



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay

From: Tracey Dunlap, Director of Finance and Administration

Date: February 22, 2007

Subject: Investment Portfolio Review

BACKGROUND DISCUSSION:

The City's Investment Portfolio was recently reviewed by the Investment Committee and the Council Finance Committee. The attached memo provides a brief summary of the policies and portfolio, with related supporting materials.

Michael Olson will be making an informational presentation on this issue at the March 6 City Council meeting.



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To: David Ramsay, City Manager

From: Michael Olson, Treasury Manager
Tracey Dunlap, Director of Finance and Administration

Date: February 9, 2007

Subject: 2006 City of Kirkland Investment Portfolio Review

As required by the City of Kirkland Investment Policy, the Investment Committee has evaluated the Investment Portfolio's conformance with the Investment Policy and audited the internal controls. The results were reviewed by the Council Finance Committee on January 30, 2007. The attachments following this memo detail the results and provide information on the activity and inventory of the City's Investment Portfolio for the year 2006. The Investment Portfolio is also reviewed monthly by the Investment Committee and the Council Finance Committee. A review of the 2006 Investment Portfolio and Policy will be presented at the March 6 City Council meeting.

It is the policy of the City of Kirkland to invest public funds in a manner which provides the highest investment return with maximum security while meeting the daily cash flow requirements and conforming to all state and local statutes governing the investment of public funds.

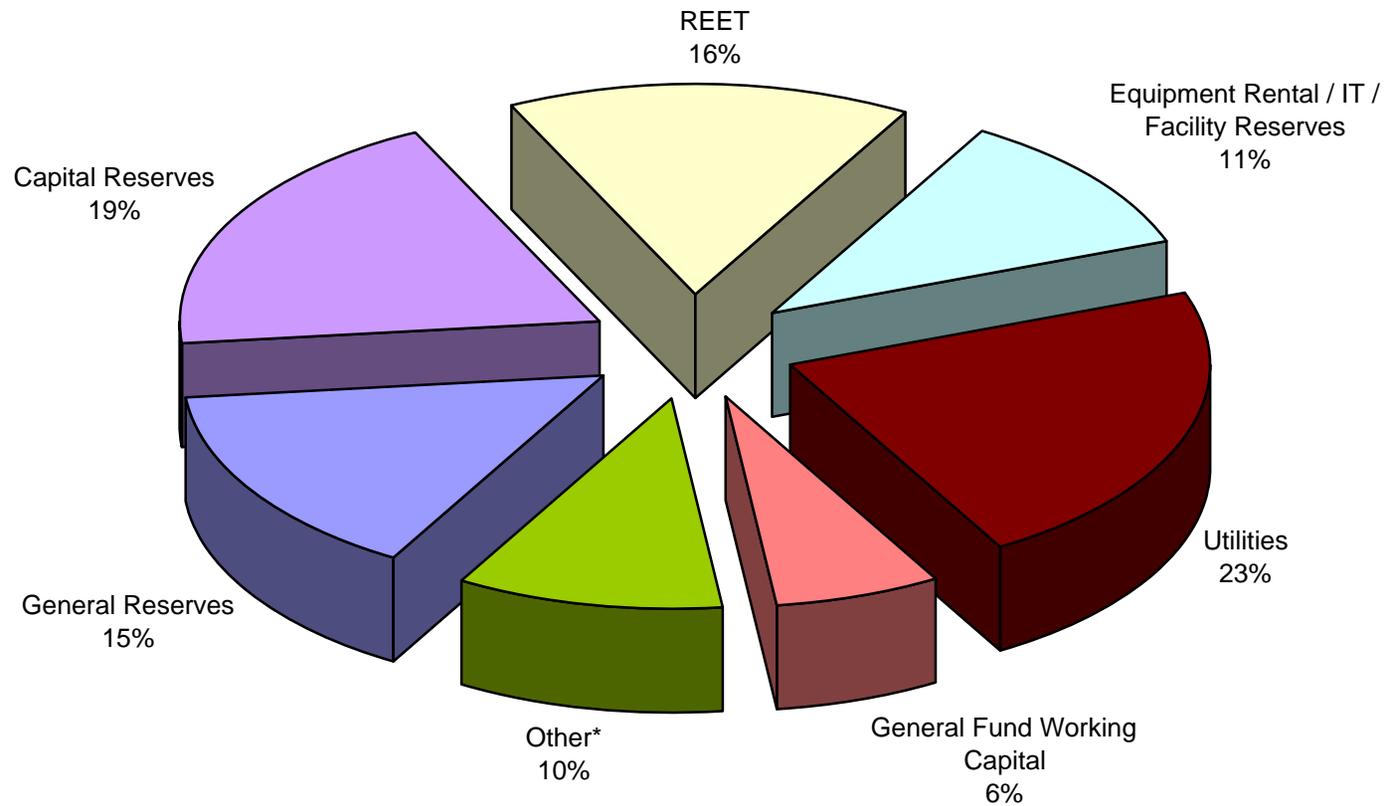
Authorized investments for public entities are regulated in the State of Washington by the Revised Code of Washington (RCW). Eligible investments include obligations of the U.S. Government, such as U.S. Treasury Notes, obligations of Government Sponsored Enterprises (GSE's), such as the Federal Home Loan Bank (FHLB), obligations of State and Local Governments and the Local Government Investment Pool.

The City conducted an external review of the investment policy in 2006 which provided a number of policy updates to meet current market standards. Most of the changes implemented were required to meet the certification criteria required by the Washington Municipal Treasurer's Association (WMTA). The revised Investment Policy was adopted by City Council in September 2006 and received WMTA Investment Policy Certification in November 2006.

