

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,

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*Photo by Thierry Douet*

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

# Comprehensive Annual Financial Report



**For the Fiscal Year Ended December 31, 2011**

**Tracey Dunlap**  
Director of Finance and Administration

Prepared by

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Cover Design and Layout by



**City of Kirkland, Washington  
Comprehensive Annual Financial Report  
For the Year ended December 31, 2011**

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## Introductory Section

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kirkland  
Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

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.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# CITY OF KIRKLAND

## CITY COUNCIL

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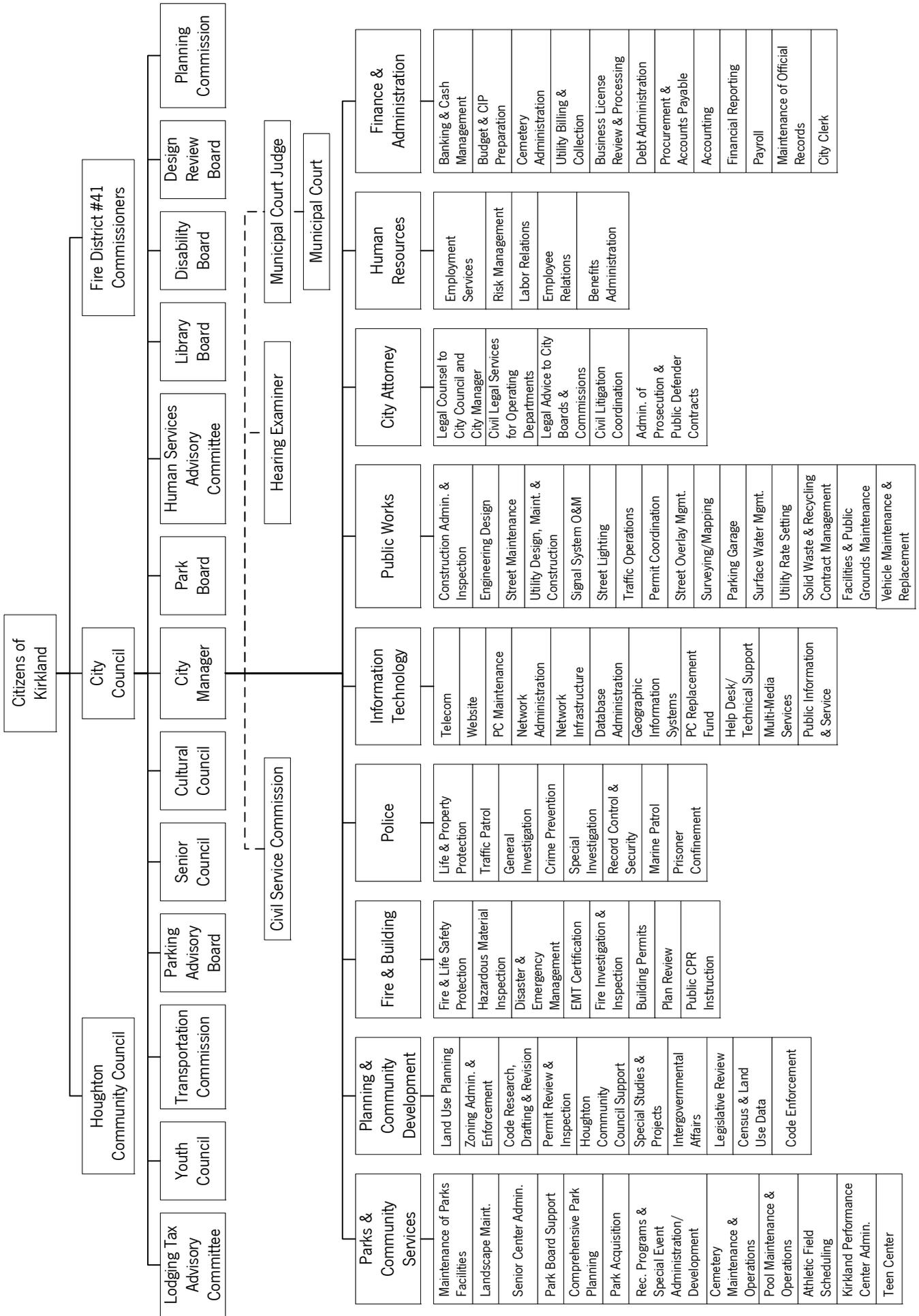
Mayor .....	Joan McBride
Deputy Mayor .....	Doreen Marchione
Council Members .....	David Asher
	Jessica Greenway
	Bob Sternoff
	Penny Sweet
	Amy Whalen

