

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,

2013



THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

# Comprehensive Annual Financial Report



**For the Fiscal Year Ended December 31, 2013**

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Director of Finance and Administration

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Cover Design and Layout by



**City of Kirkland, Washington  
Comprehensive Annual Financial Report  
For the Year ended December 31, 2013**

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## Introductory Section



Government Finance Officers Association

**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, 2012**

Executive Director/CEO

# CITY OF KIRKLAND

## CITY COUNCIL

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Mayor .....	Joan McBride
Deputy Mayor .....	Doreen Marchione
Council Members .....	Shelley Kloba Penny Sweet Toby Nixon Amy Whalen Dave Asher

## ADMINISTRATIVE STAFF

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### CITY MANAGER'S OFFICE

City Manager .....	Kurt Triplett
Deputy City Manager .....	Marilynne Beard

### MUNICIPAL COURT

Judge.....	Michael Lambo
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### CITY ATTORNEY'S OFFICE

City Attorney .....	Robin Jenkinson
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### FINANCE AND ADMINISTRATION

Director.....	Tracey Dunlap
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### FIRE AND BUILDING

Fire Chief .....	Kevin Nalder
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### HUMAN RESOURCES & PERFORMANCE MANAGEMENT

Director.....	James Lopez
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### INFORMATION TECHNOLOGY

Chief Information Officer.....	Brenda Cooper
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### PARKS & COMMUNITY SERVICES

Director.....	Jennifer Schroder
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### PLANNING & COMMUNITY DEVELOPMENT

Director.....	Eric Shields
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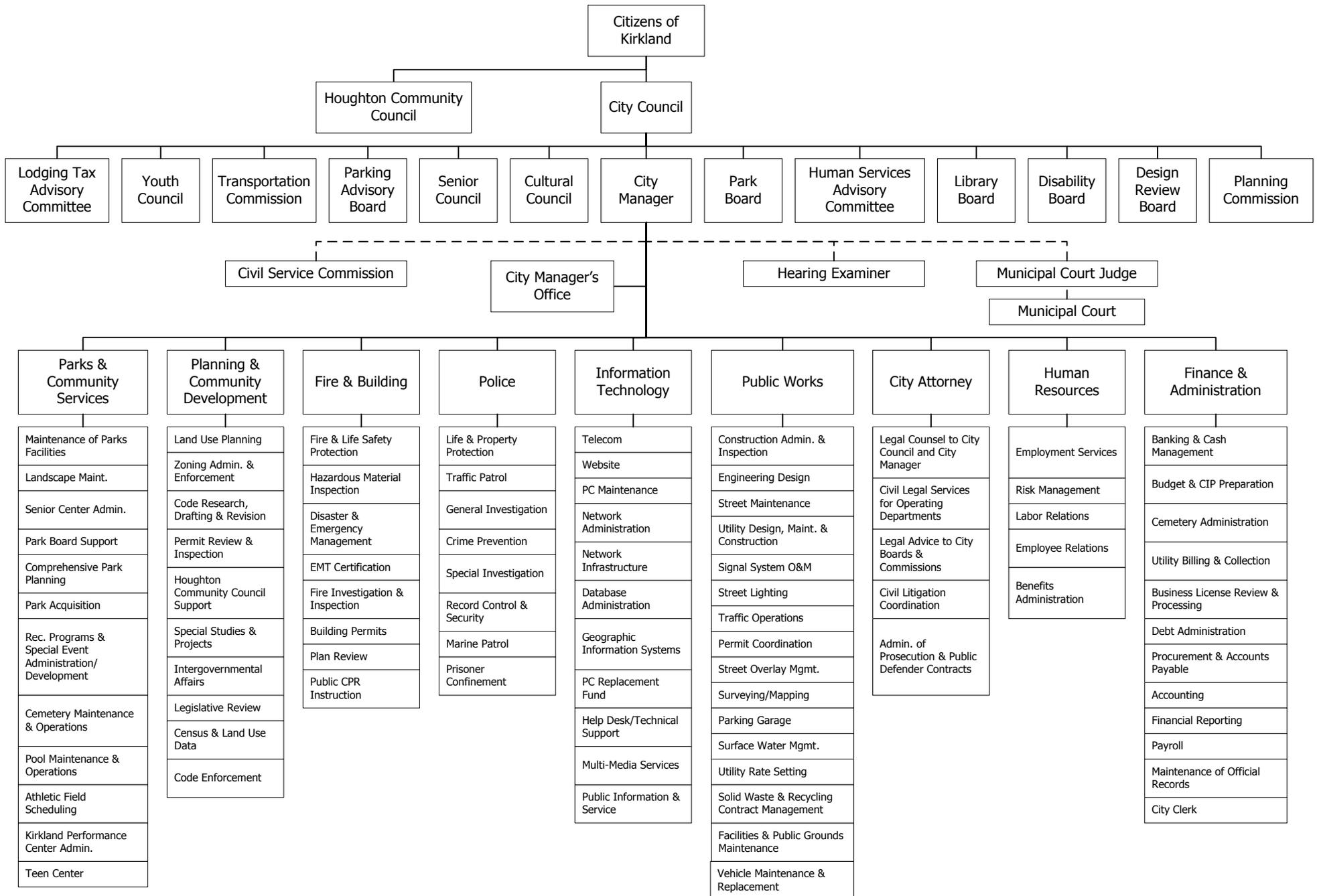
### POLICE

Police Chief .....	Eric Olsen
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### PUBLIC WORKS

Interim Director .....	Pam Bissonnette
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# CITY OF KIRKLAND





June 20, 2014

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, 2013.

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 has been 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, 2013. 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. The 2013 estimated population is 81,730, making Kirkland the thirteenth largest city in the State of Washington and the sixth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eighteen square miles. This growth occurred primarily through the consolidation of the cities of Houghton and Kirkland in 1968, the annexations of Rose Hill and Juanita in 1988, and the annexation of the Juanita, Finn Hill, and Kingsgate neighborhoods in 2011.

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. In 2013, the City boasted forty five 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 Washington State economy continued to expand in 2013, according to the Washington State Economic and Revenue Forecast Council. Kirkland's unemployment rate in December 2013 was 4.1 percent, below the King County rate of 4.7 percent and Washington State and national rate of 6.7 percent. In addition, Kirkland's office vacancy rate was 8.1 percent, almost half the Puget Sound average of 15.1 percent. Development activity in Kirkland is continuing to recover, with major projects occurring throughout the City.

Additional discussion of economic factors can be found in the Management Discussion and Analysis.

### **Long Term Financial Planning**

Starting in 2013, Kirkland leaders have been engaging with citizens in a conversation about the City's future, a process the City is calling Kirkland 2035. This process is expected to be complete in 2015. Neighbors, business owners, community groups and students are participating in important conversations about land use, transportation, parks, open space and other vital services. Updating Kirkland's Comprehensive Plan, incorporating the neighborhoods annexed in 2011, is a central part of this effort. The Comprehensive Plan is a requirement of the Growth Management Act (GMA) and looks toward a 20-year horizon for Kirkland. Its core purpose is to help define—through goals, objectives and policies—how Kirkland should best manage traffic, accommodate forecasted household and job growth, and provide open space and recreational opportunities and other vital services. In addition to updating the core element chapters of the Comprehensive Plan, the City is developing new long-range plans for transportation, parks, recreation, and open spaces, the City's utilities, the Cross Kirkland Corridor, and other major capital projects. These plans, along with recently completed efforts like the Fire Strategic Plan, will form the basis for long-term financial planning into the future. As has been the case in the past, the plans are expected to identify needs that the City may not be able to fully implement because financial resources and staff continue to be constrained.

The fundamental challenge for many jurisdictions in Washington, including Kirkland, is the ongoing ability for revenue growth to keep pace with the cost of doing business. 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 and the economic conditions. To help address this structural imbalance, voters approved property tax increases in 2012 to help fund enhanced levels of service in roads and parks. The City is also continuing to develop partnership initiatives with employees to achieve sustainability of wages and benefits to further its goal of financial stability. While these approaches help maintain financial stability, the City's financial picture remains and will continue to be a primary topic for evaluation and decision-making looking forward.

Sales tax performance improved in 2013 over 2012 due to improved economic conditions. An important part of the financial plan for the 2011 annexation continues to be the ten-year State annexation sales tax credit, which is expected to generate at least \$3.4 million per year for the City for the first ten years following the annexation effective date. The City has already taken several financial actions that will help offset the impact of the expiration of the annexation sales tax credit in 2021 and has begun discussions to plan for how to fully fund the final gap.

Developing ongoing business activity is critical to ensure the City's financial health. Construction is underway to double the size of Google's campus in Kirkland, creating room to hire 1,000 more employees. In addition, opportunities for redevelopment of Totem Lake Mall and Park Place appear to be gaining momentum. The City continues to pursue economic development opportunities, focusing on adding to its high technology employment base. The City's focus on economic development is discussed further under "Major Initiatives" below.

### **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. During economic downturns, specific reserve elements are available to help bridge revenue declines, as has been the case in the past few years. As economic conditions improve, the replenishment of reserves is a high priority and the 2013-2014 budget continues the replenishment of reserves that began in the 2011-2012 budget. The City maintained its AAA credit rating as a result of its financial policies and practices, reserves, and the strength of the local economy and related demographics.

### **Major Initiatives**

The City Council's adopted work program for the 2013-2014 biennium contains a number of major initiatives related to the City's priority goals, including:

- Revitalize the Totem Lake Business District through continued implementation of the Totem Lake Action Plan to further the goals of Financial Stability and Economic Development;
- Partner with the private sector to attract tenants to Kirkland's major business districts to further the goal of Economic Development;
- Reenergize neighborhoods through partnerships on capital project implementation and plan updates while clarifying neighborhood roles in future planning and transportation efforts to further the goal of Neighborhoods;
- Complete the Comprehensive Plan update and incorporate new neighborhoods into all planning documents to further the goals of Balanced Transportation, Parks and Recreation, Diverse Housing, Economic Development, Dependable Infrastructure and Neighborhoods;
- Implement the Development Services Organizational Review recommendations and simplify the Zoning Code to further the goals of Economic Development and Neighborhoods;
- Develop a City-wide Multimodal Transportation Master Plan to further the goals of Economic Development Neighborhoods, Balanced Transportation, and Dependable Infrastructure;

- Achieve Kirkland's adopted legislative agendas, with emphasis on securing transportation revenues and funding for the NE 132nd Street ramps to I-405 to further the goals of Balanced Transportation and Dependable Infrastructure;
- Complete the Cross Kirkland Corridor Master Plan and construction of the Interim Trail to further the goals of Economic Development, Parks, Neighborhoods and Balanced Transportation;
- Develop a cost effective 2015-2016 Budget that maintains Kirkland's AAA credit rating and implements an improved performance management system that delivers desired outcomes to further the goal of Financial Stability;
- Continue partnership initiatives with employees to achieve sustainability of wages and benefits to further the goal of Financial Stability;
- Complete construction and occupy the Kirkland Justice Center to further the goal of Public Safety;
- Continue implementation of the Fire Strategic Plan recommendations, including evaluation of a Regional Fire Authority and resolution of a consolidated Finn Hill Fire Station to further the goal of Public Safety.
- Partner with the Lake Washington School District and other interested public and private organizations to explore options for replacing the Juanita Aquatic Center by 2017 to further the goals of Parks and Recreation.

### **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, 2012. This was the ninth 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 has received the **GFOA Distinguished Budget Presentation Award for the 2013-2014 Budget** (the thirteenth time the City has received this award), the **Association of Public Treasurers of the United States and Canada Certification of Excellence** for its Debt Policy, and the **Certification of Excellence from the Washington Municipal Treasurer's Association** for its Investment Policy.

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. Further, the results reflect the City Council's continued leadership and support of strong fiscal planning and conducting the financial operations of the City in a prudent, safe, and responsible manner.

Respectfully submitted,

  
Kurt Triplett  
City Manager

  
Tracey Dunlap  
Director of Finance and Administration



## Financial Section



# Washington State Auditor Troy Kelley

## INDEPENDENT AUDITOR'S REPORT

June 20, 2014

Mayor and City Council  
City of Kirkland  
Kirkland, Washington

### ***REPORT ON FINANCIAL STATEMENTS***

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

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

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Excise Tax Capital Improvement Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 31, pension trust fund information and information on postemployment benefits other than pensions on page 104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 106 through 132 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we will also issue our report dated June 20, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in black ink and is positioned above the typed name.

**TROY KELLEY**  
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, 2013. 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 assets and deferred outflows of resources of the City of Kirkland exceeded its liabilities at the close of the most recent fiscal year by \$1.062 billion. Of this amount, \$919.6 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$34.2 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$108.5 million that is unrestricted net position and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$25.2 million in 2013. The increase in Business-type activities was \$6.96 million, while the Governmental activities increased by \$18.2 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$82.1 million, a decrease of \$9.4 million compared to the prior year, due to the use of bond proceeds. Over \$29 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$4 million has been committed for specific purposes by the City Council, and another \$31.7 million has been designated by the City Manager for assigned activities. Almost \$17 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$46.5 million.

### Overview of the Financial Statements

This section of 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, health benefits, 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 position** presents information on all of the City of Kirkland's assets, liabilities, and deferred inflows/outflows of resources, highlighting the difference between the two as *net position*. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position 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 position 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 eleven individual governmental funds. The City's four major governmental funds—the general fund, the excise tax capital improvement fund, the general capital projects fund, and the transportation 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 *non-major 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. Two funds are required to be tracked separately by State Statute, Street and Contingency Funds, but are consolidated for financial reporting. They are budgeted at the fund level to capture the activity as required. Budgetary comparison statements are presented for the general and excise tax improvement fund in the Basic Financial Statements section of this report. Budgetary comparison schedules for the other budgeted 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, management of information systems, self insured health benefits, and maintenance of City facilities. 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 position.

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 Position

The statement of net position can serve as a useful indicator of the city's financial position. The City of Kirkland's assets and deferred outflows of resources exceeded liabilities and inflows of resources by \$1,062,324,583 at December 31, 2013. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2013 to 2012.

#### **City of Kirkland's Net Position (in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$119.85	\$122.34	\$51.09	\$47.61	\$170.94	\$169.95
Capital assets, net of accumulated depreciation	813.93	796.01	144.71	141.43	958.64	937.44
Total assets	933.78	918.35	195.80	189.04	1,129.58	1,107.39
Total deferred outflows of resources	0.34	0.36	-	-	0.34	0.36
Long-term liabilities	45.65	47.46	1.46	2.25	47.11	49.71
Other liabilities	14.20	11.22	6.12	5.54	20.32	16.76
Total liabilities	59.85	58.68	7.58	7.79	67.43	66.47
Total deferred inflows of resources	0.16	0.18	-	-	0.16	0.18
Net position:						
Net investment in capital assets	777.12	776.31	142.46	138.36	919.58	914.67
Restricted	33.72	51.72	0.48	0.49	34.20	52.21
Unrestricted	63.27	31.82	45.27	42.40	108.54	74.22
Total net position	\$874.11	\$859.85	\$188.21	\$181.25	\$1,062.32	\$1,041.10

As of the end of 2013, the largest component of the City's total assets at \$919.6 million, or 87 percent, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer and surface water 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 \$34 million of the City's net position is subject to restrictions. The largest balance of restricted funds are for capital improvements. A total of \$16.6 million is a combination of funding within two Capital Projects funds and Excise Tax funds for a variety of capital projects for all functions of the government. Additionally, the restricted Public Safety funds of \$8.7 million are a combination of \$3.5 million in unspent bond proceeds for a public safety facility scheduled to be complete in mid-2014 and \$4 million for a consolidated fire station project. The majority of the \$3 million restriction for the general government is the City's Contingency Fund that is required by Washington State Statute but is consolidated for annual reporting. Additionally, restricted assets include \$4.7 million for park impact fees and levy funds, \$0.8 million in bond funds and \$0.3 million in lodging taxes reserved for tourism related activities.

The remaining \$108 million balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$45.3 million pertains to the City's business-type activities, which may only 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 reservoirs), storm drain flushing, water meter reading, and utility capital construction projects. The \$63.2 million balance in unrestricted net position relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, health benefits 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 position for the government as a whole as well as for the separate governmental and business-type activities. The same was true for the prior fiscal year.

### **Changes in Net Position**

The changes in net position table on the following page illustrates the increases or decreases in net position of the City resulting from operating activities. Overall, the City of Kirkland's net position increased about \$25.2 million in 2013. General revenue increases in sales tax, property tax, utility tax and excise tax are \$9.5 million of the increase. The City had over \$7.6 million in grants and contributions related to transportation activities during the year which added to the total increase in Net Position for governmental activities. Business activities recognized a \$6.9 million increase to Net Position. A breakdown of the 2013 increase in Net Position by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues on the next several pages.

**City of Kirkland's Changes in Net Position (in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$22.46	\$19.54	\$50.43	\$42.32	\$72.89	\$61.86
Operating grants and contributions	2.01	2.39	0.28	0.28	2.29	2.67
Capital grants and contributions	6.52	4.60	3.29	2.19	9.81	6.79
General revenues:						
Sales taxes	22.78	20.81	-	-	22.78	20.81
Property taxes	26.62	21.44	-	-	26.62	21.44
Utility taxes	15.06	14.14	-	-	15.06	14.14
Excise taxes	6.90	5.43	-	-	6.90	5.43
Business Taxes	2.48	2.37	-	-	2.48	2.37
Other taxes	2.19	2.77	-	-	2.19	2.77
Investment earnings	0.05	0.60	0.06	0.25	0.11	0.85
Miscellaneous*	0.22	0.15	-	-	0.22	0.15
<b>Total revenues</b>	<b>107.29</b>	<b>94.24</b>	<b>54.06</b>	<b>45.04</b>	<b>161.35</b>	<b>139.28</b>
<b>Expenses:</b>						
General government	5.60	4.99	-	-	5.60	4.99
Judicial	2.25	2.15	-	-	2.25	2.15
Security of Persons and Property	44.50	41.38	-	-	44.50	41.38
Physical environment	1.32	2.09	-	-	1.32	2.09
Transportation	17.06	10.62	-	-	17.06	10.62
Human services	1.33	1.25	-	-	1.33	1.25
Economic environment	6.35	5.48	-	-	6.35	5.48
Culture and recreation	9.15	7.84	-	-	9.15	7.84
Interest on long-term debt	2.13	2.24	-	-	2.13	2.24
Water/sewer	-	-	23.68	19.45	23.68	19.45
Surface water	-	-	6.83	5.80	6.83	5.80
Solid waste	-	-	16.00	13.19	16.00	13.19
<b>Total expenses</b>	<b>89.69</b>	<b>78.04</b>	<b>46.51</b>	<b>38.44</b>	<b>136.20</b>	<b>116.48</b>
Increase (decrease) in net position before transfers	17.60	16.20	7.55	6.60	25.15	22.80
Transfers	0.59	0.86	(0.59)	(0.86)	0.00	0.00
Increase (decrease) in net position	18.19	17.06	6.96	5.74	25.15	22.80
Net position at beginning of year	859.85	842.79	181.25	175.51	1041.10	1018.30
Prior period adjustment (Note 16)	(3.93)	-	-	-	(3.93)	-
<b>Net position at end of year</b>	<b>\$874.11</b>	<b>\$859.85</b>	<b>\$188.21</b>	<b>\$181.25</b>	<b>\$1,062.32</b>	<b>\$1,041.10</b>

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

**Governmental activities** net position increased by over \$18 million in 2013. This change was predominantly due to tax revenue increases, including two voter approved levy lid lifts, charges for services increases and grant revenues.

Expenses:

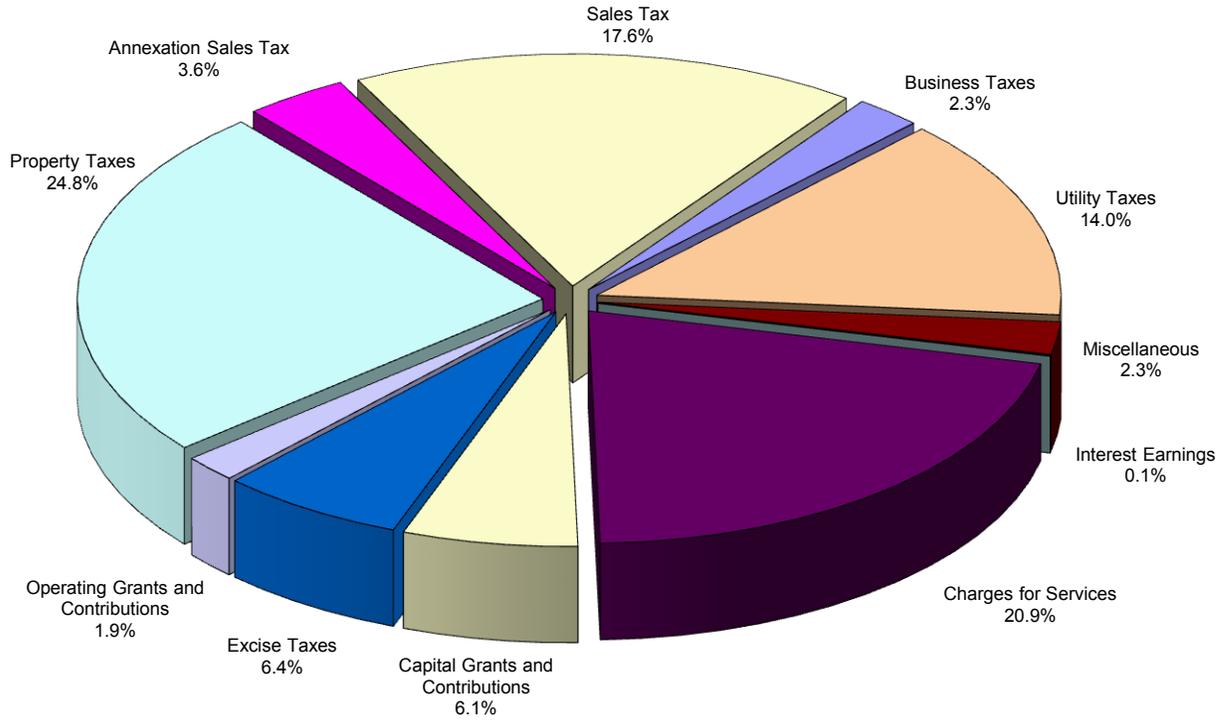
- Overall, governmental expenses increased by 15% due largely to economic factors and internal accounting.
  - Security of Persons and Property incurred an increase of over \$3 million. This increase was driven partially by a three year contract settlement with IAFF creating retroactive wage payments. In addition, the police department used position vacancy savings to fund a firing range in the new Justice Center that is currently under construction. Historically the police department under expends due to position vacancies.
  - Transportation related costs increased by over \$6 million in 2013. Now that the City is serving an additional 30,000 residents following the 2011 annexation, street preservation costs are on the rise. The 2012 Street Levy is also a catalyst in transportation spending. Following annexation the City acquired \$89 million in infrastructure assets that are now being depreciated. About \$4 million of the expenses are related to annexation infrastructure depreciation.
  - The \$874,000 increase in Economic Environment is related to an increase in services related to permitting.
  - The increase in Culture and Recreation spending is related to the 2012 Parks Levy. The levy is providing additional funding for park maintenance and parks capital projects.

Revenues:

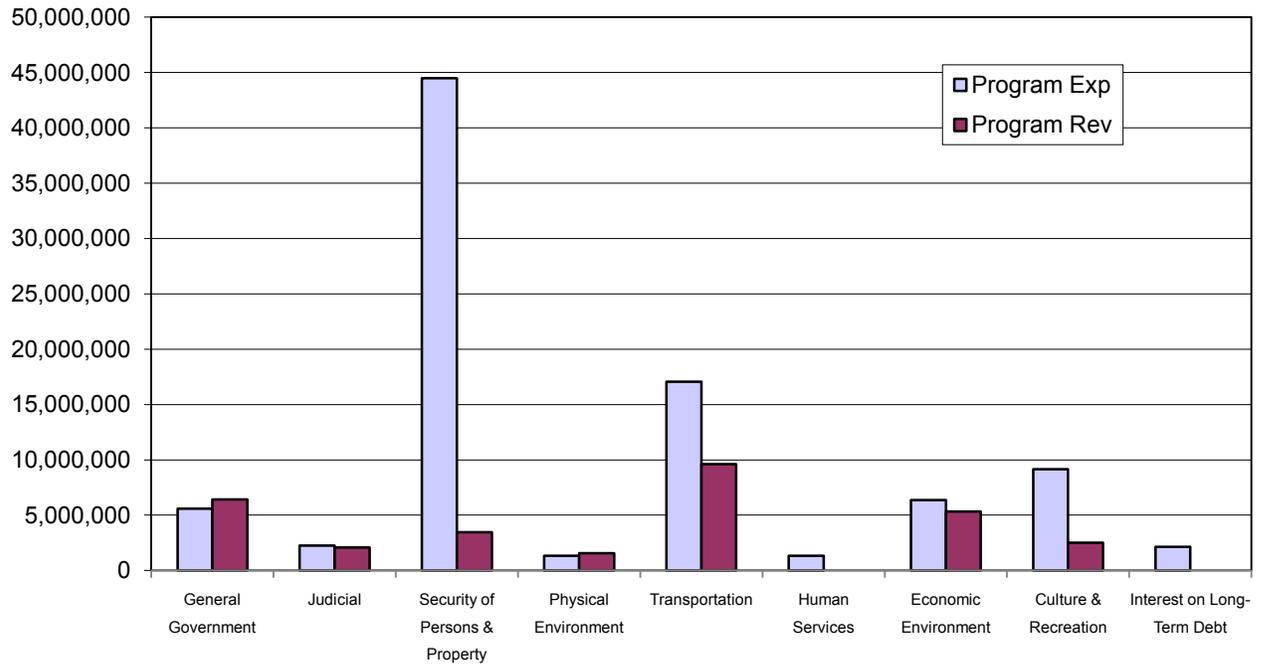
- Charges for services revenue had an increase of \$2.9 million from 2012 to 2013. A variety of factors influenced the change.
  - Development related fees had another strong year in 2013. The \$700,000 increase is largely due to further economic stabilization within the City. A portion of this additional revenue has been set aside as much of the permitting work will occur in subsequent years.
  - The increase in development activity resulted in additional impact fees collected for transportation and parks projects, as well as street and curb permits.
  - Public Safety related revenue had a modest increase primarily due to additional parking infraction fines as a result of full staffing in parking enforcement, and a rise in emergency transport fees.

