Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

City of Kent
King County

Audit Period
January 1, 2009 through December 31, 2009

Report No. 1004362

Issue Date
September 30, 2010

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 30, 2010

Council
City of Kent
Kent, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Kent'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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • TDD Relay (800) 833-6388
FAX (360) 753-0646 • http://www.sao.wa.gov

Table of Contents

City of Kent
King County
January 1, 2009 through December 31, 2009

Federal Summary

City of Kent
King County
January 1, 2009 through December 31, 2009

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

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and 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 unqualified opinion on the City's compliance with requirements applicable to 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
20.205	ARRA – Highway Planning and Construction (Recovery Act)
20.205	Highway Planning and Construction
14.253	ARRA – Community Development Block Grant Cluster - Entitlement Grants (Recovery Act)
14.218	Community Development Block Grant - Entitlement Grants

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 in Accordance with *Government Auditing Standards*

City of Kent
King County
January 1, 2009 through December 31, 2009

Council
City of Kent
Kent, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Kent, King County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 17, 2010. The prior year comparative information has been derived from the City's 2008 basic financial statements that we issued our report thereon dated August 21, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of management, the Council, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 17, 2010

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

City of Kent
King County
January 1, 2009 through December 31, 2009

Council
City of Kent
Kent, Washington

COMPLIANCE

We have audited the compliance of the City of Kent, 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 are applicable to its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Council, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 10, 2010

Independent Auditor's Report on Financial Statements

City of Kent
King County
January 1, 2009 through December 31, 2009

Council
City of Kent
Kent, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Kent, King County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed on page 9. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated August 21, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Kent, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 10 through 23 and pension trust fund on pages 96 through 97 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 17, 2010

Financial Section

City of Kent
King County
January 1, 2009 through December 31, 2009

The discussion and analysis of the City of Kent's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS:

- Net assets ($973.5 million) decreased by $5.2 million or 0.5% percent from 2008 levels, comprised of a $14.9 million or a 2.0 percent decrease resulting from governmental activities and $9.7 million or 4.1 percent increase as a result of business-type activities. Approximately $60.3 million or 6.2 percent of the net assets may be used to meet the City's ongoing obligations to citizens and creditors.

- Net Property, Plant and Equipment ($1.1 billion) increased by $13.3 million or 1.3 percent from 2008.

- Long-term debt ($172.9 million) increased by $18.5 million or 12.0 percent from 2008 levels. The key factor impacting the increase was the issuance of Combined Utility System Revenue Bonds in the amount of $25 million.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

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

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

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

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

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

The government-wide financial statements can be found on pages 17 – 19 of this report.

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

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

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

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

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

The basic financial statements are found on pages 20 - 24 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 26 – 35 of this report.

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

The basic fiduciary fund financial statements can be found on pages 36 – 37 of this report.

Notes to the financial statements. The notes provide information that aid in the understanding of the data presented in the government-wide and fund financial statements. The notes can be found on pages 38 – 89 of this report.

Other information. This report also includes required supplementary information concerning the City of Kent's progress in funding its pension benefit obligations and employer contributions to its Firemen's Relief and Pension Fund and to the Retirement Health Care Benefits (LEOFF 1) Fund. This information can be found on pages 91 – 92 of this report.

Combining statements for non-major governmental funds and internal service funds are also presented immediately following the other information mentioned above. Included with the combining statements are budgetary comparison schedules for the Public Safety Retiree Fund, the Lodging Tax Fund and the Youth/Teen Fund, which are found on pages 92 – 104. The statement of changes in assets and liabilities for the agency funds are found on pages 115 – 119 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kent, assets exceeded liabilities by $973.5 million on December 31, 2009.

By far the largest portion of the City of Kent's net assets ($896.8 million or 92 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, site improvements, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Kent uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Kent's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF KENT'S NET ASSETS
December 31, 2009
(in thousands)

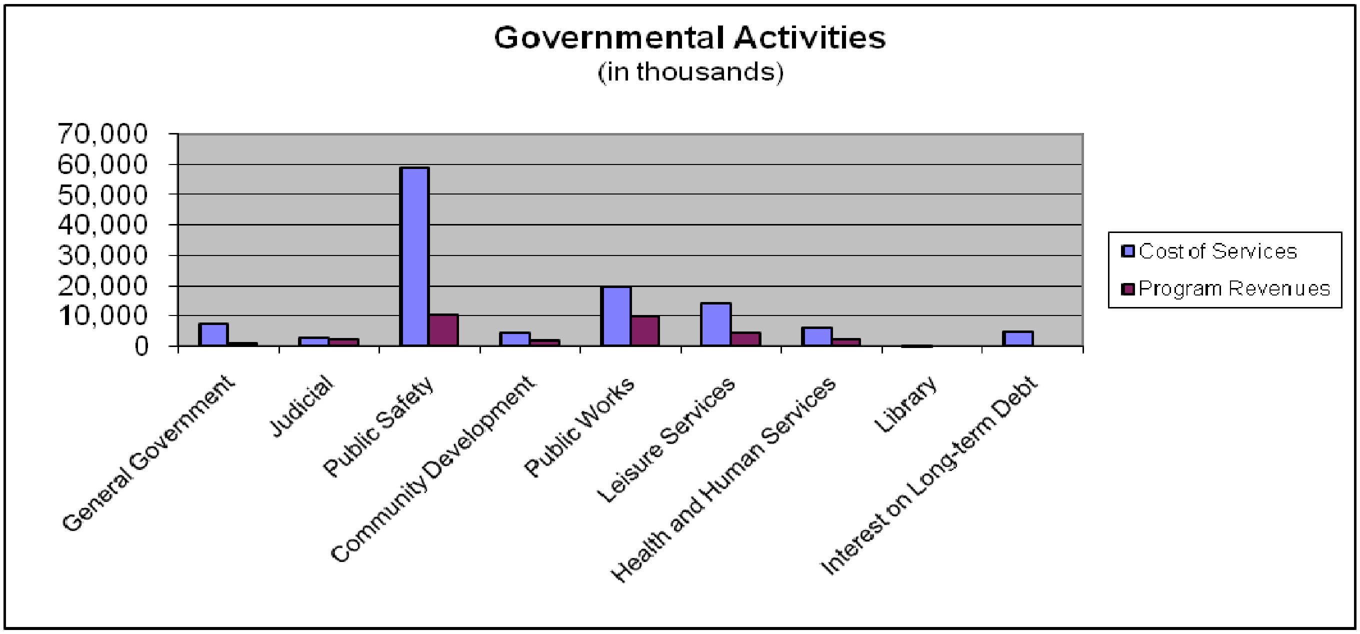
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	$ 39,612	$ 74,036	$ 54,695	$ 28,597	$ 94,307	$ 102,633
Capital Assets	817,301	810,749	250,660	243,886	1,067,961	1,054,635
Total Assets	856,913	884,785	305,355	272,483	1,162,268	1,157,268
Liabilities						
Long-term Debt Outstanding	106,894	110,873	66,375	43,607	173,270	154,480
Other Liabilities	13,408	22,362	2,062	1,681	15,470	24,043
Total Liabilities	120,302	133,235	68,437	45,288	188,739	178,523
Net Assets						
Invested in Capital Assets, net of debt	710,701	713,372	184,890	200,774	895,591	914,146
Restricted	14,297	17,492	2,120	803	16,417	18,295
Unrestricted	11,613	20,686	49,908	25,618	61,521	46,304
Total Net Assets	$736,611	$751,550	$236,918	$227,195	$973,529	$978,745

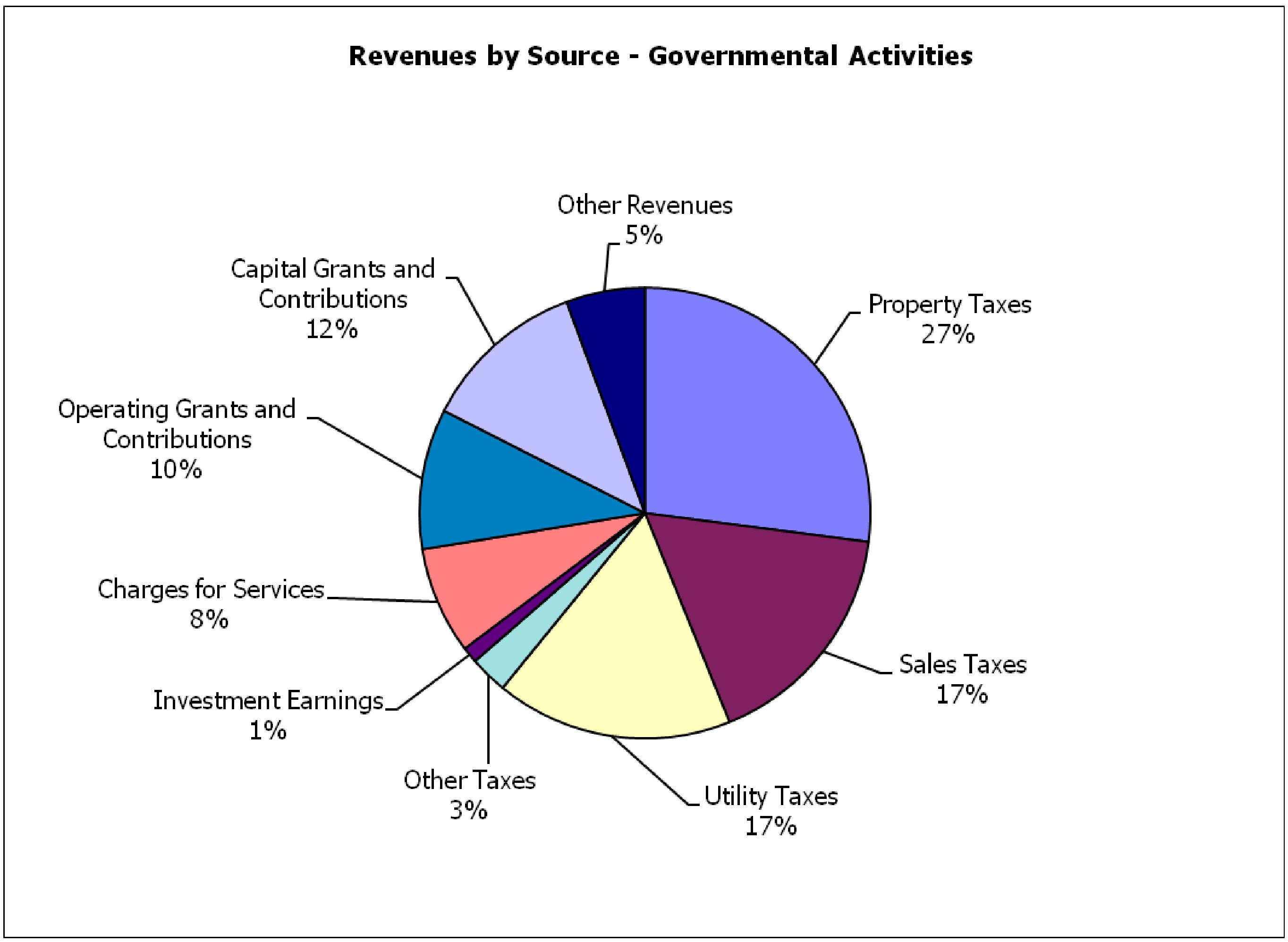
Of the City of Kent's net assets, 1.7 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($61.5 million) may be used to meet the city's ongoing obligations to citizens and creditors.

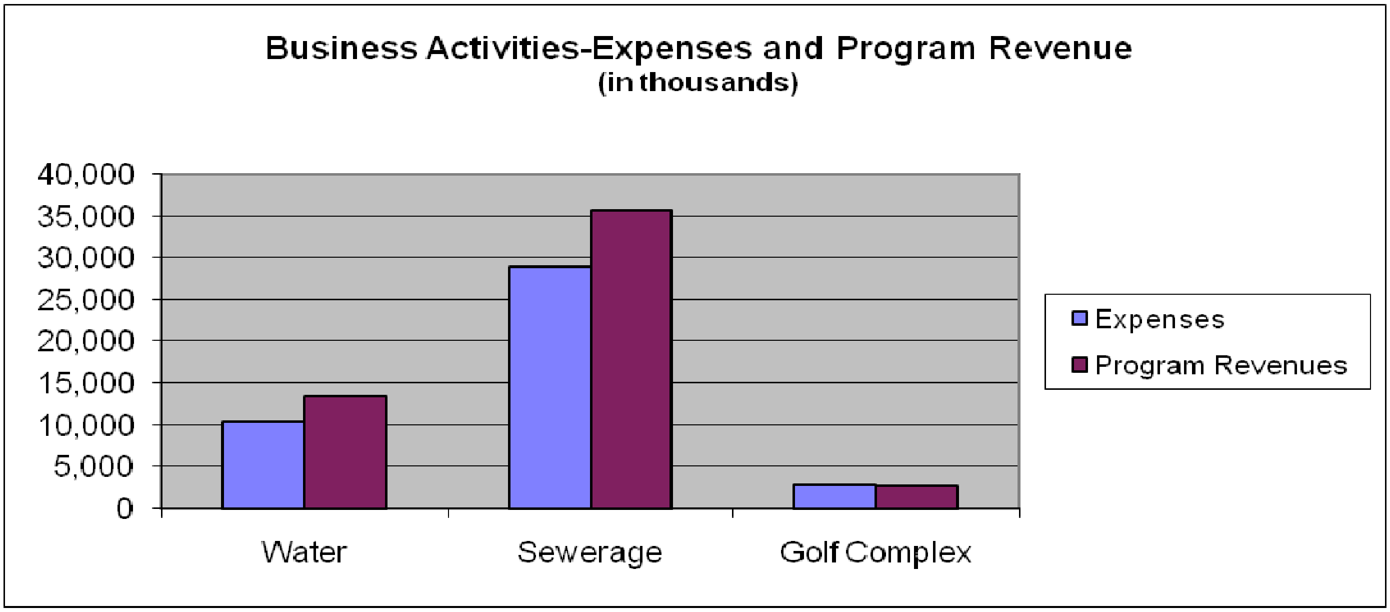
Following are charts and tables detailing the changes in net assets, a comparison of program costs and revenues, composition of the revenues, and a discussion of the various revenue streams.

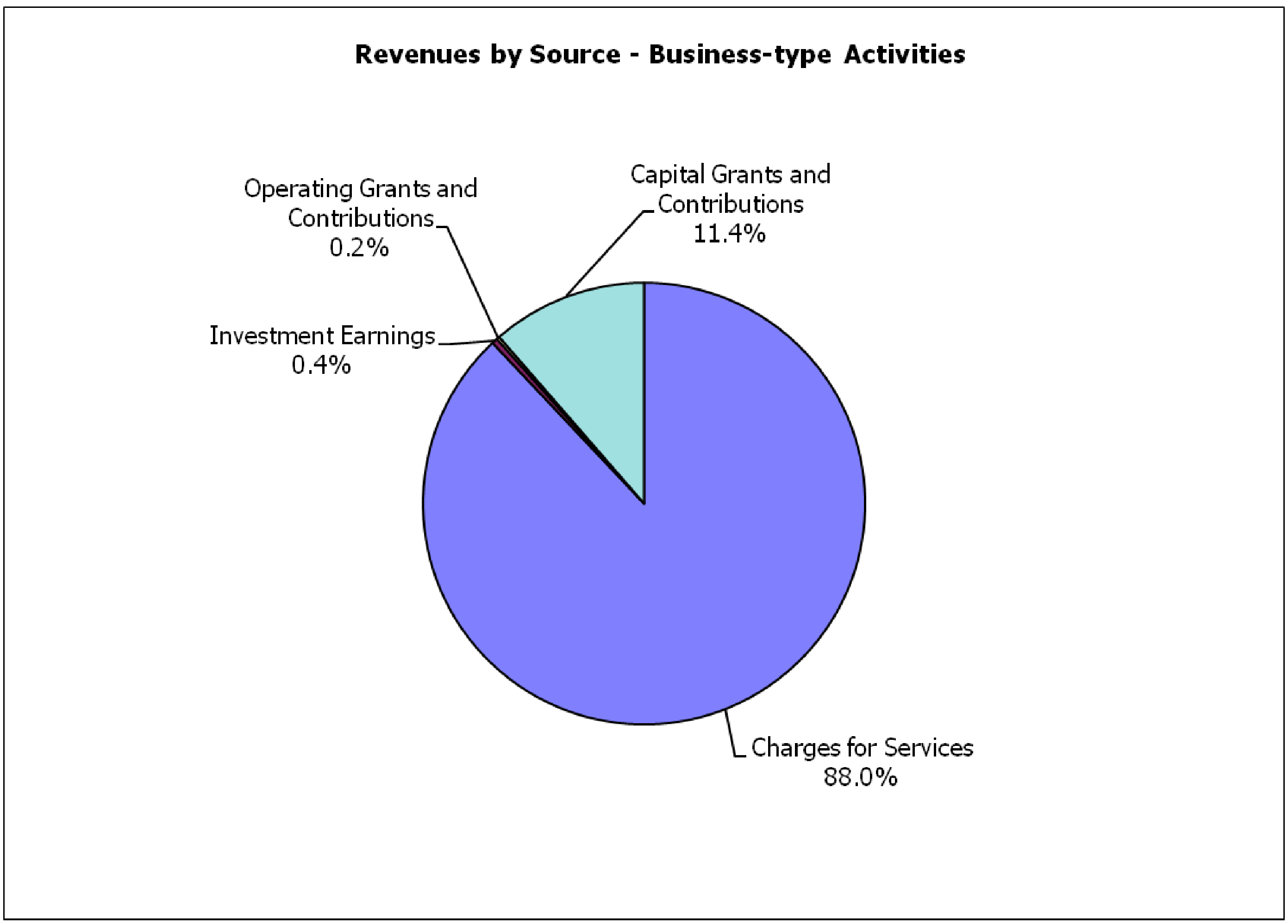
CITY OF KENT'S CHANGES IN NET ASSETS
For the Year Ended December 31, 2009
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	$ 7,862	$ 9,074	$ 45,874	$ 39,794	$ 53,736	$ 48,868
Operating Grants/Contributions	10,299	10,575	112	793	10,411	11,368
Capital Grants/Contributions	12,596	75,636	5,939	3,629	18,535	79,265
General Revenues:						
Property Taxes	27,645	27,176			27,645	27,176
Sales Taxes	17,234	25,460			17,234	25,460
Utility Taxes	17,379	17,570			17,379	17,570
Other Taxes	2,778	3,997			2,778	3,997
Grants and Contributions Not Restricted to Specific Programs	5,408	1,876			5,408	1,876
Investment Earnings	1,174	2,134	220	925	1,394	3,059
Miscellaneous	374	1,480			374	1,480
Total Revenue	$102,749	$174,978	$ 52,145	$ 45,141	$154,894	$220,119
Expenses:						
General Government	$ 7,231	$ 26,662	$.	$.	$ 7,231	$ 26,662
Judicial	2,488	2,389			2,488	2,389
Public Safety	58,880	57,178			58,880	57,178
Community Development	4,488	5,030			4,488	5,030
Public Works	19,453	20,098			19,455	20,098
Leisure Services	14,097	11,426			14,145	11,426
Health and Human Services	6,198	6,176			6,198	6,176
Library	99	99			99	99
Interest on Long-Term Debt	4,933	4,149			4,933	4,149
Water			10,402	10,251	10,402	10,251
Sewerage			28,948	27,231	28,948	27,231
Golf Complex			2,896	2,942	2,896	2,942
Total Expenses	$117,867	$133,207	$ 42,246	$ 40,424	$160,113	$173,631
Increase in Net Assets Before Transfers	$ (15,118)	$ 41,771	$ 9,899	$ 4,717	$ (5,219)	$ 46,488
Transfers	176	(143)	(176)	143		
Increase in Net Assets	$ (14,942)	$ 41,628	$ 9,723	$ 4,860	$ (5,219)	$ 46,488
Net Assets – January 1	751,550	709,922	227,195	222,335	978,745	932,257
Prior Period Adjustment	3				3	
Net Assets – January 1 (Adjusted)	751,553	709,922	227,195	222,335	978,748	932,257
Net Assets – December 31	$736,611	$751,550	$236,918	$227,195	$973,529	$978,745


Governmental Activities
(in thousands)
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
General Government
Judicial
Public Safety
Community Development
Public Works
Leisure Services
Health and Human Services
Library
Interest on Long-term Debt
Cost of Services
Program Revenues


Revenues by Source - Governmental Activities
Other Revenues 5%
Property Taxes 27%
Capital Grants and Contributions 12%
Operating Grants and Contributions 10%
Charges for Services 8%
Investment Earnings 1%
Other Taxes 3%
Utility Taxes 17%
Sales Taxes 17%


Business Activities-Expenses and Program Revenue
(in thousands)
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
Water
Sewerage
Golf Complex
Expenses
Program Revenues


Revenues by Source - Business-type Activities
Operating Grants and Contributions 0.2%
Capital Grants and Contributions 11.4%
Investment Earnings 0.4%
Charges for Services 88.0%

Governmental activities. Governmental activities decreased the City of Kent's net assets by $14.9 million, thereby accounting for a total decrease in net assets of $5.2 million when combined with a $9.7 million growth in business-type activities from 2008 levels. Key revenue highlights:

- *Property Taxes* ($27.6 million) increased by $.5 million or 1.7 percent, primarily attributed to new construction.

