360,896	$ 12,763,306	$ 8,077,576	$ 31,148,798	$ 69,350,577	$ 14,048,010

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	WATER UTILITY	SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 5,747,733	$ 7,366,555	$ 1,399,015	$ 3,865,438	$ 18,378,740	$ 6,968,697
OTHER OPERATING REVENUE	-	-	-	-	-	77,142
TOTAL OPERATING REVENUES	5,747,733	7,366,555	1,399,015	3,865,438	18,378,740	7,045,839
OPERATING EXPENSES:						
OPERATIONS & MAINTENANCE	3,408,640	4,037,448	1,342,253	1,027,907	9,816,247	6,755,040
ADMINISTRATIVE AND GENERAL	136,484	149,903	-	305,181	591,568	-
TAXES	816,564	841,585	63,609	440,356	2,162,114	-
DEPRECIATION AND AMORTIZATION	511,630	365,998	302,131	761,614	1,941,373	886,201
TOTAL OPERATING EXPENSES	4,873,318	5,394,934	1,707,993	2,535,057	14,511,302	7,641,241
OPERATING INCOME (LOSS)	874,415	1,971,621	(308,978)	1,330,380	3,867,438	(595,402)
NON-OPERATING REVENUE (EXPENSE):						
INVESTMENT EARNINGS	13,898	3,265	5,249	4,728	27,139	(19,365)
INTEREST EXPENSE	(84,045)	(78,201)	-	(28,428)	(190,673)	-
GAIN/(LOSS) FR DISPOSAL OF CAPITAL ASSETS	(1,446)	(3,184)	-	(937)	(5,567)	65,943
AMORTIZATION OF BOND PREMIUM	8,972	1,825	-	353	11,150	-
AMORTIZATION OF BOND DISCOUNT	(989)	(374)	-	-	(1,363)	-
OTHER NON-OPERATING REVENUE	2,082	17,228	-	16,569	35,879	-
TOTAL NON-OPERATING REVENUE (EXPENSE)	(61,528)	(59,440)	5,249	(7,715)	(123,435)	46,578
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	812,887	1,912,181	(303,729)	1,322,665	3,744,003	(548,824)
CAPITAL CONTRIBUTIONS	83,776	248,946	-	33,608	366,330	1,257,928
TRANSFERS IN	103,680	-	400,000	-	503,680	1,030,000
TRANSFERS OUT	(511,447)	(385,141)	(192,801)	(474,941)	(1,564,330)	(375,166)
CHANGE IN NET POSITION	488,896	1,775,986	(96,530)	881,332	3,049,684	1,363,938
TOTAL NET POSITION BEGINNING OF YEAR	18,333,285	11,022,056	8,174,106	26,824,055	64,353,503	12,684,072
CHANGE IN ACCOUNTING PRINCIPLE	(25,201)	(34,737)	-	(6,723)	(66,661)	-
PRIOR PERIOD ADJUSTMENT	(1,436,082)	-	-	3,450,134	2,014,052	-
TOTAL NET POSITION BEGINNING OF YEAR, AS RESTATED	16,872,001	10,987,319	8,174,106	30,267,466	66,300,892	12,684,072
TOTAL NET POSITION END OF YEAR	$ 17,360,896	$ 12,763,306	$ 8,077,576	$ 31,148,798	$ 69,350,577	$ 14,048,010

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

	WATER UTILITY	SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL ENTERPRISE FUNDS	GOVERNMENT ACTIVITIES INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:						
CASH RECEIVED FROM CUSTOMERS	$ 5,586,065	$ 7,356,950	$ 1,396,925	$ 3,832,638	$ 18,172,579	$ 7,046,234
CASH RECEIVED SERVICE REIMBURSEMENT	1,388,498	-	-	-	1,388,498	-
CASH PAID TO SUPPLIERS	(2,734,359)	(4,013,428)	(326,951)	(4,810)	(7,079,548)	(6,200,369)
CASH PAID FOR TAXES	(816,564)	(841,585)	(146,689)	(388,189)	(2,193,026)	-
CASH PAID TO EMPLOYEES	(826,932)	(427,152)	(913,858)	(961,258)	(3,129,200)	(526,806)
OTHER CASH RECEIVED (PAID)	-	-	4,470	-	4,470	31,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,596,708	2,074,786	13,897	2,478,381	7,163,773	350,060
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
TRANSFERS IN	103,680	-	400,000	-	503,680	1,030,000
TRANSFERS OUT	(511,447)	(385,141)	(192,801)	(474,941)	(1,564,330)	(375,166)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(407,767)	(385,141)	207,199	(474,941)	(1,060,650)	654,834
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
PROCEEDS FROM SALE OF EQUIPMENT	-	-	-	-	-	94,490
PURCHASE OF CAPITAL ASSETS	(55,071)	(433,174)	-	(1,046,185)	(1,534,429)	(2,044,013)
CONTRIBUTED CAPITAL	83,776	248,946	-	-	332,722	-
CAPITAL GRANTS		-	-	27,605	27,605	-
PRINCIPAL PAYMENT ON DEBT	(460,180)	(275,961)	-	(287,153)	(1,023,293)	-
INTEREST PAYMENT ON DEBT	(93,509)	(79,334)	-	(29,159)	(202,003)	-
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(524,984)	(539,523)	-	(1,334,891)	(2,399,398)	(1,949,523)
CASH FLOW FROM INVESTING ACTIVITIES:						
PROCEEDS FROM SALE OF INVESTMENTS	3,450,000	-	-	-	3,450,000	401,949
PURCHASE OF INVESTMENTS	(2,078,276)	-	-	-	(2,078,276)	(228,540)
INTEREST RECEIVED	15,980	20,493	5,249	12,178	53,900	2,168
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	1,387,704	20,493	5,249	12,178	1,425,624	175,577
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,051,661	1,170,615	226,345	680,726	5,129,347	(769,052)
PRIOR PERIOD-CASH USED TO ACCQUIRE ASSETS	-	-	-	(413,321)	(413,321)	-
RESTATED CASH EQUIVALENTS	3,051,661	1,170,615	226,345	267,405	4,716,026	(769,052)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	1,185,512	1,584,458	310,781	2,344,887	5,425,638	7,198,512
CASH AND CASH EQUIVALENTS-END OF YEAR	$ 4,237,174	$ 2,755,073	$ 537,126	$ 2,612,292	$ 10,141,665	$ 6,429,460
CASH AT END OF YEAR CONSISTS OF:						
CASH AND CASH EQUIVALENTS	$ 3,951,346	$ 2,628,239	$ 478,346	$ 2,575,395	$ 9,633,326	$ 6,429,460
RESTRICTED CASH-BOND PAYMENTS	266,713	126,834	-	36,897	430,444	-
RESTRICTED CASH-CUSTOMER DEPOSITS	19,115	-	58,780	-	77,895	-
TOTAL CASH	$ 4,237,174	$ 2,755,073	$ 537,126	$ 2,612,292	$ 10,141,665	$ 6,429,460

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

CITY OF TUKWILA, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

	WATER UTILITY	SEWER UTILITY	FOSTER GOLF COURSE	SURFACE WATER UTILITY	TOTAL ENTERPRISE FUNDS	GOVERNMENT ACTIVITIES INTERNAL SERVICE FUNDS
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
OPERATING INCOME (LOSS)	$ 874,415	$ 1,971,621	$ (308,978)	$ 1,330,380	$ 3,867,438	$ (595,402)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
DEPRECIATION	511,630	365,998	302,131	761,614	1,941,373	886,201
ASSET (INCREASES) DECREASES :						
ACCOUNTS RECEIVABLE	(46,434)	(13,779)	1,708	(37,057)	(95,561)	-
MISCELLANEOUS A/R-REVENUE	1,261,696	4,175	(854)	-	1,265,017	395
INVENTORY	(9,672)	369	8,817	953	467	(1,016)
LIABILITY INCREASES (DECREASES) :						
ACCOUNTS & VOUCHERS PAYABLE	(12,658)	(254,924)	4,474	411,650	148,542	58,906
OTHER LIABILITIES PAYABLE	(1,512)		-		(1,512)	-
DEPOSITS PAYABLE	13,080		1,526	-	14,606	-
WAGES & BENEFITS PAYABLE	313	5,946	3,994	819	11,073	976
COMPENSATED ABSENCES PAYABLE	5,849	(4,620)	1,079	10,022	12,330	-
TOTAL ADJUSTMENTS	1,722,293	103,165	322,876	1,148,001	3,296,335	945,461
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 2,596,708	$ 2,074,786	$ 13,897	$ 2,478,381	$ 7,163,773	$ 350,060
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
CAPITAL ASSETS ACQUIRED BY CONTRIBUTED CAPITAL	$ -	$ -	$ -	$ 6,221	$ 6,221	$ 1,257,928
INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENT	-	-	-	-	-	231,092
TOTAL NON CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	$ -	$ -	$ -	$ 6,221	$ 6,221	$ 1,489,020

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

CITY OF TUKWILA, WASHINGTON
COMBINING STATEMENT OF FIDUCIARY NET POSITON
FIDUCIARY FUND
DECEMBER 31, 2013

	FIREMEN'S PENSION TRUST FUND	AGENCY FUND
ASSETS:		
CASH AND CASH EQUIVALENTS	$ 1,408,970	$ 177,206
RECEIVABLES:		
CUSTOMER ACCOUNTS	-	$ 2,934
TOTAL ASSETS	1,408,970	180,140
LIABILITIES:		
CURRENT PAYABLES	-	180,140
TOTAL LIABILITIES	-	180,140
NET POSITION:		
HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	$ 1,408,970	$ -

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

CITY OF TUKWILA, WASHINGTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2013

	FIREMEN'S PENSION TRUST FUND
ADDITIONS:	
OTHER CONTRIBUTIONS:	
FIRE INSURANCE PREMIUM TAXES	$ 56,962
INVESTMENT EARNINGS	2,421
TOTAL ADDITIONS	59,383
DEDUCTIONS:	
BENEFIT PAYMENTS	58,277
ADMINISTRATIVE EXPENSES	7,775
TOTAL DEDUCTIONS	66,052
CHANGE IN NET POSITION	(6,669)
NET POSITION - BEGINNING	1,415,638
NET POSITION - ENDING	$ 1,408,970

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tukwila was incorporated on June 29, 1908, and operates under the laws of the State of Washington applicable to a non-charter optional code city with a Mayor/Council form of government. Tukwila is served by a Mayor and seven council members, all elected at large to four-year terms. The City provides what are considered general government services including public safety, streets, parks, planning and zoning, permits and inspection, general administrative, water services, sanitary sewer collection, and storm drainage.

The accounting and reporting policies of the City of Tukwila conform to generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described in this note.

A. The Reporting Entity

As required by generally accepted accounting principles the financial statements present the City and its component unit, an entity for which the government is considered to be financially accountable. The component unit discussed below is included in the reporting entity because of the significance of its operational or financial relationship with the City.

See Note 8, Joint Ventures, for a discussion of Valley Communications Center, which is a joint public safety dispatching authority for five member cities, and South Correctional Entity (SCORE), which is a governmental administrative agency. Also, see Note 14, Risk Management, for a discussion of the Washington Cities Insurance Authority.