- Operating Grants and Contributions decreased slightly in 2013 (a modest \$379,000 compared to 2012).
  - The largest operating contribution still remains functionally related to transportation. The Motor Vehicle Fuel Tax is roughly 85% of this revenue category.
  - Federal, state, and local grants are the lesser part of Operating Grants and Contributions. Many of these amounts are somewhat stable from year to year and enhance the City's ability to consistently provide services. The Department of Justice provides funding for bulletproof vests, emergency management, and tactical gear. Both federal and state Transportation Departments provide funding for DUI patrols, highway safety programs, community policing programs, and pedestrian awareness.
  
- Capital Grants and Contributions increased by almost \$2 million in 2013. Generally, these types of revenues are related to transportation projects and are funded from a variety of sources.
  - Capital grants from the Federal and State Department of Transportation exceeded \$1.3 million in 2013. These funds were used on a variety of projects enhancing commuter participation, school walk routes, sidewalks, bicycle lanes, and an Intelligent Transportation System project that began in 2012.
  - The City received over \$1 million from the Washington State Department of Commerce for improvements to the "Cross Kirkland Corridor" rail right-of-way that stretches 5.7 miles through the City. The corridor is a future connection for the City to enhance sustainability for transit, business, and residents of Kirkland.
  - Developer contributions were \$2.5 million in 2013 and another \$1.0 million in local funding from the Transportation Improvement Board and Sound Transit was received for other transportation related capital projects.
  
- The City's general revenues reflect an increase of 12% from 2012 to 2013.
  - Property tax receipts increased by over \$5 million when compared to 2012 due to new Parks and Streets Levies.
  - Sales tax including the State Annexation Sales Credit which expires in 2021, had a noticeable increase of almost \$2 million. This increase was concentrated in services and vehicle sales.
  - Real Estate Excise taxes had an increase of \$1.5 million.

### Revenues by Source - Governmental Activities



### Program Expenses vs. Program Revenues - Governmental Activities



**Business-type activities**, which relate to the City's utilities, had an increase in net position of \$6.9 million, primarily due to operating income of \$4.3 million and capital grants, developer contributions and connection charges of \$3.3 million.

Water/sewer operating revenues increased by \$4.0 million compared to the prior year. \$2.9 million of this increase is due to City's Utility Tax collections being included in operating revenues beginning in 2013. There is a corresponding operating expense. The remaining increase was primarily the result of a 6.7 percent sewer rate increase and a 3.4 percent water rate increase.

Surface Water operating revenues increased by \$0.45 million primarily due to the inclusion of City Utility Tax in operating revenues.

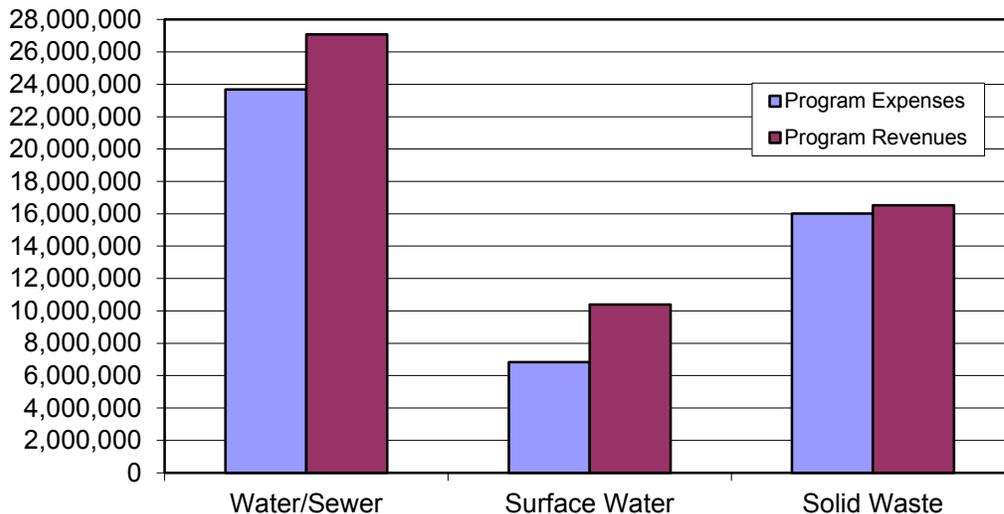
Solid Waste operating revenues increased by \$3.6 million due to \$1.7 million of City Utility Tax collections and a 13 percent rate increase. The rate increase can be attributed to residential annexation customers changing service levels at higher than anticipated rates in 2012 and increased charges from King County and Waste Management.

Capital contributions comprised of utility connection charges, developer infrastructure contributions, and capital grants totaled \$3.29 million for 2013. Details for these amounts are shown below:

	<u>Water</u>	<u>Sewer</u>	<u>Surface Water</u>	<u>Total</u>
2013 Connection Charges Collected	240,290	1,100,132	134,680	1,475,102
2013 Developer Infrastructure Contributions	379,740	280,680	558,900	1,219,320
2013 Capital Grants	-	-	598,101	598,101
	<u>\$620,030</u>	<u>\$ 1,380,812</u>	<u>\$ 1,291,681</u>	<u>\$ 3,292,523</u>

The infrastructure contributions detailed above represent 18 percent of the increase in net position. These increases are actually reflected as additions to capital assets for the utility functions and are presented in Note 5 of this report.

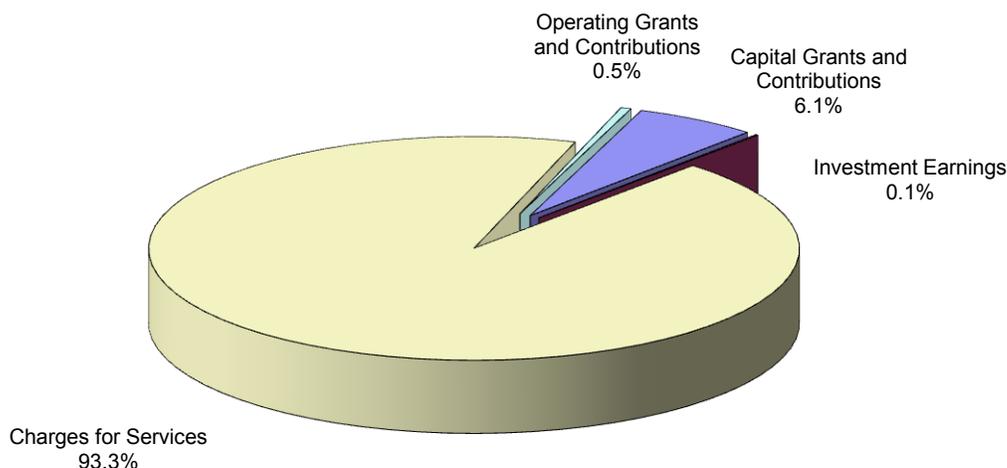
### Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2013 utility net income (before capital contributions and transfers) was about \$4.3 million. The components are as follows:

Water/Sewer	\$1.5 million
Surface Water	\$2.3 million
Solid Waste	\$0.5 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 inflows, outflows, and balances of spendable resources. 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 year end.

At the end of the current year, the City's combined ending governmental fund balance was \$82.1 million, which represents a decrease of \$9.4 million, or 10 percent, from the prior year. Of the total ending fund balance, over \$29 million is restricted and subject to an external legal constraint. The construction costs related to the City's new Justice Center have expended reserved bond funds by \$18 million in 2013. Bond covenants restrict the remainder of the funds for the Justice Center and a consolidated fire station. Another \$11 million is restricted for transportation and parks projects that

are funded with real estate excise taxes, grants, and impact fees. The Excise Capital Improvement fund holds another \$10 million in excise taxes that have yet to be designated for specific projects but the funding is still restricted for that purpose. The committed fund balance of \$4 million has been constrained by the City Council for specific purposes. Several interlocal agreements commit funds for a regional jail, fire training, and other public safety purposes. The State of Washington requires the City to have a Contingency Fund. This fund balance of \$2.4 million is a separate fund for the City but activity is shown within the General Fund for reporting purposes. The assigned balance of \$32 million is remaining amounts that have been determined by the City Manager, Finance Director, or City Council direction to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end was \$4.5 million. The City has funds assigned to meet operating obligations for activities such as labor negotiations, development services activities, overtime costs, litigation, property acquisition, park enhancements, and medical retiree benefits. These amounts comprise \$15.5 million of the year end fund balance. The unassigned balance of \$16.6 million in the general fund consists of amounts not otherwise classified such as revenue stabilization, cost of living adjustment, and working capital. Technically, they are unrestricted, which means they are available for spending at the City's discretion. A significant portion of the unassigned balance is budgeted to fund reserve replenishments and additions, creation of equipment sinking funds, carryovers, and one-time service packages in the 2013-2014 biennium.

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 2013, the fund balance of the general fund was \$34.9 million, which represents an increase from the prior year of \$2.3 million.

General Fund revenues increased by 9% in 2013 due to higher than expected revenues from property tax (Street Levy Lid Lift), sales tax and development services fees.

General fund expenditures increased by \$4 million in 2013. When the consolidated funds are considered the change in expenditures can be isolated to only a few functions. Security of Persons and Property increased by \$2.2 million due to a labor contract settlement and a retroactive wage payment to IAFF members. Transportation expenditure increases were a response to higher spending thresholds due to a street levy passed in 2012. Economic Environment expenditures rose by over \$1 million in 2013. The increase in permit revenue has resulted in additional contract work for review services and internal overtime.

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 2013 was \$9.7 million. Even with almost \$4 million transferred to fund scheduled capital projects the fund had an increase in remaining fund balance of 49% over 2012. Excise tax receipts continue to rise, consistent with the economic improvement seen in other areas of the city.

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 other general revenue sources, grants, and restricted funds. The ending fund balance decreased significantly from the prior year. The City is in the process of exhausting unspent bond proceeds from the 2010 Build America Bonds on the construction of a new Justice Center that will be home to our Municipal Court and Police Department. The project spent almost \$20 million in 2013 and is scheduled to be completed in

2014. The ending fund balance decreased by over \$15.8 million in 2013, almost entirely due to this single large project.

The transportation capital projects fund accounts for transportation projects approved in the CIP, including those that are funded partially or wholly by grants from other governments. The fund balance at the end of 2013 was \$4.4 million, which is a decrease of just under \$1 million from 2012. Balances in both capital project funds vary 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 2013, there was a net increase of \$6.8 million in biennial general fund appropriations between the original adopted budget and the final amended budget. These amendments were necessitated by changes to actual revenues and actual expenditures (excluding the Street Operating Fund and Contingency Fund that are budgeted separately) within the general fund. Note that the figures cited are biennial amounts for 2013-2014 and that the budget is recorded on a cash basis.

Following are the major components of the changes:

- In 2013, fund balance was increased by \$3.5 million to recognize actual cash balances compared to the original budget as a result of under expenditures and positive revenue performance from the previous budget period. Funds were used to replenish General Fund reserves that had been used during the 2011-12 biennial budget and to fund expenditures in 2013 for unfinished projects and unpaid invoices from 2012.
- Development-related revenue exceeded budget expectations in 2013 and approximately \$1.3 million was recognized to fund staffing and other resources to address increased workload. Sales tax revenue received in 2013 also exceeded budget expectations and approximately \$1.14 million was recognized, funding several one-time projects and staffing needs in 2014.
- Grants and donations, primarily for police services, emergency preparedness, and cultural and human services, added about \$350,000 in revenue.
- Funding from the City's Capital Improvement Program of about \$115,000 primarily used for staff support for the CIP Outreach to the community for major projects and replacement of public safety operating equipment.
- Transfers of approximately \$400,000 from other operating funds provided funding for temporary staffing for Public Works administration, health benefits analysis, and a permanent position for utility billing.

The actual General Fund 2013 results on a cash basis varied from the final amended budget as follows:

- Actual 2013 General Fund revenues ended the year \$4.7 million over the budgeted level (\$82.8 million versus budget of \$78.1 million), primarily due to sales and utility taxes, business license fees, and development services-related revenue ending the year higher than budget.
- Actual 2013 General Fund expenditures ended the year about \$5.5 million under budget. About \$3.5 million is the result of postponing planned transfers for capital projects until they are needed, which is expected to occur in 2014. The balance is a combination of uncompleted projects and staffing vacancies.

## **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, 2013 amounts to \$958.6 million (net of accumulated depreciation), which represents a \$21.2 million increase from 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. More details about changes in capital assets are explained below.

Below are notable changes to capital assets that involve expenditures in the current year or the capitalization of projects that were in process for several years.

- \$20.2 million of Build America Bond funds were expended on renovations for the Kirkland Justice Center building and campus that will house the City's police department and municipal court in 2014. This project is ongoing and is part of the City's Construction In Process amount of \$45.3 million. Since the funding was debt related, the expenditures do not directly affect the net change in capital assets.
- \$7.3 million spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals, traffic calming projects, and utility undergrounding.
- Over \$1 million funded network infrastructure and storage projects. These upgrades replaced servers, security appliances, and other infrastructure capital that is essential to the City's connectivity and security network.
- \$2.8 million capitalized on water and sewer utility improvement projects, most of which were in previous year's construction in progress.
- \$4.6 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 2012 and 2013:

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$589.06	\$588.62	\$2.03	\$2.03	\$591.09	\$590.65
Buildings	26.70	27.62	-	-	26.70	27.62
Improvements other than buildings	19.96	12.18	132.99	132.32	152.95	144.50
Machinery and equipment	8.25	8.39	-	-	8.25	8.39
Infrastructure	123.03	129.49	-	-	123.03	129.49
Construction in progress	45.28	28.08	9.69	7.08	54.97	35.16
Artwork	1.65	1.63	-	-	1.65	1.63
Total	\$813.93	\$796.01	\$144.71	\$141.43	\$958.64	\$937.44

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

**Long-term Debt**

In October of 2013 the City issued \$4,670,000 in Unlimited Tax General Obligation Bonds refunding the outstanding 1995 and 2003 Unlimited Tax General Obligation Bonds. The refunding resulted in an economic gain of \$614,706. Additional details can be found in Note 9.

At the end of the current fiscal year, the City of Kirkland had total General Obligation bonded debt outstanding of \$44.29 million and other long-term debt of \$2.25 million. The total outstanding debt (expressed in millions of dollars) at the end of 2012 and 2013 is broken down between governmental and business-type activities as follows:

**City of Kirkland's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$44.29	\$46.71	-	-	\$44.29	\$46.71
Revenue Bonds	-	-	0.48	0.94	0.48	0.94
Public Works Trust Fund Loans	-	-	1.77	2.13	1.77	2.13
Total	\$44.29	\$46.71	\$2.25	\$3.07	\$46.54	\$49.78

On November 17, 2008, Standard and 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." On August 16, 2011, Standard and Poor's affirmed the City of Kirkland's AAA rating.

On April 23, 2010, Moody's Investors Service applied its Global Scale Rating to Kirkland's outstanding Unlimited Tax General Obligation Bonds, Limited Tax General Obligation Bonds, and Water/Sewer Revenue Bonds. On August 15, 2011 Moody's assigned a rating of Aa2 to City of Kirkland Washington Limited Tax General Obligation Bonds, 2011.

Moody's ratings for Kirkland are now as follows:

Unlimited Tax GO Bonds	Aa1
Limited Tax GO Bonds	Aa2
Water/Sewer Revenue Bonds	Aa2

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 2013 was \$14.2 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$1,056.8 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 Washington State economy continued to expand adding 9,500 new jobs in the fourth quarter of 2013, according to the February 2014 update from the Washington State Economic and Revenue Forecast Council. This number is 900 more than was expected in the November forecast. The forecast also includes estimates for state personal income through the third quarter of 2013. The current estimate is \$329.4 billion, which is higher than 2012 and is also higher than forecast in November 2013.

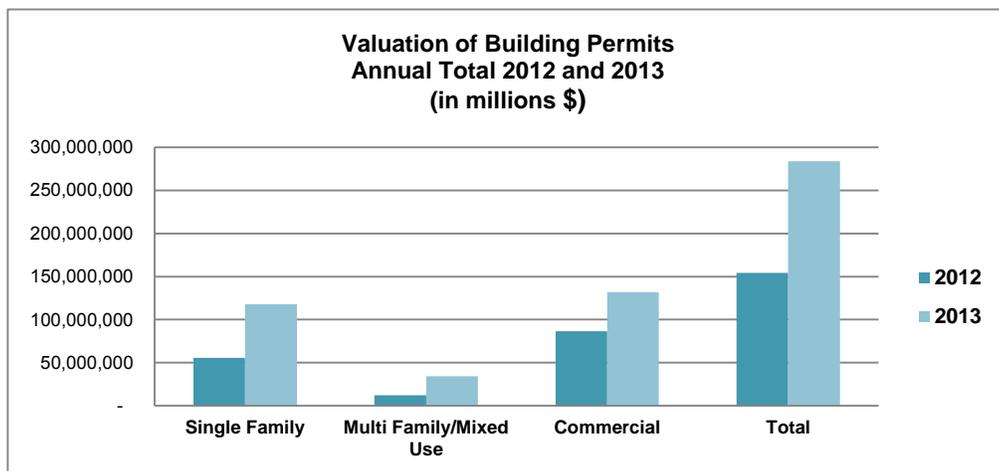
U.S. unemployment for December 2013 was 6.7 percent, which was the same as the seasonally adjusted rate for Washington State. These rates are down from 7.8 percent nationally and 7.4 percent in Washington in December 2012. Unemployment rates by month for the County, Washington State, and the United States are shown on the following table.

Month	King County	Washington	United States
December 2012	6.0%	7.4%	7.8%
January 2013	5.9%	7.3%	7.9%
February 2013	5.5%	7.2%	7.7%
March 2013	5.1%	7.1%	7.5%
April 2013	4.7%	7.1%	7.5%
May 2013	4.9%	7.0%	7.5%
June 2013	5.5%	7.0%	7.5%
July 2013	5.4%	7.0%	7.3%
August 2013	5.4%	7.0%	7.2%
September 2013	5.2%	6.9%	7.2%
October 2013	5.4%	6.8%	7.2%
November 2013	5.0%	6.8%	7.0%
December 2013	4.7%	6.7%	6.7%
<b>2013 Average</b>	<b>5.2%</b>	<b>7.0%</b>	<b>7.4%</b>
<b>2012 Average</b>	<b>6.8%</b>	<b>8.2%</b>	<b>8.1%</b>

Source: United States Department of Labor, Bureau of Labor Statistics

Local development activity, in terms of the valuation of the City's building permits for 2013, has risen significantly compared to 2012. This is illustrated in the chart below. Development activity has increased across the board, with the largest increase in dollar terms coming from single family

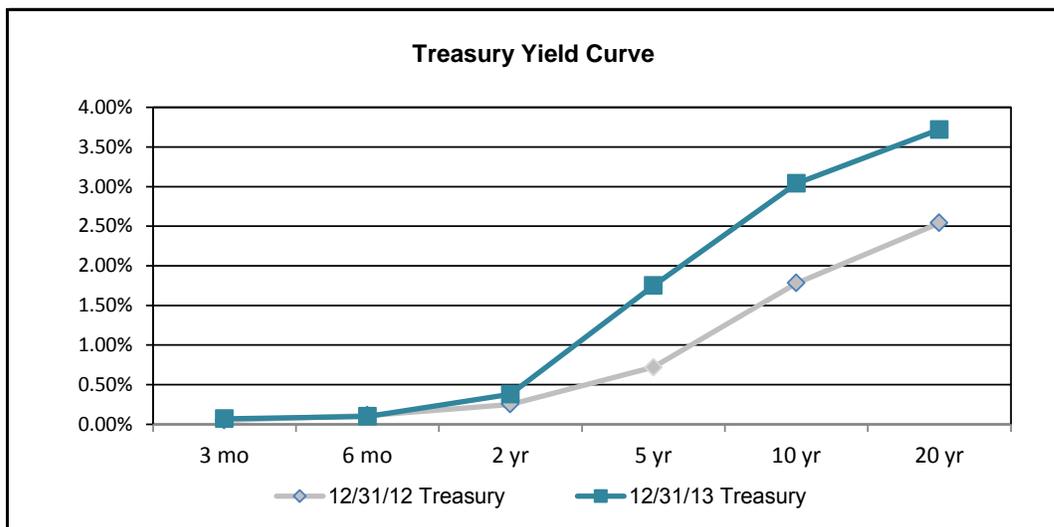
permits and the largest increase by percentage coming from multi-family/mixed use permits. Permit activity in the fourth quarter was lower overall than in the second and third quarter due to a decline in single family and commercial permits.



The national housing market appeared to slow in the fourth quarter of 2013. Housing units authorized by permits were 3.0 percent below their November level in December, according to the Washington State Economic and Revenue Council. Existing home sales were higher in December than in November, but this followed three consecutive months without growth. Locally the picture was better and Seattle area home prices had risen for twenty-one consecutive months, although prices were still 16.2 percent below their 2007 peak.

Inflation in the Seattle area remained low. In December 2013, the Seattle all items CPI was 1.3% higher than in the previous December compared to the 1.5% increase for the U.S. city average. Core inflation in Seattle was 1.3% compared to 1.7% for the nation.

Longer term Treasury yields increased slightly with the yield curve becoming steeper at the long end of the curve. The Fed Funds rate continued at 0.25 percent during the fourth quarter of 2013. Any changes to the Fed Funds rate are not anticipated to occur until 2016.



Sales tax receipts remained stable between the third and fourth quarter of 2013 after growing quickly during the first and second quarters. The high growth in year-over-year sales tax in earlier quarters was expected to slow since revenues had strengthened in the second half of 2012. Big ticket items, such as auto purchases and contracting services, continue to drive Kirkland's upward growth, although contracting growth slowed considerably in October and November, before rebounding in December 2013. Contracting, services and automobile/gas retail sectors contributed 64.0 percent of 2013's overall sales tax gains compared to 2012. All but two sectors in the City experienced growth in 2013.

### **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 & Administration, City of Kirkland, 123 Fifth Avenue, Kirkland, WA 98033-6189.

