

COMPREHENSIVE ANNUAL
FINANCIAL
REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31,

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THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2008

Tracey Dunlap

Director of Finance and Administration

Prepared by

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Cover Design and Layout by



**City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2008**

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kirkland
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF KIRKLAND

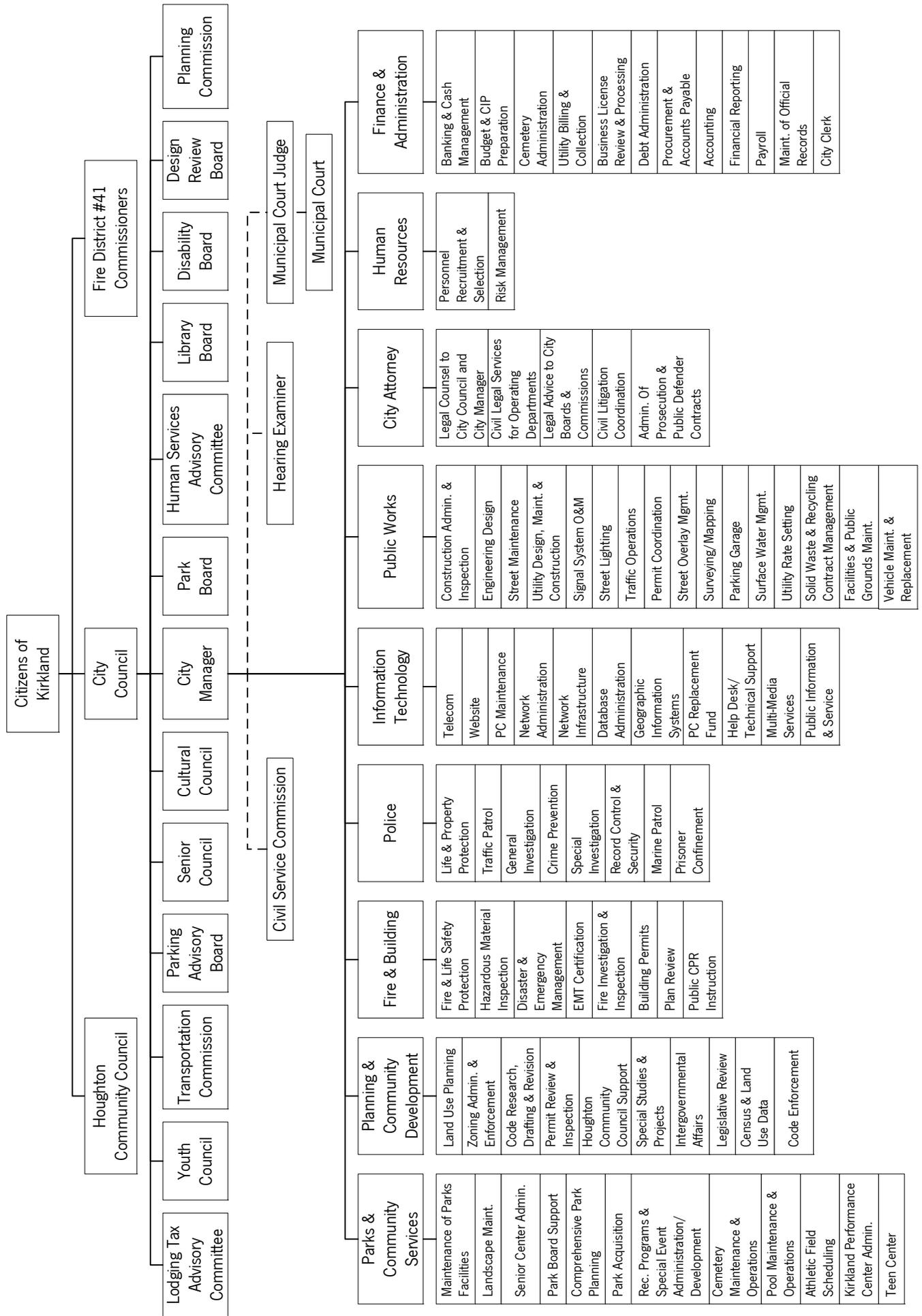
CITY COUNCIL

Mayor	James L. Lauinger
Deputy Mayor	Joan McBride
Council Members	David Asher
	Mary-Alyce Burleigh
	Jessica Greenway
	Tom Hodgson
	Bob Sternoff

ADMINISTRATIVE STAFF

City Manager	David Ramsay
Assistant City Manager	Marilynne Beard
City Attorney	Robin Jenkinson
Director of Finance and Administration	Tracey Dunlap
Director of Fire and Building	Jeff Blake
Director of Human Resources.....	Bill Kenny
Chief Information Officer	Brenda Cooper
Director of Parks and Community Services	Jennifer Schroder
Director of Planning and Community Development	Eric Shields
Chief of Police.....	Eric Olsen
Director of Public Works	Daryl Grisby

CITY OF KIRKLAND





June 15, 2009

Citizens of Kirkland
Honorable Mayor
Members of the City Council

State law requires that every general purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2008.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor's Office has issued an unqualified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2008. The auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

By way of background, the City of Kirkland is located on the eastern shore of Lake Washington. It is a suburban city, surrounded by other suburban cities and pockets of unincorporated King County. The City is near several major transportation routes including Interstate 405, State Route 520, and Interstate 5. These routes connect the City economically and socially to the greater Seattle area.

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. On April 1, 2008, the estimated population was 48,410. Kirkland is the nineteenth largest city in the State of Washington and the ninth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eleven square miles – approximately twelve times its original size. This growth occurred primarily through the consolidation of the cities of Houghton and Kirkland in 1968 and the annexations of Rose Hill and Juanita in 1988.

Kirkland operates under a Council-Manager form of government. The City Council is the policy-making branch of Kirkland's government and consists of seven members elected at large to staggered, four-year terms. The Mayor is elected from within the Council. The City Council is supported by several advisory boards and commissions and the City Manager. The City Manager is appointed by the City Council and serves as the professional administrator of the organization, managing its day-to-day activities.

The City government offers a full range of municipal services which are provided by ten operating departments. The City boasts forty parks, including eleven that are located on the waterfront, as well as a community center, senior center, swimming pool, and teen center. The broad range of recreational facilities provides year-round services for citizens of all ages.

The City prepares a biennial budget which is adopted by the City Council by the end of each even numbered year, given that Washington State law requires that the first year of a biennial budget be an odd numbered year. This budget serves as the foundation for the City of Kirkland's financial planning and control and provides information by fund, function (e.g., public safety), and department (e.g., police). Budget adjustments are brought forward for approval by the City Council periodically during the biennium.

Local Economy

The global recession and financial crisis has finally hit the Puget Sound region. Regional employment and housing prices held up relatively well compared to the rest of the nation until the last few months of 2008. The slumping housing market, credit crunch, layoffs and reduced spending have impacted the region's economy in a way that was not predicted by economists earlier in the year. King County's unemployment rate increased from 3.6 percent in January to 5.7 percent in December, which is still below the national and state rate of 7.1 percent, but on the rise. Technology jobs in King County, anchored by Microsoft and Amazon, along with other private firms, are seen as relatively solid.

Local development activity comparing 2008 to 2007 as measured by the valuation of City of Kirkland building permits has dropped considerably—especially in the single family and multi-family sectors. The only positive growth in 2008 is in the mixed-use category due to two large complexes under development. Commercial development was also relatively strong. Concerns about the slowing local real estate market and the credit crunch could have a significant impact on development activity in 2009. Pending sales of new and existing single-family homes in the Seattle area are down 35 percent in December 2008 compared with a year earlier. The median price of a single family home in 2008 was down 5.5 percent from 2007, while condominiums fared better, with median prices down 2.25 percent from the prior year. However, the "*Emerging Trends in Real Estate® 2009 Report*" (from the Urban Land Institute and Pricewaterhousecoopers) singles

out Seattle as the top real estate investment market to watch. Although tepid job growth is expected to dampen housing prices, the region is expected to stay above national averages.

The City of Kirkland's major employers represent healthcare, education, retail, equipment, and a variety of technology enterprises. While the City's high technology employers (such as Google and Nintendo continue to maintain a strong presence in Kirkland, we are seeing decreases in the level of construction activities and automobile sales, which are major sales tax sectors for the City. Kirkland's experience is consistent with state-wide and national trends in these sectors and we continue to monitor activity levels closely.

Long Term Financial Planning

The City continues to have numerous plans, such as the strategic plans developed for Police and Fire and master plans in Parks, which it is unable to fully implement because of the ongoing financial resources and staff time that are both in short supply. The fundamental challenge that we face is the ongoing ability for revenue growth to keep pace with the cost of doing business. Roughly seventy percent of the City's operating budget goes toward the wages and benefits of the employees that provide the City's basic output – services to the public. With wage and benefit costs increasing faster than inflation, the revenue base cannot keep pace with costs given tax limitation initiatives enacted in the state in past years. While progress had been made, the structural imbalance in the City's financial picture remains and will continue to be a primary topic of discussion and decision-making looking forward.

One of the issues that has featured prominently in the City's long term financial planning is the prospect of increasing the population of the City by over 33,000 by annexing the areas that are not currently part of the City but are included in the City's Urban Growth Boundary. In April 2009, the City Council passed a resolution to submit a Notice of Intention to the King County Boundary Review Board for review, calling for an election on November 3, 2008, as described further under "Major Initiatives" below.

Negative sales tax performance in 2008 demonstrates the volatility inherent in this revenue source. The local economy is seeing the impact of the national economic problems and the outlook for 2009 is uncertain at best. The poor performance in the automotive and general merchandise retail sectors is concerning since these sectors represent "ongoing" revenues in contrast with development activity, which is more one-time in nature. Announced store closures and relocations put additional pressure on this revenue source. On the bright side, there are some new large projects in the pipeline, such as the replacement of Lake Washington High School, the Bank of America project, the Fred Meyer store renovation, and continuing activity at and around Evergreen Hospital. These factors resulted in a 2009-2010 biennial budget that included a variety of cost reductions, revenue enhancements, and use of reserves. There will continue to be increased focus on financial performance moving into 2009 and the City's strong financial position and conservative fiscal policies provide tools for the City to consider as the broader economic trends unfold.

Developing ongoing business activity is critical to ensure the City's financial health. Opportunities for growth in ongoing revenue exist from the potential redevelopment of Totem Lake Mall and Park

Place, as well as redevelopment in downtown. The City is continuing to pursue economic development opportunities, focusing on adding to its high technology employment base, as discussed earlier.

Relevant Financial Policies

The stewardship of public funds is one of the greatest responsibilities given to the officials and managers of the City of Kirkland. Therefore, the establishment and maintenance of wise fiscal policies enables City officials to protect public interests and ensure public trust. These policies have been established to provide general fiscal guidelines and are intended to provide sound direction in the management of the City's financial affairs. They address topics that include the operating and enterprise fund budgets, revenues and expenditures, cash management and investment, accounting, financial reporting, and auditing, reserve and fund balance, debt management, and capital improvements.

One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. To address this variability, the City budgets sales tax revenues on a one-year lag, monitoring trends on a monthly basis, particularly in the sectors influenced by development activity. As part of the budget process, significant one-time receipts can be set aside as a funding source for non-recurring expenditures.

Major Initiatives

The weakness in the overall economy and specific events in the City of Kirkland presented a substantial challenge in developing the 2009-2010 budget. The City's conservative fiscal strategy, including replenishing reserves in 2007-2008, provided tools for balancing the budget. However, the magnitude of the impact of these events resulted in a budget balancing strategy that included the use of all of the tools available: expenditure reductions, revenue increases, and use of reserves. In spite of these challenges, the City is continuing to pursue a number of major initiatives, including:

- As the culmination of over 4 years of planning and development, a new regional dispatch agency, NORCOM, the Northeast King County Regional Public Safety Communications Center, was created effective November 1, 2007. It is expected to become operational on July 1, 2009 and the budget reflects the one-time and on-going impacts of the change. The consolidated dispatch function is expected to improve fire response time. In addition, the transition provides an opportunity to make further progress on another unmet need by the addition of 4 corrections officers to come close to 2 officers 24/7 for the jail facility and to meet records-related functions not assumed by NORCOM.
- Fire Station consolidation continues to be discussed with Fire District #41. In the past two biennial budgets, the City provided bridge funding to support maintaining coverage at the North Finn Hill station using overtime. Given the current budget challenges, this bridge funding will no longer be available for 2009-2010. While construction of the consolidated station has not begun at this point, design and permitting activities are underway.

- Upon adoption of the 2009-2010 budget at the end of 2008, the annexation fiscal analysis was updated to reflect the revenue and service level decisions in the budget. With the decision by the City Council in April 2009 to submit a Notice of Intention to place the annexation of the City's Potential Annexation Area on the ballot in November 2009, the detailed planning process to implement the annexation if the vote is affirmative is underway. Annexation is estimated to add 33,000 people, seven square miles, and over 100 staff positions to the existing City. The effective date of the annexation will be set after an affirmative vote.
- Another major initiative involves the City's needs for additional space in City facilities. The existing public safety facilities require upgrading and additional space will be required for other City functions. These needs become particularly acute if the annexation proceeds. Strategies for addressing the challenges posed in making progress on these capital needs are under development.

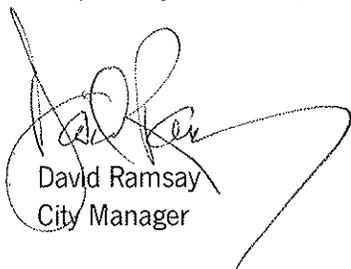
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kirkland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2007. This was the fourth consecutive year that the government has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its budget document for the 2007-2008 biennium, for the eleventh year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operating guide, and a communications device.

This report was prepared by the City's Department of Finance and Administration. The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the department. We wish to express appreciation to the staff and other personnel from various departments who assisted in its preparation. Credit also must be given to the City Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,



David Ramsay
City Manager



Tracey Dunlap
Director of Finance and Administration

Financial Section



Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 15, 2009

Council
City of Kirkland
Kirkland, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. 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.

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. 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 remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Street Operating Special Revenue Fund, Park and Municipal Reserve Special Revenue Fund, and Excise Tax Capital Improvement Special Revenue 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 will also issue our report dated June 15, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 11 through 28 and pension trust fund information and information on postemployment benefits other than pensions on page 95 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 information listed as Combining and Individual Fund Statements and Schedules and Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on pages 100 through 131 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to 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.

The information identified in the table of contents as the Introductory Section, Capital Assets used in the Operation of Governmental Funds on pages 133 through 136, and Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized and cursive.

BRIAN SONNTAG, CGFM
STATE AUDITOR

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kirkland, we offer readers of the City of Kirkland's financial statements this narrative overview and analysis of the financial activities of the City of Kirkland for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the additional information provided in the preceding letter of transmittal.

Financial Highlights

- The City's net assets, the amount by which total assets exceed total liabilities, equaled \$381.5 million at the end of 2008. Of this amount, \$269.8 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$2.6 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, and debt service and \$109.1 million that is unrestricted and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$10.5 million in 2008. Business-type activities accounted for \$10.0 million of the increase with the remaining \$0.5 million coming from governmental activities. Across both types of activities, \$9.5 million, or 90 percent, of the increase was related to the addition of capital assets net of any related debt.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$70.3 million, a decrease of \$0.9 million compared to the prior year. Of this total amount, \$67.8 million, or 96 percent, is unreserved reported in general fund, special revenue funds, and capital projects funds.
- Unreserved, undesignated fund balance in the general fund was \$7.6 million at the end of 2008, which represents about 14 percent of total general fund expenditures. An additional fund balance of \$3.9 million is available in the park and municipal reserve fund (in the general operating reserve and the revenue stabilization reserve combined) to cover unforeseen revenue losses during an economic downturn or to provide funding for unforeseen expenditure needs for general city programs.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$23.1 million, which represents a decrease of \$3.3 million from the prior year.

Overview of the Financial Statements

This section of the management's discussion and analysis is intended to introduce and explain the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, other supplementary information is also contained in this report.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for *governmental activities* and *business-type activities*. Governmental activities of the City include general government (legislative, executive, finance, legal services, information technology, facilities maintenance, fleet services, city clerk, and human resources), public safety

(police and fire), judicial, physical environment, economic environment, transportation, human services, and culture and recreation. The City's business-type activities are limited to water/sewer, surface water, and solid waste utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

The **statement of net assets** presents information on all of the City of Kirkland's assets and liabilities, highlighting the difference between the two as *net assets*. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may serve as a useful indicator of the city's overall financial health.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activities on this statement are reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

The government-wide financial statements can be found immediately following this section (i.e. Management's Discussion and Analysis) of the annual financial 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. Funds are often set up in accordance with special regulations, restrictions, or limitations. The City of Kirkland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The annual financial report includes individual fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type. All of the City of Kirkland's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Comparing the governmental fund financial statements with similar information presented for *governmental activities* in the government-wide financial statements can help the reader better understand the long-term impact of the City's near-term financing decisions. To assist in this comparison, reconciliations between the governmental fund financial statements and the government-wide financial statements are included with the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances*.

The City of Kirkland maintains twenty-one individual governmental funds. The City's six major governmental funds—the general fund, the street operating fund, the park and municipal reserve

fund, the excise tax capital improvement fund, the general capital projects fund, and the grant capital projects fund—are presented separately in the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances* in the Basic Financial Statements section of this report. The remaining governmental funds are combined into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in the *combining statements*, which are presented in the Fund Financial Statements and Schedules section of this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level, on a cash basis, and according to state law. Budgetary comparison statements are presented for the general, street operating, park and municipal reserve and excise capital fund in the Basic Financial Statements section of this report. Budgetary comparison statements for each of the other funds are included in the Fund Financial Statements and Schedules section of this report.

Two types of **proprietary funds** are used by the City: *enterprise funds* and *internal service funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer utility, surface water utility, and solid waste utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and management information systems. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the *governmental activities* column of the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The city's water/sewer utility, surface water utility, and solid waste utility are presented in separate columns in the proprietary fund financial statements; whereas the internal service funds are combined into a single column. The proprietary fund financial statements are included in the Basic Financial Statements section of this report. Individual fund data for the internal service funds can be found in the *combining statements*, which are presented in the Fund Financial Statements and Schedules section of this report.

Fiduciary funds are used to account for resources held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has only one fiduciary fund, which is the firefighter's pension fund. It is presented in the Basic Financial Statements section of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes are located in the Basic Financial Statements section of this report immediately following the fiduciary fund financial statements.

Other Information

The combining statements for other governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Government - Wide Financial Analysis

Statement of Net Assets

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Kirkland's net assets at December 31, 2008 total over \$381.5 million. Following is a condensed version of the government-wide statement of net assets (expressed in millions of dollars) comparing fiscal year 2008 to 2007. The 2007 presentation has been modified to include a prior period adjustment of \$0.8 million in current assets and restricted fund balance to Governmental Activities. The details of the adjustments can be found in Note 16 of this report.

City of Kirkland's Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$87.01	\$87.54	\$35.98	\$32.62	\$122.99	\$120.16
Capital assets, net of accumulated depreciation	176.53	176.71	116.34	110.03	292.87	286.74
Total assets	263.54	264.25	152.32	142.65	415.86	406.90
Long-term liabilities	14.71	16.16	6.43	7.71	21.14	23.87
Other liabilities	8.48	8.28	4.77	3.77	13.25	12.05
Total liabilities	23.19	24.44	11.20	11.48	34.39	35.92
Net assets:						
Invested in capital assets, net of related debt	161.18	159.27	108.62	101.05	269.80	260.32
Restricted	2.42	3.43	0.15	0.16	2.57	3.59
Unrestricted	76.75	77.11	32.35	29.96	109.10	107.07
Total net assets	\$240.35	\$239.81	\$141.12	\$131.17	\$381.47	\$370.98

As of the end of 2008, the largest component of the City's total net assets at \$269.8 million, or 71 percent, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in 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 pay these liabilities.

Roughly \$2.6 million of the City's total net assets are subject to legal restrictions. These amounts include \$292,088 in Lodging Taxes reserved for tourism related activities, \$524,350 in the Parks Maintenance fund for the maintenance of parks approved by voters in the 2003 park maintenance levy, \$186,381 in park impact fees, \$998,295 in transportation impact fees, and \$565,213 in debt service funds. Additionally, \$24.4 million has been earmarked by the City to provide a funding source for general government capital projects. These projects include a variety of public works projects, park improvements, internal technology system upgrades, and facility maintenance projects. The City attempts to fund a majority of its capital construction projects on a pay as you go basis, aggressively pursuing transportation grant funding and cost sharing with developers wishing to construct large projects in the City that impact the transportation system.

The remaining \$84.7 million balance of total net assets is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, almost \$32.4 million pertains to the City's business-type activities, which only may be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and wells), storm drain flushing, water meter reading, and utility capital construction projects. The \$52.3 million balance in unrestricted net assets relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

At the end of the fiscal year, the City of Kirkland reported positive balances in all three categories of net assets for the government as a whole as well as for the separate governmental and business-type activities.

Changes in Net Assets

The changes in net assets table on the following page illustrates the increases or decreases in net assets of the city resulting from operating activities. Overall, the City of Kirkland's net assets increased about \$10.5 million in 2008. The 2007 Governmental Activities presentation has been modified to reflect a prior period adjustment that includes an additional \$0.8 million in Charges for Services revenue. The increase in Net Assets for 2007 is \$14.59 million resulting in Net Assets at the end of 2007 of \$239.81. The details of the adjustment can be found in Note 16 of this report. A breakdown of the 2008 increase in Net Assets by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues.

City of Kirkland's Changes in Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$15.37	\$15.67	\$31.68	\$29.33	\$47.05	\$45.00
Operating grants and contributions	1.48	1.84	0.39	0.60	1.87	2.44
Capital grants and contributions	1.70	1.07	4.28	3.34	5.98	4.41
General revenues:						
Sales taxes	15.78	18.17	-	-	15.78	18.17
Property taxes	14.44	13.73	-	-	14.44	13.73
Utility taxes	10.23	9.82	-	-	10.23	9.82
Excise taxes	3.16	6.83	-	-	3.16	6.83
Regulatory license fee	1.01	0.98	-	-	1.01	0.98
Other taxes	1.06	1.22	-	-	1.06	1.22
Investment earnings	4.22	4.61	1.42	1.41	5.64	6.02
Miscellaneous	0.16	0.11	-	-	0.16	0.11
Total revenues	68.61	74.05	37.77	34.68	106.38	108.73
Expenses:						
General government	6.82	5.49	-	-	6.82	5.49
Judicial	1.64	1.54	-	-	1.64	1.54
Security of Persons and Property	30.79	28.23	-	-	30.79	28.23
Physical environment	2.80	2.89	-	-	2.80	2.89
Transportation	11.89	6.82	-	-	11.89	6.82
Human services	1.05	1.12	-	-	1.05	1.12
Economic environment	5.71	5.54	-	-	5.71	5.54
Culture and recreation	7.22	7.05	-	-	7.22	7.05
Interest on long-term debt	0.80	0.95	-	-	0.80	0.95
Water/sewer	-	-	15.64	15.04	15.64	15.04
Surface water	-	-	3.35	3.26	3.35	3.26
Solid waste	-	-	8.17	7.55	8.17	7.55
Total expenses	68.72	59.63	27.16	25.85	95.88	85.48
Increase in net assets before transfers and special items	(0.12)	14.41	10.61	8.82	10.49	23.23
Transfers	0.66	0.18	(0.66)	(0.18)	-	-
Increase in net assets	0.54	14.59	9.95	8.64	10.49	23.23
Net assets at beginning of year	239.81	225.22	131.17	122.53	370.98	347.75
Net assets at end of year	\$240.35	\$239.81	\$141.12	\$131.17	\$381.47	\$370.98

* Miscellaneous includes gain on sale of capital assets and unrestricted grants / contributions.

Governmental activities accounted for \$0.5 million of the \$10.5 million total increase in net assets. The overall change in net assets was due to a decrease in governmental revenues of 6% and an increase in governmental expenses of 15%. Key elements of the changes in net assets are as follows:

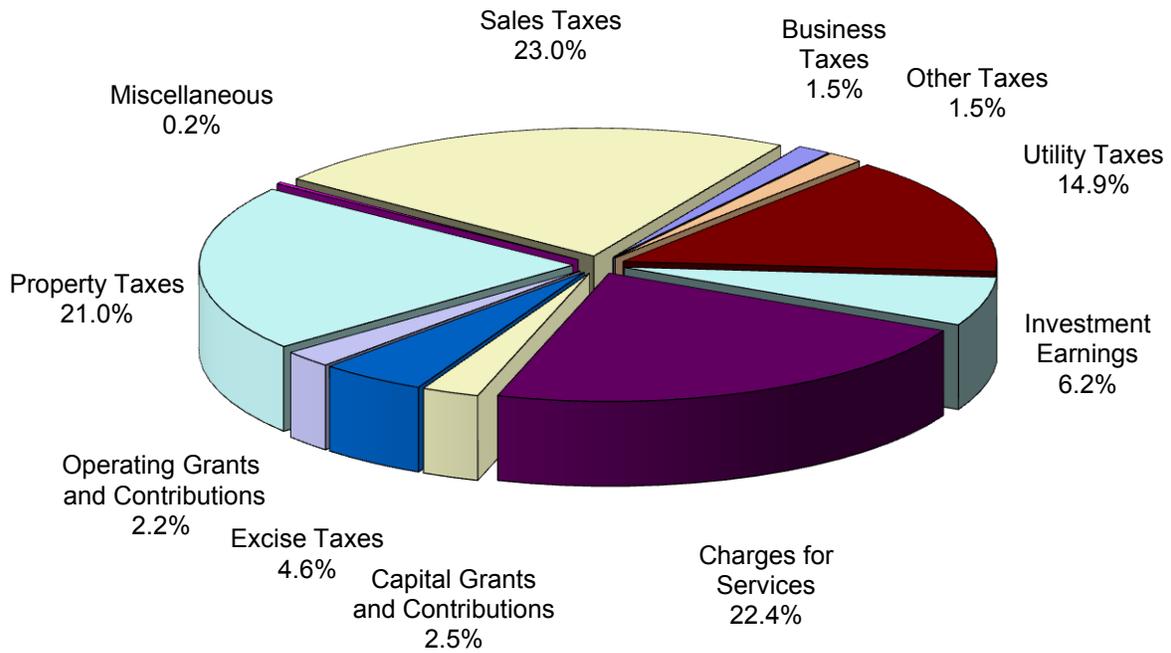
Expenditures:

- Transportation related costs were the single largest factor in increased expenditures for governmental activities. The increase of \$5 million was due largely to the recognition of several maintenance projects in the CIP balance of non capitalizable projects.
- The remaining \$4 million increase in expenditures was primarily due to wage and benefit increases in all governmental activities. Most labor contracts had cost of living increases between 3.14%-3.31% and benefits increases of 12%.

