

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,

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City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2005

Gwen Chapman

Interim Director of Finance and Administration

Prepared by

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Cover Design and Layout by



**City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2005**

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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, 2004

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



Carla E. Perry

President

Jeffrey R. Egan

Executive Director

CITY OF KIRKLAND

CITY COUNCIL

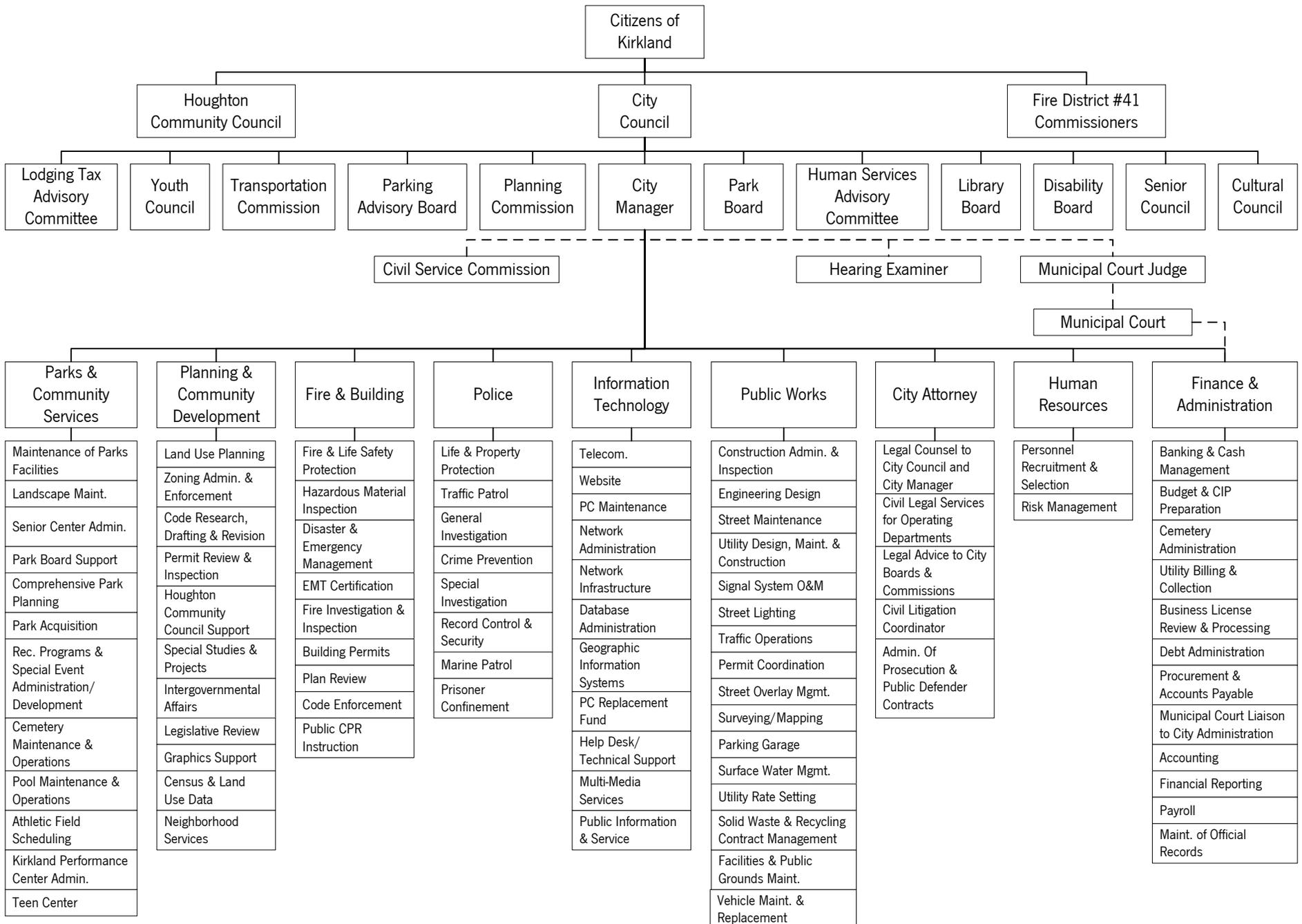
Mayor	James L. Lauinger
Deputy Mayor	Joan McBride
Council Members.....	David Asher Mary-Alyce Burleigh Jessica Greenway Tom Hodgson Bob Sternoff

ADMINISTRATIVE STAFF

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

*Interim

CITY OF KIRKLAND





June 16, 2006

Citizens of Kirkland
Honorable Mayor
Members of the City Council

I am pleased to submit to you the 2005 Comprehensive Annual Financial Report of the City of Kirkland, Washington. The report was prepared by the City's Finance Department in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report is presented in conformity with Governmental Accounting Standards Board (GASB) Statements 34 through 46 and is presented in three sections:

- The Introductory Section is unaudited and includes the table of contents, the City's organizational chart, a list of principal officials and this transmittal letter.
- The Financial Section includes the State Auditor's opinion, the general purpose financial statements and combining and individual statements and schedules for the City's funds and account groups.
- The Statistical Section is unaudited and includes selected general and financial information presented on a multi-year, comparative basis.

Generally Accepted Accounting Principals (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Kirkland was incorporated in 1905 and operates under a council/manager form of government. The council/manager form of government clearly separates the legislative policy function from the professional administrative function. The City Council consists of seven nonpartisan members elected at large every two years to staggered four-year terms. The Mayor is elected from within the City 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 City of Kirkland provides a full range of municipal services, including police and fire, parks and recreation, municipal court, planning and community development, public works and general administrative services.

The report includes all funds, account groups, agencies and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments.

Economic Outlook

The City's conservative fiscal policies and financial management practices have helped it weather the economic recession with minimal service impacts. Although the use of the recessionary reserve was budgeted in 2005 and 2006, the City ultimately didn't need to tap this reserve in either year due to strong sales tax and development-related revenue performance during this period.

Looking into the 2007-2008 biennium, sales tax revenue is expected to grow 5-7 percent annually, with most of the growth coming from the contracting, business services, and retail sectors. Also, development activity is expected to remain relatively strong, particularly with the redevelopment of downtown properties and significant additions at Evergreen Hospital now underway.

From a longer term perspective, it is anticipated that the City's economic development and tourism efforts, which are becoming more focused, will bear economic fruit as well. Finally, a major redevelopment of Totem Lake Mall appears to be very likely, and could begin construction as early as the end of 2007. The culmination of this effort should result in an ongoing net tax revenue increase to the City up to \$1.0 million once the project is completed.

Major Initiatives

Major initiatives undertaken in 2005 include the following:

- A number of technology improvements were made during the year and include internet video streaming of council meetings, electronic council packets, new timekeeping system, on-line utility payments and wireless computer access for field workers.
- The close of 2005 marks the half-way point of the first biennial budget for the City. The 2005-2006 Budget is the City's first biennial budget.

- Recruitment of the newly created Economic Development Manager position has been initialized. This position will be filled in early 2006.
- The fire department, along with the eastside fire consortium utilized over \$500,000 in FEMA grants for emergency equipment, communications equipment and medical supplies.
- An update to the annexation fiscal study was completed in 2005. The cost of providing services to the Finn Hill, Juanita and Kingsgate areas was reexamined. The financial impact to Kirkland continues to be discussed following the passing of House Bill #2667 in early 2006 that may allow the City to close the gap between revenues and costs associated with annexation.
- The City acquired available park land and open space in several locations utilizing Park Bond Opportunity Funds.

Financial Management and Controls

Accounting Systems

Cities and counties of the State of Washington must comply with the Budgeting, Accounting and Reporting System prescribed by the Office of the State Auditor. State law also provides for an annual independent audit by the Office of the State Auditor and requires timely submission of annual financial reports to the State for review.

As a recipient of federal, state and local financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Budget Circular A-133, Audits of State and Local Governments. This audit, when applicable, is conducted by the State Auditor's Office in conjunction with the City's annual audit.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of the control structure should not exceed the benefits likely to be derived therefrom, and that the evaluation of cost and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget approved by the City Council. Budgets are prepared for all funds. The level of budgetary control (i.e., the level at which

expenditures cannot legally exceed the appropriated amount) is at the fund level. Budgetary control is internally administered at a more restrictive level. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management

The City invests only in securities authorized by State law and primarily invests in U.S. Treasury Securities, Federal Agency Obligations and the Washington State Local Government Investment Pool. The maturities of the investments generally range from 1 day to 3 years, with the average maturity being 1.24 years at the end of 2005. The 2005 return was 2.82 percent. The City's portfolio earned interest revenue of \$2,340,696 on investments for the year ended December 31, 2005.

As stated in the City's investment policy, the primary objectives of the City's investment activities are safety, liquidity and yield. Safety is ensured by purchasing securities that are explicitly or implicitly backed by the full faith and credit of the U.S. Government, or maintaining deposits guaranteed by the Washington State Public Deposit Commission. A further measure of safety is added through the delivery of securities purchased to our safekeeping agent prior to payment.

Liquidity is maintained by attempting to match investment maturities with cash flow requirements, limiting maturities to a maximum of five years and keeping a balance in the Washington State Local Government Investment Pool sufficient to meet short-term obligations. The Washington State Local Government Investment Pool is an Investment Account managed by the Washington State Treasurer that offers immediate liquidity. While investments are purchased with the intention of being held to maturity, consideration is given as to their future marketability and liquidity.

Yield is considered after safety and liquidity requirements have been met. The City's yield objective is to achieve at least a market rate of return.

Other Information

Independent Audit

State statute requires an annual audit by the Washington State Auditor's Office. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and related Office of Management and Budget Circular A-133. The auditor's opinion letter on the general purpose financial statements is included in the financial section of this report. The complete auditor's report is available at Kirkland City Hall.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kirkland for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the first year the government has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 comprehensive annual financial report 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.

This report was prepared by the City's Finance Department. I would like to express my appreciation to the staff and other personnel from various departments who assisted in its preparation. I would also like to thank the Mayor, City Council, and the City Manager for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully Submitted,

Gwen Chapman
Interim Director of Finance and Administration



Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 16, 2006

Council
City of Kirkland
Kirkland, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, Street Operating Special Revenue Fund, Parks and Municipal Reserve Special Revenue Fund, Excise Tax Capital Improvement Special Revenue Fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 26 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



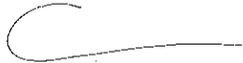
Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 86 through 129 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory 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 express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is written in a cursive, flowing style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

A simple, handwritten mark or flourish consisting of a single, curved line that starts on the right and loops back towards the left.

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, 2005. We encourage readers to consider the information presented here in conjunction with the additional information provided in the preceding letter of transmittal.

Financial Highlights

- The city's net assets, the amount by which total assets exceed total liabilities, equaled \$323.6 million at the end of 2005. Of this amount, \$237.3 million is invested in capital assets such as streets, land, and buildings. The remainder consists of \$31.7 million that is restricted for capital projects, debt service, and other purposes and \$54.6 million that is unrestricted and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The city's total net assets increased by \$18.5 million in 2005. Business-type activities accounted for \$8.9 million of the increase with the remaining \$9.5 million coming from governmental activities. Across both types of activities, \$9.7 million, or 53 percent, of the increase was related to the addition of capital assets net of any related debt.
- At the end of the most recent fiscal year, the city's governmental funds reported combined ending fund balances of \$55.3 million, an increase of \$1.35 million compared to the prior year. Of this total amount, \$39.5 million, or 71 percent, is unreserved reported in general fund, special revenue funds, and capital projects funds.
- Unreserved, undesignated fund balance in the general fund was \$5.5 million at the end of 2005, which represents about 13 percent of total general fund expenditures. An additional fund balance of \$4.2 million is available in the park and municipal reserve fund (in the general operating reserve and the revenue stabilization reserve combined) to cover unforeseen revenue losses during an economic downturn or to provide funding for unforeseen expenditure needs for general city programs.
- Total outstanding debt, including Public Works Trust Fund loans, at year-end was \$34.2 million, which represents a decrease of \$2.6 million from the prior year.

Overview of the Financial Statements

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to give the reader a picture of the financial condition and activities of the city as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for *governmental activities* and *business-type activities*. Governmental activities of the city include general government (legislative,

executive, finance, legal services, information technology, facilities maintenance, fleet services, city clerk, and human resources), public safety (police and fire), judicial, physical environment, economic environment, transportation, human services, and culture and recreation. The city's business-type activities are limited to water/sewer, surface water, and solid waste utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

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

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

The government-wide financial statements can be found immediately following this section (i.e. Management's Discussion and Analysis) of the annual financial report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are often set up in accordance with special regulations, restrictions, or limitations. The City of Kirkland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The annual financial report includes individual fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the city's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type. All of the City of Kirkland's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances*.

The City of Kirkland maintains twenty-one individual governmental funds. The city's six major governmental funds—the general fund, the street operating fund, the park and municipal reserve fund, the excise tax capital improvement fund, the general capital projects fund, and the grant capital projects fund—are presented separately in the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balances* in the Basic Financial Statements section of this report. The remaining governmental funds are combined into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in the *combining statements*, which are presented in the Fund Financial Statements and Schedules section of this report.

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

Statement of Net Assets

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Kirkland's net assets at December 31, 2005 total almost \$323.6 million. Following is a condensed version of the government-wide statement of net assets (expressed in millions of dollars) comparing fiscal year 2005 to 2004.

City of Kirkland's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 69.89	\$ 66.83	\$ 21.37	\$ 20.71	\$ 91.26	\$ 87.54
Capital assets, net of accumulated depreciation	171.30	165.76	103.52	95.08	274.82	260.84
Total assets	241.19	232.59	124.89	115.79	366.08	348.38
Long-term liabilities	24.52	26.51	10.55	11.15	35.07	37.66
Other liabilities	4.38	3.26	3.08	2.29	7.46	5.55
Total liabilities	28.90	29.77	13.63	13.44	42.53	43.21
Net assets:						
Invested in capital assets, net of related debt	144.89	144.19	92.42	83.39	237.31	227.58
Restricted	31.53	32.71	0.20	.21	31.73	32.92
Unrestricted	35.87	25.92	18.64	18.75	54.51	44.67
Total net assets	\$ 212.29	\$ 202.82	\$ 111.26	\$ 102.35	\$ 323.55	\$ 305.17

As of the end of 2005, the largest component of the city's total net assets at \$237.3 million, or 73.3 percent, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A little more than \$31.3 million, or 14.8 percent, of the city's total net assets is subject to legal restrictions for general government capital projects (\$15.7 million), debt service payments (\$.4 million), and other special purposes (\$15.3 million). Examples of general government capital projects for which the \$15.7 million in net assets is earmarked include sewer main replacement on Central Way, the I-405 overpass at NE 128th Street and various park improvement and acquisition projects. The city attempts to fund its capital construction projects on a pay as you go basis, aggressively pursuing transportation grant funding and cost sharing with developers wishing to construct large projects in the city that impact the transportation system. The other special purposes for which the \$15.3 million in net assets is restricted primarily relate to capital improvements, park maintenance and operation (funded by a levy lid lift approved by voters in November 2002), and tourism activities.

The remaining \$54.52 million balance of total net assets is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Of this amount, almost \$18.6 million pertains to the city's business-type activities, which only may be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and wells), storm drain flushing, water meter reading, and utility capital construction projects. The \$35.9 million balance in unrestricted net assets relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

Changes in Net Assets

The changes in net assets table on the following page illustrates the increases or decreases in net assets of the city resulting from its operating activities. Overall, the City of Kirkland's net assets increased about \$18.4 million in 2005. A breakdown of this increase by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues.

City of Kirkland's Changes in Net Assets

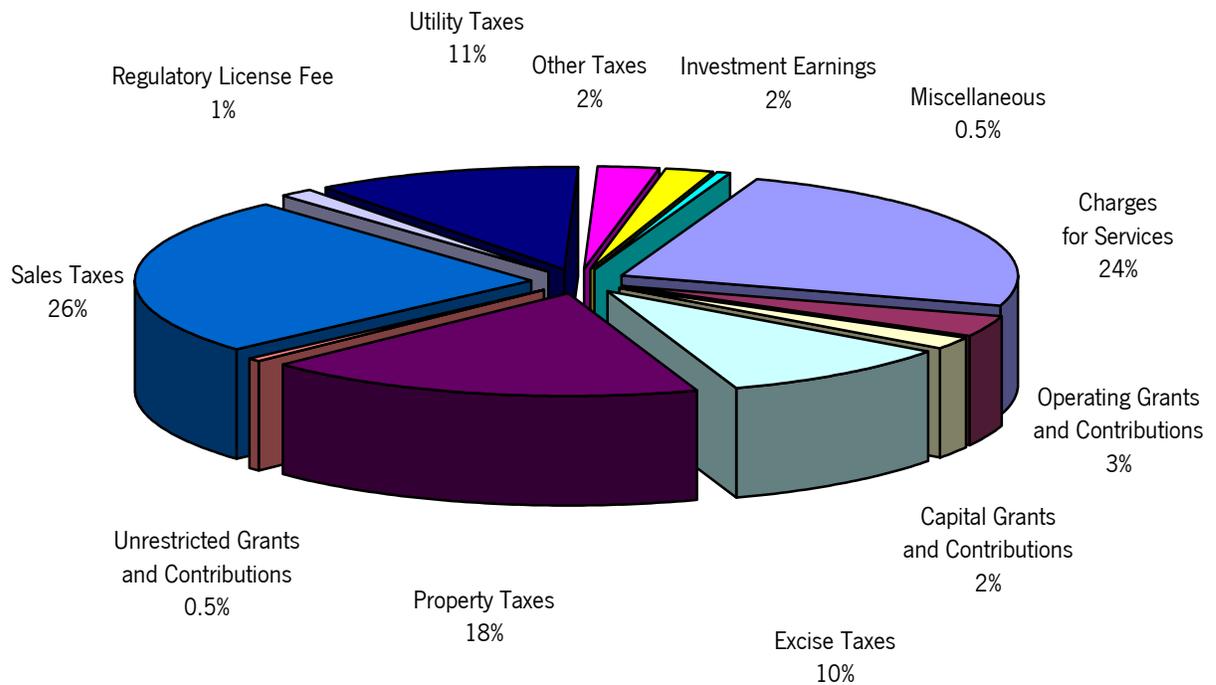
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 15.53	\$ 13.22	\$ 24.89	\$ 23.49	\$ 40.42	\$ 36.71
Operating grants and contributions	2.08	1.58	-	0.06	2.08	1.64
Capital grants and contributions	1.23	0.89	7.14	10.25	8.37	11.14
General revenues:						
Sales taxes	16.01	14.25	-	-	16.01	14.25
Property taxes	11.59	11.77	-	-	11.59	11.77
Utility taxes	6.98	7.39	-	-	6.98	7.39
Excise taxes	6.26	4.69	-	-	6.26	4.69
Regulatory license fee	0.93	0.90	-	-	0.93	0.90
Other taxes	1.43	0.57	-	-	1.43	0.57
Unrestricted grants and contributions	0.32	0.52	-	-	0.32	0.52
Investment earnings	1.42	0.95	0.44	0.33	1.86	1.28
Miscellaneous	0.27	(0.17)	-	-	0.27	(0.17)
Total revenues	64.05	56.56	32.47	34.13	96.52	90.69
Expenses:						
General government	4.03	3.07	-	-	4.03	3.07
Judicial	1.23	1.24	-	-	1.23	1.24
Public safety	24.50	21.66	-	-	24.50	21.66
Physical environment	2.16	2.33	-	-	2.16	2.33
Transportation	9.86	6.72	-	-	9.86	6.72
Human services	1.01	1.12	-	-	1.01	1.12
Economic environment	5.06	4.38	-	-	5.06	4.38
Culture and recreation	5.88	5.62	-	-	5.88	5.62
Interest on long-term debt	1.25	1.34	-	-	1.25	1.34
Water/sewer	-	-	13.40	12.44	13.40	12.44
Surface water	-	-	2.69	2.47	2.69	2.47
Solid waste	-	-	7.06	7.00	7.06	7.00
Total expenses	54.98	47.48	23.15	21.91	78.13	69.39
Increase in net assets before transfers and special items	9.08	9.08	9.31	12.22	18.39	21.30
Transfers	.39	.14	(.39)	(.14)	-	-
Increase in net assets	9.47	9.22	8.92	12.08	18.39	21.30
Net assets at beginning of year	202.82	193.60	102.35	90.27	305.17	283.87
Net assets at end of year	\$ 212.29	\$ 202.82	\$ 111.27	\$ 102.35	\$ 323.56	\$ 305.17

* Miscellaneous includes gain on sale of capital assets.