## Basic Financial Statements



City of Kirkland  
**Statement of Net Position**  
December 31, 2013

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	40,599,387	16,760,786	57,360,173
Investments (Note 3)	62,513,349	23,925,572	86,438,921
Accounts Receivable	11,839,736	9,975,021	21,814,757
Intergovernmental Receivable	2,563,417	276,210	2,839,627
Internal Balances	747,065	(747,065)	0
Inventories	57,863	416,633	474,496
Deposits	549,147	0	549,147
Revenue Bond Reserves	0	484,500	484,500
Negative Net Pension Obligation	982,842	0	982,842
Capital Assets (Note 5)			
Land and Artwork	590,705,300	2,025,871	592,731,171
Depreciable Capital Assets (net of accumulated depreciation)	54,915,167	132,992,851	187,908,018
Depreciable Infrastructure (net of accumulated depreciation)	123,034,250	0	123,034,250
Construction in Progress	45,275,696	9,686,332	54,962,028
<b>Total Assets</b>	<b>933,783,219</b>	<b>195,796,712</b>	<b>1,129,579,931</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	335,257	0	335,257
<b>Total deferred outflows of resources</b>	<b>335,257</b>	<b>0</b>	<b>335,257</b>

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

City of Kirkland  
**Statement of Net Position**  
December 31, 2013

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Accounts Payable and Other Accrued Liabilities	7,505,870	1,538,095	9,043,965
Intergovernmental Payable	435,138	1,359,705	1,794,843
Unearned Revenue	530,105	2,273,047	2,803,152
Accrued Interest Payable	174,496	6,708	181,204
Deposits Payable	649,180	17,001	666,181
Noncurrent Liabilities			
Due within one year	4,905,570	932,081	5,837,651
Due in more than one year	45,645,140	1,456,454	47,101,594
<b>Total Liabilities</b>	<b>59,845,499</b>	<b>7,583,091</b>	<b>67,428,590</b>
<b>Deferred Inflows of Resources</b>			
Deferred Charge on Refunding	162,015	0	162,015
<b>Total Deferred Inflows of Resources</b>	<b>162,015</b>	<b>0</b>	<b>162,015</b>
<b>Net Position</b>			
Net Investment in Capital Assets	777,116,200	142,458,066	919,574,266
Restricted for			
Tourism	320,838	0	320,838
Parks and Recreation	4,682,011	0	4,682,011
Public Safety	8,758,460	0	8,758,460
Capital Improvements	9,694,680	0	9,694,680
Transportation	6,922,674	0	6,922,674
Debt Service	324,473	484,500	808,973
General Government	3,021,311	0	3,021,311
Unrestricted	63,270,315	45,271,055	108,541,370
<b>Total Net Position</b>	<b>874,110,962</b>	<b>188,213,621</b>	<b>1,062,324,583</b>



City of Kirkland  
**Statement of Activities**  
For the fiscal year ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense/Revenue and Changes in Net Position)		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General Government	5,598,429	6,426,151	0	0	827,722	0	827,722
Judicial	2,254,173	2,077,796	17,097	0	(159,280)	0	(159,280)
Security of Persons and Property	44,501,316	3,122,082	178,494	146,128	(41,054,612)	0	(41,054,612)
Physical Environment	1,320,358	1,565,435	0	0	245,077	0	245,077
Transportation	17,060,710	2,066,637	1,709,071	5,850,772	(7,434,230)	0	(7,434,230)
Human Services	1,328,171	0	0	0	(1,328,171)	0	(1,328,171)
Economic Environment	6,351,765	5,278,298	45,594	0	(1,027,873)	0	(1,027,873)
Culture and Recreation	9,145,795	1,925,556	59,653	523,730	(6,636,856)	0	(6,636,856)
Interest on Long Term Debt	2,129,096	0	0	0	(2,129,096)	0	(2,129,096)
<b>Total Governmental Activities</b>	<b>89,689,813</b>	<b>22,461,955</b>	<b>2,009,909</b>	<b>6,520,630</b>	<b>(58,697,319)</b>	<b>0</b>	<b>(58,697,319)</b>
<b>Business Type Activities</b>							
Water/Sewer	23,680,956	25,091,105	0	2,000,842	0	3,410,991	3,410,991
Surface Water	6,827,829	8,952,552	145,620	1,291,681	0	3,562,024	3,562,024
Solid Waste	16,005,799	16,391,610	132,046	0	0	517,857	517,857
<b>Total Business Type Activities</b>	<b>46,514,584</b>	<b>50,435,267</b>	<b>277,666</b>	<b>3,292,523</b>	<b>0</b>	<b>7,490,872</b>	<b>7,490,872</b>
<b>Total Government</b>	<b>136,204,397</b>	<b>72,897,222</b>	<b>2,287,575</b>	<b>9,813,153</b>	<b>(58,697,319)</b>	<b>7,490,872</b>	<b>(51,206,447)</b>
<b>General Revenues</b>							
Sales Taxes					22,774,745	0	22,774,745
Property Taxes					26,617,501	0	26,617,501
Utility Taxes					15,062,187	0	15,062,187
Excise Taxes					6,896,100	0	6,896,100
Business Taxes					2,476,984	0	2,476,984
Other Taxes					2,195,147	0	2,195,147
Unrestricted Grants & Contributions					204,330	0	204,330
Investment Earnings					48,505	64,334	112,839
Gain on sale of capital assets					32,395	(3,585)	28,810
Transfers, internal activities					586,406	(586,406)	0
<b>Total General Revenues &amp; Transfers</b>					<b>76,894,300</b>	<b>(525,657)</b>	<b>76,368,643</b>
Change in net position					18,196,981	6,965,215	25,162,196
Net position at beginning of year					859,848,769	181,248,406	1,041,097,175
Prior Period Adjustment (Note 16)					(3,934,788)	0	(3,934,788)
<b>Net Position at end of year</b>					<b>874,110,962</b>	<b>188,213,621</b>	<b>1,062,324,583</b>

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

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2013

Page 1 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
<b>Assets</b>						
Current Assets						
Cash and Cash Equivalents	11,182,573	3,645,444	11,568,860	1,036,395	2,651,802	30,085,074
Investments	19,544,527	5,309,527	16,887,435	1,524,675	3,871,299	47,137,463
Receivables						
Taxes	6,603,501	739,709	0	0	103,042	7,446,252
Accounts	1,146,099	0	574	542,495	69	1,689,237
Due From Other Funds	763,918	0	0	0	0	763,918
Intergovernmental Receivable	135,676	0	321,551	2,056,513	0	2,513,740
Restricted Assets						
Deposits	549,147	0	0	0	0	549,147
<b>Total Assets</b>	<b>39,925,441</b>	<b>9,694,680</b>	<b>28,778,420</b>	<b>5,160,078</b>	<b>6,626,212</b>	<b>90,184,831</b>
<b>Liabilities</b>						
Accounts Payable	954,623	0	2,066,780	783,698	12,399	3,817,500
Wages Payable	2,468,363	0	0	0	59,657	2,528,020
Taxes Payable	99,213	0	0	0	0	99,213
Due to Other Funds	9,461	0	0	0	232	9,693
Intergovernmental Payable	405,654	0	0	4,362	3,506	413,522
Payable from Restricted Assets						
Deposits Payable	649,180	0	0	0	0	649,180
Unearned Revenue	99,984	0	0	0	0	99,984
Total Liabilities	4,686,478	0	2,066,780	788,060	75,794	7,617,112
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	359,716	0	0	0	70,405	430,121
Total Deferred Inflows of Resources	359,716	0	0	0	70,405	430,121
Fund Balances						
Restricted for						
Customer Deposits	549,147	0	0	0	0	549,147
Tourism	0	0	0	0	320,838	320,838
Debt Service	0	0	0	0	324,473	324,473
Drug Enforcement	52,786	0	0	0	0	52,786
Public Safety Facilities	0	0	7,143,766	0	0	7,143,766
Technology Projects	0	0	0	0	0	0
Transportation Projects	0	0	79,480	3,657,316	3,040,806	6,777,602
Parks and Recreation Projects	0	0	2,446,901	0	2,060,110	4,507,011
Capital Improvements	0	9,694,680	0	0	0	9,694,680

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2013

Page 2 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Committed for						
Fire Interlocals	41,389	0	1,225,681	0	0	1,267,070
Contingency Fund	2,426,425	0	0	0	0	2,426,425
Parks Interlocal	0	0	175,000	0	0	175,000
Regional Jail	294,838	0	0	0	0	294,838
Transportation Projects	0	0	0	145,072	0	145,072
General Government Activities	45,739	0	0	0	0	45,739
Assigned for						
Street Operating Fund	4,453,992	0	0	0	0	4,453,992
General Reserves	5,300,108	0	0	0	0	5,300,108
Public Safety Activities	1,456,158	0	0	0	0	1,456,158
Development Services	3,010,127	0	0	0	0	3,010,127
Parks and Recreation Activities	357,557	0	0	0	0	357,557
General Government Activities	243,491	0	0	0	0	243,491
Cemetery Operations	0	0	0	0	733,786	733,786
Capital Projects	0	0	15,640,812	569,630	0	16,210,442
Unassigned	16,647,490	0	0	0	0	16,647,490
<b>Total Fund Balances</b>	<b>34,879,247</b>	<b>9,694,680</b>	<b>26,711,640</b>	<b>4,372,018</b>	<b>6,480,013</b>	<b>82,137,598</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>39,925,441</b>	<b>9,694,680</b>	<b>28,778,420</b>	<b>5,160,078</b>	<b>6,626,212</b>	<b>90,184,831</b>

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	806,219,645
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	3,335,848
Long term liabilities are not due and payable in the current period and are not reported in the funds	(50,727,099)
Internal service funds are used by management to charge the costs of certain activities to individual funds	33,144,970
The assets and liabilities are included in governmental activities in the statement of net position	

**Net Position of governmental activities**

874,110,962

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, 2013

Page 1 of 2

	General Fund	Excise Capital Improvement
<b>Revenues</b>		
Taxes and Assessments	63,098,546	6,697,812
Licenses and Permits	7,937,997	0
Intergovernmental	2,882,619	0
Charges for Services	13,097,243	0
Fines and Forfeitures	2,171,989	0
Investment Interest	52,807	(1,859)
Miscellaneous Revenues	856,446	0
<b>Total Revenues</b>	<b>90,097,647</b>	<b>6,695,953</b>
<b>Expenditures</b>		
Current		
General Government	11,599,982	0
Security of Persons and Property	42,684,738	0
Physical Environment	3,183,777	0
Transportation	5,981,454	0
Economic Environment	7,675,568	0
Culture and Recreation	5,755,707	0
Debt Service		
Principal	0	0
Interest	0	0
Capital Outlay	127,847	0
<b>Total Expenditures</b>	<b>77,009,073</b>	<b>0</b>
<b>Excess (Deficiency) of revenues</b>		
Over (under) expenditures	13,088,574	6,695,953
<b>Other Financing Sources (Uses)</b>		
Refunding Bonds Issued	0	0
Payment to Refunded Bond Escrow Agent	0	0
Debt Issue Cost	0	0
Sale of Capital Assets	0	0
Insurance Recovery	146,091	0
Transfers In	572,072	482,822
Transfers Out	(11,523,490)	(3,983,832)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,805,327)</b>	<b>(3,501,010)</b>
<b>Net Change in Fund Balance</b>	<b>2,283,247</b>	<b>3,194,943</b>
<b>Fund Balances Beginning of Year</b>	<b>32,596,000</b>	<b>6,499,737</b>
<b>Fund Balances End of Year</b>	<b>34,879,247</b>	<b>9,694,680</b>

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, 2013

Page 2 of 2

General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
0	0	4,942,040	74,738,398
49,358	17,547	0	8,004,902
470,365	3,392,949	551,847	7,297,780
22,700	50,726	2,108,460	15,279,129
0	0	0	2,171,989
4,966	0	(2,135)	53,779
180,808	0	14,428	1,051,682
728,197	3,461,222	7,614,640	108,597,659
10,909	0	0	11,610,891
49,656	0	0	42,734,394
0	0	65,828	3,249,605
52,219	4,132,205	0	10,165,878
32,600	0	194,177	7,902,345
0	0	2,145,598	7,901,305
0	0	2,431,451	2,431,451
0	0	2,129,096	2,129,096
23,272,499	7,299,000	2,400	30,701,746
23,417,883	11,431,205	6,968,550	118,826,711
(22,689,686)	(7,969,983)	646,090	(10,229,052)
0	0	4,670,000	4,670,000
0	0	(4,655,000)	(4,655,000)
0	0	(32,500)	(32,500)
16,287	541,366	58,310	615,963
2,262	0	0	148,353
7,184,142	6,855,424	3,078,033	18,172,493
(342,583)	(374,193)	(1,888,998)	(18,113,096)
6,860,108	7,022,597	1,229,845	806,213
(15,829,578)	(947,386)	1,875,935	(9,422,839)
42,541,218	5,319,404	4,604,078	91,560,437
26,711,640	4,372,018	6,480,013	82,137,598

City of Kirkland  
**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities**

For the fiscal year ended December 31, 2013

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

Net change in fund balances for governmental funds (9,422,839)

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	30,701,746	
Depreciation	(9,846,126)	
Contributed Infrastructure	2,457,824	
CIP Closures	(1,291,936)	
	22,021,508	22,021,508

The issuance of long term debt is a resource and the repayment of bond principal, issuance costs and bond discounts are expenditures in governmental funds. These transactions affect liabilities in statement of net position.

Debt Retired	2,431,450	
Additional Bond Amount	(15,000)	
Bond (Premium) Discount	(9,227)	
	2,407,223	2,407,223

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		71,374
Change in Pension Asset		(40,512)
Bond Subsidy		(283)

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		(225,554)
Accrued Interest		4,992
Other Post Employment Benefit Obligation		(667,648)

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.

4,048,720

Change in net position of governmental activities 18,196,981

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 to Actual**  
 General Fund  
 For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	109,097,641	110,242,023	56,867,184	56,867,184	(53,374,839)
Licenses and Permits	12,936,530	13,179,524	7,642,826	7,642,826	(5,536,698)
Intergovernmental	2,290,953	2,523,996	1,115,520	1,115,520	(1,408,476)
Charges for Services	23,574,226	25,141,677	13,539,635	13,539,635	(11,602,042)
Fines and Forfeitures	3,816,924	3,858,924	2,167,476	2,167,476	(1,691,448)
Interest on Sales Tax Contract	120,000	120,000	79,235	79,235	(40,765)
Investment Interest - Dedicated	451,200	451,200	333,022	333,022	(118,178)
Contributions/Donations	44,800	61,800	63,908	63,908	2,108
Miscellaneous Revenues	820,321	820,321	563,081	563,081	(257,240)
<b>Total Revenues</b>	<b>153,152,595</b>	<b>156,399,465</b>	<b>82,371,887</b>	<b>82,371,887</b>	<b>(74,027,578)</b>
<b>Expenditures</b>					
Current					
General Government	20,334,421	21,456,942	10,490,900	10,490,900	10,966,042
Security of Persons and Property	95,485,629	98,115,967	47,590,155	47,590,155	50,525,812
Physical Environment	7,417,620	8,627,204	3,732,201	3,732,201	4,895,003
Transportation	1,075,602	1,195,655	550,041	550,041	645,614
Economic Environment	6,816,151	7,372,885	3,505,693	3,505,693	3,867,192
Human Services	2,751,944	2,993,756	1,316,085	1,316,085	1,677,671
Culture and Recreation	11,401,725	11,850,638	5,794,483	5,794,483	6,056,155
Capital Outlay	105,940	133,440	0	0	133,440
<b>Total Expenditures</b>	<b>145,389,032</b>	<b>151,746,487</b>	<b>72,979,558</b>	<b>72,979,558</b>	<b>78,766,929</b>
<b>Excess of revenues over expenditures</b>	<b>7,763,563</b>	<b>4,652,978</b>	<b>9,392,329</b>	<b>9,392,329</b>	<b>4,739,351</b>
<b>Other Financing Sources (Uses)</b>					
Insurance Recovery	0	16,944	29,771	29,771	12,827
Transfers In	587,763	672,331	402,008	402,008	(270,323)
Transfers Out	(11,650,568)	(15,170,506)	(8,035,883)	(8,035,883)	7,134,623
<b>Total Other Financing Sources (Uses)</b>	<b>(11,062,805)</b>	<b>(14,481,231)</b>	<b>(7,604,104)</b>	<b>(7,604,104)</b>	<b>6,877,127</b>
<b>Net Change in Fund Balance</b>	<b>(3,299,242)</b>	<b>(9,828,253)</b>	<b>1,788,225</b>	<b>1,788,225</b>	<b>11,616,478</b>
<b>Fund Balances Beginning of Year</b>	<b>17,886,480</b>	<b>21,345,779</b>	<b>21,345,779</b>	<b>21,345,779</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>14,587,238</b>	<b>11,517,526</b>	<b>23,134,004</b>	<b>23,134,004</b>	<b>11,616,478</b>

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 to Actual**

Excise Tax Capital Improvement Special Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	7,000,000	7,000,000	6,699,986	6,699,986	(300,014)
Investment Interest	84,012	84,012	46,628	46,628	(37,384)
<b>Total Revenues</b>	<b>7,084,012</b>	<b>7,084,012</b>	<b>6,746,614</b>	<b>6,746,614</b>	<b>(337,398)</b>
<b>Excess of revenues over expenditures</b>	<b>7,084,012</b>	<b>7,084,012</b>	<b>6,746,614</b>	<b>6,746,614</b>	<b>(337,398)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	482,822	482,822	482,822
Transfers Out	(6,020,162)	(7,382,243)	(3,983,832)	(3,983,832)	3,398,411
<b>Total Other Financing Sources (Uses)</b>	<b>(6,020,162)</b>	<b>(7,382,243)</b>	<b>(3,501,010)</b>	<b>(3,501,010)</b>	<b>3,881,233</b>
<b>Net Change in Fund Balance</b>	<b>1,063,850</b>	<b>(298,231)</b>	<b>3,245,604</b>	<b>3,245,604</b>	<b>3,543,835</b>
<b>Fund Balances Beginning of Year</b>	<b>5,513,163</b>	<b>5,762,774</b>	<b>5,762,774</b>	<b>5,762,774</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>6,577,013</b>	<b>5,464,543</b>	<b>9,008,378</b>	<b>9,008,378</b>	<b>3,543,835</b>

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

City of Kirkland  
**Statement of Net Position**  
 Proprietary Funds  
 December 31, 2013

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	10,155,971	6,311,026	293,789	16,760,786	10,514,313
Investments (Note 3)	14,316,471	9,181,949	427,152	23,925,572	15,375,886
Receivables					
Interest	191,244	0	0	191,244	0
Contracts	2,244,730	0	0	2,244,730	0
Accounts	4,389,194	187,887	2,940,439	7,517,520	696,453
Assessments	21,527	0	0	21,527	0
Intergovernmental Receivable	11,793	262,894	1,523	276,210	39,722
Due From Other Funds	17,654	0	0	17,654	0
Inventories	376,745	39,888	0	416,633	57,863
<b>Total Current Assets</b>	<b>31,725,329</b>	<b>15,983,644</b>	<b>3,662,903</b>	<b>51,371,876</b>	<b>26,684,237</b>
Noncurrent Assets					
Restricted Assets					
Revenue Bond Reserves	484,500	0	0	484,500	0
<b>Total Restricted Assets</b>	<b>484,500</b>	<b>0</b>	<b>0</b>	<b>484,500</b>	<b>0</b>
Capital Assets (Note 5)					
Land	47,784	1,978,087	0	2,025,871	0
Depreciable Capital Assets (Net)	83,657,277	49,335,574	0	132,992,851	7,710,768
Construction in Progress	2,804,143	6,882,189	0	9,686,332	0
<b>Total Capital Assets</b>	<b>86,509,204</b>	<b>58,195,850</b>	<b>0</b>	<b>144,705,054</b>	<b>7,710,768</b>
<b>Total Noncurrent Assets</b>	<b>86,993,704</b>	<b>58,195,850</b>	<b>0</b>	<b>145,189,554</b>	<b>7,710,768</b>
<b>Total Assets</b>	<b>118,719,033</b>	<b>74,179,494</b>	<b>3,662,903</b>	<b>196,561,430</b>	<b>34,395,005</b>

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

City of Kirkland  
**Statement of Net Position**  
 Proprietary Funds  
 December 31, 2013

Page 2 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	55,987	283,021	1,000,221	1,339,229	257,120
Claims Payable	0	0	0	0	601,895
Wages Payable	80,485	105,606	12,775	198,866	202,121
Compensated Absences Payable	64,202	43,900	5,136	113,238	128,098
Due to Other Funds	461,881	31,806	271,031	764,718	7,160
Intergovernmental Payable	975,897	61,851	321,957	1,359,705	21,616
Accrued Interest Payable	5,125	0	0	5,125	0
Unearned Revenue	2,273,047	0	0	2,273,047	0
Loans and Contracts Payable	343,843	0	0	343,843	0
Sub-total Current Liabilities	4,260,467	526,184	1,611,120	6,397,771	1,218,010
Current Liabilities Payable From Restricted Assets					
Deposits Payable	17,001	0	0	17,001	0
Accrued Interest Payable	1,583	0	0	1,583	0
Current Bond Principle Payable	475,000	0	0	475,000	0
Sub-total Current Liabilities Payable From Restricted Assets	493,584	0	0	493,584	0
Total Current Liabilities	4,754,051	526,184	1,611,120	6,891,355	1,218,010
Noncurrent Liabilities					
Compensated Absences Payable	16,050	10,975	1,284	28,309	32,025
Loans and Contracts Payable	1,428,145	0	0	1,428,145	0
Total Noncurrent Liabilities	1,444,195	10,975	1,284	1,456,454	32,025
<b>Total Liabilities</b>	<b>6,198,246</b>	<b>537,159</b>	<b>1,612,404</b>	<b>8,347,809</b>	<b>1,250,035</b>
<b>Net Position</b>					
Net Investment in Capital Assets	84,262,216	58,195,850	0	142,458,066	7,710,768
Restricted for					
Debt Service	484,500	0	0	484,500	0
Unrestricted	27,774,071	15,446,485	2,050,499	45,271,055	25,434,202
<b>Total Net Position</b>	<b>112,520,787</b>	<b>73,642,335</b>	<b>2,050,499</b>	<b>188,213,621</b>	<b>33,144,970</b>

City of Kirkland  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
Proprietary Funds  
For the fiscal year ended December 31, 2013

	Business-type Activities Enterprise Funds			Total	Governmental
	Water/Sewer	Surface Water	Solid Waste		Activities Internal Service Funds
<b>Operating Revenues</b>					
Intergovernmental	0	0	0	0	101,184
Charges for Services	24,733,565	8,931,064	16,341,610	50,006,239	21,511,027
Miscellaneous Revenues	357,540	21,488	50,000	429,028	314,541
<b>Total Operating Revenues</b>	<b>25,091,105</b>	<b>8,952,552</b>	<b>16,391,610</b>	<b>50,435,267</b>	<b>21,926,752</b>
<b>Operating Expenses</b>					
Administrative and General	2,907,225	3,150,555	925,099	6,982,879	10,937,916
Supplies	0	0	0	0	106,880
Maintenance and Operations	14,485,735	1,409,008	12,256,146	28,150,889	6,072,031
Taxes	3,786,806	844,627	2,686,234	7,317,667	0
Depreciation	2,462,774	1,244,836	0	3,707,610	1,591,501
<b>Total Operating expenses</b>	<b>23,642,540</b>	<b>6,649,026</b>	<b>15,867,479</b>	<b>46,159,045</b>	<b>18,708,328</b>
<b>Operating Income (Loss)</b>	<b>1,448,565</b>	<b>2,303,526</b>	<b>524,131</b>	<b>4,276,222</b>	<b>3,218,424</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	45,323	18,762	249	64,334	(5,274)
Grant Income	0	145,620	132,046	277,666	0
Interest Expense	(38,416)	0	0	(38,416)	0
Gain (Loss) on Disposal of Capital Assets	(722)	(2,863)	0	(3,585)	(42,202)
Other Nonoperating Revenues/(Expenses)	0	(178,803)	(138,320)	(317,123)	129,424
<b>Total Nonoperating revenues (expenses)</b>	<b>6,185</b>	<b>(17,284)</b>	<b>(6,025)</b>	<b>(17,124)</b>	<b>81,948</b>
<b>Income Before Contributions and Transfers</b>	<b>1,454,750</b>	<b>2,286,242</b>	<b>518,106</b>	<b>4,259,098</b>	<b>3,300,372</b>
<b>Capital Contributions</b>					
Contributions	2,000,842	1,291,681	0	3,292,523	24,493
Transfers In	0	19,046	0	19,046	1,394,266
Transfers Out	(190,000)	(115,452)	(300,000)	(605,452)	(670,411)
Change in Net Position	3,265,592	3,481,517	218,106	6,965,215	4,048,720
Total Net Position - Beginning	109,255,195	70,160,818	1,832,393	181,248,406	29,096,250
<b>Total Net Position - Ending</b>	<b>112,520,787</b>	<b>73,642,335</b>	<b>2,050,499</b>	<b>188,213,621</b>	<b>33,144,970</b>

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, 2013  
 Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
<b>Cash Flows From Operating Activities</b>					
Cash Received From Customers	24,486,370	8,963,767	15,388,975	48,839,112	0
Cash Received From Interfund Charges	0	0	0	0	11,389,427
Contributions Received from Employees and Employer	0	0	0	0	9,372,225
Cash From Other Sources	412,450	22,039	510,040	944,529	649,614
Cash Paid to Suppliers for Goods and Services	(13,293,875)	(840,242)	(12,266,471)	(26,400,588)	(10,425,098)
Cash Paid to Employees for Services	(1,920,834)	(2,167,732)	(289,535)	(4,378,101)	(4,835,345)
Cash Paid in Lieu of Taxes	(3,219,941)	(811,182)	(2,271,533)	(6,302,656)	0
Cash Paid for Central Business Functions	(2,232,660)	(1,482,018)	(572,617)	(4,287,295)	(1,823,483)
<b>Cash Provided by Operating Activities</b>	<b>4,231,510</b>	<b>3,684,632</b>	<b>498,859</b>	<b>8,415,001</b>	<b>4,327,340</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Proceeds From Federal, State, Local Grants	0	235,601	150,603	386,204	0
Deposits	4,291	0	0	4,291	0
Grant Administration Expenditures	0	(114,087)	(136,975)	(251,062)	0
Transfers In	0	19,046	0	19,046	1,394,266
Transfers Out	(190,000)	(115,452)	(300,000)	(605,452)	(670,411)
<b>Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(185,709)</b>	<b>25,108</b>	<b>(286,372)</b>	<b>(446,973)</b>	<b>723,855</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds From Project Cost Share	470	0	0	470	0
Capital Contributed	1,339,333	134,680	0	1,474,013	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	110,413
Proceeds From Capital Grants	0	350,214	0	350,214	0
Proceeds From Loans	26,843	0	0	26,843	0
Principal Payments on Notes, Capital Leases and Bonds	(847,178)	0	0	(847,178)	0
Interest Paid on Notes, Capital Leases and Bonds	(41,450)	0	0	(41,450)	0
Interest Received on Program Loans	56,250	0	0	56,250	0
Acquisition and Construction of Capital Assets	(1,162,676)	(4,640,798)	0	(5,803,474)	(1,399,782)
<b>Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(628,408)</b>	<b>(4,155,904)</b>	<b>0</b>	<b>(4,784,312)</b>	<b>(1,289,369)</b>
<b>Cash Flows From Investing Activities</b>					
(Increase) Decrease in Investments	(3,491,765)	(847,101)	(160,738)	(4,499,604)	(3,843,154)
Interest Revenue	(8,135)	19,146	249	11,260	80,384
<b>Cash Provided by Investing Activities</b>	<b>(3,499,900)</b>	<b>(827,955)</b>	<b>(160,489)</b>	<b>(4,488,344)</b>	<b>(3,762,770)</b>
Increase (Decrease) in Cash and Cash Equivalents	(82,507)	(1,274,119)	51,998	(1,304,628)	(945)
Cash and Cash Equivalents, January 1	10,238,478	7,585,145	241,791	18,065,414	10,515,257
<b>Cash and Cash Equivalents, December 31</b>	<b>10,155,971</b>	<b>6,311,026</b>	<b>293,789</b>	<b>16,760,786</b>	<b>10,514,313</b>