## ADMINISTRATIVE STAFF

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City Manager .....	Kurt Triplett
Assistant City Manager .....	Marilynne Beard
City Attorney .....	Robin Jenkinson
Director of Finance and Administration .....	Tracey Dunlap
Director of Fire and Building .....	Kevin Nalder
Director of Human Resources.....	James Lopez
Chief Information Officer .....	Brenda Cooper
Director of Parks and Community Services .....	Jennifer Schroder
Director of Planning and Community Development .....	Eric Shields
Chief of Police.....	Eric Olsen
Director of Public Works .....	Ray Steiger

# CITY OF KIRKLAND





June 19, 2012

Citizens of Kirkland  
Honorable Mayor  
Members of the City Council

State law requires that every general purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2011.

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

The State Auditor's Office has issued an unqualified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2011. The auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Government**

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

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. On June 1, 2011, the estimated population was 80,505. In 2011, Kirkland was the thirteenth largest city in the State of Washington and the sixth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eighteen square miles. This growth occurred primarily through the consolidation of the cities of Houghton and Kirkland in 1968

and the annexations of Rose Hill and Juanita in 1988. Kirkland grew again through annexation of the Juanita, Finn Hill, and Kingsgate neighborhoods on June 1, 2011, increasing population by over 30,000 residents and 116 lane miles of streets.

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

The City government offers a full range of municipal services which are provided by ten operating departments. In 2011, the City boasted forty four parks, including eleven that are located on the waterfront, as well as a community center, senior center, swimming pool, and teen center. The broad range of recreational facilities provides year-round services for citizens of all ages.

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

### **Local Economy**

Washington State's economy performed close to expectations in 2011 and is expected to continue marginally outperforming the United States in recovery. Washington is not immune to uncertainty in the global economy. The greatest risk to continued growth are the lack of progress in the European debt crisis, continued uncertainty with U.S. fiscal policies, the slowdown of growth in Asia and slow job growth. All of these factors are contributors to the projected prolonged period of slow growth according to the latest update from Washington State Economic and Revenue Forecast Council. Employment rose slightly during the latter half of 2011 with 7,900 net new jobs in Washington, mostly in the private sector. Even with some gains in employment the state remained down more than 130,000 jobs from the start of the recession. The State Legislature struggled to finalize a balanced state budget and the final impact to cities will come in the form of changes in the liquor profits/tax apportionments and cost shifting strategies for programs such as the basic law enforcement academy.

Development activity in Kirkland, while still well below historic highs, is beginning to recover, with major projects occurring in both the existing City and the newly annexed areas.

### **Long Term Financial Planning**

The City continues to have numerous plans, such as the strategic plans developed for Police and Fire and master plans in Parks, which it is unable to fully implement because of the ongoing financial resources and staff time that are both in short supply. The fundamental challenge that

we face is the ongoing ability for revenue growth to keep pace with the cost of doing business. With wage and benefit costs increasing faster than inflation, the revenue base cannot keep pace with costs given tax limitation initiatives enacted in the state in past years and the economic conditions. The structural imbalance in the City's financial picture remains and will continue to be a primary topic for evaluation and decision-making looking forward.