The City of Tukwila is a party to the following interlocal agreements;

- Cascade Water Alliance
- Jail Administration Group
- Valley Narcotics Enforcement Team
- Valley Special Weapons and Tactics Team
- Valley Civil Disturbance Unit
- Metropolitan Park District
- Regional Animal Services of King County
- City of Sea Tac Probation Services
- King County Reclaimed Water
- eCity.gov Alliance

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

Blended Component Unit

The Tukwila Metropolitan Park District (District) was formed on August 16, 2011. The City Council of the City of Tukwila is authorized pursuant to RCW 35.61.050 to serve in an ex-officio capacity as the Board of Metropolitan Park Commissioners. Through this shared governance, it is a component unit of the City. The Metropolitan Park District provides a benefit to the citizens of Tukwila serving the community as a multigenerational facility that provides health and recreation benefits to all ages. Component units are legally separate entities but so closely related to the City through shared governance that their exclusion would cause the City's financials to be misleading or incomplete.

The District is a component unit of the City of Tukwila, which operates pool programs within the City and the District. When the District was formed in 2011, it was reported on the City's financial statements as a discretely presented component unit and was shown as a separate column in the govern-wide financial statements. However, with the implementation of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the District is now reported as blended and is shown as a major fund in the Basic Financial Statements section. The component unit's fund is blended into those of the City by appropriate activity type to compose the primary government presentation. Requests for the District's separately issued financial statements may be addressed to the Finance Director, City of Tukwila, 6200 Southcenter Blvd., Tukwila, WA 98188-2544.

B. Basis of Presentation

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

C. Fund Accounting

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

Governmental Funds

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

- The General Fund is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

- The Arterial Street Fund, a special revenue fund, is established in accordance with RCW 82.36.020 for the administration of the State-levied motor vehicle half-cent gasoline tax distributed to Tukwila.
- The Land Acquisition, Recreation and Park Development Fund is used to account for financial resources to be used for the acquisition of land, development of land, and construction of park facilities.

- The Local Improvement District (LID) #33 accounts for assessments related to the LID and provides payment to the Fiscal Agent for principal and interest on bonds issued in November 2013.

- The Metropolitan Park District is a component unit of the City of Tukwila, which operates pool programs within the City and the District.

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

Proprietary Funds

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise and internal service funds are charges to the City’s customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. As described further below, there are two fund types in this category-enterprise and internal service.

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

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

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

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

Fiduciary Funds

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

D. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

Other Revenue Sources

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

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

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

F. Budgets and Budgetary Accounting

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

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

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

1) Prior to November 1 on even numbered years, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months, and balanced with revenue estimates made by the Mayor.

2) The City Council conducts public hearings on the proposed budget in November and December.

3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

4) The final operating budget as adopted is published and distributed within the first month of the following year. Copies of the budget are made available to the public.

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

Expenditure Categories

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

G. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

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

Investments

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

Notes Receivable

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

Amounts due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

Special Assessments

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

Inventories

Inventories carried in proprietary funds are valued at average cost using the consumption method. A physical count is taken at year-end. Governmental funds use the purchase method whereby inventory items are considered expenditures when purchased.

Deferred Outflows /Inflows of Resources

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

Capital Assets and Depreciation

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

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

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

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

See Note 7 for additional information on capital assets.

Other Liabilities

These liabilities are current obligations that are due within one year and include accounts payable, accrued liabilities, and other debts. The Self Insurance fund includes an incurred but not reported (IBNR) liability of $753,400 determined using actuarial methods. This liability is multiplied by a factor of 2.5 to meet the City's financial goal of maintaining reserves at 1 x IBR for claim fluctuations plus 1.5 x IBNR for the IBNR liability of $1,883,500.

Compensated Absences

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

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

The current portion reported on the schedule of long-term liabilities is calculated using the last-in-first-out (LIFO) approach. Prior year activity is used to determine the current year activity. There is no current portion to report when the prior year leave usage amount is less than the amount of leave earned during the same period.

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Long-term debt outstanding at year-end is outlined in Note 11.

Fund Balance/Net Position

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

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The remaining balance is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes of which both restricted and unrestricted net position is available. This is followed by committed resources, then assigned, and lastly unassigned resources.

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

At the close of each fiscal year, the General Fund balance and the Reserve Fund balance shall each equal or exceed 10% of the previous year General Fund revenue, exclusive of significant non-operating, non-recurring revenues such as real estate sales or transfers in from other funds.

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

The City shall maintain a reserve balance in each of its self-insured health care funds an amount equal to 2.5 times or 250%, of the actuarially determined IBNR (incurred but not reported) reserve. The contingency reserve balance will be combined with the IBNR reserve balance and recorded as one liability in each of the self-insured health care plan funds.

Fund Balance Components

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

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action in the form of ordinances and resolutions of Tukwila Councilmembers, the City's highest level of decision-making authority. This formal action is the passage of an ordinance by City Council creating, modifying, or rescinding an appropriation. These committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent of use can be expressed by City Council or by a designated official.

- Unassigned fund balance is the residual amount not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54. Funds are created by the Council and money is authorized to be transferred to the fund for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved.

The following table illustrates the use of fund balance resources for governmental funds. The City applies restricted resources first when an expense is incurred for purposes of which both restricted and unrestricted net position is available in the governmental funds.

General Fund

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ -	$ -	$ -	$ 8,378,557	$ 8,378,557
Additions	1,743,362	-	-	225,000	65,037,763	67,006,125
Expenditures	-	-	-	-	(58,098,696)	(58,098,696)
Ending Fund Balance	$ 1,743,362	$ -	$ -	$ 225,000	$ 15,317,624	$ 17,285,986

Restricted-Committed-Assigned-Unassigned

Arterial Street

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ 394,755	$ -	$ 88,576	$ -	$ 483,331
Additions	-	105,179	-	12,754,328	-	12,859,507
Expenditures	-	(102,514)	-	(12,144,789)	-	(12,247,303)
Ending Fund Balance	$ -	$ 397,420	$ -	$ 698,115	$ -	$ 1,095,535

Restricted-Committed-Assigned-Unassigned

Land Acquisition Recreation & Park Development

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ -	$ -	$ 1,090,188	$ -	$ 1,090,188
Additions	-	25,661	-	342,931	-	368,592
Expenditures	-	(25,661)	-	(213,229)	-	(238,890)
Ending Fund Balance	$ -	$ -	$ -	$ 1,219,890	$ -	$ 1,219,890

Restricted-Committed-Assigned-Unassigned

Local Improvement District #33

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ -	$ -	$ -	$ -	$ -
Additions	-	-	-	2,788,350	-	2,788,350
Expenditures	-	-	-	(2,788,350)	-	(2,788,350)
Ending Fund Balance	$ -	$ -	$ -	$ -	$ -	$ -

Restricted-Committed-Assigned-Unassigned

Metropolitan Park District

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ -	$ -	$ -	$ (189,329)	$ (189,329)
Additions	-	-	-	-	914,100	914,100
Expenditures	-	-	-	-	(2,290,946)	(2,290,946)
Ending Fund Balance	$ -	$ -	$ -	$ -	$ (1,566,175)	$ (1,566,175)

Restricted-Committed-Assigned-Unassigned

Hotel Motel Tax

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ 710,707	$ -	$ -	$ -	$ 710,707
Additions	-	1,432,282	-	-	-	1,432,282
Expenditures	-	(1,428,043)	-	-	-	(1,428,043)
Ending Fund Balance	$ -	$ 714,946	$ -	$ -	$ -	$ 714,946

Restricted-Committed-Assigned-Unassigned

Street

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ 1,046,771	$ -	$ -	$ -	$ 1,046,771
Additions	-	323,387	-	230,000	-	553,387
Expenditures	-	(184,203)	-	-	-	(184,203)
Ending Fund Balance	$ -	$ 1,185,955	$ -	$ 230,000	$ -	$ 1,415,955

Restricted-Committed-Assigned-Unassigned

Drug Seizure

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ 85,125	$ -	$ 75,000	$ -	$ 160,125
Additions	-	61,213	-	-	-	61,213
Expenditures	-	(70,729)	-	(75,000)	-	(145,729)
Ending Fund Balance	$ -	$ 75,609	$ -	$ -	$ -	$ 75,609

Restricted-Committed-Assigned-Unassigned

Debt Service Funds

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ -	$ -	$ 3,012,381	$ -	$ 3,012,381
Additions	-	668,849	-	3,145,498	-	3,814,347
Expenditures	-	-	-	(6,149,618)	-	(6,149,618)
Ending Fund Balance	$ -	$ 668,849	$ -	$ 8,261	$ -	$ 677,110

Restricted-Committed-Assigned-Unassigned

Facility Replacement

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ -	$ -	$ 2,005,520	$ -	$ 2,005,520
Additions	-	-	-	3,373	-	3,373
Expenditures	-	-	-	(106,291)	-	(106,291)
Ending Fund Balance	$ -	$ -	$ -	$ 1,902,602	$ -	$ 1,902,602

Restricted-Committed-Assigned-Unassigned

General Government Improvement

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ 164,312	$ -	$ 749,518	$ -	$ 913,830
Additions	-	-	-	232,217	-	232,217
Expenditures	-	(164,312)	-	(529,980)	-	(694,292)
Ending Fund Balance	$ -	$ -	$ -	$ 451,755	$ -	$ 451,755

Restricted-Committed-Assigned-Unassigned

Fire Improvement

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Beginning Fund Balance	$ -	$ 348,010	$ -	$ -	$ -	$ 348,010
Additions	-	140,295	-	-	-	140,295
Expenditures	-	(51,083)	-	-	-	(51,083)
Ending Fund Balance	$ -	$ 437,222	$ -	$ -	$ -	$ 437,222

Restricted-Committed-Assigned-Unassigned

Risk Management and Risk Retention

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

The City of Tukwila is a member of the Washington Cities Insurance Authority (WCIA) as of January 1, 1984. The WCIA is an organization of Washington municipal entities numbering 162 as of December 31, 2013. WCIA provides pooled self-insurance coverage for general liability, vehicle liability, false arrest, and errors and omissions. See Note 14 for additional information on risk management.

Operating Revenues and Expenses

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

Contributions of Capital

Contributions of capital in proprietary fund financial statement arise from outside contributions of capital assets, for example, developers, and grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

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

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

Estimates

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

H. Changes in Accounting Standards

The City implemented the following Government Accounting Standards Board (GASB) statements in 2013:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – which modifies certain requirements for inclusion of component units in the financial reporting entity. As a result of implementing this statement, the City is required to change the reporting of its component unit from discreet presentation to blended.

GASB Statement No. 65, *Items previously reported as Assets and Liabilities* – clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures.

NOTE 2 – 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 of Tukwila.

NOTE 3 –DEPOSITS AND INVESTMENTS

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

Cash and Cash Equivalents

At year-end, the carrying amount of the City's bank balance was $20,238,500. Of the bank balance, $250,000 was covered by Federal depository insurance and the WPDPC insured the remainder. The City also maintains imprest funds totaling $14,400. The City participates in the State Treasurer's Investment Pool, which is a 2a7-like unrated pool, overseen by the State Treasurer's Office. The fair value of the City's position in the pool is the same as the value of the pool shares. Because of its highly liquid nature, the Pool funds are considered cash equivalents.