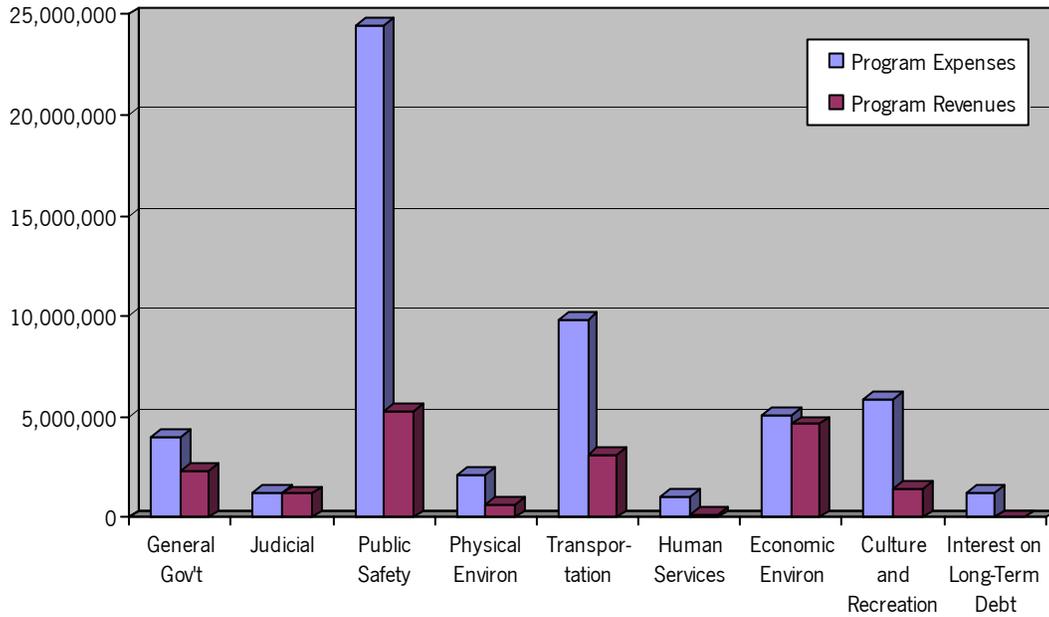
Governmental activities accounted for \$9.5 million of the \$18.4 million total increase in net assets. Key elements of this increase are as follows:

- Real estate excise tax revenue was up about \$1.6 million compared to 2004 due to the strong residential real estate market and to the sale of a major commercial property.
- Revenue from charges for services was up \$2.3 million compared to 2004 primarily due to road and park impact fees generated from the strong development activity in the city and an increase in intergovernmental fire services revenue from Fire District #41.
- Sales tax revenue was up almost \$1.8 million, or 12.4 percent, compared to 2004 largely due to construction related activity.
- Regulatory business license fee revenue was up slightly in 2005. Compliance with the fees instituted in 2003 has increased.
- Transportation expenses were up \$3.1 million when compared to 2004. The timing of transportation related construction projects is the major factor.

Revenues by Source—Governmental Activities



Program Expenses vs. Program Revenues—Governmental Activities



Business-type activities, which relate to the city’s utilities, were responsible for \$8.9 million, or 48.3 percent, of the total increase in the city’s net assets. Key elements of this increase are as follows:

Water/sewer charges for services remained somewhat unchanged from 2004 to 2005. The increase was held to a minimum due to lower water sales because of voluntary water restrictions and a cool summer. The surface water utility charges for services increase was the primary contributor to the increase in net assets for the business activities. Residential and commercial storm drainage fees were increased from \$7.50 eru to \$10.90 eru creating a combined revenue increase of \$1.2 million or 45% over 2004. The additional revenue will be used to fund capital construction, surface water elements of transportation projects, GIS technology projects, and the purchase of a pipeline video truck.

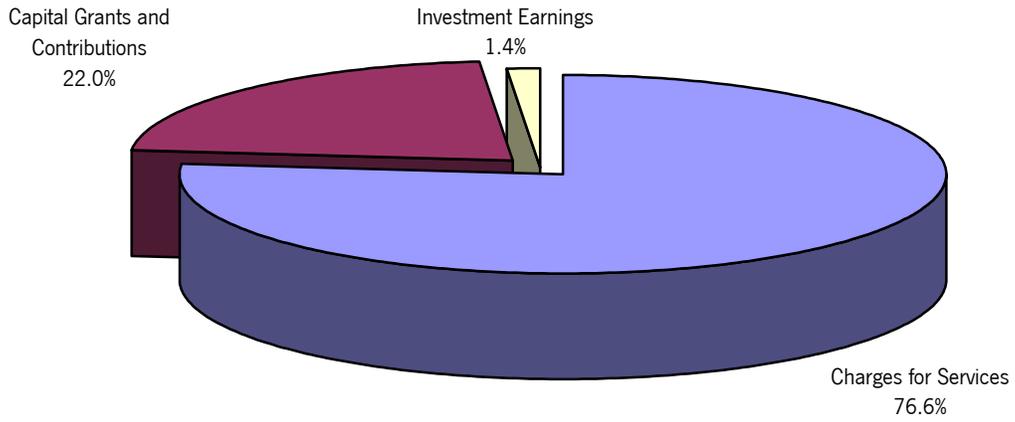
Capital contributions for 2005 totaled \$7.1 million. The components of total capital contributions were developer contributions (surface water \$3.1 million, water/sewer \$1.2 million), connection charges earmarked for water/sewer utility of \$2.0 million and governmental contributions from the City’s street CIP projects to the surface water utility of \$720,056.

Investment earnings for the business type activities increased by \$117,256 over 2004 due to the increases strength in the market.

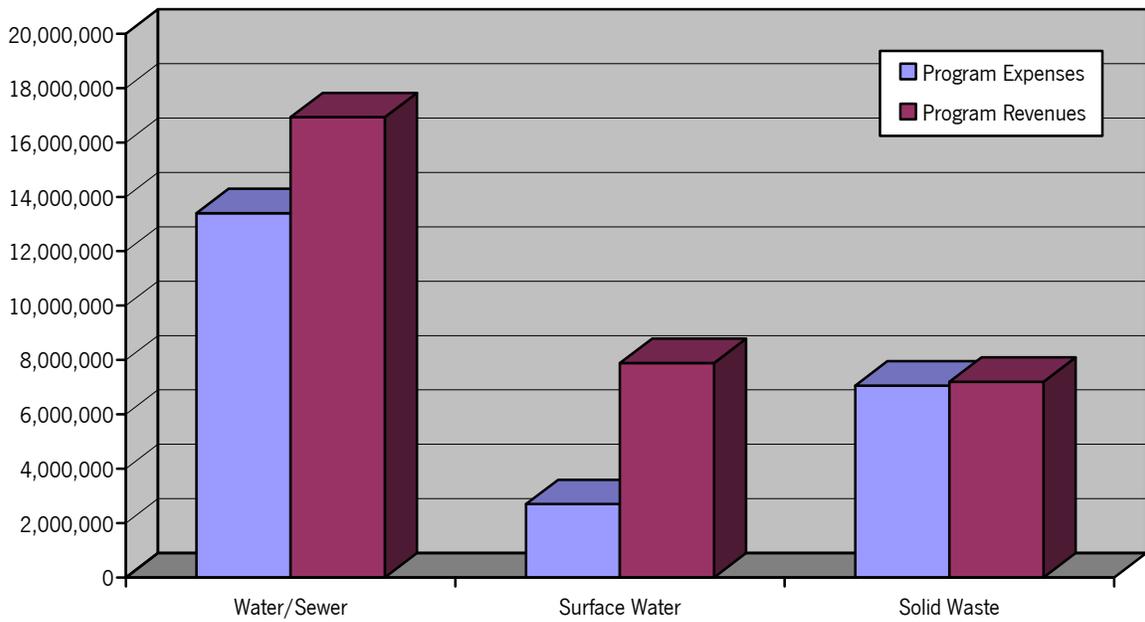
The City of Kirkland’s utility 2005 net income (before capital contributions and transfers) was about \$2.17 million. The components are as follows:

Water/Sewer	\$0.58 million
Surface water	\$1.42 million
Solid Waste	\$0.17 million

Revenues by Source—Business-type Activities



Program Expenses vs. Program Revenues—Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of the current year the city's combined ending governmental fund balance was \$55.3 million, which represents an increase of \$1.3 million, or 2.4 percent, over the prior year. Of the total ending fund balance, almost \$.6 million is reserved for debt service. The remaining balance of \$54.8 million is technically unreserved, which means it is available for spending at the city's discretion. In reality, most of it is earmarked for approved capital construction projects that are currently underway (\$15.7 million) or otherwise designated for some special purpose (\$39 million). Examples of such designated balances include funding for capital improvement projects (e.g., \$12 million in the excise tax capital improvement fund, \$2.7 million in the impact fee fund, and \$1.7 million in the street improvement fund) and funding for various contingencies (e.g., \$9.7 million in the park and municipal reserve fund and \$2.3 million in the contingency fund).

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

The general fund is the primary operating fund of the city through which all receipts and payments of ordinary city operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2005, the fund balance of the general fund was \$5.5 million, which represents a decrease of approximately \$100,000 over the prior year. As a measure of the fund's liquidity, the ending fund balance was 12.7 percent of the fund's 2005 expenditures.

Compared to 2004, revenues increased by nearly \$4.5 million, or 10.4 percent, and expenditures increased by \$3.4 million, or 8.9 percent. Much of the revenue increase can be attributed to sales tax growth. Revenues exceeded expenditures in the general fund by over \$3.5 million in 2005, excluding other financing sources and uses. At the end of each year it is the city's practice to transfer out uncommitted, excess resources from the general fund to build up or replenish the city's various reserves. At the end of 2005 the general fund transferred \$2.1 million to the general capital contingency reserve and \$1.0 million to the newly created development reserve.

The street operating fund accounts for the administration, maintenance, and minor construction of the city's transportation infrastructure. The fund balance at the end of 2005 was \$1.3 million which was a slight decrease from 2004.

The park and municipal reserve fund includes the city's general operating reserve (i.e. "Rainy Day" reserve), revenue stabilization reserve, building and property reserve, council special projects reserve, public safety building reserve, LEOFF 1 police reserve, development reserve and a number of other smaller reserves dedicated for various municipal purposes. The 2005 ending fund balance of \$9.7 million represents an increase of about \$.7 million from the prior year. The majority of this increase is due to the introduction of a development reserve to balance the variances in development fee revenues and expenses from year to year.

The excise tax capital improvement fund accounts for revenue from the first and second quarter percent real estate excise tax, which is legally restricted 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 2005 was \$12 million, which is up by almost \$3.3 million from 2004 due to a strong residential real estate market.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the city's capital improvement program (CIP) and that are funded from general revenue sources excluding grants. The ending fund balance decreased by \$2.8 million from the prior year to a total of \$12.4 million.

The grant capital projects fund accounts for projects approved in the CIP that are funded partially or wholly by grants from other governments. The fund balance at the end of 2005 was \$3.3 million, which is down slightly from 2004. Most of this decrease can be attributed to a less than usual number of transportation related grant projects in 2005.

Proprietary Funds

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

General Fund Budgetary Highlights

During the year there was a \$1.8 million increase in revenue budget appropriations and a \$3.1 million increase in expenditure appropriations between the original adopted biennial budget and the final amended budget. These additions directly correspond to actual revenues and actual expenditures within the general fund. Following are the major components of the increases:

- Sales tax expectations were increased by about \$1.3 million due to strong contracting and retail revenues.
- Intergovernmental revenue was increased by about \$441,500 to acknowledge various grants that were received for emergency preparedness, traffic safety, tree inventory, and tobacco prevention and to recognize reimbursement for fire department personnel sent to Louisiana for hurricane relief.
- The expenditure increase of \$3 million is due to additional public safety staffing. Six police positions will allow the addition of a Police Proactive Unit and eight fire positions will add a Totem Lake Medic Unit.

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, 2005 amounts to \$274.8 million (net of accumulated depreciation), which represents almost a \$14 million increase over the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission/distribution

systems, roads, and bridges. Much of the \$14 million increase can be attributed to the following activity in 2005:

- \$1.2 million spent for information system projects that are still in progress (i.e. telephone system, public safety information system, GIS, and timekeeping system).
- \$3.5 million spent on transportation improvements (i.e. roadways, intersections, sidewalks, crosswalks, signals, and one I-405 overpass), most of which are still in progress.
- \$1.5 million spent to acquire property as an addition to Heronfield Wetlands and for eventual development of South Rose Hill Park North.
- \$3.75 million spent on water and sewer utility improvement projects, most of which are still in progress.
- \$1.07 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 2004 and 2005:

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 73.90	\$ 72.37	\$.05	\$.05	\$ 73.95	\$ 72.42
Buildings	21.91	22.54	.19	.19	22.10	22.73
Improvements other than buildings	5.21	5.07	93.49	85.75	98.70	90.82
Machinery and equipment	4.79	4.63	0	0	4.79	4.63
Infrastructure	40.19	35.45	0	0	40.19	35.45
Construction in progress	23.71	24.35	9.79	9.09	33.50	33.44
Art	1.59	1.35	0	0	1.59	1.35
Total	\$ 171.30	\$ 165.76	\$ 103.52	\$ 95.08	\$ 274.82	\$ 260.84

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

Long-term Debt

At the end of the current fiscal year, the City of Kirkland had total bonded debt outstanding of \$28.8 million and other long-term debt of \$5.4 million. The total outstanding debt (expressed in millions of dollars) at the end of 2004 and 2005 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 23.15	\$ 25.00	\$ 0	\$ 0	\$ 23.15	\$ 25.00
Special assessment debt without governmental commitment	.01	.02	0	0	.01	.02
Revenue bonds	0	0	5.64	6.21	5.64	6.21
Public Works trust fund loans	0	0	5.42	5.44	5.42	5.44
Other long-term debt (Port of Seattle)	0	.13	0	0	0	.13
Total	\$ 23.16	\$ 25.15	\$ 11.06	\$ 11.65	\$ 34.22	\$ 36.80

The City of Kirkland maintains a AA rating from Standard & Poors and a Aa2 rating from Moody's on its general obligation bonds. In addition, the city's revenue bonds for its water/sewer utility are rated A+ and A1 by Standard & Poor's and Moody's respectively. Special assessment bonds are unrated.

Washington State statutes limit 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 2005 was \$7.9 billion, and the total amount of unlimited tax and limited tax general obligation debt the city may issue is \$566.3 million. The remaining debt capacity can be broken down as follows:

General	\$ 181,758,851
Open Space, Park & Capital Facilities	187,748,208
Utilities	<u>196,812,151</u>
Total	<u>\$ 566,319,210</u>

Additional information on the City of Kirkland's long-term debt can be found in Note 8 of this report and in the Statistical Section of the report.

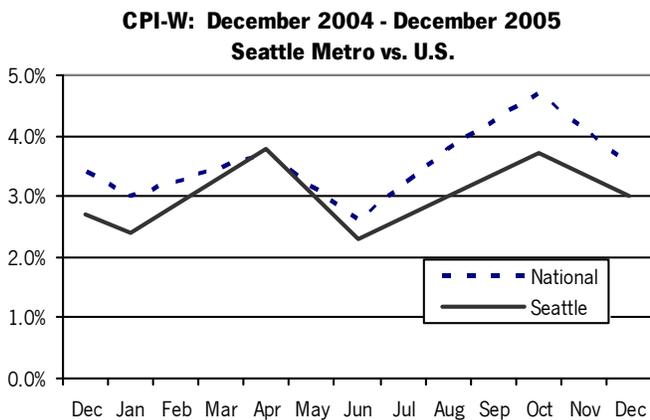
Economic Factors and Next Year's Budgets and Rates

The Puget Sound region experienced strong economic growth in 2005. The Seattle-Tacoma metropolitan area added more than 45,000 jobs over the year and the unemployment rate in King County dropped to 4.4 percent as of December 2005. The revenue forecast from the Washington State Economic and Revenue Forecast Council predicts continued employment growth due to improvements in the aerospace and software industries. Additionally, Washington's construction employment, bolstered by a hot housing market, has now

erased the losses experienced during the recession.¹ Two local economic confidence indexes reflect this solid economic performance. (It should be noted that a score of more than 50 points signals an expanding economy, while a score of less than 50 points indicates a shrinking economy.) The Hebert Research-Business Journal Business Confidence Index rose to 62.4 for the fourth quarter of 2005, after three quarters of decline. However, the index fell short of the six-year high of 63.3 achieved last December.² Another local index conducted by the Western Washington chapter of the National Association of Purchasing Managers jumped 8.1 points in December to 75.9, which follows the 5.2 point gain in November. The strong local picture contrasts to the national index, which dropped over the past two months to 54.2 points in December.³

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

As measured by the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W), the following chart and table track inflation for the U.S. and the Seattle metropolitan area from December 2004 through December 2005 on a bi-monthly basis. For each month, the annual change in inflation with respect to the same month of the prior year is noted. What stands out is that inflation in the Seattle metropolitan area has been generally lower than the national average. The table also includes the cumulative change in the Seattle metropolitan area's inflation rate since December 2004.