The Investment Portfolio consists of the fund balances of the City's 38 funds, which include General and Special Purpose Reserves, Utility Funds and working capital in each of the funds. The use of the fund balances is restricted by the purpose of the fund and by the adopted budget appropriations. The portfolio balances by fund type is shown in the graph on the following page. As of December 31, 2006 the portfolio totaled \$97.7 million, an increase of \$13.5 million over the portfolio size at year end 2005. The increase is primarily due to increases in the fund balances of Real Estate Excise Tax - \$4.5 million, Capital Funds - \$4 million, Surface Water Utility Funds - \$4 million and the addition of the overnight sweep account to the portfolio - \$1 million.

The attached reports provide greater detail on the Investment Portfolio's performance in 2006, further discussion of the market conditions of 2006, and a discussion of the economic outlook and investment strategy for 2007. Michael Olson, Treasury Manager at molson@ci.kirkland.wa.us or 425-587-3146 is the contact to discuss or obtain more information regarding the City's Investment Portfolio, Policies and Procedures.

**City of Kirkland
Investment Portfolio by Fund Balance as of December 31, 2006**



■ General Reserves
 ■ Capital Reserves
 ■ REET
 ■ Equipment Rental / IT / Facility Reserves
 ■ Utilities
 ■ General Fund Working Capital
 ■ Other*

* Includes the following funds each with a fund balance less than 5% of the total portfolio balance: Fire Pension, Impact Fees, Cemetery Improvements & Operations, Lodging Tax, Streets, Parks Reserves & Programs, Debt Service, Grant Control, Off-Street Parking Reserve, and Customer Deposits.

City of Kirkland Investment Portfolio 2006 Annual Review

Statistical Review

	As of December 31, 2006	As of December 31, 2005
COK Portfolio YTM	4.51%	3.88%
State Investment Pool	5.21%	4.16%
2 Year Treasury Rate	4.82%	4.41%
Fed Funds Rate	5.25%	4.25%
Duration*	.99 Years	1.24 Years
Portfolio Size	\$97.9 million	\$84.4 million
Cash Interest Earned	\$3,605,701	\$2,340,696

* Target duration for the portfolio is 1.2 – 1.4 years when the 2 yr Treasury rate is between 4 and 5 percent.

Investment Benchmark Earnings*	2001	2002	2003	2004	2005	2006	2001-2006
COK Portfolio	3,218,434	1,983,586	1,653,020	1,680,603	2,708,200	3,839,594	15,083,436
State Investment Pool	2,757,717	1,203,600	913,097	1,022,375	2,633,434	4,431,537	12,961,760
2 Yr Treasury Bill	2,448,379	1,721,349	1,306,673	1,867,558	3,248,179	4,348,728	14,940,865

*Earnings listed are accrued earnings not actual cash interest posted for the year.

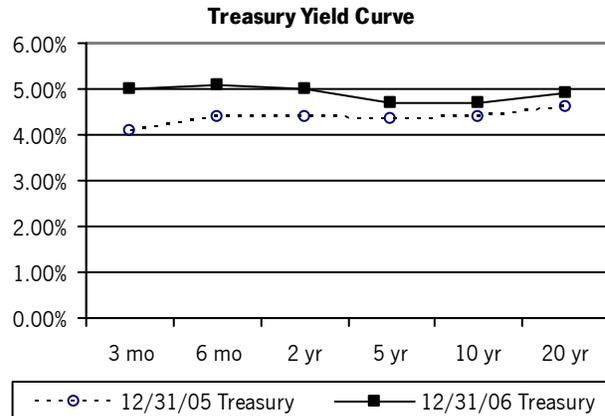
Attachments

- A. 2006 Investment Report as of December 31, 2006
- B. Graphs; Portfolio Size, Monthly Interest Earned, Budget to Actual 2006, Yield Comparisons
- C. Portfolio Management Portfolio Summary
- D. Investment Portfolio Summary: Average Life, Maturity Structure, Diversification Structure
- E. 2006 Activity Report sorted by issuer
- F. Inventory by Maturity Report
- G. Broker Dealer Relationship Checklist

2006 INVESTMENT REPORT
As of December 31, 2006

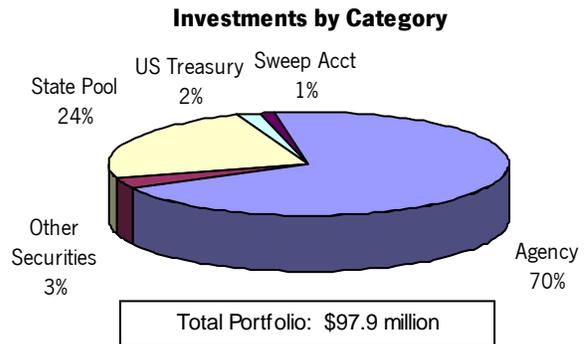
MARKET OVERVIEW

Gross domestic product, GDP, growth is projected to be 3.3 percent in 2006. CPI Inflation is expected to average 2.4 percent. Short term interest rates rose with the Fed Funds moving from 4.25 percent at the beginning of the year to 5.25 percent by year end. The year ended with a slightly inverted yield curve. Short term rates rose slightly while the longer term rates remained fairly stable.



CITY PORTFOLIO

An outside review of Kirkland's Investment Policy was conducted in 2006. Revisions were made so that the policy would be consistent with current investment practices. The City Council approved the revised policy in September and Certification from the Washington Municipal Treasurer's Association was received in November. It is the policy of the City of Kirkland to invest public funds in a manner which provides the highest investment return with maximum security while meeting the City's daily cash flow requirements and conforming to all Washington state statutes governing the investment of public funds.