City of Kirkland  
**Statement of Cash Flows**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2013  
 Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities</b>					
Operating Income (Loss)	1,448,565	2,303,526	524,131	4,276,222	3,218,424
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	2,462,774	1,244,836	0	3,707,610	1,591,501
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(217,557)	35,930	(491,900)	(673,527)	(475,610)
(Increase) Decrease in Operating Intergovernmental Receivable	(2,115)	1,753	0	(362)	(19,275)
(Increase) Decrease in Operating Due From Other Funds	(5,967)	0	0	(5,967)	0
(Increase) Decrease in Other Accounts Receivable	(396)	552	691	847	0
(Increase) Decrease in Capital Related Accounts Receivable	0	0	0	0	77,070
(Increase) Decrease in Operating Inventories	(3,086)	20,420	0	17,334	3,773
(Increase) Decrease in Insurance Recovery Accounts Receivable	0	0	0	0	(97,425)
(Increase) Decrease in Assessments	(1,190)	0	0	(1,190)	0
Increase (Decrease) in Capital Accounts Payable	0	0	0	0	(105,823)
Increase (Decrease) in Operating Accounts Payable	(31,972)	45,358	50,898	64,284	119,382
Increase (Decrease) in Claims Payable	0	0	0	0	(9,135)
Increase (Decrease) in Operating Intergovernmental Payable	119,161	2,316	143,167	264,644	(4,729)
Increase (Decrease) in Operating Due to Other Funds	461,516	31,806	271,032	764,354	(1,792)
Increase (Decrease) in Wages Payable	5,743	2,860	737	9,340	20,326
Increase (Decrease) in Compensated Absences Payable	(5,016)	(4,725)	103	(9,638)	10,653
Increase (Decrease) in Revenue Collected in Advance	1,050	0	0	1,050	0
<b>Cash Provided by Operating Activities</b>	<b>4,231,510</b>	<b>3,684,632</b>	<b>498,859</b>	<b>8,415,001</b>	<b>4,327,340</b>
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	660,420	558,900	0	1,219,320	24,493
Change in Fair Value of Investments	(139,816)	(102,411)	(5,050)	(247,277)	0

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

City of Kirkland  
**Statement of Fiduciary Net Position**  
Trust and Agency Funds  
December 31, 2013

	Firefighter's Pension	Agency Funds
<b>Assets</b>		
Cash and Cash Equivalents	662,114	72,138
Investments, at fair value:		
Government Sponsored Enterprise Securities	962,769	0
Deposits	0	1,818,068
<b>Total Assets</b>	<b>1,624,883</b>	<b>1,890,206</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	1,162	0
Due to Other Governments	0	63,002
Deposits	0	1,827,204
<b>Total Liabilities</b>	<b>1,162</b>	<b>1,890,206</b>
Net Position		
Held in Trust for Pension Benefits	1,623,721	0
<b>Total Net Position</b>	<b>1,623,721</b>	<b>0</b>

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

City of Kirkland  
**Statement of Changes in Fiduciary Net Position**  
 Firefighter's Pension Fund  
 For the Fiscal Year Ended December 31, 2013

	Firefighter's Pension
<b>Additions</b>	
Contributions:	
Fire Insurance Premium Contributions	91,513
Investment Earnings:	
Net Increase in the Fair Value of Investments	(541)
<b>Total Additions</b>	<b>90,972</b>
<b>Deductions</b>	
Benefit Payments	15,813
OPEB Payments	196,844
Administrative Expenses	0
<b>Total Deductions</b>	<b>212,657</b>
Change in Net Position	(121,685)
Net Position Beginning of Year	1,745,406
<b>Net Position End of Year</b>	<b>1,623,721</b>

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, 2013**

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City of Kirkland

**Notes to the Basic Financial Statements**  
For Year Ended December 31, 2013

**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 position 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. Our policy is to allocate indirect costs to 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, sales taxes, utility taxes, gambling and admissions taxes, franchise fees, and other material revenue 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. 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.
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.
Transportation Capital Projects Fund	accounts for the acquisition and construction of transportation related capital projects in which many of the projects 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, information technology, facilities services and health benefits 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 complies with all applicable GASB pronouncements and GAAP hierarchy as prescribed by GASB.

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, benefit premiums, facility maintenance, technology upgrades, 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, carryovers, and other legally authorized changes applicable for the fiscal period.

### **Assets, Liabilities, Fund Balance and Net Position**

#### **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, Gambling, Admission Taxes, and Franchise Fees 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.

#### **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**

Activities 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 average cost 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.

### **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. Assets acquired through annexation in 2011 were recorded at estimated fair market value.

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 300 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established limits and 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 probation 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 180 days. Fire and police employees who entered the Law Enforcement Officers' and Firefighters' 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 \$11,000 for 2013.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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.

### **Unearned Revenues**

Unearned 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 an unearned revenue as the offset. The unearned revenues include leases and business license fees collected in 2013 for 2014.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

## **Net Position**

In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

## **Fund Balance**

In the fund financial statements, governmental funds report fund classification that comprise a hierarchy based on the extent to which the City is bound to honor constraints on how the amounts in those funds can be spent. Amounts that are restricted by specific purposes stipulated by external resource providers, imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balance. The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision making authority. The City Council is the highest level of decision making authority and by adoption of an ordinance prior to year end can commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the City Manager or Finance Director as part of the budget process based on Council direction or as part of fiscal policies adopted by City Council Resolution. Non-spendable fund balances include amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. Unassigned fund balance represents a residual classification for the general fund and includes all amounts not contained in the other classifications. These amounts are technically available for any purpose.

In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements the City assumes a certain flow assumption. The City considers a restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Committed fund balance is depleted next, followed by assigned fund balance. Unassigned fund balance is applied last.

**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 Position.*

The Governmental Funds Balance Sheet includes a reconciliation between total fund balance and total net position as reported in the Government-Wide Statement of Net Position. 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	1,968,072
Negative Net Pension Obligation	982,842
Deferred Charges/Discount	335,257
Bond Subsidy	49,677
Net Adjustment	<u>\$3,335,848</u>

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

Bonds Payable	44,293,236
Compensated Absences	2,787,753
Net OPEB Obligation	3,309,599
Accrued Interest Payable	174,496
Deferred Charges/Premium	162,015
Net Adjustment	<u>\$50,727,099</u>

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

Capital Assets	948,668,067
Depreciation	<u>(142,448,422)</u>
Net Capital Assets Adjustment	<u>\$806,219,645</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 position 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	30,701,746
Depreciation Expense	(9,846,126)
Contributed Infrastructure	2,457,824
CIP Closures	(1,291,936)
Net Adjustment	<u><u>\$22,021,508</u></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 Position.

Debt Retired	2,431,450
Additional Bond Amount	(15,000)
Bond (Premium) Discount	(9,227)
Net Adjustment	<u><u>\$2,407,223</u></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	71,374
Negative Pension Obligation	(40,512)
Bond Subsidy	(283)
Net Adjustment	<u><u>\$30,579</u></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	(667,648)
Compensated Absence Payable	(225,554)
Accrued Interest Payable	4,992
Net Adjustment	<u><u>(\$888,210)</u></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 (LGIP) is managed and operated by the Office of the State Treasurer (OST). This pool represents an interest in a group of securities and has no specific security subject to custodial risk. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

**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, US Agency backed 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, 2013 are listed below:

<u>Issuer</u>	<u>Rating Agency</u>	<u>Credit Rating</u>
U.S. agencies and GSE's	Standard & Poor's Moody's	AA+ Aaa
Clackamas & WA Cnty OR JT SD#3	Standard & Poor's Moody's	AA+ Aa2
Clackamas & WA Cnty OR Sch Dist #62C	Standard & Poor's Moody's	AA+ Aa2
Marion & Polk Cntys OR SD #24J	Moody's	Aa2
Seattle Museum	Moody's Standard & Poor's	Aa1 AAA
Washington State COPS	Moody's	Aa2

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 and will be held in safekeeping by a third party custodian. 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 30% 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 1.85 years.

The Washington State Local Government Investment Pool is an unrated 2a-7 like pool as defined by GASB 31, accordingly participants balances are not subject to interest rate risk as the weighted average maturity of the portfolio will not exceed 90 days. The Average Days to Maturity on December 31, 2013 was 57 days.

City of Kirkland Cash, Deposits and Investments  
Segmented Time Distribution  
At December 31, 2013

<b>Cash and Investment Type</b>	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 callable	6,187,466				4,999,815	1,187,651	
Federal Farm Credit Bank callable	19,751,100				9,974,300	9,776,800	
Federal Home Loan Bank callable	9,819,570					4,922,835	4,896,735
Federal National Mortgage Association callable	19,760,070				4,973,915	14,786,155	
US Agency Backed - Aid-Israel Strips	3,476,453				3,476,453		
Clackamas & Washington Cnty OR JT SD#3	6,250,753			3,885,176	2,365,577		
Clackamas & Washington Cnty OR Sch Dist #62C	6,072,325					6,072,325	
Marion & Polk Cntys OR SD #24J	4,969,550				4,969,550		
Seattle Museum Development Authority	1,203,318 *				1,203,318		
Washington State Certificates of Participation	2,376,895 *	2,376,895					
Opus Bank CD	8,018,692			8,018,692			
FDIC or PDPC Insured Bank Deposits	19,673,041	19,673,041					
	\$ 107,559,233	22,049,936	-	11,903,868	31,962,928	36,745,766	4,896,735
<b>Uncategorized Cash and Deposits</b>							
Fire District #41 Funds held by King County	27,532						
Washington State Local Government Investment Pool	40,742,165						
Cash on Hand	18,900						
	\$ 40,788,597						
<b>Total Cash, Deposits and Investments</b>	<b>\$ 148,347,830</b>						

The callable bonds are assumed not to be called as interest rates have risen following the purchase of the bond.

\*Investments are presented at fair value reduced by amortized cost.

**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 inflows of resources 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 \$3.10 due to annexation to the King County Library District.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

The City's regular tax levy in 2013 was \$1.79595 per \$1,000 on an assessed valuation of \$14,251,471,899 for a total regular levy of \$26,326,941. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.07206 per \$1,000 for an excess levy of \$732,055. 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, 2013, was as follows:

	Balance 01/01/13	Additions	Deletions	Balance 12/31/13
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	588,616,556	993,831	554,008	589,056,379
Construction in Progress	28,079,677	30,571,501	13,375,482	45,275,696
Artwork	1,629,966	18,955	0	1,648,921
Total Capital Assets, Not Being Depreciated	<u>\$ 618,326,199</u>	<u>31,584,287</u>	<u>13,929,490</u>	<u>\$ 635,980,996</u>
Capital Assets, Being Depreciated:				
Buildings	39,521,861	0	0	39,521,861
Improvements	26,647,749	9,752,074	0	36,399,823
Machinery and Equipment	17,721,807	1,643,841	503,236	18,862,412
Infrastructure	230,630,454	4,411,010	68,990	234,972,474
Total Capital Assets, Being Depreciated	<u>\$ 314,521,871</u>	<u>15,806,925</u>	<u>572,226</u>	<u>\$ 329,756,570</u>
Less Accumulated Depreciation for:				
Buildings	11,897,956	918,938	0	12,816,894
Improvements	14,468,110	1,973,686	0	16,441,796
Machinery and Equipment	9,333,036	1,680,179	402,975	10,610,240
Infrastructure	105,078,399 *	6,864,824	4,999	111,938,224
Total Accumulated Depreciation	<u>\$ 140,777,501</u>	<u>11,437,627</u>	<u>407,974</u>	<u>\$ 151,807,154</u>
Total Capital Assets, Being Depreciated, Net	\$ 173,744,370	4,369,298	164,252	\$ 177,949,416
Governmental Activities Capital Assets, Net	<u>\$ 792,070,569</u>	<u>35,953,586</u>	<u>14,093,742</u>	<u>\$ 813,930,413</u>
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	2,025,871	0	0	2,025,871
Construction in Progress	7,083,230	5,770,572	3,167,470	9,686,332
Total Capital Assets, Not Being Depreciated	<u>\$ 9,109,101</u>	<u>5,770,572</u>	<u>3,167,470</u>	<u>\$ 11,712,203</u>
Capital Assets, Being Depreciated:				
Buildings	47,591	0	0	47,591
Improvements	182,725,003	4,386,790	15,614	187,096,179
Total Capital Assets, Being Depreciated	<u>\$ 182,772,594</u>	<u>4,386,790</u>	<u>15,614</u>	<u>\$ 187,143,770</u>
Less Accumulated Depreciation for:				
Buildings	47,591	0	0	47,591
Improvements	50,407,747	3,707,610	12,029	54,103,328
Total Accumulated Depreciation	<u>\$ 50,455,338</u>	<u>3,707,610</u>	<u>12,029</u>	<u>\$ 54,150,919</u>
Total Capital Assets, Being Depreciated, Net	\$ 132,317,256	679,180	3,585	\$ 132,992,851
Business-type Activities Capital Assets, Net	<u>\$ 141,426,357</u>	<u>6,449,752</u>	<u>3,171,055</u>	<u>\$ 144,705,054</u>

\* 01/01/13 Infrastructure Accumulated Depreciation balance restated. See Note 16.

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

Governmental Activities	
General Government	1,063,835
Judicial	117,378
Security of Persons and Property	1,511,788
Human Services	0
Physical Environment	678,910
Transportation (includes depreciation of general infrastructure assets)	6,870,098
Economic Environment	6,919
Culture and Recreation	1,188,699
Governmental Activities Depreciation Expense	<u>\$ 11,437,627</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	2,462,774
Surface Water Utility	1,244,836
Solid Waste Utility	0
Business-type Activities Depreciation Expense	<u>\$ 3,707,610</u>

### **Construction Obligations**

The City of Kirkland has active construction projects as of December 31, 2013. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Public Safety	16,364,433	8,690,511
Surface Water Utility	2,271,041	200,992
Transportation	3,907,850	935,501
Total	<u>\$ 22,543,324</u>	<u>\$ 9,827,004</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; or it may be downloaded from DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The following disclosures are made pursuant to GASB Statement No. 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**

The Legislature established PERS in 1947. 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, employees of legislative committees, employees of district and municipal courts, and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS 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.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During

DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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 monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the members service retirement account. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with 5 years of service. The monthly benefit is two percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65: or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return to work rules.

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

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

- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return to work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 defined benefits retirement benefits are also actuarially reduced to reflect the choice of a survivor option.

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

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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

### **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) enacted in 2006. 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.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	<u>44,273</u>
Total	263,347

### **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 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. 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 Plan 3 employee contribution rates range from 5 to 15 percent based on member choice; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

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

Members Not Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

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

\*\* The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

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

Members Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	9.21%	9.21%	9.21%**
Employee	12.26%	12.30%	7.50%***

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

\*\* 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 as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2013	\$39,015	\$1,578,708	\$297,982
2012	\$32,126	\$1,215,845	\$226,215
2011	\$32,096	\$998,988	\$177,698

**Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plans 1 and 2**

**Plan Description**

The Legislature established LEOFF in 1970. 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 commissioned officers, 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 Chapter 41.26 RCW and may be amended only by the State Legislature. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS'

fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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

<u>Term of Service</u>	<u>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 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefits of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

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

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with a benefit of two percent of the FAS per year of service. (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 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty related 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 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

A one-time duty related benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

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

### **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. For DRS' fiscal year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.18%	5.23%
Employee	0.00%	8.41%
State	n/a	3.36%

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2013	\$ 194	\$1,040,668
2012	\$ 171	\$ 922,331
2011	\$ 179	\$ 826,510

### **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 retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

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 the following:

- 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;
- Washington state cities except for Seattle, Tacoma and Spokane;
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and have one of the following:

- 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.
- Primary responsibility to ensure the custody and security of incarcerated or probationary individuals.
- Limited authority to function as a Washington peace officer, as defined in RCW 10.93.020.
- Primary responsibility to supervise eligible members who meet the above criteria.

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

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with a benefit of 2 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 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The disability benefit is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit and a cost of living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Non-vested	<u>2,167</u>
Total	4,337

### **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, 2013, are as follows:

	<u>PSERS Plan 2</u>
Employer*	10.54%
Employee	6.36%

\* The employer rate includes an employer administrative expense fee of 0.18%.

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

	<u>PSERS Plan 2</u>
2013	\$90,974
2012	\$71,769
2011	\$56,679

### **Volunteer Firefighters' Relief and Pension Fund**

The Volunteer Firefighters' 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.

### **Firefighters' Pension**

The City of Kirkland is the administrator of the Firefighters' 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 firefighters 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 firefighters retired prior to March 1, 1970, and excess benefits over LEOFF for covered firefighters 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 Firefighters' 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 Firefighters' 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 Firefighters' Pension Plan consisted of the following on December 31, 2013:

Retirees and beneficiaries receiving benefits	5
Active plan members	<u>0</u>
Total	5

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

	2011	2012	2013
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	0	0	0
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(75,855)	(93,836)	(93,836)
Interest to End of Year	(3,034)	(3,753)	(3,753)
ARC at End of Year	<u>(78,889)</u>	<u>(97,589)</u>	<u>(97,589)</u>
Interest on Net Pension Obligation (NPO)	(30,170)	(35,513)	(41,101)
Adjustment to ARC	<u>(53,365)</u>	<u>(64,999)</u>	<u>(78,046)</u>
Annual Pension Cost (APC)	(55,694)	(68,103)	(60,644)
Employer Contributions	77,880	71,592*	(105,331)
Change in NPO	<u>(133,574)</u>	<u>(139,695)</u>	44,687
NPO at Beginning of Year	(754,260)	(887,834)	(1,027,529)*
NPO at End of Year	(887,834)	(1,027,529)*	(982,842)

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

\* This amount has been updated since 2012 following a 1/1/2013 pension valuation.

Schedule of Contributions from the Employer and Other Contributing Entities:

Year Ended December 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**	0	70,929	58,891	(43,292)	-
2009	0	67,634	33,503	(43,292)	-
2010	(7,625)	74,559	17,793	(78,889)	-
2011	0	77,880	14,200	(78,889)	-
2012***	(7,625)	79,217	8,305	(97,589)	-
2013	(196,844)	91,513	(541)	(97,589)	-

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

\*\* Amount updated following January 1, 2010 valuation.

\*\*\* Amount updated following January 1, 2013 valuation.

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 %
1/1/2006	1,090	533	(557)	205	84	(663)
1/1/2008	1,305	469	(836)	278	90	(929)
1/1/2010	1,527	420	(1,107)	364	0	N/A
1/1/2012	1,678	396	(1,282)	424	0	N/A

Three Year Trend Information (in dollars):

Fiscal Year Ending	Annual Pension Cost (APC) \$	Contributions as a Percentage of APC %	Net Pension Obligation (NPO) \$
12/31/11	(55,694)	NA	(887,834)
12/31/12	(68,103)	NA	(1,027,529)*
12/31/13	(60,644)	NA	(982,842)

\*updated following the most recent pension valuation on 1/1/2013

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 <sup>(1)</sup>
Amortization period:	UAAL amortized over a closed 30yr period, as of January 1, 2001 and an open 30 year period prior to January 1, 2001.
Asset valuation method:	Market value
Cost-of-living adjustments for all years:	CPI, Seattle-Everett area

Actuarial economic assumptions:

Investment rate of return	3.75%
Projected salary increases <sup>(2)</sup>	3.50%
Consumer Price Index	2.50%
Projected annual growth in fire Insurance premium tax revenue	2.50%

- (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 527 employees who participated in the program during 2013. The City's contribution for 2013 was \$2,536,540; employee contributions were \$3,164,933 during the same period. The rate the City must pay and the employee may pay is equal to the Social Security rate of 6.2%.

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 2013 there were 34 retirees receiving these benefits with 1 active employee eligible for these benefits when he retires.

For 2013, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 557,758
	Direct Medical Costs	<u>63,549</u>
	Total Costs	<u>\$ 621,307</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 2011, 2012 and 2013. The date of the last actuarial valuation done by Milliman was January 1, 2008. Beginning in 2009, the OPEB liability was calculated using the Alternative Measurement Method for GASB 45 by the Office of the State Actuary for the State of Washington. The net OPEB obligation of \$3,309,599 is included as a noncurrent liability on the Statement of Net Position.

	12/31/2011	12/31/2012	12/31/2013
Determination of Annual Required Contribution			
Normal Cost at Year End	10,144	12,027	18,243
Amortization of UAAL	887,799	950,776	1,402,653
Annual Required Contribution (ARC)	\$897,943	\$962,803	\$1,420,895
Determination of Net OPEB Obligation			
Annual Required Contribution	\$897,943	\$962,803	\$1,420,895
Interest on Prior Year Net OPEB Obligation	89,258	104,593	105,678
Adjustments to ARC	184,693	(216,423)	(237,620)
Annual OPEB Cost	802,508	850,973	1,288,953
Contributions Made	461,728	533,319	621,307
Increase in Net OPEB Obligation	\$340,780	\$317,654	\$667,646
Net OPEB Obligation - beginning of year	\$1,983,519	\$2,324,299	\$2,641,953
Net OPEB Obligation – end of year	\$2,324,299	\$2,641,953	\$3,309,599



State Actuary. Healthcare costs and trends were determined by Milliman and used by the Office of the State Actuary in the state-wide LEOFF 1 medical study performed in 2013. The results are based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

A required Schedule of Funding Progress, immediately following the Notes is provided to present multi-year trend information regarding the decrease in plan assets relative to the actuarial accrued liability for benefits.

## **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 162 Members.

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

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

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

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 2013.

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.

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.

### Medical Self Insurance

On January 1, 2011 the City became self insured for medical insurance. The Medical Self Insurance Internal Service Fund accounts for the disbursement of actual medical and prescription claims, associated administrative costs, and reserves for the self insured program. Rates for the initial implementation year were established based upon industry averages and trends. In subsequent years the rates will be based upon historical data as well as market trends.

In order to mitigate its risk exposure the City holds individual and aggregate stop loss insurance. There were six claims in excess of the \$100,000 per person stop loss maximum in 2013. In accordance with GASB Statement 10, estimated liabilities are accrued for current outstanding claims and claims incurred but not reported (IBNR).

	<u>Beginning Of Year Liability</u>	<u>Incurred Claims Including IBNRs</u>	<u>Claim Payments</u>	<u>Unpaid Claims</u>
2011	\$ 0	\$ 5,140,580	\$ 4,636,937	\$ 503,643
2012	\$ 503,643	\$ 6,316,315	\$ 6,208,928	\$ 611,030
2013	\$ 611,030	\$ 6,379,496	\$ 6,388,631	\$ 601,895

**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. These bonds are subject to federal arbitrage rules.

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 seven loans with principal outstanding of \$1,771,987. This debt will be repaid from Water/Sewer Fund revenues.

On December 21, 2010, the City issued \$35,345,000 in Limited Tax General Obligation Bonds (Build America Bonds – Direct Payment) with a net interest cost of 3.53 percent and final payment on December 1, 2040. The federal subsidy rate on the bonds is 35 percent of the interest paid by the issuer (ie: the City). The proceeds from these bonds are being used to pay the costs of reimbursing previously incurred capital expenditures (designated for reimbursement) associated with the purchase of property, improvements and modifications for use as a public safety facility for the City and refurbishing and furnishing the public safety facility. On Friday, March 1, 2013, the sequestration provisions of the Budget Control Act of 2011 (“Sequestration”) went into effect. As a result, federal subsidy payments relating to Direct-Pay Tax Credit Bonds were reduced by 8 percent of the amount that would otherwise have been paid to the issuer. The sequestration reductions are scheduled to continue through 2023. The estimated 2014 reduction is 7.2%. An estimated reduction of 7.2% will be used for years through 2023.

**Limited Tax General Obligation Bonds, 2010  
(Taxable Build America Bonds-Direct Payment)**

Year Ending December 31	Principal	Gross Interest	Interest Subsidy	Net Totals
2014	655,000	1,703,205	553,201	1,805,004
2015	990,000	1,691,415	549,371	2,132,044
2016	1,010,000	1,669,635	542,297	2,137,338
2017	1,030,000	1,641,860	533,276	2,138,584
2018	1,045,000	1,610,960	523,240	2,132,720
2019-2023	5,100,000	7,461,630	2,423,538	10,138,093
2024-2028	5,650,000	6,273,298	2,195,654	9,727,643
2029-2033	6,705,000	4,653,085	1,628,580	9,729,505
2034-2038	8,070,000	2,553,256	893,640	9,729,617
2039-2040	3,670,000	329,630	115,371	3,884,260
<b>Total</b>	<b>\$ 33,925,000</b>	<b>\$ 29,587,974</b>	<b>\$ 9,958,167</b>	<b>\$ 53,554,807</b>

On May 26, 2011, Fire Protection District 41 issued \$4,000,000 Limited Tax General Obligation Bonds, 2011 at an interest rate of 3.2% and final payment on December 1, 2021. The bonds were issued to finance the Fire Station Consolidation Project. On June 1, 2011 Fire Protection District 41 dissolved when the City of Kirkland annexed all the territory served by the District. The outstanding debt remained

an obligation of the taxable property which was annexed and therefore became the obligation of the City of Kirkland.