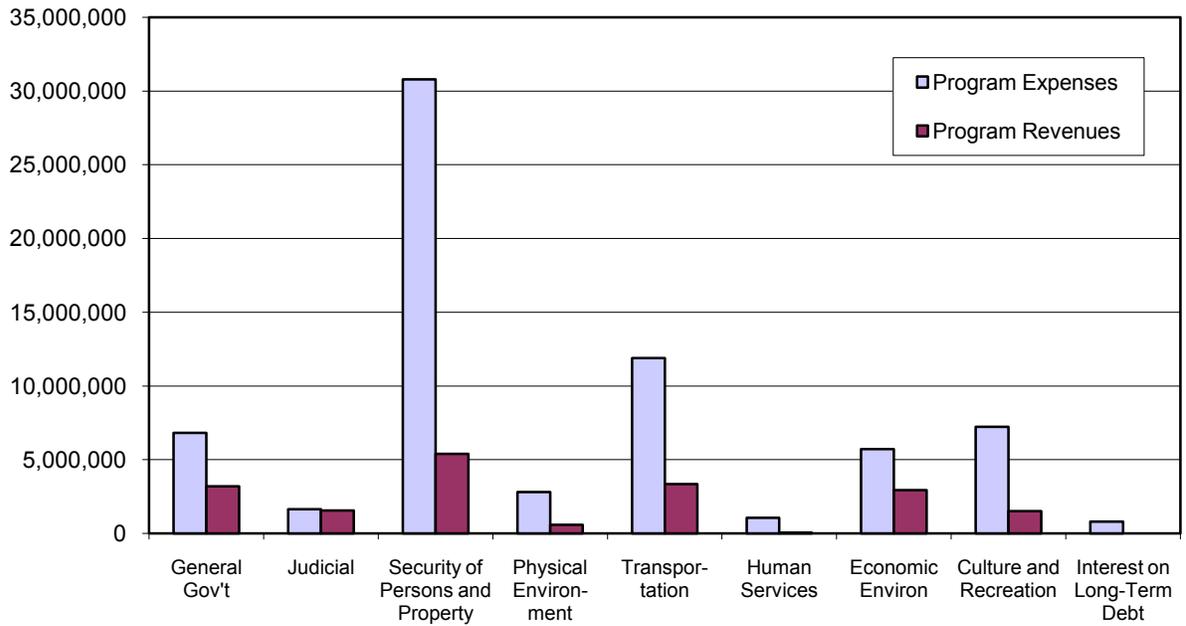
Revenues:

- Charges for services revenue had an overall modest increase of about \$523,000. The change was noticeable in several activities, some increasing and some decreasing.
 - Public Safety related revenues had an increase of \$486,000 due to increased reimbursements from the Fire District #41 contract for fire services, additional Emergency Medical Services Levy amounts, and neighboring agencies contracts for police services.
 - Transportation and Culture/Recreation services reflect increases related to impact fees received in 2008. The 2007 impact fees were deferred due to a revenue recognition interpretation change by the Washington State Auditor's Office. This deferral of revenue is shown as a prior period adjustment in 2008 and is reflected in the 2007 comparative schedules within this document. The difference in the 2007 statements is \$821,445. The Transportation related impact fees for 2008 were \$604,412; while the Recreation impact fees in 2008 are \$247,020.
 - Economic Environment charges had a sharp decline of \$900,000 in 2008 related to development fee decreases and the overall downturn in the economy.
- Grants and contributions increased by about 10% in 2008. A non-motorized transportation related project to install pedestrian and bicycle facilities on a major street corridor received \$524,000 in federal grant funds.
- The City's general revenues show a \$4.9 million decline in 2008.
 - Excise taxes related to real estate sales decreased by \$3.6 million, a 54% decrease and sales taxes decreased by \$2.4 million, a 13% decrease. Both are directly related to the global and national economic issues.
 - Property taxes and utility taxes showed an increase of 4-5% in 2008 which helped lessen the burden of other tax shortfalls. Property tax reflected additional new construction value and electricity and telephone tax revenue both increased due to higher utility rates and usage changes.
- Investment interest revenues were below 2007 levels by \$388,000.

Revenues by Source - Governmental Activities



Program Expenses vs. Program Revenues - Governmental Activities



Business-type activities, which relate to the City's utilities, were responsible for \$10.0 million, or 88 percent, of the total increase in the City's net assets. Key elements of this increase are as follows:

Water/sewer operating revenues increased by 8.5% compared to the prior year. The revenues reflect a utility rate increase implemented in 2008 required to cover increased wholesale costs for purchases of water and sewer service charges. It is anticipated that similar rate increases may be required in future years as wholesale costs for water and sewer service continue to rise.

The surface water utility charges for services in 2008 totaled \$5.0 million. Residential and commercial storm drainage fees in 2008 were \$14.15 per equivalent residential unit to address capital construction projects, surface water elements of transportation projects, GIS technology upgrades, and environmental impacts.

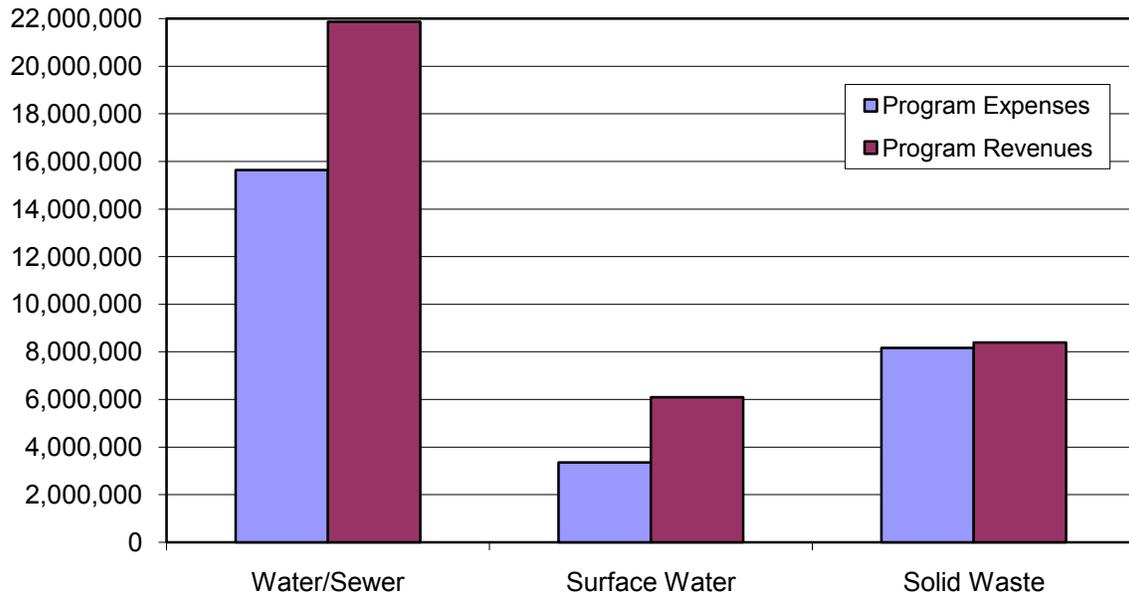
Capital contributions comprised of utility connection charges and developer infrastructure contributions totaled \$4.3 million for 2008. Details for these amounts are shown below:

	Water	Sewer	Surfacewater	Total
2008 Connection charges collected:	243,927	716,398	35,113	995,438
2008 Developer infrastructure contributions:	1,013,052	1,718,685	554,754	3,286,491
				\$4,281,929

The infrastructure contributions detailed above represent 43% of the excess in revenues over expenditures. These increases are actually reflected as additions to capital assets for the utility functions and are presented in more detail in Note 5 of this report.

Investment earnings for the business type activities remained consistent compared to 2007, bringing in \$1.4 million.

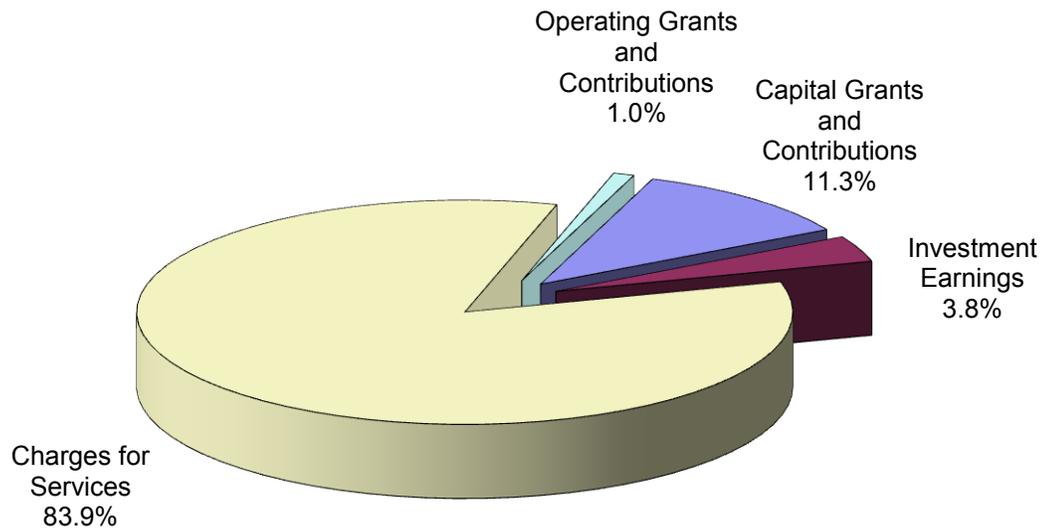
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's utility 2008 net income (before capital contributions and transfers) was about \$6.3 million. The components are as follows:

Water/Sewer	\$3.4 million
Surface water	\$2.6 million
Solid Waste	\$0.3 million

Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of the current year the City's combined ending governmental fund balance was \$70.3 million, which represents a decrease of \$0.9 million, or 1.3 percent, from the prior year. Of the total ending fund balance, almost \$2.5 million is reserved and considered restricted because it is subject to an external legal constraint. Tourism activities have a designated balance of \$0.3 million, impact fees for parks and transportation have a combined balance of \$1.2 million, and bond covenants restrict the use of the parks maintenance funds of \$0.5 million and the \$0.5 million in the debt service funds. The remaining balance of \$67.8 million is technically unreserved, which means it is available for spending at the City's discretion. In reality, most of it is earmarked for approved capital construction projects that are currently underway (\$24.4 million) or otherwise designated for some special purpose (\$35.8 million). Examples of such designated balances include funding for capital improvement projects (e.g., \$15.5 million in the excise tax capital improvement fund and \$2.0 million in the street operating fund) and funding for various contingencies (e.g., \$10.0 million in the park and municipal reserve fund and \$2.3 million in the contingency fund).

What follows is a brief analysis of each of the City's major governmental funds.

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another

fund. At the end of 2008, the fund balance of the general fund was \$7.6 million, which represents a decrease of approximately \$3.3 million from the prior year. Taxes are the major revenue source, and the primary factor in the fund balance decrease.

Compared to 2007, revenues decreased by \$1.7 million, or 3.2 percent, and expenditures increased by \$4.0 million, or 7.9 percent. Much of the decrease in revenues can be attributed to disappointing sales tax revenue and a significant decline in building permit and planning fee revenue. Expenditures exceeded revenues in the general fund by \$3.2 million in 2008, excluding other financing sources and uses. Costs associated with wages and benefits rose while revenues in key areas declined.

The street operating fund accounts for the administration, maintenance, and minor construction of the City's transportation infrastructure. The fund balance at the end of 2008 was \$2.0 million which was a slight increase over 2007. Funding transfers for ongoing graffiti abatement and pavement marking projects created the minimal positive variance.

The park and municipal reserve fund includes the City's general operating reserve (i.e. "Rainy Day" reserve), revenue stabilization reserve, building and property reserve, council special projects reserve, public safety building reserve, LEOFF 1 police reserve, development reserve and a number of other smaller reserves dedicated for various municipal purposes. The 2008 ending fund balance of \$10.0 million remains relatively unchanged from 2007. The City's conservative expenditure policies have allowed reserves to remain intact during 2008.

The excise tax capital improvement fund accounts for revenue from the first and second quarter percent real estate excise tax, which is reserved for the funding of capital projects related to streets, sidewalks, traffic improvements, parks, fire protection facilities, and other public facilities. The fund balance at the end of 2008 was \$15.5 million, which decreased by \$1.3 million from 2007 due to the weakening of the residential real estate market.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital improvement program (CIP) and that are funded from general revenue sources excluding grants. The ending fund balance increased by \$2.9 million from the prior year to a total of \$17.9 million.

The grant capital projects fund accounts for projects approved in the CIP that are funded partially or wholly by grants from other governments. The fund balance at the end of 2008 was \$6.5 million, which is up from 2007 by \$0.7 million. Balances in both capital project funds vary slightly from year to year dependent upon CIP activity and the size of projects in process.

Proprietary Funds

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

General Fund Budgetary Highlights

During the biennium, there was a \$7.9 million increase in appropriations between the original adopted budget and the final amended budget. These additions directly correspond to actual revenues and actual expenditures within the general fund. Following are the major components of the increases:

- Fund balance was increased by \$2.0 million to recognize actual fund balance compared to the original budget as a result of strong revenue performance during the biennium and unspent expenditures from the previous budget period.
- Utility tax revenue was increased by about \$1.2 million to recognize actual revenue collections, particularly from the telecommunications utility tax.
- A year-end transfer of \$1.0 million to reflect the use of reserves to fund one time projects in the next biennium (2009-2010).
- Transfers of \$828,000 to reflect the use of reserves and fund balance to fund specific projects and planning studies in 2007-2008.
- Budgeted sales tax was increased by \$900,000, a portion of which funded annexation-related efforts (\$234,000). Initially, strong contracting and retail revenues were projected early in 2007. However, sales tax revenues dropped dramatically in 2008 and adjustments were made to expenditures to recognize the revenue shortfall.
- A revised EMS levy and adjustments to the Fire District contract added about \$410,000 in revenue, which was used, in part, to fund increased firefighter overtime.
- E911 revenue was increased by \$330,000 to fund dispatch overtime and equipment.
- Selected revenues for goods and services increased by \$289,000, due to higher than expected probation revenues, passport fees, and CIP interfund charges.
- Transfer from reserves was increased \$250,000 to backfill the repayment of a leasehold excise tax credit issued by the Washington State Department of Revenue.
- Fines and forfeits increased by \$165,000 due in part to the reinstatement of the Driving While License Suspended (DWLS) infraction.
- Grants for emergency preparedness and economic development contributed \$121,000 to the increase.
- Miscellaneous revenues increased to recognize additional interest earnings and reimbursements received for a storm event.

Capital Asset and Debt Administration

Capital Assets

The City of Kirkland's investment in capital assets for its governmental and business-type activities as of December 31, 2008 amounts to \$292.9 million (net of accumulated depreciation), which represents over a \$6 million increase over the prior year. This investment in and capitalization of capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission and distribution systems, roads, and bridges. Actual expenditures for capital items are generally larger than what the City is capitalizing in any given year. Some projects that only maintain infrastructure or are smaller in scope and don't meet the threshold for capitalization will be included in the amounts for capital expenditures but will ultimately not result in an increase to capital assets on the balance sheet. Amounts below represent capital expenditures in 2008 that may or may not become part of capital assets but were nonetheless expenditures during the year:

- \$2.8 million spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals traffic calming projects, and utility undergrounding. Most of these projects are still in progress.
- \$1 million spent on various park projects including Juanita Beach Park, Heritage Park and several neighborhood parks. Almost half of the expenses were for land acquisition to expand the city's existing parks.
- \$1.7 million spent on technology system improvements for Records Management, Geographic Information Systems, Financial System enhancements, Public Safety Scheduling software, local and wide area networks, and improvements to electronic public access.
- \$0.8 million spent on other general government improvements including police department safety enhancements, renovation of a City Hall Annex building to improve staff capacity issues, building security advancement, and various building upgrades and maintenance projects.
- \$6.2 million spent on water and sewer utility improvement projects, most of which are still in progress.
- \$2.9 million spent on surface water utility improvement projects, most of which are still in progress.

Following is a condensed version of the city's capital assets (expressed in millions of dollars), net of depreciation, related to governmental and business-type activities for fiscal years 2007 and 2008:

City of Kirkland's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$79.24	\$74.25	\$0.05	\$0.05	\$79.29	\$74.30
Buildings	20.22	21.10	0.02	0.02	20.24	21.12
Improvements other than buildings	12.35	9.51	110.05	107.28	122.40	116.79
Machinery and equipment	7.14	7.15	-	-	7.14	7.15
Infrastructure	36.64	37.27	-	-	36.64	37.27
Construction in progress	19.32	25.82	6.22	2.68	25.54	28.50
Art	1.61	1.60	-	-	1.61	1.60
Total	\$176.52	\$176.70	\$116.34	\$110.03	\$292.86	\$286.73

Additional information on the City of Kirkland's capital assets can be found in Note 5 of this report.

Long-term Debt

At the end of the current fiscal year, the City of Kirkland had total General Obligation bonded debt outstanding of \$15.4 million and other long-term debt of \$7.7 million. The total outstanding debt (expressed in millions of dollars) at the end of 2007 and 2008 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$15.35	\$17.44	-	-	\$15.35	\$17.44
Revenue bonds	-	-	3.79	4.43	3.79	4.43
Public Works trust fund loans	-	-	3.91	4.52	3.91	4.52
Total	\$15.35	\$17.44	\$7.70	\$8.95	\$23.05	\$26.39

On its general obligation bonds, the City of Kirkland was upgraded to an AAA rating by Standard & Poor's on November 24, 2008 and maintains an Aa2 rating from Moody's. In addition, the City's revenue bonds for its water/sewer utility were upgraded to AAA by Standard & Poor's on November 17, 2008 and are rated A1 by Moody's.

Washington State statute limits the amount of general obligation debt a governmental entity may issue to 7.5 percent of its total assessed valuation, subject to a 60 percent majority vote of qualified electors. Of the 7.5 percent limit, 2.5 percent is for general purposes, 2.5 percent for open space/park/capital facilities, and 2.5 percent for utilities. Non-voted (i.e. limited tax) general obligation debt is limited to 1.5 percent of assessed valuation. The combination of voted and non-voted general obligation debt for all purposes cannot exceed 7.5 percent of assessed valuation.

The City's assessed valuation for 2008 was \$11.41 billion, and the total amount of unlimited tax and limited tax general obligation debt the city may issue is \$855.5 million.

Additional information on the City of Kirkland's long-term debt can be found in Note 9 of this report and in the Statistical Section of the report.

Economic Factors and Next Year's Budgets and Rates

The economic down turn which has hit on an international level was felt in Kirkland and the Puget Sound region as 2008 came to a conclusion. The impact continues to deepen as the City moves into 2009. Employment, development activity, and home prices at the local level have all been negatively affected by the global recession.

The number of jobs in the Puget Sound region dipped slightly since January 2008. The unemployment rate in King County increased from 3.6 percent in January to 5.7 percent in December, which is still below the national and state rate of 7.1 percent. However, the state's biggest employers, Boeing and Microsoft, are expected to position Washington to beat the national curve in 2009 and be ready for a year-end rebound. Taxable retail sales in King County dropped 1 percent for 2008 compared to 2007 - possibly a sign of continued weakening consumer confidence.

In normal times, economists hedge that it is difficult to accurately predict future economic activity. After the recent financial implosion, which included the largest bank failure in history with Seattle-based Washington Mutual, it's virtually impossible. In addition to the national economy, the state and region is dependent on global activity; how well the rest of the world recovers will have a significant impact.

Selected economic indicators are discussed below. They include inflation, unemployment, office vacancies, residential housing prices, development activity, sales tax revenue, and lodging tax revenue.

As measured by the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W), Seattle metro CPI consistent with the national index, has been volatile throughout the year. Seattle peaked at 6.19 percent in June and August, but dropped to 1.1 percent in December. The 2008 average annual for Seattle is 4.5 percent. The national index peaked at 6.2 percent in July and dropped to a negative 0.5 percent in December. The City's labor contracts are tied to the CPI-W for the Seattle metropolitan area. The June 2008 CPI is normally used to calculate City employee cost of living adjustments (COLA) for 2009. As a result, 2009 COLA's for some closed bargaining units in 2009 will be 6.19 percent, which is the highest adjustment in several years. It's important to mention that management received a reduced COLA in 2009 (3.19%) and two bargaining units have agreed to take no increase in 2010.

Unemployment rates for King County, Washington State, and the U.S. from December 2007 through December 2008 are noted in the table below:

Month	King County	Washington	U.S.
December 2007	3.6%	4.8%	4.8%
January 2008	3.6%	5.2%	5.4%
February 2008	3.9%	5.3%	5.2%
March 2008	3.9%	5.1%	5.2%
April 2008	3.1%	4.6%	4.8%
May 2008	3.9%	5.1%	5.2%
June 2008	3.9%	5.4%	5.7%
July 2008	4.1%	5.4%	6.0%
August 2008	4.3%	5.7%	6.1%
September 2008	4.5%	5.2%	6.0%
October 2008	5.0%	5.7%	6.1%
November 2008	5.3%	6.3%	6.5%
December 2008	5.7%	7.1%	7.1%
2008 Average	4.6%	5.9%	6.2%
2007 Average	3.7%	4.5%	4.6%

Source: Washington Employment Security Department

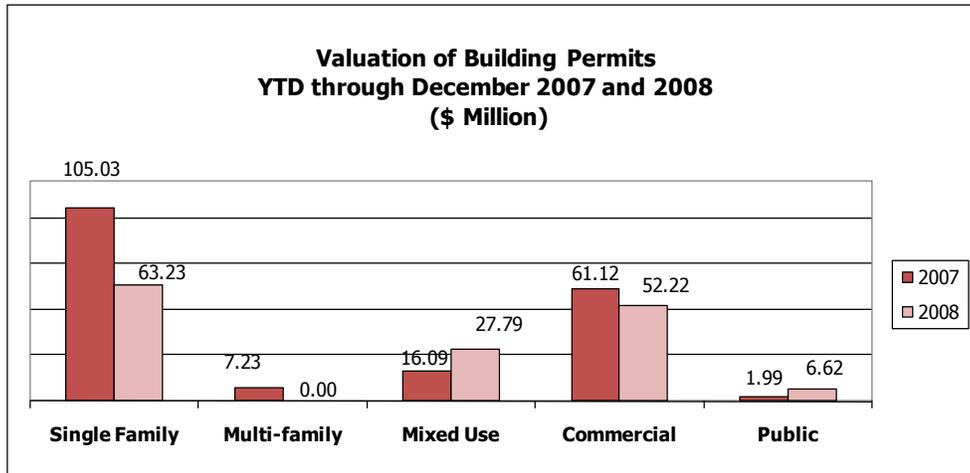
Employment levels in King County continued to exceed the national average, with the local average annual 2008 unemployment rate of 4.6 percent which is less than the national average annual 2008 rate of 6.2 percent.

The Eastside vacancy rate is rising at 13 percent at the end of 2008 compared to 10.5 percent as of June. Kirkland's rate ended 2008 at 8.6 percent. Kirkland remains the most expensive sub-market according to CB Richard Ellis Real Estate Services. Global and regional economic conditions may prove challenging for the office market in 2009.

If the national economy starts to expand by the end of 2009, Washington's economy may be able to weather the national recession without too much negative impact. A longer or deeper recession will most likely affect this region. Significant risks from business changes and slowing development activity could pose a challenge for the near future.

Pending sales of new and existing single-family homes in King County are down 35 percent in December 2008 compared with a year earlier. The median price of a single family home in December was \$429,950 which was down from \$455,000 in December 2007. Condominiums fared better, with median prices down 2.25 percent from the prior year at \$280,000 compared to \$286,438. Although slowing in job growth is expected to dampen housing prices, the region is expected to stay above national averages.

Local development activity comparing 2008 to 2007 as measured by the valuation of City of Kirkland building permits is down 35 percent in December 2008 compared to a year earlier. Activity has dropped considerably in the single family and multi-family sectors. Positive growth was experienced in the mixed-use category due to two large complexes under development. Commercial development was also relatively strong. Concerns about the slowing local real estate market and the credit crunch could have a significant impact on development activity in 2009.



Sales tax revenue for 2008 was originally planned to increase slightly over 2007. The budget was adjusted downward in March because of disappointing performance early in the year. However, actual 2008 revenue (on a cash basis) experienced an even steeper decline than expected, down 9 percent compared to last year. This was primarily due to significant softening in contracting revenue as well as declining revenue in key retail sectors.

Lodging tax revenue increased in 2008 as strong performance was experienced in the accommodations industry. A new hotel, the 91-room Heathman, opened in downtown Kirkland in late 2007. Performance in 2009 may not be as robust since this sector is especially sensitive to economic conditions.

Looking forward to 2009, we will continue to closely monitor development trends and overall economic conditions. The weakening of sales tax revenues is of particular concern since they represent the City's largest general fund revenue source. Redevelopment of two of the City's commercial areas could help to increase sales taxes; however, those developments are still in the early stages and will likely not be completed for a couple of years or more.

Requests for Information

This financial report is designed to provide a general overview of the City of Kirkland's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to Tracey Dunlap, Director of Finance and Administration, City of Kirkland, 123 Fifth Avenue, Kirkland, WA 98033-6189.