The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City. The City's portfolio increased \$13.3 million in 2006 due to increased fund balances in capital funds, real estate excise tax funds and utility funds, finishing the year at \$97.9 million compared to \$84.4 million on December 31, 2005.

Diversification

The City's current investment portfolio is composed of Government Agency bonds, State and Local Government bonds, US Treasury notes, the State Investment Pool and an overnight bank sweep account. City investment procedures allow for 100% of the portfolio to be invested in US Treasury or Federal Government obligations.

Agency Diversification		
Agency	Target Max %	Actual
FAMC	50%	2%
FFCB	50%	17%
FHLB	50%	18%
FHLMC	50%	15%
FNMA	50%	18%

Liquidity

The target duration for the City's portfolio is based on the 2 year treasury rate which increased from 4.41 percent on December 31, 2005 to 4.82 percent on December 31, 2006. The average maturity of the City's investment portfolio decreased from 1.24 years on December 31, 2005 to .99 years on December 31, 2006. The maturity duration is lower than the targeted duration as a larger portion of the portfolio has been left in the State Investment Pool which is earning a higher rate of approximately 5.2 percent.

Liquidity: Average Time to Maturity		
T Note Yield	Target	City
Under 3%	.75 – 1 yr	
3 – 4%	1.0 – 1.2 yrs	
4 – 5%	1.2 – 1.4 yrs	.99
5 – 6%	1.4 – 1.7 yrs	
6 – 7%	1.7 – 1.9 yrs	
Over 7%	1.9 – 2.1 yrs	

Yield

The City's portfolio returns continued to rise with the rising Fed Funds interest rates. The City Portfolio yield to maturity increased from 3.88 percent on December 31, 2005 to 4.51 percent on December 31, 2006.

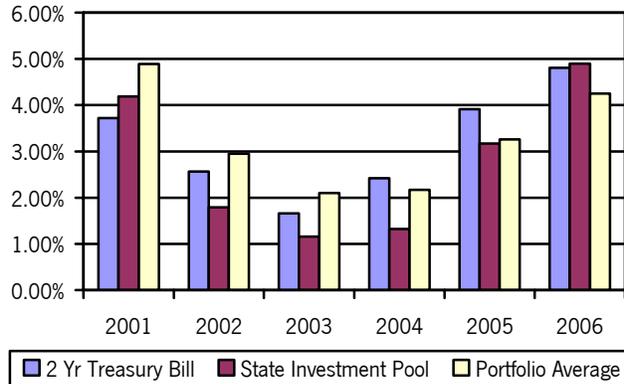
Through December 31, 2006, the City's annual average yield to maturity was 4.25 percent, which performed under the State Investment Pool annual average yield to maturity at 4.9 percent and was below the 2 Year Treasury note annual average for 2006 at 4.81 percent.

The City portfolio's cash yield for 2006 at 3.99 percent was an increase over the 2005 yield of 2.82 percent. Total interest earnings for 2006 were \$3.6 million, \$1.26 million over 2005 earnings of \$2.34 million.

The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph and chart. Over the last six years the interest earned, calculated by using the annual average interest rate earnings and the average portfolio size, is approximately \$2 million greater than the earnings would have been if the entire portfolio had been left in the State Investment Pool.

Benchmark Comparison	December 31, 2005	December 31, 2006
City Yield to Maturity (YTM)	3.88%	4.51%
City Average YTM	3.26%	4.25%
City Year to Date Yield	2.82%	3.99%
State Pool Average Yield	3.17%	4.90%
2 yr Treasury Note Avg YTM	3.91%	4.81%