- *Sales and Use Taxes* ($17.2 million) decreased by $8.2 million or 32 percent primarily as a result of the implementation of Streamlined Sales Tax (sales tax is now collected based on destination sourcing) as well as the continued downturn in the economy. The City receives a Streamline Sales Tax (SST) mitigation payment, which is in the other grants and shared revenue category. If the SST mitigation of $4.4 million for 2009 is included and compared to $1.2 million SST mitigation from 2008, there is an increase of $3.2 million, which brings the total sales and use tax decrease for 2009 to $5 million instead of $8.2 million.

- *Utility Taxes* ($17.4 million) decreased by $190,821 or 1.1 percent primarily in the telephone, garbage, and electric utilities.

- *Other Taxes* ($2.8 million) decreased by $1.2 million, or 30.5 percent, primarily attributed to a decrease in real estate excise tax collections as a result of decreased sales in the housing market.

- *Investment Earnings* ($1.2 million) decreased by $1 million or 45 percent as a result of decreased funds available for investing along with declining investment rates.

- *Intergovernmental Revenue* ($24.3 million) decreased by $60.9 million. This was primarily due to the fact that in 2008, $60 million in funds was received from the Special Events Center Public Facilities District by the Other Capital Projects fund to cover 2008 events center expenditures (the project was completed in January 2009). There was also a decrease in the Fire District 37 funds of $.8 million or 15 percent.

Business-type activities. Business-type activities increased the City of Kent's net assets by $9.7 million, whereas the City of Kent's overall net assets decreased $5.2 million over 2008 levels. Key revenue highlights:

- *Operating Revenues* ($45.9 million) increased by $6.1 million or 15.3 percent. The increase was due to a $3.1 million or 35.3 percent increase in Water Utility revenues and a $3.2 million or 11.3% increase in Sewerage Utility revenue.

- *Interest Income* ($219,633) decreased $705,938 or 76 percent due to decreased funds available to invest and declining investment rates.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

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

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

At the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of $3.2 million, a decrease of $21.8 million or 87.1 percent in comparison with the prior fiscal year. (In 2007, the City began construction on Kent's special events center. During 2008, the Special Events Center Public Facilities District (PFD) issued bonds to reimburse the City for the cost of those construction expenses of $59.6 million.) Approximately $1.9 million or 58.6 percent constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay prepaid items, interfund loans, bond retirement and assessment debt guaranty.

The *General Fund* is the chief operating fund of the City of Kent. At the end of the current fiscal year, fund balance of the General Fund was $2.1 million, representing a $4.9 million or 70.3 percent decrease from 2008. From 2008 to 2009, revenues decreased by $5.3 million, primarily due to sales and use tax revenue decrease of $5.8 million. Expenditures, from 2008 to 2009, decreased by almost $2 million, however, the deficiency of revenues over expenditures was almost $6.2 million. Other grants and shared revenue increased by $3.3 million, while property taxes increased by $.7 million, which combined offset other revenue decreases in utility taxes of $1.2 million, other fees and charges of $1.1 million, and $.5 million in total licenses and permits. Fund balance at the end of 2009 represents 2.6 percent of total General Fund current fiscal year expenditures ($78.5 million).

Other major funds are the *Capital Improvement Fund,* the *Special Assessments Fund*, the *Street Projects Fund*, and the *Other Projects Fund*. Analysis of changes in net assets from 2008 levels:

- *Capital Improvement Fund.* Fund balance decreased by $5.6 million. This was primarily due to a decrease in the fund's share of sales and use tax revenue of $1.9 million or 33.3 percent as well as a decrease in real estate sales tax collections of $1.3 million or 42 percent due to the slowing real estate sales market. Combined with an increase in expenditures from 2008 of $2.3 million, the fund balance ended at negative $4.2 million.

- *Special Assessments Fund*. Fund balance decreased by $0.8 million or 38.9 percent primarily due to reduced debt service principal payments and a reduction in interest income. Expenditures slightly helped offset the decrease in revenues with a reduction of $.5 million or 15.7 percent over 2008.

- *Street Projects Fund*. Fund balance decreased by $5.4 million or 147 percent. As street construction continued, the additional funding slowed during 2009. Although capital outlay decreased by $6 million compared to 2008, other financing sources also decreased by $6.5 million.

- *Other Capital Projects Fund*. Fund balance decreased by $4.9 million from a fund balance in 2008 of $3.8 million. In 2008, fund balance was aided by a reimbursement from the Special Events Center PFD of $60 million to cover the costs incurred in the construction of the Kent special events center. Also, this fund is where non-proprietary bonds appear, but in 2009, the City only had an $8.4 million refunding of $8.1 million.

Proprietary Funds. The City of Kent's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's Enterprise utility funds continued to provide sufficient working capital to service their debt and fund capital outlays. Approximately $2.1 million or 0.9 percent of the Enterprise funds' net assets ($236.9 million) is restricted for debt service bond covenant requirements. Analysis of changes in net assets from prior fiscal year levels:

- *Water Fund*. Net assets increased by $2.86 million or 3.1 percent. Operating revenues increased by 35.3 percent or $3.1 million primarily due to two rate increases for meter access fees effective April 1, 2009, and again on June 1, 2009, which also increased usage rates per 100 cu. ft. Operating expenses decreased by 1 percent or $64,832. The fund's interest expense increased by $245,906 and capital contributions increased by $.5 million.

- *Sewerage Fund*. Net assets increased by $6.8 million or 5.3 percent, attributed primarily to increased sewerage utility operating revenues of $3.2 million and capital contributions totaling $4.4million.

- *Golf Complex*. Net assets increased by $63,432 or 1.0 percent as compared to 2008. Operating revenues decreased by $196,953 or 6.8% while expenditures increased slightly by $15,617 or 0.6 percent.

Additional information on the City of Kent's Enterprise funds can be found in Note 12 on pages 66 – 68 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS:

CITY OF KENT'S BUDGET ACTIVITY BY FUNCTION
For the Year Ended December 31, 2009
(in thousands)

	Original Budget	Supplemental Appropriations	Final Budget
General Government	$ 7,738	$ (1,158)	$ 6,580
Judicial	2,436	(13)	2,423
Public Safety	52,555	(2,693)	49,862
Community Development	4,987	(519)	4,468
Public Works	3,802	(855)	2,947
Leisure Services	9,378	(529)	8,849
Health and Human Services	4,955	(54)	4,901
	$ 85,851	$ (5,821)	$ 80,030

The total general fund budgetary decrease was primarily due to a $6 million decrease in revenues in the following areas: $2 million in sales tax, $2.5 million in building permits, $.9 million intergovernmental services, $.5 million in interest and $100,000 in admissions tax. Along with the budgetary decrease in revenues were reductions of over 50 employees due to attrition, layoffs, and freezing vacant positions, and decreases in salaries and benefits due to City employees agreeing to take furlough days or a reduction in benefits, such as foregoing deferred compensation contributions by the City. In addition, the City eliminated the remaining six months of fleet replacement allocation, which totaled about $540,000, plus other budget reductions in various departmental operating expenditures. Some increases occurred in Leisure Services due to a WSAC grant of $6,750 and a King County Cultural Development Authority grant of $17,000, but overall with anticipation of revenues running below budget, the main focus for 2009 was a budgetary decrease in both revenues and expenditures.

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

- *Sales and Use Taxes.* Sales taxes ended the year $5.9 million or 33.3 percent under budget as a result of the downturn in the economy. Also, included in the sales tax budget were the Streamline Sales Tax (SST) mitigation payments. If these payments are included (they are currently reported under other grants and shared revenue), the decrease is $1.5 million or 8.4% under budget for 2009. A review of the Department of Revenue information determined that the City was underpaid in 2009 by approximately $600,000, a matter that is currently being pursued.
- *Utility Taxes.* Utility taxes were $2.2 million or 13.6 percent under budget. The decline was mainly due to a decrease in Electric, Natural Gas and Garbage utility tax revenues.
- *Other Taxes.* Other taxes were $.5 million or 39.7 percent under budget at year end. The primary taxes in this category with significant decreases were admissions tax at $349,982 or 39.5 percent below budget and gambling tax at $136,870 or 41.4 percent under budget. The admissions tax budget included higher than realized revenues from the Kent Station AMC theaters and the new Kent Events Center. Gambling taxes reflect the continuing downward trend within the City.
- *Licenses and Permits.* Licenses and permits were $283,972 or 13.4 percent under budget. Within this source, development fees were $36,912 or 18.8 percent under budget, while building permits were $143,972 or 16.9 percent under budget, due mainly to the slowdown in construction activity.
- *Charges for Services.* Charges for services are about 30 percent or $1.2 million under budget. Of this revenue source, parks and recreation fees were below budget by $389,319 or 30 percent. Plan check fees were also under budget by $357,926 or 31.7 percent also due to slowing construction demands.
- *General Government Expenditures.* The general government expenses were $0.5 million or 7.1 percent below budget partly due to the City temporarily discontinuing the City's and employee's premiums for health care for the months of November and December, which saved the general fund approximately $1.2 million.
- *Leisure Services.* The Leisure Services expenses were $288,342 or 3.2 percent under budget primarily due to positions that were vacant for part or all of 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets. The City of Kent's investment in capital assets for its governmental and business type activities as of December 31, 2009, was $1.1 billion (net of accumulated depreciation), comprising 91.9% of the primary government's total assets at year-end. This investment in capital assets includes land, buildings, site improvements, equipment, infrastructure, and construction in progress as of that date.

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

Governmental Activities:

- *Infrastructure*. During 2009, the City's infrastructure increased by $23.1 million and depreciation increased by $12.9 million.

- *Construction in Progress.* Compared to 2008, construction in progress is $4 million less for 2009. This is primarily due to project closures in which the assets were recorded as land, building, site improvements or infrastructure.

- *Land*. During 2009, land increased by $1.3 million as a result of the City capitalizing various projects for Highway 99 HOV that had been included in Construction Work in Progress.

- *Buildings*. In 2009, buildings decreased due to an adjustment moving assets of $100,000 incorrectly coded into infrastructure. Depreciation for 2009 increased by $1.7 million.

- *Site Improvements*. Additions to site improvements increased by $4.1 million as compared to 2008. The additions included capitalization of Fire exhaust systems, remodeling and upgrades for the Washington Avenue fire station, Senior Center, and Police/Fire Training Center as well as numerous parks projects such as East Hill "X" Park, Three Friends Park and Glenn Nelson Park. Depreciation was recorded in the amount of $853,692.

Business Type Activities:

- *Construction in Progress.* Compared to 2009, construction in progress is $712,000 more in 2009. This is primarily due to projects still in progress. For example, construction in progress increased by:
  - $3.1 million for the Green River Flood Protection
  - $1.8 million for the Mill Creek Truck project
  - $.06 million for the NPDES project

- *Site Improvements*. Additions to site improvements for 2009 were $10.6 million and depreciation was $5 million. The primary additions to site improvements were the result of completed projects that were part of construction in progress 2008.

CITY OF KENT'S CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2009
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Land	$ 208,731	$ 207,414	$ 10,488	$ 9,816	$ 219,219	$ 217,230
Buildings	30,654	32,461	1,356	1,511	32,010	33,972
Site Improvements	20,010	16,682	151,787	146,201	171,797	162,883
Other Capital	25,215	27,870	260	301	25,475	28,171
Infrastructure	287,191	276,914			287,191	276,914
Construction in Progress	238,872	243,036	86,769	86,057	325,641	329,093
Total Property, Plant and Equipment	$ 810,673	$ 804,377	$ 250,660	$ 243,886	$1,061,333	$1,048,263
Investment in Joint Venture	6,628	6,372			6,628	6,372
Total Capital Assets	$ 817,301	$ 810,749	$ 250,660	$ 243,886	$1,067,961	$1,054,635

Additional information on the City of Kent's capital assets can be found in Note 7 on pages 53 - 55 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Kent had total bonded debt outstanding of $117.4 million. Of this amount, $82.7 million or 70.4 percent comprises general obligation debt backed by the full faith and credit of the government and $9.6 million or 8.2 percent is special assessment debt. The special assessment bonds are supported solely by the property owners and the Local Improvement Guarantee Fund and are not a general obligation of the City. The City intends $8.1 million or 9.8% of the outstanding bonded debt to be repaid through utility fund user fees. The remainder of the City of Kent's bonded debt ($25.2 million) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF KENT'S OUTSTANDING DEBT
December 31, 2009
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
General Obligation Bonds	$ 74,583	$ 78,827	$ 8,081	$ 9,283	$ 82,664	$ 88,110
Special Assessment Bonds	9,589	11,851			9,589	11,851
Revenue Bonds			25,153		25,153	
Total Bonded Debt	$ 84,172	$ 90,678	$33,234	$ 9,283	$117,406	$ 99,961

The City of Kent's total bonded debt increased by $17.4 million or 17.5 percent during the current fiscal year. The required debt service payments were made during 2009.

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

The State of Washington limits the amount of general obligation debt a governmental entity may issue with and without a vote. The City's remaining unused debt capacity at year-end was $778.6 million.

Additional information on the City of Kent's long-term debt can be found in Note 10 on pages 56 – 66 of this report.

ECONOMIC FACTORS AND THE 2010 BUDGET:

The following was considered during the production of the 2010 budget:

It is our practice to budget conservatively. Revenues are estimated cautiously, with a bias toward underestimating more volatile sources. All positions, whether filled or vacant, have been budgeted for the full year. Vacant positions are budgeted assuming family plan selection for medical insurance benefits. Cost of Living Adjustment (COLA) based on the CPI-W July – June index for the Seattle – Tacoma – Bremerton area is normally used for all labor contracts, but was not applied for 2010 due to the negative index. In 2009, nearly 56 positions were eliminated; 24 resulting from layoffs and 32 vacancies left unfilled. Budget year 2010 started with 782 positions, three police staff were added due to grant funding and seven drainage positions for the NPDES project. This brought the total for 2010 to

792 FTEs. Not reflected in this total is the addition of 27 FTEs due to the Panther Lake Annexation, effective July 1, 2010 (voted on November 3, 2009), and the creation of the Regional Fire Authority (voted on April 27, 2010), also on July 1, which will reduce City staffing by 173 FTEs. Additionally, each position was budgeted according to specific cost driving variables, such as longevity pay and normal progression through the steps within each salary range. In keeping with our conservative approach, we have not factored in any lag for turnover.

Another conservative element in our budget is the allocation of sales taxes with 75% to the General Fund and 25% to the Capital Improvement Fund. The 25% to the Capital Improvement Fund supports our commitment to ensure that our Capital Facilities are adequate for our needs and well maintained. However, in difficult financial times some of this allocation could be shifted back to the General Fund to cover City operations, and capital projects deferred. This is an additional level of flexibility that many cities do not have. Likewise, any excess above the 10 percent targeted fund balance reserve for the General Fund is considered to be available for one time use only.

To smooth out fluctuation of medical insurance rates charged to our departments, we have based our medical premiums on a three year forecast. We will plan to implement an even rate of increases that will match our revenues against expenditures over time. Meanwhile, we have an excess reserve, exceeding our target of two times the Incurred but Not Reported (IBNR) claims as estimated by our actuary. To bring the fund balance closer to the target balance, toward the end of 2009 we adjusted the rates charged departments and employees down to zero for November and December. If we continue to exceed our fund balance requirements in the future, we may use this device again to get our balance down to the target level, while we are lining up our revenues and expenditures through our normal rate setting process.