On October 29, 2013, the City issued \$4,670,000 in Unlimited Tax General Obligation Bonds at an interest rate of 2.3 percent to refund the outstanding 1995 and 2003 Unlimited Tax General Obligation Bonds with interest rates of 5.7 percent for the 1995 Bonds and between 4.0 and 5.2 percent for the 2003 Bonds. The transaction resulted in an economic gain of \$614,706 and a reduction of \$663,767 in future debt service payments.

General obligation bonds currently outstanding are as follows:

Issue- Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2013	Due Within One Year
*2010 Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment)	12/21/2010	12/1/2040	0.90 to 5.95	35,345,000	1,420,000	33,925,000	655,000
*2011 Limited Tax General Obligation Bond	5/26/2011	12/1/2021	3.2	4,000,000	701,764	3,298,236	367,949
*2011 Limited Tax General Obligation Refunding Bonds	9/2/2011	12/1/2021	1.2	4,255,000	1,855,000	2,400,000	975,000
2013 Unlimited Tax General Obligation Refunding Bonds	10/29/2013	12/1/2022	2.3	4,670,000	-	4,670,000	540,000
Total				\$ 48,270,000	\$ 3,976,764	\$ 44,293,236	\$ 2,537,949

\*Councilmanic

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2014	2,537,949	1,980,886
2015	2,049,817	1,915,760
2016	2,102,069	1,866,703
2017	2,154,715	1,810,812
2018	2,202,770	1,748,827
2019-2023	9,150,916	7,682,016
2024-2028	5,650,000	6,273,298
2029-2033	6,705,000	4,653,085
2034-2038	8,070,000	2,553,256
2039-2040	3,670,000	329,630
Total	44,293,236	30,814,273

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 12/31/2013	Due Within One Year
1994 Public Works Trust Loan(A) Lake Washington Blvd Water Line Replacement	7/26/1994	7/1/2014	1	1,231,700	1,166,899	64,801	64,801
1994 Public Works Trust Loan(B) Lake Washington Blvd Sewer Line Replacement	7/26/1994	7/1/2014	1	1,165,500	1,103,817	61,683	61,683
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	6/7/1995	7/1/2015	1	794,850	705,806	89,044	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	7/1/2000	7/1/2019	1	227,500	152,290	75,210	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/2001	7/1/2021	0.5	1,848,000	1,024,251	823,749	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	455,642	630,658	57,333
2004 Water/Sewer Revenue Refunding Bonds	8/1/2004	6/1/2014	2.0 to 4.0	3,090,000	2,615,000	475,000	475,000
2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement	10/8/2012	6/1/2032	0.5	26,843	0	26,843	0
<b>Total</b>				<b>\$9,470,693</b>	<b>\$7,223,705</b>	<b>\$2,246,988</b>	<b>\$818,843</b>

The revenue debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
	2014	818,843
2015	244,201	7,542
2016	172,836	6,170
2017	172,836	5,244
2018	172,836	4,317
2019-2023	608,103	8,948
2024	57,333	287
<b>Total</b>	<b>\$2,246,988</b>	<b>\$52,222</b>

**City of Kirkland Credit Ratings and Bond Insurance Ratings**

On August 15, 2011, Moody's Investors Service assigned a rating of Aa2 to City of Kirkland, Washington's Limited Tax General Obligation Bonds, 2011. On August 16, 2011 Standard and Poor's affirmed the City of Kirkland's AAA rating.

On November 17, 2008, Standard and 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."

On April 23, 2010, Moody's Investors Service applied its Global Scale Rating to Kirkland's outstanding Unlimited Tax General Obligation Bonds, Limited Tax General Obligation Bonds and Water/Sewer Revenue Bonds.

Moody's ratings for Kirkland are now as follows:

Unlimited Tax GO Bonds           Aa2  
Limited Tax GO Bonds            Aa2  
Water/Sewer Revenue Bonds    Aa2

The following bond issues of the City of Kirkland carry municipal bond insurance:

2004 Water and Sewer Revenue and Refunding Bonds – MBIA (now National Public Finance Guarantee)

<u>National Public Finance Guarantee</u>	<u>Current Rating</u>	<u>Rating Date</u>
S&P	A-	March 18, 2014
Moody's	Baa1	February 10, 2014

**NOTE 10:  
LEASES**

**Operating Leases**

**Copier Leases**

In 2011, the City entered into two 60 month leases for a Konica Minolta C652 and Konica Minolta C652. The total cost for the year ended December 31, 2013, was \$17,845. The future minimum payments for these agreements are summarized as follows:

2014	17,845
2015	17,845
2016	<u>12,652</u>
Total	<u>\$ 48,342</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. On June 27, 2013 the lease was extended 3 additional years with a termination date of October 31, 2016. Lease payments for 2013 totaled \$100,860. Future minimum payments are summarized as follows:

2014	101,364
2015	103,884
2016	<u>86,570</u>
Total	<u>\$291,818</u>

**NOTE 11:  
CHANGES IN LONG-TERM LIABILITIES**

During the year ending December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/13	Additions	Reductions	Ending Balance 12/31/13	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
General Obligation Bonds	46,709,687	4,670,000	7,086,451	44,293,236	2,537,949
Less:					
Issuance Discount	(364,943)	0	(29,686)	(335,257)	0
Issuance Premium	182,475	0	20,460	162,015	0
Compensated Absences	2,711,670	2,817,175	2,580,970	2,947,875	2,367,621
Other Post Employment Benefits	2,641,953	1,288,953	621,307	3,309,599	0
Governmental Activity Long-term Liabilities	<u>51,880,842</u>	<u>8,776,128</u>	<u>10,279,502</u>	<u>50,377,468</u>	<u>4,905,570</u>
<b>Business-Type Activities</b>					
Revenue Bonds	935,000	0	460,000	475,000	475,000
PWTF Loans	2,132,323	26,843	387,178	1,771,988	343,843
Compensated Absences	151,185	356,120	365,758	141,547	113,238
Business-Type Activity Long-term Liabilities	<u>3,218,508</u>	<u>382,963</u>	<u>1,212,936</u>	<u>2,388,535</u>	<u>932,081</u>

**Compensated Absences**

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$160,124 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 Fund and Parks Maintenance Fund.

**Other Post Employment Benefits**

The liability for the Other Post Employment Benefits obligation is liquidated by the general fund. Beginning in 2013 the LEOFF 1 Pension Fund is liquidating some OPEB liability as deemed appropriate by the actuarial valuation of the fund. In 2013 the amount utilized to exhaust OPEB costs was \$196,844.

**NOTE 12:  
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2013, 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 BALANCES AND TRANSFERS**

Interfund balances as reported in the financial statements at December 31, 2013, were as follows:

<b><u>Interfund Balances Between Governmental and Business-Type Activities</u></b>	<b><u>Due From Other Funds</u></b>	<b><u>Due To Other Funds</u></b>
Major Governmental Funds:		
General	763,918	9,461
Non Major Governmental Funds:		
Cemetery Operating		25
Parks Maintenance		6
Parks Levy		201
Internal Service Funds		7,160
<b>Governmental Activities</b>	<b>747,065</b>	
Business-Type Funds:		
Water/Sewer	17,654	461,881
Surface Water		31,806
Solid Waste		271,031
<b>Business-Type Activities</b>		<b>747,065</b>

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, and subsidies. Interfund transfers at December 31, 2013, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	572,072	11,523,490
Excise Capital Improvement	482,822	3,983,832
General Capital	7,184,142	342,584
Transportation Capital	6,855,424	374,193
Non Major Governmental Funds:		
Parks Maintenance	0	17,856
Parks Levy	250,000	1,225,000
Impact Fees	0	646,142
Debt Service Funds	2,828,033	0
Internal Service Funds	1,394,266	670,411
Proprietary Funds:		
Water/Sewer	0	190,000
Surface Water	19,046	115,453
Solid Waste	0	300,000
Agency Funds	0	196,844
<b>Total Transfers In/Out</b>	<b><u><u>\$19,585,805</u></u></b>	<b><u><u>\$19,585,805</u></u></b>

## **NOTE 14: JOINT VENTURES**

### **Eastside Narcotics Task Force**

The Eastside Narcotics Task Force (ENTF) was formed by the cities of Bellevue, Kirkland, Redmond, Mercer Island, and Issaquah in 1981 for the purpose of mutual support in the fight against drug crimes. In 1990, ENTF engaged the support services of King County Prosecutor's Office. The King County Sheriff's Office joined ENTF in 2002 to also provide support in the fight against drug crimes. On May 3, 2010, the ENTF amended the Interlocal Cooperative Agreement to include The Washington State Patrol. As of October of 2009, Issaquah permanently withdrew its ENTF membership. The US Postal Service joined ENTF on October 1, 2013. Mercer Island and the King County Sheriff's Office are no longer members.

The task force is governed by an Executive Board whose members are composed of the chief law enforcement officer, or his/her designee, from each participating jurisdiction. The Board is responsible for formulating policy, establishing annual budgets, adding members, appointing the Administering Agency, and acquiring, holding, and disposing of real and personal property, and has final approval of expenditures and disbursements of revenues (seized and forfeited assets). A Commander is assigned who is an Officer from the Bellevue Police Department with a rank of Captain or higher, and 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 of the operation of the Task Force. All revenues are disbursed to the participating Agencies based on current participations and calculated each year. Current percentages are as follows:

Bellevue	54.0%
Redmond	9.8%
Kirkland	10.3%
Mercer Island	9.4%
Issaquah	2.4%
King County	11.2%
WSP	2.9%

Upon termination of the task force, equipment and proceeds will be divided equitably as determined by the board. The City's share of 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 Fiscal Manager, Bellevue Police Department, 450 110th Avenue NE, Bellevue, WA 98004 or PO Box 90012, 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 most recently amended in 2010 which includes King County and the cities of Bellevue, Redmond, Bothell, Woodinville, Issaquah, Mercer Island, Newcastle, Beaux Arts Village, Clyde Hill, Hunts Point, Medina, Yarrow Point, Kenmore, Sammamish, and Kirkland.

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. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2013 the City contributed \$68,852 to ARCH for operations and \$300,000 to fund affordable housing projects.

Members may withdraw from the ARCH agreement by giving one year's written notice to the Executive Board, by December 31 of any year, of its intention to terminate, effective December 31 of the following year. Members remain legally and financially responsible for any obligation incurred while a member of ARCH. Upon dissolution, the agreement provides for distribution of all property and 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 assets is deemed immaterial and thus is not reflected in the financial statements.

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 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. The current members include five Cities and two Water and Sewer Districts. Collectively, the membership of the Alliance serves over 350,000 residents and 20,000 businesses in the Puget Sound Region.

The City of Kirkland's share of membership dues for 2013 was \$303,748. 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 2013, the City of Kirkland remitted \$726,605 for this charge.

In April of 2006, the Cascade Water Alliance issued revenue bonds in the amount of \$55.2 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. In October of 2009, the Cascade Water Alliance issued a series of water system revenue bonds with net proceeds to Cascade of \$80 million. The majority of the bond proceeds funded the acquisition of Lake Tapps, tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. In December of 2012, the Cascade Water Alliance issued a series of water system revenue bonds for approximately \$48 million for the purposes of paying part of the cost of financing Capital Projects and providing for a Debt Service Reserve. The 2006, 2009 and 2012 bonds do not pledge the full faith and credit of any of the seven current 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 from Cascade Water Alliance by contacting Scott Hardin, Director of Finance and Administration, 520 112<sup>th</sup> Ave NE, Suite 400, 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. In 2013 the City of Kirkland paid EPSCA \$128,679 for these 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, 2013, the weighted vote was as follows:

Bellevue	48.806%
Redmond	23.926%
Kirkland	16.021%
Mercer Island	5.995%
Issaquah	5.252%

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 assets among the Principals based on weighted voting percentages in force at the time of dissolution. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring and compiled financial statements for EPSCA can be obtained from EPSCA, c/o Jessie Morgan, MS PSEPS, PO Box 97010, Redmond WA 98073-9710.

## **eCityGov Alliance**

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the eCityGov Alliance between the City of Bellevue and the Cities of Bothell, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish, Snoqualmie and Woodinville. Since then, additional cities and agencies have joined. The Alliance establishes on-line services through a jointly operated internet portal.

Expenditures consist of capital and operations costs as specified in the budget adopted by the eCityGov 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 members of the eCityGov Alliance. The City of Kirkland paid membership dues of \$58,000 in 2013.

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 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 Mollie Purcell, 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. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. For 2013, the City of Kirkland's share of these fees was \$2,246,246.

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. Current members are the cities of Bellevue, Kirkland, Redmond, Bothell, Snoqualmie, and Duvall along with Eastside Fire & Rescue, Woodinville Fire & Life Safety, and King County Fire District 27.

The HazMat unit 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 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 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 Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, PO Box 90012, Bellevue, WA 98004.

### **Community Connectivity Consortium**

The City of Kirkland is among several public agencies in the area that have established the Community Connectivity Consortium. The consortium started in 2003 with a joint fiber project between the Lake Washington School District and the City of Kirkland. It has now expanded to include the Cities of Kirkland, Bellevue, Federal Way, Renton, Seattle, Algona, Auburn, Kent, Pacific, Puyallup, Tukwila, Redmond, Newcastle; the Lake Washington School District, University of Washington, Bellevue College, Bellevue School District, King County Public Hospital District No 2 (Evergreen Healthcare), Renton School District, Valley Communications Center, NORCOM, King County, Valley Medical Center, and the Northshore School District. In 2011 the consortium was formally organized as a government agency.

The Consortium sets the terms and conditions for sharing fiber optic installation projects, outlines how the parties will work together on fiber projects and establishes the original backbone of the Fiber Consortium network through contributions of budget, fiber assets, conduit, right of way and staff expertise. It has built over 35 miles of fiber optic cable, creating strategic connection points along the way. The partners use the fiber network to connect schools and universities to enhance learning; to connect hospitals, medical facilities and clinics to improve health care; connect government facilities for public safety, transportation and other needs; and to provide an open access network to serve the public with wireless and broadband access.

For additional information please contact Brenda Cooper, Board Chair, CIO City of Kirkland, [bcooper@kirklandwa.gov](mailto:bcooper@kirklandwa.gov).

**NOTE 15:  
BUDGET TO GAAP RECONCILIATION**

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – for the General Fund, Excise Tax Capital Improvement Fund, Street Operating Special Revenue Fund, and Contingency 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. With the implementation of GASB 54 the Street Operating Fund and Contingency Fund will continue to be budgeted and operational but will be consolidated with the General Fund for reporting purposes and reclassified on this reconciliation.

**2013 Budget to GAAP Reconciliation**

	<b>General Fund</b>	<b>Excise Tax Capital Improvement</b>	<b>Street Operating Special Revenue</b>	<b>Contingency Special Revenue</b>
Revenues on the Budgetary Basis	82,371,887	6,746,614	8,029,487	0
Increase (Decrease) due to accruals	(303,727)	(50,661)	0	0
Reclassification	8,029,487	0	(8,029,487)	0
Revenues on the GAAP Basis	<u>90,097,647</u>	<u>6,695,953</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	72,979,558	0	4,559,230	0
Increase (Decrease) due to accruals	(529,715)	0	0	0
Reclassification	4,559,230	0	(4,559,230)	0
Expenditures on the GAAP Basis	<u>77,009,073</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(7,604,104)	(3,501,010)	(3,426,899)	224,555
Increase (Decrease) due to accruals	1,121	0	0	0
Reclassification	(3,202,344)	0	3,426,899	(224,555)
Other Financing Sources (Uses) on the GAAP Basis	<u>(10,805,327)</u>	<u>(3,501,010)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	9,392,329	6,746,614	3,470,257	0
Increase (Decrease) due to accruals	225,988	(50,661)	0	0
Reclassification	3,470,257	0	(3,470,257)	0
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	<u>13,088,574</u>	<u>6,695,953</u>	<u>0</u>	<u>0</u>

**NOTE 16:  
PRIOR PERIOD ADJUSTMENT**

A portion of governmental depreciation related to infrastructure capital assets was incorrectly calculated in 2012. The depreciation was under reported by \$3,934,788. This amount shows as a Prior Period Adjustment on the Statement of Activities and a restatement of the beginning balance of Accumulated Depreciation for Infrastructure assets in Note 5.

**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, 2006	1,090	533	(557)	205%	84	(663)%
January 1, 2008	1,305	469	(836)	278%	90	(929)%
January 1, 2010	1,527	420	(1,107)	364%	0	N/A
January 1, 2012	1,678	396	(1,282)	424%	0	N/A

**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
January 1, 2006	\$ 0	\$ 11,360	\$ 11,360	0	% N/A	% N/A
January 1, 2008	0	12,505	12,505	0	% N/A	% N/A
December 31, 2009	0	10,724	10,724	0	% N/A	% N/A
December 31, 2010	0	10,070	10,070	0	% N/A	% N/A
December 31, 2011	0	9,534	9,534	0	% N/A	% N/A
December 31, 2012	0	10,211	10,211	0	% N/A	% N/A
December 31, 2013	0	15,595	15,595	0	% N/A	% N/A

Source: City of Kirkland, Actuarial Valuation of Firefighters' Pension Fund and Retiree Medical and Long-Term Care Benefits for LEOFF 1 Employees. Pension Fund Valuations are done every two years. The most recent report was done 12/31/2012.

2009, 2010, 2011, 2012, and 2013 valuation amounts for the Medical and Long Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of State Actuary.

## 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 **Parks Levy Fund** accounts for the maintenance and operation of park properties acquired and/or developed with the revenues from the 2012 Park Levy – Proposition No. 2: Levy for City parks maintenance, restoration, and enhancement.
- 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).

### 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.

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2013

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Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
<b>Assets</b>				
Cash and Cash Equivalents	119,266	298,969	248,601	167,411
Investments	173,750	435,336	365,726	246,284
Receivables, Net of Allowances				
Taxes	30,168	0	20,662	38,454
Accounts	0	0	69	0
<b>Total Assets</b>	<b>323,184</b>	<b>734,305</b>	<b>635,058</b>	<b>452,149</b>
<b>Liabilities</b>				
Accounts Payable	422	494	7,568	3,915
Wages Payable	1,924	0	33,614	24,119
Due to Other Funds	0	25	6	201
Intergovernmental Payable	0	0	3,214	292
<b>Total Liabilities</b>	<b>2,346</b>	<b>519</b>	<b>44,402</b>	<b>28,527</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	0	0	19,952	37,133
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>19,952</b>	<b>37,133</b>
<b>Fund Balances</b>				
Restricted for				
Tourism	320,838	0	0	0
Parks and Recreation	0	0	570,704	386,489
Transportation	0	0	0	0
Debt Service	0	0	0	0
Assigned for				
Cemetery Operations	0	733,786	0	0
Total Fund Balances	320,838	733,786	570,704	386,489
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>323,184</b>	<b>734,305</b>	<b>635,058</b>	<b>452,149</b>

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

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2013

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Impact Fees	Total Special Revenue	Debt Service		Total Debt Service	Non Major Governmental Funds Total
		LTGO	UTGO		
1,686,427	2,520,674	6,679	124,449	131,128	2,651,802
2,457,296	3,678,392	9,825	183,082	192,907	3,871,299
0	89,284	0	13,758	13,758	103,042
0	69	0	0	0	69
<b>4,143,723</b>	<b>6,288,419</b>	<b>16,504</b>	<b>321,289</b>	<b>337,793</b>	<b>6,626,212</b>
0	12,399	0	0	0	12,399
0	59,657	0	0	0	59,657
0	232	0	0	0	232
0	3,506	0	0	0	3,506
<b>0</b>	<b>75,794</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,794</b>
0	57,085	0	13,320	13,320	70,405
<b>0</b>	<b>57,085</b>	<b>0</b>	<b>13,320</b>	<b>13,320</b>	<b>70,405</b>
0	320,838	0	0	0	320,838
1,102,917	2,060,110	0	0	0	2,060,110
3,040,806	3,040,806	0	0	0	3,040,806
0	0	16,504	307,969	324,473	324,473
0	733,786	0	0	0	733,786
4,143,723	6,155,540	16,504	307,969	324,473	6,480,013
<b>4,143,723</b>	<b>6,288,419</b>	<b>16,504</b>	<b>321,289</b>	<b>337,793</b>	<b>6,626,212</b>

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2013

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
<b>Revenues</b>				
Taxes and Assessments	246,762	0	1,215,065	2,272,725
Intergovernmental	0	0	0	0
Charges for Services	0	61,859	0	0
Investment Interest	(99)	(229)	0	0
Miscellaneous Revenues	0	0	9,143	5,285
<b>Total Revenues</b>	<b>246,663</b>	<b>61,630</b>	<b>1,224,208</b>	<b>2,278,010</b>
<b>Expenditures</b>				
Current				
Physical Environment	0	65,828	0	0
Economic Environment	194,177	0	0	0
Culture and Recreation	0	0	1,229,077	916,521
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	2,400	0	0
<b>Total Expenditures</b>	<b>194,177</b>	<b>68,228</b>	<b>1,229,077</b>	<b>916,521</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	52,486	(6,598)	(4,869)	1,361,489
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Debt Issue Cost	0	0	0	0
Sale of Capital Assets	0	58,310	0	0
Transfers In	0	0	0	250,000
Transfers Out	0	0	(17,856)	(1,225,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>58,310</b>	<b>(17,856)</b>	<b>(975,000)</b>
<b>Net Change in Fund Balance</b>	<b>52,486</b>	<b>51,712</b>	<b>(22,725)</b>	<b>386,489</b>
<b>Fund Balances Beginning of Year</b>	<b>268,352</b>	<b>682,074</b>	<b>593,429</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>320,838</b>	<b>733,786</b>	<b>570,704</b>	<b>386,489</b>

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

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2013

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
0	3,734,552	477,218	730,270	1,207,488	4,942,040
0	0	551,847	0	551,847	551,847
2,046,601	2,108,460	0	0	0	2,108,460
(2,102)	(2,430)	295	0	295	(2,135)
0	14,428	0	0	0	14,428
2,044,499	5,855,010	1,029,360	730,270	1,759,630	7,614,640
0	65,828	0	0	0	65,828
0	194,177	0	0	0	194,177
0	2,145,598	0	0	0	2,145,598
0	0	1,946,451	485,000	2,431,451	2,431,451
0	0	1,904,001	225,095	2,129,096	2,129,096
0	2,400	0	0	0	2,400
0	2,408,003	3,850,452	710,095	4,560,547	6,968,550
2,044,499	3,447,007	(2,821,092)	20,175	(2,800,917)	646,090
0	0	0	4,670,000	4,670,000	4,670,000
0	0	0	(4,655,000)	(4,655,000)	(4,655,000)
0	0	0	(32,500)	(32,500)	(32,500)
0	58,310	0	0	0	58,310
0	250,000	2,828,033	0	2,828,033	3,078,033
(646,142)	(1,888,998)	0	0	0	(1,888,998)
(646,142)	(1,580,688)	2,828,033	(17,500)	2,810,533	1,229,845
1,398,357	1,866,319	6,941	2,675	9,616	1,875,935
2,745,366	4,289,221	9,563	305,294	314,857	4,604,078
4,143,723	6,155,540	16,504	307,969	324,473	6,480,013