Month	U.S.	Seattle Metro	Compared to Dec 2004*
Dec 2004	3.4%	2.7%	N/A
Feb 2005	3.0%	2.4%	1.1%
Apr 2005	3.7%	3.8%	3.1%
Jun 2005	2.6%	2.3%	2.4%
Aug 2005	3.8%	3.0%	2.6%
Oct 2005	4.7%	3.7%	4.4%
Dec 2005	3.5%	3.0%	3.0%

Source: Bureau of Labor Statistics

* Bi-monthly growth in Seattle Metro CPI-W only.

All of the City's labor contracts are tied to the CPI-W for the Seattle metropolitan area. More specifically, "cost of living allowances" (or COLAs) in these contracts are set at 90 percent of either the prior year's June CPI-W or the prior year's average for the first six months, with varying "floors" (i.e. minimums) established. Given a June 2005 CPI-W (Seattle) of 2.3 percent and a First Half 2004 CPI-W (Seattle) of 2.9 percent, the 2006 COLA will be 2.08 percent and 2.58 percent respectively depending on the bargaining unit. Seattle area inflation is expected to remain below the U.S. city average this year at 2.6 percent compared to 3.4

¹ Washington Economic and Revenue Forecast Council, February 2006

² Eric Engleman, *Confidence hits high for '05*, Puget Sound Business Journal, February 3, 2006

³ *Purchasing index for last month jumps*, Puget Sound Business Journal, January 4, 2006

percent for the U.S. The stronger local economy should eventually cause Seattle inflation to rise above the U.S. rate by 2007.⁴

Unemployment rates for King County, Washington State, and the U.S. from December 2004 through December 2005 are noted in the table below:

Month	King County	Washington	U.S.
December 2004	4.6%	5.9%	5.1%
January 2005	4.9%	6.4%	5.7%
February 2005	5.1%	6.4%	5.8%
March 2005	4.6%	5.6%	5.4%
April 2005	4.2%	5.4%	4.9%
May 2005	4.8%	5.4%	4.9%
June 2005	4.7%	5.4%	5.2%
July 2005	4.6%	5.3%	5.2%
August 2005	4.5%	5.5%	4.9%
September 2005	4.9%	5.2%	4.8%
October 2005	4.7%	5.1%	4.6%
November 2005	4.8%	5.5%	4.8%
December 2005	4.4%	5.2%	4.6%
2005 Average	4.7%	5.5%	5.1%
2004 Average	5.1%	6.2%	5.5%

Source: Washington Department of Employment Security

In 2003, the average statewide unemployment rate of 7.6 percent was significantly higher than the average U.S. unemployment rate of 6.0 percent. This gap has significantly narrowed over the last two years, with the Washington State 2005 average rate at 5.5 percent compared to the national rate of 5.1 percent. Employment levels in King County have also improved considerably, ending 2005 with a lower average unemployment rate than the national average. As mentioned earlier, the Puget Sound region has added more than 45,000 jobs in 2005.

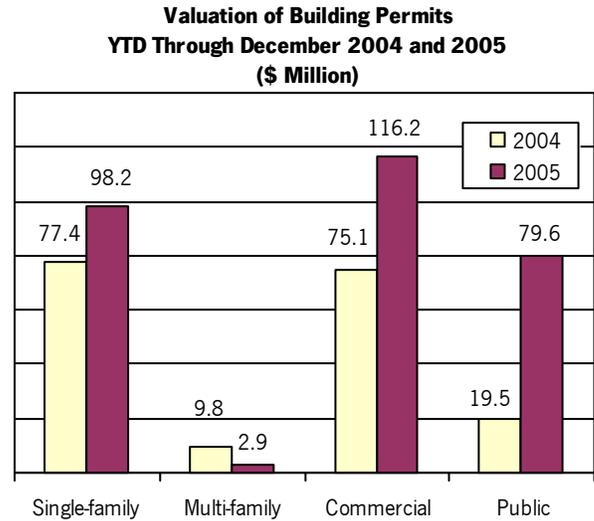
As a sign of an improving economy, Eastside office vacancy rates have continued to drop significantly this year, down to 9.65 percent at the end of the fourth quarter compared to a high of 24 percent in the first quarter of 2003. The Eastside office market is the second largest in the region and “absorbed” over 250,000 square feet of vacant space in the fourth quarter of 2005 alone. The market is responding to the positive economic growth with office investments surpassing a record \$1.7 billion in the Puget Sound area in 2005. The Kirkland market has improved significantly, with vacancy rates down to 4.35 percent as of the fourth quarter of 2005 compared to 10.2 percent for the same period last year.⁵ For comparison purposes, office vacancy rates for Kirkland and the Eastside were 3.7 percent and 4.3 percent respectively five years ago.

⁴ Washington Economic and Revenue Forecast Council, February 2006

⁵ CB Richard Ellis Real Estate Services, Market View Puget Sound Office, Fourth Quarter 2005

According to the Northwest Multiple Listing Services, the median residential housing price on the Eastside rose 17.1 percent from \$379,950 in December 2004 to \$444,975 in December 2005. Additionally, for the second year in a row, a record number of homes and condominiums were sold in King County in 2005 (41,923 versus 40,547 in 2004). Local and national housing experts expect home prices to rise in 2006, but not as fast as they did in the record-breaking year of 2005 and number of home sales to moderate as interest rates increase.⁶

Development activity through December 2004 and 2005, as measured by the valuation of new construction, alterations, and additions, is illustrated in the chart on the right. Development-related revenues have remained strong since the second half of 2002. Through December 2005, building permit-related revenue is up 45.0 percent and other development-related fees are up 12.8 percent compared to the same period in 2004. Public activity was up dramatically in 2005 reflecting the major construction projects at Evergreen Hospital and various school renovations and replacements. Commercial activity was up in 2005 due to the construction of the second phase of Juanita Village, several tenant improvements, as well as the mixed-used developments in the downtown area that are classified as commercial rather than multi-family. Single family activity was also strong in 2005. Multi-family activity decreased significantly, partly because a surge of permit activity happened at the end of 2004 in anticipation of building code changes that took effect in 2005 and partly because of the previously mentioned mixed-used complexes that are classified as commercial.



The upward trend in sales tax revenue that started in 2003 continued through 2005, increasing by 12.6 percent compared to the same period in 2004. Much of this gain relates to strong performance in the contracting and some retail sectors. A more detailed analysis of sales tax revenue is included later in this report.

Apparently the economic upswing has finally benefited the local lodging industry, which experienced virtually no growth between 2003 and 2004. Lodging tax revenue through December 2005 is up 8.2 percent compared to 2004.

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 the Director of Finance & Administration, City of Kirkland, 123 Fifth Avenue, Kirkland, WA 98033-6189.

⁶ Clayton Park, *Eastside home prices set record...*, King County Journal, March 7, 2006



City of Kirkland
Statement of Net Assets
December 31, 2005

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	13,460,468	3,171,782	16,632,250
Investments (Note 3)	50,747,214	14,287,249	65,034,463
Receivables			
Accounts	4,091,616	2,556,904	6,648,520
Inventories	46,449	303,210	349,659
Restricted Assets			
Customer Deposits	211,742	0	211,742
Revenue Bond Reserves	0	827,907	827,907
Sub-total Current Assets	68,557,489	21,147,052	89,704,541
Non-Current Assets and Deferred Charges			
Deferred Charges	0	226,574	226,574
Non-current Receivables	1,335,017	0	1,335,017
Sub-total Non-Current Assets and Deferred Charges	1,335,017	226,574	1,561,591
Total Current and Non-Current Assets	69,892,506	21,373,626	91,266,132
Capital Assets: (Note 5)			
Land & Artwork	75,488,525	47,784	75,536,309
Depreciable Capital Assets (net)	31,917,808	93,684,556	125,602,364
Depreciable Infrastructure (net)	40,189,398	0	40,189,398
Construction in Progress	23,709,181	9,786,245	33,495,426
Total Capital Assets	171,304,912	103,518,585	274,823,497
Total Assets	241,197,418	124,892,211	366,089,629

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

City of Kirkland
Statement of Net Assets
December 31, 2005

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts Payable	3,206,613	1,317,850	4,524,463
Other Current Liabilities	639,119	0	639,119
Accrued Interest Payable	116,016	0	116,016
Unearned Revenue	418,396	1,114,184	1,532,580
Total Current Liabilities	4,380,144	2,432,034	6,812,178
Current Liabilities Payable from Restricted Assets			
Accrued Interest Payable	0	19,653	19,653
Current Bond Principal Payable	0	595,000	595,000
Deposits Payable	0	33,516	33,516
Total Current Liabilities Payable from Restricted Assets	0	648,169	648,169
Total Current Liabilities	4,380,144	3,080,203	7,460,347
Noncurrent Liabilities			
Due within one year	3,140,095	678,469	3,818,564
Due in more than one year	21,375,504	9,868,666	31,244,170
Special assessment debt with governmental commitment	10,000	0	10,000
Total Noncurrent Liabilities	24,525,599	10,547,135	35,072,734
Total Liabilities	28,905,743	13,627,338	42,533,081
Net Assets			
Invested in capital assets net of related debt	144,889,758	92,417,203	237,306,961
Restricted for:			
Capital Projects	15,771,542	0	15,771,542
Debt Service	429,218	203,786	633,004
Special Revenue Funds	15,305,117	0	15,305,117
Petty Cash	23,175	0	23,175
Unrestricted	35,872,865	18,643,884	54,516,749
Total Net Assets	212,291,675	111,264,873	323,556,548



City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2005

Functions/Programs	Program Revenues				Net (Expense/Revenue and Changes in Net Assets)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	4,029,646	2,176,589	9,874	161,040	(1,682,143)	0	(1,682,143)
Judicial	1,232,126	1,198,671	0	0	(33,455)	0	(33,455)
Public Safety	24,501,016	4,700,508	629,725	0	(19,170,783)	0	(19,170,783)
Physical Environment	2,160,540	614,942	0	0	(1,545,598)	0	(1,545,598)
Transportation	9,859,368	1,096,127	994,109	1,025,576	(6,743,556)	0	(6,743,556)
Human Services	1,013,306	0	151,123	0	(862,183)	0	(862,183)
Economic Environment	5,063,940	4,648,507	8,612	0	(406,821)	0	(406,821)
Culture and Recreation	5,878,788	1,095,629	288,384	47,021	(4,447,754)	0	(4,447,754)
Interest on Long Term Debt	1,248,028	0	0	0	(1,248,028)	0	(1,248,028)
Total Governmental Activities	54,986,758	15,530,973	2,081,827	1,233,637	(36,140,321)	0	(36,140,321)
Business Type Activities							
Water/Sewer	13,415,317	13,628,018	0	3,316,498	0	3,529,199	3,529,199
Surface Water	2,694,872	4,065,829	0	3,823,366	0	5,194,323	5,194,323
Solid Waste	7,055,826	7,199,748	0	0	0	143,922	143,922
Total Business Type Activities	23,166,015	24,893,595	0	7,139,864	0	8,867,444	8,867,444
Total Government	78,152,773	40,424,568	2,081,827	8,373,501	(36,140,321)	8,867,444	(27,272,877)
General Revenues							
Sales Taxes					16,008,359	0	16,008,359
Property Taxes					11,593,056	0	11,593,056
Utility Taxes					6,978,378	0	6,978,378
Excise Taxes					6,261,813	0	6,261,813
Regulatory License Fee					929,499	0	929,499
Other Taxes					1,429,341	0	1,429,341
Unrestricted Grants & Contributions					324,842	0	324,842
Investment Earnings					1,417,570	444,017	1,861,587
Gain on sale of capital assets					272,899	0	272,899
Transfers, internal activities					393,907	(393,907)	0
Total General Revenues & Transfers					45,609,664	50,110	45,659,774
Change in Net Assets					9,469,343	8,917,554	18,386,897
Net assets at beginning of year					202,822,332	102,347,318	305,169,650
Net assets at end of year					212,291,675	111,264,871	323,556,546

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2005

Page 1 of 2

	General Fund Street	Operating	Park and Municipal Reserve	Excise Capital Improvement
Assets				
Current Assets:				
Cash and Cash Equivalents	358,333	414,275	2,110,766	2,534,323
Investments	3,902,797	1,498,982	7,637,451	9,068,249
Receivables				
Taxes	3,222,972	0	0	415,241
Accounts	3,877	70,278	0	0
Assessments				
Deferred	0	0	0	0
Due From Other Sources	237,393	0	0	0
Restricted Assets				
Deposits	211,742	0	0	0
Total Assets	7,937,114	1,983,535	9,748,217	12,017,813
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	444,958	84,657	5,452	0
Wages Payable	1,376,763	54,435	0	0
Due to Other Sources	120,272	4,240	1,423	0
Payable from Restricted Assets				
Deposits Payable	211,742	427,272	0	0
Deferred Revenue	254,824	68,480	0	0
Total Liabilities	2,408,559	639,084	6,875	0
Fund Balances				
Reserved For				
Special Revenue Funds	0	0	0	12,017,813
Debt Service	0	0	0	0
Petty Cash	13,175	0	0	0
Narcotics Task Force Imprest	10,000	0	0	0
Unreserved, reported in				
General Fund	5,505,380	0	0	0
Special Revenue Funds	0	1,344,451	9,741,342	0
Capital Projects Funds	0	0	0	0
Total Fund Balances	5,528,555	1,344,451	9,741,342	12,017,813
Total Liabilities and Fund Balance	7,937,114	1,983,535	9,748,217	12,017,813

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

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

Net Assets of governmental activities

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2005

Page 2 of 2

General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
2,818,655	810,947	2,440,987	11,488,285
9,920,616	2,934,278	8,648,828	43,611,202
0	0	59,097	3,697,310
0	0	1,150	75,305
0	0	12,268	12,268
5,031	0	54,866	297,290
0	0	0	211,742
12,744,302	3,745,225	11,217,196	59,393,402

354,762	4,065	108,090	1,001,984
0	0	45,524	1,476,722
553	358,605	23,514	508,607
0	0	105	639,119
0	0	95,092	418,396
355,315	362,670	272,325	4,044,828
0	0	3,287,304	15,305,117
0	0	545,234	545,234
0	0	0	13,175
0	0	0	10,000
0	0	0	5,505,380
0	0	7,112,333	18,198,126
12,388,987	3,382,555	0	15,771,542
12,388,987	3,382,555	10,944,871	55,348,574
12,744,302	3,745,225	11,217,196	59,393,402

166,924,757
 1,335,017
 (24,562,581)

13,245,908
212,291,675

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the fiscal year ended December 31, 2005

Page 1 of 2

	General	Fund	Street Operating	Park and Municipal Reserve
Revenues				
Taxes and Assessments	30,409,207		2,531,338	0
Licenses and Permits	3,979,870		0	0
Intergovernmental	4,897,813		673,310	516,961
Charges for Services	6,295,643		16,891	3,846
Fines and Forfeitures	1,117,030		0	0
Investment Interest	292,869		0	0
Miscellaneous Revenues	150,553		100,621	266,556
Total Revenues	47,142,985		3,322,160	787,363
Expenditures				
Current				
General Government	7,227,974		0	60,695
Security of Persons and Property	25,419,094		0	541,394
Physical Environment	3,125,001		0	0
Transportation	0		3,422,659	0
Economic Environment	3,980,025		0	90
Culture and Recreation	3,829,200		0	11,306
Debt Service				
Principal	0		0	0
Interest	0		0	0
Capital Outlay	11,390		14,481	261,620
Total Expenditures	43,592,684		3,437,140	875,105
Excess (Deficiency) of revenues				
Over (under) expenditures	3,550,301		(114,980)	(87,742)
Other Financing Sources (Uses)				
Sale of Capital Assets	0		0	73,140
Transfers In	190,243		140,281	1,096,440
Transfers Out	(3,838,680)		(22,724)	(388,380)
Total Other Financing Sources (Uses)	(3,648,437)		117,557	781,200
Net Change in Fund Balance	(98,136)		2,577	693,458
Fund Balances Beginning of Year	5,626,691		1,341,874	9,047,884
Fund Balances End of Year	5,528,555		1,344,451	9,741,342

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, 2005

Page 2 of 2

Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
6,125,427	625,345	0	3,321,735	43,013,052
0	0	0	0	3,979,870
0	170,301	177,688	435,490	6,871,563
0	54,106	13,229	3,710,681	10,094,396
0	0	0	0	1,117,030
281,194	768,705	0	486,906	1,829,674
0	0	1,375	278,212	797,317
6,406,621	1,618,457	192,292	8,233,024	67,702,902
101,771	1,219	0	1,367,187	8,758,846
0	105,856	0	190,995	26,257,339
0	0	0	284,687	3,409,688
0	938,774	263,055	4,419	4,628,907
0	0	0	380,209	4,360,324
0	71,347	0	1,567,690	5,479,543
0	0	0	2,012,000	2,012,000
0	0	0	1,132,012	1,132,012
245,666	6,714,422	2,955,087	36,894	10,239,560
347,437	7,831,617	3,218,142	6,976,093	66,278,218
6,059,184	(6,213,160)	(3,025,850)	1,256,931	1,424,684
0	0	0	161,420	234,560
0	3,393,674	2,908,092	1,618,971	9,347,701
(2,770,656)	(35,000)	0	(2,598,605)	(9,654,045)
(2,770,656)	3,358,674	2,908,092	(818,214)	(71,784)
3,288,528	(2,854,486)	(117,758)	438,717	1,352,900
8,729,285	15,243,473	3,500,313	10,506,155	53,995,675
12,017,813	12,388,987	3,382,555	10,944,871	55,348,574

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

For the fiscal year ended December 31, 2005

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

Net change in fund balances for governmental funds 1,352,899

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	10,239,559	
Depreciation	(4,702,276)	
CIP Closures	(1,110,106)	
Capital Donations	<u>516,660</u>	
	4,943,837	4,943,837