Overall, the local economy has continued to stabilize in 2011, but the City is continuing to take action to control costs. The City moved to self-insured medical benefits beginning in 2011, which resulted in a lower cost increase than would have been experienced under the prior plan. In addition, collective bargaining agreements with four of the City's unions are currently under negotiation. The City is working to develop partnership initiatives with employees to achieve sustainability of wages and benefits to further its goal of financial stability.

On June 1, 2011, the City completed the annexation of the Finn Hill, North Juanita, and Kingsgate areas, which extends the City to its Urban Growth Boundary. The annexation increased the population of the City to over 80,000, the geographic area to 18 square miles, and City staff by as many as 100 employees. Implementation of the annexation has dominated the long-term financial planning. Approximately 75% of the planned hiring to serve the newly annexed areas has occurred, with the remainder of the positions under review in light of revenue uncertainties from the area and recent legislative actions and actual demands for service. Overall, the annexation went smoothly and the City anticipates that continued impacts of the annexation will be a focus in the upcoming budget process.

Sales tax performance improved slightly in 2011, although revenues are still well below peak levels in 2007. Revenues from the newly annexed areas did not begin until mid-year and many revenues did not materialize until the fourth quarter. An important part of the annexation financial plan is the ten-year State annexation sales tax credit, which is expected to generate at least \$3.4 million per year for the City for the first ten years following the annexation effective date. The City, in association with other agencies that had undertaken large annexations, successfully preserved the sales tax credit during the recent session of the Washington State Legislature.

Developing ongoing business activity is critical to ensure the City's financial health. Opportunities for growth in ongoing revenue exist from the potential redevelopment of Totem Lake Mall and Park Place, as well as redevelopment in downtown. Google continues to grow into its corporate presence and the City is continuing to pursue economic development opportunities, focusing on adding to its high technology employment base. The City's focus on economic development is discussed further under "Major Initiatives" below.

### **Relevant Financial Policies**

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

investment, accounting, financial reporting and auditing, reserve and fund balance, debt management, and capital improvements.

One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. To address this variability, the City budgets sales tax revenues on a one-year lag, monitoring trends on a monthly basis, particularly in the sectors influenced by development activity. As part of the budget process, significant one-time receipts can be set aside as a funding source for non-recurring expenditures. During economic downturns, specific reserve elements are available to help bridge revenue declines, as has been the case in the past few years. As economic conditions improve, the replenishment of reserves is a high priority and initial contributions to replenish reserves are programmed into the 2011-2012 budget. In October 2011, the City Council adopted a reserve replenishment policy by resolution to guide this process. The City maintained its AAA credit rating as a result of its financial policies and practices, resulting in advantageous interest rates on bonds issued for some of the major initiatives below.

### **Major Initiatives**

The City is pursuing a number of major initiatives, including:

- Economic Development: As discussed under *Long Term Financial Planning*, the City believes that economic development is critical to the City's financial health. The 2012 City Work Program contains a number of efforts to further this initiative, including:
  - Implementing the Totem Lake Action Plan regulatory changes, Phase II flooding projects and NE 120th Street construction to revitalize the Totem Lake Business District;
  - Completing a Development Agreement and facilitating the permit process for Park Place redevelopment;
  - Evaluating Kirkland's tax and regulatory environment to identify and remove barriers and spur jobs and economic recovery; and
  - Initiating a programmatic review of Kirkland's planning, building and development services to ensure the appropriate structure to facilitate predictable, effective planning and permitting for economic growth while protecting Kirkland's environment and quality of life.
  
- Cross Kirkland Corridor: The City Council approved acquisition of the former Burlington Northern Santa Fe Eastside Rail Corridor within Kirkland. This 5.75 mile Corridor runs from the southern City boundary, through Downtown, and into the Totem Lake Business District. This acquisition, which closed in April 2012, provides the City with an asset that can provide both trail and transportation options, linking key business centers, schools, and parks. The City is initiating a Master Plan and community visioning for the Cross Kirkland Corridor, to further the goals of economic development, neighborhoods, parks and balanced transportation. In the recent State legislative session, the City was awarded a \$2 million grant to begin work on the initial phases of development.
  