Deposits and Investments

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

At December 31, 2013, the City had the following deposits and investments:

SCHEDULE OF INVESTMENTS BY MATURITY

	Maturity Date	Credit Rating	Market Value
Certificates of Deposit:			
Sound Community Bank	3/4/2014	*	$ 3,117,093
Regal Bank	12/20/2014	*	250,000
Total Certificate of Deposits			3,367,093
Municipal Bonds:			
Lodging Tax	7/1/2016	Aa3 / A+	523,780
Revenue - Facilities	7/1/2017	Aa1 / AA+	542,440
Limited General Obligation	12/1/2017	Aa3 / A1	585,600
Revenue - Facilities	7/1/2019	Aa1 / AA+	553,760
Limited General Obligation	9/1/2020	A1	354,021
Unlimited General Obligation	12/1/2020	Aa1 / Aa3	1,236,810
Total Municipal Bonds			3,796,411
TOTAL INVESTMENTS			$ 7,163,504

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

RECONCILIATION OF ALL CASH, DEPOSITS AND INVESTMENTS

AS REPORTED ON STATEMENT OF NET POSITION:	
Cash and Cash Equivalents:	$ 37,578,132
Investments	7,163,504
Current Assets Restricted:	
Cash and cash equivalents	905,759
Total Cash, Cash Equivalents and Investments	$ 45,647,395

SUMMARY BY TYPE:	
Cash and Cash Equivalents:	
Cash on hand	$ 14,400
Money Market account	12,706,968
Local Government Investment Pool	5,927,799
Cash in bank-book balance	19,834,724
Total cash and cash equivalents	38,483,891
Investments:	
Certificates of deposit	3,367,093
Municipal bonds	3,796,411
Total investments	7,163,504
Total Cash, Cash Equivalents, and Investments	$ 45,647,395

Restricted Assets - Governmental	
Impact Fees	397,420
Restricted Assets-Governmental	$ 397,420
Restricted Assets - Business-Type	
Customer Deposits-Water Utility	$ 19,115
Customer Deposits-Golf Course	43,780
Lease Deposits-Golf Course	15,000
Revenue Bond Reserve Account-Water/Sewer/Surface Water	430,444
Restricted Assets-Business-Type	$ 508,339
Total Restricted Assets	$ 905,759

Interest Rate Risk

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

1) At the time of investment, a minimum of thirty percent (30%) of the cash and investment portfolio will be comprised of investments maturing or available within one year.

2) At the time of investment, eighty percent (80%) of the portfolio will be comprised of investments maturing or available within five (5) years and no instruments shall have a maturity exceeding ten (10) years, except when compatible with a specific fund's investment needs.

3) The average maturity of the portfolio shall not exceed three and one half (3 ½) years or forty-two (42) months.

Credit Risk

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

1) U.S. Treasury Securities.

2) U.S. Agency Securities (i.e., obligations of any government-sponsored corporation eligible for collateral purposes at the Federal Reserve).

3) Certificates of Deposit, Money Market Deposit Accounts and savings deposits with qualified depositories within statutory limits as promulgated by the PDPC at the time of investment.

4) Bankers Acceptances (BA's) purchased on the secondary market with a rating of A-1, P-1, its equivalent or better.

5) General Obligation Bonds of a state or local government which have at the time of the investment one of the three highest credit ratings of a nationally-recognized rating agency.

6) The Washington State Local Government Investment Pool (LGIP).

As of December 31, 2013, the City's investments in municipal bonds were rated Aa1 to A1 by Moody's Investor Service. The City currently maintains a rating of AA- with Fitch's Investor Service for its general obligation debt and A1 with Moody's Investor Service.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City of Tukwila diversifies its investments by security type and institution as described below:

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

2) Except, that no more than seventy-five percent (75%) of the City's portfolio, at the time of purchase, shall be invested in the Washington State Local Government Investment Pool, and

3) No more than seventy-five percent (75%) of the City's portfolio, at the time of purchase, shall be invested in U.S. Treasury or Agency securities.

NOTE 4 – RECEIVABLES

Taxes Receivable

Taxes receivable consists of property taxes, sales and use tax, and gambling taxes. Customer accounts receivable consists of amounts owed by private individuals or organizations for good and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used. Other types of accounts receivable include utility taxes due from private organizations and customer accounts receivable for amounts owed which billings have not been prepared.

	Governmental Activities	Business-Type Activities	Total
Taxes Receivable			
Property	$ 332,239	$ -	$ 332,239
Sales & Use	3,257,528	-	3,257,528
Utility Tax	640,901	-	640,901
Admission/Gambling/Parking	767,054	854	767,908
Total Taxes Receivable	4,997,723	854	4,998,577
Customer Receivable			
Miscellaneous	431,746	4,273	436,019
Utility Accounts	-	1,287,512	1,287,512
Total Customer Receivable	431,746	1,291,785	1,723,531
Special Assessments-current portion	444,710	-	444,710
Interest	47,848	42,224	90,072
Total Receivables	$ 5,922,027	$ 1,334,864	$ 7,256,890

Property Taxes Receivable

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

Property Tax Calendar

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

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

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

During the year, property tax revenues are recognized when cash is received. At year-end, unpaid property taxes are recorded as a receivable. Property tax receivables at year-end not expected to be collected within 60 days after the current period are reported as other unavailable revenue in the deferred inflow of resources section of the governmental funds financial statements. The tax rate for general City operations is limited to $3.60 per $1,000 of assessed value. Of this amount, up to $0.45 per thousand may be designated for contribution to the Firemen's Pension Fund, if a report by a qualified actuary indicates that additional funds are required.

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

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate. The City's regular levy for 2013 was $2.98778 per $1,000 of assessed valuation of $4,649,191,308 for a total regular levy of $13,890,761.

Due from Other Governments

All receivables from other governments are recorded at year-end as amounts Due from Other Governmental Units. These amounts represent federal, state, and local reimbursement-type grants, and are reported as receivables and intergovernmental revenues in the year when the related expenditures are incurred. As of December 31, 2013, 99 percent represents grants.

Notes Receivable

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

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

	Governmental Activities	Business-Type Activities	Total
Notes Receivable			
Special Assessments - LT portion	6,242,835	-	6,242,835
Sewer Payment Plan	-	403,041	403,041
Total Notes Receivable	$ 6,242,835	$ 403,041	$ 6,645,875

NOTE 5 – INTERFUND TRANSACTIONS

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

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

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

Interfund Loans/Advances – Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds in the fund statements. Interfund loans are offset by a reservation of fund equity. Interfund loans are subject to elimination upon consolidation. The City issued a $1,million bond and loaned the proceeds to the MPD February 2013 for capital purposes. This loan is being repaid twice a year at the same interest rate as the bond.

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

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

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

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

Interfund transfers for the year were as follows:

SUMMARY OF INTERFUND TRANSFERS

Government and Internal Service Funds	General Fund	Other Government Funds	Internal Service Funds	Total
Transfers In	$ 14,919,606	$ 5,999,377	$ 1,030,000	$ 21,948,983
Transfers Out	(10,662,843)	(9,850,324)	(375,166)	(20,888,333)
Net Transfers In (Out)	$ 4,256,763	$ (3,850,947)	$ 654,834	$ 1,060,650

Proprietary Funds	Water/Sewer Utility	Surface Water Utility	Foster Golf Course	Total
Transfers In	$ 103,680	$ -	$ 400,000	$ 503,680
Transfers Out	(896,588)	(474,941)	(192,801)	(1,564,330)
Net Transfers In (Out)	$ (792,908)	$ (474,941)	$ 207,199	$ (1,060,650)

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

NOTE 6 – OPERATING LEASES

During 2013 the City maintained operating lease agreements for the purpose of leasing City operated machinery and equipment.

Tukwila leases office/ storage space for the purposes of the Records Center, Seattle Southside Visitor Center and the Neighborhood Resource Center. In addition the City leased a postage machine and copiers during 2013. Costs associated with these activities are as follows.

SCHEDULE OF FUTURE MINIMUM LEASE PAYMENTS

	2013	2014	2015	2016	2017
Records Center [1]	66,510	67,674	28,544	-	-
Neighborhood Resource Center [2]	19,800	20,400	10,200	-	-
Seattle Southside Visitors Center	40,314	41,520	42,132	42,132	42,132
Postage Machines	6,126	8,263	8,263	8,263	8,263
Office Equipment	46,908	52,041	53,052	52,200	51,349
Total Lease Payments	179,657	189,898	142,191	102,595	101,744

[1] Leasing of the Records Center expires on 5/31/2015. The tenant is responsible for the cost of utilities and maintenance of building, w hich is estimated, based on square footage and reconciled annually by the lessor.

[2] Leasing of the Neighborhood Resource Center expires on 6/30/2015.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

GOVERNMENTAL ACTIVITIES

		BEGINNING BALANCE 12/31/2012		BLENDED COMPONENT UNIT		PRIOR PERIOD ADJUSTMENT	BEGINNING BALANCE 12/31/2012 RESTATED		INCREASES		DECREASES		ENDING BALANCE
Governmental Activities													
Capital assets, not being depreciated:													
Land	$	40,501,509	$	-	$	-	40,501,509	$	1,689,819	$	-	$	42,191,328
Construction in Progress		47,942,200		942,119 [1]		(3,863,455) [2]	45,020,864		6,854,400		(41,391,303)		10,483,961
Intangible Assets		-		-		-	-		770,000		-		770,000
Total capital assets, not being depreciated		88,443,709		942,119		(3,863,455)	85,522,373		9,314,219		(41,391,303)		53,445,289
Capital assets, being depreciated:													
Buildings		22,273,557		1,938,376 [1]		-	24,211,933		1,549,900		(484,594)		25,277,239
Other Improvements		17,699,804		-		-	17,699,804		430,689		-		18,130,492
Machinery and Equipment		16,992,308		-		-	16,992,308		4,497,423		(4,536,069)		16,953,662
Infrastructure		149,595,860		-		-	149,595,860		42,121,179		(400,269)		191,316,770
Intangible Assets		605,762		-		-	605,762		136,246		-		742,008
Total capital assets being depreciated		207,167,290		1,938,376		-	209,105,666		48,735,437		(5,420,932)		252,420,172
Less accumulated depreciation for:													
Buildings		(10,091,849)		(79,363) [1]		-	(10,171,212)		(671,533)		32,307		(10,810,438)
Other Improvements		(9,756,296)		-		-	(9,756,296)		(786,281)		-		(10,542,577)
Machinery and Equipment		(11,394,781)		-		-	(11,394,781)		(1,283,625)		1,180,783		(11,497,623)
Infrastructure		(45,506,262)		-		-	(45,506,262)		(4,518,997)		320,216		(49,705,043)
Intangible Assets		(95,170)		-		-	(95,170)		(163,931)		-		(259,101)
Total accumulated depreciation		(76,844,358)		(79,363)		-	(76,923,721)		(7,424,367)		1,533,306		(82,814,782)
Total capital assets, being depreciated, net		130,322,932		1,859,013		-	132,181,945		41,311,070		(3,887,626)		169,605,390
Governmental activity capital assets, net	$	218,766,642	$	2,801,132	$	(3,863,455)	217,704,319	$	50,625,289	$	(45,278,929)	$	223,050,679

[1]On September 12, 2011, the Board of Commissioners approved the formation of the Tukwila Metropolitan Park District (MPD) Pool. For the comprehensive annual financial report years of 2011 and 2012, the MPD Pool was treated as a discretely presented component unit. Effective with the report year 2013, the beginning balances to the capital asset categories for Construction in Progress, Buildings, and Accumulated Depreciation for Buildings now reflect totals carried over on behalf of the MPD Pool and presented in this Note Section to the Financial Statements as a *blended component unit.*

[2]The City had two construction projects that were accepted by the Council in 2013. Both road projects had expenditures that the majority were charged correctly to the Arterial Street Fund. However there were utility (Proprietary Fund) expenditures that were also charged to the Arterial Street Fund. These expenditures should have been charged to the Proprietary Fund since the assets were constructed in both funds. The correction in 2013 has resulted in a prior period adjustment of ($3,863,455) which is reflected in the decreases to Construction in Progress. *(See Prior Period Adjustment Note).*

Significant decreases for Governmental Activities Machinery and Equipment of ($4,536,069) reflect Fleet vehicle dispositions totaling ($1,191,778); transfer of Fire apparatuses totaling ($3,326,739) from the 107 Fire Equipment Cumulate Reserve Fund into Fund 501 for Fleet vehicles; while general fixed asset Machinery and Equipment in the amount of ($17,552) were disposed of for the Parks & Recreation Department. Conversely, significant increases to infrastructure of $42,121,179 for the period include

$38,881,758 being capitalized into roadway; $315,379 into bridges; and $2,924,042 into traffic signals/street lighting.