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

Debt Retired 2,012,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 16,632

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. (100,255)

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. 1,244,230

Change in nets assets of governmental activities 9,469,343

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 General Fund
 For the year ended December 31, 2005

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
Revenues				
Taxes and Assessments	56,505,388	57,870,042	30,409,207	27,460,835
Licenses and Permits	6,244,098	6,276,733	3,979,870	2,296,863
Intergovernmental	9,011,421	9,453,011	4,897,813	4,555,198
Charges for Services	12,955,649	12,981,606	6,295,643	6,685,963
Fines and Forfeitures	2,284,300	2,249,700	1,117,030	1,132,670
Investment Interest	568,298	568,298	292,869	275,429
Miscellaneous Revenues	409,730	409,730	150,553	259,177
Total Revenues	87,978,884	89,809,120	47,142,985	42,666,135
Expenditures				
Current				
General Government	16,675,224	15,759,077	7,227,974	8,531,103
Security of Persons and Property	52,312,526	55,757,326	25,419,094	30,338,232
Physical Environment	4,806,586	4,856,440	3,125,001	1,731,439
Transportation	969,618	973,001	0	973,001
Economic Environment	6,336,605	6,641,242	3,980,025	2,661,217
Human Services	1,010,140	1,112,000	0	1,112,000
Culture and Recreation	8,990,179	9,059,545	3,829,200	5,230,345
Capital Outlay	102,300	128,700	11,390	117,310
Total Expenditures	91,203,178	94,287,331	43,592,684	50,694,647
Excess (Deficiency) of Revenues				
Over (under) expenditures	(3,224,294)	(4,478,211)	3,550,301	(8,028,512)
Other Financing Sources (Uses)				
Transfers In	498,117	377,769	190,243	187,526
Transfers Out	(1,192,290)	(4,232,439)	(3,838,680)	(393,759)
Total Other Financing Sources (Uses)	(694,173)	(3,854,670)	(3,648,437)	(206,233)
Net Change in Fund Balance	(3,918,467)	(8,332,881)	(98,136)	(8,234,745)
Fund Balances Beginning of Year	3,984,591	8,700,272	5,626,691	3,073,581
Fund Balances End of Year	66,124	367,391	5,528,555	(5,161,164)

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

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

Street Operating Special Revenue Fund
For the year ended December 31, 2005

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
Revenues				
Taxes and Assessments	5,271,494	5,271,494	2,531,338	2,740,156
Intergovernmental	1,301,066	1,301,066	673,310	627,756
Charges for Services	28,003	28,003	16,891	11,112
Miscellaneous Revenues	222,500	222,500	100,621	121,879
Total Revenues	6,823,063	6,823,063	3,322,160	3,500,903
Expenditures				
Current				
Transportation	7,988,192	8,375,015	3,422,659	4,952,356
Capital Outlay	0	0	14,481	(14,481)
Total Expenditures	7,988,192	8,375,015	3,437,140	4,937,875
Excess (Deficiency) of Revenues				
Over (under) expenditures	(1,165,129)	(1,551,952)	(114,980)	(1,436,972)
Other Financing Sources (Uses)				
Transfers In	15,000	105,597	140,281	(34,684)
Operating Transfers Out	0	(20,000)	(22,724)	2,724
Total Other Financing Sources (Uses)	15,000	85,597	117,557	(31,960)
Net Change in Fund Balance	(1,150,129)	(1,466,355)	2,577	(1,468,932)
Fund Balances Beginning of Year	1,150,129	1,466,355	1,341,874	124,481
Fund Balances End of Year	0	0	1,344,451	(1,344,451)

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

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

Parks and Municipal Reserve Special Revenue Fund
For the year ended December 31, 2005

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	0	502,233	516,961	(14,728)
Charges for Services	0	0	3,846	(3,846)
Miscellaneous Revenues	71,400	248,560	266,556	(17,996)
Total Revenues	71,400	750,793	787,363	(36,570)
Expenditures				
Current				
General Government	272,475	8,090,812	60,695	8,030,117
Security of Persons and Property	379,731	895,791	541,394	354,397
Economic Environment	0	0	90	(90)
Culture and Recreation	30,000	30,000	11,306	18,694
Capital Outlay	0	0	261,620	(261,620)
Total Expenditures	682,206	9,016,603	875,105	8,141,498
Excess (Deficiency) of Revenues				
Over (under) expenditures	(610,806)	(8,265,810)	(87,742)	(8,178,068)
Other Financing Sources (Uses)				
Sale of fixed assets	0	0	73,140	(73,140)
Transfers In	100,000	995,000	1,096,440	(101,440)
Transfers Out	0	0	(388,380)	388,380
Total Other Financing Sources (Uses)	100,000	995,000	781,200	213,800
Net Change in Fund Balance	(510,806)	(7,270,810)	693,458	(7,964,268)
Fund Balances Beginning of Year	8,909,718	9,056,966	9,047,884	9,082
Fund Balances End of Year	8,398,912	1,786,156	9,741,342	(7,955,186)

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

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

Excise Tax Capital Improvement Special Revenue Fund
For the year ended December 31, 2005

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
Revenues				
Taxes and Assessments	5,600,000	5,600,000	6,125,427	(525,427)
Investment Interest	0	0	281,194	(281,194)
Total Revenues	5,600,000	5,600,000	6,406,621	(806,621)
Expenditures				
Current				
General Government	0	0	101,771	(101,771)
Capital Outlay	0	0	245,666	(245,666)
Total Expenditures	0	0	347,437	(347,437)
Excess (Deficiency) of Revenues				
Over (under) expenditures	5,600,000	5,600,000	6,059,184	(459,184)
Other Financing Sources (Uses)				
Transfers Out	(7,485,377)	(7,468,177)	(2,770,656)	(4,697,521)
Total Other Financing Sources (Uses)	(7,485,377)	(7,468,177)	(2,770,656)	(4,697,521)
Net Change in Fund Balance	(1,885,377)	(1,868,177)	3,288,528	(5,156,705)
Fund Balances Beginning of Year	7,908,785	8,418,435	8,729,285	(310,850)
Fund Balances End of Year	6,023,408	6,550,258	12,017,813	(5,467,555)

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



City of Kirkland
Statement of Net Assets
Proprietary Funds
December 31, 2005

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
Assets					
Current Assets:					
Cash and Cash Equivalents	2,316,741	672,814	182,227	3,171,782	1,972,183
Investments (Note 3)	11,225,049	2,413,601	648,599	14,287,249	7,136,012
Receivables					
Interest	87,154	0	0	87,154	0
Contracts	1,003,578	0	0	1,003,578	0
Accounts	888,724	110,606	430,575	1,429,905	1,920
Assessments					
Deferred	3,550	0	0	3,550	0
Due From Other Governments	176	1,875	30,663	32,714	7,523
Inventories	250,464	52,746	0	303,210	46,449
Total Current Assets	15,775,436	3,251,642	1,292,064	20,319,142	9,164,087
Noncurrent Assets					
Restricted Assets					
Revenue Bond Reserves	827,907	0	0	827,907	0
Total Restricted Assets	827,907	0	0	827,907	0
Deferred Charges and Other Assets					
Deferred Charges	95,874	130,700	0	226,574	0
Total Deferred Charges and Other Assets	95,874	130,700	0	226,574	0
Capital Assets (Note 5)					
Land	47,784	0	0	47,784	0
Depreciable Capital Assets (Net)	64,832,441	28,852,115	0	93,684,556	4,380,155
Construction in Progress	8,828,237	958,008	0	9,786,245	0
Total Capital Assets	73,708,462	29,810,123	0	103,518,586	4,380,155
Total Noncurrent Assets	74,632,244	29,940,823	0	104,573,067	4,380,156
Total Assets	90,407,680	33,192,466	1,292,064	124,892,210	13,544,242

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

City of Kirkland
Statement of Net Assets
 Proprietary Funds
 December 31, 2005

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
Liabilities					
Current Liabilities					
Accounts Payable	817,341	79,190	10,541	907,072	66,823
Wages Payable	60,113	31,820	3,465	95,398	89,010
Compensated Absence Payable	42,443	24,378	0	66,821	79,034
Due to Other Governments	237,532	8,787	45,941	292,260	63,467
Accrued Interest Payable	23,120	0	0	23,120	0
Deferred Revenue	1,003,578	110,606	0	1,114,184	0
Loans and Contracts Payable (current portion)	611,648	0	0	611,648	0
Sub-total Current Liabilities	2,795,775	254,781	59,947	3,110,503	298,334
Current Liabilities Payable From Restricted Assets					
Deposits Payable	9,468	24,048	0	33,516	0
Accrued Interest Payable	19,653	0	0	19,653	0
Current Bond Principle Payable	595,000	0	0	595,000	0
Sub-total Current Liabilities Payable From Restricted Assets	624,121	24,048	0	648,169	0
Total Current Liabilities	3,419,896	278,829	59,947	3,758,672	298,334
Noncurrent Liabilities					
Compensated Absence Payable	10,610	6,094	0	16,704	0
Loans and Contracts Payable	4,811,962	0	0	4,811,962	0
Bonds Payable	5,040,000	0	0	5,040,000	0
Total Noncurrent Liabilities	9,862,572	6,094	0	9,868,666	0
Total Liabilities	13,282,468	284,922	59,947	13,627,337	298,334
Net Assets					
Invested in capital assets net of related debt	62,607,080	29,810,123	0	92,417,203	4,380,155
Restricted for:					
Debt Service	203,786	0	0	203,786	0
Unrestricted	14,314,347	3,097,420	1,232,117	18,643,884	8,865,752
Total Net Assets	77,125,213	32,907,543	1,232,117	111,264,873	13,245,908

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended December 31, 2005

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
Operating Revenues					
Charges for Services	13,468,590	4,004,772	7,202,598	24,675,960	5,251,639
Miscellaneous Revenues	159,427	87,817	0	247,244	17,742
Total Operating Revenues	13,628,017	4,092,590	7,202,598	24,923,205	5,269,381
Operating Expenses					
Administrative and General	2,018,315	1,035,831	467,092	3,521,238	847,716
Supplies	0	25,785	0	25,785	286,219
Maintenance and Operations	8,987,055	699,376	6,241,214	15,927,645	2,924,657
Taxes	392,070	279,244	347,520	1,018,834	0
Depreciation	1,706,146	654,635	0	2,360,781	722,247
Total Operating expenses	13,103,586	2,694,872	7,055,825	22,854,283	4,780,839
Operating Income (Loss)	524,431	1,397,718	146,773	2,068,922	488,542
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	372,198	50,195	21,624	444,017	0
Grant Income	0	0	135,883	135,883	0
Interest Expense	(286,842)	0	0	(286,842)	0
Amortization of Debt Issue Costs	(24,889)	(26,760)	0	(51,649)	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	38,339
Miscellaneous	0	0	(138,734)	(138,734)	13,465
Total Nonoperating revenues (expenses)	60,467	23,435	18,773	102,675	51,804
Income Before Contributions and Transfers	584,898	1,421,153	165,546	2,171,597	540,346
Capital Contributions					
Contributions	3,316,498	3,823,366	0	7,139,864	0
Transfers In	0	7,972	0	7,972	798,848
Transfers Out	(351,879)	(50,000)	0	(401,879)	(94,964)
Change in Net Assets	3,549,518	5,202,491	165,546	8,917,555	1,244,230
Total Net Assets - Beginning	73,575,694	27,705,053	1,066,571	102,347,318	12,001,678
Total Net Assets - Ending	77,125,213	32,907,543	1,232,117	111,264,873	13,245,908

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



City of Kirkland
Combined Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2005
Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds			2005	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
Cash Flows From Operating Activities					
Cash Received From Customers	13,249,739	3,724,450	6,929,599	23,903,788	5,117,867
Cash From Other Sources	172,004	156,936	169,748	498,688	143,680
Cash Paid to Suppliers for Goods and Services	(8,694,005)	(610,011)	(6,266,388)	(15,570,404)	(1,908,068)
Cash Paid to Employees for Services	(1,425,518)	(911,266)	(80,829)	(2,417,613)	(1,878,085)
Cash Paid in Lieu of Taxes	(392,246)	(57,048)	(345,593)	(794,887)	0
Cash Paid for Central Business Functions	(780,995)	(243,017)	(346,392)	(1,370,404)	(166,890)
Net Cash Provided by Operating Activities	2,128,979	2,060,044	60,145	4,249,168	1,308,504
Cash Flows From Noncapital Financing Activities					
Proceeds From State and Local Grants	0	0	128,345	128,345	0
Grant Administration Expenditures	0	0	(142,549)	(142,549)	0
Transfers In	0	0	0	0	811,128
Transfers Out	(351,879)	(50,000)	0	(401,879)	(94,964)
Net Cash Provided by (Used for) Noncapital Financing Activities	(351,879)	(50,000)	(14,204)	(416,083)	716,164
Cash Flows From Capital and Related Financing Activities					
Proceeds From Public Works Trust Fund Loans	543,150	0	0	543,150	0
Capital Contributed by Developers	2,054,489	0	0	2,054,489	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	68,298
Principal Payments on Notes, Capital Leases and Bonds	(1,137,333)	0	0	(1,137,333)	0
Interest Paid on Notes, Capital Leases and Bonds	(288,810)	0	0	(288,810)	0
Interest Received on Program Loans	37,200	0	0	37,200	0
Acquisition and Construction of Capital Assets	(3,766,122)	(1,149,709)	0	(4,915,831)	(969,775)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,557,425)	(1,149,709)	0	(3,707,134)	(901,477)
Cash Flows From Investing Activities					
Net (Increase) Decrease in Investments	(3,063,953)	(1,212,737)	(229,055)	(4,505,745)	(2,734,377)
Interest Revenue	311,528	42,743	21,624	375,895	0
Net Cash Provided by Investing Activities	(2,752,425)	(1,169,994)	(207,431)	(4,129,850)	(2,734,377)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,532,750)	(309,659)	(161,489)	(4,003,899)	(1,611,187)
Cash and Cash Equivalents, January 1	6,677,397	982,473	343,716	8,003,586	3,583,368
Cash and Cash Equivalents, December 31	3,144,647	672,814	182,227	3,999,687	1,972,182

City of Kirkland
Combined Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2005
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	2005	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	524,431	1,397,718	146,773	2,068,922	488,542
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	1,706,146	654,635	0	2,360,781	722,247
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(204,156)	(56,581)	(103,251)	(363,988)	(13,098)
(Increase) Decrease in Operating Due From Other Governments	12,630	0	0	12,630	0
(Increase) Decrease in Other Accounts Receivable	3,628	0	0	3,628	0
(Increase) Decrease in Operating Inventories	(19,101)	(10,696)	0	(29,797)	(10,714)
(Increase) Decrease in Interest Receivable	(23,470)	0	0	(23,470)	0
(Increase) Decrease in Deferred Assessments	(10,805)	0	0	(10,805)	0
(Increase) Decrease in Loans Receivable	255,523	0	0	255,523	0
Increase (Decrease) in Operating Accounts Payable	(99,271)	7,818	10,541	(80,912)	30,239
Increase (Decrease) in Interest Payable	(480)	0	0	(480)	0
Increase (Decrease) in Operating Due to Other Funds	237,532	0	0	237,532	0
Increase (Decrease) in Operating Due to Other Governments	0	0	2,858	2,858	63,467
Increase (Decrease) in Accrual Transfer In	0	0	0	0	12,280
Increase (Decrease) in Wages Payable	1,623	28,164	2,413	32,200	10,332
Increase (Decrease) in Employee Benefits Payable	1,217	(25,316)	811	(23,288)	5,210
Increase (Decrease) in Deposits Payable	0	7,721	0	7,721	0
Increase (Decrease) in Revenue Collected in Advance	(603)	0	0	(603)	0
Increase (Decrease) in Deferred Revenue	(255,864)	56,581	0	(199,283)	0
Net Cash Provided by Operating Activities	2,128,979	2,060,044	60,145	4,249,168	1,308,504
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	1,262,009	3,823,366	0	5,085,375	0

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

City of Kirkland
Statement of Fiduciary Net Assets
Trust and Agency Funds
December 31, 2005

	Firefighter's Pension	Agency Funds
Assets		
Cash and Cash Equivalents	236,063	5,429
Investments, at fair value:		
U.S. Government Securities	854,156	0
Deposits	0	675,166
Total Assets	1,090,219	680,595
Liabilities		
Current Liabilities		
Due to Other Governments	0	5,429
Deposits	0	675,167
Total Liabilities	0	680,596
Net Assets		
Held in Trust for Pension Benefits	1,090,219	0
Total Net Assets	1,090,219	0

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

City of Kirkland
Statement of Changes in Net Plan Assets
 Firefighter's Pension Fund
 December 31, 2005

	2005
Additions	
Taxes:	
Fire Insurance Premiums	47,131
Total Additions	47,131
Deductions	
Benefit Payments	7,707
Transfer Out	3,634
Total Deductions	11,341
Net Increase (Decrease)	35,790
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,054,429
End of Year	1,090,219

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, 2005

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City of Kirkland

Notes to the Basic Financial Statements

For Year Ended December 31, 2005

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, Division of Audit. 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, account groups, and organizations that are controlled by or dependent on the City. Control by the City was determined on the basis of budget adoption, taxing authority, and resource allocation criteria. Dependence on the City was determined by the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. Applying these criteria, as outlined in GASB Statement 14, the City has no relationships that qualify as component units.

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing 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 provided 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, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of Kirkland.

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

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

- Internal Service Funds account for equipment rental and information technology services provided to other departments of the city on a cost reimbursement basis.
- Firefighter’s Pension Trust accounts for a single-employer defined benefit system established under State law to provide retirement and disability benefits for eligible firefighters.
- Agency Funds account for assets held by the city as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

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

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

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

The proprietary fund statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of city’s utility funds and internal service funds are charges to customers for sales and services and vehicle replacement. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on 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 & 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 & Administration by late August.
4. Revenue estimates are developed and updated by the Finance & Administration Department throughout the budget process. Initial revenue estimates are prepared by late August.
5. During September, the Director of Finance & 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 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 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, the City, 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 budget amounts shown in the financial statements are the authorized amounts as revised as of the date of the financial statements.

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

Assets, Liabilities and Equities

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. Amounts are reported on the Combined 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. By City Ordinance 5.24.010, the City has established an investment committee consisting of the City Manager and the Director of Finance. 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, and the State Investment Pool. City policy requires that all investments be purchased DVP (delivery vs. payment). Securities are held in safekeeping by a third-party custodian.