- City Facilities: The City is continuing with the design and permitting of the new Public Safety Building, which will combine Police, Jail, and Municipal Court services and provide expanded

capacity. The project is expected to be complete in early 2014. At the same time, renovations are occurring at the City's Public Works Maintenance Center to help address annexation related needs. Upon completion of these projects, renovations will take place at City Hall to consolidate staff currently housed in off-site locations.

- Infrastructure Funding: In light of the investment needed to preserve and improve the City's infrastructure, the City is evaluating a street maintenance initiative and parks capital project and maintenance measures. Ballot measures for both efforts are under consideration for the November 2012 election.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence** in Financial Reporting to the City of Kirkland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2010. This was the seventh consecutive year that the government has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has received the **Association of Public Treasurers of the United States and Canada Certification of Excellence** for its Debt Policy and the **Certification of Excellence from the Washington Municipal Treasurer's Association** for its Investment Policy signifying that the policies meet the standards established by those organizations.

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

Respectfully submitted,



Kurt Triplett  
City Manager



Tracey Dunlap  
Director of Finance and Administration

## Financial Section



**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 19, 2012

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16, during the year ended December 31, 2011, the City has implemented the Governmental Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 19, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 29, pension trust fund and information on postemployment benefits other than pensions on page 100 and budgetary comparison information on pages 101 through 112 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information on pages 114 through 130 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

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

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kirkland, we offer readers of the City of Kirkland's financial statements this narrative overview and analysis of the financial activities of the City of Kirkland for the fiscal year ended December 31, 2011. 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 \$1.018 billion at the end of 2011. Of this amount, \$900.8 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$57 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects and debt service and \$60.5 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 \$622 million in 2011. The increase in Business-type activities was \$22 million, while the Governmental activities increased by \$600 million. Capital assets net of any related debt increased by \$612 million on an entity wide basis. The dramatic change in net assets is due to the June 1, 2011, annexation of over 7 square miles of unincorporated King County. Kirkland added 30,000 residents in 2011 due to annexation.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$88.2 million, an increase of \$10 million compared to the prior year. Unspent bond proceeds of \$27.8 million in the capital project funds comprise 32 percent of the ending fund balance. Over \$49 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$6.5 million has been committed for a specific purpose by the City Council, and another \$24 million has been designated by the City Manager for assigned activities. Only \$7.8 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$53.5 million, which represents an increase of \$1.1 million from the prior year. A bond in the amount of \$4 million issued in May of 2011 by King County Fire Protection District 41 became an obligation of the City due to annexation of the taxable property. A portion of the District's property tax levy will remain in place to support this debt until it is retired.

### Overview of the Financial Statements

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

## **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for *governmental activities* and *business-type activities*. Governmental activities of the City include general government (legislative, executive, finance, legal services, information technology, facilities maintenance, health benefits, fleet services, city clerk, and human resources), public safety (police and fire), judicial, physical environment, economic environment, transportation, human services, and culture and recreation. The City's business-type activities are limited to water/sewer, surface water, and solid waste utilities. Governmental activities are primarily supported by taxes, charges for services, and grants, while business-type activities are self-supporting through user fees and charges.

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

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

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

## **Fund Financial Statements**

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

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

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

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

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level, on a cash basis, and according to state law. Two funds are required to be tracked separately by State Statute, (Street and Contingency Funds), but are consolidated for financial reporting but are budgeted at the fund level to capture the activity as required. Budgetary comparison schedules for each of the budgeted funds are included in the Fund Financial Statements and Schedules section of this report.