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

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

REQUESTS FOR INFORMATION:

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

City of Kent
Finance Department
220 Fourth Avenue South
Kent, WA 98032-5895
www.ci.kent.wa.us

CITY OF KENT
STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Kent Economic Development Corporation	Special Events Center PFD
ASSETS					
Cash and equity in pooled investments (Note 4)	$ 10,106,876	$ 4,469,967	$ 14,576,843	$ 6,381	
Cash with fiscal agent/trustee	225,000	-	225,000		
Investments, at fair value (Note 4)	11,584,940	35,270,583	46,855,523	15,000	
Receivables (net of allowances) (Note 5)	23,989,135	5,196,278	29,185,413		105,249
Internal balances (Note 5e)	(6,802,912)	6,802,912	-		
Inventory, at cost (Note 6)	139,368	516,943	656,311		
Prepaid items	370,161	6,865	377,026		
Investment in Joint Venture (Note 16)	6,628,171		6,628,171		
Restricted assets:					
Cash and cash equivalents (Note 4)		1,235,961	1,235,961		
Investments (Note 4)		1,195,000	1,195,000		
Property, plant, and equipment: (Note 7)					
Not being depreciated	447,602,897	97,257,303	544,860,200		
Being depreciated, net of depreciation	363,069,794	153,403,179	516,472,973		
TOTAL ASSETS	856,913,430	305,354,991	1,162,268,421	21,381	105,249
LIABILITIES:					
Vouchers payable	2,260,343	758,947	3,019,290		
Matured bonds/interest payable	225,000	-	225,000		
Accounts/payroll payable	4,063,595	677,157	4,740,752		
Incurred but not reported claims payable	4,337,407		4,337,407		
Due to other governments	40,685		40,685		
Accrued interest payable	400,518	311,155	711,673		
Unearned revenue	2,080,395	314,323	2,394,718		
Non-current liabilities:					
Due within one year					
Contracts, leases, notes, assessments and compensated absences (Note 10)	5,247,585	1,704,565	6,952,150		
General obligation bonds payable (Note 10)	4,380,498	1,335,502	5,716,000		
Special assessment bonds payable	2,262,681		2,262,681		
governmental commitment (Note 8)			-		
Revenue bonds payable, current portion (net		865,000	865,000		
of unamortized discount) (Note 9)		-	-		595,000
Due in more than one year					
Contracts, leases, notes, assessments and compensated absences (Note 10)	17,147,914	31,436,225	48,584,139		
General obligation bonds payable, non current portion (net of unamortized discount, premiums, and deferred) (Note 10)	70,202,229	6,746,060	76,948,289		52,722,887
Special assessment bonds payable	7,326,088		7,326,088		
Revenue bonds payable, noncurrent portion (net		24,287,687	24,287,687		
of unamortized discount) (Note 9)			-		8,985,000
Net OPEB Obligation	327,640		327,640		
TOTAL LIABILITIES	120,302,578	68,436,621	188,739,199	-	62,302,887
NET ASSETS					
Invested in capital assets, net of related debt	710,700,685	184,890,067	895,590,752		
Restricted net assets for:					
Debt service	14,297,401	2,119,806	16,417,207		
Unrestricted net assets	11,612,766	49,908,497	61,521,263	21,381	(62,197,638)
TOTAL NET ASSETS	$ 736,610,852	$ 236,918,370	$ 973,529,222	$ 21,381	(62,197,638)

See accompanying notes to financial statements

CITY OF KENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

		Program Revenues		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General Government	$ 7,230,905	$ 369,217	$	$ 600,000
Judicial	2,487,918	1,878,098	47,074	
Public Safety	58,880,087	1,092,168	8,881,701	-
Community Development	4,487,550	1,411,773	132,000	
Public Works	19,453,467	967,622	281,651	8,829,796
Leisure services	14,096,689	1,308,717	54,983	2,806,673
Health and human services	6,198,375	834,782	901,466	359,738
Library	99,243			
Interest on long-term debt	4,933,465			
Total governmental activities	117,867,699	7,862,377	10,298,875	12,596,207
Business-type Activities:				
Water	10,401,686	11,876,537	73,718	1,550,924
Sewerage	28,947,993	31,298,410	38,518	4,388,717
Golf Complex	2,896,509	2,698,663		-
Total business type activities	42,246,188	45,873,610	112,236	5,939,641
Total Primary Government	$ 160,113,887	$ 53,735,987	$ 10,411,111	$ 18,535,848
Component Units:				
Kent Economic Development Corporation	$ 3,032	$ 2,450	$	$
Special Events Center PFD	$ 4,790,495	$	$	$
Total Component Units	$ 4,793,527	$ 2,450	$ -	$ -

General revenues:
Taxes:
Property taxes levied for general purpose
Property taxes levied for debt service
Sales taxes
Utility taxes
Real Estate Excise Tax
Other taxes
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous
Transfers
Total general revenues, special items, and transfers
Change in net assets
Beginning net assets
Prior Period Adjustment
Beginning net assets - adjusted

Net assets-ending

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets

Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Kent Economic Development Corporation	Component Units: Special Events Center PFD
$ (6,261,688)		$ (6,261,688)		
(562,746)		(562,746)		
(48,906,218)		(48,906,218)		
(2,943,777)		(2,943,777)		
(9,374,398)		(9,374,398)		
(9,926,316)		(9,926,316)		
(4,102,389)		(4,102,389)		
(99,243)		(99,243)		
(4,933,465)		(4,933,465)		
(87,110,240)		(87,110,240)		
	$ 3,099,493	3,099,493		
	6,777,652	6,777,652		
	(197,846)	(197,846)		
-	9,679,299	9,679,299		
$ (87,110,240)	$ 9,679,299	$ (77,430,941)		
			$ (582)	
			$	(4,790,495)
			$ (582)	(4,790,495)
27,048,764		27,048,764		
596,696		596,696		
17,234,352		17,234,352		4,016
17,379,153		17,379,153		
1,888,137		1,888,137		
889,426		889,426		
5,407,702		5,407,702		
1,173,891	219,633	1,393,524	143	576,296
374,306		374,306		3,072,613
175,974	(175,974)	-		
72,168,401	43,659	72,212,060	143	3,652,925
(14,941,839)	9,722,958	(5,218,881)	(438)	(1,137,570)
751,549,659	227,195,412	978,745,071	24,851	(61,060,068)
3,032	-	3,032	(3,032)	
751,552,691	227,195,412	978,748,103	21,819	(61,060,068)
$ 736,610,852	$ 236,918,370	$ 973,529,222	$ 21,381	(62,197,638)

CITY OF KENT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2009

	General Fund	Capital Improvement	Special Assessments	Street Projects
ASSETS				
Cash and equity in pooled investments	$ 2,342,064	$ 44,236	$ 196,576	$ 12,055
Cash with fiscal agent			215,000	
Investments, at fair value			1,075,004	
Receivables (net of allowances for estimated uncollectables):				
Taxes	4,619,223	844,851		
Accounts	430,840			196,987
Special assessments				
Current			1,849,364	
Delinquent			189,391	
Deferred			11,392,664	
Penalty and Interest			857,296	
Accrued interest	4			
Due from other funds	7,566			
Interfund loans receivable				
Due from other governments				
Prepaid items	60,569	3,721		
TOTAL ASSETS	$ 7,460,266	$ 892,808	$ 15,775,295	$ 209,042
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Vouchers payable	$ 728,316	$ 5,959	$ 565	$ 517,375
Matured bonds/interest payable			215,000	
Accounts/payroll payable	3,159,107			70,220
Due to other funds		1,575,000	4	95,000
Due to other governments	28,917			61
Interfund loans payable		3,500,000		1,265,912
Deposits and deferred revenue	1,483,692		14,288,715	
Total Liabilities	5,400,032	5,080,959	14,504,284	1,948,568
FUND BALANCE				
Reserved for:				
Prepaid items	60,569	3,721		
Interfund loans				
Bond retirement			287,856	
Assessment debt guaranty			983,155	
Unreserved, but designated for contingencies	1,999,665			
Unreserved, reported in:				
Special revenue funds		(4,191,872)		
Debt service funds				
Capital projects funds				(1,739,526)
Total Fund Balance	2,060,234	(4,188,151)	1,271,011	(1,739,526)
TOTAL LIABILITIES AND FUND BALANCE	$ 7,460,266	$ 892,808	$ 15,775,295	$ 209,042

See accompanying notes to financial statements

Other Projects	Other Governmental Funds	Total Governmental Funds
$ 118,964	$ 6,346,103	$ 9,059,998
	10,000	225,000
120,001	1,305,049	2,500,054
	1,091,729	6,555,803
	1,742,700	2,370,527
		1,849,364
		189,391
		11,392,664
		857,296
	-	4
	1,575,000	1,582,566
	-	64,290
$ 238,965	$ 12,070,581	$ 36,646,957
$ 37,580	$ 410,627	$ 1,700,422
	10,000	225,000
36,559	445,254	3,711,140
	49,549	1,719,553
17	11,690	40,685
1,300,000	4,100,000	10,165,912
	76,491	15,848,898
1,374,156	5,103,611	33,411,610
		64,290
	3,587	291,443
		983,155
		1,999,665
	305,827	(3,886,045)
(1,135,191)	6,657,556	3,782,839
(1,135,191)	6,966,970	3,235,347
$ 238,965	$ 12,070,581	$ 36,646,957

Reconciliation of total Governmental Fund Balances to Net Assets of Governmental Activities as of December 31, 2009		
Fund Balance-Total Governmental Funds (this page)		**$ 3,235,347**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Capital assets - Note 7	**$810,672,691**	
Capital Assets - Internal Service Funds	**($8,295,214)**	**809,005,648**
Internal service funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and insurance costs to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets. (page 107)		**16,879,527**
Interest accrued on governmental long term debt, but not due and payable in the current period, and not reported in the governmental funds.		
Voted GO Bonds	**-**	
Councilmanic GO Bonds	**(301,332)**	
LID Bonds	**(97,384)**	**(398,716)**
Deferred revenue reported for property taxes that are current and prior year tax levies that were not collected and available to pay current year liabilities applicable to beginning net assets and current year revenues.		
General Fund	**$768,347**	
Voted Debt Service Fund	**$24,482**	**792,829**
Earned but deferred revenue:		
Special Assessments		**13,022,803**
Amortized issuance discounts, premiums, and deferred amounts on refunded debt for governmental bonds. (Note 10)		
Unamortized Premium	**$896,926**	
Unamortized Discount/Deferred	**$716,428**	**1,613,354**
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. (Note 2a)		**(107,539,940)**
Net Assets-ending of Governmental Activities (page 17)		**$ 736,610,852**

CITY OF KENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	General Fund	Capital Improvement	Special Assessments	Street Projects
REVENUES				
Taxes:				
Property	$ 26,998,992	$	$	$
Sales and use	11,729,500	3,786,439		
Utility	13,895,577			
Real estate excise tax		1,888,137		
Lodging				
Other	744,187			
Licenses and permits:				
Building permits	708,553			
Other licenses and permits	1,133,199			
Intergovernmental revenue:				
Fire District # 37 Contract	4,317,361			
Other grants and shared revenue	7,092,215	132,000		3,834,994
Charges for services:				
Park and recreation fees	1,157,069			
Other fees and charges	1,588,178			1,669
Fines and forfeitures	1,506,320			
Miscellaneous revenue:				
Special assessments			2,140,431	487,091
Interest income	148,878	14,484	705,238	109,011
Unrealized net gain/(loss) in fair value of investments	58			
Contributions and Donations				
Other miscellaneous revenue	1,399,508			585,579
TOTAL REVENUES	72,419,595	5,821,060	2,845,669	5,018,344
EXPENDITURES				
Current:				
General government	6,111,068	77,347		
Judicial	2,411,494			
Public safety	49,614,100			
Community development	4,217,700	59,394		
Public works	2,875,483	22,301	739	
Leisure services	8,560,375	2,496,190		
Health and human services	4,687,691			
Debt service:				
Principal			2,289,806	
Interest			588,439	
Issuance costs				
Capital outlay				14,145,696
TOTAL EXPENDITURES	78,477,911	2,655,232	2,878,984	14,145,696
DEFICIENCY OF REVENUES OVER EXPENDITURES	(6,058,316)	3,165,828	(33,315)	(9,127,352)
OTHER FINANCING SOURCES (USES)				
Issuance of LTGO Refunding Bonds				
Payment to Refunded Bond Escrow Agent				
Premium on general obligation bonds				
Discount on general obligation bonds				
Issuance of loan contract				2,500,000
Issuance of installment note				
Sale of capital assets				
Transfers in	1,840,662			1,189,750
Transfers out	(653,732)	(8,799,465)	(776,794)	
TOTAL OTHER FINANCING SOURCES (USES)	1,186,930	(8,799,465)	(776,794)	3,689,750
NET CHANGE IN FUND BALANCE	(4,871,386)	(5,633,637)	(810,109)	(5,437,602)
FUND BALANCE, January 1	6,928,588	1,445,486	2,081,120	3,698,076
Prior period correction	3,032			
ADJUSTED FUND BALANCE, January 1	6,931,620	1,445,486	2,081,120	3,698,076
FUND BALANCE (DEFICIT), December 31	$ 2,060,234	$ (4,188,151)	$ 1,271,011	$ (1,739,526)

See accompanying notes to financial statements

Other Projects	Other Governmental Funds	Total Governmental Funds
$	$ 596,695	27,595,687
	1,718,413	17,234,352
	3,483,576	17,379,153
		1,888,137
	145,239	145,239
		744,187
		708,553
	7,500	1,140,699
		4,317,361
600,000	8,303,060	19,962,269
		1,157,069
	127,780	1,717,627
	77,411	1,583,731
		2,627,522
73,399	15,334	1,066,344
		58
	600,939	600,939
	482,987	2,468,074
673,399	15,558,934	102,337,001
3,435		6,191,850
		2,411,494
	6,067,281	55,681,381
	142,000	4,419,094
	3,220,161	6,118,684
	1,262,373	12,318,938
	1,308,072	5,995,763
	5,335,136	7,624,942
460,181	3,698,365	4,746,985
152,994		152,994
4,795,386	2,559,157	21,500,239
5,411,996	23,592,545	127,162,364
(4,738,597)	(8,033,611)	(24,825,363)
8,410,000		8,410,000
(8,140,000)		(8,140,000)
347,076		347,076
		2,500,000
	11,911,118	14,941,530
(824,438)	(4,011,920)	(15,066,349)
(207,362)	7,899,198	2,992,257
(4,945,959)	(134,413)	(21,833,106)
3,810,768	7,101,383	25,065,421
		3,032
3,810,768	7,101,383	25,068,453
$ (1,135,191)	$ 6,966,970	$ 3,235,347

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Assets of Governmental Activities as of December 31, 2009

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances-total governmental funds (this pag $	**(21,833,106)**
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.	
Capital outlays	**21,487,444**
Depreciation expense	**(18,609,597)**
The net effect of various miscellaneous transactions involving capital assets is to increase net assets.	**2,324,458**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Additional accruals: Property tax	**49,773**
Special assessments	**(2,140,431)**
Long-term debt issuances provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds,. Neither transaction has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	**4,446,438**
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	**(519,683)**
Interest expense accrual	**52,912**
Net OPEB Obligation	**(327,640)**
Internal service funds are used by management to charge the costs of fleet management, central services, management information systems, facility rental and maintenance, and insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	
Revenue	**127,593**
Change in net assets of governmental activities (page 19) $	**(14,941,839)**
	-

CITY OF KENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	2009 Budget			
	Original	**Final**	**Actual**	**Variance**
REVENUES				
Taxes:				
Property	$ 27,174,392	$ 27,174,392	$ 26,998,992	$ (175,400)
Sales and use	20,066,326	18,066,326	11,729,500	(6,336,826)
Utility	16,079,477	16,079,477	13,895,577	(2,183,900)
Other	1,333,357	1,233,357	744,187	(489,170)
Licenses and permits:				
Building permits	1,252,525	852,525	708,553	(143,972)
Other licenses and permits	1,273,199	1,273,199	1,133,199	(140,000)
Intergovernmental revenue:				
Fire District # 37 Contract	4,964,070	4,495,009	4,317,361	(177,648)
Other grants and shared revenue	3,306,697	2,899,508	7,092,215	4,192,707
Charges for services:				
Park and recreation fees	1,522,467	1,522,467	1,157,069	(365,398)
Other fees and charges	4,392,836	2,392,836	1,588,178	(804,658)
Fines and forfeitures	1,707,360	1,707,360	1,506,320	(201,040)
Miscellaneous revenue:				
Interest income	1,467,259	967,259	148,878	(818,381)
Net increase (decrease) in fair value of investments			58	58
Other miscellaneous revenue	1,055,771	1,055,771	1,399,508	343,737
TOTAL REVENUES	85,595,736	79,719,486	72,419,595	(7,299,891)
EXPENDITURES				
Current:				
General government	7,737,944	6,580,296	6,111,068	469,228
Judicial	2,435,840	2,423,062	2,411,494	11,568
Public safety	52,554,723	49,862,380	49,614,100	248,280
Community development	4,987,572	4,467,834	4,217,700	250,134
Public works	3,802,251	2,946,818	2,875,483	71,335
Leisure services	9,377,630	8,848,717	8,560,375	288,342
Health and human services	4,954,936	4,901,328	4,687,691	213,637
Capital outlay	-			
TOTAL EXPENDITURES	85,850,896	80,030,435	78,477,911	1,552,524
DEFICIENCY OF REVENUES OVER EXPENDITURES	(255,160)	(310,949)	(6,058,316)	(5,747,367)
OTHER FINANCING SOURCES (USES)				
Proceeds from fixed asset sales				
Transfers in	1,173,095	1,265,525	1,840,662	575,137
Transfers out	(1,002,935)	(975,175)	(653,732)	321,443
TOTAL OTHER FINANCING SOURCES (USES)	170,160	290,350	1,186,930	896,580
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(85,000)	(20,599)	(4,871,386)	(4,850,787)
FUND BALANCE, January 1	6,928,590	6,928,590	6,928,588	(2)
Prior period correction			3,032	3,032
ADJUSTED FUND BALANCE, January 1	6,928,590	6,928,590	6,931,620	3,030
FUND BALANCE, December 31	$ 6,843,590	$ 6,907,991	$ 2,060,234	$ (4,847,757)

See accompanying notes to financial statements

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2009
With Comparative Totals for December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water 2009	**Water 2008**	**Sewerage 2009**	**Sewerage 2008**
ASSETS				
Current Assets:				
Cash and equity in pooled investments	$ 2,156,371	$ 1,476,492	$ 2,204,560	$ 284,154
Cash with fiscal agent				10,000
Investments, at fair value	19,418,510	11,564,804	15,852,073	7,342,207
Restricted cash, equity in pooled cash, and investments:				
For bond redemption	172,819	69,793	135,883	33,579
Receivables (net of allowances for estimated uncollectables):				
Accounts	1,294,143	934,832	3,643,630	3,180,733
Notes	199,785	226,910		
Accrued interest	2	5	7	8
Due from other funds			95,000	
Interfund loan receivable	6,300,000	2,950,000	1,565,912	
Inventory, at cost	271,613	273,250	32,809	42,769
Prepaid expenses	2,924	910	3,052	
Total Current Assets	29,816,167	17,496,996	23,532,926	10,893,450
Noncurrent Assets:				
Restricted cash, equity in pooled cash, and investments:				
For bond redemption	696,593	218,814	1,031,600	550,837
For bond reserve	177,296		177,295	
Property, plant and equipment				
Land	1,166,451	1,166,451	3,979,424	3,306,917
Buildings	2,151,264	2,151,264	75,522	75,522
Site Improvements	71,220,637	70,567,508	151,206,649	141,247,705
Equipment	1,915,301	1,915,301	347,981	328,607
Less: Accumulated Depreciation	(30,336,631)	(28,753,176)	(45,936,164)	(42,572,509)
Construction In Progress	62,738,347	60,466,641	24,030,573	25,590,809
Total noncurrent assets	109,729,258	107,732,803	134,912,880	128,527,888
TOTAL ASSETS	$ 139,545,425	$ 125,229,799	$ 158,445,806	$ 139,421,338