In most cases, the City places available cash in a common investment fund; exceptions are investments purchased directly from the available cash of a single fund, most notably construction funds that have a definite liquidity need. 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. Interest earned on investments directly purchased by a single fund is credited, less all costs incurred, to that fund.

In accordance with GASB 31, investments are stated at market 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.

Special Assessments	Special Assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable consist of current assessments which are due within one year, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments which have been levied but are not due within one year.
Accounts Receivable	Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services provided, including amounts owed for which billings have not yet been prepared. Uncollected amounts are considered immaterial and the direct write-off method is used.

Amounts Due to and from Other Governmental Units

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

Interfund Transactions

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

Inventories

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

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

Restricted Assets and Liabilities

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

Deferred Charges

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

Capital Assets

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

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

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

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

Compensated Absences

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

Vacation leave is accumulated monthly at annual rates ranging from 88 hours to 192 hours depending on number of years of employment and union agreement. Earned vacation leave not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed one year of service except under special conditions listed in the Kirkland Municipal Code.

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

In January of 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 is 1 employee currently employed by the City who chose to freeze the unused sick leave for a total of \$914 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, not to exceed \$9,000 into a trust fund to be used for the retiree's health related expenses.

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

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-

type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, along with issuance costs are, deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenues

Deferred revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes a deferred revenue as the offset. The deferred revenues include uncollected property taxes levied, unbilled special assessments which have not yet been earned and business license fees collected in 2005 for 2006.

Fund Balance

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

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

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

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

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

Municipal Court	1,335,017
Net Adjustment	\$ <u>1,335,017</u>

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

Bonds Payable	(23,150,000)
Compensated Absences	(1,457,111)
Accrued Interest Payable	(116,016)
LID Payable	(10,000)
Net Pension Obligation	170,546
Net Adjustment	\$ <u>(24,562,581)</u>

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

Capital Assets	270,325,778
Depreciation	(99,020,866)
Net Capital Assets Adjustment	\$ <u>171,304,912</u>

Explanation of aggregated differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances for governmental funds and changes in net assets of governmental activities as reported in the Government-Wide Statement of Activities. The details of the aggregated differences are presented below.

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

Capital Outlays	10,239,559
Depreciation Expense	(4,702,276)
CIP Closures	(1,110,106)
Capital Donations	516,660
Net Adjustment	\$ <u>4,943,837</u>

The proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt

principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.

General Obligation Debt Payment	1,850,000
LID Assessment Debt Payment	5,000
Tour Dock Debt Payment	<u>157,000</u>
Net Adjustment	\$ <u><u>2,012,000</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	<u>16,632</u>
Net Adjustment	\$ <u><u>16,632</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:

Compensated Absence Payable	15,761
Accrued Interest Payable	<u>(116,016)</u>
Net Adjustment	\$ <u><u>(100,255)</u></u>

NOTE 3:
CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

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

Investments

All surplus cash is invested in accordance with an investment policy approved by Kirkland City Council. Qualifying investments include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit, repurchase agreements, Washington State Local Government Investment Pool, obligations of state and local government agencies and commercial paper.

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. All Agency securities in our portfolios are rated AAA and the certificates of deposit are covered by the PDPC. 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. All investments purchased by the City of Kirkland are held and registered in the City of Kirkland's name in the Department of Finance and Administration or safekeeping department of a financial institution as established by a written third party safekeeping agreement between the City of Kirkland and the financial institution.

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. The city investment procedures set forth maximum concentration guidelines whereby no single agency exceeds 20% of the overall portfolio, or 10% for banker's acceptances and repurchase agreements and 5% for certificates of deposit and commercial paper. Treasury securities and US Agency obligations may comprise up to 100% of the portfolio, as well as participation in the Washington State Treasurer's Local Government Investment Pool.

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 investment 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.

City of Kirkland Cash, Cash Equivalents and Investments
 Segmented Time Distribution
 At December 31, 2005

Investment Type	Market Value	6 Months or Less	7 - 12 Months	13 to 24 Months	25 to 36 Months
Federal National Mortgage Association	11,805,493	3,976,250	-	7,829,243	-
Federal National Mortgage Association callable	3,953,750	-	-	3,953,750	-
Federal Home Loan Bank	3,640,683	-	1,698,183	1,942,500	-
Federal Home Loan Bank callable	9,860,625	-	-	5,920,625	3,940,000
Federal Home Loan Mortgage Corp	1,967,500	-	-	1,967,500	-
Federal Home Loan Mortgage Corp callable	15,839,638	1,978,490	1,981,464	7,931,658	3,948,026
Federal Farm Credit Bank	5,904,375	1,983,750	-	3,920,625	-
Federal Farm Credit Bank callable	8,918,125	-	-	1,954,375	6,963,750
Certificates of Deposit	4,000,000	-	4,000,000	-	-
FDIC or PDPC Insured Bank Deposits	920,126	920,126	-	-	-
	\$ 66,810,315	8,858,616	7,679,647	35,420,276	14,851,776
<u>Uncategorized Cash and Cash Equivalents</u>					
Washington State Local Government Investment Pool	17,643,685				
Cash on Hand	23,175				
	\$ 17,666,860				
Total Cash, Cash Equivalents and Investments	84,477,175				
\$					

The callable bonds have low coupons and we assume that none of them will be called.

NOTE 4:
PROPERTY TAXES

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 installments tax payment is due.
May 31	Assessed value of property established for next year's levy.
October 31	Second installment is due.

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

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

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. Kirkland's maximum property tax levy rate has been reduced from \$3.60 to \$3.10 due to annexation to the King County Library District. The City's levy rate is also subject to the following limitations:

1. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
2. Washington State law in RCW 84.55.010 limits property tax growth to the lesser of one percent or the implicit price deflator following the passage of Initiative 747 in November of 2001. However, unused levy capacity from prior years that was "banked" for future specified purposes can be utilized regardless of the limits established by Initiative 747. In 2005, the City used "banked" levy capacity in the amount of \$911,000. Currently the City has banked levy capacity remaining of approximately \$445,000.

The City's regular tax levy in 2005 was \$1.30 per \$1,000 on an assessed valuation of \$7,872,486,056 for a total regular levy of \$10,275,198. The excess tax levy was \$0.184 per \$1,000 for an excess levy of \$1,449,539. 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, 2005 was as follows:

	Balance <u>Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2005</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	72,370,370	1,675,444	149,523	73,896,291
Construction in Progress	24,354,136	9,669,509	10,314,465	23,709,180
Artwork	1,348,274	243,960	0	1,592,234
Total Capital Assets, Not Being Depreciated:	<u>\$98,072,780</u>	<u>11,588,913</u>	<u>10,463,988</u>	<u>\$99,197,705</u>
Capital Assets, Being Depreciated:				
Buildings	29,065,505	0	0	29,065,505
Improvements	9,640,102	666,427	31,752	10,274,777
Machinery and Equipment	9,266,435	1,009,519	271,783	10,004,171
Infrastructure	113,597,270	8,186,349	0	121,783,619
Total Capital Assets, Being Depreciated:	<u>\$161,569,312</u>	<u>9,862,296</u>	<u>303,535</u>	<u>\$171,128,072</u>
Less Accumulated Depreciation for:				
Buildings	6,523,691	632,447	0	7,156,138
Improvements	4,573,597	518,316	31,752	5,060,161
Machinery and Equipment	4,640,109	827,151	256,914	5,210,346
Infrastructure	78,147,611	3,446,609	0	81,594,220
Total Accumulated Depreciation	<u>\$93,885,008</u>	<u>5,424,523</u>	<u>288,666</u>	<u>\$99,020,865</u>
Total Capital Assets, Being Depreciated, Net	\$67,684,304	4,437,773	14,869	\$72,107,207
Governmental Activities Capital Assets, Net	\$165,757,084	16,026,686	10,478,857	\$171,304,912
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	47,784	0	0	47,784
Construction In Progress	9,087,492	5,697,237	4,998,483	9,786,246
Total Capital Assets, Not Being Depreciated	<u>\$9,135,276</u>	<u>5,697,237</u>	<u>4,998,483</u>	<u>\$9,834,030</u>
Capital Assets, Being Depreciated:				
Buildings	198,381	0	0	198,381
Improvements	112,599,407	10,097,078	0	122,696,485
Total Capital Assets, Being Depreciated	<u>\$112,797,788</u>	<u>10,097,078</u>	<u>0</u>	<u>\$122,894,866</u>
Less Accumulated Depreciation for:				
Buildings	163,600	4,759	0	168,359
Improvements	26,685,929	2,356,022	0	29,041,951
Total Accumulated Depreciation	<u>\$26,849,529</u>	<u>2,360,781</u>	<u>0</u>	<u>\$29,210,310</u>
Total Capital Assets, Being Depreciated, Net	\$85,948,259	7,736,297	0	\$93,684,556
Business-Type Activities Capital Assets, Net	\$95,083,535	13,433,534	4,998,483	\$103,518,586

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

Governmental Activities:

General Government	371,942
Judicial	0
Security of Persons and Property	560,397
Human Services	5,907
Physical Environment	383,787
Transportation (includes depreciation of general infrastructure assets)	3,446,609
Economic Environment	18,125
Culture and Recreation	<u>637,756</u>
Total Depreciation Expense – Governmental Activities	<u><u>\$5,424,523</u></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	1,706,146
Surface Water Utility	654,635
Solid Waste Utility	<u>0</u>
Total Depreciation Expense – Business-type Activities	<u><u>\$2,360,781</u></u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2005. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Parks & Recreation	2,573,177	157,831
Transportation	902,170	977,863
Water Utility	772,388	824,412
Sewer Utility	1,486,917	856,452
Surfacewater Utility	19,920	35,470
General Government	83,779	90,370
Total	<u><u>\$5,838,351</u></u>	<u><u>\$2,942,398</u></u>

NOTE 6:
PENSION PLANSState 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, PO Box 48380, Olympia, WA 98504.

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

Public Employees' Retirement System (PERS) Plans I, II and III.

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans I and II are defined benefit plans and Plan III is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system), employees of legislative committees, community and technical colleges, college and university employees (not in national higher education retirement programs), judges of district and municipal courts, and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan I 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 II members unless they exercise an option to transfer their membership to Plan III. 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 II or PERS Plan III. The option must be exercised within 90 days of employment. An employee is reported in Plan II until a choice is made. Employees who fail to choose within 90 days default to PERS Plan III. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan I retirement benefits are vested after an employee completes five years of eligible service. Plan I members are eligible for retirement at any age after 30 years of service, at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is two percent of the final average salary per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan II retirement benefits are vested after an employee completes five years of eligible service. Plan II members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service, with an allowance of 2 percent per year of service of the average final compensation. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan II retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies, otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost of living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan III has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60 month period. Plan III members become eligible for retirement if they have at least ten years of service or five years including twelve months that were earned after age 54 or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan III retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies, otherwise an actuarial reduction will apply. There is no cap on years of service credit and Plan III provides the same cost of living allowance as Plan II. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other authorized options authorized by the Employee Retirement Benefits Board.

There are 1,169 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2004:

Retirees and Beneficiaries Receiving Benefits	66,846
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	21,031
Active Plan Members Vested	103,039
Active Plan Members Nonvested	53,217
Total	\$244,133

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan I employer contribution rates, Plan II employer and employee contribution rates and Plan III employer contribution rates. Employee contribution rates for Plan I are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan II and the employer contribution rate for Plan III are developed by the Office of the State Actuary to fully fund Plan II and the defined benefit portion of Plan III. All employers are required to contribute at the level established by the Legislature. Plan III defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of Plan III do not contribute to the defined benefit portion of the Plan. The Employee Retirement Benefits Board sets Plan III employee contribution rates. Six rate options are available ranging from 5 to 15 percent. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates are expressed as a percentage of covered payroll, as of December 31, 2005 were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
Employer	2.44%*	2.44%*	2.44%**
Employee	6.00%	1.18%	***

* The employer rates include the employer administrative expense fee currently set at 0.19%.

** Plan III defined benefit portion only.

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

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

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2005	\$17,143	\$248,950	\$57,306
2004	\$14,757	\$170,089	\$39,500
2003	\$13,812	\$171.868	\$22,607

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans I and II.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees, with the exception of the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003. Participants who joined the system by September 30, 1977, are Plan I members. Those joining thereafter are enrolled in Plan II. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer Public Employees' Retirement System (PERS) Plan I or Plan II service credit to LEOFF Plan II if while employed for a city, town, county or district, the EMT's job was relocated to a fire department from another city, town, county or district. Effective July 1, 2003, the LEOFF Plan II Retirement Board was established to provide governance of LEOFF Plan II. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan II retirement plan. LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan I participants are eligible to retire with five years of service at age 50. The benefit per year of service is as follows, with a cost-of-living allowance granted, capped at three percent annually:

<u>Term of Service</u>	<u>Percent of Final Average</u>
20+	2.0%
10-20	1.5%
5-10	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of the final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan II members are eligible to retire at the age of 50 with 20 years of service or at 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced. The benefit is two percent of average salary per year of service. The average salary is based on the highest consecutive 60 months. Plan II retirements prior to the age of 53 are reduced by 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

There are 369 participating employers in LEOFF. Membership in LEOFF consisted of the following at September 30, 2004:

Retirees and Beneficiaries Receiving Benefits	8,542
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	528
Active Plan Members Vested	12,079
Active Plan Members Nonvested	3,523
Total	\$24,672

Funding Policy

Starting on July 1, 2000, Plan I employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan II employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with 41.45 RCW. 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 Plan II in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.46 and 41.45 RCW.

The required contribution rates expressed as a percentage of covered payroll, as of December 31, 2005 were:

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
Employer	0.19%*	4.39%*
Employee	0.00%	6.99%
State	n/a	2.79%

* The employer rates include the employer administrative expense fee currently set at 0.19%.

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

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
2005	\$ 564	\$413,980
2004	\$ 595	\$335,348
2003	\$ 628	\$296,009

Volunteer Fire Fighters' Relief and Pension Fund

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

Fire Fighters' Pension

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

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

Membership of the Fire Fighters' Pension Plan consisted of the following at December 31, 2005:

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	1,293	1,293	1,054
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(38,895)	(38,895)	(30,432)
Interest to End of Year	<u>(2,632)</u>	<u>(4,283)</u>	<u>(1,469)</u>
ARC at End of Year, not less than zero	0	0	(30,847)
Interest on Net Pension Obligation (NPO)	(2,088)	(3,893)	(4,714)
Adjustment to ARC	<u>(2,270)</u>	<u>(4,283)</u>	<u>(6,132)</u>
Annual Pension Cost (APC)	182	390	(29,429)
Employer Contributions	<u>25,977</u>	<u>39,054</u>	<u>46,833</u>
Change in NPO	(25,795)	(38,664)	(76,262)
NPO at Beginning of Year	(29,825)	(55,620)	(94,284)
NPO at End of Year	\$(55,620)	\$(94,284)	\$(170,546)

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended 12/31	Fire Insurance Premium Taxes \$	Interest Earned on Net Fund Balance \$	Annual Required Contribution*	Percentage Contributed
1992	25,292	14,828	-	-
1993	35,281	21,455	-	-
1994	40,532	15,273	-	-
1995	37,771	19,729	-	-
1996	47,671	19,565	-	-
1997	40,011	16,212	-	-
1998	40,759	18,159	-	-
1999	48,218	12,018	-	-
2000	27,006	23,174	-	-
2001	29,825	33,899	-	-
2002	33,969	0	-	-
2003	39,054	0	-	-
2004	46,833	0	-	-
2005	47,131	0	-	-

* Actuarial valuations have recommended the City make no contributions to the Plan.

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 Percent of Covered Payroll
2/90	\$276	N/A (1)	N/A (1)	0%	Not Avail	0.0%
1/96	\$662	N/A (1)	N/A (1)	0%	\$56	0.0%
1/01	\$901	\$385	(\$516)	234.03%	\$73	(706.85)%
1/04	\$1,015	\$547	(\$468)	186%	\$79	(592)%

Three Year Trend Information (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a Percentage of APC	Net Pension Obligation (NPO)
12/31/02	\$182	14,273%	\$(55,620)
12/31/03	\$390	10,014%	\$(94,284)
12/31/04	\$(29,429)		\$(170,546)
12/31/05	**	**	**

** Actuarial valuation for 2005 in progress. Financial statements assuming no significant changes to NPO.

The information presented in the preceding required schedule was determined as part of the

actuarial valuations at the dates indicated or based on the same set of actuarial assumptions.

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

	<u>2/90</u>	<u>1/96</u>	<u>1/01</u>	<u>1/04</u>
Actuarial economic assumptions:				
Investment rate of return	6.50%	7.00%	7.00%	5.00%
Projected salary increases ⁽²⁾	5.25%	5.00%	5.00%	4.50%
Consumer Price Index	4.50%	4.00%	4.00%	3.50%
Projected annual growth in fire				
Insurance premium tax revenue	5.25%	4.00%	4.00%	3.5%

Noneconomic assumptions:

Mortality rates based on:

1971 Individual Mortality Tables	X			
1983 Group Annuity Mortality Table		X		
1994 Group Annuity Mortality Table			X	X
Turnover rates per year	0.50%	0.30%	0.30%	0.7%

(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

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 420 employees who participated in the program during 2005. The City's contribution for 2005 was \$1,525,800; employee contributions were \$2,087,736 during the same period. The rate the City must pay and the employee may pay is equal to the current Social Security rate.

Assets of the Plan consist of stocks, bonds, and guaranteed insurance contracts, and are not the property of the City and are not subject to the claims of the City's general creditors. The Plan is administered and maintained by a private consulting firm.

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.

Other Post-employment Benefits

The City of Kirkland provides post-retirement health care benefits to LEOFF I retirees in accordance with state statutes. The City furnishes medical insurance and covers all validated claims for medical, dental and ophthalmologist costs incurred by these retirees. At the end of 2005 there were 35 retirees receiving these benefits with 3 active employees eligible for these benefits when they retire.

Expenditures for these benefits are recognized when claims are submitted. During 2005 the City incurred expenditures of \$392,979 in relation to post-retirement health care coverage for LEOFF I employees.

NOTE 7:
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 115 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$11 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductibles to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2005.

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

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

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

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

NOTE 8:
LONG-TERM DEBT AND LEASES

Long-Term Debt

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

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

Special Assessment Bonds are not a direct responsibility of the City. These bonds are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the LID Debt Service Fund. As a guarantee to bond holders, a guaranty is maintained at approximately 10% of the total outstanding bonds. The LID guaranty is funded from interest income, foreclosure amounts, and surplus from the LID Debt Service Fund.