BUSINESS-TYPE ACTIVITIES

	BEGINNING BALANCE 12/31/2012	PRIOR PERIOD ADJUSTMENT	BEGINNING BALANCE 12/31/2012 RESTATED	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities						
Capital assets, not being depreciated:						
Land	$ 2,214,118	$ -	$ 2,214,118	$ -	$ (284,434)	$ 1,929,684
Construction in Progress	7,595,365	2,427,372	10,022,737	1,545,690	(8,464,166)	3,104,260
Intangible Assets	-	-	-	308,074	-	308,074
Total capital assets, not being depreciated	9,809,483	2,427,372	12,236,855	1,853,764	(8,748,600)	5,342,018
Capital assets, being depreciated:						
Buildings	11,390,601	-	11,390,601	1,152,563	-	12,543,164
Other Improvements	71,829,216	-	71,829,216	7,282,925	(55,783)	79,056,357
Machinery and Equipment	2,295,253	-	2,295,253	-	(33,905)	2,261,349
Intangible Assets	90,647	-	90,647	-	-	90,647
Total capital assets being depreciated	85,605,717	-	85,605,717	8,435,487	(89,688)	93,951,517
Less accumulated depreciation for:						
Buildings	(3,291,381)	-	(3,291,381)	(304,540)	-	(3,595,921)
Other Improvements	(27,259,703)	-	(27,259,703)	(1,552,688)	50,216	(28,762,175)
Machinery and Equipment	(1,711,052)	-	(1,711,052)	(81,991)	33,905	(1,759,138)
Intangible Assets	(34,635)	-	(34,635)	(2,154)	-	(36,789)
Total accumulated depreciation	(32,296,770)	-	(32,296,770)	(1,941,373)	84,121	(34,154,023)
Total capital assets, being depreciated, net	53,308,949	-	53,308,949	6,494,114	(5,567)	59,797,496
Business-Type activity capital assets, net	$ 63,118,432	$ 2,427,372	$ 65,545,804	8,347,877	$ (8,754,168)	$ 65,139,514

A prior period adjustment totaling $2,427,372 for Construction in Progress in the Business-Type Activities consists of the two construction projects where utility expenditures were also charged to the Arterial Street Fund as described in Footnote 2 above. This resulted in a prior period adjustment of $3,863,455 into the Proprietary Funds. Additionally, another prior period adjustment was recognized for the Proprietary Funds in the amount ($1,436,083) for utility assets that were already recorded by the Highline Water District *(See Prior Period Adjustment Note).*

CAPITAL ASSET ADDITIONS BY PROJECT

GOVERNMENTAL ACTIVITIES	Capital Outlay	Donated	Total
Southcenter Parkway	1,098,196	4,367,291	5,465,487
Transit Center	1,094,162	335,500	1,429,662
Interurban Avenue South	577,814	-	577,814
Pedestrian Bridge	336,480	-	336,480
Other	2,748,309	729,848	3,478,157
Internal Service fund - Fleet	2,044,015	-	2,044,015
Totals	$ 7,898,976	$ 5,432,639	$ 13,331,615

BUSINESS-TYPE ACTIVITIES	Capital Outlay	Donated	Total
Storm Lift Station #15	480,539	-	480,539
Small Drainage Project - 2013	381,261	-	381,261
Andover Park West/Andover Park East Sewer	165,885	-	165,885
CBD Sewer Rehabilitation	158,724	-	158,724
E Marginal Way S Storm	153,910	-	153,910
Other	194,111	-	194,111
Land Turnovers, Contributions	-	6,221	6,221
Totals	$ 1,534,430	$ 6,221	$ 1,540,651

Government Wide Totals	$ 9,433,406	$ 5,438,860	$ 14,872,266

COMPONENTS OF NET CAPITAL ASSET CHANGES

CAPITAL ASSET CHANGES	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
Increases / Additions				
Capital outlay	$ 5,854,961	*	$ 1,534,430	$ 7,389,391
Land turnovers, contributions	5,432,639		6,221	5,438,860
Internal service funds (Equipment rental)	2,044,015			2,044,015
Total capital asset additions	13,331,615		1,540,651	14,872,266
Decreases / Disposals				
Right of way and other land donations:	400,269			400,269
Sale or disposal of assets	502,146	*	89,688	591,834
Internal service funds (Equipment rental)	1,191,778			1,191,778
Total capital asset disposals	2,094,193		89,688	2,183,881
Net Increase in Capital Assets	$ 11,237,422		$ 1,450,963	$ 12,688,385

ACCUMULATED DEPRECIATION CHANGES	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
Increases / Additions				
Depreciation:				
Governmental	$ 6,538,166		$ -	$ 6,538,166
General government	314,115			
Public safety	140,013			
Physical Environment	662,855			
Transportation	4,549,202			
Economic Environment	4,833			
Culture and recreation	867,148	*		
Internal service funds (Equipment rental)	886,201			886,201
Business-type funds			1,941,373	1,941,373
Total capital asset additions	7,424,367		1,941,373	9,365,740
Decreases / Disposals				
Accumulated depreciation associated with asset sale or disposal:				
Governmental	370,075	*		370,075
Internal service funds (Equipment rental)	1,163,231			1,163,231
Business-type funds			84,121	84,121
Total accumulated depreciation disposal	1,533,306		84,121	1,617,427
Net Increase in Accumulated Depreciation	$ 5,891,061		$ 1,857,252	$ 7,748,313

NET CHANGE IN CAPITAL ASSETS				
INCREASE (DECREASE) IN NET CAPITAL ASSETS	$ 5,346,361		$ (406,289)	$ 4,940,072

* Includes Park District activity consisting of:

Capital outlay	$ 739,109
Book value, disposed/replaced assets	484,594
Depreciation	64,613
Accumulated depreciation,disposed/replaced assets	32,307

NOTE 8 – JOINT VENTURES

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

Valley Communications Center

The “Valley Communications Center” was established August 20, 1976, when an Interlocal Agreement was entered into by the four original participating municipal corporations, including the cities of Renton, Kent, Auburn, and Tukwila, with Federal Way formally admitted during 2000. The agreement is sanctioned by the provisions and terms of the Interlocal Cooperation Act pursuant to RCW 39.34. The initial duration of the agreement was five years, and thereafter is automatically extended for consecutive five-year periods.

The purpose of the joint operation, hereafter referred to as Valley Com, is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to several subscribing agencies. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged. The allocation of prorated financial participation among the five participating cities is the percentage of estimated dispatched calls attributed to each jurisdiction compared to the total estimated dispatched calls for the current 12-month period ending December 31.

The 2013 cost distribution for the five participating cities is as follows:

City	Dispatchable Calls	Percent of Total
Renton	72,740	20.70%
Kent	97,579	27.76%
Auburn	71,881	20.45%
Tukwila	34,192	9.73%
Federal Way	75,073	21.36%
Total	351,465	100.00%

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

In addition, an Operating Board was established and consists of two members of each participating City’s Public Safety Departments, including the heads of such departments or their designees. The Operating Board performs the following functions: (1) Oversees the operation of Valley Com and advises and makes recommendations to the Administration Board; (2) Makes recommendation on Director selection; (3) Presents proposed policies and budgets to the Administration Board; (4) Approves disbursement of funds by the Director.

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

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

ITEM	RENTON	KENT	AUBURN	TUKWILA	FEDERAL WAY	TOTAL
Equity January 1, 2013	$ 5,062,434	$ 7,139,778	$ 4,783,577	$ 2,843,407	$3,324,584	$ 23,153,780
Current Year Increase/(Decrease)	178,173	239,013	176,069	83,751	183,886	860,892
Equity December 31, 2013	$ 5,240,607	$ 7,378,791	$ 4,959,646	$ 2,927,158	$3,508,470	$ 24,014,672
Percent of Equity	21.82%	30.73%	20.65%	12.19%	14.61%	100.00%

Liabilities are the responsibility of the five participating cities in direct proportion to their equity position. In August 1993, Valley Com entered into an interlocal cooperation agreement, pursuant to RCW 39.34 RCW, with the subregions of King County, Seattle, and the Eastside Public Safety Communications Agency. This agreement governs the development, acquisition and installation of the 800 MHz emergency radio communications system funded by a $57 million King County levy approved in November 1992. This agreement provides that upon voluntary termination of any subregion'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 subregion or consortium of subregions. Thus, in accordance with this agreement, the participating cities of Valley Com have no equity interest in Valley Com's 800-MHz communications system.

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

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

South Correctional Entity (SCORE)

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the "Original Interlocal Agreement") was entered into by seven participating municipal governments, the "Member Cities" of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the "Interlocal Cooperation Act" (RCW 39.34). This "Original Interlocal Agreement" was amended and restated October 1, 2009 and named the City of Des Moines as the "Host City" and the remaining Member Cities as "Owner Cities". This interlocal agreement is known as the "Formation Interlocal Agreement". Pursuant to a separate "Host City Agreement" dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Host City Agreement. Pursuant to SCORE financial policies, all unexpected funds or reserve funds shall be distributed based on the percentage of the Member City's average daily population at the SCORE Facility for the last three (3) years regardless of their Owner City or Host City status.

SCORE, a governmental administrative agency pursuant to RCW 39.34.030(3), has the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the "SCORE Facility" and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. The SCORE Facility may serve the Member Cities and Subscribing Agencies which are in need of correctional facilities. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement.
Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility was provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the "SCORE PDA"), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755 and secured by the full faith and credit of the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila. The SCORE PDA issued $86 million in special obligation bonds in 2009 to carry out the facility development project. The following is a summary of the debt service requirements for the bond issue:

SUMMARY OF DEBT SERVICE REQUIREMENTS

Debt Service Schedule					Debt Service Allocation to Owner Cities					
			35% BABs		Auburn	Burien	Federal Way	Renton	SeaTac	Tukwila *
Year	Principal	Interest	Subsidy	Total	31%	4%	18%	36%	3%	8%
2014	$ 1,950,000	$ 5,066,566	$ (1,654,975)	$ 5,361,591	$ 1,662,093	$ 214,464	$ 965,086	$ 1,930,173	$ 160,848	$ 428,927
2015	1,990,000	4,995,069	(1,632,787)	5,352,282	1,659,207	214,091	963,411	1,926,822	160,568	428,183
2016	2,065,000	4,911,886	(1,632,787)	5,344,099	1,656,671	213,764	961,938	1,923,876	160,323	427,528
2017	2,145,000	4,820,241	(1,621,980)	5,343,261	1,656,411	213,730	961,787	1,923,574	160,298	427,461
2018	2,240,000	4,715,979	(1,621,980)	5,333,999	1,653,540	213,360	960,120	1,920,240	160,020	426,720
2019-2023	12,435,000	21,771,988	(7,583,953)	26,623,035	8,253,141	1,064,921	4,792,146	9,584,293	798,691	2,129,843
2024-2028	15,060,000	17,809,677	(6,398,978)	26,470,699	8,205,917	1,058,828	4,764,726	9,529,452	794,121	2,117,656
2029-2033	18,475,000	12,403,424	(4,553,914)	26,324,510	8,160,598	1,052,980	4,738,412	9,476,824	789,735	2,105,961
2034-2038	22,795,000	5,605,241	(2,225,755)	26,174,486	8,114,091	1,046,979	4,711,407	9,422,815	785,235	2,093,959
2039	5,165,000	170,858	(119,601)	5,216,257	1,617,040	208,650	938,926	1,877,853	156,488	417,301
Totals	$84,320,000	$ 82,270,929	$ (29,046,710)	$137,544,219	$ 42,638,709	$ 5,501,767	$ 24,757,959	$49,515,922	$ 4,126,327	$11,003,539

*Debt service is due 1/1 of each year. The City paid the 2014 principal in 2013 so the schedule reflects a payment the City has already made.