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds				Governmental Activities	
Golf Complex 2009	Golf Complex 2008	Totals 2009	Totals 2008	Internal Service Funds 2009	Internal Service Funds 2008
$ 109,036	$ 149,489	$ 4,469,967	$ 1,910,135	$ 1,046,878	$ 2,085,295
			10,000		
	1	35,270,583	18,907,012	9,084,886	11,859,950
		308,702	103,372		
58,711	205,034	4,996,484	4,320,599	757,436	606,223
		199,785	226,910	15,477	15,656
		9	13	1,173	4,376
42,000		137,000			
		7,865,912	2,950,000	3,500,000	1,200,000
212,521	243,955	516,943	559,974	139,368	175,982
889		6,865	910	305,871	286,664
423,157	598,479	53,772,250	28,988,925	14,851,089	16,234,146
39,475	38,471	1,767,668	808,122		
		354,591			
5,342,508	5,342,508	10,488,383	9,815,876		
2,954,818	2,954,818	5,181,604	5,181,604	1,008,269	1,008,269
4,540,222	4,540,222	226,967,508	216,355,435	333,962	333,962
557,904	557,904	2,821,186	2,801,812	26,945,157	26,851,706
(5,294,324)	(5,000,577)	(81,567,119)	(76,326,262)	(21,635,908)	(19,607,767)
		86,768,920	86,057,450	1,643,734	738,621
8,140,603	8,433,346	252,782,741	244,694,037	8,295,214	9,324,791
$ 8,563,760	$ 9,031,825	$ 306,554,991	$ 273,682,962	$ 23,146,303	$ 25,558,937

Continued on the following page

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2009
With Comparative Totals for December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water 2009	**Water 2008**	**Sewerage 2009**	**Sewerage 2008**
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Vouchers payable	$ 295,128	$ 353,919	$ 395,734	$ 144,740
Matured bonds/interest payable				10,000
Accounts/payroll payable	403,051	355,200	574,395	533,784
Incurred but not reported claims payable				
Due to other funds				
Interfund loans payable				
Accrued interest payable	172,819	69,793	135,883	33,579
General obligation bonds payable-current portion			800,502	666,638
Notes payable, current portion	1,206,988	1,218,820	75,000	75,000
Revenue bonds payable, current portion				
Deposits and deferred revenue	64,504	67,954	52,617	49,873
Restricted-Revenue Bonds	432,500		432,500	
Total Current Liabilities	2,574,990	2,065,686	2,466,631	1,513,614
Noncurrent Liabilities:				
Compensated absences payable	72,845	59,926	82,742	52,051
Notes payable	30,129,178	31,335,179	1,125,000	1,200,000
General obligation bonds payable			6,487,417	7,287,919
Plus: unamortized premium			281,345	321,970
Less: unamortized deferred refunding			(10,579)	
Less: unamortized discount			(10,206)	(29,863)
Revenue bonds payable	11,962,500		11,962,500	
Plus: unamortized premium	276,650		276,649	
Less: unamortized deferred refunding	(35,031)		(35,031)	
Less: unamortized discount	(60,275)		(60,275)	
Total noncurrent liabilities	42,345,867	31,395,105	20,099,562	8,832,077
Total Liabilities	44,920,857	33,460,791	22,566,193	10,345,691
NET ASSETS				
Invested in capital assets, net of related debt	64,942,859	74,959,990	112,379,163	118,455,387
Restricted for debt service	873,889	218,814	1,208,895	550,837
Unrestricted	28,807,820	16,590,204	22,291,555	10,069,423
TOTAL NET ASSETS	$ 94,624,568	$ 91,769,008	$ 135,879,613	$ 129,075,647

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds				Governmental Activities	
Golf Complex 2009	Golf Complex 2008	Totals 2009	Totals 2008	Internal Service Funds 2009	Internal Service Funds 2008
$ 68,085	$ 58,839	$ 758,947	$ 557,498	$ 559,921	$ 519,130
			10,000		
122,288	125,200	1,099,734	1,014,184	662,988	550,920
				4,337,407	4,487,278
				13	14
1,200,000	1,200,000	1,200,000	1,200,000		
2,453	4,768	311,155	108,140	1,802	2,219
535,000	505,000	1,335,502	1,171,638		
		1,281,988	1,293,820	132,570	127,515
197,202	233,765	314,323	351,592	47,129	35,544
		865,000			
2,125,028	2,127,572	7,166,649	5,706,872	5,741,830	5,722,620
26,460	22,500	182,047	134,477	108,511	74,600
		31,254,178	32,535,179	416,435	549,006
	535,000	6,487,417	7,822,919		
4,258	8,898	285,603	330,868		
(6,175)	(12,902)	(16,754)	(12,902)		
		(10,206)	(29,863)		
		23,925,000			
		553,299			
		(70,062)			
		(120,550)			
24,543	553,496	62,469,972	40,780,678	524,946	623,606
2,149,571	2,681,068	69,636,621	46,487,550	6,266,776	6,346,226
7,568,045	7,358,879	184,890,067	200,774,256	8,295,214	9,324,791
37,022	33,703	2,119,806	803,354		
(1,190,878)	(1,041,825)	49,908,497	25,617,802	8,584,313	9,887,920
$ 6,414,189	$ 6,350,757	$ 236,918,370	$ 227,195,412	$ 16,879,527	$ 19,212,711

Continued on the following page

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2009
With Comparative Totals for Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water 2009	**Water 2008**	**Sewerage 2009**	**Sewerage 2008**
OPERATING REVENUES				
Sales	$ 11,370,578	$ 8,315,263	$	$
Charges for services	435,741	455,656	31,295,732	28,115,189
Contributions				
Rental and lease income				
Other operating revenue	70,218	8,007	2,678	3,800
TOTAL OPERATING REVENUES	11,876,537	8,778,926	31,298,410	28,118,989
OPERATING EXPENSES				
Salaries and wages	2,079,644	1,958,483	2,858,495	2,619,690
Benefits	736,993	654,349	888,826	808,000
Supplies	539,574	553,701	273,894	254,522
Services and charges	5,141,974	5,406,516	20,974,775	19,840,556
Depreciation	1,583,455	1,603,423	3,363,655	3,339,823
TOTAL OPERATING EXPENSES	10,081,640	10,176,472	28,359,645	26,862,591
OPERATING INCOME	1,794,897	(1,397,546)	2,938,765	1,256,398
NON-OPERATING REVENUES (EXPENSES)				
Interest income	245,475	553,465	82,704	389,169
Unrealized net gain/(loss) in fair value of investments	(109,904)	(19,666)	80	(710)
Miscellaneous non-operating revenues	73,718	71,116	38,518	722,357
Miscellaneous non-operating expense				
Interest expense	(320,046)	(74,140)	(588,348)	(368,672)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(110,757)	530,775	(467,046)	742,144
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,684,140	(866,771)	2,471,719	1,998,542
Capital contributions	1,550,924	1,026,340	4,388,717	2,602,426
Transfers in				
Transfers out	(379,504)	(46,000)	(56,470)	(71,351)
INCREASE (DECREASE) IN NET ASSETS	2,855,560	113,569	6,803,966	4,529,617
NET ASSETS, January 1	91,769,008	91,655,439	129,075,647	124,546,030
Prior period adjustment				
ADJUSTED NET ASSETS, January 1	91,769,008	91,655,439	129,075,647	124,546,030
NET ASSETS, December 31	$ 94,624,568	$ 91,769,008	$ 135,879,613	$ 129,075,647

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds				Governmental Activities	
Golf Complex 2009	Golf Complex 2008	Totals 2009	Totals 2008	Internal Service Funds 2009	Internal Service Funds 2008
$ 485,062	$ 538,023	$ 11,855,640	$ 8,853,286	$ 884,322	$ 772,298
1,979,604	2,115,986	33,711,077	30,686,831	11,762,914	13,542,461
				13,223,650	12,030,551
233,976	241,612	233,976	241,612		
21	(5)	72,917	11,802	54,863	115,080
2,698,663	2,895,616	45,873,610	39,793,531	25,925,749	26,460,390
1,044,738	1,039,196	5,982,877	5,617,369	4,669,489	4,408,856
299,727	298,461	1,925,546	1,760,810	1,432,045	1,320,963
638,515	627,231	1,451,983	1,435,454	1,569,087	2,226,396
557,375	573,230	26,674,124	25,820,302	18,491,040	18,363,771
293,746	280,366	5,240,856	5,223,612	2,460,777	2,452,268
2,834,101	2,818,484	41,275,386	39,857,547	28,622,438	28,772,254
(135,438)	77,132	4,598,224	(64,016)	(2,696,689)	(2,311,864)
1,279	3,318	329,458	945,952	107,491	401,918
(1)	(5)	(109,825)	(20,381)	(2)	(893)
2,139	5,817	114,375	799,290	476	108,281
				(20,283)	(53,488)
(64,547)	(128,845)	(972,941)	(571,657)	(24,970)	(29,848)
(61,130)	(119,715)	(638,933)	1,153,204	62,712	425,970
(196,568)	(42,583)	3,959,291	1,089,188	(2,633,977)	(1,885,894)
		5,939,641	3,628,766		(195,899)
260,000	260,000	260,000	260,000	310,257	799,635
		(435,974)	(117,351)	(9,464)	(35,178)
63,432	217,417	9,722,958	4,860,603	(2,333,184)	(1,317,336)
6,350,757	6,133,340	227,195,412	222,334,809	19,212,711	20,530,047
6,350,757	6,133,340	227,195,412	222,334,809	19,212,711	20,530,047
$ 6,414,189	$ 6,350,757	$ 236,918,370	$ 227,195,412	$ 16,879,527	$ 19,212,711

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009
With Comparative Totals for Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water 2009	**Water 2008**	**Sewerage 2009**	**Sewerage 2008**
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 11,470,683	$ 8,769,648	$ 30,835,581	$ 28,085,082
Cash received from other funds for services				
Cash payments to employees	(2,788,062)	(2,577,086)	(3,669,612)	(3,410,619)
Cash payments to suppliers	(5,708,523)	(5,853,329)	(20,997,174)	(19,996,969)
Other cash received	70,218	8,007	2,678	3,800
Net cash provided by operating activities	3,044,316	347,240	6,171,473	4,681,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund loan issued for noncapital purposes				
Interfund loan payment for noncapital purposes				
Operating grants/non-operating revenue received	73,718	71,116	38,518	722,357
Non-Operating expenses				
Interest paid on interfund loan				
Transfers in				
Transfers out				
Net cash provided by (used for) noncapital financing	73,718	71,116	38,518	722,357
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from general obligation refunding bonds				
Proceeds from intergovernmental loan				
Proceeds from loan				
Proceeds from capital asset removal				
Principal repayment on interfund loan				
Transfer of plant to Governmental Capital Assets				
Acquisition and construction of capital assets	(2,924,834)	(2,815,585)	(9,090,589)	(8,666,301)
Interfund loan for capital outlays	(3,350,000)	5,350,000	(1,660,912)	
Defease refunded bonds				
Principal paid on bonds and equipment contracts	11,177,166	(1,289,352)	11,653,362	(823,132)
Interest paid on bonds and equipment contracts	(35,674)	(75,844)	(336,248)	(401,267)
Payments for Arbitrage Rebate				
Transfers in				
Transfers out	(379,504)	(46,000)	(56,470)	(71,351)
Capital contributed by subdividers, capital grants, local impr. districts	1,550,924	1,026,340	4,388,717	2,602,426
Net cash (used for) capital & related financing	6,038,078	2,149,559	4,897,860	(7,359,625)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(33,307,343)	(14,648,002)	(48,504,778)	(21,234,858)
Proceeds from sale and maturities of investments	24,868,829	12,775,579	39,680,071	22,734,754
Interest and dividends on investments	355,382	573,140	82,624	389,879
Net cash provided by (used for) investing activities	(8,083,132)	(1,299,283)	(8,742,083)	1,889,775
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,072,980	1,268,632	2,365,768	(66,199)
CASH AND EQUITY IN POOLED INVESTMENTS, January 1	1,715,099	446,467	403,570	469,769
CASH AND EQUITY IN POOLED INVESTMENTS, December 31	$ 2,788,079	$ 1,715,099	$ 2,769,338	$ 403,570
CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:				
Current Assets: Cash and equity in pooled investments	$ 2,156,371	$ 1,476,492	$ 2,204,560	$ 284,154
Restricted for Bond Redemption: Cash & pooled invest.	619,412	238,607	542,483	119,416
Restricted for Bond Reserve: Cash & pooled invest.	12,296		22,295	
	$ 2,788,079	$ 1,715,099	$ 2,769,338	$ 403,570

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds				Governmental Activities	
Golf Complex 2009	Golf Complex 2008	Totals 2009	Totals 2008	Internal Service Funds 2009	Internal Service Funds 2008
$ 2,808,423	$ 2,814,683	$ 45,114,687	$ 39,669,413	$ 12,656,385	$ 14,295,792
				13,075,051	12,045,247
(1,331,284)	(1,346,083)	(7,788,958)	(7,333,788)	(5,955,554)	(5,739,209)
(1,168,232)	(1,260,578)	(27,873,929)	(27,110,876)	(20,151,803)	(19,686,957)
		72,896	11,807	54,863	115,080
308,907	208,022	9,524,696	5,236,556	(321,058)	1,029,953
1,200,000	1,200,000	1,200,000	1,200,000	(3,500,000)	(1,200,000)
(1,200,000)	(1,000,000)	(1,200,000)	(1,000,000)	1,200,000	1,000,000
2,139	5,817	114,375	799,290	476	108,281
					(397,245)
(7,574)	(26,859)	(7,574)	(26,859)		
(5,435)	178,958	106,801	972,431	(2,299,524)	(488,964)
				633,364	600,159
					201,346
	5,288	(12,015,423)	(11,476,598)	(2,084,847)	(2,275,023)
(42,000)		(5,052,912)	5,350,000		
(505,000)	(528,000)	22,325,528	(2,640,484)	(127,516)	(122,653)
(57,200)	(78,630)	(429,122)	(555,741)	(25,387)	(30,250)
260,000	260,000	260,000	260,000	310,257	799,635
		(435,974)	(117,351)	(9,464)	(35,178)
		5,939,641	3,628,766		
(344,200)	(341,342)	10,591,738	(5,551,408)	(1,303,593)	(861,964)
(900,000)	(619,999)	(82,712,121)	(36,502,859)	(16,449,886)	(16,909,891)
899,999	619,994	65,448,899	36,130,327	19,224,950	17,666,620
1,280	3,323	439,286	966,342	110,694	405,020
1,279	3,318	(16,823,936)	593,810	2,885,758	1,161,749
(39,449)	48,956	3,399,299	1,251,389	(1,038,417)	840,774
187,960	139,004	2,306,629	1,055,240	2,085,295	1,244,521
$ 148,511	$ 187,960	$ 5,705,928	$ 2,306,629	$ 1,046,878	$ 2,085,295
$ 148,511	$ 187,960	$ 4,509,442	$ 1,948,606	$ 1,046,878	$ 2,085,295
		1,161,895	358,023		
		34,591			
$ 148,511	$ 187,960	$ 5,705,928	$ 2,306,629	$ 1,046,878	$ 2,085,295

Continued on the following page

CITY OF KENT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009
With Comparative Totals for Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water 2009	**Water 2008**	**Sewerage 2009**	**Sewerage 2008**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 1,794,897	$ (1,397,546)	$ 2,938,765	$ 1,256,398
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,583,455	1,603,423	3,363,655	3,339,823
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable	(332,186)	(4,426)	(462,896)	(27,010)
(Increase) Decrease in due from other funds				
(Increase) Decrease in inventory	1,637	(5,670)	9,960	(9,133)
(Increase) in prepaid expenses	(2,014)	(910)	(3,052)	
Increase (Decrease) in vouchers payable	(58,791)	129,281	250,994	(8,537)
Increase (Decrease) in accounts/payroll payable	30,646	355	2,513	134,886
Increase in incurred but not reported claims payable				
Increase (Decrease) in due to other funds				
Increase in deposits and deferred revenues	(3,450)	3,155	2,744	(3,097)
Increase in compensated absences	30,122	19,578	68,790	(2,036)
Total Adjustments	1,249,419	1,744,786	3,232,708	3,424,896
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,044,316	$ 347,240	$ 6,171,473	$ 4,681,294
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets contributed	$ 639,018	$ 342,966	$ 2,999,506	$ 1,610,054
Increase (Decrease) in fair value of investments	(109,904)	(19,666)	80	(710)
Amortization of premium/discount of investment purchases				

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds				Governmental Activities	
Golf Complex 2009	Golf Complex 2008	Totals 2009	Totals 2008	Internal Service Funds 2009	Internal Service Funds 2008
$ (135,438)	$ 77,132	$ 4,598,224	$ (64,016)	$ (2,696,689)	$ (2,311,864)
293,746	280,366	5,240,856	5,223,612	2,460,777	2,452,268
146,323	(144,689)	(648,759)	(176,125)	(151,034)	(4,557)
31,434	(27,005)	43,031	(41,808)	36,615	(19,001)
(889)		(5,955)	(910)	(19,207)	(61,198)
9,246	(38,694)	201,449	82,050	40,791	3,453
(9,135)	3,483	24,024	138,724	112,068	(13,819)
				(149,871)	979,996
				(4)	(40)
(36,563)	63,756	(37,269)	63,814	11,584	286
10,183	(6,327)	109,095	11,215	33,912	4,429
444,345	130,890	4,926,472	5,300,572	2,375,631	3,341,817
$ 308,907	$ 208,022	$ 9,524,696	$ 5,236,556	$ (321,058)	$ 1,029,953
$	$	$ 3,638,524	$ 1,953,020	$	$ 201,346
(1)	(5)	(109,825)	(20,381)	(5)	(934)

CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2009

	Firemen's Relief & Pension Fund	Agency Funds
ASSETS		
Cash and equity in pooled investments	$ 23,568	$ 812,554
Investments, at fair value		
State Treasurer's Investment Pool	1,865,000	
Government Agencies (various)	1,376,601	1
TOTAL ASSETS	3,265,169	812,555
LIABILITIES		
Accounts/payroll payable	5,248	596,062
Deposits		216,493
Total Liabilities	5,248	812,555
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 3,259,921	$

See accompanying notes to financial statements

CITY OF KENT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Years Ended December 31, 2009

	Firemen's Relief & Pension Fund
ADDITIONS	
Contributions:	
Employer	$ 132,085
Investment earnings:	
Interest	4,384
Unrealized net gain/(loss) in fair value of investments	(97,479)
TOTAL ADDITIONS	38,990
DEDUCTIONS	
Benefits	316,800
Administrative Expense	7,350
TOTAL DEDUCTIONS	324,150
CHANGE IN NET ASSETS	(285,160)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, January 1	3,545,081
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, December 31	$ 3,259,921

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

a. REPORTING ENTITY

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

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

b. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities reports the amount that direct expenses of a program or function is offset by program revenues. Direct expenses are clearly identifiable with a specific function or program. Program revenues include: charges to customers (user charges) who purchase, use or directly benefit from these programs, and grants or contributions directly related to the programs. Taxes and other revenues that are not directly identifiable with the program expenses are included as general revenues.