Investment Interest Rate Comparisons

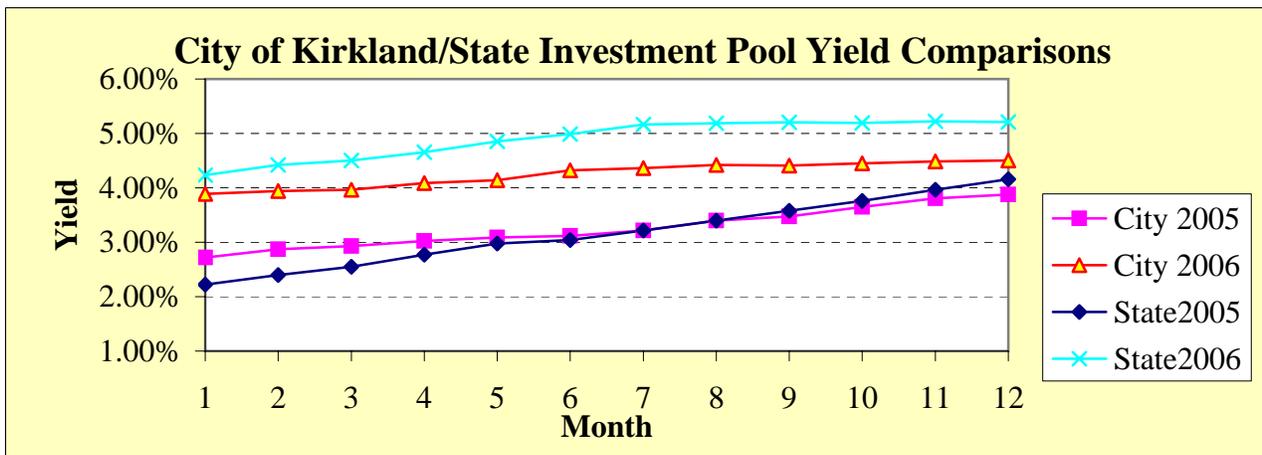
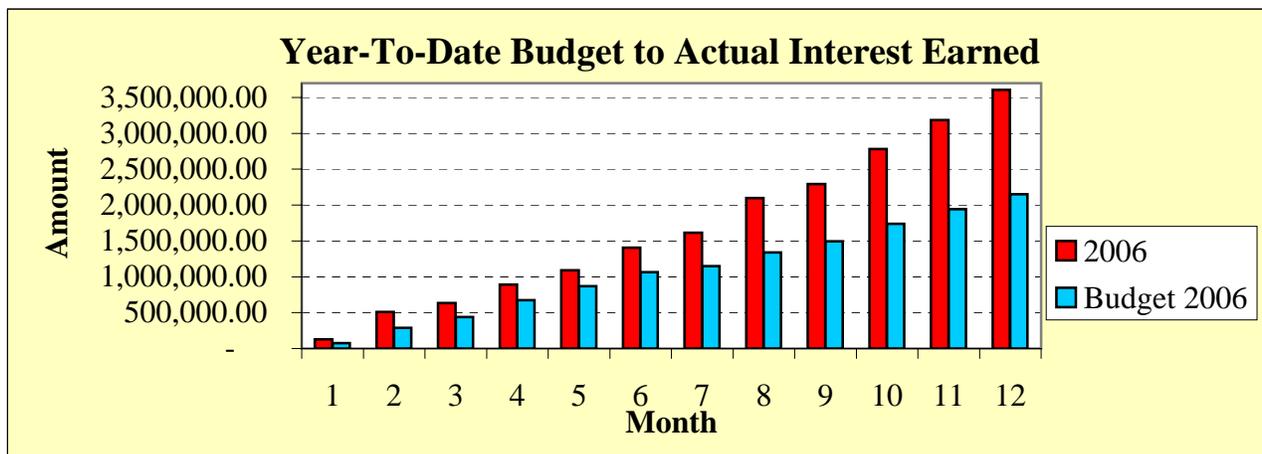
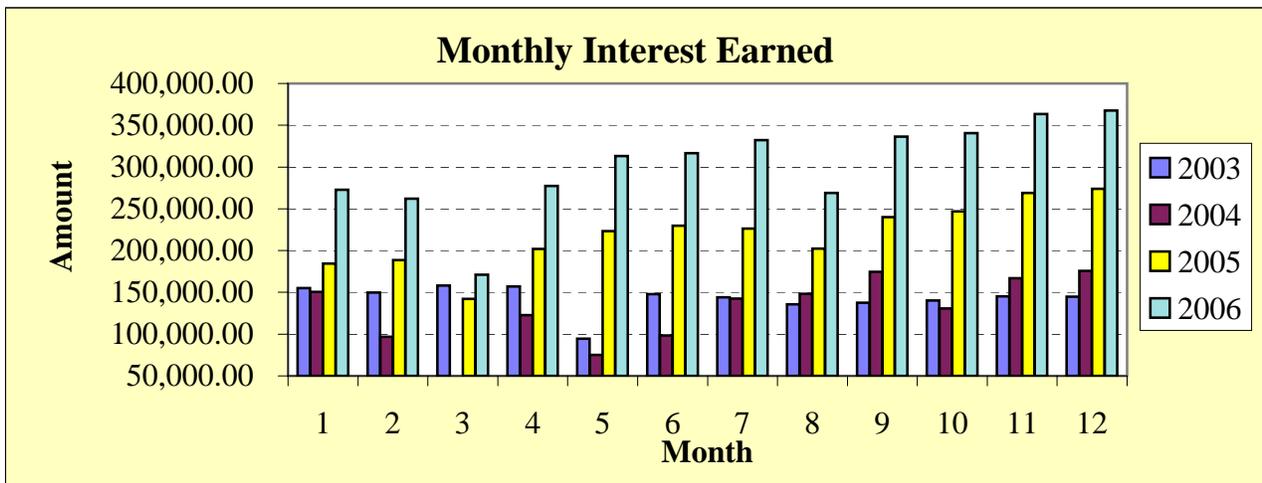
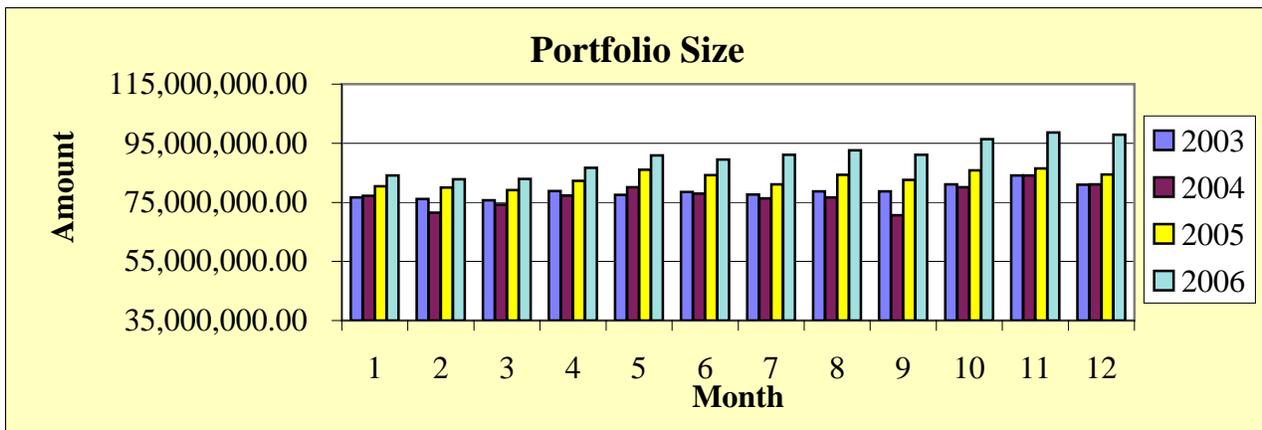