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

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

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

## Notes to the Financial Statements

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

## Other Information

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

## **Government - Wide Financial Analysis**

### Statement of Net Assets

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Kirkland's net assets at December 31, 2011, total \$1.018 billion. Following is a condensed version of the government-wide statement of net assets (expressed in millions of dollars) comparing fiscal year 2011 to 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$116.24	\$101.27	\$45.17	\$39.63	\$161.41	\$140.90
Capital assets, net of accumulated depreciation	787.07	194.56	139.39	122.28	926.46	316.84
Total assets	903.31	295.83	184.56	161.91	1,087.87	457.74
Long-term liabilities	49.77	48.01	3.09	4.24	52.86	52.25
Other liabilities	10.75	8.39	5.96	4.62	16.71	13.01
Total liabilities	60.52	56.40	9.05	8.86	69.57	65.26
Net assets:						
Invested in capital assets, net of related debt	765.63	171.82	135.17	116.94	900.80	288.76
Restricted	56.18	25.65	0.82	0.82	57.00	26.47
Unrestricted	20.98	41.96	39.52	35.29	60.50	77.25
Total net assets	\$842.79	\$239.43	\$175.51	\$153.05	\$1,018.30	\$392.48

As of the end of 2011, the largest component of the City's total net assets at \$900.8 million, or 88 percent, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer and surface water infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted

that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities.

Roughly \$57 million of the City's total net assets are subject to restrictions. The largest balance of restricted funds are for capital improvements. A total of \$48 million in two Capital Projects funds contains \$28 million in unspent bond proceeds for a public safety facility, \$4 million for a consolidated fire station project and another \$16 million in other restricted resources for various types of capital construction. Another \$4 million in funds has been committed through public safety interlocal agreements for annexation purposes and a regional jail. The majority of the \$2.9 million restriction for the general government is the City's Contingency Fund that is required by Washington State Statute but is consolidated for annual reporting. Additionally, restricted assets include \$0.2 million in Lodging Taxes reserved for tourism related activities, \$0.6 million in the parks maintenance fund for the maintenance of parks approved by voters in the 2003 park maintenance levy and \$1.1 million in other debt service funds.

The remaining \$60.5 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 \$39.5 million pertains to the City's business-type activities, which may only be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and reservoirs), storm drain flushing, water meter reading, and utility capital construction projects. The \$21 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, health benefits and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

### **Changes in Net Assets**

The changes in net assets table on the following page illustrates the increases or decreases in net assets of the City resulting from operating activities. Overall, the City of Kirkland's net assets increased about \$622 million in 2011. This large increase is due to the accounting requirement that the physical assets added as a result of the June 1, 2011, annexation be recorded at the estimated fair market value as of that date. A breakdown of the 2011 increase in Net Assets by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues on the next several pages.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$16.99	\$14.54	\$36.58	\$31.52	\$53.57	\$46.06
Operating grants and contributions	2.01	1.73	0.53	0.31	2.54	2.04
Capital grants and contributions	591.55	2.80	20.03	1.95	611.58	4.75
General revenues:						
Sales taxes	16.60	14.08	-	-	16.60	14.08
Property taxes	21.82	14.70	-	-	21.82	14.70
Utility taxes	12.30	10.34	-	-	12.30	10.34
Excise taxes	3.55	2.98	-	-	3.55	2.98
Business Taxes	2.35	2.02	-	-	2.35	2.02
Other taxes	2.15	0.97	-	-	2.15	0.97
Investment earnings	0.89	0.74	0.33	0.39	1.22	1.13
Miscellaneous*	0.15	0.52	-	-	0.15	0.52
<b>Total revenues</b>	<b>670.36</b>	<b>65.42</b>	<b>57.47</b>	<b>34.17</b>	<b>727.83</b>	<b>99.59</b>
<b>Expenses:</b>						
General government	4.99	4.57	-	-	4.99	4.57
Judicial	1.96	1.65	-	-	1.96	1.65
Security of Persons and Property	38.34	34.22	-	-	38.34	34.22
Physical environment	1.98	1.27	-	-	1.98	1.27
Transportation	8.88	9.55	-	-	8.88	9.55
Human services	1.17	1.25	-	-	1.17	1.25
Economic environment	4.58	5.21	-	-	4.58	5.21
Culture and recreation	7.36	7.16	-	-	7.36	7.16
Interest on long-term debt	2.11	0.78	-	-	2.11	0.78
Water/sewer	-	-	18.82	17.10	18.82	17.10
Surface water	-	-	4.69	3.99	4.69	3.99
Solid waste	-	-	10.66	8.06	10.66	8.06
<b>Total expenses</b>	<b>71.37</b>	<b>65.66</b>	<b>34.17</b>	<b>29.15</b>	<b>105.54</b>	<b>94.81</b>
Increase (decrease) in net assets						
transfers and special items	598.99	(0.24)	23.30	5.02	622.29	4.78
Transfers	0.84	0.17	(0.84)	(0.17)	0.00	0.00
Increase (decrease) in net assets	599.83	(0.07)	22.46	4.85	622.29	4.78
Net assets at beginning of year	239.43	239.50	153.05	148.19	392.48	387.69
Changes in Accounting Principle	3.53	0.00	0.00	0.00	3.53	0.00
<b>Net assets at end of year</b>	<b>\$842.79</b>	<b>\$239.43</b>	<b>\$175.51</b>	<b>\$153.05</b>	<b>\$1,018.30</b>	<b>\$392.48</b>