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

Other Projects Fund – This capital projects fund accounts for general government bond issues, and non street, parks, information technology, and facility capital projects. Public Safety and general government capital projects are accounted for in this fund.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

d. **BUDGET AND BUDGETARY ACCOUNTING**

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

Annual appropriated budgets are adopted for the general and certain special revenue funds on the modified accrual basis of accounting. The budget is based on generally accepted accounting principles (GAAP). There is no difference between budget basis and GAAP; thus, the City makes no reconciliation. Budgets for project/grant related special revenue funds and capital project funds are adopted at the level of the individual project and for fiscal periods that correspond to the lives of projects. Since these funds are not budgeted on an annual basis, budgetary comparisons are not presented.

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

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

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

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

The steps in the budget process are as follows:

(1) The Chief Administrative Officer and Mayor submit a proposed budget to the City Council. This budget is based on priorities established by the Council, cost estimates provided by the City departments and balanced with revenue estimates.

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

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

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

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

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

Fund	Original Budget	Supplemental Appropriations	Final Budget
General Fund	$ 86,853,831	$(5,848,221)	$81,005,610
Special Revenue Fund:			
Public Safety Retiree	570,253	254,623	824,876
Lodging Tax	190,000	0	190,000
Youth/Teen Programs	815,095	92,430	907,525
Total	$ 88,429,179	$(5,501,168)	$ 82,928,011

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

(1) Cash and Cash Equivalents

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

(2) Investments (refer to Note 4).

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

f. **ENCUMBRANCES**

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

g. **INTERFUND TRANSACTIONS AND TRANSFERS**

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

(1) **Interfund Transactions**

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

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

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

(2) **Interfund Transfers**

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

A summary of transfers by fund type is as follows:

	Transfers In	Transfers Out
Governmental:		
Major Funds		
General Fund	$ 1,840,662	$ 653,732
Capital Improvement		8,799,465
Special Assessments		776,794
Street Capital Projects	1,189,750	
Other Capital Projects		824,438
Subtotal	$ 3,030,412	$ 11,054,429
Non-Major Funds		
Street	$	$ 2,917,052
Public Safety Retiree	250,000	
Lodging tax		31,000
Youth/Teen		865,525
Criminal Justice	202,240	50,000
Other Operating Projects	67,336	148,343
Kent Events Center Fund	590,156	
Non-Voted Debt Service	8,412,741	
Parks Capital Projects	1,069,512	
Technology Projects	682,600	
Facilities Projects	636,533	
Subtotal	$ 11,911,118	$ 4,011,920

	Transfers In	Transfers Out
Business-Type:		
Major Funds		
Water Enterprise	$,	$ 379,504
Sewerage Enterprise		56,470
Golf Complex Enterprise	260,000	
Subtotal	$ 260,000	$ 435,974
Internal Service Funds		
Equipment Rental	$ 9,464	$ 0
Central Services		
Facilities	300,793	7,444
Insurance Fund		2,020
Subtotal	$ 310,257	$ 9,464
Total Transfers	$15,511,787	$15,511,787

h. **COMPARATIVE DATA**

Comparative data for each individual fund for the prior year has been presented in the basic financial statements only for proprietary funds in the fund financial statements in order to provide an understanding of changes in their financial position, and the results of their operations and cash flows. Such information does not include all of the information required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2008, from which such summarized information was derived.

i. **CAPITAL ASSETS**

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

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

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

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

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

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental* funds and *net assets – governmental activities* as reported in the government-wide statement of net assets. Of that reconciliation, one element explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $107,539,940 difference are as follows:

Bonds payable	$85,784,850
Notes Payable	15,251,505
Compensated Absences Payable	6,175,945
Net OPEB Obligation	327,640
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net assets – governmental activities*	**$107,539,940**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $4,446,438 difference are as follows:

Debt issued:	
Issuance of general obligation refunding bonds	$8,410,000
Premium	347,076
Less discount	(152,994)
Issuance of notes payable	2,500,000
Principal repayments	(7,624,942)
Current year amortization	214,422
Payment to escrow	(8,140,000)
Net adjustment to decrease *net changes in fund balance – total governmental funds* to arrive at *changes in net assets of governmental activities*	**$(4,446,438)**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

4. DEPOSITS AND INVESTMENTS

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

DEPOSITS

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

INVESTMENTS

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

As of December 31, 2009, the City had the following investments:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**<1**	**1-5**	**6-10**	**>10**
State Treasurer's Investment Pool	$61,016,630	$61,016,630	$	$	$
Government Agencies (various)	2,518,057	999,163	972,285	546,609	
Certificates of Deposits	4,254,874	4,254,874			
Total Investments	67,789,561	66,270,667	972,285	546,609	
Less Investments Held By:					
Fiduciary Funds	(3,241,600)	(1,865,000)	(832,747)	(543,853)	
Agency Funds	(1)	(1)			
Component Units:					
Economic Development Corp	(15,000)	(15,000)			
Total Primary Government	$64,532,960	$64,390,666	$139,538	$ 2,756	$ 0

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

PRIMARY GOVERNMENT	
From Statement of Net Assets:	
Cash & equity in pooled investments	$ 15,812,804
Cash with fiscal agent/trustee	225,000
Investments, at fair value	48,050,523
Total From Statement of Net Assets	**$ 64,088,327**
Summary by Type:	
Cash on hand and in bank	$ (669,632)
Deposits with fiscal agent/trustee	225,000
Certificates of deposit	4,254,874
Total	3,810,242
Investments	60,278,085
Total by Type	**$ 64,088,327**

COMPONENT UNITS	
Economic Development Corp:	
Cash on hand and in bank	$ 6,381
Investments, at fair value	15,000
Total Cash and Investments	**$ 21,381**
Special Events Center PFD:	
Cash on hand and in bank	$ 0
Investments, at fair value	0
Total Cash and Investments	**$ 0**

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits, to the extent possible, the average life of the portfolio not exceed five years. As of December 31, 2009, the weighted average of maturity for the portfolio was 35 days. The LGIP is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. As of June 30, 2009, the LGIP had a weighted average maturity of 56 days.

Credit Risk. State statute, as well as City policy, requires at the time of purchase that an investment carry a rating of one of the three highest credit ratings of a nationally recognized rating agency. As of December 31, 2009, the rating for all fixed rate non-callable and callable agency securities were AAA. The LGIP is an unrated 2a-7 like pool. Per GASB 40 guidelines, the LGIP balances are not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand accounts and certificates of deposit.

Concentration of Credit Risk. According to the City's investment policy, with the exception of US Treasuries and the LGIP, no more than 25% of the City's total investment portfolio will be invested in securities offered by a single issuer. In accordance with GASB 40, the City will report any investment in any one issuer that is 5%

or more of the total City portfolio. As of December 31, 2009, the City did not have any investments meeting that criteria.

5. RECEIVABLES

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

a. TAXES RECEIVABLE

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

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

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

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

b. ACCOUNTS RECEIVABLE

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

c. ASSESSMENTS AND NOTES RECEIVABLE

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

d. ACCRUED INTEREST RECEIVABLE

Accrued investment interest totaling $1,187 was recognized at December 31, 2009. This interest was recorded in each fund based on its investment position.

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

	Taxes	Accounts	Allowance for Uncollectibles	Assessments & Notes	Accrued Interest	Total
Governmental Activities:						
General Fund	$4,619,223	$ 435,072	$ (4,232)	$.	$ 4	$ 5,050,067
Capital Improvements	844,851					844,851
Special Assessments				14,288,715		14,288,715
Street Projects		196,997	(10)			196,987
Other Governmental Funds	1,091,729	1,742,910	(210)			2,834,429
Subtotal	$6,555,803	$2,374,979	$ (4,452)	$14,288,715	$ 4	$23,215,049
Business-Type Activities:						
Water Fund	$.	$1,499,498	$ (5,570)	$.	$ 3	$ 1,493,931
Sewerage Fund		3,660,338	(16,709)		7	3,643,636
Golf Fund		60,705	(1,994)			58,711
Internal Service Funds		773,074	(161)		1,173	774,086
Subtotal	$.	$5,993,615	$ (24,434)	$.	$ 1,183	$ 5,970,364
Total Primary Government	$6,555,803	$8,368,594	$ (28,886)	$14,288,715	$ 1,187	$29,185,413
Component Unit Activities:						
Special Events Center PFD	$ 105,249					$ 105,249
Total Component Units	$ 105,549			.		$ 105,249

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue reported in the governmental funds related to special assessments was $14,288,715. Of that amount, $189,391 is delinquent.

e. **INTERFUND LOANS**

	Interfund Loan Receivable	Interfund Loan Payable
Governmental Activities:		
Other Capital Projects Fund	$	$1,300,000
Other Governmental Funds		8,865,912
Business-Type Activities:		
Water Fund	6,300,000	
Sewerage Fund	1,565,912	
Golf Fund		1,200,000
Internal Service Activities:		
Equipment Rental	3,500,000	
	$11,365,912	$11,365,912

In December 2009, the Mayor approved a $1,200,000 one-year interfund loan from the Equipment Rental Fund to the Golf Complex Fund, a $1,500,000 one-year interfund loan from the Water Fund to the Events Center Special Revenue Fund, a $1,300,000 one-year interfund loan from the Water Fund to the Other Capital Projects fund, and a $1,265,912.43 one-year interfund loan from the Sewerage Fund to the Street Capital Projects fund all bearing interest at the City's daily funds rate through December 2010. Also executed by the City on December 31, 2009, were non-interest bearing interfund loans for $300,000 from the Fleet Services Fund to the Housing and Community Development Fund and $2,000,000 from the Fleet Services Fund to the Street Fund. Additionally, interest bearing loans for $3,500,000 from the Water Fund to the Capital Improvement Fund and $300,000 from the Sewerage Fund to the Environmental Fund were also executed. These loans were approved to cover year-end expenditures for the Environmental and Housing and Community Development funds as well as a temporary cash flow shortage for the Street Fund and Capital Improvement Fund.

f. **INTERFUND RECEIVABLES AND PAYABLES**

The following are the interfund balances at December 31, 2009:

	Total Fair Value Adjustment		Total Interfund - Other	
	Due From Other Funds	**Due To Other Funds**	**Due From Other Funds**	**Due To Other Funds**
Governmental Activities:				
General Fund	$66		$ 7,500	
Capital Improvement				$1,575,000
Special Assessments		$ 4		
Street Projects				95,000
Other Projects		1		
Other Governmental Funds:				
Street		3		
YouthTeen				49,500
Criminal Justice		3		
Housing & Comm. Dev.		1		
Operating Grants & Projects		2		
Kent Events Center		3		
Park Projects		19	500,000	
Technology Projects		8	1,000,000	
Facility Projects		10	75,000	
Subtotal	$ 66	$ 54	$1,582,500	$1,719,500
Enterprise:				
Sewerage			95,000	
Golf			42,000	
Subtotal	$....	$	$ 137,000	$1,719,500
Internal Service Activities:				
Equipment Rental		2		
Central Services		2		
Facilities		3		
Insurance		5		
Subtotal	$.....	$ 12		
Total	$ 66	$ 66	$1,719,500	$1,719,500

The balance of $66 is due from other funds to the General Fund reflecting the fair market value adjustment of pooled investments as the result of GASB 31 reporting. The balance of $1,719,500 consists of $7,500 due to the General Fund from the Youth/Teen fund, $500,000 due to Park Projects fund, $1,000,000 to Technology Projects fund and $75,000 to Facility Projects fund from the Capital Improvement fund. In addition, $95,000 is due to the Sewerage fund from the Street Projects fund and $42,000 to Golf from the Youth/Teen Fund.

6. INVENTORIES AND PREPAID ITEMS

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

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

7. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

a. GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

Below is a summary of 2009 changes in governmental fixed assets:

	Balance Jan 1, 2009	Additions	Transfers & Retirements	Balance Dec 31, 2009
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$207,414,514	$1,316,450		$208,730,964
Construction in Progress	243,035,521		(4,163,588)	238,871,933
Investment in Joint Venture	6,372,363	255,808		6,628,171
Total Capital Assets, Not depreciated	$ 456,822,398	$ 1,572,258	$(4,163,588	$454,231,068
Capital Assets, being depreciated:				
Buildings	57,901,880		(100,035)	57,801,845
Site Improvements	26,546,781	4,180,804		30,727,585
Other Capital	54,280,756	597,051	(521,232)	54,356,575
Infrastructure	468,476,875	23,145,602		491,622,477
Total Capital Assets, Depreciated	$ 607,206,292	$ 27,923,457	$(621,267)	$634,508,482
Less Accumulated Depreciation for:				
Buildings	(25,441,344)	(1,706,462)		(27,147,806)
Site Improvements	(9,864,543)	(853,692)		(10,718,235)
Other Capital	(26,410,715)	(3,181,322)	450,268	(29,141,769)
Infrastructure	(191,562,757)	(12,868,121)		(204,430,878)
Total Accumulated Depreciation	$(253,279,359)	$(18,609,597)	$ 450,268	$(271,438,688)
Total Capital Assets, being depreciated, net	$ 353,926,933	$ 9,313,860)	$ (170,999)	$363,069,794
Governmental Activities Capital Assets, net	$ 810,749,331	$ 10,886,118	$(4,334,587)	$817,300,862

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

A summary of Business-type Property, Plant and Equipment at December 31, 2009 follows:

	Balance Jan 1, 2009	Additions	Transfers & Retirements	Balance Dec 31, 2009
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	$ 9,815,876	$ 672,507	$.	$ 10,488,383
Construction in Progress	86,057,450	711,470		86,768,920
Total Capital Assets, Not depreciated	$ 95,873,326	$ 1,383,977	$	$ 97,257,303
Capital Assets, being depreciated:				
Buildings	5,181,604			5,181,604
Site Improvements	216,355,435	10,612,073		226,967,508
Other Capital	2,801,812	19,374		2,821,186
Total Capital Assets, Depreciated	$224,338,851	$10,631,447		$234,970,298
Less Accumulated Depreciation for:				
Buildings	(3,671,425)	(154,490)		(3,825,915)
Site Improvements	(70,153,779)	(5,026,634)		(75,180,413)
Other Capital	(2,501,058)	(59,733)		(2,560,791)
Total Accumulated Depreciation	$(76,326,262)	$ (5,240,857)		$(81,567,119)
Total Capital Assets, being depreciated, net	$148,012,589	$ 5,390,590		$153,403,179
Business-type Activities Capital Assets, net	$243,885,915	$ 6,774,567	$ 5,499,667	$250,660,482

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

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

Governmental Activities:	
General Government	$ 914,833
Judicial	50,607
Public Safety	1,281,030
Community Development	1,806
Public Works	12,877,988
Leisure Services	1,477,332
Health and Human Services	114,539
Library	99,243
Internal Services	1,792,219
Total Depreciation Expense – Governmental Activities	$18,609,597
Business-type Activities:	
Water	$ 1,583,455
Sewerage	3,363,656
Golf	293,746
Total Depreciation Expense – Business-Type Activities	$ 5,240,857

8. SHORT-TERM DEBT

The City of Kent did not have any short-term debt during the current fiscal year, January through December 2009.

9. LEASES

Operating Leases

The City leases space from King County for the Aukeen Kent Municipal Court located at 1220 South Central Avenue in Kent. The City paid $81,294 in 2009 and will pay that same amount in 2010. An additional $1,360 will be paid for the months of March through June 2010 because the court will be using additional space.

The City leases space from Gowe St. LLC for Safe Haven located at 407 W. Gowe in Kent. The City paid $62,648 in 2009 and will pay $55,599 for 2010.

The City leases space from Charlie Perkins for storage space on Smith Street. The City pays $5,000 per month plus one-half of the property tax each year. Payment will be made through March 31, 2011, at which time the lease shall terminate. The remaining annual lease payments due are as follows: Year 2010 will be $60,000 per year plus $5,921.70 in property taxes; year 2011 will be $15,000 per year.

The Golf Complex has leases with Northwest Yamaha for 54 Golf carts with payments of $5,568.48 per month and another for 24 carts with payments of $2,216.31 per month, both ending September 2011. No lease payments are due for the months of November through February. In 2009, the City paid $63,987.53 for the leases, including taxes. In 2010, the City will pay $62,658, plus any taxes due.

10. LONG-TERM INDEBTEDNESS

PRIMARY GOVERNMENT:
The City of Kent has two types of long-term debt: (a) **bonded debt** (net of unamortized discount) of $117,405,745 and (b) **nonbonded debt** of $55,536,291 for a total of $172,942,036 in long-term indebtedness.

a. **BONDED DEBT**
Bonded debt has three components: General Obligation, Special Assessment, and Revenue.

(1) **General Obligation Bonds**

General Obligation Bonds totaling $82.7 million are direct obligations of the City for which its full faith and credit is pledged. They have been issued for governmental and business-type activities. Debt service for governmental activities is paid from the General Obligation Debt Service voted and non-voted funds. Debt service for voted bond issues is funded with special property tax levies.

Debt service for LTGO (non-voted) bond issues is funded by transfers from operating funds. Debt service for business-type activities are paid for by the Water, Sewerage and Golf enterprise funds. Additional LTGO bond capacity at December 31, 2009 is $75,055,132. Total additional general obligation capacity for all purposes at December 31, 2009 is $778,559,120. The general obligation bonds have various interest rates between 2.0 percent and 6.3 percent with maturity dates to 2025. The City's general obligation bonds carry a Moody's "Aa2" rating and Standard and Poor's "AAA" rating.

(2) **Special Assessment Bonds**

Special Assessment Bonds totaling $11,851,450 are paid through the collection of special assessments. In accordance with GASB Statement No. 6, special assessments debt is reported in the government's financial statements. The special assessment bonds are supported solely by the property owners and the Local Improvement Guarantee Fund and are not a general obligation of the City. As of December 31, 2009 the guaranty reserve was $1,109,596 which amounts to 10.02 percent of net outstanding debt. The account is funded with transfers from closed special assessment districts, interest income and as a cost of establishing a special assessment district.

(3) **Revenue Bonds**

Revenue Bonds are payable from pledged revenues generated by the respective Proprietary Funds. The Water and Sewerage Funds' outstanding Combined Utility System Revenue Bonds, Series 2009A and Series 2009B Taxable (Build America Bonds) at December 31, 2009, totaled $24,790,000 for the 2009 issue, split equally between each fund. The interest rates of the revenue bonds range from 3.0 percent to 5.06 percent with maturity dates to 2019.