2001-2006 Interest Earnings	
City of Kirkland Portfolio	\$ 15,083,436
State Investment Pool	\$ 12,961,760
2 Yr Treasury Bill	\$ 14,940,865

2007 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The most recent Federal Reserve Survey of Professional Forecasters indicates that the U.S. economy will continue to remain steady in 2007 with GDP growing 2.6 percent in 2007 and GDP inflation at 2.3 percent. The unemployment rate forecast is 4.8 percent in 2007. Beyond the very short term, the forecasters see little threat of accelerating inflation. CPI inflation is projected at 2.6 percent in 2007. Over the longer run, the forecasters see inflation averaging 2.6 percent over the next five years and 2.5 percent for the five years following that. The Fed Funds rate, currently at 5.25 percent is expected to remain steady through the 2nd quarter with possible movements downward later in the year depending on the economy.

Currently the portfolio duration is shorter than the benchmark as funds in the State Investment Pool are earning a higher rate of 5.2 percent, closely following the Fed Funds rate. Investments beyond 2 and 3 years will be purchased as opportunities are available to obtain a return above the State Pool. We will continue to watch the economy closely and lengthen the duration as interest rates level off. Total budgeted investment income for 2007 is \$4 million.



City of Kirkland



**City of Kirkland
Portfolio Management
Portfolio Summary
December 31, 2006**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
State Investment Pool	23,775,917.73	23,775,917.73	23,775,917.73	24.28	1	1	5.142	5.213
Passbook/Checking Accounts	1,024,387.59	1,024,387.59	1,024,387.59	1.05	1	1	4.991	5.060
Federal Agency Issues - Coupon	68,657,000.00	68,230,185.56	68,536,304.53	70.00	1,055	487	4.163	4.221
Treasury Securities - Coupon	2,000,000.00	1,995,000.00	1,973,529.84	2.02	383	58	4.608	4.672
Miscellaneous Securities - Coupon	2,690,000.00	2,616,598.30	2,597,453.90	2.65	766	655	5.121	5.193
Investments	98,147,305.32	97,642,069.18	97,907,593.59	100.00%	767	360	4.444	4.505

Total Earnings	December 31 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year	367,519.79	3,773,836.94	3,773,836.94
Average Daily Balance	97,998,616.51	89,687,230.61	
Effective Rate of Return	4.42%	4.21%	

Michael Olson 1-8-07
 Michael Olson, Treasury Manager

Reporting period 12/01/2006-12/31/2006

Run Date: 01/08/2007 - 07:17

Portfolio CITY
 CP
 PM (PRF_PM1) SymRept 6.41.202
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City of Kirkland
Investment Portfolio
Average Life
As of 12/31/2006

	Actual	Target	2 Yr T-Note
Avg Days to Maturity	360	438 - 5.11	4.82%
Avg Years to Maturity	0.99	1.20 - 1.40	

City of Kirkland
Investment Portfolio
Maturity Structure
As of 12/31/2006

Days to Maturity	Latest Maturity Dates	Amount	% of the Total	Target %
Overnight	1/1/2007	24,800,305.32	25.3%	
2 days to 6 mo	6/1/2007	13,994,834.84	14.3%	
6 mo to 1 yr	12/28/2007	24,984,650.00	25.5%	
1 yr to 2 yrs	12/8/2008	18,336,757.63	18.7%	
2 yrs and less subtotal		82,116,547.79	83.8%	> 65.0%
2 yrs to 3 yrs	6/19/2009	7,852,398.47	8.0%	
3 yrs to 4 yrs	11/15/2010	7,938,647.33	8.1%	
4 yrs to 5 yrs		0.00	0.0%	
Greater than 2 yrs		15,791,045.80	16.1%	< 35.0%
<i>Total</i>		97,907,593.59	100.0%	

City of Kirkland
Investment Portfolio
Diversification Structure
As of 12/31/2006

Type of Security	Amount	Type %	Type Max %	Class Max %
Local Government Investment Pool	23,775,917.73	24%		100%
Bank Sweep Account	1,024,387.59	1%		
U.S. Treasury	1,973,529.84	2%		100%
Federal Agricultural Mtg Corp	1,871,003.47	2%	20%	
Federal Farm Credit Bank	16,920,850.00	17%	20%	
Federal Home Loan Bank	17,101,311.00	18%	20%	
Federal Home Loan Mtg Corp	14,677,451.98	15%	20%	
Federal Nat't Mtg Assn	17,965,688.08	18%	20%	