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

**Governmental activities** net assets increased by almost \$600 million in 2011. This change was predominantly due to annexation capital contributions and to a lesser extent increases in general revenues.

Expenses:

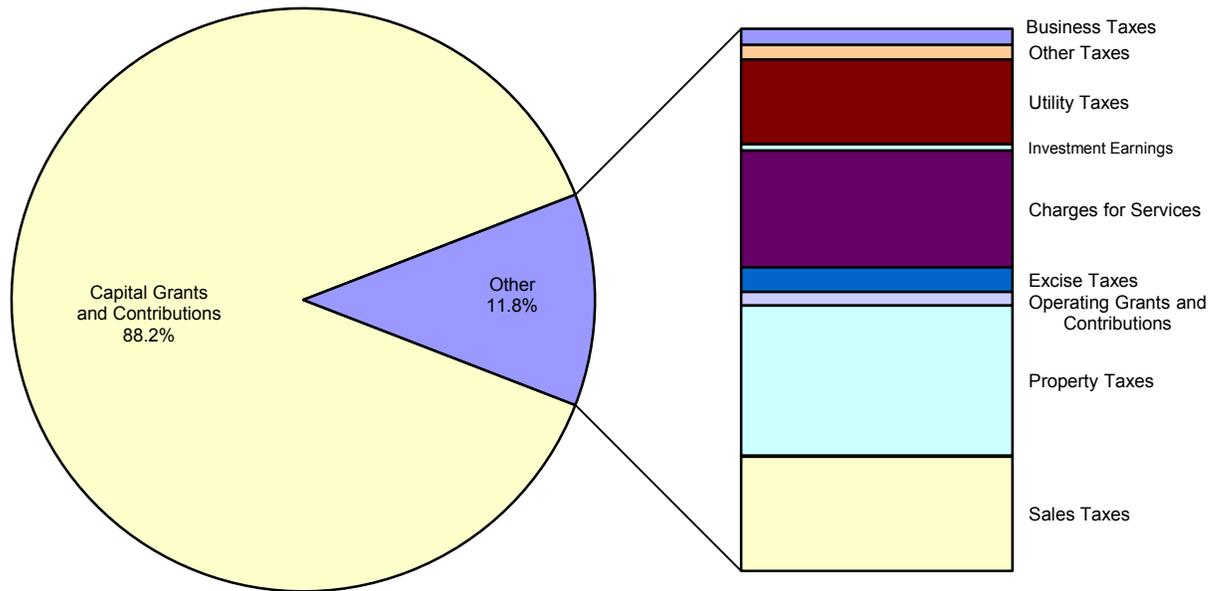
- Overall, governmental expenses had an increase of 8.5%, primarily due to annexation. The City began hiring to meet the annexation staffing needs starting over 18 months prior to the annexation effective date.
  - Interest on long term debt spiked to over \$2 million due to the first year interest payment on the 2010 Build America Bonds. The \$35 million bond is financing a new public safety facility.
  - Security of Persons and Property incurred the largest increase in activity costs due to patrol staffing for the annexation area. Of the \$4.1 million increase, \$3.3 million is directly related to increases in police department hiring. The City contractually served the annexation area for fire services prior to June 1<sup>st</sup> so while some increases to fire expenses were a result of annexation, the impact was not as extensive as the police increase.
  - The minimal decrease in Economic Environment related expenses were largely due to a one-time payment of \$670,000 in 2010. The funds previously held in reserve by the City will now fund “A Regional Coalition for Housing”. The designation of funding was established as a trust to meet the needs of income level based housing issues on a regional level.