(4) **Refundings**

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

(a) In 1993, the City refunded by the "defeasance" method its 1986 General Obligation Bonds of $8,250,000, and its 1990 General Obligation Bonds of $4,280,000. The liability for the old issues was removed and the new issue was recorded. The 1986 issue was defeased in 2006 and the 1990 issue was defeased as December 31, 2009.

(b) In 2000, the City refunded, by the “defeasance” method, its 1995 General Obligation Bonds for the Golf Complex of $1,035,000, and its 1999 General Obligation Bonds for general government activities of $7,965,000. The liability for the old issues was removed and the new issues were recorded. The balance at December 31, 2009 for the 1995 issue was $535,000, and the 1999 issue was defeased as of December 31, 2009. The transaction resulted in an economic gain of $143,878 and a reduction of $220,964 in future debt service payments.

(c) In 2004, the City refunded by the "defeasance" method its 1996 General Obligation Bonds of $21,785,000. The liability for the old issue was removed and the new issue was recorded. Of the new issue, $6,340,000 related to Sewerage Fund activity and $15,445,000 for governmental activities. The balance of the 1996 issue as of December 31, 2009 was $3,985,000 for Sewerage Fund and $12,145,000 for governmental activities. The transaction resulted in an economic gain of $885,151 and a reduction of $1,286,897 in future debt service payments.

(d) In 2004, the City refunded by the "defeasance" method its 1993 Voted General Obligation Bonds of $3,210,000. The liability for the old issue was removed and the new issue was recorded. The balance of the 1993 issue as of December 31, 2009 was defeased. The transaction resulted in an economic loss of $169,429 and a reduction of $15,922 in future debt service payments.

(f) In 2005, the City refunded by the “defeasance” method $2,520,000 of its 1993 Revenue Bonds, $1,485,000 of its 1995 Golf General Obligation Bonds, $2,050,000 of its 2000 General Obligation Bonds and $1,102,477 of its 1996 Trust Fund Loan. The liability of the old issues were removed and the new issue was recorded. As of December 31, 2009, the balance of the 1993 issue was $1,390,000, the balance of the 1995 issue was defeased in 2008, the balance of the 2000 issue was $2,050,000. The transaction resulted in an economic gain of $306,920 and a reduction of $572,047 in future debt service payments.

(g) In 2009, the City refunded by the “defeasance” method $8,140,000 of the remaining 1999 Limited Tax General Obligation Bonds. The liability of the old issues was removed and the new issues were recorded. As of December 31, 2009, the balance of the 1999 issue was $8,140,000. The transaction resulted in an economic gain of $436,890 and a reduction of $445,879 in future debt service payments.

The following is a summary of long-term bonded debt transactions of the City for the year ended December 31, 2009:

	Governmental Activities		Business-type Activities		
	General Obligation	Special Assessment	General Obligation	Revenue	Total
Net Bonded Long-Term Debt Payable at 1/1/09	$78,826,585	$11,851,450	$9,282,660		$ 99,960,695
Unamortized Discount-Prior Year	988,394		42,765		1,031,159
Unamortized Premium-Prior Year	763,464		(330,868)		432,596)
Bonded Long-Term Debt Payable at 1/1/09	$80,578,443	$11,851,450	$8,994,557		$101,424,450
New Issues	8,410,000			$25,000,000	33,410,000
Debt Retired, Extinguished and Amortized	12,792,362	2,262,681	1,171,638	210,000	16,436,681
Bonded Long-Term Debt Payable at 12/31/09	$76,196,081	$ 9,588,769	$ 7,822,919	$24,790,000	$118,397,769
Unamortized Premium	(896,926)		285,603	553,298	(58,025)
Unamortized Discount/ Deferred Costs	(716,428)		(26,960)	(190,611)	(933,999)
Net Bonded Long-Term Debt Payable at 12/31/09	$74,582,727	$ 9,588,769	$ 8,081,562	$25,152,687	$117,405,745
Current Portion	$ 4,380,498	$ 2,262,681	$ 1,335,502	865,000	$ 8,843,681

The following is a summary of bonded debt issuance and redemption information as of December 31, 2009:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/09	Due Within One Year
GENERAL BONDED DEBT							
GENERAL OBLIGATION BONDS – GOVERNMENTAL ACTIVITIES							
Voted							
General Purpose	2004	2009	3.46%	$ 3,465,000	$ 3,465,000	$	$
Less: Unamortized Discount							
Less: Unamortized Deferred Refunding							
Total General Obligation – Voted				$ 3,465,000	$ 3,465,000	$	$
LTGO Bonds							
General Purpose	1999	2019	4.0-5.1%	$21,205,000	$21,205,000	$	$
Less: Unamortized Discount							
General Purpose	2000	2020	4.5-5.5%	19,070,000	14,165,000	4,905,000	480,000
Less: Unamortized Discount					112,060	(112,060)	
Plus: Unamortized Deferred Refunding							
General Purpose	2002	2022	3.0-5.0%	13,685,000	4,360,000	9,325,000	720,000
Less: Unamortized Discount					28,195	(28,195)	
General Purpose	2003	2018	2.3-5.5%	7,518,000	4,457,000	3,061,000	533,000
Less: Unamortized Discount					18,954	(18,954)	
General Purpose	2004	2021	2-4.13%	16,505,000	3,349,919	13,155,081	868,498
Less: Unamortized Discount					229,544	(229,544)	
Less: Unamortized Deferred Refunding					523,684	(523,684)	
General Purpose	2005	2020	4.05%	2,252,000	102,000	2,150,000	14,000
Less: Unamortized Discount					11,627	(11,627)	
Less: Unamortized Deferred Refunding					125,809	(125,809)	
General Purpose	2006	2024	4.0-5.0%	12,000,000	600,000	11,400,000	300,000
Less: Unamortized Discount					177,979	(177,979)	
General Purpose	2008	2025	4.1-5.2%	24,000,000	210,000	23,790,000	915,000
Less: Unamortized Discount					216,889	(216,889)	
General Purpose	2009	2019	3.0-4.0%	8,410,000		8,410,000	550,000
Less: Unamortized Discount					(78,820)	78,820	
Plus: Unamortized Deferred Refunding					247,433	(247,433)	
Total General Obligation - LTGO				$124,645,000	$50,062,273	$74,582,727	$4,380,498
GOVERNMENTAL ACTIVITIES				$128,110,000	$53,527,273	$74,582,727	$4,380,498

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/09	Due Within One Year
GENERAL OBLIGATION BONDS – BUSINESS-TYPE ACTIVITIES							
LTGO Bonds							
Golf Complex Fund:							
Golf Complex Ref.	2000	2010	4.5-5.5%	$ 1,075,000	$ 540,000	$ 535,000	$ 535,000
Plus: Unamortized Premium					(4,258)	4,258	
Less: Unamortized Deferred Costs					6,175	(6,175)	
Total Golf Complex (Net)				$ 1,075,000	$ 541,917	$ 533,083	$ 535,000
Sewerage Fund:							
Drainage	2004	2021	2-4.13%	$6,775,000	$ 1,375,081	$ 5,399,919	$ 356,502
Plus: Unamortized Premium					(281,345)	281,345	
Sewerage – 93 Ref.	2005	2013	4.05%	2,437,000	1,126,000	1,311,000	308,000
Less: Unamortized Discount					10,206	(10,206)	
Sewerage – 96 Ref.	2005	2013	4.05%	1,125,000	548,000	577,000	136,000
Less: Unamortized Deferred Costs					10,579	(10,579)	
Total Sewerage Fund (Net)				$ 10,337,000	$ 2,788,521	$ 7,548,479	$ 800,502
BUSINESS-TYPE ACTIVITES				$ 11,412,000	$ 3,330,438	$ 8,081,562	$1,335,502
TOTAL GENERAL OBLIGATION BONDS				$139,522,000	$ 56,857,711	$82,664,289	$5,716,000
SPECIAL ASSESSMENT BONDS – GOVERNMENTAL ACTIVITIES							
LID 347, 348	1998	2015	4.3-5.6%	942,617	797,617	145,000	75,000
LID 340, 349	1999	2014	4.1-5.9%	13,221,661	10,606,661	2,615,000	805,000
LID 351	2001	2015	3.8-5.5%	5,367,217	4,387,217	980,000	230,000
LID 350, 352, 354	2003	2013	3.75%	1,363,439	1,044,670	318,769	82,681
LID 353 et. al.	2004	2019	2.5-4.7%	11,758,557	6,228,557	5,530,000	1,070,000
TOTAL SPECIAL ASSESSMENT BONDS				$ 32,653,491	$ 23,064,722	$9,588,769	$2,262,681
TOTAL GENERAL BONDED DEBT				$172,175,491	$ 79,922,433	$92,253,058	$7,978,681

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/09	Due Within One Year
REVENUE BONDS - BUSINESS-TYPE ACTIVITIES							
Water Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	$4,560,000	$ 105,000	$ 4,455,000	$ 432,500
Plus: Unamortized Premium					(276,649)	276,649)	
Less Unamortized Discount					18,131	(18,131)	
Less Unamortized Deferred Costs					12,557	(12,557)	
Revenue Bonds Series B	2009	2029	5.06/6.12%	7,940,000		7,940,000	
Less: Unamortized Discount					42,144	(42,144)	
Less Unamortized Deferred Costs					22,474	(22,474)	
Total (Net)				$ 12,500,000	$ (76,343)	$ 12,576,343	$ 432,500
Sewer Fund:							
Revenue Bonds Series A	2009	2018	3.0-5.0%	$4,560,000	$ 105,000	$ 4,455,000	$ 432,500
Plus: Unamortized Premium					(276,649)	276,649)	
Less Unamortized Discount					18,131	(18,131)	
Less Unamortized Deferred Costs					12,557	(12,557)	
Revenue Bonds Series B	2009	2029	5.06/6.12%	7,940,000		7,940,000	
Less: Unamortized Discount					42,144	(42,144)	
Less: Unamortized Discount					22,474	(22,474)	
Total (Net)				$ 12,500,000	$ (76,343)	$ 12,576,343	$ 432,500
TOTAL REVENUE BONDS				$ 25,000,000	$ (152,686)	$ 25,152,687	$ 865,000
TOTAL BONDED DEBT				$197,175,491	$79,769,747	$117,405,745	$ 8,843,681

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

	Governmental Activities		Business-type Activities		
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2010	4,380,498	3,548,381	1,335,502	367,305	9,631,686
2011	4,768,814	3,362,963	944,187	302,073	9,378,037
2012	4,816,287	3,160,336	910,713	259,272	9,146,608
2013	4,667,909	2,957,824	967,091	218,296	8,811,120
2014	5,031,333	2,762,236	545,667	174,692	8,513,928
2015-2019	25,311,620	10,268,537	2,143,380	492,124	38,215,661
2020-2024	24,729,620	4,383,493	976,379	55,443	30,144,936
2025-2029	2,490,000	130,725			2,620,725
Total	$76,196,081	$30,574,495	$ 7,822,919	$1,869,206	$116,462,701

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

	Governmental Activities		
Year	Principal	Interest	Total
2010	2,300,000	484,424	2,784,424
2011	1,920,001	402,926	2,322,927
2012	1,785,000	265,612	2,050,612
2013	1,213,768	172,237	1,386,005
2014	800,000	111,630	911,630
2015-2018	1,570,000	118,321	1,688,321
Total	$9,588,769	$1,555,150	$11,143,919

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

Revenue bond debt service requirements to maturity are as follows:

	Water Revenue Bonds		Sewerage Revenue Bonds		
Year	Principal	Interest	Principal	Interest	Total
2010	432,500	628,348	432,500	628,348	2,121,696
2011	447,500	615,372	447,500	615,372	2,125,744
2012	460,000	601,947	460,000	601,947	2,123,894
2013	472,500	588,147	472,500	588,147	2,121,294
2014	487,500	573,972	487,500	573,972	2,122,944
2015-2019	2,755,000	2,555,362	2,755,000	2,555,362	10,620,724
2020-2024	3,332,500	2,161,062	3,332,500	2,161,062	10,987,124
2025-2029	4,007,500	1,226,295	4,007,500	1,226,595	10,467,590
Total	$12,395,000	$8,950,505	$12,395,000	$8,950,505	$42,691,010

DISCRETELY PRESENTED COMPONENT UNIT – SPECIAL EVENTS CENTER PFD:
The City of Kent Special Events Center Public Facilities District (PFD) has outstanding long-term **bonded debt** (net of unamortized amounts) of $62,342,622.

The following is a summary of bonded debt issuance and redemption information as of December 31, 2009:

	Issuance Date	Maturity Date	Interest Rate	Original Amount	Redemption to Date	Outstanding 12/31/09	Due Within One Year
Sales Tax Bonds	2008	2037	4-5.25%	$ 53,150,000	$.	$ 53,150,000	$ 0
Plus: Unamortized Premium					(1,149,014)	1,149,014	
Less: Unamortized Deferred Costs					1,536,392	(1,536,392)	
Revenue Bonds	2008	2020	3.16-5.75%	$ 10,130,000	$ 550,000.	$ 9,580,000	$ 595,000
Total Bonded Debt				$ 63,280,000	$ 937,378	$ 62,342,622	$ 595,000

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

	Special Events Center Public Facilities District		
Year	**Principal**	**Interest**	**Total**
2010	$ 595,000	$ 3,149,441	$ 3,744,441
2011	605,000	3,130,050	3,735,050
2012	630,000	3,108,240	3,738,240
2013	730,000	3,082,428	3,812,428
2014	745,000	3,051,060	3,796,060
2015-2019	5,595,000	14,567,972	20,162,972
2020-2024	9,715,000	12,706,290	22,421,290
2025-2029	15,535,000	9,795,900	25,330,900
2030-2034	18,680,000	5,181,000	23,861,000
2035-2039	9,900,000	1,012,500	10,912,500
Total	$62,730,000	$58,784,881	$121,514,881

Arbitrage Compliance

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

b. **NONBONDED LONG-TERM DEBT**

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

The City has a contract with King County for road improvements. These are direct obligations of the City for which its full faith and credit is pledged. Debt service is paid from the General Obligation Debt Service Fund. It is funded by transfers from operating funds. Long-term debt for the long-term portion of compensated absences of $2,441,848 is included with the total non-bonded long-term debt for governmental activities. See Note 14.a. for additional information pertaining to compensated absences.

The City has non-bonded Proprietary Fund long-term debt payable from revenue generated by respective Proprietary Funds. The Water and Sewerage Funds have intergovernmental loans for specific capital projects. Long-term debt for the long-term portion of compensated absences of $182,047 is recorded in the Proprietary Funds. See Note 14a for additional information pertaining to compensated absences.

The following is a summary of non-bonded debt issuance and redemption information as of December 31, 2009:

	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES						
General Obligation:						
Contract – King County 1996		$ 1,810,709	$.	$.	$ 1,810,709	$.
Contract – Valley Comm 2000	2015	1,428,000		175,000	1,253,000	184,000
Trust Fund Loans (Street) 2004		7,996,027		507,774	7,488,253	507,774
Trust Fund Loans (Street) 2008		2,000,000	2,500,000		4,500,000	236,842
LID 358 – Internal Financing		226,671		27,126	199,545	33,257
Compensated Absences		5,656,261	6,157,940	5,638,256	6,175,945	3,842,608
Total General Government		$19,117,668	$8,657,940	$6,348,156	$21,427,452	$4,804,481
Internal Service Funds:						
Equipment Rental Fund:						
Compensated Absences		$ 36,522	$ 63,284	$ 54,399	$ 45,407	$ 38,655
Central Services Fund:						
Compensated Absences		149,856	164,339	133,221	180,974	135,851
Facilities Fund:						
Energy Conservation Ln. 2003	2013	366,461		76,089	290,372	79,047
Energy Conservation Ln. 2004	2014	310,059		51,426	258,633	53,523
Compensated Absences		105,444	163,057	136,727	131,774	91,617
Insurances Fund:						
Compensated Absences		37,665	35,656	12,431	60,890	44,411
Total Internal Service Funds		$ 1,006,007	$ 426,336	$ 464,293	$ 968,050	$ 443,104
Total Governmental Activities Non-Bonded Long-Term Debt		$20,123,675	$ 9,084,276	$6,812,449	$22,395,502	$5,247,585

	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BUSINESS-TYPE ACTIVITIES						
Proprietary Funds:						
Water Fund:						
Trust Fund Loan 2001	2021	$ 6,861,111	$.	$ 527,778	$ 6,333,333	$ 527,778
Trust Fund Loan 2002	2022	7,437,500		531,250	6,906,250	531,250
Contract – Tacoma Pipeline	2032	18,255,388		158,806	18,096,582	147,960
Compensated Absences		209,974	218,797	188,675	240,096	167,251
Total Water Fund		$32,763,973	$ 218,797	$ 1,406,509	$31,576,261	$1,374,239
Sewerage Fund:						
Trust Fund Loan 2004		$ 1,275,000	$.	$ 75,000	$ 1,200,000	$ 75,000
Compensated Absences		222,427	250,091	181,302	291,216	208,474
Total Sewerage Fund		$ 1,497,427	$ 250,091	$ 256,302	$ 1,491,216	$ 283,474
Golf Complex Fund:						
Compensated Absences		$ 63,129	$ 35,707	$ 25,524	$ 73,312	$ 46,852
Total Golf Complex Fund		$ 63,129	$ 35,707	$ 25,524	$ 73,312	$ 46,852
Total Business-Type Activities Non-Bonded Long-Term Debt		$34,324,529	$ 504,595	$ 1,688,335	$33,140,789	$1,704,564
TOTAL NON-BONDED LONG-TERM DEBT		$54,448,204	$, 9,588,871	$ 8,500,784	$55,536,291	$6,952,149

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

	LID Internal Financing		Contracts, Loans, and Notes				
	Governmental Activities		Governmental Activities		Business-Type Activities		
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2010	33,257	8,979	1,156,487	233,011	1,281,988	874,606	3,588,328
2011	33,257	7,483	1,170,743	216,613	1,278,222	848,305	3,554,623
2012	33,257	5,986	1,185,207	194,685	1,284,231	821,076	3,524,442
2013	33,258	4,490	1,164,150	171,937	1,296,247	792,879	3,462,961
2014	33,258	2,993	1,092,004	149,671	1,308,263	763,668	3,349,857
2015-2019	33,258	1,497	4,432,585	514,786	7,076,034	3,341,428	15,399,588
2020-2024			4,071,222	293,338	6,668,117	2,441,052	13,473,729
2025-2032			1,328,569	79,871	12,343,063	1,769,785	15,521,288
Total	$199,545	$31,428	$15,600,967	$1,853,912	$32,536,165	$11,652,799	$61,874,816

11. FUND EQUITY

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

(1) **Reserved** - Amounts are segregated to indicate that they are legally restricted and are not available spendable resources. The City has the following reserves:

(a) **Reserve for Prepaid Items** Prepayments are a component of net current assets but are not available spendable resources; $60,569 is so reserved in the General Fund.