The City of Tukwila reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The share of equity belonging to the six participating cities is as follows:

ITEM	AUBURN	BURIEN	DES MOINES	FEDERAL WAY	RENTON	SEATAC	TUKWILA	TOTAL
Equity January 1, 2013	$ 1,368,859	$ 176,627	$ -	$ 794,820	$ 1,589,644	$ 132,469	$ 353,254	$ 4,415,673
Current Year Increase/(Decrease)	1,148,378	117,696	107,970	1,026,120	958,575	199,239	248,680	3,806,658
Equity December 31, 2013	$ 2,517,237	$ 294,323	$ 107,970	$ 1,820,940	$ 2,548,219	$ 331,708	$ 601,934	$ 8,222,331
Percent of Equity	30.61%	3.58%	1.31%	22.15%	30.99%	4.03%	7.32%	100.00%

The investment in joint venture for SCORE on the Statement of Net Position includes Tukwila's share of debt issued in 2009. The City's share of SCORE debt is $6,589,600. See Note 11 for additional information on long-term debt. Completed financial statements for SCORE and SCORE PDA can be obtained from the SCORE office, 20817 17th Avenue South, Des Moines, WA 98198.

NOTE 9 – PENSION PLANS

Washington State Department of Retirement Systems

Substantially all City of Tukwila full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, Accounting for Pensions by State and Local Government Employers and 50, Pension Disclosures, an Amendment of GASB Statements 25 and 27.

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

Plan Description

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. 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.

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 PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprise 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 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

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

PERS Plan 1 members are vested after the completion of 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 two percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of 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 three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped 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 two percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is now 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 three percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 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.

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

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

- If they have 30 service credit years 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 three 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 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at three percent annually.
PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the 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, 2012:

Type of Membership	Membership
Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to but not yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	263,347

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 six 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 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 RCW 41.40 and RCW 41.45.

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

Members Not Participating in JBM:

	PERS Plan I	PERS Plan II	PERS Plan III
Employer*	9.21%	9.21%	9.21% **
Employee	6.00%	4.92%	Minimum 5% to maximum 15%

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.

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

	PERS Plan I	PERS Plan II	PERS Plan III
2013	$ -	$ 1,069,130	$ 177,312
2012	-	902,516	144,456
2011	2,078	753,456	113,753

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

Term of Service	Percent of final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. 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 FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

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

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 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 the completion of five years of eligible service.

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is two percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and two 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 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, 2012:

Type of Membership	Membership
Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Non-vested	2,633
Total	27,784

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 this funding could be changed by statute. For DRS' Fiscal Year 2013, the state contributed $54.2 million to LEOFF Plan 2.

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

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

	LEOFF Plan I	LEOFF Plan II
Employer	0.18%	5.23%
Employee	0.00%	8.41%

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 I	LEOFF Plan II
2013	$ 229	$ 737,626
2012	410	691,175
2011	489	654,131

Public Safety Employee's Retirement System (PSERS) Plan 2

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, PSERES Plan 2.

PSERS Plan 2 membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who meet at least one of the PSERS eligibility criteria and elected membership during the election 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 Broad; 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 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest theron, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

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

PSERS members may retire with a monthly benefit of two percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 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 three percent annually. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is two percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three 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, 2012:

Type of Membership	Membership
Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Non-vested	2,167
Total	4,337

Funding Policy

Each biennium, the state Pension Funding Council adopts 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 statue in the 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, 2013 are as follows:

	PSERS Plan II
Employer	10.54%
Employee	6.36%

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

	PSERS Plan II
2013	$ 14,175
2012	11,187
2011	8,712

Firemen's Pension System

Plan Description

The City is the administrator of the Firemen's Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.18. This plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to fire fighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Firemen's Pension Plan consists of paying all benefits, including payments to beneficiaries, for fire fighters who retired prior to March 1, 1970 and excess benefits over LEOFF for covered fire fighters who retired after March 1, 1970. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the Plan. The Plan does not issue a separate financial report.

Membership of the Firemen's Pension Plan consisted of the following at December 31, 2013.

Type of Membership	Total
Retirees and beneficiaries receiving benefits	10
Retirees currently receiving full retirement benefits through the Law Enforcement Officers and Fire Fighters Retirement Plan (LEOFF)	1
Total	11

Funding Policy

Under State law, the Firemen's Pension Plan is provided an allocation of all monies received by the State from taxes on fire insurance premiums; interest earnings; member contributions made prior to the inception of LEOFF; and City contributions required to meet projected future pension obligations. An actuarial valuation was completed as of January 1, 2013 and it was determined that current assets of the fund, along with future revenues from state fire insurance taxes and interest earnings, will be sufficient to pay all future Firemen's Pension Plan pension benefits. In 2013 $56,962 was received from the state from taxes on fire insurance premiums. On-behalf payments of fringe benefits and salaries for the City's employees were recognized as revenues and expenditures/expenses during the period. Costs to administer the plan are paid for through investment earnings and General Fund resources. The Actuarial Valuation of Firefighters' Pension Fund table is reported in the Required Supplemental Information section, and a recap of the Schedule of Funding Progress is as follows:

PENSION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2005	$1,265	$1,182	($83)	107%	$0	N/A
January 1, 2007	1,336	1,310	(26)	102	0	N/A
January 1, 2009	1,445	1,610	165	90	442	37
January 1, 2011	1,430	1,582	152	90	371	41
January 1, 2013	1,416	1,296	(120)	109	0	N/A

The Firemen's Pension Plan does not issue a stand-alone financial report and is not included in another Public Employee Retirement System or another entity. Biennially a complete actuarial valuation financial report, including an accounting update for intervening years, is prepared by Milliman USA, Incorporated. This report is available from the City of Tukwila.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the plan.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

			2011	2012	2013
1	Annual normal cost (BOY)		$ -	$ -	$ -
2	Amortization of UAAL (BOY)		11,523	11,523	(9,690)
3	Interest to EOY	(1 + 2 x i*)	461	461	(363)
4	ARC at EOY	(1 + 2 + 3)	11,984	11,984	(10,053)
5	Interest on NPO		(11,400)	(12,393)	(12,613)
6	Adjustment to ARC		(21,647)	(24,488)	(27,312)
7	Annual Pension cost	(4 + 5 - 6)	22,231	24,079	4,646
8	Employer contributions**		47,065	50,599	49,187
9	Change in NPO	(7- 8)	(24,834)	(26,520)	(44,541)
10	NPO at BOY	(11 prior yr)	(284,998)	(309,832)	(336,352)
11	NPO at EOY	(9 + 10)	$ (309,832)	$ (336,352)	$ (380,893)

* (i) is the assumed interest rate that year: 4.0% in 2011, 4.0% in 2012, and 3.75% in 2013.
** Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

The Annual Required Contribution (ARC) was computed using the Entry Age Normal Cost Method. Under this method, the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Accrued Liability. Since all members have already retired, the amount of the Normal Cost is zero. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Accrued Liability minus the actuarial value of the Fund's assets.

ANNUAL DEVELOPMENT OF PENSION COST

Fiscal Year Ended	Annual Required Contribution	Interest on Net Pension Obligation	ARC Adjustment	Annual Pension Cost	Total Employer Contri-butions	Change in Net Pension Obligation	Net Pension Obligation Balance	--- Amortization--- (Gain)/ Loss	Factor	(Gain)/ Loss	Ending Balance
2011	11,984	(11,400)	(21,647)	22,231	47,065	(24,834)	(309,832)	(35,081)	13.1657	(21,647)	(309,832)
2012	11,984	(12,393)	(24,488)	24,079	50,599	(26,520)	(336,352)	(38,615)	12.6523	(24,488)	(336,352)
2013	(10,053)	(12,613)	(27,312)	4,646	49,187	(44,541)	(380,893)	(59,240)	12.3153	(27,312)	(380,893)

PERCENTAGE OF ANNUAL PENSION COST CONTRIBUTED

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a* Percentage of APC	Net Pension Obligation (Asset)
December 31, 2011	22,231	212	(309,832)
December 31, 2012	24,079	210	(336,352)
December 31, 2013	4,646	1059	(380,893)

* In years with a negative APC, this percentage is not applicable.

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

The key actuarial assumptions used for the January 1, 2013 valuation were:

Actuarial Valuations	
Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	30-year, closed as of January 1, 1999
Remaining amortization period	18 years
Asset valuation method	Fair market value
Assumptions	
Investment rate of return	3.75%
Projected salary increases	3.50%
Price inflation	2.50%
Cost-of-living adjustments	Based upon salary increase assumption when appropriate, for FPF benefits.* Based upon inflation assumption for some FPF benefits and all LEOFF benefits.

* Under the Firemen's Pension Trust Fund, most adjustments are based on the change in salary for the rank of members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26

The Schedule of Funding progress, presented as required supplementary information following the notes of the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Schedule of Employer Contributions is also included as required supplementary information following the notes to the financial statements.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

The City is the administrator of the Retiree Medical and Long-Term Care Benefits for LEOFF 1 Employees Plan which is a closed, single-employer, defined benefit, other post-employment benefit plan (OPEB). The benefits are authorized under state statute, RCW Chapters 41.16 and 41.18 and 41.26 and may be amended by the state legislature. This plan provides medical, dental and long-term care benefits to eligible retirees. Membership is limited to eligible law enforcement officers and fire fighters hired prior to the March 1, 1970 establishment of LEOFF, as well as eligible members of LEOFF hired prior to October 1, 1977. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report. Triennially, a complete actuarial valuation financial report is prepared by Milliman USA, Incorporated. This report is available from the City.

Membership

As of December 31, 2013, there were 1 active employees and 40 retirees meeting the eligibility requirements of a LEOFF 1 member. This is considered a closed group with no new members.

Funding Policy

Funding for LEOFF 1 retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements. The employee or retiree is not required to contribute to the cost of the plan. The annual contribution represents the cost of employer-paid benefits.

Annual OPEB Cost and Net OPEB Obligation

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

			2011	2012	2013
1	Annual normal cost (BOY)		$ 91,385	$ 91,385	$ 91,385
2	Amortization of UAAL (BOY)		1,124,502	1,124,502	1,124,502
3	Interest to EOY	(1 + 2 x i*)	48,635	48,635	48,635
4	ARC at EOY	(1 + 2 + 3)	1,264,522	1,264,522	1,264,522
5	Interest on Net OPEB Obligation		112,598	145,727	174,458
6	Adjustment to ARC		213,809	287,945	359,904
7	Annual OPEB cost	(4 + 5 - 6)	1,163,311	1,122,304	1,079,076
8	Employer contributions		335,090	404,007	878,755
9	Change in Net OPEB Obligation	(7- 8)	828,221	718,297	200,321
10	Net OPEB Obligation at BOY	(11 prior yr)	2,814,942	3,643,163	4,361,460
11	Net OPEB Obligation at EOY	(9 + 10)	$ 3,643,163	$ 4,361,460	$ 4,561,781

* (i) is the assumed interest rate that year: 4% in 2011, 4% in 2012, and 4% in 2013.