Basic Financial Statements



City of Kirkland
Statement of Net Assets
December 31, 2008

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	20,637,239	6,698,061	27,335,300
Investments (Note 3)	58,077,781	19,761,102	77,838,883
Receivables			
Accounts	6,702,842	7,988,693	14,691,535
Due From Other Governments	209,445	119,218	328,663
Inventories	47,790	378,029	425,819
Restricted Assets			
Deposits	656,369	0	656,369
Sub-total Current Assets	86,331,466	34,945,103	121,276,569
Non-Current Assets and Deferred Charges			
Restricted Assets			
Revenue Bond Reserves	0	822,275	822,275
Total Restricted Assets	0	822,275	822,275
Deferred Charges	0	208,783	208,783
Non-current Receivables	677,734	0	677,734
Capital Assets: (Note 5)			
Land & Artwork	80,854,868	47,784	80,902,652
Depreciable Capital Assets (net)	39,708,877	110,071,945	149,780,822
Depreciable Infrastructure (net)	36,640,955	0	36,640,955
Construction in Progress	19,323,217	6,220,170	25,543,387
Total Capital Assets	176,527,917	116,339,899	292,867,816
Total Non-Current Assets	177,205,651	117,370,957	294,576,608
Total Assets	263,537,117	152,316,060	415,853,177

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

City of Kirkland
Statement of Net Assets
December 31, 2008

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts Payable	3,361,814	515,639	3,877,453
Other Current Liabilities	1,658,855	676,255	2,335,110
Accrued Interest Payable	0	13,903	13,903
Unearned Revenue	544,427	2,879,431	3,423,858
Total Current Liabilities	5,565,096	4,085,228	9,650,324
Current Liabilities Payable from Restricted Assets			
Accrued Interest Payable	67,981	13,789	81,770
Current Bond Principal Payable	2,190,000	665,000	2,855,000
Deposits Payable	656,369	5,616	661,985
Total Current Liabilities Payable from Restricted Assets	2,914,350	684,405	3,598,755
Total Current Liabilities	8,479,446	4,769,633	13,249,079
Noncurrent Liabilities			
Due in more than one year	14,706,549	6,429,253	21,135,802
Total Noncurrent Liabilities	14,706,549	6,429,253	21,135,802
Total Liabilities	23,185,995	11,198,886	34,384,881
Net Assets			
Invested in capital assets net of related debt	161,182,917	108,618,685	269,801,602
Restricted for:			
Tourism	292,088	0	292,088
Parks and Recreation	710,731	0	710,731
Transportation	998,295	0	998,295
Debt Service	413,554	151,659	565,213
Unrestricted	76,753,537	32,346,829	109,100,366
Total Net Assets	240,351,122	141,117,173	381,468,295



City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense/Revenue and Changes in Net Assets)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	6,820,650	3,096,779	95,804	0	(3,628,067)	0	(3,628,067)
Judicial	1,642,299	1,534,567	24,348	0	(83,384)	0	(83,384)
Security of Persons and Property	30,785,015	5,306,512	98,530	0	(25,379,973)	0	(25,379,973)
Physical Environment	2,797,484	573,298	0	0	(2,224,186)	0	(2,224,186)
Transportation	11,884,663	782,638	1,110,232	1,444,814	(8,546,979)	0	(8,546,979)
Human Services	1,050,624	0	32,381	0	(1,018,243)	0	(1,018,243)
Economic Environment	5,713,660	2,884,005	60,524	0	(2,769,131)	0	(2,769,131)
Culture and Recreation	7,223,809	1,191,477	56,536	257,896	(5,717,900)	0	(5,717,900)
Interest on Long Term Debt	801,792	0	0	0	(801,792)	0	(801,792)
Total Governmental Activities	68,719,996	15,369,276	1,478,355	1,702,710	(50,169,655)	0	(50,169,655)
Business Type Activities							
Water/Sewer	15,644,082	18,169,666	0	3,692,062	0	6,217,646	6,217,646
Surface Water	3,356,904	5,220,765	282,430	589,867	0	2,736,158	2,736,158
Solid Waste	8,168,316	8,291,955	105,930	0	0	229,569	229,569
Total Business Type Activities	27,169,302	31,682,386	388,360	4,281,929	0	9,183,373	9,183,373
Total Government	95,889,298	47,051,662	1,866,715	5,984,639	(50,169,655)	9,183,373	(40,986,282)
General Revenues							
Sales Taxes					15,777,179	0	15,777,179
Property Taxes					14,436,254	0	14,436,254
Utility Taxes					10,225,600	0	10,225,600
Excise Taxes					3,158,532	0	3,158,532
Business Taxes					1,007,998	0	1,007,998
Other Taxes					1,062,001	0	1,062,001
Unrestricted Grants & Contributions					74,548	0	74,548
Investment Earnings					4,218,724	1,423,279	5,642,003
Gain on sale of capital assets					87,053	0	87,053
Transfers, internal activities					659,801	(659,801)	0
Total General Revenues & Transfers					50,707,690	763,478	51,471,168
Change in Net Assets					538,035	9,946,851	10,484,886
Net assets at beginning of year					238,991,642	131,170,322	370,161,964
Prior Period Adjustment (Note 15)					821,445	0	821,445
Net assets at end of year					240,351,122	141,117,173	381,468,295

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2008

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve	Excise Capital Improvement
Assets				
Current Assets:				
Cash and Cash Equivalents	939,816	307,317	2,766,148	4,204,055
Investments	5,237,277	1,725,026	7,288,437	11,085,813
Receivables				
Taxes	3,805,122	149,332	0	245,647
Accounts	221,066	18,282	0	0
Assessments				
Deferred	0	0	0	0
Due From Other Sources	200,674	22,735	0	0
Restricted Assets				
Deposits	312,258	337,705	0	0
Total Assets	10,716,213	2,560,397	10,054,585	15,535,515
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	432,343	94,300	9,254	0
Wages Payable	1,765,892	71,274	0	0
Due to Other Sources	240,959	487	922	0
Payable from Restricted Assets				
Deposits Payable	312,258	337,705	0	0
Deferred Revenue	378,937	82,259	0	0
Total Liabilities	3,130,389	586,025	10,176	0
Fund Balances				
Reserved For				
Tourism	0	0	0	0
Parks and Recreation	0	0	0	0
Transportation	0	0	0	0
Debt Service	0	0	0	0
Unreserved, reported in				
General Fund	7,585,824	0	0	0
Special Revenue Funds	0	1,974,372	10,044,409	15,535,515
Capital Projects Funds	0	0	0	0
Total Fund Balances	7,585,824	1,974,372	10,044,409	15,535,515
Total Liabilities and Fund Balance	10,716,213	2,560,397	10,054,585	15,535,515

Amounts reported for governmental activities in the statement of net assets are different because:

- Capital assets used in governmental activities are not financial resources and are not reported in the funds
- Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds
- Long term liabilities are not due and payable in the current period and are not reported in the funds
- Internal service funds are used by management to charge the costs of certain activities to individual funds
- The assets and liabilities are included in governmental activities in the statement of net assets

Net Assets of governmental activities

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2008

Page 2 of 2

General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
4,858,160	1,862,878	2,909,632	17,848,006
12,898,918	4,781,089	7,750,542	50,767,102
25,000	0	318,408	4,543,509
336,796	0	247	576,391
0	0	0	0
4,291	0	4,125	231,825
0	0	6,406	656,369
18,123,166	6,643,967	10,989,361	74,623,204

223,030	115,634	91,321	965,882
0	0	43,426	1,880,592
23,208	2,212	9,120	276,908
0	0	6,406	656,369
0	0	83,231	544,427
246,238	117,846	233,504	4,324,178
0	0	292,088	292,088
0	0	710,731	710,731
0	0	998,295	998,295
0	0	481,535	481,535
0	0	0	7,585,824
0	0	8,273,209	35,827,505
17,876,928	6,526,121	0	24,403,049
17,876,928	6,526,121	10,755,858	70,299,027
18,123,166	6,643,967	10,989,361	74,623,204

169,772,028
 2,190,528
 (18,520,522)
 16,610,061

240,351,122

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the fiscal year ended December 31, 2008

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve
Revenues			
Taxes and Assessments	34,679,007	2,953,810	0
Licenses and Permits	3,246,893	0	0
Intergovernmental	5,827,679	543,589	0
Charges for Services	6,143,496	128,306	1,573
Fines and Forfeitures	1,414,321	0	8,000
Investment Interest	55,700	166,372	452,201
Miscellaneous Revenues	484,534	149,831	339,615
Total Revenues	51,851,630	3,941,908	801,389
Expenditures			
Current			
General Government	9,533,597	0	51,603
Security of Persons and Property	30,197,110	0	4,904
Physical Environment	3,375,073	0	0
Transportation	590,637	3,991,039	0
Economic Environment	6,460,319	0	4,511
Culture and Recreation	4,808,848	0	26,775
Debt Service			
Principal	0	0	0
Interest	0	0	0
Capital Outlay	98,690	21,422	22,321
Total Expenditures	55,064,274	4,012,461	110,114
Excess (Deficiency) of revenues			
Over (under) expenditures	(3,212,644)	(70,553)	691,275
Other Financing Sources (Uses)			
Sale of Capital Assets	0	0	29,400
Insurance Recovery	44,247	0	0
Transfers In	1,334,495	261,542	175,000
Transfers Out	(1,506,971)	(10,092)	(1,020,500)
Total Other Financing Sources (Uses)	(128,229)	251,450	(816,100)
Net Change in Fund Balance	(3,340,873)	180,897	(124,825)
Fund Balances Beginning of Year	10,926,697	1,793,475	10,169,234
Prior Period Adjustment (Note 16)	0	0	0
Fund Balances End of Year	7,585,824	1,974,372	10,044,409

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the fiscal year ended December 31, 2008

Page 2 of 2

Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
3,158,532	441,667	0	3,877,971	45,110,987
0	0	0	0	3,246,893
0	218,896	524,700	549,336	7,664,200
0	409	0	3,767,267	10,041,051
0	0	0	0	1,422,321
708,019	1,029,265	0	637,307	3,048,864
137,072	174,404	0	309,523	1,594,979
4,003,623	1,864,641	524,700	9,141,404	72,129,295
0	133,164	0	1,295,426	11,013,790
0	17,517	0	224,758	30,444,289
0	0	0	314,352	3,689,425
0	2,190,889	0	2,096	6,774,661
0	2,899	0	431,030	6,898,759
0	26,160	0	1,907,491	6,769,274
0	0	0	2,090,000	2,090,000
0	0	0	817,048	817,048
0	3,967,470	2,173,990	68,188	6,352,081
0	6,338,099	2,173,990	7,150,389	74,849,327
4,003,623	(4,473,458)	(1,649,290)	1,991,015	(2,720,032)
0	0	0	68,398	97,798
0	336,797	0	9,625	390,669
0	7,088,026	2,347,570	1,590,259	12,796,892
(5,307,566)	(34,508)	0	(4,440,366)	(12,320,003)
(5,307,566)	7,390,315	2,347,570	(2,772,084)	965,356
(1,303,943)	2,916,857	698,280	(781,069)	(1,754,676)
16,839,458	14,960,071	5,827,841	10,715,482	71,232,258
0	0	0	821,445	821,445
15,535,515	17,876,928	6,526,121	10,755,858	70,299,027

City of Kirkland
**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
To the Statement of Activities**
For the fiscal year ended December 31, 2008

Amounts reported for governmental funds in the statement of activities are different because:

Net change in fund balances for governmental funds (1,754,676)

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of assets is depreciated over their estimated useful lives.

Capital outlays	6,352,080	
Depreciation	(4,719,730)	
CIP Closures	(2,495,925)	
Cost of Goods	(322,382)	
Capital Donations	959,114	
	(226,843)	(226,843)

The issuance of long term debt is a resource and the repayment of bond principal is an expenditure in governmental funds. These transactions effect liabilities in the statement of net assets.

Debt Retired	2,090,000	2,090,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in Court Receivable		6,941
Change in Pension Asset		318,248

Expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

Change in Compensated Absences		(102,613)
Accrued Interest		15,256
Other Post Employment Benefit Obligation		(724,601)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.

916,323

Change in nets assets of governmental activities 538,035

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 General Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	69,650,607	71,991,624	35,655,657	35,388,167	71,043,824	(947,800)
Licenses and Permits	7,585,100	7,495,420	3,629,016	3,234,371	6,863,387	(632,033)
Intergovernmental	9,978,143	10,604,192	5,110,878	5,753,455	10,864,333	260,141
Charges for Services	13,279,906	13,953,116	6,856,500	6,147,865	13,004,365	(948,751)
Fines and Forfeitures	2,284,750	2,449,860	1,360,603	1,414,372	2,774,975	325,115
Investment Interest - Dedicated	111,400	111,400	55,700	55,700	111,400	0
Miscellaneous Revenues	680,400	845,626	536,795	469,734	1,006,529	160,903
Total Revenues	103,570,306	107,451,238	53,205,149	52,463,664	105,668,813	(1,782,425)
Expenditures						
Current						
General Government	16,050,252	18,612,562	8,143,722	9,070,561	17,214,283	1,398,279
Security of Persons and Property	61,859,920	65,648,512	30,901,340	33,652,317	64,553,657	1,094,855
Physical Environment	5,221,628	5,930,091	2,844,804	2,830,020	5,674,824	255,267
Transportation	1,082,591	1,292,035	588,917	587,983	1,176,900	115,135
Economic Environment	5,607,972	7,487,063	3,162,416	3,367,754	6,530,170	956,893
Human Services	2,032,990	2,156,508	983,495	1,022,620	2,006,115	150,393
Culture and Recreation	9,224,721	9,792,921	4,480,263	4,829,181	9,309,444	483,477
Capital Outlay	26,185	110,594	0	98,690	98,690	11,904
Total Expenditures	101,106,259	111,030,286	51,104,957	55,459,126	106,564,083	4,466,203
Excess of revenues of expenditures	2,464,047	(3,579,048)	2,100,192	(2,995,462)	(895,270)	2,683,778
Other Financing Sources (Uses)						
Sale of capital assets	0	126	0	0	0	(126)
Insurance Recovery	0	0	0	44,246	44,246	44,246
Transfers In	398,997	2,429,687	888,083	1,334,495	2,222,578	(207,109)
Transfers Out	(300,025)	(1,391,844)	(229,927)	(1,097,345)	(1,327,272)	64,572
Total Other Financing Sources (Uses)	98,972	1,037,969	658,156	281,396	939,552	(98,417)
Net Change in Fund Balance	2,563,019	(2,541,079)	2,758,348	(2,714,066)	44,282	2,585,361
Fund Balances Beginning of Year	3,860,558	5,865,784	5,865,784	8,624,132	5,865,784	0
Fund Balances End of Year	6,423,577	3,324,705	8,624,132	5,910,066	5,910,066	2,585,361

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Operating Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	5,687,326	5,687,326	2,874,998	2,954,340	5,829,338	142,012
Intergovernmental	1,317,206	1,327,702	645,020	571,925	1,216,945	(110,757)
Charges for Services	31,478	31,478	107,755	105,271	213,026	181,548
Miscellaneous Revenues	683,830	705,700	432,116	295,647	727,763	22,063
Total Revenues	7,719,840	7,752,206	4,059,889	3,927,183	7,987,072	234,866
Expenditures						
Current						
Transportation	7,927,128	8,491,206	3,896,851	4,016,526	7,913,377	577,829
Capital Outlay	170,604	306,849	3,886	21,422	25,308	281,541
Total Expenditures	8,097,732	8,798,055	3,900,737	4,037,948	7,938,685	859,370
Excess of revenues of expenditures	(377,892)	(1,045,849)	159,152	(110,765)	48,387	1,094,236
Other Financing Sources (Uses)						
Transfers In	40,000	344,996	119,954	261,542	381,496	36,500
Operating Transfers Out	(35,200)	(45,200)	(48,700)	(10,092)	(58,792)	(13,592)
Total Other Financing Sources (Uses)	4,800	299,796	71,254	251,450	322,704	22,908
Net Change in Fund Balance	(373,092)	(746,053)	230,406	140,685	371,091	1,117,144
Fund Balances Beginning of Year	1,107,621	1,587,329	1,587,329	1,817,735	1,587,329	0
Fund Balances End of Year	734,529	841,276	1,817,735	1,958,420	1,958,420	1,117,144

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Parks and Municipal Reserve Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Charges for Services	1,000	1,000	36	1,573	1,609	609
Fines and Forfeitures	50,000	50,000	2,400	8,000	10,400	(39,600)
Investment Interest	500,000	375,000	0	452,201	452,201	77,201
Investment Interest - Dedicated	0	0	54,230	0	54,230	54,230
Miscellaneous Revenues	37,000	107,545	126,560	162,259	288,819	181,274
Total Revenues	588,000	533,545	183,226	624,033	807,259	273,714
Expenditures						
Current						
General Government	205,200	237,745	106,708	46,159	152,867	84,878
Security of Persons and Property	1,000	1,000	5,902	4,851	10,753	(9,753)
Economic Environment	57,414	57,414	82	1,238	1,320	56,094
Human Services	5,000	8,273	223	3,273	3,496	4,777
Culture and Recreation	12,500	12,500	33,379	27,514	60,893	(48,393)
Capital Outlay	0	46,761	0	22,321	22,321	24,440
Total Expenditures	281,114	363,693	146,294	105,356	251,650	112,043
Excess of revenues of expenditures	306,886	169,852	36,932	518,677	555,609	385,757
Other Financing Sources (Uses)						
Sale of capital assets	0	0	149,762	29,400	179,162	179,162
Transfers In	100,000	268,000	50,000	175,000	225,000	(43,000)
Transfers Out	(422,669)	(1,493,614)	(2,076,989)	(1,020,500)	(3,097,489)	(1,603,875)
Total Other Financing Sources (Uses)	(322,669)	(1,225,614)	(1,877,227)	(816,100)	(2,693,327)	(1,467,713)
Net Change in Fund Balance	(15,783)	(1,055,762)	(1,840,295)	(297,423)	(2,137,718)	(1,081,956)
Fund Balances Beginning of Year	10,738,772	12,003,198	12,003,198	10,162,903	12,003,198	0
Fund Balances End of Year	10,722,989	10,947,436	10,162,903	9,865,480	9,865,480	(1,081,956)

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

City of Kirkland
**Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual**

Excise Tax Capital Improvement Special Revenue Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	5,600,000	5,600,000	6,954,580	3,201,754	10,156,334	4,556,334
Investment Interest	1,111,000	1,111,000	796,730	708,019	1,504,749	393,749
Total Revenues	6,711,000	6,711,000	7,751,310	3,909,773	11,661,083	4,950,083
Excess of revenues of expenditures	6,711,000	6,711,000	7,751,310	3,909,773	11,661,083	4,950,083
Other Financing Sources (Uses)						
Transfers Out	(9,147,073)	(10,318,402)	(6,739,786)	(5,307,566)	(12,047,352)	(1,728,950)
Total Other Financing Sources (Uses)	(9,147,073)	(10,318,402)	(6,739,786)	(5,307,566)	(12,047,352)	(1,728,950)
Net Change in Fund Balance	(2,436,073)	(3,607,402)	1,011,524	(1,397,793)	(386,269)	3,221,133
Fund Balances Beginning of Year	15,177,649	15,380,056	15,380,056	16,391,580	15,380,056	0
Fund Balances End of Year	12,741,576	11,772,654	16,391,580	14,993,787	14,993,787	3,221,133

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



City of Kirkland
Statement of Net Assets
 Proprietary Funds
 December 31, 2008

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
Assets					
Current Assets:					
Cash and Cash Equivalents	3,585,081	2,737,638	375,342	6,698,061	2,789,233
Investments (Note 3)	11,587,041	7,183,672	990,389	19,761,102	7,310,679
Receivables					
Interest	173,329	0	0	173,329	0
Contracts	2,747,975	0	0	2,747,975	0
Accounts	3,443,984	139,640	1,473,709	5,057,333	77,412
Loans	0	0	0	0	0
Assessments					
Deferred	9,900	0	0	9,900	0
Due From Other Governments	21,071	76,438	21,709	119,218	1,149
Due From Other Funds	0	156	0	156	0
Inventories	325,624	52,405	0	378,029	47,790
Restricted Assets					
Deposits	0	0	0	0	0
Total Current Assets	21,894,005	10,189,949	2,861,150	34,945,104	10,226,262
Noncurrent Assets and Deferred Charges					
Restricted Assets					
Revenue Bond Reserves	822,275	0	0	822,275	0
Total Restricted Assets	822,275	0	0	822,275	0
Deferred Charges and Other Assets					
Deferred Charges	179,405	29,378	0	208,783	0
Total Deferred Charges and Other Assets	179,405	29,378	0	208,783	0
Capital Assets (Note 5)					
Land	47,784	0	0	47,784	0
Depreciable Capital Assets (Net)	80,869,742	29,202,203	0	110,071,945	6,755,887
Construction in Progress	3,374,327	2,845,843	0	6,220,170	0
Total Capital Assets	84,291,853	32,048,046	0	116,339,898	6,755,887
Total Noncurrent Assets	85,293,533	32,077,423	0	117,370,956	6,755,887
Total Assets	107,187,538	42,267,372	2,861,150	152,316,060	16,982,149

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

City of Kirkland
Statement of Net Assets
 Proprietary Funds
 December 31, 2008

Page 2 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
Liabilities					
Current Liabilities					
Accounts Payable	61,688	12,478	6,745	80,912	54,612
Wages Payable	65,162	49,670	5,246	120,078	134,269
Compensated Absence Payable	44,144	15,828	1,618	61,590	102,862
Due to Other Funds	495	0	0	495	0
Due to Other Governments	199,393	54,907	57,059	311,359	80,346
Accrued Interest Payable	13,903	0	0	13,903	0
Refunds Payable	2,795	0	0	2,795	0
Deferred Revenue	2,747,975	131,456	0	2,879,431	0
Loans and Contracts Payable (current portion)	614,665	0	0	614,665	0
Sub-total Current Liabilities	3,750,221	264,339	70,669	4,085,228	372,089
Current Liabilities Payable From Restricted Assets					
Deposits Payable	5,616	0	0	5,616	0
Accrued Interest Payable	13,789	0	0	13,789	0
Current Bond Principle Payable	665,000	0	0	665,000	0
Sub-total Current Liabilities Payable From Restricted Assets	684,405	0	0	684,405	0
Total Current Liabilities	4,434,626	264,339	70,669	4,769,633	372,089
Noncurrent Liabilities					
Compensated Absence Payable	11,036	3,957	404	15,397	0
Loans and Contracts Payable	3,293,856	0	0	3,293,856	0
Bonds Payable	3,120,000	0	0	3,120,000	0
Total Noncurrent Liabilities	6,424,892	3,957	404	6,429,253	0
Total Liabilities	10,859,518	268,296	71,073	11,198,887	372,089
Net Assets					
Invested in capital assets net of related debt	76,570,640	32,048,045	0	108,618,685	6,755,887
Restricted for:					
Debt Service	151,659	0	0	151,659	0
Unrestricted	19,605,721	9,951,031	2,790,077	32,346,829	9,854,174
Total Net Assets	96,328,020	41,999,076	2,790,077	141,117,173	16,610,061

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended December 31, 2008

	Business-type Activities Enterprise Funds			Total	Governmental
	Water/Sewer	Surface Water	Solid Waste		Activities Internal Service Funds
Operating Revenues					
Charges for Services	17,875,957	4,972,364	8,432,680	31,281,001	6,936,095
Miscellaneous Revenues	293,709	248,401	0	542,110	108,898
Total Operating Revenues	18,169,666	5,220,765	8,432,680	31,823,111	7,044,993
Operating Expenses					
Administrative and General	2,247,727	1,658,385	571,867	4,477,979	1,310,370
Supplies	0	0	0	0	334,823
Maintenance and Operations	10,433,719	841,628	7,183,709	18,459,056	4,202,139
Taxes	539,310	76,715	412,740	1,028,765	0
Depreciation	2,146,712	747,781	0	2,894,493	961,648
Total Operating expenses	15,367,468	3,324,509	8,168,316	26,860,293	6,808,980
Operating Income (Loss)	2,802,198	1,896,256	264,364	4,962,818	236,013
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	872,144	472,355	78,780	1,423,279	419,009
Grant Income	0	282,430	105,930	388,360	0
Interest Expense	(206,533)	0	0	(206,533)	0
Amortization of Debt Issue Costs	(70,081)	(32,395)	0	(102,476)	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	67,952
Miscellaneous	0	0	(140,725)	(140,725)	10,435
Total Nonoperating revenues (expenses)	595,530	722,390	43,985	1,361,905	497,396
Income Before Contributions and Transfers	3,397,728	2,618,646	308,349	6,324,723	733,409
Capital Contributions					
Contributions	3,692,062	589,867	0	4,281,929	0
Transfers In	0	0	0	0	332,913
Transfers Out	(609,801)	(50,000)	0	(659,801)	(150,000)
Change in Net Assets	6,479,989	3,158,513	308,349	9,946,851	916,323
Total Net Assets - Beginning	89,848,031	38,840,563	2,481,728	131,170,322	15,693,738
Total Net Assets - Ending	96,328,020	41,999,076	2,790,077	141,117,173	16,610,061

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



City of Kirkland
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2008
Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds			2008	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
Cash Flows From Operating Activities					
Cash Received From Customers	17,266,270	4,986,614	8,089,871	30,342,755	6,936,095
Cash From Other Sources	359,710	248,245	230,312	838,268	108,939
Cash Paid to Suppliers for Goods and Services	(10,440,603)	(871,517)	(7,214,370)	(18,526,490)	(2,354,425)
Cash Paid to Employees for Services	(1,651,734)	(1,240,548)	(144,463)	(3,036,745)	(3,024,699)
Cash Paid in Lieu of Taxes	(539,310)	(76,715)	(412,740)	(1,028,765)	0
Cash Paid for Central Business Functions	(774,059)	(426,515)	(397,269)	(1,597,843)	(449,508)
Net Cash Provided by Operating Activities	4,220,275	2,619,564	151,341	6,991,180	1,216,402
Cash Flows From Noncapital Financing Activities					
Proceeds From State and Local Grants	0	0	131,990	131,990	0
Grant Administration Expenditures	0	0	(153,986)	(153,986)	0
Transfers In	0	0	0	0	332,913
Transfers Out	(100,000)	(50,000)	0	(150,000)	(150,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(100,000)	(50,000)	(21,996)	(171,996)	182,913
Cash Flows From Capital and Related Financing Activities					
Proceeds From Project Cost Share	0	28,819	0	28,819	0
Capital Contributed by Developers	960,325	35,113	0	995,438	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	87,489
Proceeds From State/Local Grants	0	593,584	0	593,584	0
Principal Payments on Notes, Capital Leases and Bonds	(1,254,665)	0	0	(1,254,665)	0
Interest Paid on Notes, Capital Leases and Bonds	(211,323)	0	0	(211,323)	0
Interest Received on Program Loans	32,843	0	0	32,843	0
Acquisition and Construction of Capital Assets	(5,135,150)	(1,378,241)	0	(6,513,391)	(1,042,895)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(5,607,970)	(720,725)	0	(6,328,695)	(955,406)
Cash Flows From Investing Activities					
Net (Increase) Decrease in Investments	(481,905)	(2,126,694)	(218,919)	(2,827,518)	(1,101,934)
Interest Revenue	794,412	472,355	78,780	1,345,547	363,709
Net Cash Provided by Investing Activities	312,507	(1,654,339)	(140,139)	(1,481,971)	(738,225)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,175,188)	194,501	(10,794)	(991,481)	(294,316)
Cash and Cash Equivalents, January 1	5,582,544	2,543,137	386,136	8,511,817	3,083,549
Cash and Cash Equivalents, December 31	4,407,356	2,737,638	375,342	7,520,336	2,789,233

City of Kirkland
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2008
Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds			2008	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	2,802,198	1,896,256	264,364	4,962,818	236,013
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	2,146,712	747,781	0	2,894,493	961,648
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(579,022)	(175)	(112,498)	(691,695)	1,940
(Increase) Decrease in Operating Due From Other Governments	(9,037)	0	0	(9,037)	
(Increase) Decrease in Other Accounts Receivable	(4,533)	(3,960)	0	(8,493)	
(Increase) Decrease in Capital Inventory	0	0	0	0	13,947
(Increase) Decrease in Operating Inventory	(1,410)	3,314	0	1,905	8,551
(Increase) Decrease in Loan Receivable	(1,217,309)	0	0	(1,217,309)	
(Increase) Decrease in Interest Receivable	(44,888)	0	0	(44,888)	
(Increase) Decrease in Deferred Assessments	(3,625)	0	0	(3,625)	
(Increase) Decrease in Contracts Receivable				0	
(Increase) Decrease in Due From Other Sources				0	(1,149)
(Increase) Decrease in Capital Accounts Payable				0	15,794
Increase (Decrease) in Operating Accounts Payable	(5,115)	(7,055)	46	(12,124)	(7,543)
Increase (Decrease) in Interest Payable	(4,790)	0	0	(4,790)	
Increase (Decrease) in Operating Due to Other Funds	(516)	(156)	0	(672)	
Increase (Decrease) in Operating Due to Other Governments	(72,870)	9,755	(836)	(63,952)	(12,153)
Increase (Decrease) in Accrual Transfer In				0	
Increase (Decrease) in Wages Payable	4,329	4,052	(369)	8,012	12,140
Increase (Decrease) in Compensated Absences Payable	3,885	(10,345)	634	(5,826)	(12,787)
Increase (Decrease) in Deposits Payable	(11,043)	(20,078)	0	(31,121)	
Increase (Decrease) in Revenue Collected in Advance				0	
Increase (Decrease) in Deferred Revenue	1,217,309	175	0	1,217,484	
Net Cash Provided by Operating Activities	4,220,275	2,619,564	151,341	6,991,180	1,216,402
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	2,731,737	554,754	0	3,286,491	0

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

City of Kirkland
Statement of Fiduciary Net Assets
Trust and Agency Funds
December 31, 2008

	Firefighter's Pension	Agency Funds
Assets		
Cash and Cash Equivalents	396,465	56,021
Investments, at fair value:		
Government Sponsored Enterprise Securities	1,042,159	0
Deposits	0	894,055
Total Assets	1,438,624	950,076
Liabilities		
Current Liabilities		
Accounts Payable	847	0
Due to Other Governments	0	5,874
Deposits	0	944,202
Total Liabilities	847	950,076
Net Assets		
Held in Trust for Pension Benefits	1,437,777	0
Total Net Assets	1,437,777	0

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

City of Kirkland
Statement of Changes in Net Plan Assets
 Firefighter's Pension Fund
 For the Fiscal Year Ended December 31, 2008

	2008
Additions	
Fire Insurance Premium Contributions	70,929
Net Investment Income	71,948
Total Additions	142,877
Deductions	
Benefit Payments	9,622
Total Deductions	9,622
Net Increase (Decrease)	133,255
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,304,522
End of Year	1,437,777

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



City of Kirkland
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year ended December 31, 2008

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City of Kirkland

Notes to the Basic Financial Statements

For Year Ended December 31, 2008

NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kirkland was incorporated on October 9, 1905, under the provisions of the Washington State Legislature and operates under a Council/City Manager form of government. The Council consists of seven nonpartisan members elected at large every two years to staggered four-year terms. The Mayor is elected from within the Council to serve a two-year term. The City Manager serves as the professional administrator of the City, and is responsible for coordinating all day-to-day operations and administration.