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
General Capital Projects Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Licenses and Permits	0	49,358	49,358	49,358	0
Intergovernmental	0	286,947	285,762	285,762	(1,185)
Charges for Services	0	0	22,701	22,701	22,701
Miscellaneous Revenues	107,735	107,735	295,968	295,968	188,233
<b>Total Revenues</b>	<b>107,735</b>	<b>444,040</b>	<b>653,789</b>	<b>653,789</b>	<b>209,749</b>
<b>Expenditures</b>					
Current					
General Government	133,200	526,138	270,593	270,593	255,545
Security of Persons and Property	3,717,614	900,459	122,240	122,240	778,219
Physical Environment	0	50,400	0	0	50,400
Transportation	7,829	12,466	0	0	12,466
Human Services	0	55,163	0	0	55,163
Culture and Recreation	0	59,530	0	0	59,530
Capital Outlay	37,078,057	50,948,506	21,908,302	21,908,302	29,040,204
<b>Total Expenditures</b>	<b>40,936,700</b>	<b>52,552,662</b>	<b>22,301,135</b>	<b>22,301,135</b>	<b>30,251,527</b>
<b>Excess of revenues over expenditures</b>	<b>(40,828,965)</b>	<b>(52,108,622)</b>	<b>(21,647,346)</b>	<b>(21,647,346)</b>	<b>30,461,276</b>
<b>Other Financing Sources (Uses)</b>					
Sale of fixed assets	1,450,000	1,450,000	16,288	16,288	(1,433,712)
Insurance Recovery	0	0	2,262	2,262	2,262
Transfers In	10,930,457	14,550,208	7,184,142	7,184,142	(7,366,066)
Transfers Out	0	(173,896)	(358,570)	(358,570)	(184,674)
<b>Total Other Financing Sources (Uses)</b>	<b>12,380,457</b>	<b>15,826,312</b>	<b>6,844,122</b>	<b>6,844,122</b>	<b>(8,982,190)</b>
<b>Net Change in Fund Balance</b>	<b>(28,448,508)</b>	<b>(36,282,310)</b>	<b>(14,803,224)</b>	<b>(14,803,224)</b>	<b>21,479,086</b>
<b>Fund Balances Beginning of Year</b>	<b>42,271,156</b>	<b>43,375,432</b>	<b>43,375,432</b>	<b>43,375,432</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>13,822,648</b>	<b>7,093,122</b>	<b>28,572,208</b>	<b>28,572,208</b>	<b>21,479,086</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Transportation Capital Projects Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Licenses and Permits	0	0	17,548	17,548	17,548
Intergovernmental	24,432,345	26,186,901	2,820,744	2,820,744	(23,366,157)
Charges for Services	0	161,231	49,597	49,597	(111,634)
Contributions/Donations	0	2,317,702	0	0	(2,317,702)
Miscellaneous Revenues	0	0	14,181	14,181	14,181
<b>Total Revenues</b>	<b>24,432,345</b>	<b>28,665,834</b>	<b>2,902,070</b>	<b>2,902,070</b>	<b>(25,763,764)</b>
<b>Expenditures</b>					
Current					
Transportation	224,300	660,672	4,046,925	4,046,925	(3,386,253)
Capital Outlay	23,481,300	43,754,174	6,963,453	6,963,453	36,790,721
<b>Total Expenditures</b>	<b>23,705,600</b>	<b>44,414,846</b>	<b>11,010,378</b>	<b>11,010,378</b>	<b>33,404,468</b>
<b>Excess of revenues over expenditures</b>	<b>726,745</b>	<b>(15,749,012)</b>	<b>(8,108,308)</b>	<b>(8,108,308)</b>	<b>7,640,704</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	12,320,500	17,643,711	6,855,424	6,855,424	(10,788,287)
Transfers Out	0	(125,718)	(241,074)	(241,074)	(115,356)
<b>Total Other Financing Sources (Uses)</b>	<b>12,320,500</b>	<b>17,517,993</b>	<b>6,614,350</b>	<b>6,614,350</b>	<b>(10,903,643)</b>
<b>Net Change in Fund Balance</b>	<b>13,047,245</b>	<b>1,768,981</b>	<b>(1,493,958)</b>	<b>(1,493,958)</b>	<b>(3,262,939)</b>
<b>Fund Balances Beginning of Year</b>	<b>2,663,538</b>	<b>4,055,030</b>	<b>4,055,030</b>	<b>4,055,030</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>15,710,783</b>	<b>5,824,011</b>	<b>2,561,072</b>	<b>2,561,072</b>	<b>(3,262,939)</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Street Operating Special Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	11,684,245	11,684,245	5,747,093	5,747,093	(5,937,152)
Licenses and Permits	220,000	220,000	258,725	258,725	38,725
Intergovernmental	3,388,658	3,408,074	1,684,424	1,684,424	(1,723,650)
Charges for Services	62,453	62,453	72,140	72,140	9,687
Fines and Forfeitures	0	0	850	850	850
Contributions/Donations	0	0	49	49	49
Miscellaneous Revenues	496,320	496,320	266,206	266,206	(230,114)
<b>Total Revenues</b>	<b>15,851,676</b>	<b>15,871,092</b>	<b>8,029,487</b>	<b>8,029,487</b>	<b>(7,841,605)</b>
<b>Expenditures</b>					
Transportation	9,990,487	10,226,359	4,511,371	4,511,371	5,714,988
Capital Outlay	129,000	158,000	47,859	47,859	110,141
<b>Total Expenditures</b>	<b>10,119,487</b>	<b>10,384,359</b>	<b>4,559,230</b>	<b>4,559,230</b>	<b>5,825,129</b>
<b>Excess of revenues over expenditures</b>	<b>5,732,189</b>	<b>5,486,733</b>	<b>3,470,257</b>	<b>3,470,257</b>	<b>(2,016,476)</b>
<b>Other Financing Sources (Uses)</b>					
Insurance Recovery	0	0	115,199	115,199	115,199
Transfers In	320,116	380,413	170,064	170,064	(210,349)
Transfers Out	(6,853,437)	(7,181,009)	(3,712,162)	(3,712,162)	3,468,847
<b>Total Other Financing Sources (Uses)</b>	<b>(6,533,321)</b>	<b>(6,800,596)</b>	<b>(3,426,899)</b>	<b>(3,426,899)</b>	<b>3,373,697</b>
<b>Net Change in Fund Balance</b>	<b>(801,132)</b>	<b>(1,313,863)</b>	<b>43,358</b>	<b>43,358</b>	<b>1,357,221</b>
<b>Fund Balances Beginning of Year</b>	<b>3,995,494</b>	<b>4,482,629</b>	<b>4,482,629</b>	<b>4,482,629</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>3,194,362</b>	<b>3,168,766</b>	<b>4,525,987</b>	<b>4,525,987</b>	<b>1,357,221</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Contingency Special Revenue Fund  
 For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Other Financing Sources (Uses)</b>					
Transfers In	50,000	224,555	224,555	224,555	0
<b>Total Other Financing Sources (Uses)</b>	50,000	224,555	224,555	224,555	0
<b>Net Change in Fund Balance</b>	50,000	224,555	224,555	224,555	0
<b>Fund Balances Beginning of Year</b>	2,246,510	2,201,870	2,201,870	2,201,870	0
<b>Fund Balances End of Year</b>	2,296,510	2,426,425	2,426,425	2,426,425	0

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Lodging Tax Special Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	464,704	464,704	245,587	245,587	(219,117)
Investment Interest	1,632	1,632	1,489	1,489	(143)
<b>Total Revenues</b>	<b>466,336</b>	<b>466,336</b>	<b>247,076</b>	<b>247,076</b>	<b>(219,260)</b>
<b>Expenditures</b>					
Current					
Economic Environment	480,457	493,937	194,116	194,116	299,821
<b>Total Expenditures</b>	<b>480,457</b>	<b>493,937</b>	<b>194,116</b>	<b>194,116</b>	<b>299,821</b>
<b>Excess of revenues over expenditures</b>	<b>(14,121)</b>	<b>(27,601)</b>	<b>52,960</b>	<b>52,960</b>	<b>80,561</b>
<b>Net Change in Fund Balance</b>	<b>(14,121)</b>	<b>(27,601)</b>	<b>52,960</b>	<b>52,960</b>	<b>80,561</b>
<b>Fund Balances Beginning of Year</b>	<b>224,316</b>	<b>240,991</b>	<b>240,991</b>	<b>240,991</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>210,195</b>	<b>213,390</b>	<b>293,951</b>	<b>293,951</b>	<b>80,561</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Cemetery Operating Special Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Charges for Services	83,940	83,940	61,859	61,859	(22,081)
Investment Interest	5,754	5,754	3,918	3,918	(1,836)
<b>Total Revenues</b>	<b>89,694</b>	<b>89,694</b>	<b>65,777</b>	<b>65,777</b>	<b>(23,917)</b>
<b>Expenditures</b>					
Current					
Physical Environment	115,973	138,700	66,948	66,948	71,752
Capital Outlay	9,600	9,600	2,400	2,400	7,200
<b>Total Expenditures</b>	<b>125,573</b>	<b>148,300</b>	<b>69,348</b>	<b>69,348</b>	<b>78,952</b>
<b>Excess of revenues over expenditures</b>	<b>(35,879)</b>	<b>(58,606)</b>	<b>(3,571)</b>	<b>(3,571)</b>	<b>55,035</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	64,000	64,000	58,310	58,310	(5,690)
<b>Total Other Financing Sources (Uses)</b>	<b>64,000</b>	<b>64,000</b>	<b>58,310</b>	<b>58,310</b>	<b>(5,690)</b>
<b>Net Change in Fund Balance</b>	<b>28,121</b>	<b>5,394</b>	<b>54,739</b>	<b>54,739</b>	<b>49,345</b>
<b>Fund Balances Beginning of Year</b>	<b>662,614</b>	<b>684,053</b>	<b>684,053</b>	<b>684,053</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>690,735</b>	<b>689,447</b>	<b>738,792</b>	<b>738,792</b>	<b>49,345</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Parks Maintenance Special Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	2,474,910	2,474,910	1,214,236	1,214,236	(1,260,674)
Miscellaneous Revenues	4,800	4,800	9,143	9,143	4,343
<b>Total Revenues</b>	<b>2,479,710</b>	<b>2,479,710</b>	<b>1,223,379</b>	<b>1,223,379</b>	<b>(1,256,331)</b>
<b>Expenditures</b>					
Current					
Culture and Recreation	2,724,127	2,750,781	1,224,894	1,224,894	1,525,887
<b>Total Expenditures</b>	<b>2,724,127</b>	<b>2,750,781</b>	<b>1,224,894</b>	<b>1,224,894</b>	<b>1,525,887</b>
<b>Excess of revenues over expenditures</b>	<b>(244,417)</b>	<b>(271,071)</b>	<b>(1,515)</b>	<b>(1,515)</b>	<b>269,556</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	0	0	(17,856)	(17,856)	(17,856)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(17,856)</b>	<b>(17,856)</b>	<b>(17,856)</b>
<b>Net Change in Fund Balance</b>	<b>(244,417)</b>	<b>(271,071)</b>	<b>(19,371)</b>	<b>(19,371)</b>	<b>251,700</b>
<b>Fund Balances Beginning of Year</b>	<b>580,939</b>	<b>617,517</b>	<b>617,517</b>	<b>617,517</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>336,522</b>	<b>346,446</b>	<b>598,146</b>	<b>598,146</b>	<b>251,700</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Parks Levy Special Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	4,606,077	4,606,077	2,271,404	2,271,404	(2,334,673)
Charges for Services	150,000	150,000	0	0	(150,000)
Contributions/Donations	0	1,000	1,000	1,000	0
Miscellaneous Revenues	0	0	4,285	4,285	4,285
<b>Total Revenues</b>	<b>4,756,077</b>	<b>4,757,077</b>	<b>2,276,689</b>	<b>2,276,689</b>	<b>(2,480,388)</b>
<b>Expenditures</b>					
Current					
Culture and Recreation	2,400,563	2,440,479	899,987	899,987	1,540,492
<b>Total Expenditures</b>	<b>2,400,563</b>	<b>2,440,479</b>	<b>899,987</b>	<b>899,987</b>	<b>1,540,492</b>
<b>Excess of revenues over expenditures</b>	<b>2,355,514</b>	<b>2,316,598</b>	<b>1,376,702</b>	<b>1,376,702</b>	<b>(939,896)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	15,987	250,000	250,000	234,013
Transfers Out	(2,350,000)	(2,350,000)	(1,225,000)	(1,225,000)	1,125,000
<b>Total Other Financing Sources (Uses)</b>	<b>(2,350,000)</b>	<b>(2,334,013)</b>	<b>(975,000)</b>	<b>(975,000)</b>	<b>1,359,013</b>
<b>Net Change in Fund Balance</b>	<b>5,514</b>	<b>(17,415)</b>	<b>401,702</b>	<b>401,702</b>	<b>419,117</b>
<b>Fund Balances Beginning of Year</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>255,514</b>	<b>232,585</b>	<b>651,702</b>	<b>651,702</b>	<b>419,117</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Impact Fees Special Revenue Fund  
For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Charges for Services	1,200,000	1,200,000	2,046,601	2,046,601	846,601
Investment Interest	7,130	7,130	20,660	20,660	13,530
<b>Total Revenues</b>	<b>1,207,130</b>	<b>1,207,130</b>	<b>2,067,261</b>	<b>2,067,261</b>	<b>860,131</b>
<b>Excess of revenues over expenditures</b>	<b>1,207,130</b>	<b>1,207,130</b>	<b>2,067,261</b>	<b>2,067,261</b>	<b>860,131</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(1,288,637)	(1,288,637)	(646,142)	(646,142)	642,495
<b>Total Other Financing Sources (Uses)</b>	<b>(1,288,637)</b>	<b>(1,288,637)</b>	<b>(646,142)</b>	<b>(646,142)</b>	<b>642,495</b>
<b>Net Change in Fund Balance</b>	<b>(81,507)</b>	<b>(81,507)</b>	<b>1,421,119</b>	<b>1,421,119</b>	<b>1,502,626</b>
<b>Fund Balances Beginning of Year</b>	<b>1,904,609</b>	<b>2,746,267</b>	<b>2,746,267</b>	<b>2,746,267</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>1,823,102</b>	<b>2,664,760</b>	<b>4,167,386</b>	<b>4,167,386</b>	<b>1,502,626</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Limited GO Debt Service Fund  
 For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	941,144	941,144	477,218	477,218	(463,926)
Intergovernmental	1,195,630	1,195,630	551,847	551,847	(643,783)
Investment Interest - Dedicated	0	0	295	295	295
<b>Total Revenues</b>	<b>2,136,774</b>	<b>2,136,774</b>	<b>1,029,360</b>	<b>1,029,360</b>	<b>(1,107,414)</b>
<b>Expenditures</b>					
Current					
Principal	3,944,400	3,944,400	1,946,451	1,946,451	1,997,949
Interest	3,767,929	3,767,929	1,904,001	1,904,001	1,863,928
<b>Total Expenditures</b>	<b>7,712,329</b>	<b>7,712,329</b>	<b>3,850,452</b>	<b>3,850,452</b>	<b>3,861,877</b>
<b>Excess of revenues over expenditures</b>	<b>(5,575,555)</b>	<b>(5,575,555)</b>	<b>(2,821,092)</b>	<b>(2,821,092)</b>	<b>2,754,463</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	5,575,555	5,575,555	2,828,033	2,828,033	(2,747,522)
<b>Total Other Financing Sources (Uses)</b>	<b>5,575,555</b>	<b>5,575,555</b>	<b>2,828,033</b>	<b>2,828,033</b>	<b>(2,747,522)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>6,941</b>	<b>6,941</b>	<b>6,941</b>
<b>Fund Balances Beginning of Year</b>	<b>7,001</b>	<b>9,563</b>	<b>9,563</b>	<b>9,563</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>7,001</b>	<b>9,563</b>	<b>16,504</b>	<b>16,504</b>	<b>6,941</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Unlimited GO Debt Service Fund  
 For the year ended December 31, 2013

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	1,464,160	1,389,013	729,546	729,546	(659,467)
<b>Total Revenues</b>	<b>1,464,160</b>	<b>1,389,013</b>	<b>729,546</b>	<b>729,546</b>	<b>(659,467)</b>
<b>Expenditures</b>					
Debt Service					
Principal	990,000	1,025,000	485,000	485,000	540,000
Interest	474,160	342,053	225,095	225,095	116,958
Debt Issue Cost	0	396,960	32,500	32,500	364,460
<b>Total Expenditures</b>	<b>1,464,160</b>	<b>1,764,013</b>	<b>742,595</b>	<b>742,595</b>	<b>1,021,418</b>
<b>Excess of revenues over expenditures</b>	<b>0</b>	<b>(375,000)</b>	<b>(13,049)</b>	<b>(13,049)</b>	<b>361,951</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds Refunded Longterm Debt	0	5,030,000	4,670,000	4,670,000	(360,000)
Payment to Refunded Bond Escrow Agnt	0	(4,655,000)	(4,655,000)	(4,655,000)	0
Operating Transfers Out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>375,000</b>	<b>15,000</b>	<b>15,000</b>	<b>(360,000)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>1,951</b>	<b>1,951</b>	<b>1,951</b>
<b>Fund Balances Beginning of Year</b>	<b>306,693</b>	<b>305,580</b>	<b>305,580</b>	<b>305,580</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>306,693</b>	<b>305,580</b>	<b>307,531</b>	<b>307,531</b>	<b>1,951</b>

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

## 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 ***Facilities Maintenance Fund*** accounts and assesses user charges for the operations and maintenance of the City's building facilities and public facilities ground maintenance and landscaping.
- The ***Health Benefits Fund*** accounts for programs established to provide employee medical health care coverage. Medical premiums received by the fund are used to pay claims for employees participating in the City's self-insured health care program, purchase "stop-loss" coverage for individual and aggregate claims in excess of self-insured limits, and maintain reserves for the payment to future claims based on actuarial estimates. Employee dental and vision coverage is purchased from an outside carrier.
- 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 Position**  
Internal Service Funds  
December 31, 2013

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Assets</b>					
Current Assets					
Cash and Cash Equivalents	4,481,279	2,689,610	1,932,327	1,411,097	10,514,313
Investments	6,526,266	3,956,775	2,816,933	2,075,912	15,375,886
Accounts Receivable	98,457	2,264	595,692	40	696,453
Intergovernmental Receivable	0	0	0	39,722	39,722
Inventories	57,863	0	0	0	57,863
<b>Total Current Assets</b>	<b>11,163,865</b>	<b>6,648,649</b>	<b>5,344,952</b>	<b>3,526,771</b>	<b>26,684,237</b>
Noncurrent Assets					
Capital Assets					
Improvements	128,605	0	0	0	128,605
Equipment	16,897,134	0	0	43,760	16,940,894
Accumulated Depreciation	(9,337,922)	0	0	(20,810)	(9,358,732)
<b>Total Capital Assets Net</b>	<b>7,687,818</b>	<b>0</b>	<b>0</b>	<b>22,950</b>	<b>7,710,768</b>
<b>Total Noncurrent Assets</b>	<b>7,687,818</b>	<b>0</b>	<b>0</b>	<b>22,950</b>	<b>7,710,768</b>
<b>Total Assets</b>	<b>18,851,683</b>	<b>6,648,649</b>	<b>5,344,952</b>	<b>3,549,721</b>	<b>34,395,005</b>
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	123,956	83,742	3,738	45,684	257,120
Claims Payable	0	0	601,895	0	601,895
Due to Other Funds	0	7,160	0	0	7,160
Intergovernmental Payable	6,172	3,765	0	11,679	21,616
Wages Payable	26,779	26,054	0	149,288	202,121
Compensated Absences Payable	28,133	12,966	0	86,999	128,098
<b>Total Current Liabilities</b>	<b>185,040</b>	<b>133,686</b>	<b>605,633</b>	<b>293,651</b>	<b>1,218,010</b>
Noncurrent Liabilities					
Compensated Absences Payable	7,033	3,242	0	21,750	32,025
<b>Total Noncurrent Liabilities</b>	<b>7,033</b>	<b>3,242</b>	<b>0</b>	<b>21,750</b>	<b>32,025</b>
<b>Total Liabilities</b>	<b>192,073</b>	<b>136,928</b>	<b>605,633</b>	<b>315,401</b>	<b>1,250,035</b>
<b>Net Position</b>					
Investment in Capital Assets	7,687,818	0	0	22,950	7,710,768
Unrestricted	10,971,792	6,511,721	4,739,319	3,211,370	25,434,202
<b>Total Net Position</b>	<b>18,659,610</b>	<b>6,511,721</b>	<b>4,739,319</b>	<b>3,234,320</b>	<b>33,144,970</b>

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

City of Kirkland, Washington  
**Combining Statement of Revenues, Expenses  
and Changes in Net Position**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2013

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Operating Revenues</b>					
Intergovernmental	0	0	0	101,184	101,184
Charges for Services	3,917,575	2,944,882	10,209,933	4,438,637	21,511,027
Miscellaneous Revenues	200	55,618	178,510	80,213	314,541
<b>Total Operating Revenues</b>	<b>3,917,775</b>	<b>3,000,500</b>	<b>10,388,443</b>	<b>4,620,034</b>	<b>21,926,752</b>
<b>Operating Expenses</b>					
Administrative & General	505,373	230,340	8,188,651	2,013,552	10,937,916
Supplies	15,236	73,503	0	18,141	106,880
Maintenance & Operations	1,640,795	1,840,476	0	2,590,761	6,072,031
Depreciation	1,589,827	0	0	1,674	1,591,501
<b>Total Operating Expenses</b>	<b>3,751,231</b>	<b>2,144,319</b>	<b>8,188,651</b>	<b>4,624,128</b>	<b>18,708,328</b>
<b>Operating Income (Loss)</b>	<b>166,544</b>	<b>856,181</b>	<b>2,199,792</b>	<b>(4,093)</b>	<b>3,218,424</b>
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	(3,506)	0	(1,768)	0	(5,274)
Gain (loss) on Disposal of Capital Assets	(42,202)	0	0	0	(42,202)
Other Nonoperating Revenues/(Expenses)	129,424	0	0	0	129,424
Total Nonoperating Revenues (Expenses)	83,716	0	(1,768)	0	81,948
<b>Income (Loss) before Contributions and Transfers</b>	<b>250,260</b>	<b>856,181</b>	<b>2,198,024</b>	<b>(4,093)</b>	<b>3,300,372</b>
Capital Contributed from External Sources	24,493	0	0	0	24,493
Transfers In	426,143	0	0	968,123	1,394,266
Transfers Out	0	(565,411)	0	(105,000)	(670,411)
Change in Net Position	700,896	290,770	2,198,024	859,030	4,048,720
Total Net Position - Beginning	17,958,714	6,220,951	2,541,295	2,375,290	29,096,250
<b>Total Net Position - Ending</b>	<b>18,659,610</b>	<b>6,511,721</b>	<b>4,739,319</b>	<b>3,234,320</b>	<b>33,144,970</b>

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

City of Kirkland, Washington  
**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2013

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Cash Flows From Operating Activities</b>					
Cash Received From Interfund Charges	3,896,868	2,942,482	111,440	4,438,637	11,389,427
Contributions Received from Employees and Employer	0	0	9,372,225	0	9,372,225
Cash From Other Sources	26,860	56,122	405,443	161,189	649,614
Cash Paid to Suppliers for Goods and Services	(954,457)	(1,385,662)	(6,999,487)	(1,085,492)	(10,425,098)
Cash Paid to Employees for Services	(665,589)	(660,192)	(111,446)	(3,398,118)	(4,835,345)
Cash Paid for Central Business Functions	(560,787)	(103,459)	(1,086,134)	(73,103)	(1,823,483)
<b>Cash Provided by Operating Activities</b>	<b>1,742,894</b>	<b>849,292</b>	<b>1,692,041</b>	<b>43,113</b>	<b>4,327,340</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers In	426,143	0	0	968,123	1,394,266
Transfers Out	0	(565,411)	0	(105,000)	(670,411)
<b>Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>426,143</b>	<b>(565,411)</b>	<b>0</b>	<b>863,123</b>	<b>723,855</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds From Sale of Assets and Insurance Recoveries	110,413	0	0	0	110,413
Acquisition and Construction of Capital Assets	(1,378,348)	0	0	(21,434)	(1,399,782)
<b>Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,267,935)</b>	<b>0</b>	<b>0</b>	<b>(21,434)</b>	<b>(1,289,369)</b>
<b>Cash Flows From Investing Activities</b>					
(Increase) Decrease in Investments	(1,281,678)	(616,095)	(1,235,777)	(709,604)	(3,843,154)
Interest Revenue	57,878	0	22,505	0	80,384
<b>Cash Provided by Investing Activities</b>	<b>(1,223,799)</b>	<b>(616,095)</b>	<b>(1,213,272)</b>	<b>(709,604)</b>	<b>(3,762,770)</b>
Increase (Decrease) in Cash and Cash Equivalents	(322,697)	(332,215)	478,769	175,198	(945)
Cash and Cash Equivalents, January 1	4,803,976	3,021,825	1,453,557	1,235,899	10,515,257
<b>Cash and Cash Equivalents, December 31</b>	<b>4,481,279</b>	<b>2,689,610</b>	<b>1,932,327</b>	<b>1,411,097</b>	<b>10,514,313</b>
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities</b>					
Operating Income (Loss)	166,544	856,181	2,199,792	(4,093)	3,218,424
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	1,589,827	0	0	1,674	1,591,501
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	25,699	(2,108)	(499,161)	(40)	(475,610)
(Increase) Decrease in Capital Related Accounts Receivable	77,070	0	0	0	77,070
(Increase) Decrease of Insurance Recovery Accounts Receivable	(97,425)	0	0	0	(97,425)
(Increase) Decrease in Inventories	3,773	0	0	0	3,773
(Increase) Decrease in Intergovernmental Receivable	933	0	0	(20,208)	(19,275)
Increase (Decrease) in Accounts Payable	86,837	2,487	545	29,513	119,382
Increase (Decrease) in Capital Accounts Payable	(105,823)	0	0	0	(105,823)
Increase (Decrease) in Claims Payable	0	0	(9,135)	0	(9,135)
Increase (Decrease) in Intergovernmental Payable	(3,078)	(2,056)	0	405	(4,729)
Increase (Decrease) in Due to Other Funds	0	(1,792)	0	0	(1,792)
Increase (Decrease) in Wages Payable	(2,099)	(1,674)	0	24,099	20,326
Increase (Decrease) in Compensated Absences Payable	636	(1,746)	0	11,763	10,653
<b>Cash Provided by Operating Activities</b>	<b>1,742,894</b>	<b>849,292</b>	<b>1,692,041</b>	<b>43,113</b>	<b>4,327,340</b>
<b>Noncash Investing, Capital and Finance Activities:</b>					
Contributed Capital	24,493	0	0	0	24,493