The net OPEB obligation of $4,561,781 is included as a non-current liability on the Statement of Net Position.

ANNUAL DEVELOPMENT OF OPEB COST

Fiscal Year Ended	Annual Required Contribution	Interest on Net OPEB Obligation	ARC Adjustment	Annual OPEB Cost	Total Employer Contri-butions	Change in Net OPEB Obligation	Net OPEB Obligation Balance	(Gain)/ Loss	--- Amortization--- Factor *	(Gain)/ Loss	Ending Balance
2008	$ 1,366,284	$ -	$ -	$1,366,284	$ 557,103	$ 809,181	$ 809,181	$809,181	13.4622	$ -	$ 809,181
2009	1,366,284	40,459	61,839	1,344,904	335,265	1,009,639	1,818,820	1,031,019	13.0853	61,839	1,818,820
2010	1,366,284	90,941	143,332	1,313,893	317,771	996,122	2,814,942	1,048,513	12.6896	143,332	2,814,942
2011	1,264,522	112,598	213,809	1,163,311	335,090	828,221	3,643,163	929,432	13.1657	213,809	3,643,163
2012	1,264,522	145,727	287,945	1,122,304	404,007	718,297	4,361,460	860,515	12.6523	287,945	4,361,460
2013	1,264,522	174,458	359,904	1,079,076	878,755	200,321	4,561,781	385,767	12.1184	359,904	4,561,781

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

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

PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 21, 2011	1,163,311	335,090	29	3,643,163
December 21, 2012	1,122,304	404,007	36	4,361,460
December 21, 2013	1,079,076	878,755	81	4,561,781

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $21.3 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $21.3 million and a funded ratio of 0%. The funded ratio is 0%, because the City funds benefits on a pay-as-you-go basis.

SCHEDULE OF FUNDING PROGRESS (rounded to thousands)

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

* Only three valuations completed to date

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. 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**.** Significant methods and assumptions were as follows:

Actuarial Valuations		
Valuation date	January 1, 2011	
Actuarial Cost Method	Entry Age Normal	
Amortization Method	21-year, closed as of January 1, 2008	
Remaining Amortization Period	18 years	
Asset Valuation Method	Fair market value	
Assumptions		
Investment rate of return	4.00%	
Medical inflation	Year	Medical Cost Rate
	2011	7.80%
	2012	7.10%
	2013	6.50%
	2014-2019	5.90%
	2020-2030	5.80%
	2031-2036	5.70%
Long-term care inflation	4.75%	

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

NOTE 11 – LONG-TERM DEBT

Governmental Activities Long-Term Debt

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

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

- 2003 LTGO refunding bonds were issued to refund the remaining debt of the 1994 LTGO bonds. 1994 LTGO bonds were issued to pay for the Community Center and Fire Station #53.

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

- 2010 LTGO bonds were issued for the construction and realignment of Southcenter Parkway in the Tukwila South Annexation area and for the cost of emergency preparedness capital and other equipment.

- 2011 LTGO refunding bonds were issued to refund a portion of the bonds issued in 2003 for the City's Arterial Street program.

- 2013 LTGO bonds were issued and the proceeds loaned to the Tukwila Metropolitan Park District to pay for improvements to the pool.

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

Special assessments outstanding at year-end are as follows:

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

Business-Type Activities Long-Term Debt

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

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

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

The schedules that follow summarize the long-term debt transactions of the City for the year ended December 31, 2013.

CHANGES IN LONG-TERM LIABILITIES SUMMARY

	GENERAL OBLIGATION	SPECIAL ASSESSMENT	REVENUE BONDS UTILTIES	PUBLIC WORKS TRUST FUND LOANS	COMPENSATED ABSENCES[1]	DUE TO OTHER GOVERNMENTS	TOTAL
Outstanding 01/01/2013	$ 18,360,000	$ -	$ 3,540,000	$ 6,621,364	$ 3,477,305	$ 7,392,600	$ 39,391,269
Added	1,000,000	6,687,500	-	-	2,937,241	-	10,624,741
Retired / redeemed	(4,653,991)	-	(465,000)	(558,294)	(2,757,276)	(371,000)	(8,805,560)
Outstanding 12/31/2013	$ 14,706,009	$ 6,687,500	$ 3,075,000	$ 6,063,071	$ 3,657,270	$ 7,021,600	41,210,450
Add: Premium net of discounts							730,129
Total Long-Term Liabilities							$ 41,940,579

1 Compensated absences beginning balance restated due to inclusion of Metropolitan Park District. See Changes in Long-Term Liabilities section for additional details.

Debt Service to Maturity
Following is a schedule showing the debt service requirements to maturity for the City's long-term debt, excluding compensated absences.

	Government Activities						
Year Ended December 31	General Obligation Bonds		Due to Other Governments		Special Assessments		
	Principal	Interest	Principal	Interest	Principal	Interest	TOTAL
2014	$ 1,917,788	$ 743,479	$ 371,200	$ 286,263	$ -	$ -	$ 3,318,730
2015	1,514,507	649,495	385,200	271,560	447,500	346,784	3,615,046
2016	1,563,737	593,400	171,600	255,861	450,000	286,005	3,320,603
2017	1,616,428	528,915	179,200	249,088	450,000	271,830	3,295,460
2018	1,679,196	445,846	184,800	243,173	445,000	257,655	3,255,670
2019 - 2023	5,914,353	1,092,810	1,032,400	1,103,504	2,225,000	1,017,938	12,386,006
2024 - 2028	500,000	27,050	1,254,000	875,353	2,225,000	478,375	5,359,778
2029 - 2033	-	-	1,541,200	580,236	445,000	23,919	2,590,355
2034 - 2038	-	-	1,902,000	211,365	-	-	2,113,365
Totals	$ 14,706,009	$ 4,080,995	$ 7,021,600	$ 4,076,402	$ 6,687,500	$2,682,505	$ 39,255,011

	Business-Type Activities						
Year Ended December 31	General Obligation Bonds		Revenue Bonds		Public Works Trust Fund Loans		
	Principal	Interest	Principal	Interest	Principal	Interest	TOTAL
2014	$ -	$ -	$ 495,000	$ 139,953	$ 558,293	$ 30,315	$ 1,223,561
2015	-	-	520,000	110,172	558,293	27,524	1,215,989
2016	-	-	150,000	91,950	558,293	24,732	824,975
2017	-	-	155,000	85,950	558,293	21,941	821,184
2018	-	-	165,000	78,975	558,293	19,149	821,418
2019 - 2023	-	-	930,000	277,425	2,739,363	16,358	3,963,146
2024 - 2026	-	-	660,000	60,300	532,242	2,661	1,255,203
Totals	$ -	$ -	$ 3,075,000	$ 844,725	$ 6,063,071	$ 142,681	$ 10,125,477

Changes in Long-Term Debt

CHANGES IN LONG-TERM LIABILITIES – GOVERNMENTAL FUNDS

ITEM	Interest Rates	Maturity	Authorized	OUTSTANDING 12/31/2012	ISSUED	REDEEMED	OUTSTANDING 12/31/13	Due Within One Year
GOVERNMENTAL ACTIVITIES:								
Limited General Obligation (GO) Bonds Payable:								
2003 Refunding-TCC, Fire Stn	4.00-5.00	12/01/14	$ 4,195,000	$ 910,000	$ -	$ 445,000	$ 465,000	$ 465,000
2003 LTGO-Golf Course	4.25-4.65	12/01/23	6,277,500	3,240,000	-	3,240,000	-	-
2008 Refunding-Streets/Facilities	4.00-6.00	12/01/19	6,180,000	4,545,000	-	500,000	4,045,000	595,000
2010 LTGO-Streets/Equipment	2.00-5.41	12/01/24	5,870,000	5,070,000	-	355,000	4,715,000	365,000
2011 Refunding-Streets (2003 GO)		12/01/39	4,620,000	4,595,000	-	15,000	4,580,000	395,000
2013 LTGO-MPD Pool Improve	2.00-4.00	12/01/22	1,000,000	-	1,000,000	98,991	901,009	97,788
Total Bonds Payable			28,142,500	18,360,000	1,000,000	4,653,991	14,706,009	1,917,788
Unamortized Premiums:								
Issuance premiums			-	827,832	-	143,552	684,280	-
Net Bonds Payable			28,142,500	19,187,832	1,000,000	4,797,542	15,390,290	1,917,788
Due to Other Governments								
2009 Facility SCORE	3.00-6.62	01/01/39	6,898,800	6,745,600	-	156,000	6,589,600	159,200
2010 Refunding Valley Com	4.30-5.75	12/01/15	1,065,000	647,000	-	215,000	432,000	212,000
Total Due Other Governments			7,963,800	7,392,600	-	371,000	7,021,600	371,200
Special Assessment Debt								
Klickitat Urban Access Project	3.150-5.375	01/15/29	6,687,500	-	6,687,500	-	6,687,500	-
Total Special Assessment Debt			6,687,500	-	6,687,500	-	6,687,500	-
Compensated Absences: [1]			-	3,168,775	2,669,860	2,500,668	3,337,967	-
Total Governmental Funds			$ 42,793,800	$ 29,749,207	$ 10,357,360	$ 7,669,210	$ 32,437,357	$ 2,288,988

[1] Prior year compensated abesnces earned w as greater then w hat w as taken. Using LIFO, there is no current portion to report.

Net bonds payable beginning balance has been restated due to the implementation of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement calls for deferred charges on refunding bond issues to be reported as a deferred outflow of resources rather than bonds and other debt payable, due in more than one year.

Additionally, compensated absences beginning balance has been restated to reflect the Tukwila Metropolitan Park District as a blended component unit. Prior to 2013, the MPD was reported as a discretely presented component unit and the compensated absences related to the MPD was not included in the Changes in Long-term Liabilities – Governmental Funds chart.