The accounting and reporting policies of the City of Kirkland, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office. The City's significant accounting policies are summarized in the following notes.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes standards for defining and reporting on the financial reporting entity and for reporting participation in joint ventures. The City's Comprehensive Annual Financial Report includes all funds and organizations that are controlled by or dependent on the City. Control by the City was determined on the basis of budget adoption, taxing authority, and resource allocation criteria. Dependence on the City was determined by the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. Applying these criteria, as outlined in GASB Statement 14, the City has no relationships that qualify as component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Kirkland considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, utility taxes and gambling taxes associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of Kirkland.

The City of Kirkland reports the following major Governmental funds:

- General Fund is the general operating fund of the City. It accounts for all financial resources and transactions of the City not required to be accounted for in another fund. In some documents, this fund is referred to as the Current Expense Fund.
- Street Operating Fund accounts for the administration of street maintenance and minor construction.
- Park and Municipal Reserve Fund is a cumulative reserve fund which accounts for resources set aside for specific projects.
- Excise Capital Improvement Fund accounts for the administration of real estate excise taxes set aside for municipal capital improvements.
- General Capital Projects Fund accounts for the acquisition and construction of capital projects funded from general revenue sources.
- Grant Capital Projects Fund accounts for the acquisition and construction of capital projects in which all or a portion of the costs are financed through grants.

The City of Kirkland reports the following major Proprietary Funds:

- Water/Sewer Operating Fund accounts for the maintenance, operation, and minor construction of water and sewer systems activity of the Water/Sewer Utility.

Surface Water Management Fund accounts for the maintenance, operation, and minor appurtenances, including drainage and public retention/detention systems, and related infrastructure activity of the Surface Water Management Utility.

Solid Waste Fund accounts for all monies collected for solid waste and recycling services, the majority of which are provided through a private contractor.

Additionally, the City of Kirkland reports the following fund types:

Internal Service Funds account for equipment rental and information technology services provided to other departments of the City on a cost reimbursement basis.

Firefighter's Pension Trust accounts for a single-employer defined benefit system established under State law to provide retirement and disability benefits for eligible firefighters.

Agency Funds account for assets held by the city as an agent for private individuals or other governments. The intergovernmental clearing and customer deposit funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

The City applies all applicable GASB pronouncements. The City also complies with all applicable pronouncements of the Financial Accounting Standards Board (FASB), opinions of the Accounting Principles Board (APB), and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payments in-lieu of taxes and other charges between the government's utility functions and various other functions of the government.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

The proprietary fund statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility funds and internal service funds are charges to customers for sales and services and vehicle replacement. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Budgetary Data

The City of Kirkland budgets its funds on a cash basis in accordance with the Revised Code of Washington 35A.33. In compliance with the code, budgets for all funds are established. Budgets established for the proprietary funds are considered "management budgets," and as such, are not required to be reported in the Comprehensive Annual Financial Report.

The budget, as adopted, constitutes the legal authority for expenditures. Appropriations are authorized for two years, but must be reviewed by the City Council at the midpoint of the biennial period. The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are allowed, but supplemental or additional appropriations must be approved by the legislative authority. The City's budget is generally amended four times during the biennial period. The financial statements present the amended budgetary information as approved. All appropriations, except for capital projects, lapse at the end of the biennial period. Unexpended resources must be re-appropriated in the subsequent period.

Procedures for Adopting the Original Budget

The budget process and the time limits under which a budget must be developed are established by State law. The City follows the procedures outlined below in the year preceding the first year of the two-year budget to establish its biennial budget:

1. By late June, the City Manager requests budget priority input from the City Council.
2. By July, the official "budget call," as required by State law, is made to all department directors or fund managers by the City Manager and Director of Finance and Administration. Computerized budget worksheets, instructions, and materials are provided to the departments at that time.
3. Department/fund budget requests, on a line item basis, are submitted to the Director of Finance and Administration by late August.
4. Revenue estimates are developed and updated by the Finance and Administration Department throughout the budget process. Initial revenue estimates are prepared by late August.
5. During September, the Director of Finance and Administration meets with the City Manager to formulate budget strategy, goals, objectives, and ultimately recommendations. These recommendations are discussed with department management. By late October, a final budget proposal is agreed upon by the City Manager and all department directors.
6. A Preliminary Budget is prepared, printed, and filed with the City Clerk by November 1. It is presented to the City Council. Copies are made available to the public.
7. At least two public budget hearings are held; one in September and one in November. Public comment is received on revenue sources at the September hearing and on recommended programs and/or ideas for new programs at the November hearing.
8. The City Council meets in October/November for a series of budget discussion/review sessions to determine if there are any alterations that they wish to make to the City Manager's recommended budget.
9. Prior to the beginning of the next calendar year, the City Council, by simple majority of members present, adopts the final budget by ordinance.

10. The final budget is generally published during the first quarter of the following year, distributed to staff, and made available to the public.

Amending the Budget

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority.

The financial statements contain the original budget and budget information as of the financial statement report date. The original budget is the first complete appropriated budget. The final budget reflects any adjustments to the original budget, such as uses of or additions to reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal period.

Assets, Liabilities and Equities

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. Amounts are reported on the Balance Sheet as either Cash and Cash Equivalents or Investments. Cash and Cash Equivalents include currency on hand, demand deposits, and investments in the State Treasurer's Investment Pool. Per KMC 5.24.010, the City has established an investment committee consisting of the City Manager and the Director of Finance and Administration. The City's investment committee is limited, by State law, to purchasing investments in U.S. Treasury and Agency Securities, Certificates of Deposit with Washington State depositories that participate in the State Insurance Pool, bankers acceptances, the State Investment Pool and in other investments authorized by law. City policy requires that all investments be purchased DVP (delivery vs. payment). Securities are held in safekeeping by a third-party custodian.

The City places available cash in a common investment fund. On an annual basis, interest earned on the City's common investment fund, less earmarked expenditures and all costs incurred in the administration of the common investment fund, are credited to the participating funds by determining annual average investment balance by the participating fund.

In accordance with GASB 31, investments are stated at fair value.

Receivables

The City of Kirkland recognizes receivables in its various funds based on the accounting basis required for that fund. These receivables include the following:

Property Taxes	Uncollected property taxes levied for the current year are reported as receivables at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore, no allowance for uncollectible taxes is recorded.
Sales Tax	Sales Tax collected for November and December but not remitted by the state until the following year, are reported as receivables at year-end.
Other Taxes	Utility Taxes and Gambling Taxes remitted after the end of the year for activity occurring during the prior year are reported as receivables at year-end.

Accounts Receivable Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services provided, including amounts owed for which billings have not yet been prepared. Uncollected amounts are considered immaterial and the direct write-off method is used.

Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

Interfund Transactions

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

Inventories

Purchases of materials and supplies are recorded as expenditures at the time of purchase in governmental funds; therefore, ending inventories are not reported on governmental fund balance sheets. These amounts are not considered material.

In proprietary funds a periodic inventory is maintained, in which the cost is capitalized when the inventory item is purchased and expensed when the item is consumed. The first in, first out valuation method which approximates market is used to value the inventory. A physical inventory is taken at year-end.

Restricted Assets and Liabilities

These accounts contain resources reserved for customer deposits and revenue bond debt service.

Deferred Charges

Deferred charges consist of deferred expense on a maintenance management information system, alternative water source study and regulatory costs associated with the Endangered Species Act (ESA). These costs are being amortized and expensed in future periods as permitted by FASB 71.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land, construction in progress, and works of art are not depreciated. Infrastructure acquired prior to fiscal years ended after June 30, 1980 is reported. Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 – 50
Improvements	5 – 50
Equipment	5 – 20
Infrastructure	7 – 100
Water Lines	20 – 60

Compensated Absences

The City records a liability for accumulated unused vacation leave and salary related payments associated with the payment of vacation leave. All vacation leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation leave is accumulated monthly at annual rates ranging from 104 hours to 192 hours depending on number of years of employment and union agreement. Earned vacation leave not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed one year of service except under special conditions listed in the Kirkland Municipal Code.

Sick leave is accrued at a rate of 8 hours for each month of the employee's service, or the equivalent of a 24 hour shift for fire employees. Unused sick leave may be accumulated from year to year to a maximum of 120 days. Fire and police employees who entered the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) prior to October 1, 1977, do not accumulate sick leave, because they have unlimited disability coverage under state retirement law. Any outstanding sick leave is lost at termination of employment.

In January 1985, the City Council passed Ordinance 2844 wherein Section 10F eliminated an employee's ability to cash out any unused sick leave upon resignation or retirement. At this time, certain bargaining units were given the option to freeze their unused sick leave to be paid at 1984 wage rates upon resignation or retirement. There are 2 employees currently employed by the City who chose to freeze the unused sick leave for a total of \$1,321 benefits payable.

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$10,000 for 2008.

Outstanding sick leave at year end for all other employees is not accrued, because payment cannot be deemed probable nor can the amount be reasonably estimated.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, along with issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance

costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenues

Deferred revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes a deferred revenue as the offset. The deferred revenues include uncollected property taxes levied and business license fees collected in 2008 for 2009.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2:
RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of aggregated differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets.

The Governmental Funds Balance Sheet includes a reconciliation between total fund balance and total net assets as reported in the Government-Wide Statement of Net Assets. The details of the aggregated differences are presented below.

Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds:

Municipal Court	1,512,794
Net Pension Obligation	<u>677,734</u>
Net Adjustment	<u>\$2,190,528</u>

Some liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable	15,345,000
Compensated Absences	2,003,239
Net OPEB Obligation	1,104,302
Accrued Interest Payable	<u>67,981</u>
Net Adjustment	<u>\$18,520,522</u>

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value:

Capital Assets	277,809,106
Depreciation	<u>(108,037,078)</u>
Net Capital Assets Adjustment	<u>\$169,772,028</u>

Explanation of aggregated 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 for governmental funds and changes in net assets of governmental activities as reported in the Government-Wide Statement of Activities. The details of the aggregated differences are presented below.

Governmental funds report capital outlays as expenditures. The Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation.

Capital Outlays	6,352,080
Depreciation Expense	(4,719,730)
CIP Closures	(2,495,925)
Cost of Goods Sold	(322,382)
Capital Donations	959,114
Net Adjustment	<u>\$(226,843)</u>

The proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.

General Obligation Debt Payment	<u>2,090,000</u>
Net Adjustment	<u>\$2,090,000</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Municipal Court Receivable	6,941
Negative Pension Obligation	<u>318,248</u>
Net Adjustment	<u>\$325,189</u>

Expenditures in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds:

Net OPEB Obligation	(724,601)
Compensated Absence Payable	(102,613)
Accrued Interest Payable	15,256
Net Adjustment	<u>\$(811,958)</u>

NOTE 3:
DEPOSITS AND INVESTMENTS

Deposits

The City of Kirkland’s bank deposits are covered by the Federal Deposit Insurance Corporation (“FDIC”) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (“PDPC”). All deposits not covered by the FDIC are covered by the PDPC. Cash held in the Local Government Investment Pool is managed by the Washington State Treasurer’s Office. This pool represents an interest in a group of securities and has no specific security subject to custodial risk.

Investments

All surplus cash is invested in accordance with an investment policy approved by Kirkland City Council. State law defines eligible investments to only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080). Eligible investments which the City held at year end include Government Sponsored Enterprises (GSE’s) securities, Washington State Local Government Investment Pool, obligations of state and local government agencies and FDIC and PDPC Insured Bank Deposits. The fair value of the City’s position in the Washington State Local Government Investment Pool is the same as the value of the pool shares.

Credit Risk

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause the price of the investment to decline. The City’s investment policy applies the prudent person standard: Investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of Kirkland on December 31, 2008 is listed below:

<u>Issuer</u>	<u>Rating Agency</u>	<u>Credit Rating</u>
U.S. agencies and GSE’s	Standard & Poor’s	AAA
	Moody’s	Aaa
Deschutes & Jefferson County’s Oregon School District	Moody’s	Aa2
Energy Northwest Washington Electric Revenue	Moody’s	Aaa
Grant County WA Public Utility District	Moody’s	Aa2
Oregon State taxable Pension	Moody’s	Aa2
Port of Seattle WA Revenue	Moody’s	Aa2
Port of Vancouver WA GO	Moody’s	A1

The Washington State Local Government Investment Pool is a 2a7-like pool and is unrated.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Kirkland would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City’s Investment Policy requires that all security transactions entered into by the City of Kirkland will be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in safekeeping by a third party custodian designated by a member of the Investment Committee. All of the City’s securities at year end were held in safekeeping by a third party custodian.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. It is the City's policy to diversify its investments by security type and institution. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity's total investment portfolio will be invested in a single security type, issuer or financial institution.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 2.01 years.

City of Kirkland Cash, Deposits and Investments
Segmented Time Distribution
At December 31, 2008

Investment Type	Fair Value	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
Federal Agricultural Mortgage Corporation	1,904,362	1,904,362					
Federal Farm Credit Bank	7,227,500	2,046,250			5,181,250		
Federal Farm Credit Bank callable	5,054,688		5,054,688				
Federal Home Loan Bank	2,140,795			2,140,795			
Federal Home Loan Bank callable	40,782,991	13,076,562	19,352,679	8,353,750			
Federal Home Loan Mortgage Corp	1,034,016			1,034,016			
Federal National Mortgage Association	4,188,750			4,188,750			
Federal National Mortgage Association callable	8,104,375	5,031,250	3,073,125				
Deschutes & Jefferson County's School District GO Bonds	1,291,262					1,291,262	
Energy Northwest WA Elec Rev	1,009,790		1,009,790				
Grant County, WA Public Utility District #2	1,524,902						1,524,902
Oregon State General Obligation Pension Bonds	2,842,749					2,842,749	
Port of Seattle General Obligation Revenue Bonds	1,009,730	1,009,730					
Port of Vancouver WA General Obligation bonds	765,132					765,132	
FDIC or PDPC Insured Bank Deposits	2,680,540	2,680,540					
	\$ 81,561,582	25,748,694	28,490,282	15,717,311	5,181,250	4,899,143	1,524,902
Uncategorized Cash and Deposits							
Washington State Local Government Investment Pool	27,455,186						
Cash on Hand	24,760						
	\$ 27,479,946						
Total Cash, Deposits and Investments	\$ 109,041,528						

The callable bonds are assumed to be called on their first call dates as interest rates are declining.

NOTE 4:
PROPERTY TAXES

The King County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed on a daily basis.

Property Tax Calendar:

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment tax payments is due.
May 31	Assessed value of property established for next year's levy.
October 31	Second installment is due.

Assessed values are established by the County Assessor at 100 percent of fair market value. At a minimum, real property must be revalued every four years. King County began an annual revaluation program in 1995.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. Kirkland's maximum property tax levy rate has been reduced from \$3.60 to \$3.17 due to annexation to the King County Library District. The City's levy rate is also subject to the following limitations:

1. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
2. Washington State law in RCW 84.55.010 limits property tax growth to the lesser of one percent or the implicit price deflator. However, unused levy capacity from prior years that was "banked" for future specified purposes can be utilized regardless of the limits established by the Code.

The City's regular tax levy in 2008 was \$1.136 per \$1,000 on an assessed valuation of \$11,407,260,325 for a total regular levy of \$12,962,420. The excess tax levy was \$0.127 per \$1,000 for an excess levy of \$1,452,838. Excess tax levies approved by the voters are not subject to the above limitations.

NOTE 5:
CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008 was as follows:

	<u>Balance</u> <u>Jan. 1, 2008</u>	<u>Balance</u> <u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2008</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	74,250,505	5,070,094	78,697	79,241,902
Construction in Progress	25,820,291	5,646,881	12,143,955	19,323,217
Artwork	1,603,927	9,039	0	1,612,966
Total Capital Assets, Not Being Depreciated:	<u>\$101,674,723</u>	<u>10,726,014</u>	<u>12,222,652</u>	<u>\$100,178,085</u>
Capital Assets, Being Depreciated:				
Buildings	29,524,505	0	286,688	29,237,817
Improvements	16,096,746	4,042,687	0	20,139,433
Machinery and Equipment	13,004,550	1,056,638	419,917	13,641,271
Infrastructure	124,818,693	2,147,039	0	126,965,732
Total Capital Assets, Being Depreciated:	<u>\$183,444,494</u>	<u>7,246,364</u>	<u>706,605</u>	<u>\$189,984,253</u>
Less Accumulated Depreciation for:				
Buildings	8,421,032	641,627	43,004	9,019,655
Improvements	6,582,699	1,205,270	0	7,787,969
Machinery and Equipment	5,857,032	1,061,601	416,613	6,502,020
Infrastructure	87,551,897	2,772,880	0	90,324,777
Total Accumulated Depreciation	<u>\$108,412,660</u>	<u>5,681,378</u>	<u>459,617</u>	<u>\$113,634,421</u>
Total Capital Assets, Being Depreciated, Net	\$75,031,834	1,564,986	246,988	\$76,349,832
Governmental Activities Capital Assets, Net	\$176,706,557	12,291,000	12,469,640	\$176,527,917
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	47,784	0	0	47,784
Construction In Progress	2,681,745	6,429,057	2,890,633	6,220,169
Total Capital Assets, Not Being Depreciated	<u>\$2,729,529</u>	<u>6,429,057</u>	<u>2,890,633</u>	<u>\$6,267,953</u>
Capital Assets, Being Depreciated:				
Buildings	198,381	0	0	198,381
Improvements	141,600,154	5,667,323	0	147,267,477
Total Capital Assets, Being Depreciated	<u>\$141,798,535</u>	<u>5,667,323</u>	<u>0</u>	<u>\$147,465,858</u>
Less Accumulated Depreciation for:				
Buildings	177,877	4,759	0	182,636
Improvements	34,321,543	2,889,734	0	37,211,277
Total Accumulated Depreciation	<u>\$34,499,420</u>	<u>2,894,493</u>	<u>0</u>	<u>\$37,393,913</u>
Total Capital Assets, Being Depreciated, Net	\$107,299,115	2,772,830	0	\$110,071,945
Business-Type Activities Capital Assets, Net	\$110,028,644	9,201,887	2,890,633	\$116,339,898

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

Governmental Activities:	
General Government	787,300
Judicial	90,949
Security of Persons and Property	670,042
Human Services	2,028
Physical Environment	578,712
Transportation (includes depreciation of general infrastructure assets)	2,772,880
Economic Environment	18,428
Culture and Recreation	761,039
Total Depreciation Expense – Governmental Activities	<u>\$5,681,378</u>

Capital assets held by the government’s internal service funds are charged to the various functions based on their usage of the assets as allocated above.

Business-type Activities:	
Water/Sewer Utility	2,146,712
Surface Water Utility	747,781
Solid Waste Utility	0
Total Depreciation Expense – Business-type Activities	<u>\$2,894,493</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2008. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Transportation	3,323,617	351,870
Water Utility	796,315	855,811
Sewer Utility	1,276,689	412,930
Surfacewater Utility	44,072	189,193
General Government	164,279	1,234,284
Total	<u>\$5,604,972</u>	<u>\$3,044,088</u>

NOTE 6:
PENSION PLANS

State Systems

Substantially, all city full-time employees and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380.

The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

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

Plan Description

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

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. 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. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. 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 at any age after 30 years of service, at the age of 60 with 5 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 (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire 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 optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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 5 years of service with an allowance of 2 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire 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 a cost of living allowance is granted (based on the 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 1 percent of the AFC 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 benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 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 they may retire at age 55 with 10 years of service. Plan 3 members who retire 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 were given the choice to participate in the Judicial Benefit Multiplier Program (JBM). Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier from the date of election, be subject to the benefit cap of 75% of AFC, 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 did not choose to participate would: 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.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM program. Members required into the JBM program would: 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 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Nonvested	<u>52,575</u>
Total	255,849

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 for state agencies and local government unit employees, and at 7.5 percent for state government elected officers. 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 dependant on the employee's age. As a result of the implementation of the Judicial Benefits Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates are expressed as a percentage of covered payroll, as of December 31, 2008 were:

Members Not Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	8.31%**	8.31%**	8.31%***
Employee	6.00%****	5.45%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% 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 5.45% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Members Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	8.31%	8.31%	8.31%**
Employee	12.26%	13.63%	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 contributions. The City's required contributions for the years ended December 31 were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2008	\$59,401	\$1,206,039	\$253,570
2007	\$42,055	\$914,716	\$189,769
2006	\$21,943	\$430,096	\$91,303

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

Plan Description

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 on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. 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.

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 a combination of investment earnings, employee and employer 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.

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

<u>Term of Service</u>	<u>Percent of Final Average Salary</u>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits 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 (based on the Consumer Price Index), capped at three percent annually.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following at June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Non-vested	<u>3,708</u>
Total	26,330

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees 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. LEOFF 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, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 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, 2008 were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.16%	5.46%
Employee	0.00%	8.83%
State	n/a	3.53%

* The employer rates include the employer administrative expense fee currently set at 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:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2008	\$ 331	\$766,564
2007	\$ 328	\$674,887
2006	\$ 354	\$558,439

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

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, 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 (AFC) per year of service. The AFC 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 year of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 71 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2007.

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	<u>2,755</u>
Total	2,755

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, 2008 were as follows:

	<u>PSERS Plan 2</u>
Employer*	9.43%
Employee	6.57%

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

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

	<u>PSERS Plan 2</u>
2008	\$21,486
2007	\$3,815
2006	\$0

Volunteer Fire Fighters' Relief and Pension Fund

The Volunteer Fire Fighters' Relief and Pension Fund System is a cost-sharing multiple-employer retirement system which was created by the Legislature in 1945 under Chapter 41.24 RCW. It provides pension, disability and survivor benefits. Membership in the system requires volunteer service with a fire department of an electing municipality of Washington State. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. Members may elect to withdraw their contributions upon termination.

Fire Fighters' Pension

The City of Kirkland is the administrator of the Fire Fighters' Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.18. This plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. Membership is limited to fire fighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's liability under the system is composed of all benefits for fire fighters retired prior to March 1, 1970, and excess benefits over LEOFF for covered fire fighters retired after March 1, 1970. No separate financial report is issued for the plan. Accordingly, the required supplemental information is included in this note.

Under State law, the Fire Fighters' Pension Plan is provided an allocation of 25% of all monies received by the State from taxes on fire insurance premiums. Other funding sources include interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pension obligations. Neither member nor employer contributions were made to the plan during the year as the actuary has determined that the current assets of the fund, along with future revenues from state fire insurance taxes and interest earnings will be sufficient to pay all future Fire Fighters' Pension Plan pension benefits.

Due to the small number of participants, the City recognizes no direct administrative costs with the exception of biennial valuation costs which are paid from assets of the fund.

Membership of the Fire Fighters' Pension Plan consisted of the following at January 1, 2008:

Retirees and beneficiaries receiving benefits	4
Active plan members	<u>1</u>
Total	5

Annual Pension Costs and Net Pension Obligation changes at December 31:

	2006	2007	2008
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	516	516	12,442
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(37,626)	(37,626)	(54,069)
Interest to End of Year	(1,856)	(1,856)	(1,665)
ARC at End of Year	(38,966)	(38,966)	(43,292)
Interest on Net Pension Obligation (NPO)	(12,106)	(16,237)	(17,030)
Adjustment to ARC	(16,361)	(22,414)	(27,554)
Annual Pension Cost (APC)	(34,711)	(32,789)	(32,768)
Employer Contributions	82,657	131,646	121,045
Change in NPO	(117,368)	(164,435)	(153,813)
NPO at Beginning of Year	(242,118)	(359,486)	(523,921)
NPO at End of Year	(359,486)	(523,921)	(677,734)

The negative net pension obligation has been recorded as a receivable on the City’s government-wide statement of net assets.

Schedule of Contributions from the Employer and Other Contributing Entities:

Year Ended 12/31	Employer Contribution \$	Fire Insurance Premium Taxes \$	Interest Earned on Net Fund Balance \$	Annual Required Contribution*	Percentage Contributed
1998	0	40,759	18,159	-	-
1999	0	48,218	12,018	-	-
2000	0	27,006	23,174	-	-
2001	0	29,825	33,899	-	-
2002	(7,992)	33,969	0	-	-
2003	0	39,054	0	-	-
2004	0	46,833	0	(30,847)	-
2005	(3,634)	47,131	0	(30,847)	-
2006	(15,582)	55,586	42,653	(38,966)	-
2007	(8,605)	68,210	57,972	(38,966)	-
2008	(8,775)	70,929	58,891	(43,292)	-

* The ARC is documented as 0 for negative amounts prior to 2004.

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets \$ (in thousands)	Actuarial Accrued Liabilities Entry Age \$ (in thousands)	Unfunded Actuarial Accrued Liabilities \$ (UAAL)	Funded Ratio %	Covered Payroll \$ (in thousands)	UAAL as a Percentage of Covered Payroll %
1/1/2004	1,015	547	(466)	186	79	(592)
1/1/2006	1,090	533	(557)	205	84	(663)
1/1/2008	1,305	469	(836)	278	90	(929)

Three Year Trend Information (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC) \$	Contributions as a Percentage of APC %	Net Pension Obligation (NPO) \$
12/31/06	(34,711)	NA	(359,486)
12/31/07	(32,789)	NA	(523,921)*
12/31/08	(32,768)	NA	(677,734)

*Amount not concluded until 1/1/2008.

The information presented in the preceding required schedule was determined as part of the actuarial valuations at the dates indicated or based on the same set of actuarial assumptions.