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has eight loans with principal outstanding of \$5,423,609. Of this amount \$909,950 is assumed debt from the Rose Hill Water District. This debt will be repaid from Water/Sewer Fund revenues.

In 1987, the City entered into an interlocal agreement with the Port of Seattle to build a tour boat dock in the City harbor. The Port contribution amount of \$130,068, originally scheduled to be repaid in 2007 was paid in full in 2005.

Call Provisions

The City has optional redemption call provisions in relation to its Special Assessment bond issues. Subsequent to year-end, the City exercised optional redemption call provisions for Special Assessment Issue 126 in the amount of \$5,000.

General obligation bonds currently outstanding are as follows:

Issue - Purpose		Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/05	Due Within One Year
1993 Refunding of 1989 Ltd GO Maintenance Center	*	03/02/93	07/01/09	4.45 to 5.75	\$2,665,000	\$1,465,000	\$1,200,000	\$275,000
1993 Refunding of 1989 & 1990 Unltd GO Parks		03/02/93	12/01/09	2.75 to 5.75	4,380,000	2,480,000	1,900,000	435,000
1995 Unltd G.O. Public Safety, Forbes Creek Fire Station		08/01/95	12/01/14	4.65 to 7.00	1,020,000	400,000	620,000	55,000
1999 Ltd. G.O. Teen Center Design and Construction	*	11/01/99	12/01/19	4.30 to 6.00	1,025,000	185,000	840,000	40,000
2001 Unltd. G.O. Refunding 1992 UTGO Public Safety Bonds		07/06/01	12/12/12	4.00 to 4.65	1,730,000	615,000	1,115,000	140,000
2001 Ltd. GO Refunding 1994 LTGO, McAuliffe, Library Parking Garage, City Hall, Cemetery Improvement	*	07/06/01	12/13/13	4.00 to 5.125	11,060,000	2,815,000	8,245,000	650,000
2001B Ltd. G.O. Purchase 505 Market Property	*	10/30/01	12/01/07	3.7	1,785,000	0	1,785,000	0
2003 Unltd. G.O. Park Acquisition and Improvements		01/30/03	12/01/22	4.408	8,400,000	955,000	7,445,000	320,000
Total					\$32,065,000	\$8,915,000	\$23,150,000	\$1,915,000

* Councilmanic

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

Year Ending	Governmental Activities	
	Principal	Interest
2006	1,915,000	1,054,143
2007	3,800,000	972,434
2008	2,090,000	817,047
2009	2,190,000	722,332
2010	1,410,000	619,785
2011-2015	6,550,000	2,146,263
2016-2020	3,795,000	960,403
2021-2022	1,400,000	104,095
Total	\$23,150,000	\$7,396,502

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 12/31/05	Due Within One Year
1996 Refunding portion of 1992 Water/Sewer Revenue Bonds	03/04/96	06/01/12	3.9 to 5.2	3,725,000	850,000	2,875,000	280,000
1993 Public Works Trust Loan Lake Street Sewer Line Replacement	08/25/93	07/01/14	1.0	823,368	476,687	346,681	43,335
1994 Public Works Trust Loan(A) Lake Washington Blvd Water Line Replacement	07/26/94	07/01/14	1.0	1,231,700	648,485	583,215	64,802
1994 Public Works Trust Loan(B) Lake Washington Blvd Sewer Line Replacement	07/26/94	07/01/14	1.0	1,165,500	610,354	555,146	61,683
1994 Public Works Trust Fund Loan Consolidated Rose Hill Assumption	01/01/94	07/01/09	1.0	3,184,824	2,274,874	909,950	227,487
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	06/07/95	07/01/15	1.0	794,850	349,630	445,220	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	07/01/00	07/01/19	1.0	227,500	52,011	175,489	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/01	07/01/21	0.5	1,848,000	200,502	1,647,498	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	09/01/04	07/01/24	.5	760,410	0	760,410	54,315
2004 Water/Sewer Revenue Refunding Bonds	08/01/04	06/01/14	2.0 to 4.0	3,090,000	330,000	2,760,000	315,000
Total				\$16,851,152	\$5,792,543	\$11,058,609	\$1,206,648

The revenue debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
	2006	1,192,354
2007	1,212,354	239,846
2008	1,237,354	209,852
2009	1,262,354	178,494
2010	1,059,867	145,346
2011-2015	4,221,705	252,985
2016-2020	752,556	14,478
2021-2024	120,065	1,201
Total	\$11,058,609	\$1,313,235

Special Assessment Bonds, Issuances, Redemption, and Balances Outstanding

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/05	Due Within One Year
LID 126	12/01/97	12/01/07	4.2 to 5.2	\$140,592	\$130,592	\$10,000	\$0

Special Assessment Bond Debt Service Requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2006	-	520
2007	10,000	520
Total	\$10,000	\$1,040

Changes in Long-Term Liabilities

	Beginning Balance 01/01/2005	Additions	Reductions	Ending Balance 12/31/2005	Due Within One Year
<u>Governmental Activities</u>					
General Obligation Bonds	25,000,000	-	1,850,000	23,150,000	1,915,000
LID Assessment with governmental commitment	15,000	-	5,000	10,000	-
Compensated Absences	1,361,253	1,833,659	1,658,767	1,536,145	1,225,095
Other long-term debt	130,068	-	130,068	-	-
Governmental Activity long-term liabilities	<u>\$ 26,506,321</u>	<u>1,833,659</u>	<u>3,643,835</u>	<u>\$ 24,696,145</u>	<u>\$ 3,140,095</u>
<u>Business-Type Activities</u>					
Revenue Bonds	6,215,000	-	580,000	5,635,000	595,000
PWTF Loans	5,437,792	543,150	557,333	5,423,609	611,648
Compensated Absences	78,261	106,443	101,179	83,525	66,821
Business-type Activity long-term liabilities	<u>\$ 11,731,053</u>	<u>649,593</u>	<u>1,238,512</u>	<u>\$ 11,142,134</u>	<u>\$ 1,273,469</u>

Compensated Absences

The City's liability for accrued compensated absences is recorded in the schedule above. The governmental activities category includes a liability of \$79,034 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General, Street Operating, Parks Maintenance, Recreation Revolving, and Facilities Maintenance.

Refunded Debt

In prior years the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At December 31, 2005, \$2,750,000 of general obligation bonds are considered defeased.

Leases

Operating Leases

The City entered into a three year non-cancelable rental agreement for two copiers in 2004. The total cost for this agreement was \$21,785 for the year ended December 31, 2005. The future minimum payments for this agreement are as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>December 31</u>	
2006	21,785
2007	<u>5,446</u>
Total	<u>\$27,231</u>

NOTE 9:
CONTINGENCIES AND LITIGATIONS

As of December 31, 2005, 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 10:
INTERFUND TRANSFERS

Transfers

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, indirect overhead and subsidies.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	190,243	3,838,680
Street Operating	140,281	22,724
Facilities Maintenance	153,321	1,210,686
Park and Municipal Reserve	1,096,440	388,380
Contingency	0	66,293
Cemetery Improvement	0	35,749
Off Street Parking	0	15,000
Impact Fee	0	578,472
Street Improve Reserve	0	688,728
Excise Capital Improvement	0	2,770,656
Grant Control	0	2,676
Debt Service	1,465,650	1,000
Capital Projects	6,301,766	35,000
Internal Service	798,848	94,964
Water/Sewer	0	351,879
Surface Water	7,972	50,000
Pension Trust	0	3,634
Total Transfers In	<u>\$10,154,521</u>	<u>\$10,154,521</u>

NOTE 11:
SUBSEQUENT EVENTS

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



NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

- The ***Street Improvement Reserve Fund*** accumulates resources for street-related capital projects. Dedicated funding sources include \$270,000 per year in sales tax revenue and state distributions of the half-cent motor vehicle fuel tax. The motor vehicle fuel tax is legally restricted for the funding of street improvements, whereas the \$270,000 in sales tax revenue is set by council policy. Resources are transferred out of the Street Improvement Fund to the capital projects funds as needed for current year projects. The remainder is held in reserve for future year projects.
- The ***Grant Control Fund*** was established to meet the special accounting requirements associated with grants. This fund accounts for grant revenues and related expenditures for non-CIP grant projects.

Debt Service Funds

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

- The ***Limited Tax General Obligation (LTGO) Bonds*** (also called Councilmanic Bonds) can be issued with approval of the City Council. The debt is repaid from general revenues of the city.
- The ***Unlimited Tax General Obligation (UTGO) Bonds*** represent debt that was approved by voters for a specific purpose. In this case, citizens have agreed to levy property taxes to repay the debt generally over a twenty-year period.
- The ***Local Improvement District (LID) Bonds*** represent debt that is repaid by the property owners who benefited from the capital improvement through annual assessments paid to the city. LID's are formed by the City Council after a majority of property owners agree to the assessment.



City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2005

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	Special Revenue			Recreation
	Lodging Tax	Cemetery Operating	Parks Maintenance	Program Revolving
Assets				
Cash and Cash Equivalents	34,831	30,850	93,386	19,097
Investments	126,032	111,625	337,900	69,101
Receivables, Net of Allowances:				
Taxes	0	0	19,657	0
Special Assessments	0	0	0	0
Accounts	0	0	1,150	0
Due From Other Governments	0	0	0	0
Total Assets	160,863	142,475	452,093	88,198
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	3,072	1,735	4,695	16,411
Wages Payable	0	0	15,894	10,689
Due to Other Sources	5,810	12	756	0
Deposits	0	0	0	105
Deferred Revenue	0	0	19,526	13,061
Total Liabilities	8,882	1,747	40,871	40,266
Fund Balances				
Reserved	151,981	0	411,222	0
Unreserved	0	140,728	0	47,932
Total Liabilities and Fund Balances	160,863	142,475	452,093	88,198

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2005

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Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking	Tour Dock
529,678	496,073	84,220	595,517	15,063	4,658
1,790,424	1,794,955	304,736	2,128,584	54,501	16,854
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,320,102	2,291,028	388,956	2,724,101	69,564	21,512
61,713	0	0	0	0	0
18,941	0	0	0	0	0
16,936	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
97,590	0	0	0	0	0
0	0	0	2,724,101	0	0
2,222,512	2,291,028	388,956	0	69,564	21,512
2,320,102	2,291,028	388,956	2,724,101	69,564	21,512

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2005

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	Street Improvement Reserve	Grant Control	Total Special Revenue
Assets			
Cash and Cash Equivalents	372,544	42,041	2,317,958
Investments	1,347,990	152,116	8,234,818
Receivables, Net of Allowances:			
Taxes	0	0	19,657
Special Assessments	0	0	0
Accounts	0	0	1,150
Due From Other Governments	0	54,866	54,866
Total Assets	1,720,534	249,023	10,628,449
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	20,464	108,090
Wages Payable	0	0	45,524
Due to Other Sources	0	0	23,514
Deposits	0	0	105
Deferred Revenue	0	18,992	51,579
Total Liabilities	0	39,456	228,812
Fund Balances			
Reserved	0	0	3,287,304
Unreserved	1,720,534	209,567	7,112,333
Total Liabilities and Fund Balances	1,720,534	249,023	10,628,449

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2005

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Debt Service			Total	Governmental
LTGO	UTGO	LID	Debt Service	Funds Total
51,028	69,833	2,167	123,029	2,440,987
160,731	252,681	599	414,010	8,648,828
0	39,440	0	39,440	59,097
0	0	12,268	12,268	12,268
0	0	0	0	1,150
0	0	0	0	54,866
211,759	361,954	15,034	588,747	11,217,196
0	0	0	0	108,090
0	0	0	0	45,524
0	0	0	0	23,514
0	0	0	0	105
0	39,222	4,291	43,513	95,092
0	39,222	4,291	43,513	272,325
211,759	322,732	10,743	545,234	3,832,538
0	0	0	0	7,112,333
211,759	361,954	15,034	588,747	11,217,196

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2005

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Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Recreation Program Revolving
Revenues				
Taxes and Assessments	135,211	0	716,520	0
Intergovernmental	0	0	0	2,260
Charges for Services	0	84,387	0	841,242
Investment Interest	0	0	0	0
Miscellaneous Revenues	381	0	11,695	35,716
Total Revenues	135,592	84,387	728,215	879,218
Expenditures				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	93,307	0	0
Transportation	0	0	0	0
Economic Environment	161,932	0	0	72,386
Culture and Recreation	0	0	603,605	842,748
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	825	0	0
Total Expenditures	161,932	94,132	603,605	915,134
Excess (Deficiency) of revenues				
Over (under) expenditures	(26,340)	(9,745)	124,610	(35,916)
Other Financing Sources (Uses)				
Sale of Capital Assets	0	22,295	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	22,295	0	0
Net Change in Fund Balance	(26,340)	12,550	124,610	(35,916)
Fund Balances Beginning of Year	178,321	128,178	286,612	83,848
Fund Balances End of Year	151,981	140,728	411,222	47,932

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2005

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Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking
890,805	0	0	0	0
0	0	0	0	0
1,609,876	0	0	1,143,380	0
348,485	0	0	72,376	0
177,544	0	0	5,033	0
3,026,710	0	0	1,220,789	0
1,317,089	0	0	26,195	
190,995	0	0	0	0
188,641	0	0	0	0
0	0	0	0	0
76,768	0	0	0	0
121,337	0	0	0	0
0	0	0	0	0
0	0	0	0	0
33,594	0	2,475	0	0
1,928,424	0	2,475	26,195	0
1,098,286	0	(2,475)	1,194,594	0
0	0	65,985	0	0
153,321	0	0	0	0
(1,210,686)	(66,293)	(35,749)	(578,472)	(15,000)
(1,057,365)	(66,293)	30,236	(578,472)	(15,000)
40,921	(66,293)	27,761	616,122	(15,000)
2,181,591	2,357,321	361,195	2,107,979	84,564
2,222,512	2,291,028	388,956	2,724,101	69,564

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2005

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	Tour Dock	Street Improvement Reserve	Grant Control	Total Special Revenue
Revenues				
Taxes and Assessments	0	144,655	0	1,887,191
Intergovernmental	0	312,225	121,005	435,490
Charges for Services	0	31,796	0	3,710,681
Investment Interest	0	0	0	420,861
Miscellaneous Revenues	25,599	0	0	255,969
Total Revenues	25,599	488,676	121,005	6,710,192
Expenditures				
Current				
General Government	0	0	0	1,343,284
Security of Persons and Property	0	0	0	190,995
Physical Environment	0	0	2,739	284,687
Transportation	0	0	4,419	4,419
Economic Environment	0	0	69,123	380,209
Culture and Recreation	0	0	0	1,567,690
Debt Service				
Principal	157,000	0	0	157,000
Interest	0	0	0	0
Capital Outlay	0	0	0	36,894
Total Expenditures	157,000	0	76,281	3,965,178
Excess (Deficiency) of revenues				
Over (under) expenditures	(131,401)	488,676	44,724	2,745,014
Other Financing Sources (Uses)				
Sale of Capital Assets	0	73,140	0	161,420
Transfers In	0	0	0	153,321
Transfers Out	0	(688,729)	(2,676)	(2,597,605)
Total Other Financing Sources (Uses)	0	(615,589)	(2,676)	(2,282,864)
Net Change in Fund Balance	(131,401)	(126,913)	42,048	462,150
Fund Balances Beginning of Year	152,913	1,847,447	167,519	9,937,488
Fund Balances End of Year	21,512	1,720,534	209,567	10,399,637

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2005

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Debt Service

LTGO	UTGO	LID	Total Debt Service	Governmental Funds Total
0	1,434,544	0	1,434,544	3,321,735
0	0	0	0	435,490
0	0	0	0	3,710,681
66,045	0	0	66,045	486,906
10,143	0	12,100	22,243	278,212
76,188	1,434,544	12,100	1,522,832	8,233,024
23,903	0	0	23,903	1,367,187
0	0	0	0	190,995
0	0	0	0	284,687
0	0	0	0	4,419
0	0	0	0	380,209
0	0	0	0	1,567,690
935,000	915,000	5,000	1,855,000	2,012,000
596,694	534,538	780	1,132,012	1,132,012
0	0	0	0	36,894
1,555,597	1,449,538	5,780	3,010,915	6,976,093
(1,479,409)	(14,994)	6,320	(1,488,083)	1,256,931
0	0	0	0	161,420
1,465,650	0	0	1,465,650	1,618,971
0	0	(1,000)	(1,000)	(2,598,605)
1,465,650	0	(1,000)	1,464,650	(818,214)
(13,759)	(14,994)	5,320	(23,433)	438,717
225,518	337,726	5,423	568,667	10,506,155
211,759	322,732	10,743	545,234	10,944,870



INTERNAL SERVICE FUNDS

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

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

City of Kirkland
Combining Statement of Net Assets
Internal Service Funds
December 31, 2005

	Equipment Rental	Information Technology	2005
Assets			
Current Assets			
Cash and Cash Equivalents	1,477,224	494,959	1,972,183
Investments	5,345,085	1,790,927	7,136,012
Accounts Receivable	1,920	0	1,920
Due from Other Sources	0	7,523	7,523
Inventories	46,449	0	46,449
Total Current Assets	6,870,678	2,293,409	9,164,087
Noncurrent Assets			
Capital Assets:			
Improvements	128,605	0	128,605
Equipment	8,801,784	48,058	8,849,842
Accumulated Depreciation	(4,598,291)	0	(4,598,291)
Total Capital Assets Net	4,332,097	48,058	4,380,155
Total Noncurrent Assets	4,332,097	48,058	4,380,155
Total Assets	11,202,775	2,341,467	13,544,242
Liabilities			
Current Liabilities			
Accounts Payable	44,992	21,831	66,823
Due to Other Governments	6,210	57,257	63,467
Wages Payable	19,143	69,867	89,010
Employee Benefits Payable	20,630	58,404	79,034
Total Liabilities	90,975	207,359	298,334
Net Assets			
Invested in Capital Assets, net of related debt	4,332,097	48,058	4,380,155
Unrestricted	6,779,703	2,086,050	8,865,752
Total Fund Equity	11,111,800	2,134,108	13,245,908
Total Net Assets	11,202,775	2,341,467	13,544,242

City of Kirkland
**Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets**
Internal Service Funds
December 31, 2005