ITEM	BEGINNING BALANCE 12/31/2012	BLENDED COMPONENT UNIT	GASB STATEMENT NO. 65	BEGINNING BALANCE 12/31/2012, RESTATED
Net Bonds Payable	$18,589,476	$ -	$ 598,356	$ 19,187,832
Compensated Absences	3,144,413	24,362	-	3,168,775

CHANGES IN LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES

ITEM	Interest Rates	Maturity	Authorized	OUTSTANDING 12/31/2012	ISSUED	REDEEMED	OUTSTANDING 12/31/13	Due Within One Year
BUSINESS-TYPE ACTIVITIES:								
Bonds Payable:								
1995 Water/Sewer Revenue	4.15-6.63	02/01/15	$ 4,500,000	$ 1,060,000	$ -	$ 330,000	$ 730,000	$ 355,000
2006 Water/Sewer/SWM Revenue	4.00-4.50	12/01/26	3,180,000	2,480,000	-	135,000	2,345,000	140,000
Total Bonds Payable			7,680,000	3,540,000	-	465,000	3,075,000	495,000
Unamortized Deferred Credits (Charges):								
Issuance Premiums			-	58,070	-	11,150	46,920	-
Issuance Discounts			-	(12,695)	-	(11,623)	(1,072)	-
Net Bonds Payable			7,680,000	3,585,375	-	464,528	3,120,848	495,000
Public Works Trust Fund Loans:								
2003 Loan-Water/Sewer	0.50	07/01/21	273,870	129,962	-	14,328	115,634	14,454
2003 Loan-Surface Water	0.50	07/01/21	219,725	104,496	-	11,723	92,773	11,597
2004 Loan-Water/Sewer	0.50-2.00	07/01/24	5,016,000	3,274,635	-	272,886	3,001,749	272,886
2004 Loan-Surface Water	0.50-2.00	07/01/24	684,000	446,541	-	37,212	409,329	37,212
2004 Loan-Surface Water	1.00	07/01/24	4,196,056	2,665,730	-	222,144	2,443,586	222,144
Total Public Works Trust Fund Loans			11,702,651	6,621,364	-	558,294	6,063,071	558,293
Compensated Absences:			-	308,530	267,381	256,608	319,303	5,098
Total Business-Type Activities			$ 19,382,651	$ 10,515,270	$ 267,381	$ 1,279,429	$ 9,503,222	$ 1,058,391
TOTAL ALL FUNDS			$ 62,176,451	$ 40,264,477	$ 10,624,741	$ 8,948,640	$ 41,940,578	$ 3,347,379

Due to Other Governments

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

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

LONG-TERM LIABILITIES RECONCILIATION

	Government Funds	Enterprise Funds	Balance 12-31-13
General obligation bonds	$ 14,706,009	$ -	$ 14,706,009
Special assessment bonds	6,687,500	-	6,687,500
Revenue bonds	-	3,075,000	3,075,000
Public Works Trust Fund loans	-	6,063,071	6,063,071
Due to Other Governments	7,021,600	-	7,021,600
Employee leave benefits	3,337,967	319,303	3,657,270
Net Premiums	684,280	45,849	730,129
Total long-term debt	$ 32,437,357	$ 9,503,222	$ 41,940,579

Debt Limit Capacities

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City: 1.5% without a vote of the people; 2.5% with a vote of the people; 5.0% with a vote of the people, provided the indebtedness in excess of 2.5% is for utilities; 7.5% with a vote of the people, provided the indebtedness in excess of 5.0% is for parks or open space development.

At December 31, 2013, the debt limits for the City were as follows:

SUMMARY OF DEBT LIMIT CAPACITIES

	Without a Vote	-------With a Vote of the People-------		
Item	1.5%	2.5%	5.0%	7.5%
Legal Limit	$ 71,345,605	$ 118,909,342	$ 237,818,684	$ 356,728,027
Outstanding Net Indebtedness	26,231,623	26,231,623	26,231,623	26,231,623
Margin Available	$ 45,113,982	$ 92,677,719	$ 211,587,061	$ 330,496,404

Long-term Liabilities other than debt

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

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

LID No. 33

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

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

A variety of funding sources were used to pay for the project including federal and state grants, impact fees, City funds, a right-of-way donation, and special assessments. The City chose to fund the project internally, rather than obtain external, short-term financing then apply special assessments to property owners after the project was completed. Fund 104 Arterial Streets, where the project was accounted for, loaned the project funds as needed using a draw method at an interest rate of 1.80%. This loan was repaid in 2013 when special assessment bonds were issued.
The City confirmed the assessment roll with a final assessment of $9,475,894. The prepayment period for the special assessments was open in the fall of 2013 and during that time the City received $2,788,350 in prepayments. Once the prepayment window closed, the City issued bonds for the remaining outstanding assessments in the amount of $6,687,500. From these proceeds, the City deposited $668,750 to the guaranty fund. The first of 15 annual installments for the assessments will be due by October 16, 2014.

As of December 31, 2013, all assessments are current and no accounts are delinquent or in default.

Estimated Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt of over $5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City's estimated rebatable arbitrage amount as of December 31, 2013 is $0 for its tax-exempt bond issues subject to the Tax Reform Act.

NOTE 12 – CONSTRUCTION COMMITMENT

Upon completion, the projects will be capitalized in their appropriate categories in the Government Wide Statements and in the proprietary fund financials, if applicable. As of December 31, 2013 the City share of contractual obligations on construction projects total $4,020,911.

Project Name		Remaining Commitment
Interurban Avenue South		4,248
Tukwila Urban Center		859,780
Duwamish Gardens		113,578
City Facilities Needs Assessment & Feasibility		298,261
Andover Park West		608,841
42nd Avenue S		392,579
Boeing Access Rd over BNRR Rehab Design		187,425
Other governmental projects		53,670
Total Governmental Activities	$	2,518,382

Project Name		Remaining Commitment
Sewer Lift Station No. 2	$	57,778
Storm Lift Station No.15		185,276
Small Drainage 2013		90,066
42nd Ave S Gilliam Creek Culvert		43,982
Andover Park West		1,024,834
Other Utility related projects		100,593
Total Business-Type Activities	$	1,502,528
Total Commitments	**$**	**4,020,911**

NOTE 13 – LITIGATION

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

NOTE 14 – RISK MANAGEMENT

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

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

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

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

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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

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

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

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

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

The City also self-insures for medical, dental and other health care benefits. A third-party administrator, Healthcare Management Administrators, Inc., provides claims administration. The City has a stop-loss policy with Sun Life Insurance Company, which provides individual limits of $150,000 and a plan limit of $8,086,270 in 2013. Each fund contributes an appropriate amount each year to pay premiums and claims. Liabilities include an actuarially determined amount for claims that have been incurred but not reported (IBNR's) and a contingency reserve equal to 2.5 times the IBNR reserve.

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

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

The City also self-insures for medical, dental and other health care benefits. A third-party administrator, Healthcare Management Administrators, Inc., provides claims administration. The City has a stop-loss policy with Sun Life Insurance Company, which provides individual limits of $150,000 and a plan limit of $8,086,270 in 2013. Each fund contributes an appropriate amount each year to pay premiums and claims. Liabilities include an actuarially determined amount for claims that have been incurred but not reported (IBNR's) and a contingency reserve equal to 2.5 times the IBNR reserve.

The following table reflects changes in the balances of claims liabilities for 2013 and 2012.

SUMMARY OF HEALTH CARE CLAIM LIABILITIES

ITEM	Active Employees		Retired Employees LEOFF I	
	2013	2012	2013	2012
Claim Liabilities at Beginning of Year	$ 1,638,250	$ 1,499,600	$ 209,500	$ 193,200
Claim expenses:				
Current year and changes in estimates	4,745,675	4,852,259	817,357	388,026
Claim payments and expenses	(4,714,675)	(4,713,609)	(812,607)	(371,726)
Claim Liabilities at End of Year	$ 1,669,250	$ 1,638,250	$ 214,250	$ 209,500

NOTE 15 – GASB IMPLEMENTATION / CHANGES IN ACCOUNTING PRINCIPLE

Changes in Accounting Principle related to GASB Implementation

The City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus.* This required the City to change the presentation of the Tukwila Metropolitan Park District (MPD) from a discretely presented component unit to a blended component unit. The implementation of GASB Statement No. 61 also required the City to change the accounting for the operating loan in 2011 and 2012. When the loans were made, the City recorded an expenditure and the MPD recorded revenue received. The prior period adjustment reversed these entries and recorded a receivable to the City and a payable from the MPD. Additional details on all loans to the MPD can be found in Note 1.

The City implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. The portion of this standard that impacted the City was the requirement to eliminate the amortization of bond issuance costs. The implementation required the expensing of outstanding bond issuance costs retroactively and showing a prior period adjustment. The total prior period adjustment is $316,382 which restated the 2012 ending fund balance. The proprietary statements were restated by $66,661. The governmental statements were restated by $249,721. The amount per bond is listed in the table below.

Governmental Activities:

Name	Year/Type	Issuance Costs Remaining as of 12/31/2012
Streets & Golf Course	2003/G.O. Bonds	$54,021
Facilities	2003 Refunded/G.O. Bonds	13,419
Streets & Facilities	2008 Refunded/G.O. Bonds	60,676
Streets & Equipment	2010/G.O. Bonds	63,452
Streets	2011 Refunded/G.O. Bonds	58,153
	Total	$249,721

Business-Type Activities

Name	Year/Type	Issuance Costs Remaining as of 12/31/2012
Water/Sewer	1995/Revenue Bonds	$10,633
Water/Sewer/SWM	2006 Revenue Bonds	56,028
	Total	$66,661

Prior Period Adjustments not related to GASB Implementation

Two construction projects were completed in early 2013; Tukwila Urban Center Access (Klickitat Local Improvement District No. 33) and Southcenter Parkway Extension. Both were roadway projects where the majority of expenditures were charged correctly to the Arterial Street fund. However, when the projects were closed out, it was discovered that prior year storm drain capital expenses were incorrectly accounted for in the arterial Street fund rather than the Surface Water Management fund. The prior period adjustment moves the costs and related revenue from the Arterial Street fund to the Surface Water Management fund and adjusts construction-in-progress as needed.

The City has a franchise agreement with the Highline Water District which requires the District, at their own expense, to relocate District water assets to accommodate any City improvements. Due to a development agreement the City entered into to develop certain real property, the water district was required to relocate its water assets as well as construct larger water mains to accommodate future growth in capacity. The City and Highline entered into an interlocal agreement to include the water district's water costs with the City's construction contract bid. The water district would then reimburse the City for the construction, restoration, and administrative costs. When the project was closed out in 2013, it was discovered that the costs related to this interlocal agreement had been included in Construction-in-Progress for the City. The prior period adjustment reduces construction-in-progress totals by the amount of the Highline Water District agreement.

The following chart summarizes the effect of all changes in accounting principle/prior period adjustments:

DESCRIPTION	FUND FINANCIAL STATEMENTS				GOV'T WIDE	FUND FINANCIAL STATEMENTS			GOV'T WIDE	GOV'T WIDE TOTAL
	General Fund	Park District	Arterial Street	Gov't Wide Adjustments	Primary Government	Water	Sewer	Storm Water	Business-Type	
Assets transferred from Arterial Street to Storm Water										
Cash	$ -	$ -	$ 413,321	$ -	$ 413,321	$ -	$ -	$ (413,321)	$ (413,321)	$ -
Capital asset				(3,863,456)	(3,863,456)			3,863,456	3,863,456	-
Fund Balance	-	-	413,321	(3,863,456)	(3,450,135)	-	-	3,450,135	3,450,135	-
Assets constructed for neighboring water district										
Capital asset						(1,436,084)			(1,436,084)	(1,436,084)
Fund Balance	-		-	-	-	(1,436,084)	-	-	(1,436,084)	(1,436,084)
Blending of Component unit GASB 61										
Interfund receivable	850,000			(850,000)	-					-
Interfund payable		850,000		(850,000)	-				-	-
Fund Balance	850,000	(850,000)	-	-	-	-		-	-	-
Expensing Bond Cost of Issuance GASB 65										
Other asset				(249,721)	(249,721)	(25,201)	(34,737)	(6,723)	(66,661)	(316,382)
Fund Balance	-	-	-	(249,721)	(249,721)	(25,201)	(34,737)	(6,723)	(66,661)	(316,382)
TOTAL ADJUSTMENTS	$ 850,000	$ (850,000)	$ 413,321	$ (4,113,177)	$ (3,699,856)	$ (1,461,285)	$ (34,737)	$ 3,443,412	$ 1,947,390	$ (1,752,466)

CITY OF TUKWILA, WASHINGTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31,2013