Actuarial cost method for all years:	Entry Age Normal Cost Method ⁽¹⁾
Amortization period:	UAAL amortized over a closed 30yr period, as of January 1, 2006
Asset valuation method:	Market value
Cost-of-living adjustments for all years:	CPI, Seattle-Everett area

Actuarial economic assumptions:	
Investment rate of return	4.0%
Projected salary increases ⁽²⁾	4.0%
Consumer Price Index	3.0%
Projected annual growth in fire insurance premium tax revenue	3.0%

(1) The Entry Age Cost Normal method was used to comply with GASB 25 and 27 reporting requirements. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by the future Normal Cost payments is called the Actuarial Liability. Since nearly all members have already retired, the amount of the annual Normal Cost is small. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Liability minus the actuarial value of the Fund's assets.

(2) Projected salary increases are for future inflation only. Since the members have at least 20 years of service, no merit increases are assumed.

Since the fund is closed to additional participants and is fully funded, the City does not perform an actuarial study on a yearly basis.

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 489 employees who participated in the program during 2008. The City's contribution for 2008 was \$1,982,542; employee contributions were \$2,566,801 during the same period. The rate the City must pay and the employee may pay is equal to the current Social Security rate.

Assets of the Plan consist of stocks, bonds, and guaranteed insurance contracts, and are not the property of the City and are not subject to the claims of the City's general creditors. The Plan is administered by the Plan Committee consisting of two members selected by the City and three members elected by plan members. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be established or amended by a majority vote of the Plan Committee.

Actuarial determinations are not required because (1) long-term disability insurance and survivor income insurance are provided by a group insurance policy with the Standard Insurance Company, and (2) each participant shall at his normal retirement instruct the trustee to either (a) acquire a nonforfeitable, non-transferable annuity contract, (b) pay the retirement benefits from the employee's deferred saving account to which no contribution by the City or the participant can be added after retirement, or (c) pay a single lump-sum payment equal to the accumulated balance in the employee's deferred saving account as of his retirement date.

NOTE 7:
OTHER POST EMPLOYMENT BENEFITS

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2008 there were 33 retirees receiving these benefits with 3 active employees eligible for these benefits when they retire.

For 2008, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 369,910
	Direct Medical Costs	<u>51,543</u>
	Total Costs	<u>\$ 421,453</u>

Funding for LEOFF retiree healthcare costs is provided entirely by the City on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. The following table shows the City's annual OPEB cost for 2006, 2007 and 2008. The date of the last actuarial valuation was January 1, 2008. The net OPEB obligation of \$1,104,302 is included as a noncurrent liability on the Statement of Net Assets.

Determination of Annual Required Contribution	12/31/2006	12/31/2007	12/31/2008
Normal Cost at Year End	62,110	59,152	76,903
Amortization of UAAL	738,971	741,930	753,553
Annual Required Contribution (ARC)	\$801,082	\$801,082	\$830,456
 Determination of Net OPEB Obligation			
Annual Required Contribution	\$801,082	\$801,082	\$830,456
Interest on Prior Year Net OPEB Obligation	0	19,070	29,664
Adjustments to ARC	0	23,990	42,794
Annual OPEB Cost	801,082	796,162	817,326
Contributions Made	421,381	467,434	421,453
Increase in Net OPEB Obligation	\$379,701	\$328,728	395,873
 Net OPEB Obligation - beginning of year	 \$0	 \$379,701	 \$708,429
Net OPEB Obligation – end of year	\$379,701	\$708,429*	\$1,104,302

*Amount not known until 1/1/2008 valuation.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2006, 2007, and 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2006	\$801,082	52.6%	\$379,701
12/31/2007	\$796,162	58.7%	\$708,429
12/31/2008	\$817,326	51.5%	\$1,104,302

Funding Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$12,803,000 and actuarial value of assets was \$0 resulting in a UAAL of \$12,803,000.

The City pays medical costs associated with the benefits described above on a pay-as-you-go basis. The City has funded \$618,000 of the liability in a reserve account and continues to set aside funding as the opportunity arises. This amount is not reflected in the actuarial value due because the funds are not in a separate trust fund.

Actuarial Assumptions

The actuarial assumptions are intended to estimate future experience of the members. Since our last valuation, both economic and demographic assumptions have been changed. The demographic assumptions were updated to reflect the latest experience for the Law Enforcement Officers' and Firefighters Retirement System prepared by the State Actuary.

Actuarial Cost Method: The liabilities are calculated according to the Entry Age Normal (level of percentage of pay) funding method.

Replacement of Terminated Members: The City's Firefighter's Pension and LEOFF 1 are closed groups. No new members are permitted.

Valuation of Assets: As of the valuation date, there are no assets set aside to pay for these benefits.

Economic Assumptions: Discount rate – 4.0%
 Medical Inflation rate – varied for 2008, 9% for 2009
 Long Term Care Inflation rate – 5%

Amortization Method: 30 year, closed as of January 1, 2006

NOTE 8:
RISK MANAGEMENT

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 129 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, 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' deductibles to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2008.

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, 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.

NOTE 9:
LONG-TERM DEBT

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged. Debt service is paid from the Debt Service Funds. Debt service for voter approved issues is funded with special property tax levies. Debt service for City Council authorized or councilmanic issues is funded from regular property taxes and other general government revenues.

Revenue bond indebtedness issued to fund proprietary activities is recorded in the proprietary fund. Debt service payments are made from revenues generated by the proprietary fund.

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has eight loans with principal outstanding of \$3,908,521. Of this amount \$227,487 is assumed debt from the Rose Hill Water District. This debt will be repaid from Water/Sewer Fund revenues.

The City of Kirkland had no special assessment debt in 2008, with the final LID payment occurring in 2007. The LID fund was closed as of December 31, 2008.

General obligation bonds currently outstanding are as follows:

Issue - Purpose		Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/08	Due Within One Year
1993 Refunding of 1989 Ltd GO Maintenance Center	*	03/02/93	07/01/09	4.45 to 5.75	\$2,665,000	\$2,340,000	\$325,000	\$325,000
1993 Refunding of 1989 & 1990 Unltd GO Parks		03/02/93	12/01/09	2.75 to 5.75	4,380,000	3,865,000	515,000	515,000
1995 Unltd G.O. Public Safety, Forbes Creek Fire Station		08/01/95	12/01/14	4.65 to 7.00	1,020,000	575,000	445,000	65,000
1999 Ltd. G.O. Teen Center Design and Construction	*	11/01/99	12/01/19	4.30 to 6.00	1,025,000	315,000	710,000	50,000
2001 Unltd. G.O. Refunding 1992 UTGO Public Safety Bonds		07/06/01	12/12/12	4.00 to 4.65	1,730,000	1,055,000	675,000	155,000
2001 Ltd. GO Refunding 1994 LTGO, McAuliffe, Library Parking Garage, City Hall, Cemetery Improvement	*	07/06/01	12/13/13	4.00 to 5.125	11,060,000	4,840,000	6,220,000	730,000
2003 Unltd. G.O. Park Acquisition and Improvements		01/30/03	12/01/22	4.408	8,400,000	1,945,000	6,455,000	350,000
Total					\$30,280,000	\$14,935,000	\$15,345,000	\$2,190,000

* Councilmanic

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

Year Ending	Governmental Activities	
	Principal	Interest
December 31		
2009	2,190,000	722,333
2010	1,410,000	619,785
2011	1,465,000	560,880
2012	1,535,000	497,447
2013	1,405,000	428,530
2014-2018	4,375,000	1,353,672
2019-2022	2,965,000	370,230
Total	\$15,345,000	\$4,552,877

The revenue debt, issuance, redemption and current balance outstanding are as follows:

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/08	Due Within One Year
1996 Refunding portion of 1992 Water/Sewer Revenue Bonds	03/04/96	06/01/12	3.9 to 5.2	3,725,000	1,805,000	1,920,000	360,000
1993 Public Works Trust Loan Lake Street Sewer Line Replacement	08/25/93	07/01/14	1.0	823,368	606,692	216,676	43,335
1994 Public Works Trust Loan(A) Lake Washington Blvd Water Line Replacement	07/26/94	07/01/14	1.0	1,231,700	842,890	388,810	64,802
1994 Public Works Trust Loan(B) Lake Washington Blvd Sewer Line Replacement	07/26/94	07/01/14	1.0	1,165,500	795,403	370,097	61,683
1994 Public Works Trust Fund Loan Consolidated Rose Hill Assumption	01/01/94	07/01/09	1.0	3,184,824	2,957,337	227,487	227,487
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	06/07/95	07/01/15	1.0	794,850	483,196	311,654	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	07/01/00	07/01/19	1.0	227,500	89,616	137,884	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/01	07/01/21	0.5	1,848,000	509,408	1,338,592	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	09/01/04	07/01/24	.5	1,086,300	168,980	917,320	57,332
2004 Water/Sewer Revenue Refunding Bonds	08/01/04	06/01/14	2.0 to 4.0	3,090,000	1,225,000	1,865,000	305,000
Total				\$17,177,042	\$9,483,522	\$7,693,520	\$1,279,665

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2009	1,279,665	179,879
2010	1,077,178	146,644
2011	1,117,178	111,665
2012	1,152,178	72,450
2013	847,177	41,450
2014-2018	1,554,709	42,952
2019-2023	608,103	8,948
2024	57,332	287
Total	\$7,693,520	\$604,275

City of Kirkland Credit Ratings and Bond Insurance Ratings

On November 17, 2008, Standard & Poor's upgraded the City's Water and Sewer Revenue Bonds from "AA-" to "AAA" and on November 24, 2008, upgraded the City's General Obligation Bonds from "AA-" to "AAA."

The bond issues of the City of Kirkland carried municipal bond insurance as follows:

1996 Water and Sewer Revenue Refunding Bonds – FSA
 2001 UTGO Refunding Bonds – Ambac
 2001 LTGO Refunding Bonds - Ambac
 2003 UTGO Bonds – MBIA
 2004 Water and Sewer Revenue and Refunding Bonds – MBIA

Summary of Municipal Bond Insurance Company Rating Downgrades for the year January 1, 2008 through December 31, 2008.

MBIA rating downgrade history

April 4, 2008 Fitch Ratings ("Fitch") lowered its rating for MBIA Insurance Corporation ("MBIA") from "AAA" to "AA"
 June 25, 2008 Fitch withdrew its rating for MBIA
 June 5, 2008 Standard and Poor's ("S&P") lowered its rating for MBIA from "AAA" to "AA"
 June 19, 2008 Moody's Investors Service ("Moody's") lowered its rating for MBIA from "Aaa" to "A2"
 November 7, 2008 Moody's lowered its rating for MBIA from "A2" to "Baa1"

Ambac rating downgrade history

January 18, 2008 Fitch lowered its rating for Ambac Assurance Corporation ("Ambac") from "AAA" to "AA"
 June 25, 2008 Fitch withdrew its rating for Ambac
 June 5, 2008 S&P lowered its rating for Ambac from "AAA" to "AA"
 November 19, 2008 S&P lowered its rating for Ambac from "AA" to "A"
 On June 19, 2008 Moody's lowered its rating for Ambac from "Aaa" to "Aa3"
 November 5, 2008 Moody's lowered its rating for Ambac from "Aa3" to "Baa1"

FSA rating downgrade history

November 21, 2008 Moody's lowered its rating for Financial Security Assurance Inc. (FSA) from "Aaa" to "Aa3"

Compensated Absences

The City's liability for accrued compensated absences is recorded in the table of Changes in long-Term Liabilities, NOTE 11. The governmental activities category includes a liability of \$102,862 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General, Street Operating, Parks Maintenance, Recreation Revolving, and Facilities Maintenance.

NOTE 10:
LEASES

Operating Leases

Copier Leases

In 2006, the City leased 3 copiers with four year non-cancellable agreements. The total cost for leased copiers for the year ended December 31, 2008 was \$33,816. The future minimum payments for these agreements are summarized as follows:

2009	\$ 33,816
2010	<u>31,662</u>
Total	<u>\$ 65,478</u>

Multi-Employer Property Trust

Effective January 27, 2004 and commencing August 1, 2004, the City entered into a seven year lease with Multi-Employer Property Trust to provide for the operations of the Kirkland Municipal Court. The City has the option of one extension period of 3 years. Lease payments for 2008 totaled \$215,969. Future minimum payments are summarized as follows:

2009	\$ 222,875
2010	230,654
2011	<u>137,265</u>
Total	<u>\$ 590,794</u>

King County Housing Authority

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. There were no lease payments for 2008. Future minimum payments are summarized as follows:

2009	\$ 82,181
2010	90,116
2011	95,220
2012	96,160
2013	<u>84,050</u>
Total	<u>\$ 447,727</u>

NOTE 11:
CHANGES IN LONG-TERM LIABILITIES

During the year ending December 31, 2008, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2008	Additions	Reductions	Ending Balance 12/31/2008	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable:					
General Obligation Bonds	17,435,000	0	2,090,000	15,345,000	2,190,000
Compensated Absences	2,016,274	2,013,294	1,923,468	2,106,100	1,658,855
Other post employment benefits	379,701	724,601	0	1,104,302	0
Governmental Activity long-term liabilities	<u>\$ 19,830,975</u>	<u>2,737,895</u>	<u>4,013,468</u>	<u>\$ 18,555,402</u>	<u>\$ 3,848,855</u>
<u>Business-Type Activities</u>					
Revenue Bonds	4,425,000	0	640,000	3,785,000	665,000
PWTF Loans	4,523,185	0	614,665	3,908,520	614,665
Compensated Absences	82,813	237,701	243,527	76,987	61,590
Business-type Activity long-term liabilities	<u>\$ 9,030,998</u>	<u>237,701</u>	<u>1,497,922</u>	<u>\$ 7,770,507</u>	<u>\$ 1,341,255</u>

NOTE 12:
CONTINGENCIES AND LITIGATIONS

As of December 31, 2008, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

NOTE 13:
INTERFUND TRANSFERS

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, indirect overhead and subsidies. Interfund transfers at December 31, 2008 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General	1,334,495	1,506,971
Street Operating	261,542	10,092
Park and Municipal Reserve	175,000	1,020,500
Excise Capital Improvement	0	5,307,566
General Capital	7,088,026	34,508
Grant Capital	2,347,570	0
Non Major Governmental Funds:		
Lodging Tax	0	5,000
Parks Maintenance	35,000	0
Recreation Revolving	39,000	0
Facilities Maintenance	10,000	1,305,752
Contingency	52,048	250,339
Cemetery Improvement	0	33,124
Impact Fees	0	1,974,624
Street Improvement Reserve	0	868,116
Debt Service Funds	1,454,211	3,412
Internal Service Funds	332,913	150,000
Proprietary Funds:		
Water/Sewer	0	609,801
Surface Water	0	50,000
<u>Total Transfers In/Out</u>	<u>\$13,129,805</u>	<u>\$13,129,805</u>

NOTE 14:
JOINT VENTURES

Eastside Narcotics Task Force

The Eastside Narcotics Task Force was restructured by the cities of Bellevue, Kirkland, Redmond, Mercer Island and Issaquah (Principals) in August 1998. The task force provides collaborative efforts of its members detective staffs and equitable benefits from asset forfeitures.

The task force is governed by an Executive Board of Police Chiefs and Directors of Public Safety. The Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding and disposing of real and personal property. A Commander is responsible for the operation of the task force and the accomplishment of the goals and objectives of the task force.

Member agencies share in the costs and proceeds of the operation of the Task Force on a percentage basis. The member agencies shares are as follows:

Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	<u>4.90%</u>
	100.00%

Upon termination of the task force, equipment and proceeds will be divided equitably as determined by the board. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Finance Manager, Bellevue Police Department, 450 110th Avenue NE, Bellevue, WA 98009.

ARCH – Housing Coalition

In November 1992, the City of Kirkland joined the cities of Bellevue, Redmond and King County to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 and November 1999 to add clarifying language regarding responsibility and dissolution. Subsequently, the cities of Bothell, Issaquah, Mercer Island and Woodinville joined ARCH. Additional cities have joined since that time.

ARCH's purpose is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants and HUD grants.

ARCH is governed by an Executive Board composed of a chief executive officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the agreement.

paid by each member. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statement.

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16225 NE 87th Street, #A-3, Redmond, WA 98052.

Cascade Water Alliance

In 1999 eight cities and districts joined together to provide water supply for current and future demands through the Cascade Water Alliance. The members have entered into an interlocal agreement to enhance their ability to supply water to their respective service areas and the region by developing, owning, and operating regional water supply assets. Collectively, the membership of Cascade serves over 370,000 residents and 22,000 businesses in East and South King County, representing almost 50% of retail water sales outside of Seattle.

Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. During 2008, this amount was \$554,202 for the City of Kirkland.

In April of 2006, the Cascade Water Alliance issued revenue bonds in the amount of \$58 million. The bonds were issued to cover the costs of carrying out a portion of the capital program described in the Cascade Watershed Management Plan. The Cascade bonds do not pledge the full faith and credit of any of the eight members, nor do the bonds pledge any revenues except as the members commit under the Interlocal Contract which established Cascade Water Alliance.

Financial statement information can be obtained by contacting Scott Hardin, Director of Finance and Administration, 11400 SE 8th Street, Suite 440, Bellevue, WA 98004.

EPSCA

The Eastside Public Safety Communications Agency (EPSCA), an emergency regional radio access service provider operation, was established on May 26, 1992, by an interlocal agreement among the cities of Bellevue, Redmond, Kirkland and Mercer Island. The Agreement was amended in 1993, to include the City of Issaquah as an additional principal. EPSCA began principal operations in December 1995.

EPSCA is governed by an Executive Board, which is comprised of the Chief Executive officers of the Principals. The Executive Board is responsible for review and approval of all budgetary, financial and contractual matters.

An Operations Committee, composed of the Chief of Police and Fire Chief of each Principal, reports to the Board and oversees budget preparation, rates, revenues, expenditures, policies and other operational issues. This Committee also includes representation from non-Principal EPSCA user agencies.

EPSCA has developed an Eastside radio communications system which is integrated with a regional radio communications network. Its capital funding derives from a September 15, 1992 voter-approved King County excess property tax levy of \$57,016,764. EPSCA's portion of the levy was \$10,004,469.

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services.

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2008, the weighted vote was as follows:

Bellevue	51.98%
Redmond	18.26%
Kirkland	17.86%
Mercer Island	6.28%
Issaquah	<u>5.62%</u>
	100.00%

These percentages are reviewed and adjusted annually at January 1 based on the number of radios on the system in use by current principals as of December 31 of the preceding year. Upon dissolution, the interlocal agreement provides for distribution of net assets among the Principals based on weighted voting percentages in force at the time of dissolution.

The City's share of retained earnings and capital is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, 16100 NE 8th Street, Bellevue, WA 98008.

E-Gov Alliance

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the E-Gov Alliance between the City of Bellevue and the Cities of Bothell, Burien, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish and Woodinville. Since then, additional cities have joined. The Alliance establishes on-line services through a jointly operated internet portal. Additionally, the Alliance has established a partnership with Microsoft to help define the E-Gov architecture, provide consulting services, offer training and donated software.

Expenditures consist of capital and operations costs as specified in the budget adopted by the E-Gov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the member jurisdictions of the E-Gov Alliance.

The interlocal agreement may be terminated if Principals holding at least 60% of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the property. The City's share of the net assets is deemed immaterial and thus not reflected in the financial statements.

Budget monitoring information may be obtained from City of Bellevue, Information Technology Department, c/o Nina Dennis, P.O. Box 90012, Bellevue, WA 98009-9012.

NORCOM

In November of 2007, the City of Kirkland, with the cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. This North East King County Regional Public Safety Communications Agency (or NORCOM) will consolidate and centralize public dispatch services under a partnership model. NORCOM will include 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

The organization is currently in a transition phase and is not currently providing dispatch services, which continue to be provided by the separate dispatch operations operated by the cities of Bellevue and Kirkland. Beginning July 1, 2009, it is expected that the operations will be combined and operated by NORCOM. Operating revenues are provided by user fees charged to each member based on average call volume. For 2008, the City of Kirkland's share of these fees was \$377,646.

In 2007, NORCOM began contracting with the CPA firm, Clark Nuber. NORCOM will issue separate financial statements for 2008. Additional financial information can be obtained from NORCOM, c/o Gwen Pilo, Finance Manager, P.O. Box 50911, Bellevue, WA 98015-0911.

Hazardous Materials Unit and Response Team

In January 1984, the City of Kirkland joined the cities of Bellevue, Redmond, Bothell, and King County Fire Protection Districts #16 and #36 to form a Hazardous Materials Unit and Response Team (HazMat). In December 1991, the agreement was modified to designate the City of Bellevue as the lead agency. The agreement was modified again in June 1994 removing King County Fire Protection District #16, which withdrew from participation, and adding the City of Issaquah and King County Fire Protection District #45 as members.

The HazMat unit and response team provides equipment and personnel for the management of hazardous material incidents as a normal function of fire protection services.

The HazMat team is governed by a Joint Board comprised of the Fire Chiefs of the member agencies plus one member from the HazMat Team. The Joint Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. With the exception of the member from the HazMat Team, each representative on the Joint Board has a vote on all matters. The City of Bellevue has the administrative authority for operations conducted pursuant to the agreement and provides administrative and secretarial support to the Joint Board.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual charges paid by each member over the life of the agreement. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statements.

Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents.

Budget monitoring information can be obtained from HazMat, c/o Gale Hill, Bellevue Fire Department, 766 Bellevue Way SE, Bellevue, WA 98004.

NOTE 15:
BUDGET TO GAAP RECONCILIATION

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – for the General Fund, Street Operating Special Revenue Fund, Parks and Municipal Reserve Special Revenue Fund and Excise Tax Capital Improvement Special Revenue Fund report revenues when received and expenditures when paid, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting. The following schedule reconciles revenues and expenditures on the budgetary basis to revenues and expenditures on the modified accrual basis as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances.

	General Fund	Street Operating	Parks and Municipal Reserve	Excise Tax Capital Improvement
Revenues on the Budgetary Basis	52,463,664	3,927,183	624,033	3,909,773
Increase (Decrease) due to accruals	(612,034)	14,725	177,356	93,850
Revenues on the GAAP Basis	<u>51,851,630</u>	<u>3,941,908</u>	<u>801,389</u>	<u>4,003,623</u>
Expenditures on the Budgetary Basis	55,459,126	4,037,948	105,356	0
Increase (Decrease) due to accruals	(394,852)	(25,487)	4,758	0
Expenditures on the GAAP Basis	<u>55,064,274</u>	<u>4,012,461</u>	<u>110,114</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	281,396	251,450	(816,100)	(5,307,566)
Increase (Decrease) due to accruals	(409,625)	0	0	0
Other Financing Sources (Uses) on the GAAP Basis	<u>(128,229)</u>	<u>251,450</u>	<u>(816,100)</u>	<u>(5,307,566)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	(2,995,462)	(110,765)	518,677	3,909,773
Increase (Decrease) due to accruals	(217,182)	40,212	172,598	93,850
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	<u>(3,212,644)</u>	<u>(70,553)</u>	<u>691,275</u>	<u>4,003,623</u>
Fund Balances Beginning of Year on the Budgetary Basis	8,624,132	1,817,735	10,162,903	16,391,580
Increase (Decrease) due to accruals	2,302,565	(24,260)	6,331	447,878
Fund Balances Beginning of year on the GAAP Basis	<u>10,926,697</u>	<u>1,793,475</u>	<u>10,169,234</u>	<u>16,839,458</u>
Fund Balances End of Year on the Budgetary Basis	5,910,066	1,958,420	9,865,480	14,993,787
Increase (Decrease) due to Accruals	1,675,758	15,952	178,929	541,728
Fund Balances End of Year on the GAAP Basis	<u>7,585,824</u>	<u>1,974,372</u>	<u>10,044,409</u>	<u>15,535,515</u>

NOTE 16:
PRIOR PERIOD ADJUSTMENTS

Revenues related to Transportation and Park Impact Fees received in 2007 were shown as deferred revenue amounts in 2007. Due to a change in the revenue recognition related to GASB 33, local governments have been directed to recognize the revenue when an enforceable legal claim to the fee exists. The enforceable claim has been defined as when the local government receives the fee payment.

In 2007, the City deferred recognition of Impact fees and related interest in the amount of \$821,445. This amount is shown as a prior period adjustment to the Impact Fee beginning fund balance for 2008.

Restated amounts in comparative tables in Management's Discussion and Analysis reflect this adjustment to 2007 amounts.

NOTE 17:
SUBSEQUENT EVENTS

Jail Property

In late 2007, the City of Bellevue approved the sale of 6.6 acres that was deeded to Bellevue and 37 other Cities, including the City of Kirkland by King County for a future jail and justice center. The transfer of title occurred when the County announced several years ago it would discontinue contracting with the municipalities in 2012 to provide misdemeanor jail services.

Proceeds from the sale of the property, which closed with a purchase price of \$13 million, will be distributed in 2009. The Jail Oversight Assembly authorized the distribution of the sales proceeds based on a formula of an average of each King County city's AV (assessed value) and ADP (inmate average daily population). It is expected that the City of Kirkland will receive \$422,843. The funds must be used as a contribution to the cost of building secure capacity or contracting for secure capacity to reduce the jail population housed by King County.

Annexation

On April 7, 2009, the Kirkland City Council passed a resolution to submit a notice of intention to the King County Boundary Review Board to place the question of annexation of Kirkland's Potential Annexation Area (PAA) on the November 2009 General Election ballot. If the vote for annexation is affirmative, the population of the City would increase by approximately 33,000 and the land area would be expanded by about 7 square miles. The effective date for the annexation is expected to be during 2011, although the exact date will not be set formally until after the annexation vote.

**REQUIRED SUPPLEMENTARY INFORMATION
FIREFIGHTER'S PENSION PLAN
SCHEDULE OF FUNDING PROGRESS**
(rounded to thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2001	\$ 901	\$ 385	\$ (516)	234%	\$ 73	(707) %
January 1, 2004	1,015	547	(468)	186	79	(592)
January 1, 2006	1,090	533	(557)	205	84	(663)
January 1, 2008	1,305	469	(836)	278	90	(929)

**REQUIRED SUPPLEMENTARY INFORMATION
LEOFF 1 RETIREE MEDICAL AND LONG TERM CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS**
(rounded to thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2006	\$ 0	\$ 11,360	\$ 11,360	0	% NA	% NA
1/1/2008	\$ 0	\$ 12,505	\$ 12,505	0	% NA	% NA

Source: City of Kirkland, Actuarial Valuation of Firefighters' Pension Fund and Retiree Medical and Long-Term Care Benefits for LEOFF 1 Employees, January 1, 2008



Fund Financial Statements and Schedules

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are established to account for specific resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

- The **Lodging Tax Fund** accounts for the City's tourism program and expenditures related to the operation of tourism-related facilities. The primary source of revenue is a one percent lodging tax instituted in January of 2002.
- The **Cemetery Operating Fund** accounts for the operation of the City's cemetery. The primary source of revenue is user fees.
- The **Parks Maintenance Fund** accounts for the maintenance and operation of park properties acquired and/or developed with a park bond passed in November 2002. The primary source of revenue is from a special property tax levy approved in November 2002.
- The **Recreation Program Revolving Fund** accounts for the City's fee supported recreational programs. The primary source of revenue is user fees.
- The **Facilities Maintenance Fund** accounts for the operations and maintenance of the City's building facilities and public facilities ground maintenance and landscaping. The primary sources of revenue are taxes and charges for service.
- The **Contingency Fund** is provided for by state law and allows for the accumulation of resources up to \$.375 per \$1,000 of assessed valuation for emergency uses.
- The **Cemetery Improvement Fund** receives a percentage of the revenue from the sale of plots at the City cemetery which is set aside for minor capital improvements and the maintenance of the cemetery after all plots are sold.
- The **Impact Fees Fund** accounts for road and park impact fees initiated in 1999. Impact fees, and the interest earned on them, are deposited in this fund and transferred out to the capital projects funds to pay for road and park capacity projects approved in the Capital Improvement Program (CIP).
- The **Off Street Parking Fund** was created to receive payments made by downtown businesses in lieu of providing on-site parking. Accumulated funds must be used for the acquisition, design, construction, development, financing, maintenance, and operation of off-site parking facilities in the Central Business District.
- The **Tour Dock Fund** was created to receive rental fees associated with use of the tour dock in Marina Park. Fees must be used for maintenance and repair of the dock.