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

## 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, 2013

	Intergovernmental Clearing	Customer Deposits	2013
<b>Assets</b>			
Cash and Cash Equivalents	72,138	0	72,138
Deposits	0	1,818,068	1,818,068
<b>Total Assets</b>	<b>72,138</b>	<b>1,818,068</b>	<b>1,890,206</b>
<b>Liabilities</b>			
Current Liabilities			
Due to Other Governments	63,002	0	63,002
Deposits	9,136	1,818,068	1,827,204
<b>Total Liabilities</b>	<b>72,138</b>	<b>1,818,068</b>	<b>1,890,206</b>

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

City of Kirkland  
**Statement of Changes in Assets and Liabilities**  
All Agency Funds  
For the fiscal year ended December 31, 2013

	01/01/13 Balance	Additions	Deletions	12/31/13 Balance
<b>Intergovernmental Custodial</b>				
Assets				
Cash and Cash Equivalents	115,516	8,563,100	8,606,478	72,138
Total Assets	<u>115,516</u>	<u>8,563,100</u>	<u>8,606,478</u>	<u>72,138</u>
Liabilities				
Due to Other Governments	100,242	1,205,270	1,242,509	63,003
Deposits	15,274	0	6,138	9,136
Total Liabilities	<u>115,516</u>	<u>1,205,270</u>	<u>1,248,647</u>	<u>72,138</u>
<b>Customer Deposits</b>				
Assets				
Deposits	1,324,903	1,279,148	785,983	1,818,068
Total Assets	<u>1,324,903</u>	<u>1,279,148</u>	<u>785,983</u>	<u>1,818,068</u>
Liabilities				
Deposits	1,324,903	1,280,602	787,437	1,818,068
Total Liabilities	<u>1,324,903</u>	<u>1,280,602</u>	<u>787,437</u>	<u>1,818,068</u>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	115,516	8,563,100	8,606,478	72,138
Deposits	1,324,903	1,279,148	785,983	1,818,068
Total Assets	<u>1,440,419</u>	<u>9,842,248</u>	<u>9,392,461</u>	<u>1,890,206</u>
Liabilities				
Due to Other Governments	100,242	1,205,270	1,242,509	63,003
Deposits	1,340,177	1,280,602	793,575	1,827,204
Total Liabilities	<u>1,440,419</u>	<u>2,485,872</u>	<u>2,036,084</u>	<u>1,890,206</u>

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



## Capital Assets

City of Kirkland  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedule by Source**  
December 31, 2013  
Unaudited

	<u><b>2013</b></u>
<b>Governmental Funds Capital Assets:</b>	
Land	\$ 589,056,379
Buildings	39,393,256
Improvements other than Buildings	36,399,823
Machinery and Equipment	1,921,518
Artwork	1,648,921
Infrastructure	234,972,474
Construction in Progress	45,275,696
<b>Total Governmental Funds Capital Assets</b>	<u><u><b>\$ 948,668,067</b></u></u>
<b>Investments in Governmental Funds Capital Assets by Source:</b>	
General Fund	\$ 282,456,697
Special Revenue Funds	1,996,830
Impact Fees	8,016,648
Federal Grants	4,918,857
General Obligation Bonds	53,803,306
Private Gifts	9,371,551
Annexation	588,104,178
<b>Total Governmental Funds Capital Assets</b>	<u><u><b>\$ 948,668,067</b></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, 2013  
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 15,272,032	\$ 11,454,497	\$ 439,936	\$ -	\$ -	\$ 7,114,012	\$ 39,580,892
Judicial	1,298,000	1,399,615	1,274,148	-	-	-	12,941	\$ 3,984,704
Security								
Police	5,367,905	5,157,399	1,873,371	334,897	-	-	22,293,764	\$ 35,027,336
Fire	1,306,200	5,361,314	617,425	746,966	-	-	462,915	\$ 8,494,820
Total Security	<u>6,674,105</u>	<u>10,518,713</u>	<u>2,490,796</u>	<u>1,081,863</u>	<u>-</u>	<u>-</u>	<u>22,756,679</u>	<u>43,522,156</u>
Transportation	521,173,279	5,845,821	-	28,927	-	234,972,474	14,409,907	\$ 776,430,408
Physical Environment	62,182	-	1,053,377	134,068	-	-	193,390	\$ 1,443,017
Economic Environment	-	-	-	-	-	-	465,991	\$ 465,991
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	54,548,398	6,357,075	20,127,005	236,724	1,648,921	-	322,776	\$ 83,240,899
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 589,056,379</b>	<b>\$ 39,393,256</b>	<b>\$ 36,399,823</b>	<b>\$ 1,921,518</b>	<b>\$ 1,648,921</b>	<b>\$ 234,972,474</b>	<b>\$ 45,275,696</b>	<b>\$ 948,668,067</b>

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

City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
For the Year Ended December 31, 2013  
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	Jan 1, 2013	Additions	Deductions	Dec 31, 2013
General Govt	\$ 42,283,465	\$ 7,029,983	\$ 9,732,556	\$ 39,580,892
Judicial	3,971,763	12,941	-	3,984,704
Security				
Police	14,942,214	20,287,991	202,869	35,027,336
Fire	8,198,634	589,389	293,203	8,494,820
Total Security	<u>23,140,848</u>	<u>20,877,380</u>	<u>496,072</u>	<u>43,522,156</u>
Transportation	767,133,937	12,071,445	2,774,974	776,430,408
Physical Environment	1,253,287	318,809	129,079	1,443,017
Economic Environment	459,720	6,271	-	465,991
Human Services	-	-	-	-
Culture and Recreation	78,562,412	5,544,286	865,799	83,240,899
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$916,805,432</u></b>	<b><u>\$ 45,861,115</u></b>	<b><u>\$ 13,998,480</u></b>	<b><u>\$948,668,067</u></b>

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

<b><i>Statistical Section</i></b>	<b><i>Page</i></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	135
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	140
<b>Debt Capacity</b> 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.	146
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	151
<b>Operating Information</b> 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.	154

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.



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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006<sup>1</sup></u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 144,192,014	\$ 144,889,758	\$ 149,842,998	\$ 159,271,557	\$ 161,182,917	\$ 169,257,160	\$ 171,816,615	\$ 765,633,941	\$ 776,309,902	\$ 777,116,200
Restricted	32,708,901	31,529,052	37,582,793	2,609,847	2,414,668	1,537,901	25,655,616	56,174,364	51,718,526	33,724,447
Unrestricted	25,921,417	35,872,865	37,799,676	77,110,238	76,753,537	68,705,257	41,958,087	20,984,369	31,820,341	63,270,315
<b>Total Governmental Activities Net Position</b>	<b>\$ 202,822,332</b>	<b>\$ 212,291,675</b>	<b>\$ 225,225,467</b>	<b>\$ 238,991,642</b>	<b>\$ 240,351,122</b>	<b>\$ 239,500,318</b>	<b>\$ 239,430,318</b>	<b>\$ 842,792,674</b>	<b>\$ 859,848,769</b>	<b>\$ 874,110,962</b>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 83,386,001	\$ 92,417,203	\$ 96,222,908	\$ 101,047,975	\$ 108,618,685	\$ 114,800,561	\$ 116,940,418	\$ 135,167,834	\$ 138,359,034	\$ 142,458,066
Restricted	211,353	203,786	181,440	165,616	151,659	118,288	822,275	821,130	488,200	484,500
Unrestricted	18,749,964	18,643,884	26,124,764	29,956,731	32,346,829	33,275,413	35,285,938	39,518,104	42,401,172	45,271,055
<b>Total Business-type Net Position</b>	<b>\$ 102,347,318</b>	<b>\$ 111,264,873</b>	<b>\$ 122,529,112</b>	<b>\$ 131,170,322</b>	<b>\$ 141,117,173</b>	<b>\$ 148,194,262</b>	<b>\$ 153,048,631</b>	<b>\$ 175,507,068</b>	<b>\$ 181,248,406</b>	<b>\$ 188,213,621</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 227,578,015	\$ 237,306,961	\$ 246,065,906	\$ 260,319,532	\$ 269,801,602	\$ 284,057,721	\$ 288,757,033	\$ 900,801,775	\$ 914,668,936	\$ 919,574,266
Restricted	32,920,254	31,732,838	37,764,233	2,775,463	2,566,327	1,656,189	26,477,891	56,995,494	52,206,726	34,208,947
Unrestricted	44,671,381	54,516,749	63,924,440	107,066,969	109,100,366	101,980,670	77,244,025	60,502,473	74,221,513	108,541,370
<b>Total Primary Government Net Position</b>	<b>\$ 305,169,650</b>	<b>\$ 323,556,548</b>	<b>\$ 347,754,579</b>	<b>\$ 370,161,964</b>	<b>\$ 381,468,295</b>	<b>\$ 387,694,580</b>	<b>\$ 392,478,949</b>	<b>\$ 1,018,299,742</b>	<b>\$ 1,041,097,175</b>	<b>\$ 1,062,324,583</b>

<sup>1</sup> 2006 presentation was modified in 2007 to reflect a prior period adjustment.

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

	Fiscal Year									
	2004	2005	2006 <sup>2</sup>	2007	2008	2009	2010	2011	2012 <sup>3</sup>	2013
<b>Expenses</b>										
<b>Governmental Activities</b>										
General Government	\$ 3,072,412	\$ 4,029,646	\$ 4,399,307	\$ 5,489,712	\$ 6,820,650	\$ 4,568,923	\$ 4,573,285	\$ 4,985,746	\$ 4,996,539	\$ 5,598,429
Judicial	1,237,842	1,232,126	1,346,720	1,543,351	1,642,299	1,650,882	1,655,987	1,961,880	2,152,625	2,254,173
Security of Persons and Property	21,663,542	24,501,016	25,210,510	28,231,977	30,785,015	33,747,603	34,218,384	38,342,580	41,376,492	44,501,316
Physical Environment	2,335,038	2,160,540	2,345,553	2,886,473	2,797,484	1,705,151	1,266,318	1,983,567	2,088,842	1,320,358
Transportation	6,718,867	9,859,368	11,225,929	6,822,829	11,884,663	9,636,435	9,547,626	8,874,943	14,556,590	17,060,710
Human Services	1,115,196	1,013,306	1,049,579	1,122,182	1,050,624	1,262,160	1,254,029	1,168,688	1,247,531	1,328,171
Economic Environment	4,383,632	5,063,940	4,956,792	5,535,097	5,713,660	5,032,794	5,208,705	4,581,729	5,477,609	6,351,765
Culture and Recreation	5,617,903	5,878,788	6,244,431	7,050,990	7,223,809	7,547,669	7,162,320	7,360,003	7,842,007	9,145,795
Interest on Long Term Debt	1,335,805	1,248,028	1,157,676	952,919	801,792	706,000	776,642	2,110,842	2,238,879	2,129,096
Total Governmental Activities	\$ 47,480,237	\$ 54,986,758	\$ 57,936,497	\$ 59,635,530	\$ 68,719,996	\$ 65,857,617	\$ 65,663,296	\$ 71,369,978	\$ 81,977,114	\$ 89,689,813
<b>Business Type Activities</b>										
Water/Sewer	\$ 12,444,661	\$ 13,415,317	\$ 14,293,499	\$ 15,038,083	\$ 15,644,082	\$ 16,808,870	\$ 17,102,179	\$ 18,820,946	\$ 19,448,287	\$ 23,680,956
Surface Water	2,468,998	2,694,872	2,698,022	3,258,849	3,356,904	4,117,152	3,987,932	4,695,287	5,798,425	6,827,829
Solid Waste	7,006,972	7,055,826	7,313,435	7,556,493	8,168,316	8,112,106	8,057,897	10,655,055	13,191,812	16,005,799
Total Business Type Activities	\$ 21,920,631	\$ 23,166,015	\$ 24,304,956	\$ 25,853,425	\$ 27,169,302	\$ 29,038,128	\$ 29,148,008	\$ 34,171,288	\$ 38,438,524	\$ 46,514,584
Total Primary Government Expenses	\$ 69,400,868	\$ 78,152,773	\$ 82,241,453	\$ 85,488,955	\$ 95,889,298	\$ 94,895,745	\$ 94,811,304	\$ 105,541,266	\$ 120,415,638	\$ 136,204,397
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
<b>Charges for Services</b>										
General Government	\$ 1,871,874	\$ 2,176,589	\$ 2,583,828	\$ 2,867,603	\$ 3,096,779	\$ 2,960,276	\$ 3,226,434	\$ 5,329,054	\$ 6,193,191	\$ 6,426,151
Judicial	1,489,330	1,198,671	1,365,820	1,546,200	1,534,567	1,776,732	1,813,501	2,011,693	1,884,924	2,077,796
Security of Persons and Property	3,758,854	4,700,508	4,601,906	4,820,358	5,306,512	6,487,767	5,404,357	3,899,269	2,517,728	3,122,082
Physical Environment	489,291	614,942	697,593	704,730	573,298	443,828	332,774	841,679	1,245,290	1,565,435
Transportation	207,436	1,096,127	580,475	178,226	782,638	526,401	335,034	778,133	1,287,801	2,066,637
Economic Environment	4,538,432	4,648,507	4,047,288	3,784,004	2,884,005	2,152,903	2,181,134	2,793,946	4,579,991	5,278,298
Culture and Recreation	861,459	1,095,629	1,053,975	944,457	1,191,477	1,334,207	1,245,180	1,338,704	1,834,283	1,925,556
Operating Grants and Contributions	1,579,462	2,081,827	1,688,627	1,835,419	1,478,355	2,133,689	1,730,706	2,014,483	5,027,871	2,009,909
Capital Grants and Contributions	892,384	1,233,637	1,031,834	1,067,085	1,702,710	1,076,498	2,804,824	591,553,694	1,958,280	6,520,630
Total Governmental Activities	\$ 15,688,522	\$ 18,846,437	\$ 17,651,346	\$ 17,748,082	\$ 18,550,341	\$ 18,892,301	\$ 19,073,944	\$ 610,560,655	\$ 26,529,359	\$ 30,992,494

	Fiscal Year									
	2004	2005	2006 <sup>2</sup>	2007	2008	2009	2010	2011	2012 <sup>3</sup>	2013
<b>Business Type Activities</b>										
Charges for Service										
Water/Sewer	\$ 13,564,146	\$ 13,628,018	\$ 17,604,778	\$ 16,739,996	\$ 18,169,666	\$ 18,491,063	\$ 18,387,062	\$ 19,736,206	\$ 21,066,391	\$ 25,091,105
Surface Water	2,806,057	4,065,829	5,049,525	5,067,890	5,220,765	5,279,088	5,122,063	6,777,735	8,502,468	8,952,552
Solid Waste	7,118,725	7,199,748	8,300,583	7,518,635	8,291,955	8,336,846	8,007,631	10,063,072	12,746,781	16,391,610
Operating Grants and Contributions	64,698	-	105,073	600,683	388,360	364,251	313,490	529,923	284,721	277,666
Capital Grants and Contributions	10,251,810	7,139,864	3,692,047	3,336,990	4,281,929	3,071,321	1,950,653	20,029,622	2,194,949	3,292,523
<b>Total Business Type Activities</b>	<b>\$ 33,805,436</b>	<b>\$ 32,033,459</b>	<b>\$ 34,752,006</b>	<b>\$ 33,264,194</b>	<b>\$ 36,352,675</b>	<b>\$ 35,542,569</b>	<b>\$ 33,780,899</b>	<b>\$ 57,136,558</b>	<b>\$ 44,795,310</b>	<b>\$ 54,005,456</b>
<b>Total Program Revenues</b>	<b>\$ 49,493,958</b>	<b>\$ 50,879,896</b>	<b>\$ 52,403,352</b>	<b>\$ 51,012,276</b>	<b>\$ 54,903,016</b>	<b>\$ 54,434,870</b>	<b>\$ 52,854,843</b>	<b>\$ 667,697,213</b>	<b>\$ 71,324,669</b>	<b>\$ 84,997,950</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (31,791,715)	\$ (36,140,321)	\$ (40,285,151)	\$ (41,887,448)	\$ (50,169,655)	\$ (46,965,316)	\$ (46,589,352)	\$ 539,190,677	\$ (55,447,755)	\$ (58,697,319)
Business Type Activities	11,884,805	8,867,444	10,447,050	7,410,769	9,183,373	6,504,441	4,632,891	22,965,270	6,356,786	7,490,872
<b>Total Net Expense</b>	<b>\$ (19,906,910)</b>	<b>\$ (27,272,877)</b>	<b>\$ (29,838,101)</b>	<b>\$ (34,476,679)</b>	<b>\$ (40,986,282)</b>	<b>\$ (40,460,875)</b>	<b>\$ (41,956,461)</b>	<b>\$ 562,155,947</b>	<b>\$ (49,090,969)</b>	<b>\$ (51,206,447)</b>
<b>General Revenues</b>										
Governmental Activities										
Taxes										
Property Taxes	\$ 11,772,666	\$ 11,593,056	\$ 13,023,578	\$ 13,729,508	\$ 14,436,254	\$ 14,804,560	\$ 14,699,191	\$ 21,815,979	\$ 21,435,319	\$ 26,617,501
Sales Taxes	14,245,140	16,008,359	17,473,327	18,167,448	15,777,179	13,473,254	14,083,506	16,600,753	20,813,009	22,774,745
Excise Taxes <sup>1</sup>	-	6,261,813	7,044,850	6,832,730	3,158,532	1,999,843	2,974,586	3,544,099	5,434,137	6,896,100
Business/Occupational Taxes	899,709	929,499	978,746	981,243	1,007,998	1,936,971	2,023,534	2,346,885	2,371,259	2,476,984
Utility Taxes	7,390,288	6,978,378	8,966,649	9,824,961	10,225,600	10,825,038	10,339,384	12,302,205	14,141,722	15,062,187
Other Taxes	5,262,954	1,429,341	1,879,171	1,221,453	1,062,001	1,159,940	968,004	2,151,532	2,773,320	2,195,147
Unrestricted Grants/Contributions	520,573	324,842	-	501	74,548	215,697	115,815	105,458	99,929	204,330
Investment Earnings	954,779	1,417,570	3,391,684	4,607,033	4,218,724	1,442,357	744,667	893,905	588,839	48,505
Gain (Loss) Sale of Capital Assets	(172,867)	272,899	318,182	108,031	87,053	106,852	397,866	38,694	46,215	32,395
Transfers, Internal Activities	138,000	393,907	142,755	180,715	659,801	150,000	172,799	840,362	865,313	586,406
<b>Total Governmental Activities</b>	<b>\$ 41,011,242</b>	<b>\$ 45,609,664</b>	<b>\$ 53,218,942</b>	<b>\$ 55,653,623</b>	<b>\$ 50,707,690</b>	<b>\$ 46,114,512</b>	<b>\$ 46,519,352</b>	<b>\$ 60,639,872</b>	<b>\$ 68,569,062</b>	<b>\$ 76,894,300</b>
Business Type Activities										
Investment Earnings	\$ 326,761	\$ 444,017	\$ 959,944	\$ 1,411,155	\$ 1,423,279	\$ 722,648	\$ 394,277	\$ 333,529	\$ 249,865	\$ 64,334
Gain (Loss) Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,585)
Transfers, Internal Activities	(138,000)	(393,907)	(142,755)	(180,715)	(659,801)	(150,000)	(172,799)	(840,362)	(865,313)	(586,406)
<b>Total Business Type Activities</b>	<b>\$ 188,761</b>	<b>\$ 50,110</b>	<b>\$ 817,189</b>	<b>\$ 1,230,440</b>	<b>\$ 763,478</b>	<b>\$ 572,648</b>	<b>\$ 221,478</b>	<b>\$ (506,834)</b>	<b>\$ (615,448)</b>	<b>\$ (525,657)</b>
<b>Total Primary Government</b>	<b>\$ 41,200,003</b>	<b>\$ 45,659,774</b>	<b>\$ 54,036,131</b>	<b>\$ 56,884,063</b>	<b>\$ 51,471,168</b>	<b>\$ 46,687,160</b>	<b>\$ 46,740,830</b>	<b>\$ 60,133,038</b>	<b>\$ 67,953,614</b>	<b>\$ 76,368,643</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 9,219,527	\$ 9,469,343	\$ 12,933,791	\$ 13,766,175	\$ 538,035	\$ (850,804)	\$ (70,000)	\$ 599,830,549	\$ 13,121,307	\$ 18,196,981
Business Type Activities	12,073,566	8,917,554	11,264,239	8,641,209	9,946,851	7,077,089	4,854,369	22,458,437	5,741,338	6,965,215
<b>Total Change in Net Position</b>	<b>\$ 21,293,093</b>	<b>\$ 18,386,897</b>	<b>\$ 24,198,030</b>	<b>\$ 22,407,384</b>	<b>\$ 10,484,886</b>	<b>\$ 6,226,285</b>	<b>\$ 4,784,369</b>	<b>\$ 622,288,986</b>	<b>\$ 18,862,645</b>	<b>\$ 25,162,196</b>

1 Excise Taxes were reported as a portion of "Other Taxes" in 2004.  
2 2006 presentation was modified in 2007 to reflect a prior period adjustment.  
3 2012 presentation was modified in 2013 to reflect a prior period adjustment.

Schedule 3

**City of Kirkland**

Fund Balances of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u> <sup>1</sup>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>General Fund (Per GASB 54)<sup>2</sup></b>										
Nonspendable								\$ 260,094	\$ -	\$ -
Restricted								462,762	587,434	601,933
Committed								6,187,802	2,569,900	2,808,391
Assigned								13,869,876	12,467,508	14,821,433
Unassigned								7,844,233	16,971,158	16,647,490
<b>General Fund (Prior GASB 54)<sup>2</sup></b>										
Reserved	\$ 23,175	\$ 23,175	\$ -	\$ -	\$ -	\$ -	\$ -			
Unreserved	5,603,516	5,505,380	8,394,364	10,926,697	7,585,824	7,664,519	6,429,953			
<b>Total General Fund</b>	<b>\$ 5,626,691</b>	<b>\$ 5,528,555</b>	<b>\$ 8,394,364</b>	<b>\$ 10,926,697</b>	<b>\$ 7,585,824</b>	<b>\$ 7,664,519</b>	<b>\$ 6,429,953</b>	<b>\$ 28,624,767</b>	<b>\$ 32,596,000</b>	<b>\$ 34,879,247</b>
<b>All Other Governmental Funds (Per GASB 54)<sup>2</sup></b>										
Nonspendable								\$ 2,746	\$ -	\$ -
Restricted								48,877,848	47,009,318	28,768,370
Committed								383,112	1,522,838	1,545,753
Assigned								10,332,233	10,432,282	16,944,228
Unassigned								-	-	-
<b>All Other Governmental Funds (Prior GASB 54)<sup>2</sup></b>										
Reserved	\$ 568,667	\$ 15,850,351	\$ 19,098,553	\$ 2,693,084	\$ 2,482,649	\$ 1,589,550	\$ 26,308,722			
Unreserved, reported in:										
Special Revenue Funds	29,056,531	18,198,126	21,110,714	36,824,565	35,827,505	24,498,161	23,783,597			
Capital Projects Funds	18,743,786	15,771,542	18,484,240	20,787,912	24,403,049	23,439,218	21,641,181			
<b>Total all Other Governmental Funds</b>	<b>\$ 48,368,984</b>	<b>\$ 49,820,019</b>	<b>\$ 58,693,507</b>	<b>\$ 60,305,561</b>	<b>\$ 62,713,203</b>	<b>\$ 49,526,929</b>	<b>\$ 71,733,500</b>	<b>\$ 59,595,938</b>	<b>\$ 58,964,437</b>	<b>\$ 47,258,351</b>

<sup>1</sup> 2006 presentation was modified in 2007 to reflect a prior period adjustment.

<sup>2</sup> Prior to 2011 and the implementation of GASB statement 54, fund balances were classified as Reserved or Unreserved.

Under GASB statement 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.