City of Kirkland



**City of Kirkland
Activity Report
Sorted By Issuer
January 1, 2006 - December 31, 2006**

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Bank of America Sweep Account									
Passbook/Checking Accounts									
SYS488	488	Bank of America Sweep Account			5.060		58,725,140.32	57,700,752.73	
		Subtotal and Balance		0.00			58,725,140.32	57,700,752.73	1,024,387.59
		Issuer Subtotal	1.044%	0.00			58,725,140.32	57,700,752.73	1,024,387.59
Issuer: Federal Agricultural Mortgage									
Federal Agency Issues - Coupon									
31315BPP3	493	Federal Agricultural Mortgage			5.050	05/19/2006	1,882,000.00	0.00	
		Subtotal and Balance		0.00			1,882,000.00	0.00	1,882,000.00
		Issuer Subtotal	1.918%	0.00			1,882,000.00	0.00	1,882,000.00
Issuer: Federal Farm Credit Bank									
Federal Agency Issues - Coupon									
31331TMF5	439	Federal Farm Credit Bank			2.880	08/29/2006	0.00	2,000,000.00	
31331VNK8	486	Federal Farm Credit Bank			5.000	02/10/2006	1,000,000.00	0.00	
31331VAS5	487	Federal Farm Credit Bank			4.750	03/29/2006	1,000,000.00	0.00	
31331VG34	497	Federal Farm Credit Bank			5.250	06/19/2006	2,000,000.00	0.00	
		Subtotal and Balance		15,000,000.00			4,000,000.00	2,000,000.00	17,000,000.00
		Issuer Subtotal	17.321%	15,000,000.00			4,000,000.00	2,000,000.00	17,000,000.00
Issuer: Federal Home Loan Banks									
Federal Agency Issues - Coupon									
3133MGVA1	401	Federal Home Loan Banks			5.250	08/15/2006	0.00	1,730,000.00	
3133MCLA1	491	Federal Home Loan Banks			6.625	05/19/2006	2,000,000.00	0.00	
3133XDJL6	492	Federal Home Loan Banks			4.998	05/19/2006	1,000,000.00	0.00	
		Subtotal and Balance		13,730,000.00			3,000,000.00	1,730,000.00	15,000,000.00

Portfolio CITY

CP

City of Kirkland
Activity Report
January 1, 2006 - December 31, 2006

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer Subtotal			15.283%	13,730,000.00			3,000,000.00	1,730,000.00	15,000,000.00
Issuer: Federal Home Loan Mtge Corp.									
Federal Agency Issues - Coupon									
3128X1HW0	431	Federal Home Loan Mtge Corp.			2.125	06/12/2006	0.00	2,000,000.00	
3128X36V0	466	Federal Home Loan Mtge Corp.			3.875	12/29/2006	0.00	2,000,000.00	
3128X32X0	494	Federal Home Loan Mtge Corp.			4.000	05/19/2006	1,775,000.00	0.00	
3128X0P60	499	Federal Home Loan Mtge Corp.			4.000	06/28/2006	1,000,000.00	0.00	
Subtotal and Balance				18,000,000.00			2,775,000.00	4,000,000.00	16,775,000.00
Issuer Subtotal			17.092%	18,000,000.00			2,775,000.00	4,000,000.00	16,775,000.00
Issuer: Federal National Mtg Assn.									
Federal Agency Issues - Coupon									
3136F3HX7	430	Federal National Mtg Assn.			2.530	04/07/2006	0.00	2,000,000.00	
3136F5S28	452	Federal National Mtg Assn.			3.260	06/29/2006	0.00	2,000,000.00	
3136F7XS1	489	Federal National Mtg Assn.			5.500	04/20/2006	2,000,000.00	0.00	
3136F6W54	495	Federal National Mtg Assn.			4.810	05/19/2006	2,000,000.00	0.00	
31359MA94	498	Federal National Mtg Assn.			4.750	06/28/2006	2,000,000.00	0.00	
Subtotal and Balance				16,000,000.00			6,000,000.00	4,000,000.00	18,000,000.00
Issuer Subtotal			18.340%	16,000,000.00			6,000,000.00	4,000,000.00	18,000,000.00
Issuer: Illinois State Taxable Pension									
Miscellaneous Securities - Coupon									
452151KV4	500	Illinois State Taxable Pension			2.500	08/23/2006	1,690,000.00	0.00	
Subtotal and Balance				0.00			1,690,000.00	0.00	1,690,000.00
Issuer Subtotal			1.722%	0.00			1,690,000.00	0.00	1,690,000.00
Issuer: Port of Seattle General Obliga									
Miscellaneous Securities - Coupon									
735389AQ	501	Port of Seattle General Obliga			4.500	10/17/2006	1,000,000.00	0.00	
Subtotal and Balance				0.00			1,000,000.00	0.00	1,000,000.00
Issuer Subtotal			1.019%	0.00			1,000,000.00	0.00	1,000,000.00

City of Kirkland
Activity Report
January 1, 2006 - December 31, 2006

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: State Investment Pool									
State Investment Pool									
SYS1	1	State Investment Pool			5.213		46,482,232.95	40,350,000.00	
		Subtotal and Balance		<u>17,643,684.78</u>			<u>46,482,232.95</u>	<u>40,350,000.00</u>	<u>23,775,917.73</u>
		Issuer Subtotal	24.225%	<u>17,643,684.78</u>			<u>46,482,232.95</u>	<u>40,350,000.00</u>	<u>23,775,917.73</u>
Issuer: U.S. Treasury Note									
Treasury Securities - Coupon									
912828DN7	483	U.S. Treasury Note			3.375	02/10/2006	2,000,000.00	0.00	
		Subtotal and Balance		<u>0.00</u>			<u>2,000,000.00</u>	<u>0.00</u>	<u>2,000,000.00</u>
		Issuer Subtotal	2.038%	<u>0.00</u>			<u>2,000,000.00</u>	<u>0.00</u>	<u>2,000,000.00</u>
Issuer: U.S. BANK									
Certificates of Deposit - Bank									
SYS478	478	U.S. BANK			4.170	08/21/2006	0.00	2,000,000.00	
		Subtotal and Balance		<u>2,000,000.00</u>			<u>0.00</u>	<u>2,000,000.00</u>	<u>0.00</u>
		Issuer Subtotal	0.000%	<u>2,000,000.00</u>			<u>0.00</u>	<u>2,000,000.00</u>	<u>0.00</u>
Issuer: Washington Mutual Bank									
Certificates of Deposit - Bank									
SYS479	479	Washington Mutual Bank			4.840	11/02/2006	0.00	2,000,000.00	
		Subtotal and Balance		<u>2,000,000.00</u>			<u>0.00</u>	<u>2,000,000.00</u>	<u>0.00</u>
		Issuer Subtotal	0.000%	<u>2,000,000.00</u>			<u>0.00</u>	<u>2,000,000.00</u>	<u>0.00</u>
		Total	100.000%	<u>84,373,684.78</u>			<u>127,554,373.27</u>	<u>113,780,752.73</u>	<u>98,147,305.32</u>