- The ***Street Improvement Reserve Fund*** accumulates resources for street-related capital projects. Dedicated funding sources include \$270,000 per year in sales tax revenue and state distributions of the half-cent motor vehicle fuel tax. The motor vehicle fuel tax is legally restricted for the funding of street improvements, whereas the \$270,000 in sales tax revenue is set by council policy. Resources are transferred out of the Street Improvement Fund to the capital projects funds as needed for current year projects. The remainder is held in reserve for future year projects.

- The ***Grant Control Fund*** was established to meet the special accounting requirements associated with grants. This fund accounts for grant revenues and related expenditures for non-CIP grant projects.

Debt Service Funds

Debt Service Funds account for the accumulation payment of general obligation bond principal and interest from governmental resources and the payment of special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

- The ***Limited Tax General Obligation (LTGO) Bonds*** (also called Councilmanic Bonds) can be issued with approval of the City Council. The debt is repaid from general revenues of the city.

- The ***Unlimited Tax General Obligation (UTGO) Bonds*** represent debt that was approved by voters for a specific purpose. In this case, citizens have agreed to levy property taxes to repay the debt generally over a twenty-year period.

- The ***Local Improvement District (LID) Bonds*** represent debt that is repaid by the property owners who benefited from the capital improvement through annual assessments paid to the city. LID's are formed by the City Council after a majority of property owners agree to the assessment.



City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2008

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	Special Revenue			Recreation Program Revolving
	Lodging Tax	Cemetery Operating	Parks Maintenance	
Assets				
Cash and Cash Equivalents	76,766	28,645	154,822	15,827
Investments	202,047	73,517	397,351	57,062
Receivables, Net of Allowances:				
Taxes	26,510	0	22,333	0
Special Assessments	0	0	0	0
Accounts	0	0	0	0
Due From Other Governments	0	0	0	3,750
Restricted Assets				
Deposits	0	0	0	6,406
Total Assets	305,323	102,162	574,506	83,045
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	11,334	396	6,351	584
Wages Payable	1,901	0	21,656	183
Due to Other Sources	0	0	0	16
Deposits	0	0	0	6,406
Deferred Revenue	0	0	22,149	0
Total Liabilities	13,235	396	50,156	7,189
Fund Balances				
Reserved for:				
Tourism	292,088	0	0	0
Parks and Recreation	0	0	524,350	0
Transportation	0	0	0	0
Debt Service	0	0	0	0
Unreserved	0	101,766	0	75,856
Total Liabilities and Fund Balances	305,323	102,162	574,506	83,045

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2008

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Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking	Tour Dock
968,295	652,756	128,129	318,766	12,228	15,498
2,693,095	1,701,440	328,844	845,503	31,382	39,777
94,353	0	0	0	0	0
0	0	0	0	0	0
247	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,755,991	2,354,196	456,974	1,164,268	43,610	55,275
72,656	0	0	0	0	0
19,686	0	0	0	0	0
9,104	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
101,446	0	0	0	0	0
0	0	0	0	0	0
0	0	0	186,381	0	0
0	0	0	977,887	0	0
0	0	0	0	0	0
3,654,545	2,354,196	456,974	0	43,610	55,275
3,755,991	2,354,196	456,974	1,164,268	43,610	55,275

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2008

Page 3 of 4

	Street Improvement Reserve	Grant Control	Total Special Revenue
Assets			
Cash and Cash Equivalents	340,530	62,505	2,774,767
Investments	873,973	160,419	7,404,410
Receivables, Net of Allowances:			
Taxes	134,000	0	277,196
Special Assessments	0	0	0
Accounts	0	0	247
Due From Other Governments	0	375	4,125
Restricted Assets			
Deposits	0	0	6,406
Total Assets	1,348,503	223,299	10,467,152
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	91,321
Wages Payable	0	0	43,426
Due to Other Sources	0	0	9,120
Deposits	0	0	6,406
Deferred Revenue	0	20,408	42,557
Total Liabilities	0	20,408	192,830
Fund Balances			
Reserved			
Tourism	0	0	292,088
Parks and Recreation	0	0	710,731
Transportation	0	20,408	998,295
Debt Service	0	0	0
Unreserved	1,348,503	182,484	8,273,209
Total Liabilities and Fund Balances	1,348,503	223,299	10,467,152

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2008

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Debt Service			Total	Governmental
LTGO	UTGO	LID	Debt	Funds
			Service	Total
48,330	86,535	0	134,865	2,909,632
124,040	222,092	0	346,132	7,750,542
0	41,212	0	41,212	318,408
0	0	0	0	0
0	0	0	0	247
0	0	0	0	4,125
0	0	0	0	6,406
172,370	349,839	0	522,209	10,989,361
0	0	0	0	91,321
0	0	0	0	43,426
0	0	0	0	9,120
0	0	0	0	6,406
0	40,674	0	40,674	83,231
0	40,674	0	40,674	233,504
0	0	0	0	292,088
0	0	0	0	710,731
0	0	0	0	998,295
172,370	309,165	0	481,535	481,535
0	0	0	0	8,273,209
172,370	349,839	0	522,209	10,989,361

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2008

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Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Recreation Program Revolving
Revenues				
Taxes and Assessments	235,744	0	795,344	0
Intergovernmental	0	0	0	4,813
Charges for Services	0	56,255	0	908,856
Investment Interest	12,019	0	0	0
Miscellaneous Revenues	3,313	0	17,165	61,934
Total Revenues	251,076	56,255	812,509	975,603
Expenditures				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	96,074	0	0
Transportation	0	0	0	0
Economic Environment	247,263	0	0	103,921
Culture and Recreation	0	0	869,821	865,189
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	1,200	0	0
Total Expenditures	247,263	97,274	869,821	969,110
Excess (Deficiency) of revenues				
Over (under) expenditures	3,813	(41,019)	(57,312)	6,493
Other Financing Sources (Uses)				
Sale of Capital Assets	0	11,128	0	0
Insurance Recovery	0	0	9,625	0
Transfers In	0	0	35,000	39,000
Transfers Out	(5,000)	0	0	0
Total Other Financing Sources (Uses)	(5,000)	11,128	44,625	39,000
Net Change in Fund Balance	(1,187)	(29,891)	(12,687)	45,493
Fund Balances Beginning of Year	293,275	131,657	537,037	30,363
Prior Period Adjustment (Note 16)	0	0	0	0
Fund Balances End of Year	292,088	101,766	524,350	75,856

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2008

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Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking
1,133,823	0	0	0	0
0	0	0	0	0
1,876,538	0	0	882,838	0
497,294	62,500	0	65,494	0
165,365	23,343	0	7,657	0
3,673,020	85,843	0	955,989	0
1,288,835	0	0	0	0
224,758	0	0	0	0
201,504	0	0	0	0
0	0	0	0	0
79,846	0	0	0	0
148,750	0	0	0	0
0	0	0	0	0
0	0	0	0	0
34,650	0	3,300	0	0
1,978,343	0	3,300	0	0
1,694,677	85,843	(3,300)	955,989	0
0	0	27,870	0	0
0	0	0	0	0
10,000	52,048	0	0	0
(1,305,752)	(250,339)	(33,124)	(1,974,623)	0
(1,295,752)	(198,291)	(5,254)	(1,974,623)	0
398,925	(112,448)	(8,554)	(1,018,634)	0
3,255,620	2,466,644	465,528	1,361,457	43,610
0	0	0	821,445	0
3,654,545	2,354,196	456,974	1,164,268	43,610

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2008

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	Tour Dock	Street Improvement Reserve	Grant Control	Total Special Revenue
Revenues				
Taxes and Assessments	0	270,000	0	2,434,911
Intergovernmental	0	527,333	17,190	549,336
Charges for Services	0	42,780	0	3,767,267
Investment Interest	0	0	0	637,307
Miscellaneous Revenues	30,746	0	0	309,523
Total Revenues	30,746	840,113	17,190	7,698,344
Expenditures				
Current				
General Government	0	0	0	1,288,835
Security of Persons and Property	0	0	0	224,758
Physical Environment	0	0	16,774	314,352
Transportation	0	0	2,096	2,096
Economic Environment	0	0	0	431,030
Culture and Recreation	23,731	0	0	1,907,491
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	29,038	0	0	68,188
Total Expenditures	52,769	0	18,870	4,236,750
Excess (Deficiency) of revenues				
Over (under) expenditures	(22,023)	840,113	(1,680)	3,461,594
Other Financing Sources (Uses)				
Sale of Capital Assets	0	29,400	0	68,398
Insurance Recovery	0	0	0	9,625
Transfers In	0	0	0	136,048
Transfers Out	0	(868,116)	0	(4,436,954)
Total Other Financing Sources (Uses)	0	(838,716)	0	(4,222,883)
Net Change in Fund Balance	(22,023)	1,397	(1,680)	(761,289)
Fund Balances Beginning of Year	77,298	1,347,106	204,572	10,214,167
Prior Period Adjustment (Note 15)	0	0	0	821,445
Fund Balances End of Year	55,275	1,348,503	202,892	10,274,323

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2008

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Debt Service			Total	Governmental
LTGO	UTGO	LID	Debt Service	Funds Total
0	1,443,060	0	1,443,060	3,877,971
0	0	0	0	549,336
0	0	0	0	3,767,267
0	0	0	0	637,307
0	0	0	0	309,523
0	1,443,060	0	1,443,060	9,141,404
6,591	0	0	6,591	1,295,426
0	0	0	0	224,758
0	0	0	0	314,352
0	0	0	0	2,096
0	0	0	0	431,030
0	0	0	0	1,907,491
1,055,000	1,035,000	0	2,090,000	2,090,000
399,210	417,838	0	817,048	817,048
0	0	0	0	68,188
1,460,801	1,452,838	0	2,913,639	7,150,389
(1,460,801)	(9,778)	0	(1,470,579)	1,991,015
0	0	0	0	68,398
0	0	0	0	9,625
1,454,211	0	0	1,454,211	1,590,259
0	0	(3,412)	(3,412)	(4,440,366)
1,454,211	0	(3,412)	1,450,799	(2,772,084)
(6,590)	(9,778)	(3,412)	(19,780)	(781,069)
178,960	318,943	3,412	501,315	10,715,482
0	0	0	0	821,445
172,370	309,165	0	481,535	10,755,858

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Lodging Tax Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	285,000	362,659	212,194	240,169	452,363	89,704
Miscellaneous Revenues	0	0	11,787	12,543	24,330	24,330
Total Revenues	285,000	362,659	223,981	252,712	476,693	114,034
Expenditures						
Current						
Economic Environment	284,942	376,721	138,574	253,594	392,168	(15,447)
Total Expenditures	284,942	376,721	138,574	253,594	392,168	(15,447)
Excess of revenues of expenditures	58	(14,062)	85,407	(882)	84,525	98,587
Other Financing Sources (Uses)						
Operating Transfers Out	(10,000)	(10,000)	(5,000)	(5,000)	(10,000)	0
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(5,000)	(5,000)	(10,000)	0
Net Change in Fund Balance	(9,942)	(24,062)	80,407	(5,882)	74,525	98,587
Fund Balances Beginning of Year	105,814	199,182	199,182	279,589	199,182	0
Fund Balances End of Year	95,872	175,120	279,589	273,707	273,707	98,587

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Cemetery Operating Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Charges for Services	153,820	153,820	72,358	56,255	128,613	(25,207)
Investment Interest	5,000	5,000	0	0	0	(5,000)
Investment Interest - Dedicated	0	0	5,000	0	5,000	5,000
Total Revenues	158,820	158,820	77,358	56,255	133,613	(25,207)
Expenditures						
Current						
Physical Environment	209,045	209,045	101,737	95,429	197,166	11,879
Capital Outlay	4,000	4,000	0	1,200	1,200	2,800
Total Expenditures	213,045	213,045	101,737	96,629	198,366	14,679
Excess of revenues of expenditures	(54,225)	(54,225)	(24,379)	(40,374)	(64,753)	(10,528)
Other Financing Sources (Uses)						
Sale of capital assets	44,000	44,000	26,899	11,128	38,027	(5,973)
Operating Transfers Out	(5,000)	(5,000)	(5,000)	0	(5,000)	0
Total Other Financing Sources (Uses)	39,000	39,000	21,899	11,128	33,027	(5,973)
Net Change in Fund Balance	(15,225)	(15,225)	(2,480)	(29,246)	(31,726)	(16,501)
Fund Balances Beginning of Year	134,694	133,889	133,889	131,409	133,889	0
Fund Balances End of Year	119,469	118,664	131,409	102,163	102,163	(16,501)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Parks Maintenance Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	1,531,306	1,531,306	777,044	795,487	1,572,531	41,225
Intergovernmental	0	0	397	0	397	397
Miscellaneous Revenues	23,000	23,000	14,437	17,165	31,602	8,602
Total Revenues	1,554,306	1,554,306	791,878	812,652	1,604,530	50,224
Expenditures						
Culture and Recreation	1,780,233	1,780,865	806,003	873,479	1,679,482	101,383
Total Expenditures	1,780,233	1,780,865	806,003	873,479	1,679,482	101,383
Excess of revenues of expenditures	(225,927)	(226,559)	(14,125)	(60,827)	(74,952)	151,607
Other Financing Sources (Uses)						
Insurance Recovery	0	0	0	33,855	33,855	33,855
Operating Transfers In	70,000	70,000	35,000	35,000	70,000	0
Total Other Financing Sources (Uses)	70,000	70,000	35,000	68,855	103,855	33,855
Net Change in Fund Balance	(155,927)	(156,559)	20,875	8,028	28,903	185,462
Fund Balances Beginning of Year	335,667	519,960	519,960	540,835	519,960	0
Fund Balances End of Year	179,740	363,401	540,835	548,863	548,863	185,462

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Recreation Revolving Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Intergovernmental	0	5,500	8,800	1,063	9,863	4,363
Charges for Services	1,821,833	1,821,833	865,791	908,680	1,774,471	(47,362)
Miscellaneous Revenues	149,890	149,890	49,754	61,934	111,688	(38,202)
Total Revenues	1,971,723	1,977,223	924,345	971,677	1,896,022	(81,201)
Expenditures						
Current						
Human Services	249,199	259,340	87,566	107,043	194,609	64,731
Culture and Recreation	1,784,043	1,839,466	885,316	877,899	1,763,215	76,251
Total Expenditures	2,033,242	2,098,806	972,882	984,942	1,957,824	140,982
Excess of revenues of expenditures	(61,519)	(121,583)	(48,537)	(13,265)	(61,802)	59,781
Other Financing Sources (Uses)						
Operating Transfers In	78,000	117,000	78,000	39,000	117,000	0
Total Other Financing Sources (Uses)	78,000	117,000	78,000	39,000	117,000	0
Net Change in Fund Balance	16,481	(4,583)	29,463	25,735	55,198	59,781
Fund Balances Beginning of Year	91,978	17,115	17,115	46,578	17,115	0
Fund Balances End of Year	108,459	12,532	46,578	72,313	72,313	59,781

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Facilities Maintenance Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	1,815,000	1,821,000	1,136,512	1,137,088	2,273,600	452,600
Intergovernmental	0	2,535	2,958	0	2,958	423
Charges for Services	3,664,491	3,664,491	1,792,515	1,876,538	3,669,053	4,562
Investment Interest - Dedicated	999,900	999,900	502,606	497,294	999,900	0
Miscellaneous Revenues	152,590	152,590	55,880	57,714	113,594	(38,996)
Total Revenues	6,631,981	6,640,516	3,490,471	3,568,634	7,059,105	418,589
Expenditures						
Current						
General Government	1,949,385	2,025,192	883,169	942,038	1,825,207	199,985
Judicial	716,130	716,583	329,656	354,650	684,306	32,277
Security of Persons and Property	507,762	524,306	245,472	222,374	467,846	56,460
Physical Environment	464,568	464,844	209,482	197,239	406,721	58,123
Human Services	220,236	220,834	90,445	84,475	174,920	45,914
Culture and Recreation	317,240	317,258	132,856	149,101	281,957	35,301
Capital Outlay	100,000	100,000	0	20,570	20,570	79,430
Total Expenditures	4,275,321	4,369,017	1,891,080	1,970,447	3,861,527	507,490
Excess of revenues of expenditures	2,356,660	2,271,499	1,599,391	1,598,187	3,197,578	926,079
Other Financing Sources (Uses)						
Operating Transfers In	0	10,000	0	10,000	10,000	0
Transfers Out	(1,698,501)	(1,698,501)	(868,449)	(1,305,752)	(2,174,201)	(475,700)
Total Other Financing Sources (Uses)	(1,698,501)	(1,688,501)	(868,449)	(1,295,752)	(2,164,201)	(475,700)
Net Change in Fund Balance	658,159	582,998	730,942	302,435	1,033,377	450,379
Fund Balances Beginning of Year	2,268,089	2,418,808	2,418,808	3,149,750	2,418,808	0
Fund Balances End of Year	2,926,248	3,001,806	3,149,750	3,452,185	3,452,185	450,379

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Contingency Special Revenue Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Investment Interest	125,000	72,952	0	62,500	62,500	(10,452)
Investment Interest - Dedicated	0	0	13,997	0	13,997	13,997
Total Revenues	125,000	72,952	13,997	62,500	76,497	3,545
Excess of revenues of expenditures	125,000	72,952	13,997	62,500	76,497	3,545
Other Financing Sources (Uses)						
Operating Transfers In	0	52,048	0	52,048	52,048	0
Transfers Out	0	(616,275)	(365,936)	(250,339)	(616,275)	0
Total Other Financing Sources (Uses)	0	(564,227)	(365,936)	(198,291)	(564,227)	0
Net Change in Fund Balance	125,000	(491,275)	(351,939)	(135,791)	(487,730)	3,545
Fund Balances Beginning of Year	3,068,826	2,815,790	2,815,790	2,463,851	2,815,790	0
Fund Balances End of Year	3,193,826	2,324,515	2,463,851	2,328,060	2,328,060	3,545

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Cemetery Improvement Special Revenue Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Expenditures						
Capital Outlay	12,000	12,000	0	3,300	3,300	8,700
Total Expenditures	12,000	12,000	0	3,300	3,300	8,700
Excess of revenues of expenditures	(12,000)	(12,000)	0	(3,300)	(3,300)	8,700
Other Financing Sources (Uses)						
Sale of capital assets	132,000	132,000	76,976	27,870	104,846	(27,154)
Transfers Out	(62,072)	(62,072)	(28,949)	(33,124)	(62,073)	(1)
Total Other Financing Sources (Uses)	69,928	69,928	48,027	(5,254)	42,773	(27,155)
Net Change in Fund Balance	57,928	57,928	48,027	(8,554)	39,473	(18,455)
Fund Balances Beginning of Year	418,473	417,500	417,500	465,527	417,500	0
Fund Balances End of Year	476,401	475,428	465,527	456,973	456,973	(18,455)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Impact Fees Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Charges for Services	1,350,000	1,350,000	721,966	882,839	1,604,805	254,805
Investment Interest	262,600	262,600	98,867	65,495	164,362	(98,238)
Total Revenues	1,612,600	1,612,600	820,833	948,334	1,769,167	156,567
Excess of revenues of expenditures	1,612,600	1,612,600	820,833	948,334	1,769,167	156,567
Other Financing Sources (Uses)						
Transfers Out	(1,098,600)	(1,098,600)	(755,000)	(1,974,623)	(2,729,623)	(1,631,023)
Total Other Financing Sources (Uses)	(1,098,600)	(1,098,600)	(755,000)	(1,974,623)	(2,729,623)	(1,631,023)
Net Change in Fund Balance	514,000	514,000	65,833	(1,026,289)	(960,456)	(1,474,456)
Fund Balances Beginning of Year	2,390,231	2,097,337	2,097,337	2,163,170	2,097,337	0
Fund Balances End of Year	2,904,231	2,611,337	2,163,170	1,136,881	1,136,881	(1,474,456)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Off Street Parking Reserve Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Other Financing Sources (Uses)						
Transfers Out	(40,000)	(40,000)	(25,954)	0	(25,954)	14,046
Total Other Financing Sources (Uses)	(40,000)	(40,000)	(25,954)	0	(25,954)	14,046
Net Change in Fund Balance	(40,000)	(40,000)	(25,954)	0	(25,954)	14,046
Fund Balances Beginning of Year	69,564	69,564	69,564	43,610	69,564	0
Fund Balances End of Year	29,564	29,564	43,610	43,610	43,610	14,046

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Tour Dock Special Revenue Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Miscellaneous Revenues	50,000	50,000	25,250	35,600	60,850	10,850
Total Revenues	50,000	50,000	25,250	35,600	60,850	10,850
Expenditures						
Culture and Recreation	20,000	20,000	0	25,772	25,772	(5,772)
Capital Outlay	0	0	0	29,038	29,038	(29,038)
Total Expenditures	20,000	20,000	0	54,810	54,810	(34,810)
Excess of revenues of expenditures	30,000	30,000	25,250	(19,210)	6,040	(23,960)
Net Change in Fund Balance	30,000	30,000	25,250	(19,210)	6,040	(23,960)
Fund Balances Beginning of Year	43,211	49,235	49,235	74,485	49,235	0
Fund Balances End of Year	73,211	79,235	74,485	55,275	55,275	(23,960)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Improvement Reserve Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	540,000	540,000	270,000	270,000	540,000	0
Intergovernmental	1,036,000	1,036,000	511,000	526,000	1,037,000	1,000
Charges for Services	0	0	0	42,780	42,780	42,780
Total Revenues	1,576,000	1,576,000	781,000	838,780	1,619,780	43,780
Excess of revenues of expenditures	1,576,000	1,576,000	781,000	838,780	1,619,780	43,780
Other Financing Sources (Uses)						
Sale of capital assets	0	0	149,762	29,400	179,162	179,162
Operating Transfers In	0	0	0	0	0	0
Transfers Out	(1,479,500)	(1,849,895)	(1,362,589)	(868,116)	(2,230,705)	(380,810)
Total Other Financing Sources (Uses)	(1,479,500)	(1,849,895)	(1,212,827)	(838,716)	(2,051,543)	(201,648)
Net Change in Fund Balance	96,500	(273,895)	(431,827)	64	(431,763)	(157,868)
Fund Balances Beginning of Year	1,024,998	1,646,265	1,646,265	1,214,438	1,646,265	0
Fund Balances End of Year	1,121,498	1,372,370	1,214,438	1,214,502	1,214,502	(157,868)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Grant Control Special Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Intergovernmental	60,000	60,000	38,560	64,975	103,535	43,535
Total Revenues	60,000	60,000	38,560	64,975	103,535	43,535
Expenditures						
Current						
Transportation	60,000	60,000	54,003	23,674	77,677	(17,677)
Capital Outlay	0	0	28,706	62	28,768	(28,768)
Total Expenditures	60,000	60,000	82,709	23,736	106,445	(46,445)
Excess of revenues of expenditures	0	0	(44,149)	41,239	(2,910)	(2,910)
Net Change in Fund Balance	0	0	(44,149)	41,239	(2,910)	(2,910)
Fund Balances Beginning of Year	225,873	225,835	225,835	181,686	225,835	0
Fund Balances End of Year	225,873	225,835	181,686	222,925	222,925	(2,910)

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 General Capital Projects Revenue Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	1,250,000	1,000,000	500,000	500,000	1,000,000	0
Intergovernmental	257,700	998,365	150,919	223,784	374,703	(623,662)
Charges for Services	0	208,100	107,458	409	107,867	(100,233)
Investment Interest	424,174	549,174	35,416	229,264	264,680	(284,494)
Investment Interest - Dedicated	1,880,000	1,656,740	1,247,371	800,000	2,047,371	390,631
Miscellaneous Revenues	0	43,000	48,851	0	48,851	5,851
Total Revenues	3,811,874	4,455,379	2,090,015	1,753,457	3,843,472	(611,907)
Expenditures						
Current						
General Government	1,044,407	1,243,338	237,024	408,710	645,734	597,604
Security of Persons and Property	0	145,289	41,798	41,314	83,112	62,177
Physical Environment	9,300	9,300	199	0	199	9,101
Transportation	3,042,900	3,397,270	1,804,780	1,969,098	3,773,878	(376,608)
Human Services	0	0	299	0	299	(299)
Culture and Recreation	40,000	407,328	281,347	1,395	282,742	124,586
Capital Outlay	8,289,693	22,789,809	5,773,630	3,864,826	9,638,456	13,151,353
Total Expenditures	12,426,300	27,992,334	8,139,077	6,285,343	14,424,420	13,567,914
Excess of revenues of expenditures	(8,614,426)	(23,536,955)	(6,049,062)	(4,531,886)	(10,580,948)	12,956,007
Other Financing Sources (Uses)						
Transfers In	9,128,659	15,421,092	7,645,706	7,088,026	14,733,732	(687,360)
Transfers Out	0	(342,217)	(744,261)	(13,938)	(758,199)	(415,982)
Total Other Financing Sources (Uses)	9,128,659	15,078,875	6,901,445	7,074,088	13,975,533	(1,103,342)
Net Change in Fund Balance	514,233	(8,458,080)	852,383	2,542,202	3,394,585	11,852,665
Fund Balances Beginning of Year	3,391,576	13,932,079	13,932,079	14,784,462	13,932,079	0
Fund Balances End of Year	3,905,809	5,473,999	14,784,462	17,326,664	17,326,664	11,852,665

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Grant Capital Projects Revenue Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Intergovernmental	2,121,800	7,118,123	0	524,700	524,700	(6,593,423)
Charges for Services	0	0	33,670	0	33,670	33,670
Miscellaneous Revenues	224,500	334,500	948	0	948	(333,552)
Total Revenues	2,346,300	7,452,623	34,618	524,700	559,318	(6,893,305)
Expenditures						
Current						
Transportation	0	0	0	0	0	0
Capital Outlay	3,966,100	16,306,127	1,117,050	2,135,256	3,252,306	13,053,821
Total Expenditures	3,966,100	16,306,127	1,117,050	2,135,256	3,252,306	13,053,821
Excess of revenues of expenditures	(1,619,800)	(8,853,504)	(1,082,432)	(1,610,556)	(2,692,988)	6,160,516
Other Financing Sources (Uses)						
Transfers In	1,619,800	3,889,053	1,951,330	2,347,570	4,298,900	409,847
Operating Transfers Out	0	0	0	0	0	
Total Other Financing Sources (Uses)	1,619,800	3,889,053	1,951,330	2,347,570	4,298,900	409,847
Net Change in Fund Balance	0	(4,964,451)	868,898	737,014	1,605,912	6,570,363
Fund Balances Beginning of Year	2,536	5,038,053	4,966,987	5,835,885	4,966,987	(71,066)
Fund Balances End of Year	2,536	73,602	5,835,885	6,572,899	6,572,899	6,499,297

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Limited GO Debt Service Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Investment Interest - Dedicated	66,045	66,045	33,022	0	33,022	(33,023)
Total Revenues	66,045	66,045	33,022	0	33,022	(33,023)
Expenditures						
Debt Service						
Principal	3,850,000	3,850,000	2,795,000	1,055,000	3,850,000	0
Interest	910,969	910,969	511,756	399,211	910,967	2
Total Expenditures	4,760,969	4,760,969	3,306,756	1,454,211	4,760,967	2
Excess of revenues of expenditures	(4,694,924)	(4,694,924)	(3,273,734)	(1,454,211)	(4,727,945)	(33,021)
Other Financing Sources (Uses)						
Operating Transfers In	4,664,651	4,664,651	3,210,440	1,454,211	4,664,651	0
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	4,664,651	4,664,651	3,210,440	1,454,211	4,664,651	0
Net Change in Fund Balance	(30,273)	(30,273)	(63,294)	0	(63,294)	(33,021)
Fund Balances Beginning of Year	235,660	235,660	235,660	172,366	235,660	0
Fund Balances End of Year	205,387	205,387	172,366	172,366	172,366	(33,021)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Unlimited GO Debt Service Fund
 For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	2,918,515	2,918,515	1,459,308	1,443,013	2,902,321	(16,194)
Total Revenues	2,918,515	2,918,515	1,459,308	1,443,013	2,902,321	(16,194)
Expenditures						
Debt Service						
Principal	2,040,000	2,040,000	1,005,000	1,035,000	2,040,000	0
Interest	878,515	878,515	460,678	417,839	878,517	(2)
Total Expenditures	2,918,515	2,918,515	1,465,678	1,452,839	2,918,517	(2)
Excess of revenues of expenditures	0	0	(6,370)	(9,826)	(16,196)	(16,196)
Net Change in Fund Balance	0	0	(6,370)	(9,826)	(16,196)	(16,196)
Fund Balances Beginning of Year	338,264	324,819	324,819	318,449	324,819	0
Fund Balances End of Year	338,264	324,819	318,449	308,623	308,623	(16,196)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
LID Debt Service Fund
For the year ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary	2008 Actual Amounts Budgetary	Actual 2007-2008 Biennium	Variance with Final Budget
Revenues						
Miscellaneous Revenues	5,520	5,520	4,544	0	4,544	(976)
Total Revenues	5,520	5,520	4,544	0	4,544	(976)
Expenditures						
Debt Service						
Principal	5,000	5,000	5,000	0	5,000	0
Interest	520	520	260	0	260	260
Total Expenditures	5,520	5,520	5,260	0	5,260	260
Excess of revenues of expenditures	0	0	(716)	0	(716)	(716)
Other Financing Sources (Uses)						
Operating Transfers Out	(1,841)	(4,127)	0	(3,411)	(3,411)	716
Total Other Financing Sources (Uses)	(1,841)	(4,127)	0	(3,411)	(3,411)	716
Net Change in Fund Balance	(1,841)	(4,127)	(716)	(3,411)	(4,127)	0
Fund Balances Beginning of Year	1,841	4,127	4,127	3,411	4,127	0
Fund Balances End of Year	0	0	3,411	0	0	0

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one department to other City departments on a cost reimbursement basis.