(b) **Reserve for Contingency** A contingency reserve for a worker's compensation claim was set up in 1990 in the Insurance Internal Service Fund. The December 31, 2009 amount was $213,785.

(c) **Reserve for Debt Service** Resources are legally restricted for the payment of long-term debt principal and interest amounts maturing in future years. The Debt Service and Enterprise Fund's reserves reflect this restriction.

(d) **Reserve for Trust and Agency Funds** Represents the fund balance of the City's Firemen's Relief and Pension Fund reserved for future pension payments. Note 14.b.(4).

(2) **Unreserved**

(a) **Unreserved, but designated.** In 2009, the Council designated $1,999,665 of unreserved fund balance in the General Fund for contingencies. This designation of unreserved fund balance is to maintain an adequate cash position during the year, and to have funds available for unanticipated needs.

(b) **Unreserved** fund balance is the excess of the current assets over the current liabilities, net of reserves or designations. The unreserved fund balance is the accumulation of earnings of a proprietary fund, net of reserves.

(c) **Deficit** fund balance is excess of current liabilities over current assets. Of the major funds, the Capital Improvement, Street Projects, and Other Projects had deficit fund balances of $4,188,151, $1,739,526 and $1,135,191, respectively, as of December 31, 2009. Other funds with deficit funds balances as of December 31, 2009, were the Street, Environmental Mitigation, and Kent Events Center with $1,108,148, $229,716 and $1,025,923, respectively.

12. INFORMATION ON ENTERPRISE FUNDS

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

a. **WATER**

The Water Fund collects all revenues for the City's water utility, pays the expenses of the utility, pays amounts as required by bond covenants for debt service and expends certain monies to fund improvements to the system. On November 16, 1999 water rates were increased to provide funding for a second water supply source. This rate increase was effective beginning on December 31, 1999. It is estimated that Kent’s cost for partial ownership of a new water source will be $28 million. Water rate increases of 5% for three consecutive years were passed in 2002 effective January 1, 2003 to provide additional funding for the second supply water source pipeline. To offset the need for future increases, the City sold the impoundment reservoir in 2005. Effective April 1, 2009, per Ordinance 3901 monthly Meter Access Fee rates were increased by 15% from January 1, 2008. Effective June 1, 2009, per ordinance 3915, Meter Access Fee rates were increased by 48% as were water usage rates per 100 cu. ft.

Changes from the old rate structure to the new are shown as follows:

Meter Access Fee Rates (monthly)

	Effective 1/1/08	**Effective 4/1/09**	**Effective 6/1/09**
Meter Size			
3/4" or 5/8"	$5.26	$6.05	$11.64
1"	$8.94	$10.28	$15.21
1 ½"	$13.64	$15.69	$23.22
2"	$18.09	$20.80	$30.78
3"	$38.35	$44.10	$65.27
4"	$46.47	$53.44	$79.09

Usage Rates until 5/31/09

		Inside City Limits	**Outside City Limits**
Monthly			
Summer (5/1-9/30)	First 700 cu. ft.	$1.90 per 100 cu. ft.	$2.32 per 100 cu. ft.
	Over 700 cu. ft.	$2.42 per 100 cu. ft.	$2.85 per 100 cu. ft.
Winter (10/1-4/30)	First 700 cu. ft.	$1.44 per 100 cu. ft.	$1.90 per 100 cu. ft.
	Over 700 cu. ft.	$1.95 per 100 cu. ft.	$2.42 per 100 cu. ft.

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

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

b. **SEWERAGE**

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

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

The drainage operation started in May 1985 and collects revenue to fund operating charges. Drainage rates were increased in 1992 to a tiered rate structure to cover major improvements to the City's storm drainage system. Incremental increases were also approved for 1996 thru 1998 initiated in three steps. The following shows the separation of the Sewerage Fund into its components. Amounts are shown in thousands.

	Sewer	Drainage	Total
Operating Revenues	$ 19,846	$ 11,452	$ 31,298
Operating Expenses	(20,538)	(7,822)	(28,360)
Operating Income	$ (692)	$ 3,630	$ 2,938

c. **GOLF COMPLEX**

In 1981, the City purchased a golf facility that included a 9-hole executive golf course, a mini-putt facility, and a driving range. An 18-hole golf course was completed in 1989 funded by the issuance of revenue bonds. The revenue bonds were refunded in 1995 with a limited-tax general obligation issue that also included some new money for driving range and mini-putt improvements. On June 1, 1993, the City contracted with a private corporation to operate the City's Golf Complex. Due to the retirement of the key management person of the corporation, the management contract was terminated on December 31, 1999. The City took over all golf operations and continued a contract for merchandising at January 1, 2000. During 2000, the City entered into a separate management contract to operate the 9-hole executive course, mini-putt facility, and the driving range. The same contractor entered into a lease agreement with the City to build and operate a new restaurant at the 18-hole course. In 2001, the golf merchandise contractor closed its store at the complex. The City Council passed the golf merchandising program on November 20, 2001 to be effective December 1, 2001. The City operates the 18-hole course, runs the merchandising operation, and provides all of the maintenance at the complex. The Golf Complex Fund collects all revenues and pays all expenses. The complex had an increase in net assets of $63,432 in 2009, and net assets of $6,414,189 at December 31, 2009.

13. PROPERTY TAXES

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

Tax bills are mailed on February 14 and are due on April 30. They may be paid in two equal installments on April 30 and October 31. If not remitted by April 30, the whole amount becomes delinquent with penalties and delinquent interest assessed on that amount. The County Treasurer remits collections to the individual taxing districts daily by electronic funds transfer as amounts are received and allocated to taxing districts. General and Debt Service Funds receivables include $914,279 for delinquent property taxes. No estimate of uncollectible taxes is made since state law allows for sale of property for failure to pay taxes.

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

a. The Washington State Constitution limits the total statutory property tax levy to $10.00 per $1,000 of assessed valuation. This 1 percent value limit is subject to additional reduction of 10 percent on all regular taxing rates except for Port and Utility Districts, Conservation Futures, Emergency Medical Services and State levies. The effective levy limit is $5.55 per $1,000 assessed valuation as follows: $1.80 for the County, $3.60 for the City and $.15 is a floating limitation where applicable. In addition, the City has given $.50 to the County to fund the library.

b. Washington State law in RCW 84.55.010 limits the growth of regular property tax revenue. If total city assessed valuation increases by more than the allowable rate, the levy rate is proportionally decreased.

c. Referendum 47 passed in November 1997 limited the growth of the property tax levy to the lesser of 6% or inflation.

d. Initiative 747 passed in November 2001 further limits property tax levy growth by the lesser of 1% or inflation. As a result of Initiative 747, Washington State law in RCW 84.55.0101 limits the growth of regular property tax revenue to 1%.

e. The City may voluntarily levy taxes below the legal limit.

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

For 2009, the City's regular tax levy was $2.133 per $1,000 of assessed valuation based on the 2008 assessed valuation of $12,758,751,418 for a total regular levy of $27,215,136. Additionally, special levies for debt service on voter approved General Obligation Bonds totaled $.047 per $1,000 on total assessed valuation for total special levies of $600,000. The total City of Kent levy was $2.180 per $1,000 of assessed valuation for a total levy of $27,225,624.

14. PERSONNEL BENEFITS

a. SICK, VACATION AND COMPENSATORY LEAVE

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

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

In the Governmental Activities Statement of Net Assets, the current portion of compensated absences plus estimated benefits, including internal services, is estimated to be $4,153,142 and the estimated long term, portion, including internal services is $2,441,848. The liabilities are typically liquidated by the general fund, with exception to those related to internal services. In the Proprietary Funds, the current portion is that amount which is anticipated to be paid within the next fiscal period. The Proprietary Funds fully accrue compensated absences plus estimated benefits thereon, and separate current and

long-term portions for balance sheet purposes only. In the Business-type Activities Statement of Net Assets, the estimated current amount is $422,577 and the estimated long-term portion is $182,047.

b. **RETIREMENT**

The City's contributions to retirement programs in 2009 were:

To Federal Social Security System	$3,847,099
To State administered employee retirement systems	4,006,926
Total	$7,854,025

Retirement payments to City employees from all City funds in 2009 were:	
From Firemen's Relief and Pension Fund	$ 316,800

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

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

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

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

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

PERS is a cost-sharing multiple-employer system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 retirements from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.
Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the average final compensation (AFC) per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to 65 are actuarially reduced. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

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

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

can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

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

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

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

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan members Nonvested	56,456
Total	262,057

Funding Policy

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

The City's contribution rates expressed as a percentage of covered payroll, for the year ending December 31, 2009 were:

Members not participating in JBM:

	Plan 1 Required	Plan 2 Required	Plan 3 Required
Employer*	5.31%**	5.31%****	5.31%***
Employee	6.00%****	5.45%****	*****
Total	11.31%	10.76%****	5.31%

*The employer rates include the employer administrative expense fee currently set at 0.16%.
**The employer rate for state elected officials is 7.89% for Plan 1 and 5/31% for Plan 2 and Plan 3.
***Plan 3 defined benefit portion only.
****The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.
*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

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

*The employer rates include the employer administrative expense fee currently set at 0.16%.
**Plan 3 defined benefit portion only.
***Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	$117,134	$1,881,779	$374,928
2008	$122,423	$1,994,771	$356,803
2007	$94,445	$1,513,706	$241,668

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

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined thereafter are enrolled in Plan 2. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2.

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

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

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

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

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 members are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at age 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of June 30, 2008, the latest actuarial valuation date for the plans:

Retirees and Beneficiaries Receiving Benefits	9,268
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non-vested	3,927
Total	26,965

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

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

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

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

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

	LEOFF Plan 1	**LEOFF Plan 2**
2009	$ 643	$1,531,492
2008	$ 721	$1,464,916
2007	$1,211	$1,242,396

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

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

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

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

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; OR
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; OR
- have primary responsibility to supervise eligible members who meet the above criteria

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

Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of two percent of the average final compensation per year of service. The average final compensation is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	1
Terminated Plan members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	3,981
Total	3,982

Funding Policy

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

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

	Plan 2 Required
Employer*	7.85%
Employee	6.55%
Total	14.40%

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

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

	PSERS Plan 2
2009	$108,165
2008	$114,497
2007	$82,229

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

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

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

As of December 31, 2009 there were a total of 13 individuals covered by this system and drawing benefits. The City's covered payroll for year ending December 31, 2009 was $129,800. The most recent actuarial study of the system was done by Milliman & Robertson, Inc. to determine the funding requirements as of January 1, 2008. As of that date, the fair value of all assets was $3,265,169 and the actuarial present value of future benefits was $2,630,000. The City contributed $132,085 in 2009. The actuary computed the annual required contribution (ARC) using the Entry Age Normal Cost Method. Since nearly all members have already retired, the amount of the annual Normal Cost is small. Other actuary assumptions in the study were a 2.5% inflation rate, a 4.0% investment return, and an annual 3.5% increase in salaries and post retirement benefits. The amortization method used is level dollar of projected payroll over a 30 year closed period beginning January 1, 1999.

GASB Statement No. 27
Annual Pension Cost and Net Pension Obligation

		12/31/08	12/31/09	12/31/10
	Annual required contribution (ARC)			
1	Annual Normal Cost (BOY)	$ 0	$ 0	$ 0
2	Amortization of UAAL (BOY)	(44,333)	(44,333)	(46,150)
3	Interest to EOY [(1)+(2)][1]	(2,217)	(2,217)	(1,846)
4	ARC at EOY [(1)+(2)+(3)], not less than zero prior to 2004.	$ (46,550)	$ (46,550)	$ (47,996)
5	Interest on NPO	(19,604)	(18,478)	(13,763)
6	Adjustment to ARC	(29,124)	(28,242)	(25,190)
7	Annual pension cost [(4)+(5)-(6)]	$ (37,030)	$ (36,786)	$ (36,569)
8	Employer Contributions[2]	(59,543)[2]	(62,265)	(65,000)***
9	Change in NPO [(7)-(8)]	$ 22,513	$ 25,479	28,431
10	NPO at BOY [(11) prior year]	$ (392,070)	$ (369,557)	$ (344,078)
11	NPO at EOY [(9)+(10)]	$ (369,557)[2]	$ (344,078)	$ (315,647)***

[1]'i' is the assumed interest rate that year: 5.0% in 2008, 5.0% in 2009, 4.0% in 2010.
[2]Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.
****Assumed amounts will be replaced at year end with actual amounts.*

GASB Statement No. 27
Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2008	$ (37,030)	N/A %	$ (369,557)
December 31, 2009	(36,786)	N/A	(344,078)
December 31, 2010	(36,569)	N/A **	(315,647)*

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

Schedule of Employer Contributions

Fiscal Year Ending	Employer Contributions*	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution ARC	Percentage of ARC Contributed
December 31, 2003	$(155,394)	$89,524	$(65,870)	$(136,261)	(48.34)%
December 31, 2004	$(160,244)	$99,019	$(61,225)	$(104,547)	(58.56)%
December 31, 2005	$(219,000)	$94,261	$(124,739)	$(104,547)	(119.31)%
December 31, 2006	$(225,373)	$110,431	$(114,942)	$(72,177)	(159.25)%
December 31, 2007	$(191,365)	$121,172	$(70,193)	$(72,177)	(97.25)%
December 31, 2008	$(191,388)	$131,845	$(59,543)	$(46,550)	(127.91)%
December 31, 2009	$(194,350)	$132,085	$(62,265)	$(46,550)	(133.76)%
December 31, 2010**	$(200,000)	$135,000	$(65,000)	$(47,996)	(135.43)%

**41.26.150 and administrative expenses.*
*** Assumed amounts will be replaced at year end with actual amounts.*

The Firemen's Relief and Pension System's investments at December 31, 2009 of $3,241,600, recorded at fair market value, were in the following obligations:

	Market Value
Refcorp. Strips	$ 832,747
Government Agencies	543,853
State Investment Pool	1,865,000
Total	$3,241,600

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

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

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

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

For the fiscal year ended December 31, 2009, the city contributed $250,000 to the Health Plan to prefund benefits.

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

	12/31/07	12/31/08	12/31/09
Normal cost – Unit Credit Method	$ 0	$ 0	$ 0
Amortization of unfunded actuarial accrued liability (UAAL)	0	0	0
Amortization of unfunded actuarial accrued liability (UAAL) at transition	505,997	505,997	505,997
ARC	$ 505,997	$ 505,997	$ 505,997
Interest on net OPEB obligation	0	0	0
Adjustment to annual required contribution	0	0	0
Annual OPEB cost (expense)	$ 505,997	$ 505,997	$ 505,997
Contributions made	(690,351)	(250,000)	(250,000)
Increase in net OPEB obligation	$ (184,354)	$ 255,997	$ 255,997
Net OPEB obligation – beginning of year	0	(184,354)	71,643
Net OPEB obligation – end of year	$ (184,354)	$ 71,643	$ 327,640

*Replaced with actual contributions made.

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Obligation
December 31, 2007	$ 505,997	136.4%	$ (184,354)
December 31, 2008	$ 505,997	49.4%	$ 71,643)
December 31, 2009	$ 505,997	49.4%	$ 327,640)

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

Actuarial accrued liability (AAL) – Unit Credit	$8,609,653
Actuarial value of plan assets	251,263
Unfunded actuarial accrued liability (UAAL)	$8,358,390
Funded ratio (actuarial value of plan assets/AAL)	2.9%
Covered payroll	$93,465
UAAL as a percentage of covered payroll	8,943%

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

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

The December 31, 2007 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 11.5% for medical/prescription drug/unreimbursed medical expenses and 7.0% for dental, reduced by decrements to ultimate rates of 5.5% and 5.0% after 6 years and 3 years, respectively. The vision and long-term care trend rates are 4.0% for all years. All trend rates included a 3.0% inflation assumption. The amortization of the UAAL at transition is a level dollar amount on a closed basis. The remaining amortization period at December 31, 2008 was 29.0 years.

c. **LIFE INSURANCE**

Life insurance is provided for full time employees through Standard Life Insurance Company. Full-time employees are covered immediately. All employees have paid life insurance equal to their annual salary up to $50,000. The City contributed $128,863 during 2009 for this coverage.

d. **DEFERRED COMPENSATION**

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

15. RISK MANAGEMENT

The City maintains consolidated insurance operations in one Insurance Internal Service Fund. The Unemployment, Worker's Compensation, a portion of the Liability and Property, and Medical and Dental Insurance Programs are self insured. This fund is made up of separate sub-funds for Unemployment Compensation, Worker's Compensation, Liability and Property, and Medical and Dental Insurance. There were no significant reductions in insurance coverage and no claims exceeded insurance coverage for the past three years. Following is a table of changes in estimated claims liabilities for 2009 and 2008 as carried in the City's Internal Service Funds:

	Worker's Compensation		Medical and Dental		Liability		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Claims Liabilities, January 1	$1,716,012	$1,479,127	$ 1,086,800	$ 771,300	$1,684,466	$1,256,855	$4,487,278	$3,507,282
Less: Claims Paid	(1,066,440)	(904,594)	(9,765,243)	(8,540,638)	(508,592)	(641,531)	(11,340,275)	(10,086,763)
Plus: Claims and changes in estimates	1,043,679	1,141,479	9,605,443	8,856,138	541,282	1,069,142	11,190,404	11,066,759
Claims Liabilities, December 31	$1,693,251	$1,716,012	$ 927,000	$ 1,086,800	$1,717,156	$1,684,466	$4,337,407	$4,487,278

a. **UNEMPLOYMENT COMPENSATION**

The City became self-insured for unemployment compensation in 1981 when it began to make contributions from the City operating funds to its own fund at the State rate. It continued to contribute at the 1981 State rate building up substantial equity. The City authorized an actuarial study in 1991 to determine the trust's actuarial soundness and the impact on future rates. The study was made by Milliman and Robertson, Inc. as of 12/31/91. The study projected unemployment claims for January 1992 through June 1992 and July 1992 through June 1993 at the 90 percent confidence level to be $19,900 and $40,600, respectively, and that the fund equity at December 31, 1991 was sufficient to generate interest income to pay these claims. In 1999, the City started charging its operations for unemployment compensation at .55% of gross salaries to a maximum of $24,300 for its full and part time salaried personnel. This was due to the declining equity in the fund. At December 31, 1991 incurred and estimated claims payable amounted to a requirement for a reserve at the 90 percent confidence level of $16,500. At December 31, 2009 fund equity was $(11,145) and 2009 claims were $155,851.

b. **WORKER'S COMPENSATION**

The City became self-insured for worker's compensation in 1981. Contributions from the City operating funds at the State rate have substantially exceeded expenses. The City authorized an actuarial study in 1999 to determine the trust's actuarial soundness and the impact on future rates. The latest study was made by Price Waterhouse Coopers LLP as of December 31, 2007. The study projected loss payments for calendar year 2009 at $1,063,000. At December 31, 2009, incurred but not reported and claims payable were estimated at $1,693,251. At December 31, 2009 fund equity was $264,371. A contingency reserve of $213,785 was set up for a worker's compensation claim. The City carries coverage for losses exceeding $200,000 per occurrence with a private carrier to a maximum indemnity of $1,000,000 per occurrence or $2,000,000 for period of coverage.

c. **LIABILITY AND PROPERTY**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchased insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of over 115 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. The City has opted to self insure up to $100,000 per occurrence, saving significant premium costs. Coverage includes general, automobile, police, public officials' errors and omissions, stop gap, and employee benefits liability. Limits are $3 million per occurrence self insured layer, and $11 million per occurrence in the re-insured excess layer with no annual aggregate except $10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are $14 million per occurrence. 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 $500,000 and for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

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 has been self insuring $100,000 per occurrence since 1993. At December 31, 2009, the City booked incurred but not reported claims to equal estimated outstanding claims liability of $1,717,156. The fund had sufficient equity to cover projected losses over the amount booked at December 31, 2009.