	Equipment Rental	Information Technology	2005
Operating Revenues			
Charges for Services	2,687,832	2,563,807	5,251,639
Miscellaneous Revenues	6,760	10,982	17,742
Total Operating Revenues	2,694,592	2,574,789	5,269,381
Operating Expenses			
Administrative & General	467,690	380,026	847,716
Supplies	30,879	255,340	286,219
Maintenance & Operations	966,668	1,957,989	2,924,657
Depreciation	722,247	0	722,247
Total Operating Expenses	2,187,484	2,593,355	4,780,839
Operating Income (Loss)	507,108	(18,566)	488,542
Nonoperating Revenues (Expenses)			
Gain (loss) on Disposal of Capital Assets	38,339	0	38,339
Other Nonoperating Revenue	13,465	0	13,465
Total Nonoperating Revenues (Expenses)	51,804	0	51,804
Income (Loss) before Contributions and Transfers	558,912	(18,566)	540,346
Transfers In	748,973	49,875	798,848
Transfers Out	0	(94,964)	(94,964)
Change in Net Assets	1,307,885	(63,655)	1,244,230
Total Net Assets - Beginning	9,803,915	2,197,763	12,001,678
Total Net Assets - Ending	11,111,800	2,134,108	13,245,908

City of Kirkland
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended December 31, 2005

	Equipment Rental	Information Technology	2005
Cash Flows From Operating Activities			
Cash Received From Interfund Charges	2,562,552	2,555,315	5,117,867
Cash From Other Sources	132,697	10,982	143,680
Cash Paid to Suppliers for Goods and Services	(869,131)	(1,038,937)	(1,908,068)
Cash Paid to Employees for Services	(405,486)	(1,472,599)	(1,878,085)
Cash Paid for Central Business Functions	(166,890)	0	(166,890)
Net Cash Provided by Operating Activities	1,253,742	54,762	1,308,504
Cash Flows From Noncapital Financing Activities			
Transfers In	761,253	49,875	811,128
Transfers Out	0	(94,964)	(94,964)
Net Cash Provided by (Used for) Noncapital Financing Activities	761,253	(45,089)	716,164
Cash Flows From Capital and Related Financing Activities			
Proceeds From Sale of Assets and Insurance Recoveries	68,298	0	68,298
Acquisition and Construction of Capital Assets	(921,717)	(48,058)	(969,775)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(853,419)	(48,058)	(901,477)
Cash Flows From Investing Activities			
Net (Increase) Decrease in Investments	(2,224,676)	(509,701)	(2,734,377)
Net Cash Provided by Investing Activities	(2,224,676)	(509,701)	(2,734,377)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,063,100)	(548,086)	(1,611,187)
Cash and Cash Equivalents, January 1	2,540,323	1,043,045	3,583,368
Cash and Cash Equivalents, December 31	1,477,223	494,959	1,972,181
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	507,108	(18,566)	488,542
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	722,247	0	722,247
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(13,098)	0	(13,098)
(Increase) Decrease in Inventories	(10,715)	0	(10,715)
(Increase) Decrease in Due From Other Sources	0	(7,523)	(7,523)
Increase (Decrease) in Accrual Transfer In	12,280	0	12,280
Increase (Decrease) in Accounts Payable	21,645	16,117	37,762
Increase (Decrease) in Due to Other Governments	6,210	57,257	63,467
Increase (Decrease) in Wages Payable	7,477	2,855	10,332
Increase (Decrease) in Employee Benefits Payable	588	4,622	5,210
Net Cash Provided by Operating Activities	1,253,742	54,762	1,308,504

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, 2005

	Intergovernmental Clearing	Customer Deposits	2005
Assets			
Cash and Cash Equivalents	5,429	0	5,429
Deposits	0	675,166	675,166
Total Assets	5,429	675,166	680,595
Liabilities			
Current Liabilities			
Due to Other Governments	5,429	0	5,429
Deposits	0	675,166	675,166
Total Net Assets	5,429	675,166	680,595

City of Kirkland
Statement of Changes in Assets and Liabilities
All Agency Funds
For the fiscal year ended December 31, 2005

	01/01/05 Balance	Additions	Deletions	12/31/05 Balance
Intergovernmental Custodial				
Assets				
Cash and Cash Equivalents	7,226	3,621,405	3,623,202	5,429
Total Assets	<u>7,226</u>	<u>3,621,405</u>	<u>3,623,202</u>	<u>5,429</u>
Liabilities				
Due to Other Governments	7,226	3,697,476	3,699,273	5,429
Total Liabilities	<u>7,226</u>	<u>3,697,476</u>	<u>3,699,273</u>	<u>5,429</u>
Customer Deposits				
Assets				
Deposits	613,287	499,774	437,895	675,166
Total Assets	<u>613,287</u>	<u>499,774</u>	<u>437,895</u>	<u>675,166</u>
Liabilities				
Deposits	613,287	1,353,147	1,291,268	675,166
Total Liabilities	<u>613,287</u>	<u>1,353,147</u>	<u>1,291,268</u>	<u>675,166</u>
Totals - All Agency Funds				
Assets				
Cash and Cash Equivalents	7,226	3,621,405	3,623,202	5,429
Deposits	613,287	499,774	437,895	675,166
Total Assets	<u>620,513</u>	<u>4,121,179</u>	<u>4,061,097</u>	<u>680,595</u>
Liabilities				
Due to Other Governments	7,226	3,697,476	3,699,273	5,429
Deposits	613,287	1,353,147	1,291,268	675,166
Total Liabilities	<u>620,513</u>	<u>5,050,623</u>	<u>4,990,541</u>	<u>680,595</u>



City of Kirkland
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
December 31, 2005
Unaudited

2005

Governmental Funds Capital Assets:

Land	\$ 73,896,291
Buildings	28,936,900
Improvements other than Buildings	10,274,777
Machinery and Equipment	1,154,328
Artwork	1,592,234
Infrastructure	121,783,619
Construction in Progress	23,709,180
Total Governmental Funds Capital Assets	<u>\$ 261,347,329</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 206,345,873
Special Revenue Funds	1,098,126
Impact Fees	1,535,261
Federal Grants	88,902
General Obligation Bonds	43,278,002
Private Gifts	9,001,165
Total Governmental Funds Capital Assets	<u>\$ 261,347,329</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, 2005
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 13,589,390	\$ 742,645	\$ 442,350	\$ -	\$ -	\$ 15,459,183	\$ 35,533,983
Judicial	-	-	-	-	-	-	-	\$ -
Security								
Police	-	-	23,404	279,493	-	-	190,178	\$ 493,075
Fire	134,000	3,603,614	609,123	114,253	-	-	78,045	\$ 4,539,035
Total Security	<u>134,000</u>	<u>3,603,614</u>	<u>632,527</u>	<u>393,746</u>	<u>-</u>	<u>-</u>	<u>268,223</u>	<u>5,032,110</u>
Transportation	31,608,616	\$ 5,845,821	\$ -	\$ 14,481	\$ -	\$ 121,783,619	\$ 3,166,528	\$ 162,419,065
Physical Environment	66,758	-	1,053,377	107,556	-	-	-	\$ 1,227,691
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	-	-	-	-	-	-	100,395	\$ 100,395
Culture and Recreation	36,786,502	5,898,075	7,846,228	196,195	1,592,234	-	4,714,851	\$ 57,034,085
Total Governmental Funds Capital Assets	<u>\$ 73,896,291</u>	<u>\$ 28,936,900</u>	<u>\$ 10,274,777</u>	<u>\$ 1,154,328</u>	<u>\$ 1,592,234</u>	<u>\$ 121,783,619</u>	<u>\$ 23,709,180</u>	<u>\$ 261,347,329</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
For the Year Ended December 31, 2005
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	Jan 1, 2005	Additions	Deductions	Dec 31, 2005
General Govt	\$ 25,977,324	\$ 9,890,912	\$ 349,961	\$ 35,518,275
Judicial	47,460	-	31,752	15,708
Security				
Police	504,406	-	11,331	493,075
Fire	4,539,035	258,317	258,317	4,539,035
Total Security	<u>5,043,441</u>	<u>258,317</u>	<u>269,648</u>	<u>5,032,110</u>
Transportation	162,432,254	8,200,830	8,214,019	162,419,065
Physical Environment	1,227,634	3,300	3,243	1,227,691
Economic Environment	-	-	-	-
Human Services	100,395	-	-	100,395
Culture and Recreation	56,544,460	2,128,073	1,638,448	57,034,085
Total Governmental Funds Capital Assets	<u>\$ 251,372,968</u>	<u>\$ 20,481,432</u>	<u>\$ 10,507,071</u>	<u>\$ 261,347,329</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 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.

Contents:	Page:
Financial Trends	108
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	113
These schedules contain information to help the reader assess the city's most significant local revenue sources, sales and property tax.	
Debt Capacity	119
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.	
Demographic and Economic Information	124
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	127
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.	

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

Schedule 1

City of Kirkland

Net Assets by Component

Last Three Fiscal Years* - Unaudited

	Fiscal Year		
	2003	2004	2005
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 141,921,038	\$ 144,192,014	\$ 144,889,758
Restricted	39,956,320	32,708,901	31,529,052
Unrestricted	11,725,447	25,921,417	35,872,865
Total Governmental Activities Net Assets	<u>\$ 193,602,805</u>	<u>\$ 202,822,332</u>	<u>\$ 212,291,675</u>
Business-type Activities			
Invested In Capital Assets, Net of Related Debt	\$ 72,934,376	\$ 83,386,001	\$ 92,417,203
Restricted	297,987	211,353	203,786
Unrestricted	17,041,390	18,749,964	18,643,884
Total Business-type Net Assets	<u>\$ 90,273,753</u>	<u>\$ 102,347,318</u>	<u>\$ 111,264,873</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 214,855,414	\$ 227,578,015	\$ 237,306,961
Restricted	40,254,307	32,920,254	31,732,838
Unrestricted	28,766,837	44,671,381	54,516,749
Total Primary Government Net Assets	<u>\$ 283,876,558</u>	<u>\$ 305,169,650</u>	<u>\$ 323,556,548</u>

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 2

City of Kirkland

Changes in Net Assets

Last Three Fiscal Years* - Unaudited

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	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental Activities			
General Government	\$ 2,856,768	\$ 3,072,412	\$ 4,029,646
Judicial	1,132,956	1,237,842	1,232,126
Public Safety	21,283,552	21,663,542	24,501,016
Physical Environment	2,051,401	2,335,038	2,160,540
Transportation	8,376,404	6,718,867	9,859,368
Human Services	1,138,226	1,115,196	1,013,306
Economic Environment	4,655,743	4,383,632	5,063,940
Culture and Recreation	5,647,716	5,617,903	5,878,788
Interest on Long Term Debt	1,467,601	1,335,805	1,248,028
Total Governmental Activities Expenses	\$ 48,610,367	\$ 47,480,237	\$ 54,986,758
Business Type Activities			
Water/Sewer	\$ 13,783,135	\$ 12,444,661	\$ 13,415,317
Surface Water	2,270,481	2,468,998	2,694,872
Solid Waste	7,542,788	7,006,972	7,055,826
Total Business Type Activities Expenses	\$ 23,596,404	\$ 21,920,631	\$ 23,166,015
Total Primary Government Expenses	\$ 72,206,771	\$ 69,400,868	\$ 78,152,773
Program Revenues			
Governmental Activities			
Charges for Services			
General Government	\$ 1,892,009	\$ 1,871,874	\$ 2,176,589
Judicial	2,491,794	1,489,330	1,198,671
Public Safety	3,372,591	3,758,854	4,700,508
Physical Environment	334,062	489,291	614,942
Transportation	70,526	207,436	1,096,127
Economic Environment	3,542,188	4,538,432	4,648,507
Culture and Recreation	843,363	861,459	1,095,629
Operating Grants and Contributions	1,962,167	1,579,462	2,081,827
Capital Grants and Contributions	901,588	892,384	1,233,637
Total Governmental Activities Program Revenues	\$ 15,410,288	\$ 15,688,522	\$ 18,846,437

	Fiscal Year		
	2003	2004	2005
Business Type Activities			
Charges for Service			
Water/Sewer	\$ 15,147,095	\$ 13,564,146	\$ 13,628,018
Surface Water	2,563,696	2,806,057	4,065,829
Solid Waste	7,622,436	7,118,725	7,199,748
Operating Grants and Contributions	406,482	64,698	-
Capital Grants and Contributions	7,052,440	10,251,810	7,139,864
Total Business Type Activities Program Revenues	<u>\$ 32,792,149</u>	<u>\$ 33,805,436</u>	<u>\$ 32,033,459</u>
Total Primary Government Program Revenues	<u>\$ 48,202,437</u>	<u>\$ 49,493,958</u>	<u>\$ 50,879,896</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (33,200,079)	\$ (31,791,715)	\$ (36,140,321)
Business Type Activities	9,195,745	11,884,805	8,867,444
Total Primary Government Net Expense	<u>\$ (24,004,334)</u>	<u>\$ (19,906,910)</u>	<u>\$ (27,272,877)</u>
General Revenue and Other Changes in Net Assets			
Governmental Activities			
Taxes			
Property Taxes	\$ 11,379,010	\$ 11,772,666	\$ 11,593,056
Sales Taxes	13,614,210	14,245,140	16,008,359
Excise Taxes **	-	-	6,261,813
Regulatory License Fee	500,194	899,709	929,499
Utility Taxes	7,200,791	7,390,288	6,978,378
Other Taxes	3,618,383	5,262,954	1,429,341
Unrestricted Grants and Contributions	46,856	520,573	324,842
Investment Earnings	1,083,545	954,779	1,417,570
Gain (Loss) of Sale of Capital Assets	36,611	(172,867)	272,899
Transfers, Internal Activities	40,598	138,000	393,907
Total Governmental Activities	<u>\$ 37,520,198</u>	<u>\$ 41,011,242</u>	<u>\$ 45,609,664</u>
Business Type Activities			
Investment Earnings	\$ 316,405	\$ 326,761	\$ 444,017
Transfers, Internal Activities	(40,598)	(138,000)	(393,907)
Total Business Type Activities	<u>\$ 275,807</u>	<u>\$ 188,761</u>	<u>\$ 50,110</u>
Total Primary Government	<u>\$ 37,796,005</u>	<u>\$ 41,200,003</u>	<u>\$ 45,659,774</u>
Change in Net Assets			
Governmental Activities	\$ 4,320,117	\$ 9,219,527	\$ 9,469,343
Business Type Activities	9,471,554	12,073,566	8,917,554
Total Primary Government	<u>\$ 13,791,671</u>	<u>\$ 21,293,093</u>	<u>\$ 18,386,897</u>

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

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 3

City of Kirkland

Fund Balances, Governmental Funds

Last Three Fiscal Years* - Unaudited

	Fiscal Year		
	2003	2004	2005
General Fund			
Reserved	\$ 23,175	\$ 23,175	\$ 23,175
Unreserved	4,132,740	5,603,516	5,505,380
Total General Fund	<u>\$ 4,155,915</u>	<u>\$ 5,626,691</u>	<u>\$ 5,528,555</u>
All Other Governmental Funds			
Reserved	\$ 595,670	\$ 568,667	\$ 15,850,351
Unreserved, reported in:			
Special Revenue Funds	28,828,816	29,056,531	18,198,126
Capital Projects Funds	24,010,369	18,743,786	15,771,542
Total all Other Governmental Funds	<u>\$ 53,434,855</u>	<u>\$ 48,368,984</u>	<u>\$ 49,820,019</u>

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 4

City of Kirkland

Changes in Fund Balance, Governmental Funds

Last Three Fiscal Years* - Unaudited

	Fiscal Year		
	2003	2004	2005
Revenues			
Taxes and Assessments	\$ 36,148,462	\$ 39,285,690	\$ 43,013,052
Licenses and Permits	2,622,783	3,076,018	3,979,870
Intergovernmental	5,894,441	5,730,204	6,871,563
Charges for Services	8,386,242	9,450,454	10,094,396
Fines and Forfeitures	1,173,958	1,233,761	1,117,030
Investment Interest	1,387,251	1,258,689	1,829,674
Miscellaneous Revenues	640,413	447,210	797,317
Total Revenues	\$ 56,253,550	\$ 60,482,026	\$ 67,702,902
Expenditures			
Current			
General Government	\$ 7,972,444	\$ 7,909,306	\$ 8,758,846
Security of Persons and Property	20,511,004	23,445,532	26,257,339
Physical Environment	3,132,268	3,182,524	3,409,688
Transportation	4,056,329	3,298,181	4,628,907
Economic Environment	5,231,261	3,991,399	4,360,324
Culture and Recreation	5,020,420	5,053,334	5,479,543
Debt Service			
Principal	1,970,000	1,835,000	2,012,000
Interest	1,374,996	1,207,062	1,132,012
Capital Outlay	4,836,500	13,256,914	10,239,560
Total Expenditures	\$ 54,105,222	\$ 63,179,252	\$ 66,278,218
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,148,328	\$ (2,697,226)	\$ 1,424,684
Other Financing Sources (Uses)			
Sale of Fixed Assets	\$ 90,670	\$ 87,600	\$ 234,560
Proceeds from Long Term Debt	8,560,351	-	-
Operating Transfers In	9,963,670	9,494,297	9,347,701
Operating Transfers Out	(9,923,072)	(10,479,766)	(9,654,045)
Total Other Financing Sources (Uses)	8,691,619	(897,869)	(71,784)
Net Change in Fund Balance	10,839,947	(3,595,095)	1,352,900
Debt Service as a percentage of noncapital expenditures	6.79%	6.09%	5.61%

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 5

City of Kirkland

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
1996	3,395,759,867	238,791,783	3,634,551,650	2.42
1997	3,865,098,825	298,244,390	4,163,343,215	2.26
1998	4,490,682,018	330,285,204	4,820,967,222	2.16
1999	4,916,387,558	296,624,693	5,213,012,251	1.95
2000	5,628,415,398	368,150,440	5,996,565,838	1.84
2001	6,311,766,096	414,773,536	6,726,539,632	1.64
2002	6,788,777,356	344,404,165	7,133,181,521	1.44
2003	7,151,120,913	295,356,068	7,446,476,981	1.59
2004	7,605,630,655	290,763,254	7,896,393,909	1.55
2005	8,489,201,834	313,726,919	8,802,928,753	1.49

Schedule 6

City of Kirkland

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years - Unaudited

	City Direct Rates			Overlapping Rates								Total
	Regular Levy	General Obligation Debt Service	Total Direct Rate	School District	County	State	Emergency Medical Services	Hospital	King County Library	Port of Seattle		
1996	1.98	0.44	2.42	3.98	2.21	3.50	0.25	0.45	0.50	0.29	13.60	
1997	1.87	0.40	2.26	3.95	2.13	3.52	0.25	0.44	0.50	0.28	13.33	
1998	1.83	0.34	2.16	3.52	1.85	3.51	0.00	0.43	0.50	0.27	12.24	
1999	1.66	0.29	1.95	4.06	1.77	3.36	0.29	0.41	0.50	0.24	12.58	
2000	1.59	0.25	1.84	4.02	1.69	3.30	0.27	0.41	0.50	0.22	12.25	
2001	1.43	0.22	1.64	3.53	1.55	3.15	0.25	0.39	0.48	0.19	11.18	
2002	1.31	0.13	1.44	3.17	1.45	2.99	0.25	0.36	0.46	0.19	10.31	
2003	1.37	0.22	1.59	3.06	1.35	2.90	0.25	0.34	0.50	0.26	10.25	
2004	1.35	0.20	1.55	2.96	1.43	2.76	0.25	0.34	0.49	0.25	10.03	
2005	1.31	0.18	1.49	2.83	1.38	2.69	0.23	0.59	0.49	0.25	9.95	

Tax rates are for a representative tax code area (1700) within the City and are stated at \$1,000 of assessed value

Initiative 747 passed in November 2001 limiting the annual optional increase in property tax levies to the lesser of one percent or the implicit price deflator.