- The ***Equipment Rental Fund*** accounts and assesses user charges for the cost of maintaining and replacing all City vehicles and heavy equipment.
- The ***Information Technology Fund*** accounts and assesses user charges for the cost of supporting the City's information processing and telecommunications functions and replacing all City computers.

City of Kirkland, Washington
Combining Statement of Net Assets
Internal Service Funds
December 31, 2008

	Equipment Rental	Information Technology	2008
Assets			
Current Assets			
Cash and Cash Equivalents	1,979,784	809,449	2,789,233
Investments	5,192,734	2,117,945	7,310,679
Accounts Receivable	77,412	0	77,412
Due from Other Sources	0	1,149	1,149
Inventories	47,790	0	47,790
Total Current Assets	7,297,719	2,928,543	10,226,262
Noncurrent Assets			
Capital Assets:			
Improvements	128,605	0	128,605
Equipment	12,154,242	70,384	12,224,626
Accumulated Depreciation	(5,573,400)	(23,944)	(5,597,344)
Total Capital Assets Net	6,709,447	46,440	6,755,887
Total Noncurrent Assets	6,709,447	46,440	6,755,887
Total Assets	14,007,166	2,974,983	16,982,149
Liabilities			
Current Liabilities			
Accounts Payable	24,346	30,266	54,612
Due to Other Governments	0	80,346	80,346
Wages Payable	21,748	112,521	134,269
Compensated Absences Payable	26,720	76,142	102,862
Total Liabilities	72,814	299,275	372,089
Net Assets			
Invested in Capital Assets, net of related debt	6,709,447	46,440	6,755,887
Unrestricted	7,224,906	2,629,268	9,854,174
Total Net Assets	13,934,353	2,675,708	16,610,061

City of Kirkland, Washington
**Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets**
Internal Service Funds
For the Fiscal Year Ended December 31, 2008

	Equipment Rental	Information Technology	2008
Operating Revenues			
Charges for Services	3,090,849	3,845,246	6,936,095
Miscellaneous Revenues	16,809	92,089	108,898
Total Operating Revenues	3,107,658	3,937,335	7,044,993
Operating Expenses			
Administrative & General	493,682	816,688	1,310,370
Supplies	34,490	300,333	334,823
Maintenance & Operations	1,283,237	2,918,902	4,202,139
Depreciation	953,109	8,539	961,648
Total Operating Expenses	2,764,518	4,044,462	6,808,980
Operating Income (Loss)	343,140	(107,127)	236,013
Nonoperating Revenues (Expenses)			
Interest Revenue	322,186	96,823	419,009
Gain (loss) on Disposal of Capital Assets	67,952	0	67,952
Other Nonoperating Revenues/(Expenses)	16,233	(5,798)	10,435
Total Nonoperating Revenues (Expenses)	406,371	91,025	497,396
Income (Loss) before Contributions and Transfers	749,511	(16,102)	733,409
Transfers In	11,592	321,321	332,913
Transfers Out	0	(150,000)	(150,000)
Change in Net Assets	761,103	155,220	916,323
Total Net Assets - Beginning	13,173,250	2,520,488	15,693,738
Total Net Assets - Ending	13,934,353	2,675,708	16,610,061

City of Kirkland, Washington
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended December 31, 2008

	Equipment Rental	Information Technology	2008
Cash Flows From Operating Activities			
Cash Received From Interfund Charges	3,090,849	3,845,246	6,936,095
Cash From Other Sources	17,999	90,940	108,939
Cash Paid to Suppliers for Goods and Services	(828,566)	(1,525,859)	(2,354,425)
Cash Paid to Employees for Services	(509,164)	(2,515,535)	(3,024,699)
Cash Paid for Central Business Functions	(449,508)	0	(449,508)
Net Cash Provided by Operating Activities	1,321,610	(105,208)	1,216,402
Cash Flows From Noncapital Financing Activities			
Transfers In	11,592	321,321	332,913
Transfers Out	0	(150,000)	(150,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	11,592	171,321	182,913
Cash Flows From Capital and Related Financing Activities			
Proceeds From Sale of Assets and Insurance Recoveries	87,489	0	87,489
Acquisition and Construction of Capital Assets	(1,032,285)	(10,610)	(1,042,895)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(944,796)	(10,610)	(955,406)
Cash Flows From Investing Activities			
Net (Increase) Decrease in Investments	(836,516)	(265,418)	(1,101,934)
Interest Revenue	266,886	96,823	363,709
Net Cash Provided by Investing Activities	(569,630)	(168,595)	(738,225)
Net Increase (Decrease) in Cash and Cash Equivalents	(181,224)	(113,092)	(294,316)
Cash and Cash Equivalents, January 1	2,161,008	922,541	3,083,549
Cash and Cash Equivalents, December 31	1,979,784	809,449	2,789,233
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	343,140	(107,127)	236,013
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	953,109	8,539	961,648
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	1,840	100	1,940
(Increase) Decrease in Capital Inventory	13,947	0	13,947
(Increase) Decrease in Inventories	8,551	0	8,551
(Increase) Decrease in Due From Other Sources	0	(1,149)	(1,149)
(Increase) Decrease in Capital Accounts Payable	15,794	0	15,794
Increase (Decrease) in Accounts Payable	(17,981)	10,438	(7,543)
Increase (Decrease) in Due to Other Governments	0	(12,153)	(12,153)
Increase (Decrease) in Wages Payable	2,202	9,938	12,140
Increase (Decrease) in Compensated Absences Payable	1,007	(13,794)	(12,787)
Net Cash Provided by Operating Activities	1,321,610	(105,208)	1,216,402

AGENCY FUNDS

Agency Funds account for resources held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

- The ***Intergovernmental Clearing Fund*** consists of funds paid to the City as an agent. These funds are generally disbursed to other governmental agencies such as King County and the State of Washington.
- The ***Customer Deposits Fund*** accounts for cash bonds and guaranties from contractors or private parties.

City of Kirkland
Statement of Agency Fund Net Assets
 December 31, 2008

	Intergovernmental Clearing	Customer Deposits	2008
Assets			
Cash and Cash Equivalents	56,021	0	56,021
Deposits	0	894,055	894,055
Total Assets	56,021	894,055	950,076
Liabilities			
Current Liabilities			
Due to Other Governments	5,874	0	5,874
Deposits	50,147	894,055	944,202
Total Liabilities	56,021	894,055	950,076

City of Kirkland
Statement of Changes in Assets and Liabilities
All Agency Funds
For the fiscal year ended December 31, 2008

	01/01/08 Balance	Additions	Deletions	12/31/08 Balance
Intergovernmental Custodial				
Assets				
Cash and Cash Equivalents	5,054	117,974	67,007	56,021
Total Assets	5,054	117,974	67,007	56,021
Liabilities				
Due to Other Governments	5,054	59,157	58,337	5,874
Deposits	0	59,087	8,940	50,147
Total Liabilities	5,054	118,244	67,277	56,021
Customer Deposits				
Assets				
Deposits	882,980	434,779	423,704	894,055
Total Assets	882,980	434,779	423,704	894,055
Liabilities				
Deposits	882,980	458,255	447,180	894,055
Total Liabilities	882,980	458,255	447,180	894,055
Totals - All Agency Funds				
Assets				
Cash and Cash Equivalents	5,054	117,974	67,007	56,021
Deposits	882,980	434,779	423,704	894,055
Total Assets	888,034	552,753	490,711	950,076
Liabilities				
Due to Other Governments	5,054	59,157	58,337	5,874
Deposits	882,980	517,342	456,120	944,202
Total Liabilities	888,034	576,499	514,457	950,076



Capital Assets

City of Kirkland
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
December 31, 2008
Unaudited

	<u>2008</u>
Governmental Funds Capital Assets:	
Land	\$ 79,241,902
Buildings	29,109,212
Improvements other than Buildings	20,139,433
Machinery and Equipment	1,416,644
Artwork	1,612,966
Infrastructure	126,965,732
Construction in Progress	19,323,217
Total Governmental Funds Capital Assets	<u><u>\$ 277,809,106</u></u>
Investments in Governmental Funds Capital Assets by Source:	
General Fund	\$ 217,355,817
Special Revenue Funds	1,522,940
Impact Fees	5,549,384
Federal Grants	731,412
General Obligation Bonds	43,278,002
Private Gifts	9,371,551
Total Governmental Funds Capital Assets	<u><u>\$ 277,809,106</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Assets.



City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2008
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equipment	Artwork	Infrastructure	Construction in Progress	TOTAL
General Government	\$ 5,300,415	\$ 13,302,702	\$ 4,365,822	\$ 435,796	\$ -	\$ -	\$ 13,577,772	\$ 36,982,507
Judicial	-	-	1,297,552	-	-	-	-	\$ 1,297,552
Security								
Police	-	-	1,862,430	279,493	-	-	306,144	\$ 2,448,067
Fire	134,000	3,603,614	724,567	339,639	-	-	250,601	\$ 5,052,421
Total Security	134,000	3,603,614	2,586,997	619,132	-	-	556,745	7,500,488
Transportation	30,914,606	5,845,821	-	28,927	-	126,965,732	4,662,296	\$ 168,417,382
Physical Environment	45,602	-	1,053,377	107,556	-	-	-	\$ 1,206,535
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	42,847,279	6,357,075	10,835,685	225,233	1,612,966	-	526,404	\$ 62,404,642
Total Governmental Funds Capital Assets	\$ 79,241,902	\$ 29,109,212	\$ 20,139,433	\$ 1,416,644	\$ 1,612,966	\$ 126,965,732	\$ 19,323,217	\$ 277,809,106

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Assets.

City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule by Function and Activity
For the Year Ended December 31, 2008
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	Jan 1, 2008	Additions	Deductions	Dec 31, 2008
General Government	\$ 36,709,047	\$ 2,750,143	\$ 2,476,683	\$ 36,982,507
Judicial	1,297,552	-	-	1,297,552
Security				
Police	757,105	1,690,962	-	2,448,067
Fire	5,009,253	123,404	80,236	5,052,421
Total Security	<u>5,766,358</u>	<u>1,814,366</u>	<u>80,236</u>	<u>7,500,488</u>
Transportation	167,204,203	4,941,340	3,728,161	168,417,382
Physical Environment	1,206,967	4,500	4,932	1,206,535
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	61,175,095	7,448,875	6,219,328	62,404,642
Total Governmental Funds Capital Assets	<u>\$ 273,359,222</u>	<u>\$ 16,959,224</u>	<u>\$ 12,509,340</u>	<u>\$ 277,809,106</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Assets.

Statistical Section

City of Kirkland STATISTICAL SECTION

The following section of the City of Kirkland's Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Statistical Section	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	139
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	144
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	150
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	155
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	158

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



Schedule 1

City of Kirkland

Net Assets by Component

Last Six Fiscal Years* - Unaudited

(accrual basis of accounting)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006**</u>	<u>2007</u>	<u>2008</u>
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 141,921,038	\$ 144,192,014	\$ 144,889,758	\$ 149,842,998	\$ 159,271,557	\$ 161,182,917
Restricted	39,956,320	32,708,901	31,529,052	37,582,793	2,609,847	2,414,668
Unrestricted	11,725,447	25,921,417	35,872,865	37,799,676	77,110,238	240,351,122
Total Governmental Activities Net Assets	\$ 193,602,805	\$ 202,822,332	\$ 212,291,675	\$ 225,225,467	\$ 238,991,642	\$ 403,948,707
Business-type Activities						
Invested In Capital Assets, Net of Related Debt	\$ 72,934,376	\$ 83,386,001	\$ 92,417,203	\$ 96,222,908	\$ 101,047,975	\$ 108,618,685
Restricted	297,987	211,353	203,786	181,440	165,616	151,659
Unrestricted	17,041,390	18,749,964	18,643,884	26,124,764	29,956,731	32,346,829
Total Business-type Net Assets	\$ 90,273,753	\$ 102,347,318	\$ 111,264,873	\$ 122,529,112	\$ 131,170,322	\$ 141,117,173
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 214,855,414	\$ 227,578,015	\$ 237,306,961	\$ 246,065,906	\$ 260,319,532	\$ 269,801,602
Restricted	40,254,307	32,920,254	31,732,838	37,764,233	2,775,463	2,566,327
Unrestricted	28,766,837	44,671,381	54,516,749	63,924,440	107,066,969	272,697,951
Total Primary Government Net Assets	\$ 283,876,558	\$ 305,169,650	\$ 323,556,548	\$ 347,754,579	\$ 370,161,964	\$ 545,065,880

*Only six years of data available due to implementation of GASB Statement 34 in the fiscal year 2003.

**2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 2

City of Kirkland

Changes in Net Assets

Last Six Fiscal Years* - Unaudited

(accrual basis of accounting)

140

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006***</u>	<u>2007</u>	<u>2008</u>
Expenses						
Governmental Activities						
General Government	\$ 2,856,768	\$ 3,072,412	\$ 4,029,646	\$ 4,399,307	\$ 5,489,712	\$ 6,820,650
Judicial	1,132,956	1,237,842	1,232,126	1,346,720	1,543,351	1,642,299
Public Safety	21,283,552	21,663,542	24,501,016	25,210,510	28,231,977	30,785,015
Physical Environment	2,051,401	2,335,038	2,160,540	2,345,553	2,886,473	2,797,484
Transportation	8,376,404	6,718,867	9,859,368	11,225,929	6,822,829	11,884,663
Human Services	1,138,226	1,115,196	1,013,306	1,049,579	1,122,182	1,050,624
Economic Environment	4,655,743	4,383,632	5,063,940	4,956,792	5,535,097	5,713,660
Culture and Recreation	5,647,716	5,617,903	5,878,788	6,244,431	7,050,990	7,223,809
Interest on Long Term Debt	1,467,601	1,335,805	1,248,028	1,157,676	952,919	801,792
Total Governmental Activities Expenses	\$ 48,610,367	\$ 47,480,237	\$ 54,986,758	\$ 57,936,497	\$ 59,635,530	\$ 68,719,996
Business Type Activities						
Water/Sewer	\$ 13,783,135	\$ 12,444,661	\$ 13,415,317	\$ 14,293,499	\$ 15,038,083	\$ 15,644,082
Surface Water	2,270,481	2,468,998	2,694,872	2,698,022	3,258,849	3,356,904
Solid Waste	7,542,788	7,006,972	7,055,826	7,313,435	7,556,493	8,168,316
Total Business Type Activities Expenses	\$ 23,596,404	\$ 21,920,631	\$ 23,166,015	\$ 24,304,956	\$ 25,853,425	\$ 27,169,302
Total Primary Government Expenses	\$ 72,206,771	\$ 69,400,868	\$ 78,152,773	\$ 82,241,453	\$ 85,488,955	\$ 95,889,298
Program Revenues						
Governmental Activities						
Charges for Services						
General Government	\$ 1,892,009	\$ 1,871,874	\$ 2,176,589	\$ 2,583,828	\$ 2,867,603	\$ 3,096,779
Judicial	2,491,794	1,489,330	1,198,671	1,365,820	1,546,200	1,534,567
Public Safety	3,372,591	3,758,854	4,700,508	4,601,906	4,820,358	5,306,512
Physical Environment	334,062	489,291	614,942	697,593	704,730	573,298
Transportation	70,526	207,436	1,096,127	580,475	178,226	782,638
Economic Environment	3,542,188	4,538,432	4,648,507	4,047,288	3,784,004	2,884,005
Culture and Recreation	843,363	861,459	1,095,629	1,053,975	944,457	1,191,477
Operating Grants and Contributions	1,962,167	1,579,462	2,081,827	1,688,627	1,835,419	1,478,355
Capital Grants and Contributions	901,588	892,384	1,233,637	1,031,834	1,067,085	1,702,710
Total Governmental Activities Program Revenues	\$ 15,410,288	\$ 15,688,522	\$ 18,846,437	\$ 17,651,346	\$ 17,748,082	\$ 18,550,341

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006***</u>	<u>2007</u>	<u>2008</u>
Business Type Activities						
Charges for Service						
Water/Sewer	\$ 15,147,095	\$ 13,564,146	\$ 13,628,018	\$ 17,604,778	\$ 16,739,996	\$ 18,169,666
Surface Water	2,563,696	2,806,057	4,065,829	5,049,525	5,067,890	5,220,765
Solid Waste	7,622,436	7,118,725	7,199,748	8,300,583	7,518,635	8,291,955
Operating Grants and Contributions	406,482	64,698	-	105,073	600,683	388,360
Capital Grants and Contributions	7,052,440	10,251,810	7,139,864	3,692,047	3,336,990	4,281,929
Total Business Type Activities Program Revenues	<u>\$ 32,792,149</u>	<u>\$ 33,805,436</u>	<u>\$ 32,033,459</u>	<u>\$ 34,752,006</u>	<u>\$ 33,264,194</u>	<u>\$ 36,352,675</u>
Total Primary Government Program Revenues	<u>\$ 48,202,437</u>	<u>\$ 49,493,958</u>	<u>\$ 50,879,896</u>	<u>\$ 52,403,352</u>	<u>\$ 51,012,276</u>	<u>\$ 54,903,016</u>
Net (Expense)/Revenue						
Governmental Activities	\$ (33,200,079)	\$ (31,791,715)	\$ (36,140,321)	\$ (40,285,151)	\$ (41,887,448)	\$ (50,169,655)
Business Type Activities	9,195,745	11,884,805	8,867,444	10,447,050	7,410,769	9,183,373
Total Primary Government Net Expense	<u>\$ (24,004,334)</u>	<u>\$ (19,906,910)</u>	<u>\$ (27,272,877)</u>	<u>\$ (29,838,101)</u>	<u>\$ (34,476,679)</u>	<u>\$ (40,986,282)</u>
General Revenue and Other Changes in Net Assets						
Governmental Activities						
Taxes						
Property Taxes	\$ 11,379,010	\$ 11,772,666	\$ 11,593,056	\$ 13,023,578	\$ 13,729,508	\$ 14,436,254
Sales Taxes	13,614,210	14,245,140	16,008,359	17,473,327	18,167,448	15,777,179
Excise Taxes **	-	-	6,261,813	7,044,850	6,832,730	3,158,532
Business and Occupational Taxes	500,194	899,709	929,499	978,746	981,243	1,007,998
Utility Taxes	7,200,791	7,390,288	6,978,378	8,966,649	9,824,961	10,225,600
Other Taxes	3,618,383	5,262,954	1,429,341	1,879,171	1,221,453	1,062,001
Unrestricted Grants and Contributions	46,856	520,573	324,842	-	501	74,548
Investment Earnings	1,083,545	954,779	1,417,570	3,391,684	4,607,033	4,218,724
Gain (Loss) of Sale of Capital Assets	36,611	(172,867)	272,899	318,182	108,031	87,053
Transfers, Internal Activities	40,598	138,000	393,907	142,755	180,715	659,801
Total Governmental Activities	<u>\$ 37,520,198</u>	<u>\$ 41,011,242</u>	<u>\$ 45,609,664</u>	<u>\$ 53,218,942</u>	<u>\$ 55,653,623</u>	<u>\$ 50,707,690</u>
Business Type Activities						
Investment Earnings	\$ 316,405	\$ 326,761	\$ 444,017	\$ 959,944	\$ 1,411,155	\$ 1,423,279
Transfers, Internal Activities	(40,598)	(138,000)	(393,907)	(142,755)	(180,715)	(659,801)
Total Business Type Activities	<u>\$ 275,807</u>	<u>\$ 188,761</u>	<u>\$ 50,110</u>	<u>\$ 817,189</u>	<u>\$ 1,230,440</u>	<u>\$ 763,478</u>
Total Primary Government	<u>\$ 37,796,005</u>	<u>\$ 41,200,003</u>	<u>\$ 45,659,774</u>	<u>\$ 54,036,131</u>	<u>\$ 56,884,063</u>	<u>\$ 51,471,168</u>
Change in Net Assets						
Governmental Activities	\$ 4,320,117	\$ 9,219,527	\$ 9,469,343	\$ 12,933,791	\$ 13,766,175	\$ 538,035
Business Type Activities	9,471,554	12,073,566	8,917,554	11,264,239	8,641,209	9,946,851
Total Primary Government	<u>\$ 13,791,671</u>	<u>\$ 21,293,093</u>	<u>\$ 18,386,897</u>	<u>\$ 24,198,030</u>	<u>\$ 22,407,384</u>	<u>\$ 10,484,886</u>

*Only six years of data available due to implementation of GASB Statement 34 in fiscal year 2003.

** Excise Taxes were reported as a portion of "Other Taxes" in 2003 and 2004.

***2006 presentation was modified in 2007 to reflect a prior period adjustment.

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 3

City of Kirkland

Fund Balances, Governmental Funds

Last Six Fiscal Years* - Unaudited

(modified accrual basis of accounting)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006**</u>	<u>2007</u>	<u>2008</u>
General Fund						
Reserved	\$ 23,175	\$ 23,175	\$ 23,175	\$ -	\$ -	\$ -
Unreserved	4,132,740	5,603,516	5,505,380	8,394,364	10,926,697	7,585,824
Total General Fund	<u>\$ 4,155,915</u>	<u>\$ 5,626,691</u>	<u>\$ 5,528,555</u>	<u>\$ 8,394,364</u>	<u>\$ 10,926,697</u>	<u>\$ 7,585,824</u>
All Other Governmental Funds						
Reserved	\$ 595,670	\$ 568,667	\$ 15,850,351	\$ 19,098,553	\$ 2,693,084	\$ 2,482,649
Unreserved, reported in:						
Special Revenue Funds	28,828,816	29,056,531	18,198,126	21,110,714	36,824,565	35,827,505
Capital Projects Funds	24,010,369	18,743,786	15,771,542	18,484,240	20,787,912	24,403,049
Total all Other Governmental Funds	<u>\$ 53,434,855</u>	<u>\$ 48,368,984</u>	<u>\$ 49,820,019</u>	<u>\$ 58,693,507</u>	<u>\$ 60,305,561</u>	<u>\$ 62,713,203</u>

*Only six years of data available due to implementation of GASB Statement 34 in fiscal year 2003.