At December 31, 2009, fund equity was $294,835 in its liability fund and $36,297 in its property fund. In 2009, the City expensed $1,742,079 for its liability claims and insurance coverage and $354,177 for its property claims and insurance coverage.

Property coverages are provided by individual insurance carriers for all risks including earthquake and flood for buildings, contents, business income, extra expense, mobile equipment, fine arts and vehicles. Deductibles are $2,500 per occurrence with the exception of $25,000 per occurrence for vehicles except garaged vehicles is $2,500 per occurrence. The limits of liability are $15 million per occurrence with $10 million excess coverage with another insurance carrier. The City carries boiler and machinery coverage up to a maximum of $10 million for any one accident. The City also carries fidelity bond coverage of $100,000 for its Finance Director and $50,000 for its Chief of Police. The City self insures for its underground storage tanks up to $500,000 per incident to an aggregate of $1,000,000.

d. **MEDICAL AND DENTAL**

The City is self insured for two medical and one dental plan administered by Premera Blue Cross. Claims exceeding $100,000 per occurrence are covered by a stop loss policy. Group Health is offered as an additional plan. The Traditional self insurance plan provides comprehensive benefits at all medical facilities, and the Preferred Provider plan provides comprehensive benefits with participating medical facilities. The Dental plan is the same for all participating employees. In 2009, Premera Blue Cross covered approximately 95 percent of the employees for a cost of $9,306,601. The City authorized an actuarial study in 1998 to determine the fund's actuarial soundness and the impact on future rates. The most recent study was made as of December 31, 2009. The City's incurred but not reported claims liabilities decreased from $1,176,700 as of December 31, 2008 to $969,800 as of December 31, 2009. These amounts include the estimate for LEOFF1 Retirees of $89,900 as of December 31, 2008 and $42,800 for December 31, 2009.

Group Health Cooperative provided health care to approximately five percent of the employees for 2009 premiums of $444,760.

The fund's net assets decreased by $1,630,000 to $3,441,935 at December 31, 2009. In 2009, the City's contribution rate was sufficient to provide reserves as recommended by the actuary.

The 2009 financial highlights for the individual insurance operations are shown below:

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
BALANCE SHEET						
ASSETS						
Cash and residual investments	$ (9,620)	$ 156,260	$ 409,942	$ 222,149	$ 37,822	$ 816,553
Other investments		1,814,874	3,405,005	1,835,000		7,054,879
Receivables:						
Accounts		326	718,575			718,901
Accrued interest		1,173				1,173
Prepaid expenses			38,095			38,095
TOTAL ASSETS	$ (9,620)	$ 1,972,633	$ 4,571,617	$2,057,149	$ 37,822	$ 8,629,601
LIABILITIES						
Current:						
Vouchers payable	$	$ 3,731	$ 128,875	$ 34,528	$	$ 167,133
Accrued expenses	1,522	1,704,235	984,352	1,727,775	1,521	4,419,405
Due to other funds			5			5
Deposits and Deferred Revenue		285				285
Long term:						
Compensated absences	3	11	16,451	11	3	16,479
TOTAL LIABILITIES	1,525	1,708,262	1,129,683	1,762,314	1,524	4,603,308
NET ASSETS	(11,145)	264,371	3,441,934	294,835	36,298	4,026,293
TOTAL LIABILITIES AND NET ASSETS	$ (9,620)	$1,972,633	$ 4,571,617	$2,057,149	$ 37,822	$8,629,601

	Unemployment Compensation	Worker's Compensation	Medical and Dental	Liability	Property	Total
INCOME STATEMENT						
OPERATING REVENUES	$ 121,632	$1,547,298	$9,351,403	$1,886,494	$316,821	$ 13,223,648
OPERATING EXPENSES	177,712	1,356,364	11,025,107	1,742,078	354,177	14,655,438
OPERATING INCOME (LOSS)	(56,080)	190,934	(1,673,704)	144,416	(37,356)	(1,431,790)
NON-OPERATING REVENUE (EXPENSES)	20	14,637	43,705	8,998	9	67,369
NET INCOME (LOSS)	(56,060)	205,571	(1,629,999)	153,414	(37,347)	(1,364,421)
NET ASSETS 1/1	44,915	58,800	5,071,933	141,421	73,645	5,390,714
PRIOR PERIOD ADJUSTMENT						
ADJUSTED NET ASSETS 1/1	44,915	58,800	5,071,933	141,421	73,645	5,390,714
NET ASSETS 12/31	$ (11,145)	$ 264,371	$ 3441,934	$ 294,835	$ 36,298	$ 4,026,293

16. JOINT VENTURE

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

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

During 2000, the Valley Communications Center Development Authority was created to issue $12,758,000 in General Obligation Bonds to finance construction, equipment, and land for a new facility completed in 2002. Each of the five participating cities is responsible for one-fifth of the debt obligation, which is $2,551,600.

The purpose of the joint operation is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to the several subscribing agencies, which include King County Fire Districts #2, #20, #26, #40, #43, #44, #47; City of Pacific Police and Fire Departments; City of Algona Police Department; City of Des Moines Police Department, City of Black Diamond Police and Fire Departments, SeaTac Fire Department, North Highline Fire Department, Vashon Island Fire Department, and King County EMS Units. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged.

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

Reporting to the Administrative Board is an Operating Board which consists of two members of each participating city's Public Safety Departments including the Directors of said departments or designees. The

Operating Board oversees the operation of Valley Com, and advises and makes recommendations to the Administration Board. In addition, they make recommendations on Director selection; present proposed policies and budgets to the Administrative Board and approve disbursement of funds by the Director.

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

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

In 2009 the cost distribution for the five participating cities was as follows:

City	Dispatchable Calls	Percent of Total
Kent	102,449	27.38%
Renton	79,997	21.38%
Auburn	69,752	18.64%
Tukwila	36,382	9.72%
Federal Way	85,633	22.88%
Totals	374,213	100.00%

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

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

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

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

	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Percent of Equity	31.34%	21.92%	20.71%	12.30%	13.72%	100.00%
Equity 1/1/2009	$6,372,363	$4,454,176	$4,234,611	$2,570,406	$2,689,657	$20,321,213
Current Yr Increase	255,808	199,747	174,166	90,843	213,819	934,383
Equity 12/31/2009	$6,628,171	$4,653,923	$4,408,776	$2,661,250	$2,903,476	$21,255,596

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

The City includes 1/5th of a 2000 Limited Tax General Obligation bond issue for a new Communications Facility with its general long term debt. The five participating cities agreed to pay the debt service costs for this issue through Valley Communications Development Authority. The balance of the City of Kent's obligation was $1,253,000 at December 31, 2009. The new Valley Communications Center was opened in early summer 2002.

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

17. COMPONENT UNITS

a. **Economic Development Corporation**

The City of Kent established an Economic Development Corporation in August of 1983. The corporation was established pursuant to State legislation enacted in 1981 and codified in Chapter 39.84 of the Revised Code of Washington. The Corporation was established for the purpose of facilitating economic development and employment opportunities through the financing of industrial development facilities by non-recourse revenue obligations. The City has no financial liability for these obligations. The following obligations are outstanding as of December 31, 2009.

Development	Issue Date	Original Amount	Reductions	Outstanding
United Warehouses*	5/1/06	$2,545,000	$585,000	$1,960,000

*formerly known as Cascade Development

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

The Corporation generated $(582) in revenue in 2009 due to a prior period correction of $3,032 and had net assets of $21,381 at December 31, 2009. Per GASB 14, "The Financial Reporting Entity", the City has chosen to include this entity in the City's financial statements utilizing the discreet presentation method.

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

b. City of Kent Special Events Center Public Facilities District

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

On February 29, 2008, the PFD issued bonds in the amount of $63,280,000. For the fiscal year ended December 31, 2009, the PFD generated $3,652,925 in revenue and had net assets of $(62,197,638).

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

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

18. CONTINGENT LIABILITIES

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

19. COMMITMENTS

As of December 31, 2009, the City had the following budgeted commitments for uncompleted projects:

Street Capital Projects	$4,267,548
Parks Capital Projects	4,986,656
Fleet Capital Projects	1,283,809
Technology Capital Projects	4,057,801
Facility Capital Projects	8,234,958
Facilities Fund Projects	1,140,575
Miscellaneous Capital Projects	16,268,908
Water Capital Projects	26,472,625
Sewerage Capital Projects	16,384,027
Total	$83,096,907

20. PRIOR PERIOD ADJUSTMENTS

In 2008, a budget was not established in the JDE system for the Economic Development Corporation (EDC). As a result, allocations were not made for Financial/Legal Services that are allocated from the EDC on a monthly basis to the General Fund. This oversight was discovered in 2009 when the EDC budget was being reviewed. The correction resulted in a decrease to the fund balance in the EDC and an increase to the fund balance of the General Fund.

	Debit	Credit
Economic Development Fund -Prior Period Adjustment	$3,032	
General Fund - Prior Period Adjustment		$3,032

21. SUBSEQUENT EVENTS

On November 3, 2009, residents of the Panther Lake area (known officially as the Kent Northeast Potential Annexation Area) approved annexation to the City of Kent. The annexation was officially effective on July 1, 2010. The City increased in area by approximately five square miles and 24,000 residents.

On April 27, 2010, the passage of Proposition No. 1 authorized the merger of the Kent Fire Department and King County Fire District 37 into one organization, the Kent Regional Fire Authority. The new organization, effective officially on July 1, 2010, will retain the name of Kent Fire Department.

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

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

FIREMEN'S RELIEF AND PENSION SYSTEM
Schedule of Employer Contributions

Fiscal Year Ended	Employer Contributions*	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution ARC**	Percentage of ARC Contributed
Dec 31, 2001	$0	$73,071	$73,071	$0	N/A
Dec 31, 2002	$0	$76,960	$76,960	$0	N/A
Dec 31, 2003	($155,394)	$89,524	($65,870)	($136,261)	N/A
Dec 31, 2004	($160,244)	$99,019	($61,225)	($104,547)	N/A
Dec 31, 2005	($219,000)	$94,261	($124,739)	($104,547)	N/A
Dec 31, 2006	($225,000)	$110,431	($114,569)	($72,177)	N/A
Dec 31, 2007	($191,365)	$121,172	($70,193)	($72,177)	N/A
Dec 31, 2008	($191,388)	$131,845	($59,543)	($46,550)	N/A
Dec 31, 2009	($194,350)	$132,085	($62,265)	($47,996)	N/A
Dec 31, 2010***	($200,000)	$135,000	($65,000)	($46,550)	N/A

* 41.26.150 and administrative expenses.
** The ARC is documented as 0 for negative amounts prior to 2003.
*** Assumed amounts will be replaced at year end with actual amounts.

Continued on the following page

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

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
December 31, 2007	$251,263	$8,609,653	$8,358,390	2.9%	$93,465	8,943%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification No.	Current Year Expenditures	Note Ref
U.S. Department of Justice				
Community Capacity Development Office				
Weed and Seed Program	16.595		68,949	2
		Sub-Total	68,949	
Bureau of Justice Assistance:				
Bulletproof Vest Partnership Program	16.607	AP# 03018548	10,542	2
		Sub-Total	10,542	
Office on Violence Against Women:				
Safe Havens Program	16.527		111,868	2
		Sub-Total	111,868	
Bureau of Justice Assistance:				
LLEBG Crime Invest 06-07	16.738		14,705	2
Bureau Assistance 2007	16.738		7,596	2
Bureau Assistance 2008	16.738		11,651	2
		Sub-Total	33,952	
		Sub-total Federal Direct	225,312	
Bureau of Justice Assistance:				
ARRA-WA CTED/WASPC/Seattle PD	16.804		5,224	2
		Sub-Total	5,224	
		Sub-Total Federal Indirect	5,224	
Total - U.S. Department of Justice			**230,535**	
U. S. Department of Health & Human Services				
SAMHSA-Substance Abuse and Mental Health Services Administration				
Drug Free Communities Support Program	93.276		45,455	2
		Sub-Total Federal Direct	45,455	
Total - U.S. Department of Health & Human Services			**45,455**	
U. S. Department of Housing and Urban Development				
Office of Community Planning and Development:				
CDBG-Planning & Admin 2009	14.218		157,392	2
CDBG-Home Repair 08	14.218		255,857	2
CDBG-Home Repair 09	14.218		163,881	2
CDBG-Public Services 08	14.218		20,294	2
CDBG-Public Services 09	14.218		20,000	2
CDBG-YWCA Transitional Housing	14.218		25,000	2
CDBG-Fire Dept Fall Prevention 2008	14.218		9,997	2
CDBG-WA CASH 2009 Micro-Enterprise	14.218		22,500	2
CDBG-REWA Family Support Program	14.218		17,044	2
CDBG-msc Housing Continuum Svc	14.218		56,000	2
CDBG-Kiwanis Tot Lot #1	14.218		130,145	2
ARRA-CDBG-Watson Manor Roof	14.253		156,549	2
		Sub-total Federal Direct	1,034,659	
Total - U.S. Department of Housing and Urban Development			**1,034,659**	
U. S. Department of Transportation				
Federal Highway Administration Pass-through via WA State Dept of Transportation:				
ARRA-Highway Planning and Construction-East Valley Hwy (SR167-212th St)	20.205	STPUL-1073(004)	1,129,720	2
Highway Planning and Construction-East Valley Hwy (SR167-212th St)	20.205	STPUL-1073(004)	87,452	2
Highway Planning and Construction-Military Rd/S 268th St I/S	20.205	HLP-PB06(006)	72,151	2
Highway Planning and Construction-SE 248th St @101st Pl	20.205	HLP-PB06(007)	56,407	2
Highway Planning and Construction-228th RR Grade Separation	20.205	DEMO-1216(001)	653,363	2
Highway Planning and Construction-Urban Center TOD Access-Ph 2	20.205	LA 7015	10,121	2
Highway Planning and Construction-Kent ITS Project	20.205	ITS-2003(058)	5,975	2
Highway Planning and Construction-Willis Street Grade Sep-UPRR	20.205	AC-HPP-0615(007)	14,551	2
Highway Planning and Construction-Willis Street Grade Sep-UPRR	20.205	AC-HPP-0615(006)	22,262	2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Other Identification No.	Current Year Expenditures	Note Ref
Highway Planning and Construction-Horizon Safe Walking & Bking	20.205	LA 06481	17,204	2
Highway Planning and Construction-Urban Center TOD Access-Ph 2	20.205	LA 06482	32,000	2
		Sub-Total Federal Indirect	2,101,205	
Federal Highway Administration				
Nation Highway Traffic Safety Administration (NHTSA) Pass-through				
via WA Traffic Safety Commission (WTSC)				
X52 Patrols (Speeding & DUI)	20.601		13,580	2
Nighttime Seatbelt Emphasis	20.602		4,656	2
		Sub-total Federal Indirect	18,237	
Total - U.S. Department of Transportation		Total Federal Indirect	**2,119,442**	
U.S. Department of Homeland Security				
SAFER (Staffing Adequate Fire & emerg. Response) Grant	97.044	EMW-2008-FF-00975	167,820	2
		Sub-Total Federal Direct	167,820	
Pass-through via US Coast Guard/WA Parks				
Lake Meridian Police Overtime	97.012		5,635	2
		Sub-Total	5,635	
Pass-through via KC Office of Emergency Management:				
Zone 3 Coordinator	97.067	FFY-07 SHSP-002	51,066	2
Zone 3 Coordinator	97.067	FFY-08 SHSP-002	75,000	2
KC CERT Kit Bulk Buy	97.067	FFY-07-SHSP-CC-001	28,156	2
		Sub-Total	154,222	
Federal Emergency Management Agency Pass-through via WA State Military:				
FEMA - Emergency Management Performance Grant - 2008	97.042	E08-313	4,443	2
FEMA - Emergency Management Performance Grant - 2009	97.042	E09-252	75,257	2
		Sub-Total	79,700	
		Sub-Total Federal Indirect	**239,557**	
Total - U.S. Department of Homeland Security			**407,377**	
National Endowment for the Arts				
Western States Arts Federation's Tour West Program 2008-2009	45.024	TWP080163	5,000	2
		Sub-Total Federal Indirect	5,000	
Total - National Endowment for the Arts			**5,000**	
TOTAL FEDERAL ASSISTANCE			**3,842,468**	

The Accompanying Notes to the Schedule of Financial Assistance are an Integral Part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND TO THE SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting. Modified accrual for governmental funds means revenues are recognized when they are measurable and available as net current assets and expenditures are recognized in the accounting period in which the related fund liability is incurred.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - PROGRAM LOAN

The amounts shown as current year expenditures represent only federal portion of the program costs. Actual program costs, including the City's portion, may be more than shown. The amount shown will be repaid with interest to pass thru Agency.

NOTE 4 - NOT APPLICABLE (NA)

The award balance at the end of the year is shown as "NA" when, even though all funds were not spent, the grant period has elapsed with no provision to carryover the grant into the next fiscal period. Since the grant has terminated, there is no award balance available.

NOTE 5 - NONCASH AWARDS - EQUIPMENT

The City of Kent received equipment and supplies that were purchased with federal Homeland Security funds by the State of Washington. The amount reported on the schedule is the value of the property on the date it was received by the City.

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.

Our mission is to work in cooperation 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 our 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 continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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	**Brian Sonntag, CGFM**
Chief of Staff	**Ted Rutt**
Deputy Chief of Staff	**Doug Cochran**
Chief Policy Advisor	**Jerry Pugnetti**
Director of Audit	**Chuck Pfeil, CPA**
Director of Special Investigations	**Jim Brittain, CPA**
Director for Legal Affairs	**Jan Jutte, CPA, CGFM**
Director of Quality Assurance	**Ivan Dansereau**
Local Government Liaison	**Mike Murphy**
Communications Director	**Mindy Chambers**
Public Records Officer	**Mary Leider**
Main number	**(360) 902-0370**
Toll-free Citizen Hotline	**(866) 902-3900**

Website	**www.sao.wa.gov**
Subscription Service	**https://www.sao.wa.gov/EN/News/Subscriptions/**