Revenues:

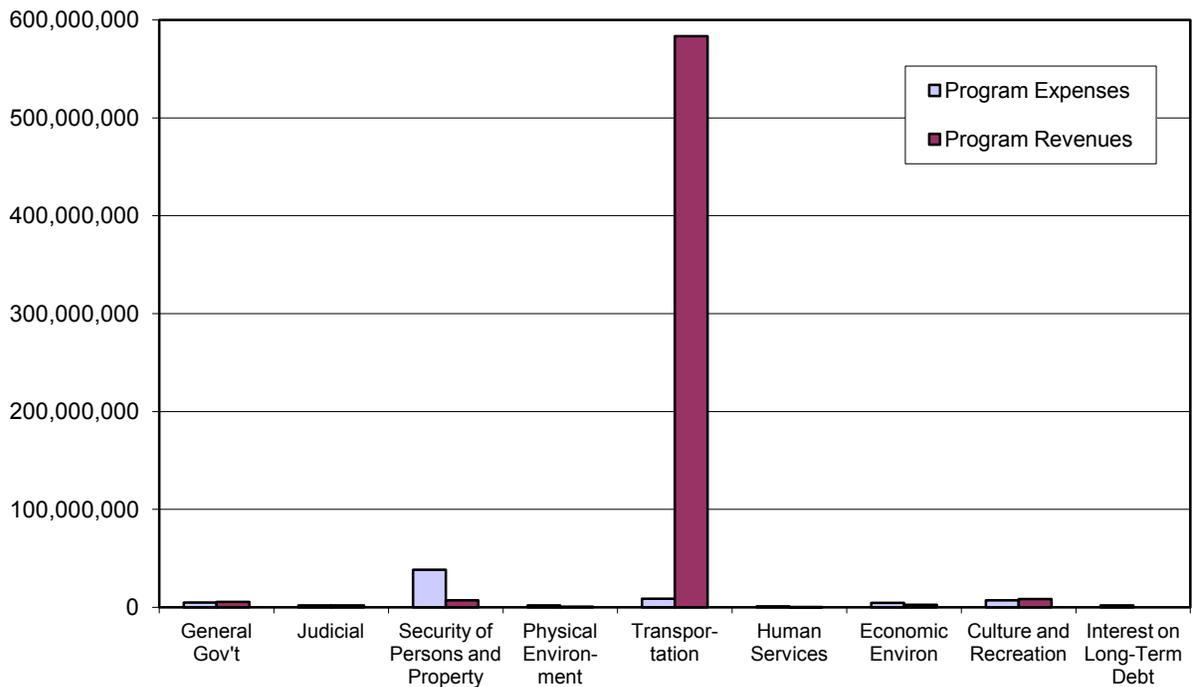
- Charges for services revenue had an increase of \$2.4 million from 2010 to 2011. A variety of factors influenced the change.
  - With the dissolution of King County Fire Protection District 41 following annexation, the intergovernmental revenue supporting fire service once paid by the District is now being collected and remitted to the City through property taxes. The amount collected from the District in 2010 was \$3.6 million compared with the \$1.5 million in 2011.
  - Franchise fees had a noticeable increase of over \$1.2 million in 2011. This was an increase of over 81% from the prior year due to annexation. Water and sewer services in the newly annexed areas continue to be provided by special purpose districts, subject to franchise agreements with the City.
  - The increase in residents and the slight economic stabilization resulted in a \$0.5 million improvement in development review fees. The Lake Washington School District, State Department of Transportation and private developers had significant projects reviewed in 2011.
  - An Emergency Medical Transport Fee program was established in March 2011 to help recover certain costs of the transport service. The revenue generated in the initial year exceeded \$0.5 million. It is expected that a full year of program service will recover over \$800,000.
  - Both Transportation and Culture and Recreation fees for service had modest increases due to impact fees charged as part of development review fees.