	ORIGINAL BUDGET (GAAP BASIS)	FINAL BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES	$ 39,346,544	$ 39,183,384	$ 40,615,890	$ 1,432,506
LICENSES AND PERMITS	1,892,089	1,892,089	2,013,875	121,786
INTERGOVERNMENTAL	4,738,196	4,867,856	4,719,583	(148,273)
CHARGES FOR SERVICES	2,422,606	2,422,606	2,202,307	(220,299)
FINES AND FORFEITURES	234,829	234,829	242,638	7,809
INVESTMENT EARNINGS	147,573	147,573	108,053	(39,520)
MISCELLANEOUS	118,318	151,818	110,317	(41,501)
TOTAL REVENUES	48,900,155	48,900,155	50,012,664	1,112,509
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	9,375,569	9,079,533	9,266,330	(186,797)
PUBLIC SAFETY	25,904,060	25,712,296	25,650,155	62,141
PHYSICAL ENVIRONMENT	1,961,047	1,961,047	1,766,087	194,960
TRANSPORTATION	2,841,361	2,841,361	2,759,506	81,855
ECONOMIC ENVIRONMENT	3,848,667	3,973,667	3,893,111	80,556
CULTURE AND RECREATION	3,622,994	3,667,794	3,631,819	35,975
CAPITAL OUTLAY	400,440	400,440	250,482	149,958
TOTAL EXPENDITURES	47,954,138	47,636,138	47,217,490	418,648
EXCESS OF REVENUES OVER EXPENDITURES	946,017	1,264,017	2,795,173	1,531,156
OTHER FINANCING SOURCES (USES):				
SALES OF CAPITAL ASSETS	-	-	5,493	5,493
BOND PROCEEDS	81,000	1,081,000	1,000,000	(81,000)
TRANSFERS IN	12,035,740	12,110,740	14,919,606	2,808,866
TRANSFERS OUT	(10,925,688)	(11,325,688)	(10,662,843)	662,845
LOAN TO TUKWILA METROPOLITAN PARK DISTRICT	-	(1,000,000)	-	1,000,000
TOTAL OTHER FINANCING SOURCES AND USES	1,191,052	866,052	5,262,256	4,396,204
NET CHANGE IN FUND BALANCES	2,137,069	2,130,069	8,057,430	5,927,361
FUND BALANCES - BEGINNING	6,330,000	8,530,000	8,378,557	(151,443)
CHANGE IN ACCOUNTING PRINCIPLE	-	-	850,000	850,000
FUND BALANCES - BEGINNING AS RESTATED	6,330,000	8,530,000	9,228,557	698,557
FUND BALANCES - ENDING	$ 8,467,069	$ 10,660,069	$ 17,285,986	$ 6,625,917

CITY OF TUKWILA, WASHINGTON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

METROPOLITAN PARK DISTRICT

FOR THE YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET (GAAP BASIS)	FINAL BUDGET (GAAP BASIS)	ACTUAL RESULTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
TAXES:				
PROPERTY	$ 680,186	$ 680,186	$ 681,288	$ 1,102
INTERGOVERNMENTAL	416,666	416,666	3,059	(413,607)
CHARGES FOR SERVICES	211,000	211,000	226,709	15,709
MISCELLANEOUS	-	-	3,044	3,044
TOTAL REVENUES	1,307,852	1,307,852	914,100	(393,752)
EXPENDITURES:				
CURRENT:				
CULTURAL AND RECREATION	613,760	613,760	662,820	(49,060)
CAPITAL OUTLAY:				
CULTURAL AND RECREATION	1,416,666	1,416,666	739,109	677,557
DEBT SERVICE				
PRINCIPAL	141,615	141,615	-	141,615
INTEREST	32,235	32,235	39,016	(6,781)
TOTAL EXPENDITURES	2,204,276	2,204,276	1,440,946	763,330
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(896,424)	(896,424)	(526,846)	369,578
OTHER FINANCING SOURCES (USES):				
TRANSFERS IN	-	-	1,100,048	1,100,048
TRANSFERS OUT	30,000	30,000	(1,100,048)	(1,130,048)
CAPITAL LOAN FR PRIMARY GOVT	1,038,066	1,038,066	-	(1,038,066)
TOTAL OTHER FINANCING SOURCES AND USES	1,068,066	1,068,066	-	(1,068,066)
NET CHANGE IN FUND BALANCES	171,642	171,642	(526,846)	(698,488)
FUND BALANCES - BEGINNING	111,642	-	(189,329)	(189,329)
CHANGE IN ACCOUNTING PRINCIPLE	-	-	(850,000)	(850,000)
FUND BALANCES - BEGINNING AS RESTATED	111,642	-	(1,039,329)	(1,039,329)
FUND BALANCES - ENDING	$ 283,284	$ 171,642	$ (1,566,175)	$ (1,737,817)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

1) Prior to November 1 on even numbered years, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months, and balanced with revenue estimates made by the Mayor.

2) The City Council conducts public hearings on the proposed budget in November and December.

3) The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

4) The final operating budget as adopted is published and distributed within the first month of the following year. Copies of the budget are made available to the public.

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

Expenditure Categories

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

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

FIREMEN'S PENSION TRUST FUND

SCHEDULE OF FUNDING PROGRESS
(rounded to thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2005	$1,265	$1,182	($83)	107%	$0	N/A
January 1, 2007	1,336	1,310	(26)	102	0	N/A
January 1, 2009	1,445	1,610	165	90	442	37
January 1, 2011	1,430	1,582	152	90	371	41
January 1, 2013	1,416	1,296	(120)	109	0	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Employer Contributions	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31, 2008	$ (1,841)	$ 52,571	$ 50,730	$ (1,998)	- %
December 31, 2009	(18,425)	48,537	30,112	11,576	260
December 31, 2010	(3,000)	49,989	46,989	11,576	406
December 31, 2011	(7,800)	54,865	47,065	11,984	393
December 31, 2012	(1,650)	52,249	50,599	11,984	422
December 31, 2013	(7,775)	56,962	49,187	(10,053)	N/A

FIREMEN'S PENSION TRUST FUND

Actuarial Valuations	
Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	30-year, closed as of January 1, 1999
Remaining amortization period	18 years
Asset valuation method	Fair market value
Assumptions	
Investment rate of return	3.75%
Projected salary increases	3.50%
Price inflation	2.50%
Cost-of-living adjustments	Based upon salary increase assumption when appropriate, for FPF benefits.* Based upon inflation assumption for some FPF benefits and all LEOFF benefits.

* Under the Firemen's Pension Trust Fund, most adjustments are based on the change in salary for the rank of members held at retirement or based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26

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

SCHEDULE OF FUNDING PROGRESS
(rounded to thousands)

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

* Only three valuations completed to date

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Employer Contributions	Fire Insurance Premiums	Percentage of ARC Contributed
December 31, 2009	$335,265	$1,366,284	25%
December 31, 2010	317,771	1,366,284	23
December 31, 2011	335,090	1,264,522	26
December 31, 2012	404,007	1,264,522	32
December 31, 2013	878,755	1,264,522	69

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

Actuarial Valuations			
Valuation date	January 1, 2014		
Actuarial cost method	Entry Age Normal		
Amortization method	21-year, closed as of January 1, 2008		
Remaining amortization period	15 years		
Asset valuation method	Fair market value		
Assumptions			
Investment rate of return	3.75%		
		Medical Trend	
Medical and Dental Trend (before inclusion of the excise tax)	Year	Pre-65	Post-65
	2014-2015	5.90%	6.00%
	2015-2016	5.60%	5.60%
	2016-2017	5.30%	5.40%
	2017-2023	5.40%	5.40%
	2023-2036	5.30%	5.30%
Long-term care inflation	4.75%		

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

1	2	3	4	5			6
				Expenditures			
Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
U.S.Dept of Agriculture / pass-through from Off of Superintendent of Public Instruction	Child & Adult Care Food Program	10.558	17141471	$ 3,565.02		$ 3,565.02	
U.S.Dept of Housing & Urban Development / pass-through from King County Housing & Comm Development	Community Development Block Grant	14.218	5617472	22,427.89		22,427.89	
			5433919	51,111.79		51,111.79	
			Subtotal	73,539.68		73,539.68	
U.S.Dept of Justice	State Criminal Alien Assistance Prog	16.606			$ 772.00	772.00	
U.S.Dept of Justice	Bulletproof Vest Partnership Prog	16.607	N/A		6,742.28	6,742.28	
U.S.Dept of Justice	ARRA-Pub Safety Partner & Com Pol	16.710	2009RKWX0885		173,329.95	173,329.95	3
U.S.Dept of Justice	Edward Byrne Memorial JAG Program	16.738	2011-DJ-BX-3330		11,900.60	11,900.60	
U.S.Dept of Justice / pass-through from City of Seattle			2012-DJ-BX-0526	8,316.31		8,316.31	
			Subtotal	8,316.31	11,900.60	20,216.91	
U.S.Dept of Transpor-tation / pass-through from WA DOT	Highway Planning and Construction	20.205	STPE-CM-1320(002) Tuk Urb Ctr Ped/Bike	301,647.00		301,647.00	
			BHM-1380(003) Boeing Access Bridge	108,511.28		108,511.28	
			TCSP-TCSP(010) Trans Oriented Dev	79,265.65		79,265.65	
			SRTS-1320(003) Thorndyke Safe Route	21,874.54		21,874.54	
			CM-9917(022) Tukwila MIC Smart St	9,120.65		9,120.65	
			STPUL-1391(002) East Marginal Way S	382.56		382.56	
			Subtotal	520,801.68		520,801.68	
U.S.Dept of Transpor-tation / pass-through from WA DOT	Job Access Reverse Commute	20.516	GCB1081	37,875.00		37,875.00	
U.S.Dept of Transpor-tation / pass-through from WTSC	State & Community Highway Safety	20.600	Impaired Driving	1,000.00		1,000.00	

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

CITY OF TUKWILA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

1	2	3	4	5			6
				Expenditures			
Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
U.S.Dept of Health & Human Services/ pass-through from Seattle Children's Hospital	PPHF-2012: Comm Transformation	93.737	13-110	$ 3,058.91		$ 3,058.91	
U.S.Dept of Homeland Security / pass-through from Pierce County Emergency Management	National Urban Search & Rescue Response System	97.025	WATF1	2,757.23		2,757.23	
U.S.Dept of Homeland Security / pass-through from WA St Military Dept.	Emergency Mgmt Performance Grant	97.042	E12-353	77,335.04		77,335.04	
U.S.Dept of Homeland Security / pass-through from City of Seattle	Homeland Security Grant Program	97.067		10,554.40		10,554.40	
TOTAL FEDERAL AWARDS EXPENDED				**$ 738,803.27**	**$ 192,744.83**	**$ 931,548.10**	

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - AMERICAN RECOVERY AND REINVESTMENT ACCT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

NOTE 4 - FEDERAL GOVERNMENT REVENUE RECONCILIATION

Revenue from the Federal government	$ 1,000,957.48
Less: Direct Federal interest rate subsidies	(61,358.05)
Less: Revenue recognized in 2013 but expended in prior years	(8,051.32)
Less: Revenue overstated in 2013	(0.01)
Expenditures of Federal awards	**$ 931,548.10**

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor	**Troy Kelley**
Chief of Staff	**Doug Cochran**
Director of Performance and State Audit	**Chuck Pfeil, CPA**
Director of Local Audit	**Kelly Collins, CPA**
Deputy Director of State Audit	**Jan M. Jutte, CPA, CGFM**
Deputy Director of Local Audit	**Sadie Armijo**
Deputy Director of Local Audit	**Mark Rapozo, CPA**
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Deputy Director of Quality Assurance	**Barb Hinton**
Deputy Director of Communications	**Thomas Shapley**
Public Records Officer	**Mary Leider**
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