**City of Kirkland
Inventory by Maturity Report
December 31, 2006**

City of Kirkland

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	YTM		Days to Maturity	
											Par Value	360		365
31359MLU5	457		FAC	Federal National Mtg Assn.	10/07/2004	2,069,780.00	4.750	01/02/2007	2,047,500.00	817	2,000,000.00	3.078	3.120	1
912828DN7	483		TRC	U.S. Treasury Note	02/10/2006	1,973,529.84	3.375	02/28/2007	2,000,000.00	383	2,000,000.00	4.608	4.672	58
31331TB83	480		FAC	Federal Farm Credit Bank	11/30/2005	1,953,125.00	2.900	04/12/2007	2,000,000.00	498	2,000,000.00	4.624	4.688	101
31331SBM4	455		FAC	Federal Farm Credit Bank	10/26/2004	2,000,000.00	3.130	04/26/2007	2,000,000.00	912	2,000,000.00	3.087	3.130	115
31331SCK7	456		FAC	Federal Farm Credit Bank	10/27/2004	2,000,000.00	3.250	04/27/2007	2,000,000.00	912	2,000,000.00	3.205	3.250	116
31359MVB6	458		FAC	Federal National Mtg Assn.	11/05/2004	1,998,600.00	3.125	05/04/2007	2,000,000.00	910	2,000,000.00	3.111	3.154	123
3128X4BL4	470		FAC	Federal Home Loan Mtge	06/06/2005	1,999,800.00	4.625V	06/01/2007	2,000,000.00	725	2,000,000.00	4.107	4.164	151
3128X32D4	462		FAC	Federal Home Loan Mtge	01/11/2005	1,996,600.00	3.640	07/11/2007	2,000,000.00	911	2,000,000.00	3.661	3.712	191
3133X7XB5	453		FAC	Federal Home Loan Banks	08/09/2004	2,000,000.00	3.770	08/09/2007	2,000,000.00	1,095	2,000,000.00	3.718	3.770	220
3128X4HM6	471		FAC	Federal Home Loan Mtge	08/22/2005	2,001,000.00	4.500	08/22/2007	2,000,000.00	730	2,000,000.00	4.412	4.474	233
3128X4GU9	472		FAC	Federal Home Loan Mtge	08/24/2005	2,000,000.00	5.000V	08/24/2007	2,000,000.00	730	2,000,000.00	4.562	4.625	235
3133X4VM0	442		FAC	Federal Home Loan Banks	03/28/2004	2,000,000.00	3.000	09/28/2007	2,000,000.00	1,279	2,000,000.00	2.959	3.000	270
3133XDJL6	492		FAC	Federal Home Loan Banks	05/19/2006	1,000,000.00	4.998	10/17/2007	1,000,000.00	516	1,000,000.00	-0.020	-0.020	289
3136F5RK9	447		FAC	Federal National Mtg Assn.	04/26/2004	2,000,000.00	3.125	10/26/2007	2,000,000.00	1,278	2,000,000.00	3.082	3.125	298
3133X5ZQ	443		FAC	Federal Home Loan Banks	04/30/2004	2,000,000.00	3.375	10/30/2007	2,000,000.00	1,278	2,000,000.00	3.329	3.375	302
31359MWS8	459		FAC	Federal National Mtg Assn.	11/09/2004	1,991,250.00	3.375	11/09/2007	2,000,000.00	1,095	2,000,000.00	3.482	3.530	312
3128X3FC2	448		FAC	Federal Home Loan Mtge	05/24/2004	2,000,000.00	3.750	11/23/2007	2,000,000.00	1,278	2,000,000.00	3.699	3.750	326
3133XDQW4	481		FAC	Federal Home Loan Banks	11/30/2005	1,999,900.00	5.000	11/23/2007	2,000,000.00	723	2,000,000.00	4.934	5.002	326
3136F6PG8	460		FAC	Federal National Mtg Assn.	12/14/2004	1,995,900.00	4.500V	12/14/2007	2,000,000.00	1,095	2,000,000.00	3.166	3.210	347
3136F6SB6	461		FAC	Federal National Mtg Assn.	12/28/2004	2,000,000.00	3.770	12/28/2007	2,000,000.00	1,095	2,000,000.00	3.718	3.770	361
3133XABLO	463		FAC	Federal Home Loan Banks	02/04/2005	2,000,000.00	4.000	02/04/2008	2,000,000.00	1,095	2,000,000.00	3.945	4.000	399
3133XAHL4	465		FAC	Federal Home Loan Banks	02/11/2005	1,999,375.00	4.000	02/11/2008	2,000,000.00	1,095	2,000,000.00	3.956	4.011	406
3128X3RQ8	464		FAC	Federal Home Loan Mtge	01/27/2005	1,999,000.00	3.875	02/12/2008	2,000,000.00	1,111	2,000,000.00	3.839	3.892	407
452151KV4	500		MC1	Illinois State Taxable	08/23/2006	1,612,783.90	2.500	06/01/2008	1,690,000.00	648	1,690,000.00	5.159	5.231	517
3128X32X0	494		FAC	Federal Home Loan Mtge	05/19/2006	1,729,948.73	4.000	07/24/2008	1,775,000.00	797	1,775,000.00	5.172	5.244	570
3128X4HK0	474		FAC	Federal Home Loan Mtge	08/18/2005	1,999,800.00	4.625	08/15/2008	2,000,000.00	1,093	2,000,000.00	4.565	4.628	592
31331S3K7	475		FAC	Federal Farm Credit Bank	09/08/2005	1,999,400.00	4.600	09/08/2008	2,000,000.00	1,096	2,000,000.00	4.548	4.611	616
31331VCKO	477		FAC	Federal Farm Credit Bank	10/17/2005	2,000,000.00	4.900	10/17/2008	2,000,000.00	1,096	2,000,000.00	4.833	4.900	655
31331VDW3	478		FAC	Federal Farm Credit Bank	10/27/2005	996,450.00	4.920	10/27/2008	1,000,000.00	1,096	1,000,000.00	4.980	5.049	685
31331VJN7	482		FAC	Federal Farm Credit Bank	12/08/2005	2,000,000.00	5.050	12/08/2008	2,000,000.00	1,096	2,000,000.00	4.981	5.050	707
31331VNK8	486		FAC	Federal Farm Credit Bank	02/10/2006	996,100.00	5.000	01/20/2009	1,000,000.00	1,075	1,000,000.00	5.073	5.143	750
31315PBP3	493		FAC	Federal Agricultural	05/19/2006	1,871,003.47	5.050	03/30/2009	1,882,000.00	1,046	1,882,000.00	5.198	5.270	819
3136F7XS1	489		FAC	Federal National Mtg Assn.	04/20/2006	2,000,000.00	5.500	04/20/2009	2,000,000.00	1,096	2,000,000.00	5.425	5.500	840
735389AQ	501		MC1	Port of Seattle General	10/17/2006	984,670.00	4.500	06/01/2009	1,000,000.00	958	1,000,000.00	5.060	5.130	882
31331VG34	497		FAC	Federal Farm Credit Bank	06/19/2006	2,000,625.00	5.250	06/19/2009	2,000,000.00	1,096	2,000,000.00	5.167	5.239	900
3128X0P60	499		FAC	Federal Home Loan Mtge	06/28/2006	947,903.25	4.000	03/17/2010	1,000,000.00	1,358	1,000,000.00	5.492	5.568	1,171