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 7

City of Kirkland

Principal Property Tax Payers

Current Year and Ten Years Ago - Unaudited

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Taxpayer	2005			1995*		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value	Value		
Carillon Properties	\$109,092,930	1	1.24%	\$84,300,000	1	2.38%
Property Tax Advisors, LLC	68,813,800	2	0.78%			
Park at Forbes Creek LLC	48,894,000	3	0.56%	25,800,000	2	0.73%
Plaza at Yarrow Bay, Inc.	43,911,000	4	0.50%	13,300,000	8	0.38%
BRE Properties	39,211,000	5	0.45%			
Villaggio (Yarrow Bay Club Apartments)	34,422,000	6	0.39%	13,400,000	7	0.38%
Puget Sound Energy Elec/Gas	33,649,616	7	0.38%			
Eproperty Tax, Inc. (formerly CB Heronfield Apts, Inc.)	33,222,700	8	0.38%	12,900,000	9	0.36%
Verizon Northwest	32,412,288	9	0.37%			
Essex Property Trust	31,016,000	10	0.35%			
Riggs National Bank of Washington DC (405 Corp Center)				23,700,000	3	0.67%
Sylvan S. Shulman Co. (Parkplace)				21,300,000	4	0.60%
HSC Management, Inc. (Carillon Heights Apartments)				16,700,000	5	0.47%
Paccar, Inc.				15,400,000	6	0.44%
Totem Shopping Center Assoc. (Totem lake Mall)				11,800,000	10	0.33%
Totals	<u>\$474,645,334</u>		<u>5.40%</u>	<u>\$238,600,000</u>		<u>6.74%</u>

*1996 Principal Property Tax Payer information is not available. 1995 information used for comparison.

Source: King County Assessor's Office

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Six Fiscal Years - Unaudited

	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
2000	9,444,624	9,244,961	97.89%	183,079	9,428,040	99.82%
2001	9,706,445	9,479,204	97.66%	202,727	9,681,931	99.75%
2002	9,672,026	9,419,039	97.38%	215,088	9,634,127	99.61%
2003	11,289,849	10,955,151	97.04%	250,930	11,206,081	99.26%
2004	11,528,775	11,264,874	97.71%	181,214	11,446,088	99.28%
2005	11,628,478	11,393,400	97.98%	-	11,393,400	97.98%

Schedule 9

City of Kirkland

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

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	<u>1996</u>	<u>1997*</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Services	1,152,692	1,179,121	1,198,905	1,313,285	1,424,590	1,418,678	1,342,157	1,277,213	1,347,480	1,518,349
Contracting	885,488	1,130,274	1,392,912	1,470,683	1,788,687	1,739,136	1,463,962	1,497,052	1,777,419	2,315,568
Manufacturing	215,496	-	-	-	-	-	-	-	-	-
Communications	-	477,946	551,033	654,747	706,919	644,333	551,003	936,836	576,840	689,090
Automotive/Gas Retail	1,497,751	1,746,999	2,092,993	2,286,476	2,417,073	2,325,651	2,283,057	2,532,728	2,721,983	2,797,473
Other Retail & Wholesale	4,950,776	5,123,798	5,176,731	5,371,209	5,756,164	5,060,727	5,036,291	5,780,886	5,559,874	6,321,059
Miscellaneous	722,201	559,116	607,119	654,198	652,062	648,901	544,290	647,736	720,378	668,259
Total	<u>9,424,404</u>	<u>10,217,254</u>	<u>11,019,693</u>	<u>11,750,598</u>	<u>12,745,495</u>	<u>11,837,426</u>	<u>11,220,760</u>	<u>12,672,451</u>	<u>12,703,974</u>	<u>14,309,798</u>
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%

*Reorganized reporting categories

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 10

City of Kirkland

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

118

Fiscal Year	State of Washington	King County		Regional Transit Authority	City of Kirkland *	Total General Sales Tax	State of Washington	Total Automobile Sales/Leases	King County	Total Restaurant Food and Beverage
	General Sales	Metro	Criminal Justice Levy				Automobile Sales/Leases		Food and Beverage	
1996	6.50%	0.60%	0.10%	-	1.00%	8.20%	-	8.20%	0.50%	8.70%
1997	6.50%	0.60%	0.10%	-	1.00%	8.20%	-	8.20%	0.50%	8.70%
1998	6.50%	0.60%	0.10%	0.40%	1.00%	8.60%	-	8.60%	0.50%	9.10%
1999	6.50%	0.60%	0.10%	0.40%	1.00%	8.60%	-	8.60%	0.50%	9.10%
2000	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2001	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2002	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2003	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2004	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2005	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%

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

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 11

City of Kirkland

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

Fiscal Year	Governmental Activities				Business-Type Activities		Total Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Tourdock Interlocal Agreement	Capital Leases	Revenue Bonds	Public Works Trust Fund Loans			
1996	23,150,000	62,000	130,068	-	9,340,000	6,331,523	39,013,591	3.66%	904
1997	21,720,000	180,592	130,068	-	9,040,000	5,915,228	36,985,888	4.14%	846
1998	20,340,000	156,000	130,068	-	8,700,000	5,498,933	34,825,001	4.99%	788
1999	19,905,000	99,000	130,068	-	8,325,000	5,491,189	33,950,257	5.75%	757
2000	18,425,000	60,000	130,068	-	7,930,000	5,219,983	31,765,051	6.31%	704
2001	21,930,000	50,000	130,068	29,670	7,510,000	4,769,176	34,418,914	5.81%	752
2002	20,380,000	40,000	130,068	16,150	7,060,000	4,318,367	31,944,585	6.33%	698
2003	26,820,000	30,000	130,068	1,424	6,580,000	5,680,030	39,241,522	5.23%	860
2004	25,000,000	15,000	130,068	-	6,215,000	5,437,794	36,797,862	5.60%	803
2005	23,150,000	10,000	-	-	5,635,000	5,423,610	34,218,610	6.00%	748

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

Schedule 12

City of Kirkland

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
1996	23,150,000	0.64%	536.38
1997	21,720,000	0.52%	496.80
1998	20,340,000	0.42%	459.97
1999	19,905,000	0.38%	443.71
2000	18,425,000	0.31%	408.63
2001	21,930,000	0.33%	479.13
2002	20,380,000	0.29%	445.08
2003	26,820,000	0.36%	587.77
2004	25,000,000	0.32%	545.85
2005	23,150,000	0.26%	506.12

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2005 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	912,990,848	3.25%	29,672,203
Lake Washington School District	172,845,000	30.38%	52,510,311
Port of Seattle	380,225,000	3.25%	12,357,313
Bellevue School District	256,890,000	0.08%	205,512
Hospital District #2	187,425,000	20.55%	38,515,838
Library	86,295,000	0.02%	<u>17,259</u>
Total Overlapping Debt			133,278,435
Direct Debt			
City of Kirkland**	23,150,000	100.00%	<u>23,150,000</u>
Total Direct and Overlapping Debt			<u><u>156,428,435</u></u>

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

Source: King County Assessment and Finance Offices

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	545,182,748	624,501,482	723,145,083	781,951,838	899,484,876	1,008,980,945	1,069,977,228	1,116,971,547	1,184,459,086	1,320,439,313
Total net debt applicable to limit	<u>22,658,783</u>	<u>21,246,411</u>	<u>19,900,534</u>	<u>19,463,045</u>	<u>17,983,159</u>	<u>21,437,081</u>	<u>19,849,153</u>	<u>26,236,750</u>	<u>24,436,756</u>	<u>22,615,509</u>
Legal Debt Margin	<u><u>522,523,965</u></u>	<u><u>603,255,071</u></u>	<u><u>703,244,549</u></u>	<u><u>762,488,793</u></u>	<u><u>881,501,717</u></u>	<u><u>987,543,864</u></u>	<u><u>1,050,128,075</u></u>	<u><u>1,090,734,797</u></u>	<u><u>1,160,022,330</u></u>	<u><u>1,297,823,804</u></u>
Total net debt applicable to the limit as a percentage of debt limit	4.34%	3.52%	2.83%	2.55%	2.04%	2.17%	1.89%	2.41%	2.11%	1.74%

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 15

City of Kirkland

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

123

	Water 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	
1996	9,718,182	6,919,267	2,798,915	285,000	457,667	3.77	-	-	-	-
1997	10,164,467	7,409,541	2,754,926	300,000	564,717	3.19	-	-	-	-
1998	10,783,126	8,004,297	2,778,829	340,000	552,682	3.11	61,193	24,592	9,200	1.81
1999	11,721,980	8,654,290	3,067,690	375,000	464,335	3.65	54,852	57,000	7,982	0.84
2000	12,575,674	9,406,929	3,168,745	395,000	442,480	3.78	37,681	39,000	5,102	0.85
2001	13,031,759	9,570,486	3,461,273	770,000	415,409	2.92	13,446	10,000	3,030	1.03
2002	14,639,664	10,559,037	4,080,627	770,000	390,865	3.52	15,800	10,000	2,540	1.26
2003	15,375,176	11,814,586	3,560,590	770,000	365,925	3.13	19,963	10,000	2,045	1.66
2004	13,847,471	10,504,460	3,343,011	580,000	192,024	4.33	11,134	15,000	1,545	0.67
2005	13,648,336	11,397,440	2,250,896	595,000	244,756	2.68	5,064	5,000	780	0.88

Source: City of Kirkland Finance and Administration Treasury; Public Works Accounting

Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
1996	43,160	1,429,330	33,117	4.9
1997	43,720	1,532,605	35,055	3.3
1998	44,220	1,738,377	39,312	3.1
1999	44,860	1,952,666	43,528	3.2
2000	45,090	2,005,829	44,485	3.6
2001	45,770	2,001,339	43,726	5.1
2002	45,790	2,023,323	44,187	6.2
2003	45,630	2,051,662	44,963	6.2
2004	45,800	2,059,305	44,963	5.1
2005	45,740	2,054,183	44,910	4.7

Sources: City of Kirkland Finance and Administration Financial Planning
Used King County personal Income and population to project City of
Kirkland personal income.

Schedule 17

City of Kirkland

Property Values and Construction

Last Ten Fiscal Years - Unaudited

Fiscal Year	Commercial Construction		Residential Construction		Multi-Family Construction *		Total Assessed Property Valuation
	Number of Units	Valuation	Number of Units	Valuation	Number of Units	Valuation	
1996	3	3,228,550	534	78,598,591	-	-	3,634,551,650
1997	19	24,533,988	630	95,917,528	-	-	4,163,343,215
1998	7	3,737,731	429	69,423,245	-	-	4,820,967,222
1999	18	23,760,782	416	74,980,467	-	-	5,213,012,251
2000	8	11,098,790	246	52,369,011	-	-	5,996,565,838
2001	12	10,823,390	150	44,718,844	262	25,917,299	6,726,539,632
2002	6	6,091,081	137	44,598,760	155	14,095,460	7,133,181,521
2003	3	6,725,700	165	53,479,192	27	4,239,774	7,446,476,981
2004	11	46,413,334	192	59,285,927	263	26,658,812	7,896,393,909
2005	10	36,336,205	229	77,808,567	277	31,070,574	8,802,928,753

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

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

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Ago - Unaudited

126

Employer	2005			1996		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Evergreen Hospital	2,700	1	9.31%	1305	1	5.67%
Lake Washington School District	617	2	2.13%	1166	2	5.07%
City of Kirkland	581	3	2.00%	328	5	1.43%
Kenworth Truck Co.	446	4	1.54%	300	7	1.30%
Costco Wholesale	408	5	1.41%	304	6	1.32%
Univar	291	6	1.00%			-
Lake Washington Technical College	200	7	0.69%	280	8	1.22%
Fred Meyer	191	8	0.66%			-
Wireless Data Services N America	190	9	0.66%			-
Digeo, Inc.	185	10	0.64%			-
Evergreen Pharmaceutical				269	10	1.17%
AT&T Wireless Services	-	-	-	635	3	2.76%
Larry's Market	-	-	-	350	4	1.52%
Van Water and Rogers, Inc.	-	-	-	276	9	1.20%
Total	5,809		20.03%	5,213		22.67%

Source: City of Kirkland Finance and Administration Treasury

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

Function/Program	Full-time Equivalent Employees as of December 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
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	4.50	5.06	5.50	6.00	6.00	6.50	6.50	6.50	6.89	6.89
City Attorney	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.00	4.00
Human Resources	-	-	-	-	-	-	-	-	5.56	6.68
Parks and Community Services	28.40	28.40	29.15	30.15	31.40	30.15	32.15	32.15	31.15	32.28
Public Works Engineering	19.25	20.25	21.33	22.32	23.39	24.39	24.39	26.39	26.39	25.65
Finance and Administration	36.80	37.80	41.47	42.67	44.73	46.41	47.47	48.47	41.41	41.29
Planning and Community Development	16.50	16.50	17.50	20.00	20.50	21.50	21.62	21.62	21.62	21.62
Police	81.50	82.50	85.50	89.50	90.50	92.50	96.50	96.00	96.50	99.50
Fire & Building	80.66	83.16	83.16	85.61	86.61	90.61	93.53	96.53	96.53	96.53
Other General Gov't Operating Funds										
Lodging Tax Fund	-	-	-	-	-	-	-	-	0.11	0.11
Street Operating	17.25	17.25	14.60	15.23	14.97	14.97	14.97	14.67	15.45	15.40
Parks Maintenance	-	-	-	-	-	-	-	4.50	6.50	7.50
Recreation Programs	1.85	1.85	1.85	2.10	2.10	2.10	3.25	3.25	3.25	3.25
Facilities Maintenance	2.00	3.00	3.00	4.00	4.50	6.50	6.50	6.50	5.90	5.90
Equipment Rental	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50
Information Technology	3.00	4.00	5.00	5.00	6.00	7.00	7.50	14.00	14.00	15.00
Utility Funds										
Water/Sewer Operation	19.12	19.60	18.08	18.45	18.45	18.45	18.95	19.15	20.10	20.31
Surface Water Management	-	-	8.13	8.25	9.44	12.44	12.32	12.42	13.16	13.69
Solid Waste	-	-	-	-	-	-	-	-	-	1.05
Total	326.33	334.87	349.77	364.78	374.09	389.02	401.15	418.15	420.02	429.15

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 20

City of Kirkland

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Public Safety - Police										
Calls for Service	*	*	*	*	50,915	54,706	54,735	57,026	53,238	43,120
Public Safety - Fire										
Calls for Service (aid and fire)	*	*	6,373	6,373	6,568	7,000	7,151	7,175	7,335	7,195
Average EMS Reponse (minutes)	*	*	4:37	4:28	4:24	5:45	5:28	5:09	5:11	5:17
Average Fire Response (minutes)	*	*	5:09	5:07	5:05	6:40	5:56	5:53	5:58	5:53
Culture and Recreation										
Adult Program Registrations	*	*	*	*	1,887	3,367	4,466	4,546	3,868	4,621
Preschool Program Registrations	*	*	*	*	2,250	2,562	2,488	2,654	3,131	3,436
Youth Program Registrations	*	*	*	*	3,619	4,141	4,045	3,924	4,180	4,553
Teen Program Registrations	*	*	*	*	113	54	56	155	210	134
Parent/Child Program Registrations	*	*	*	*	176	182	224	167	180	348
Senior Program Registrations	*	*	*	*	*	2,449	4,114	4,090	3,777	5,010
Physical Environment										
Street Hot Patching (hours)	6,169	8,545	6,768	5,616	6,336	5,377	5,283	4,632	4,924	5,261
Street Signal Maintenance (hours)	2,487	2,436	2,796	2,140	2,932	2,927	2,874	2,356	2,645	2,976
Street Sweeping (hours)	1,475	1,536	1,443	2,285	1,520	2,008	1,703	1,931	1,824	2,016
Number of Sewer Customers	8,151	8,337	8,445	8,567	8,723	8,843	8,971	9,103	9,276	9,420
Number of Water Customers	10,535	10,660	10,862	10,962	11,090	11,197	11,265	11,376	11,452	11,534
Average Daily Water Consumption (million gallons)	*	*	6.00	6.00	6.00	5.80	5.80	5.21	6.20	5.72

* Data not available

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

Schedule 21

City of Kirkland

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	*	*	*	*	5.1	6.2	6.4	6.4	7.1	6.5
Public Safety - Fire										
Stations (full-time staffed)	4	5	5	5	5	5	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks Acreage	*	403	403	403	403	403	450	480	512	525
Parks (developed)	*	30	30	30	30	30	30	32	32	32
Parks (undeveloped)	*	2	2	2	2	2	2	5	5	5
Waterfront Footage	*	12,000	12,000	12,000	12,000	12,000	12,000	13,200	13,200	13,200
Miles of Improved Park Trails	*	4.6	4.6	4.6	4.6	4.6	4.6	4.6	5.0	5.0
Miles of Unimproved Park Trails	*	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.0	4.0
Community Centers	1	1	1	1	1	1	1	1	1	1
Physical Environment										
Water Mains (miles)	*	162	162	162	162	162	162	162	163	167
Sanitary Sewers (miles)	*	95	95	*	*	100	100	100	115	116
Streets (miles)	*	146	146	146	146	146	146	146	148	149
Sidewalks (miles)	*	118	118	118	118	118	118	118	134	134

* Data not available

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