**2006 presentation was modified in 2007 to reflect a prior period adjustment.

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 4

City of Kirkland

Changes in Fund Balance, Governmental Funds

Last Six Fiscal Years* - Unaudited

(modified accrual basis of accounting)

143

	Fiscal Year					
	2003	2004	2005	2006**	2007	2,008
Revenues						
Taxes and Assessments	\$ 36,148,462	\$ 39,285,690	\$ 43,013,052	\$ 48,869,999	\$ 49,958,737	\$ 45,110,987
Licenses and Permits	2,622,783	3,076,018	3,979,870	3,708,339	3,829,844	3,246,893
Intergovernmental	5,894,441	5,730,204	6,871,563	6,240,952	6,760,999	7,664,200
Charges for Services	8,386,242	9,450,454	10,094,396	10,048,417	9,845,034	10,041,051
Fines and Forfeitures	1,173,958	1,233,761	1,117,030	1,165,921	1,363,234	1,422,321
Investment Interest	1,387,251	1,258,689	1,829,674	2,778,651	3,679,548	3,048,864
Miscellaneous Revenues	640,413	447,210	797,317	1,531,327	1,080,766	1,594,979
Total Revenues	\$ 56,253,550	\$ 60,482,026	\$ 67,702,902	\$ 74,343,606	\$ 76,518,162	\$ 72,129,295
Expenditures						
Current						
General Government	\$ 7,972,444	\$ 7,909,306	\$ 8,758,846	\$ 8,744,986	\$ 10,022,436	\$ 11,013,790
Security of Persons and Property	20,511,004	23,445,532	26,257,339	27,543,202	27,919,796	30,444,289
Physical Environment	3,132,268	3,182,524	3,409,688	3,547,034	3,698,987	3,689,425
Transportation	4,056,329	3,298,181	4,628,907	4,999,973	4,687,211	6,774,661
Economic Environment	5,231,261	3,991,399	4,360,324	4,115,011	6,757,692	6,898,759
Culture and Recreation	5,020,420	5,053,334	5,479,543	5,919,511	6,454,935	6,769,274
Debt Service						
Principal	1,970,000	1,835,000	2,012,000	1,920,000	3,805,000	2,090,000
Interest	1,374,996	1,207,062	1,132,012	1,054,664	972,694	817,048
Capital Outlay	4,836,500	13,256,914	10,239,560	4,448,792	8,680,093	6,352,081
Total Expenditures	\$ 54,105,222	\$ 63,179,252	\$ 66,278,219	\$ 62,293,173	\$ 72,998,844	\$ 74,849,327
Excess (Deficiency) of Revenues	\$ 2,148,328	\$ (2,697,226)	\$ 1,424,683	\$ 12,050,433	\$ 3,519,318	\$ (2,720,032)
Over (Under) Expenditures						
Other Financing Sources (Uses)						
Sale of Capital Assets	\$ 90,670	\$ 87,600	\$ 234,560	\$ 564,788	\$ 403,402	\$ 97,798
Insurance Recovery	-	-	-	-	-	\$ 390,669
Proceeds from Long Term Debt	8,560,351	-	-	-	-	-
Operating Transfers In	9,963,670	9,494,297	9,347,701	11,518,923	13,978,513	12,796,892
Operating Transfers Out	(9,923,072)	(10,479,766)	(9,654,045)	(12,394,848)	(13,756,846)	(12,320,003)
Total Other Financing Sources (Uses)	8,691,619	(897,869)	(71,784)	(311,137)	625,069	965,356
Net Change in Fund Balance	\$ 10,839,947	\$ (3,595,095)	\$ 1,352,899	\$ 11,739,296	\$ 4,144,387	\$ (1,754,676)
Debt Service as a percentage of noncapital expenditures	6.79%	6.09%	5.61%	5.14%	7.43%	4.24%

*Only six years of data available due to implementation of GASB Statement 34 in fiscal year 2003.

**2006 presentation was modified in 2007 to reflect a prior period adjustment.

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 5

City of Kirkland

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

144

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
1999	\$ 4,490,682,018	\$330,285,204	\$ 4,820,967,222	1.95
2000	\$ 4,916,387,558	\$296,624,693	\$ 5,213,012,251	1.84
2001	\$ 5,628,415,398	\$368,150,440	\$ 5,996,565,838	1.64
2002	\$ 6,311,766,096	\$414,773,536	\$ 6,726,539,632	1.44
2003	\$ 6,788,777,356	\$344,404,165	\$ 7,133,181,521	1.59
2004	\$ 7,151,120,913	\$295,356,068	\$ 7,446,476,981	1.55
2005	\$ 7,605,630,655	\$290,763,254	\$ 7,896,393,909	1.49
2006	\$ 8,489,201,834	\$313,726,919	\$ 8,802,928,753	1.49
2007	\$ 9,536,541,460	\$328,698,684	\$ 9,865,240,144	1.40
2008	\$ 12,770,499,212	\$386,893,391	\$ 13,157,392,603	1.27

Source: King County Assessor's Office

Schedule 6

City of Kirkland

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years - Unaudited

145

Fiscal Year	City Direct Rates			Overlapping Rates							Total Direct and Overlapping Rate
	Regular Levy	General Obligation Debt Service	Total Direct Rate	School District	County	State	Emergency Medical Services	Hospital	King County Library	Port of Seattle	
1999	1.66	0.29	1.95	4.06	1.77	3.36	0.29	0.41	0.50	0.24	12.58
2000	1.59	0.25	1.84	4.02	1.69	3.30	0.27	0.41	0.50	0.22	12.25
2001	1.43	0.22	1.64	3.53	1.55	3.15	0.25	0.39	0.48	0.19	11.18
2002	1.31	0.13	1.44	3.17	1.45	2.99	0.25	0.36	0.46	0.19	10.31
2003	1.37	0.22	1.59	3.06	1.35	2.90	0.25	0.34	0.50	0.26	10.25
2004	1.35	0.20	1.55	2.96	1.43	2.76	0.25	0.34	0.49	0.25	10.03
2005	1.31	0.18	1.49	2.83	1.38	2.69	0.23	0.59	0.49	0.25	9.95
2006	1.32	0.17	1.49	2.64	1.33	2.49	0.22	0.54	0.49	0.24	9.44
2007	1.25	0.15	1.40	2.57	1.29	2.33	0.21	0.50	0.46	0.23	8.99
2008	1.14	0.13	1.27	2.34	1.21	2.28	0.30	0.45	0.42	0.22	8.49

Tax rates are for a representative tax code area (1700) within the City and are stated at \$1,000 of assessed value.
 Initiative 747 passed in November 2001 limiting the annual optional increase in property tax levies to the lesser of one percent or the implicit price deflator.

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 7

City of Kirkland

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

146

<u>Taxpayer</u>	<u>2008</u>			<u>1999</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Carillon Properties	\$ 167,576,046	1	1.27%	\$ 125,507,678	1	2.60%
Villaggio (Yarrow Bay Club Apartments)	94,900,000	2	0.72%			
Park at Forbes Creek LLC	79,360,000	3	0.60%			
Plaza at Yarrow Bay, Inc.	72,208,300	4	0.55%	49,058,400	2	1.02%
Property Tax Advisors, LLC	61,280,300	5	0.47%			
BRE Properties	55,800,000	6	0.42%			
Essex Property Trust	47,200,000	7	0.36%			
Touchstone KPP Development (Parkplace)	37,924,700	8	0.29%	24,600,000	8	0.51%
Puget Sound Energy Electricity/Gas	37,708,598	9	0.29%	27,821,428	6	0.58%
EQR - Heronfield LLC	35,350,000	10	0.27%			
Riggs National Bank of Washington DC (405 Corp Center)				40,048,300	3	0.83%
GTE Telephone				36,066,706	4	0.75%
Joseph Jim TTEE				31,308,700	5	0.65%
ABM Property LP (Totem lake Mall)				25,573,900	7	0.53%
Paccar, Inc.				20,691,696	9	0.43%
Jackie Associates				19,917,700	10	0.41%
Totals	<u><u>\$ 689,307,944</u></u>		<u><u>5.24%</u></u>	<u><u>\$ 400,594,508</u></u>		<u><u>8.31%</u></u>

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Nine Fiscal Years* - Unaudited

147

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2000	\$ 9,444,624	\$ 9,244,961	97.89%	\$ 183,110	\$ 9,428,071	99.82%
2001	\$ 9,706,445	\$ 9,479,204	97.66%	\$ 203,145	\$ 9,682,349	99.75%
2002	\$ 9,672,026	\$ 9,419,039	97.38%	\$ 230,360	\$ 9,649,399	99.77%
2003	\$ 11,289,849	\$ 10,955,151	97.04%	\$ 265,089	\$ 11,220,240	99.38%
2004	\$ 11,528,775	\$ 11,264,874	97.71%	\$ 224,251	\$ 11,489,125	99.66%
2005	\$ 11,628,478	\$ 11,393,400	97.98%	\$ 241,315	\$ 11,634,715	100.05%
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 208,348	\$ 12,999,433	99.58%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ 215,962	\$ 13,755,382	99.43%
2008	\$ 14,576,390	\$ 14,222,941	97.58%	\$ -	\$ 14,222,941	97.58%

*Only nine years of detailed information available.

Source: King County Finance Offices

Schedule 9

City of Kirkland

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

148

	Fiscal Year									
	<u>1999 **</u>	<u>2000 **</u>	<u>2001 **</u>	<u>2002 **</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Services	\$ 1,313,285	\$ 1,424,590	\$ 1,418,678	\$ 1,342,157	\$ 1,277,213	\$ 1,347,480	\$ 1,516,943	\$ 1,722,501	\$ 1,779,742	\$ 1,713,972
Contracting	1,470,683	1,788,687	1,739,136	1,463,962	1,497,052	1,777,419	2,315,820	3,279,243	3,007,168	2,677,270
Communications	654,747	706,919	644,333	551,003	936,836	576,840	689,152	793,243	657,923	516,339
Automotive/Gas Retail	2,286,476	2,417,073	2,325,651	2,283,057	2,532,728	2,721,983	2,791,766	2,973,380	3,276,488	2,990,979
Gen Merch/ Misc Retail	-	-	-	-	2,377,572	2,220,194	2,384,674	2,524,268	2,562,537	2,373,271
Retail Eating/Drinking	-	-	-	-	1,031,527	1,109,576	1,183,017	1,228,127	1,294,444	1,285,663
Other Retail	4,045,399	4,328,082	4,131,602	4,276,413	1,259,370	1,577,589	1,774,957	1,800,744	1,738,458	1,748,388
Wholesale	1,325,810	1,428,082	929,125	759,878	1,112,417	652,515	984,807	1,320,124	1,111,079	923,939
Miscellaneous	654,198	652,062	648,901	544,290	647,736	720,378	668,662	786,514	1,098,629	801,270
Total	\$ 11,750,598	\$ 12,745,495	\$ 11,837,426	\$ 11,220,760	\$ 12,672,451	\$ 12,703,974	\$ 14,309,798	\$ 16,428,144	\$ 16,526,468	\$ 15,031,091
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

** 1999 through 2002 Other Retail included General Merchandise/Miscellaneous Retail and Retail Eating/Drinking.

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 10

City of Kirkland

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

Fiscal Year	General Sales						Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington	King County			Regional Transit Authority	City of Kirkland *	Total General Sales Tax	State of Washington	Total Automobile Sales/Leases	King County	Total Restaurant Food and Beverage
	General Sales	Metro	Criminal Justice	Mental Health	Automobile Sales/Leases			Restaurant Food and Beverage			
1999	6.50%	0.60%	0.10%	0%	0.40%	1.00%	8.60%	0%	8.60%	0.50%	9.10%
2000	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2001	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2002	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2003	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2004	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2005	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2006	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2007	6.50%	0.90%	0.10%	0%	0.40%	1.00%	8.90%	0.30%	9.20%	0.50%	9.40%
2008	6.50%	0.90%	0.10%	0.10%	0.40%	1.00%	9.00%	0.30%	9.30%	0.50%	9.50%

* The City of Kirkland direct tax rate is 1.0% with .15% remitted to King County.

Schedule 11

City of Kirkland

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

150

<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>			<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Tourdock Interlocal Agreement</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Public Works Trust Fund Loans</u>	<u>Total Government</u>		
1999	\$ 19,905,000	\$ 99,000	\$130,068	\$ -	\$8,325,000	\$5,491,189	\$ 33,950,257	1.79%	757
2000	\$ 18,425,000	\$ 60,000	\$130,068	\$ -	\$7,930,000	\$5,219,983	\$ 31,765,051	1.59%	704
2001	\$ 21,930,000	\$ 50,000	\$130,068	\$ -	\$7,510,000	\$4,769,176	\$ 34,389,244	1.72%	751
2002	\$ 20,380,000	\$ 40,000	\$130,068	\$ -	\$7,060,000	\$4,318,367	\$ 31,928,435	1.58%	697
2003	\$ 26,820,000	\$ 30,000	\$130,068	\$ -	\$6,580,000	\$5,680,030	\$ 39,240,098	1.92%	860
2004	\$ 25,000,000	\$ 15,000	\$130,068	\$ -	\$6,215,000	\$5,437,794	\$ 36,797,862	1.62%	803
2005	\$ 23,150,000	\$ 10,000	\$ -	\$ -	\$5,635,000	\$5,423,610	\$ 34,218,610	1.53%	748
2006	\$ 21,235,000	\$ 5,000	\$ -	\$ -	\$5,040,000	\$5,137,851	\$ 31,417,851	1.26%	666
2007	\$ 17,435,000	\$ -	\$ -	\$ -	\$4,425,000	\$4,523,186	\$ 26,383,186	1.03%	551
2008	\$ 15,345,000	\$ -	\$ -	\$ -	\$3,785,000	\$3,908,523	\$ 23,038,523	0.88%	476

Sources: City of Kirkland Finance and Administration Financial Operations; Public Works Accounting

Schedule 12

City of Kirkland

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

151

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
1999	\$ 19,905,000	0.41%	\$ 443.71
2000	\$ 18,425,000	0.35%	\$ 408.63
2001	\$ 21,930,000	0.37%	\$ 479.13
2002	\$ 20,380,000	0.30%	\$ 445.08
2003	\$ 26,820,000	0.38%	\$ 587.77
2004	\$ 25,000,000	0.34%	\$ 545.85
2005	\$ 23,150,000	0.29%	\$ 506.12
2006	\$ 21,235,000	0.24%	\$ 450.08
2007	\$ 17,435,000	0.18%	\$ 364.06
2008	\$ 15,345,000	0.12%	\$ 316.98

Sources: City of Kirkland Finance and Administration Financial Operations; King County Assessor's Office

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2008 - Unaudited

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<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	\$ 1,040,881,000	3.41%	\$ 35,442,747
Lake Washington School District	349,930,000	31.75%	111,102,225
Port of Seattle	378,065,000	3.41%	12,873,385
Bellevue School District	405,327,390,000	0.06%	247,584,158
Hospital District #2	243,090,000	21.78%	52,940,092
Library	68,845,000	0.02%	<u>14,196</u>
Total Overlapping Debt			\$ 459,956,803
Direct Debt			
City of Kirkland*	\$ 15,345,000	100.00%	<u>\$ 15,345,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 475,301,803</u></u>

*General obligations bonded debt excluding special assessment and revenue supported bonded debt.

Source: Davidson Fixed Income Capital Markets

Schedule 14
City of Kirkland
 Legal Debt Margin Information
 Last Ten Fiscal Years - Unaudited

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 361,572,542	\$ 390,975,919	\$ 449,742,438	\$ 504,490,472	\$ 534,988,614	\$ 558,485,774	\$ 592,229,543	\$ 660,219,656	\$ 739,893,011	\$ 986,804,445
Total Net Debt Applicable to Limit	<u>19,463,045</u>	<u>17,983,159</u>	<u>21,437,081</u>	<u>19,849,153</u>	<u>26,236,750</u>	<u>24,436,756</u>	<u>22,615,509</u>	<u>20,678,180</u>	<u>16,937,097</u>	<u>14,863,464</u>
Legal Debt Margin	<u>\$ 342,109,497</u>	<u>\$ 372,992,760</u>	<u>\$ 428,305,357</u>	<u>\$ 484,641,319</u>	<u>\$ 508,751,864</u>	<u>\$ 534,049,018</u>	<u>\$ 569,614,034</u>	<u>\$ 639,541,476</u>	<u>\$ 722,955,914</u>	<u>\$ 971,940,981</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	5.38%	4.60%	4.77%	3.93%	4.90%	4.38%	3.82%	3.13%	2.29%	1.51%

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Legal Debt Margin Calculation for Fiscal Year 2007

Total Assessed Value	<u>13,157,392,603</u>
Debt Limit (7.5% of Total Assessed Value)	<u>986,804,445</u>
Debt Applicable to Limit:	
General Obligation Bonds	15,345,000
Less Cash on Hand for Debt Redemption	<u>(481,536)</u>
Total Net Debt Applicable to Limit	<u>14,863,464</u>
Legal Debt Margin	<u>\$ 971,940,981</u>

Washington State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed valuation. This 7.5% debt capacity is allocated evenly among general purposes, open space/park/capital facilities and utilities. The City Council has authority to issue bonds without voter approval for a combined total of up to 1.5% of the City's assessed valuation.

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 15

City of Kirkland

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

154

Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
1999	\$ 11,721,980	\$ 8,654,290	\$ 3,067,690	\$ 375,000	\$ 442,480	3.75	\$ 54,852	\$ 57,000	\$ 7,982	0.84
2000	\$ 12,575,674	\$ 9,406,929	\$ 3,168,745	\$ 395,000	\$ 415,409	3.91	\$ 37,681	\$ 39,000	\$ 5,102	0.85
2001	\$ 13,031,759	\$ 9,570,486	\$ 3,461,273	\$ 770,000	\$ 390,865	2.98	\$ 13,446	\$ 10,000	\$ 3,030	1.03
2002	\$ 14,639,664	\$ 10,559,037	\$ 4,080,627	\$ 770,000	\$ 365,925	3.59	\$ 15,800	\$ 10,000	\$ 2,540	1.26
2003	\$ 15,112,520	\$ 11,814,586	\$ 3,297,934	\$ 495,000	\$ 274,610	4.29	\$ 19,963	\$ 10,000	\$ 2,045	1.66
2004	\$ 13,573,647	\$ 10,504,460	\$ 3,069,187	\$ 580,000	\$ 244,756	3.72	\$ 11,134	\$ 15,000	\$ 1,545	0.67
2005	\$ 13,276,138	\$ 11,397,440	\$ 1,878,698	\$ 595,000	\$ 225,385	2.29	\$ 5,064	\$ 10,000	\$ 780	0.47
2006 *	\$ 17,509,308	\$ 12,168,914	\$ 5,340,394	\$ 615,000	\$ 202,908	6.53	\$ 7,881	\$ 5,000	\$ 520	1.43
2007	\$ 16,578,496	\$ 12,741,287	\$ 3,837,209	\$ 640,000	\$ 178,173	4.69	\$ 4,544	\$ -	\$ -	-
2008	\$ 17,559,865	\$ 13,220,756	\$ 4,339,109	\$ 665,000	\$ 152,073	5.31	\$ -	\$ -	\$ -	-

*2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

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<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
1999	44,860	\$ 1,893,899	\$ 42,218	3.80%
2000	45,090	\$ 2,002,808	\$ 44,418	4.00%
2001	45,770	\$ 2,001,705	\$ 43,734	5.10%
2002	45,790	\$ 2,021,766	\$ 44,153	6.10%
2003	45,630	\$ 2,039,844	\$ 44,704	6.20%
2004	45,800	\$ 2,268,611	\$ 49,533	5.10%
2005	45,740	\$ 2,231,609	\$ 48,789	4.60%
2006	47,180	\$ 2,484,263	\$ 52,655	4.10%
2007	47,890	\$ 2,557,371	\$ 53,401	3.70%
2008	48,410	\$ 2,616,945	\$ 54,058	4.60%

Sources: US Department of Commerce; Washington State Employment Security Department

Schedule 17

City of Kirkland

Property Values and Construction

Last Ten Fiscal Years - Unaudited

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<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction *</u>		<u>Mixed Use Construction **</u>		<u>Total Assessed Property Valuation</u>
	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	
1999	18	\$ 23,760,782	416	\$ 74,980,467	0	\$ -	0	\$ -	\$ 4,820,967,222
2000	8	\$ 11,098,790	246	\$ 52,369,011	0	\$ -	0	\$ -	\$ 5,213,012,251
2001	12	\$ 10,823,390	150	\$ 44,718,844	262	\$ 25,917,299	0	\$ -	\$ 5,996,565,838
2002	6	\$ 6,091,081	137	\$ 44,598,760	155	\$ 14,095,460	0	\$ -	\$ 6,726,539,632
2003	3	\$ 6,725,700	165	\$ 53,479,192	27	\$ 4,239,774	0	\$ -	\$ 7,133,181,521
2004	11	\$ 46,413,334	192	\$ 59,285,927	263	\$ 26,658,812	0	\$ -	\$ 7,446,476,981
2005	10	\$ 36,336,205	229	\$ 77,808,567	277	\$ 31,070,574	0	\$ -	\$ 7,896,393,909
2006	4	\$ 6,440,429	237	\$ 86,466,535	160	\$ 22,000,720	0	\$ -	\$ 8,802,928,753
2007	8	\$ 36,632,094	229	\$ 85,599,108	129	\$ 7,229,000	2	\$ 16,710,654	\$ 9,865,240,144
2008	4	\$ 8,115,000	128	\$ 44,004,859	241	\$ -	2	\$ 27,792,550	\$ 13,157,392,603

* Prior to 2001, Multi-Family Construction included with Residential Construction.

** Prior to 2007, Mixed Use Construction included with Multi-Family Construction. In 2008, Multi-Family Construction valuation included with Mixed Use Construction valuation.

Source: King County Assessor's Office; City of Kirkland Building Department

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Ago - Unaudited

157

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	2,850	1	8.91%	1,343	1	5.84%
City of Kirkland	581	2	1.82%	365	4	1.59%
Nintendo of America, Inc.	515	3	1.61%			
Lake Washington School District	428	4	1.34%			
Kenworth Truck Co.	427	5	1.33%	300	7	1.30%
Clearwire Corporation	400	6	1.25%			
Wireless Data Services	390	7	1.22%			
Evergreen Pharmaceutical	269	8	0.84%	269	9	1.17%
Ciber, Inc.	200	9	0.63%			
Google, Inc.	200	10	0.63%			
Keane, Inc.				600	2	2.61%
AVT Corporation				425	3	1.85%
Larry's Market				350	5	1.52%
Costco Wholesale				304	6	1.32%
Fred Meyer				280	8	1.22%
Van Water and Rogers, Inc.				268	10	1.17%
Total	6,260		19.56%	4,504		19.58%

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

Full-time Equivalent Employees as of December 31

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager's Office	6.00	6.00	6.50	6.50	6.50	6.89	6.89	19.48	21.24	21.54
City Attorney's Office	3.50	3.50	3.50	3.50	3.50	3.00	4.00	4.00	4.00	4.00
Human Resources	-	-	-	-	-	5.56	6.68	7.10	7.10	7.10
Parks and Community Services	30.15	31.40	30.15	32.15	32.15	31.15	32.28	32.28	32.78	36.53
Public Works	22.32	23.39	24.39	24.39	26.39	26.39	25.65	26.65	26.95	27.55
Finance and Administration	42.67	44.73	46.41	47.47	48.47	41.41	41.29	28.45	29.50	28.80
Planning and Community Development	20.00	20.50	21.50	21.62	21.62	21.62	21.62	22.56	23.56	22.06
Police	89.50	90.50	92.50	96.50	96.00	96.50	99.50	105.50	110.50	109.00
Fire & Building	85.61	86.61	90.61	93.53	96.53	96.53	96.53	100.53	109.53	113.28
Other General Gov't Operating Funds										
Lodging Tax Fund	-	-	-	-	-	0.11	0.11	0.11	0.25	0.90
Street Operating	15.23	14.97	14.97	14.97	14.67	15.45	15.40	15.40	15.40	16.90
Parks Maintenance	-	-	-	-	4.50	6.50	7.50	7.50	7.50	7.50
Recreation Revolving	2.10	2.10	2.10	3.25	3.25	3.25	3.25	3.25	3.25	-
Facilities Maintenance	4.00	4.50	6.50	6.50	6.50	5.90	5.90	5.90	5.90	5.90
Equipment Rental	5.00	5.00	5.00	5.00	5.50	5.50	5.50	5.50	6.00	6.00
Information Technology	5.00	6.00	7.00	7.50	14.00	14.00	15.00	18.25	18.75	19.50
Utility Funds										
Water/Sewer Operating	18.45	18.45	18.45	18.95	19.15	20.10	20.31	20.31	20.71	21.21
Surface Water Management	8.25	9.44	12.44	12.32	12.42	13.16	13.69	15.19	15.39	17.24
Solid Waste	-	-	-	-	-	-	1.05	1.05	1.65	1.70
Total	<u>364.78</u>	<u>374.09</u>	<u>389.02</u>	<u>401.15</u>	<u>418.15</u>	<u>420.02</u>	<u>429.15</u>	<u>446.01</u>	<u>466.96</u>	<u>473.71</u>

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Source: City of Kirkland Finance and Administration Financial Planning

Schedule 20

City of Kirkland

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety - Police										
Calls for Service	*	50,915	54,706	54,735	57,026	53,238	43,120	53,215	56,986	58,499
Public Safety - Fire										
Calls for Service (aid and fire)	6,373	6,568	7,000	7,151	7,175	7,335	7,195	8,109	7,255	7,256
Average EMS Reponse (minutes)	4:28	4:24	5:45	5:28	5:09	5:11	5:17	5:21	5:30	5:27
Average Fire Response (minutes)	5:07	5:05	6:40	5:56	5:53	5:58	5:53	6:02	5:59	5:47
Culture and Recreation										
Adult Program Registrations	*	1,887	3,367	4,466	4,546	3,868	4,621	4,484	4,675	3,894
Preschool Program Registrations	*	2,250	2,562	2,488	2,654	3,131	3,436	3,520	3,467	3,516
Youth Program Registrations	*	3,619	4,141	4,045	3,924	4,180	4,553	4,639	4,526	4,610
Teen Program Registrations	*	113	54	56	155	210	134	140	93	130
Parent/Child Program Registrations	*	176	182	224	167	180	348	484	392	372
Senior Program Registrations	*	*	2,449	4,114	4,090	3,777	5,010	4,858	4,833	4,065
Physical Environment										
Street Hot Patching (hours)	5,616	6,336	5,377	5,283	4,632	4,924	5,261	4,127	4,469	4,650
Street Signal Maintenance (hours)	2,140	2,932	2,927	2,874	2,356	2,645	2,976	2,685	2,546	2,723
Street Sweeping (hours)	2,285	1,520	2,008	1,703	1,931	1,824	2,016	2,177	2,001	1,959
Number of Sewer Customers	8,567	8,723	8,843	8,971	9,103	9,276	9,420	9,580	9,771	9,923
Number of Water Customers	10,962	11,090	11,197	11,265	11,376	11,452	11,534	11,648	11,849	11,955
Average Daily Water Consumption (million gallons)	6.00	6.00	5.80	5.80	5.21	6.20	5.72	6.60	5.80	6.30

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* Data not available

Sources: City of Kirkland Police; Fire; Public Works; Parks and Community Services

Schedule 21

City of Kirkland

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	*	5.1	6.2	6.4	6.4	7.1	6.5	6.6	6.8	6.5
Public Safety - Fire										
Stations (full-time staffed)	5	5	5	5	5	5	5	5	6	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks Acreage	403	403	403	450	480	512	525	510	515	517
Parks (developed)	30	30	30	30	32	32	32	33	33	33
Parks (undeveloped)	2	2	2	2	5	5	5	7	7	7
Waterfront Footage	12,000	12,000	12,000	12,000	13,200	13,200	13,200	13,200	13,200	13,270
Miles of Improved Park Trails	4.6	4.6	4.6	4.6	4.6	5.0	5.0	5.5	5.5	5.5
Miles of Unimproved Park Trails	4.2	4.2	4.2	4.2	4.2	4.0	4.0	4.0	4.0	4.0
Community Centers	1	1	1	1	1	1	1	2	2	2
Physical Environment										
Water Mains (miles)	162	162	162	162	162	163	166	166	166	167
Sanitary Sewers (miles)	*	*	100	100	100	115	116	116	117	119
Streets (miles)	146	146	146	146	146	148	149	149	149	148
Sidewalks (miles)	118	118	118	118	118	134	134	136	138	139

* Data not available

Sources: City of Kirkland Police; Fire; Public Works; Parks and Community Services