V - Security with variable rate change.

**City of Kirkland
Inventory by Maturity Report**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	YTM		Days to Maturity	
											Par Value	360		365
3136F6W54	495		FAC	Federal National Mtg Assn.	05/19/2006	1,966,400.00	4.810	04/05/2010	2,000,000.00	1,417	2,000,000.00	5.221	5.293	1,190
31359MA94	498		FAC	Federal National Mtg Assn.	06/28/2006	1,943,758.08	4.750	04/20/2010	2,000,000.00	1,392	2,000,000.00	5.501	5.577	1,205
31331VAS5	487		FAC	Federal Farm Credit Bank	03/29/2006	975,150.00	4.750	09/28/2010	1,000,000.00	1,644	1,000,000.00	5.306	5.379	1,366
3133MCLA1	491		FAC	Federal Home Loan Banks	05/19/2006	2,105,436.00	6.625	11/15/2010	2,000,000.00	1,641	2,000,000.00	5.218	5.290	1,414
Subtotal and Average						73,107,288.27			73,394,500.00		73,347,000.00	4.209	4.267	481
Net Maturities and Average						73,107,288.27			73,394,500.00		73,347,000.00	4.209	4.267	481

ATTACHMENT G

**Annual Review for Broker Dealer Relationships
City of Kirkland**

Date: January 23, 2007

List the current Broker/Dealers that are approved to do business with the City of Kirkland. Under questionnaire, certification and financials, provide the date of the most recent document. Also note the date the trading authorization was sent.

<u>Firm Name</u>	<u>B/D Questionnaire</u>	<u>B/D Certification</u>	<u>Current Financials</u>	<u>Trading Authorization</u>
<u>Piper Jaffray & Co.</u>	<u>Yes 11-03-2006</u>	<u>Yes, 11-20-2006</u>	<u>Yes 2005</u>	<u>sent 11/20/2006</u>
<u>Seattle Northwest Securities Corp.</u>	<u>Yes 11-10-2006</u>	<u>Yes 11-10-2006</u>	<u>Yes 2005</u>	<u>sent 11/20/2006</u>
<u>Davidson Fixed Income Mgmt.</u>	<u>Yes 11-17-2006</u>	<u>Yes 10-23-2006</u>	<u>Yes 2005</u>	<u>sent 11/20/2006</u>
<u>Vining Sparks</u>	<u>Yes 11-16-2006</u>	<u>Yes 11-16-2006</u>	<u>Yes 2005</u>	<u>sent 11/20/2006</u>
<u>Morgan Stanley</u>	<u>Yes 11-20-2006</u>	<u></u>	<u>Yes 2005</u>	<u>sent 1/10/2007</u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>