Schedule 4

**City of Kirkland**

Changes in Fund Balance of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006 <sup>1</sup>	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes and Assessments	\$ 39,285,690	\$ 43,013,052	\$ 48,869,999	\$ 49,958,737	\$ 45,110,987	\$ 43,627,322	\$ 44,451,281	\$ 57,482,839	\$ 65,360,731	\$ 74,738,398
Licenses and Permits	3,076,018	3,979,870	3,708,339	3,829,844	3,246,893	3,277,794	3,262,940	5,279,547	7,068,382	8,004,902
Intergovernmental	5,730,204	6,871,563	6,240,952	6,760,999	7,664,200	8,965,670	9,608,276	9,123,231	8,243,496	7,297,780
Charges for Services	9,450,454	10,094,396	10,048,417	9,845,034	10,041,051	8,753,980	8,832,375	9,848,611	13,501,666	15,279,129
Fines and Forfeitures	1,233,761	1,117,030	1,165,921	1,363,234	1,422,321	1,506,082	1,652,358	1,943,538	1,889,569	2,171,989
Investment Interest	1,258,689	1,829,674	2,778,651	3,679,548	3,048,864	1,654,092	676,043	803,086	527,466	53,779
Miscellaneous Revenues	447,210	797,317	1,531,327	1,080,766	1,594,979	816,419	699,030	1,019,273	1,088,652	1,051,682
<b>Total Revenues</b>	<b>\$ 60,482,026</b>	<b>\$ 67,702,902</b>	<b>\$ 74,343,606</b>	<b>\$ 76,518,162</b>	<b>\$ 72,129,295</b>	<b>\$ 68,601,359</b>	<b>\$ 69,182,303</b>	<b>\$ 85,500,125</b>	<b>\$ 97,679,962</b>	<b>\$ 108,597,659</b>
<b>Expenditures</b>										
Current										
General Government	\$ 7,909,306	\$ 8,758,846	\$ 8,744,986	\$ 10,022,436	\$ 11,013,790	\$ 9,550,636	\$ 9,164,515	\$ 10,067,748	\$ 11,089,878	\$ 11,610,891
Security of Persons and Property	23,445,532	26,257,339	27,543,202	27,919,796	30,444,289	32,479,111	33,155,872	37,665,018	40,515,907	42,734,394
Physical Environment	3,182,524	3,409,688	3,547,034	3,698,987	3,689,425	3,488,651	3,211,041	3,635,642	3,981,111	3,249,605
Transportation	3,298,181	4,628,907	4,999,973	4,687,211	6,774,661	6,957,494	6,554,789	6,087,389	8,384,173	10,165,878
Economic Environment	3,991,399	4,360,324	4,115,011	6,757,692	6,898,759	6,309,295	6,532,329	6,121,483	6,799,931	7,902,345
Culture and Recreation	5,053,334	5,479,543	5,919,511	6,454,935	6,769,274	6,764,722	6,330,916	6,517,613	6,869,066	7,901,305
Debt Service										
Principal	1,835,000	2,012,000	1,920,000	3,805,000	2,090,000	2,190,000	1,410,000	1,705,000	2,545,313	2,431,451
Interest	1,207,062	1,132,012	1,054,664	972,694	817,048	722,333	646,041	2,247,480	2,238,879	2,129,096
Bond Issuance Costs	-	-	-	-	-	-	98,507	48,679	-	-
Capital Outlay	13,256,914	10,239,560	4,448,792	8,680,093	6,352,081	10,882,097	17,357,329	9,008,550	12,212,995	30,701,746
<b>Total Expenditures</b>	<b>\$ 63,179,252</b>	<b>\$ 66,278,219</b>	<b>\$ 62,293,173</b>	<b>\$ 72,998,844</b>	<b>\$ 74,849,327</b>	<b>\$ 79,344,339</b>	<b>\$ 84,461,339</b>	<b>\$ 83,104,602</b>	<b>\$ 94,637,253</b>	<b>\$ 118,826,711</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	\$ (2,697,226)	\$ 1,424,683	\$ 12,050,433	\$ 3,519,318	\$ (2,720,032)	\$ (10,742,980)	\$ (15,279,036)	\$ 2,395,523	\$ 3,042,709	\$ (10,229,052)
<b>Other Financing Sources (Uses)</b>										
Issuance of Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,345,000	\$ 4,255,000	\$ -	\$ 4,670,000
Refunded Amount to Escrow	-	-	-	-	-	-	-	(4,385,000)	-	(4,655,000)
Bond Discount	-	-	-	-	-	-	(373,661)	185,317	-	-
Debt Issue Cost	-	-	-	-	-	-	-	-	-	(32,500)
Sale of Capital Assets	87,600	234,560	564,788	403,402	97,798	33,036	366,825	38,694	43,206	615,963
Insurance Recovery	-	-	-	-	390,669	5,520	5,540	818	-	148,353
Transfers In	9,494,297	9,347,701	11,518,923	13,978,513	12,796,892	19,453,883	9,489,033	9,032,665	16,243,715	18,172,493
Transfers Out	(10,479,766)	(9,654,045)	(12,394,848)	(13,756,846)	(12,320,003)	(18,297,093)	(8,581,696)	(8,997,572)	(15,989,897)	(18,113,096)
<b>Total Other Financing Sources (Uses)</b>	<b>(897,869)</b>	<b>(71,784)</b>	<b>(311,137)</b>	<b>625,069</b>	<b>965,356</b>	<b>1,195,346</b>	<b>36,251,041</b>	<b>129,922</b>	<b>297,024</b>	<b>806,213</b>
<b>Net Change in Fund Balance</b>	<b>\$ (3,595,095)</b>	<b>\$ 1,352,899</b>	<b>\$ 11,739,296</b>	<b>\$ 4,144,387</b>	<b>\$ (1,754,676)</b>	<b>\$ (9,547,634)</b>	<b>\$ 20,972,005</b>	<b>\$ 2,525,445</b>	<b>\$ 3,339,733</b>	<b>\$ (9,422,839)</b>
Debt Service as a percentage of noncapital expenditures	6.09%	5.61%	5.14%	7.43%	4.24%	4.25%	3.06%	5.33%	5.80%	5.18%

<sup>1</sup> 2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 5

**City of Kirkland**

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
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
2009	\$ 10,948,249,594	\$363,953,154	\$ 11,312,202,748	1.13
2010	\$ 10,339,449,107	\$371,383,209	\$ 10,710,832,316	1.29
2011	\$ 9,875,673,406	\$422,921,112	\$ 10,298,594,518	1.39
2012	\$ 13,917,848,447	\$410,053,788	\$ 14,327,902,235	1.46
2013	\$ 15,358,916,929	\$415,443,078	\$ 15,774,360,007	1.87

Schedule 6

**City of Kirkland**

Direct and Overlapping Governments

Last Ten Fiscal Years - Unaudited

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	
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
2009	1.02	0.11	1.13	2.23	1.10	2.11	0.27	0.40	0.39	0.20	7.83
2010	1.21	0.08	1.29	2.80	1.28	2.33	0.30	0.46	0.46	0.22	9.14
2011	1.30	0.09	1.39	2.98	1.35	2.39	0.30	0.48	0.55	0.22	9.66
2012	1.37	0.09	1.46	3.53	1.42	2.54	0.30	0.49	0.57	0.23	10.54
2013	1.78	0.09	1.87	3.75	1.54	2.70	0.30	0.52	0.57	0.23	11.48

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.

Schedule 7

**City of Kirkland**

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

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<u>Taxpayer</u>	2013			2004		
	<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	\$ 147,576,708	1	0.94%	\$ 128,331,674	1
Villaggio (Yarrow Bay Club Apartments)	100,377,000	2	0.64%			
Park at Forbes Creek LLC	76,195,000	3	0.48%	36,295,800	4	0.49%
Puget Sound Energy Electricity/Gas	72,367,004	4	0.46%	34,216,699	5	0.46%
Kilroy Realty (Plaza at Yarrow Bay, Inc.)	59,292,339	5	0.38%	39,277,500	3	0.53%
Balaclava Holdings, Inc.	52,470,000	6	0.33%			
Essex Property Trust	48,830,000	7	0.31%	25,315,000	10	0.34%
Essex Montebello LLC	45,397,000	8	0.29%			
EQR-Heronfield LLC	43,365,000	9	0.27%	29,383,600	8	0.39%
Touchstone KPP Development (Parkplace)	43,022,300	10	0.27%			
Frontier Communications NW, Inc. (Verizon NW)				27,195,663	9	0.37%
Property Tax Advisors				63,319,500	2	0.85%
BRE Properties				31,601,000	6	0.42%
Sylvan S. Shulman Co.				30,555,600	7	0.41%
<b>Totals</b>	<u>\$ 688,892,351</u>		<u>4.37%</u>	<u>\$ 445,492,036</u>		<u>5.98%</u>

Schedule 8

**City of Kirkland**

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 11,528,775	\$ 11,264,874	97.71%	\$ 224,251	\$ 11,489,125	99.66%
2005	\$ 11,724,737	\$ 11,393,400	97.17%	\$ 242,273	\$ 11,635,673	99.24%
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 224,019	\$ 13,015,104	99.70%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ 266,700	\$ 13,806,120	99.80%
2008	\$ 14,576,390	\$ 14,222,940	97.58%	\$ 333,115	\$ 14,556,055	99.86%
2009	\$ 14,958,836	\$ 14,520,416	97.07%	\$ 406,521	\$ 14,926,937	99.79%
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ 298,563	\$ 14,727,017	99.87%
2011	\$ 21,792,076	\$ 21,498,711	98.65%	\$ 259,925	\$ 21,758,636	99.85%
2012	\$ 20,926,668	\$ 20,663,153	98.74%	\$ 197,951	\$ 20,861,104	99.69%
2013	\$ 26,328,493	\$ 25,909,705	98.41%	\$ -	\$ 25,909,705	98.41%

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Schedule 9  
**City of Kirkland**  
 Taxable Sales by Category  
 Last Ten Calendar Years - Unaudited

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Services	\$ 1,347,480	\$ 1,516,943	\$ 1,722,501	\$ 1,779,742	\$ 1,696,462	\$ 1,450,142	\$ 1,609,846	\$ 1,692,708	\$ 1,635,896	\$ 2,101,922
Contracting	1,777,419	2,315,820	3,279,243	3,007,168	2,685,516	1,727,379	1,739,823	1,748,813	2,544,008	2,734,553
Communications	576,840	689,152	793,243	657,923	564,808	481,053	439,692	476,189	442,779	471,727
Automotive/Gas Retail	2,721,983	2,791,766	2,973,380	3,276,488	2,990,763	2,650,594	3,038,615	3,161,851	3,655,104	4,147,689
Gen Merch/ Misc Retail	2,220,194	2,384,674	2,524,268	2,562,537	2,230,501	1,929,745	1,745,038	1,802,876	1,876,502	2,007,080
Retail Eating/Drinking	1,109,576	1,183,017	1,228,127	1,294,444	1,295,765	1,126,930	1,063,913	1,145,123	1,273,290	1,368,125
Other Retail	1,577,589	1,774,957	1,800,744	1,738,458	1,761,238	1,546,911	1,614,016	1,694,262	1,988,615	2,125,101
Wholesale	652,515	984,807	1,320,124	1,111,079	881,824	546,513	725,093	709,686	564,302	758,786
Miscellaneous	720,378	668,662	786,514	1,098,629	924,213	785,660	830,820	956,682	829,768	890,330
<b>Total</b>	<b>\$ 12,703,974</b>	<b>\$ 14,309,798</b>	<b>\$ 16,428,144</b>	<b>\$ 16,526,468</b>	<b>\$ 15,031,090</b>	<b>\$ 12,244,927</b>	<b>\$ 12,806,856</b>	<b>\$ 13,388,190</b>	<b>\$ 14,810,264</b>	<b>\$ 16,605,313</b>
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%

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	Total General Sales Tax	State of Washington	Total Automobile Sales/Leases	King County Restaurant Food and Beverage	Total Restaurant Food and Beverage	
	General Sales	Metro	Criminal Justice	Mental Health	City of Kirkland <sup>1</sup>	Automobile Sales/Leases	Automobile Sales/Leases				
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%
2009	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%
2010	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%
2011	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2012	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2013	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%

<sup>1</sup> The City of Kirkland direct tax rate is 1.0% with .15% remitted to King County.

Schedule 11

**City of Kirkland**

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

<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>		
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	0.96%	551
2008	\$ 15,345,000	\$ -	\$ -	\$ -	\$ 3,785,000	\$ 3,908,523	\$ 23,038,523	0.82%	476
2009	\$ 13,155,000	\$ -	\$ -	\$ -	\$ 3,120,000	\$ 3,293,856	\$ 19,568,856	0.70%	399
2010	\$ 47,090,000	\$ -	\$ -	\$ -	\$ 2,430,000	\$ 2,906,678	\$ 52,426,678	2.11%	1075
2011	\$ 49,255,000	\$ -	\$ -	\$ -	\$ 1,700,000	\$ 2,519,500	\$ 53,474,500	1.26%	664
2012	\$ 46,709,687	\$ -	\$ -	\$ -	\$ 935,000	\$ 2,132,322	\$ 49,777,009	1.19%	611
2013	\$ 44,293,236	\$ -	\$ -	\$ -	\$ 475,000	\$ 1,771,987	\$ 46,540,223	1.08%	569

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Schedule 12

**City of Kirkland**

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2004	\$ 25,000,000	\$ 568,667	\$ 24,431,333	0.34%	\$ 545.85
2005	\$ 23,150,000	\$ 545,234	\$ 22,604,766	0.29%	\$ 506.12
2006	\$ 21,235,000	\$ 558,526	\$ 20,676,474	0.24%	\$ 450.08
2007	\$ 17,435,000	\$ 501,315	\$ 16,933,685	0.18%	\$ 364.06
2008	\$ 15,345,000	\$ 481,535	\$ 14,863,465	0.12%	\$ 316.98
2009	\$ 13,155,000	\$ 472,456	\$ 12,682,544	0.12%	\$ 268.41
2010	\$ 47,090,000	\$ 328,813	\$ 46,761,187	0.44%	\$ 965.22
2011	\$ 49,255,000	\$ 315,270	\$ 48,939,730	0.48%	\$ 611.83
2012	\$ 46,709,687	\$ 314,857	\$ 46,394,830	0.33%	\$ 573.27
2013	\$ 44,293,236	\$ 337,793	\$ 43,955,443	0.28%	\$ 541.95

Schedule 13

**City of Kirkland**

Direct and Overlapping Governmental Activities Debt

As of December 31, 2013 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> <sup>1</sup>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	\$ 831,582,000	4.65%	\$ 38,668,563
Lake Washington School District #414	470,220,000	37.90%	178,213,380
Port of Seattle	283,815,000	4.65%	13,197,398
Bellevue School District #405	607,590,000	0.22%	1,336,698
Hospital District #2	190,065,000	29.72%	56,487,318
Library	128,300,000	7.93%	10,174,190
Northshore School District #417	303,118,912	1.26%	3,819,298
Northshore Parks and Rec	2,010,000	1.26%	<u>25,326</u>
Total Overlapping Debt			\$ 301,922,171
Direct Debt			
City of Kirkland <sup>2</sup>	\$ 44,293,236	100.00%	<u>\$ 44,293,236</u>
Total Direct and Overlapping Debt			<u>\$ 346,215,407</u>

<sup>1</sup> Estimated percentage applicable determined by the ratio of taxable property assessed valuation in overlapping unit to property valuation subject to taxation in the City of Kirkland.

<sup>2</sup> General obligations bonded debt excluding special assessment and revenue supported bonded debt.

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 558,485,774	\$ 592,229,543	\$ 660,219,656	\$ 739,893,011	\$ 986,804,445	\$ 848,415,206	\$ 803,312,424	\$ 772,394,589	\$ 1,074,592,668	\$ 1,183,077,001
Total Net Debt Applicable to Limit	<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>	<u>12,682,544</u>	<u>46,761,187</u>	<u>48,939,730</u>	<u>46,394,830</u>	<u>43,955,443</u>
Legal Debt Margin	<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>	<u>\$ 835,732,662</u>	<u>\$ 756,551,237</u>	<u>\$ 723,454,859</u>	<u>\$ 1,028,197,838</u>	<u>\$ 1,139,121,558</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	4.38%	3.82%	3.13%	2.29%	1.51%	1.49%	5.82%	6.34%	4.32%	3.72%

**Legal Debt Margin Calculation for Fiscal Year 2013**

Total Assessed Value	<u>15,774,360,007</u>
Debt Limit (7.5% of Total Assessed Value)	<u>1,183,077,001</u>
Debt Applicable to Limit:	
General Obligation Bonds	44,293,236
Less Cash on Hand for Debt Redemption	<u>(337,793)</u>
Total Net Debt Applicable to Limit	43,955,443
Legal Debt Margin	<u>\$ 1,139,121,558</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.

Schedule 15  
**City of Kirkland**  
Pledged-Revenue Coverage  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
			Principal	Interest			Principal	Interest		
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 <sup>1</sup>	\$ 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	\$ -	\$ -	\$ -	-
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	\$ 690,000	\$ 124,185	5.00	\$ -	\$ -	\$ -	-
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	\$ 730,000	\$ 92,275	4.49	\$ -	\$ -	\$ -	-
2011	\$ 19,593,206	\$ 16,287,970	\$ 3,305,236	\$ 765,000	\$ 56,130	4.03	\$ -	\$ -	\$ -	-
2012	\$ 20,966,391	\$ 16,940,958	\$ 4,025,433	\$ 460,000	\$ 28,200	8.25	\$ -	\$ -	\$ -	-
2013	\$ 24,733,565	\$ 21,179,766	\$ 3,553,799	\$ 475,000	\$ 9,500	7.33	\$ -	\$ -	\$ -	-

<sup>1</sup>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

<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>
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	\$ 2,749,317	\$ 57,409	3.70%
2008	48,410	\$ 2,813,347	\$ 58,115	4.33%
2009	49,010	\$ 2,788,865	\$ 56,904	8.50%
2010	48,787	\$ 2,483,502	\$ 50,905	8.80%
2011	80,505	\$ 4,330,525	\$ 53,792	8.10%
2012	81,480	\$ 4,174,139	\$ 51,229	7.00%
2013	81,730	\$ 4,323,441	\$ 52,899	5.23%

Schedule 17

**City of Kirkland**

Property Values and Construction

Last Ten Fiscal Years - Unaudited

Fiscal Year	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction</u>		<u>Mixed Use Construction<sup>1</sup></u>			Total Assessed Property Valuation
	<u>Number of Permits</u>	<u>Valuation</u>	<u>Number of Dwellings</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Permits</u>	<u>Number of Units</u>	<u>Valuation</u>	
2004	11	\$ 46,413,334	192	\$ 59,285,927	263	\$ 26,658,812	n/a	n/a	n/a	\$ 7,446,476,981
2005	10	\$ 36,336,205	229	\$ 77,808,567	277	\$ 31,070,574	n/a	n/a	n/a	\$ 7,896,393,909
2006	4	\$ 6,440,429	237	\$ 86,466,535	160	\$ 22,000,720	n/a	n/a	n/a	\$ 8,802,928,753
2007	8	\$ 36,632,094	229	\$ 85,599,108	129	\$ 23,939,654	n/a	n/a	n/a	\$ 9,865,240,144
2008	4	\$ 8,115,000	128	\$ 44,004,859	241	\$ 27,792,550	n/a	n/a	n/a	\$ 13,157,392,603
2009	3	\$ 17,740,116	44	\$ 17,683,428	81	\$ 33,905,957	n/a	n/a	n/a	\$ 11,312,202,748
2010	2	\$ 101,000	71	\$ 25,993,732	61	\$ 9,200,000	-	-	\$ -	\$ 10,710,832,316
2011	4	\$ 3,093,000	94	\$ 34,502,303	9	\$ 1,737,948	-	-	\$ -	\$ 10,298,594,518
2012	4	\$ 43,098,113	92	\$ 52,742,439	124	\$ 2,200,000	1	108	\$ 10,500,000	\$ 14,327,902,235
2013	4	\$ 75,393,629	268	\$ 117,783,022	61	\$ 11,504,320	2	187	\$ 25,163,600	\$ 15,774,360,007

<sup>1</sup> Prior to 2010, Mixed Use Construction included with Multi-Family Construction.

Schedule 18

**City of Kirkland**

Principal Employers

Current Year and Nine Years Ago - Unaudited

153

<u>Employer</u>	<u>2013</u>			<u>2004</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	2,603	1	7.52%	2,188	1	7.54%
Lake Washington School District	976	2	2.82%	641	2	2.21%
Google, Inc.	774	3	2.23%			
City of Kirkland	550	4	1.59%	420	3	1.45%
Kenworth Truck Co.	410	5	1.18%	397	4	1.37%
Astronics Advanced Electronic Systems	388	6	1.12%			
Costco Wholesale	316	7	0.91%	380	5	1.31%
Isoftstone, Inc.	272	8	0.79%			
Wave Broadband	268	9	0.77%			
Lake Washington Institute of Technology	267	10	0.77%	200	8	0.69%
Univar				301	6	1.04%
Fred Meyer				203	7	0.70%
Lake Vue Gardens Convalescent Center				170	9	0.59%
Eagle Home Mortgage				167	10	0.58%
<b>Total</b>	<u>6,824</u>		<u>19.70%</u>	<u>5,067</u>		<u>17.46%</u>

Schedule 19

**City of Kirkland**

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of December 31</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	6.89	6.89	19.48	21.24	21.54	21.54	21.90	30.40	8.65	8.25
City Attorney's Office	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Municipal Court	-	-	-	-	-	-	-	-	22.25	18.75
Human Resources	5.56	6.68	7.10	7.10	7.10	7.10	8.10	8.80	8.70	8.70
Parks and Community Services	31.15	32.28	32.28	32.78	36.53	36.53	33.03	32.25	31.00	30.00
Public Works	26.39	25.65	26.65	26.95	27.55	27.55	23.30	26.15	25.35	28.95
Finance and Administration	41.41	41.29	28.45	29.50	28.80	29.05	30.40	32.65	32.80	32.80
Planning and Community Development	21.62	21.62	22.56	23.56	22.06	21.06	19.95	24.25	24.25	23.45
Police	96.50	99.50	105.50	110.50	109.00	95.50	121.50	135.25	137.50	135.50
Fire and Building	96.53	96.53	100.53	109.53	113.28	112.28	107.73	120.78	122.28	123.28
Other General Government Operating Funds										
Lodging Tax Fund	0.11	0.11	0.11	0.25	0.90	0.90	0.60	0.60	0.60	0.60
Street Operating	15.45	15.40	15.40	15.40	16.90	16.10	15.50	22.50	20.65	20.75
Parks Maintenance	6.50	7.50	7.50	7.50	7.50	7.50	7.50	10.25	10.25	9.25
2012 Parks Levy	-	-	-	-	-	-	-	-	-	7.25
Recreation Revolving	3.25	3.25	3.25	3.25	-	-	-	-	-	-
Facilities Maintenance	5.90	5.90	5.90	5.90	5.90	5.95	5.85	6.35	6.35	7.35
Equipment Rental	5.50	5.50	5.50	6.00	6.00	6.40	6.30	7.30	7.30	7.30
Information Technology	14.00	15.00	18.25	18.75	19.50	20.00	19.25	23.75	24.50	24.70
Proprietary Funds										
Water/Sewer Operating	20.10	20.31	20.31	20.71	21.21	21.06	21.21	20.31	19.81	19.81
Surface Water Management	13.16	13.69	15.19	15.39	17.24	17.74	18.49	26.04	27.59	27.59
Solid Waste	-	1.05	1.05	1.65	1.70	1.70	2.00	3.30	2.80	2.80
<b>Total</b>	<u>420.02</u>	<u>429.15</u>	<u>446.01</u>	<u>466.96</u>	<u>473.71</u>	<u>458.96</u>	<u>473.61</u>	<u>541.93</u>	<u>543.63</u>	<u>548.08</u>

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Schedule 20

**City of Kirkland**

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Security of Persons and Property - Police Calls for Service	53,238	43,120	53,215	56,986	58,499	58,245	62,677	71,729	74,317	69,568
Security of Persons and Property - Fire Calls for Service (aid and fire)	7,335	7,195	8,109	7,255	7,256	7,320	7,098	7,286	7,982	8,033
Average EMS Reponse (minutes)	5:11	5:17	5:21	5:30	5:27	5:20	5:17	5:32	5:25	5:18
Average Fire Response (minutes)	5:58	5:53	6:02	5:59	5:47	5:46	5:41	5:42	5:44	5:55
Culture and Recreation										
Adult Program Registrations	3,868	4,621	4,484	4,675	3,894	3,234	2,877	3,508	3,675	3,259
Preschool Program Registrations	3,131	3,436	3,520	3,467	3,516	3,773	4,005	4,339	3,973	4,435
Youth Program Registrations	4,180	4,553	4,639	4,526	4,610	4,505	4,477	4,272	5,047	5,466
Teen Program Registrations	210	134	140	93	130	88	144	113	134	103
Parent/Child Program Registrations	180	348	484	392	372	222	199	199	1,608	1,752
Senior Program Registrations	3,777	5,010	4,858	4,833	4,065	4,104	3,441	3,509	4,120	4,196
Physical Environment										
Street Hot Patching (hours)	4,924	5,261	4,127	4,469	4,650	3,819	3,354	3,422	3,856	5,246
Street Signal Maintenance (hours)	2,645	2,976	2,685	2,546	2,723	2,712	2,700	3,717	4,376	3,871
Street Sweeping (hours)	1,824	2,016	2,177	2,001	1,959	1,971	1,518	2,340	2,883	3,389
Number of Sewer Customers	9,276	9,420	9,580	9,771	9,923	10,004	10,080	10,154	10,238	10,309
Number of Water Customers	11,452	11,534	11,648	11,849	11,955	12,056	12,104	12,153	12,224	12,318
Average Daily Water Consumption (million gallons)	6.20	5.72	6.60	5.80	6.30	5.90	5.46	5.40	5.60	5.31

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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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	7.1	6.5	6.6	6.8	6.5	6.4	7.0	10.1	10.5	10.5
Security of Persons and Property - Fire										
Stations (full-time staffed)	5	5	5	6	5	5	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	0	1
Culture and Recreation										
Parks Acreage	512	525	510	515	517	517	518	544	554	556
Parks (developed)	32	32	33	33	33	32	32	34	35	35
Parks (undeveloped)	5	5	7	7	7	8	8	10	10	10
Waterfront Footage	13,200	13,200	13,200	13,200	13,270	13,270	13,270	13,270	13,270	13,270
Miles of Improved Park Trails	5.0	5.0	5.5	5.5	5.5	5.8	5.8	6.3	6.5	6.5
Miles of Unimproved Park Trails	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
Community Centers	1	1	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	163	166	166	166	167	169	169	170	170	175
Sanitary Sewers (miles)	115	116	116	117	119	119	120	121	122	122
Streets (miles)	148	149	149	149	148	147	147	249	250	250
Sidewalks (miles)	134	134	136	138	139	140	141	277 <sup>1</sup>	237	238

<sup>1</sup> Due to annexation, 2011 number an estimate. 2012 based on real mapping.