- Operating Grants and Contributions increased slightly in 2011, by a modest \$283,000 over 2010.
  - The largest operating contribution still remains functionally related to transportation. The Motor Vehicle Fuel Tax increased by \$700,000 in 2011 but the share that resource provides was diminished in comparison to 2010, when operating grants enhanced the overall transportation balance.
  - Federal, state and local grants are the greater part of Operating Grants and Contributions. Many of these amounts are somewhat stable from year to year and enhance the City's ability to consistently provide services. The Department of Justice provides funding for bulletproof vests, court security, emergency management, and tactical gear. Both federal and state Transportation Departments provide funding for DUI patrols, highway safety programs, and pedestrian awareness.
  
- Capital Grants and Contributions had a dramatic increase in 2011 due to annexation. A few other notable contributions took place but are overshadowed by the infrastructure acquired following annexation.
  - The transportation capital increase of over \$580 million in 2011 is a combination of a Department of Commerce grant for over \$1.5 million combined with assets acquired from the annexation area. The right-of-way fair market value was calculated to be \$489 million, while the basic street, sidewalk, curb, and gutter infrastructure was determined to be \$89 million.
  - With the dissolution of King County Fire Protection District 41 the City acquired three fire stations valued at \$2.9 million.
  - The City took responsibility for five parks following annexation, four of which transferred immediately to the City and one that will follow in 2012. The parks were valued at over \$6.7 million and will be maintained by the City Parks and Recreation Department.
  
- The City's general revenues reflect an increase of over 29% from 2010 to 2011.
  - Property tax receipts were 48% higher than in the prior year. A one-time County Road Tax Levy payment of \$4.5 million was received as a result of annexation.
  - Sales tax had a noticeable increase of \$2.5 million due in part by some economic recovery, streamlined sales tax sourcing rule changes, and annexation businesses. The City is working with the Department of Revenue and King County to determine whether the City is receiving all of the revenues generated from the newly annexed areas.
  - Both utility and excise taxes had 19% increases in revenue due to annexation.
  - Other Taxes increased by amounts attributable to the 2010 Build America Bonds Subsidy of \$567,000 and the gambling establishments in the annexation area which brought in new revenue of \$524,000 in 2011.

### Revenues by Source - Governmental Activities



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



**Business-type activities**, which relate to the City's utilities, had an increase in net assets of \$22.5 million, primarily due to \$19 million of surface water assets acquired as part of the annexation.

Water/sewer operating revenues increased by 7.3 percent compared to the prior year. This increase was primarily the result of an 8.5 percent increase in sewer rates. The City of Kirkland did not increase its water/sewer customer base as a result of annexation. The existing water/sewer providers before annexation remained the providers for the annexed area.

Surface water operating revenues were \$6.8 million in 2011 compared to \$5.1 million in 2010. Annexation area revenue contributed \$1.3 million to the total in 2011. The remaining increase was primarily the result of a 5 percent storm drainage fee increase. Operating expenses increased \$0.7 million due to an increase in staff and equipment required to service the annexation area.

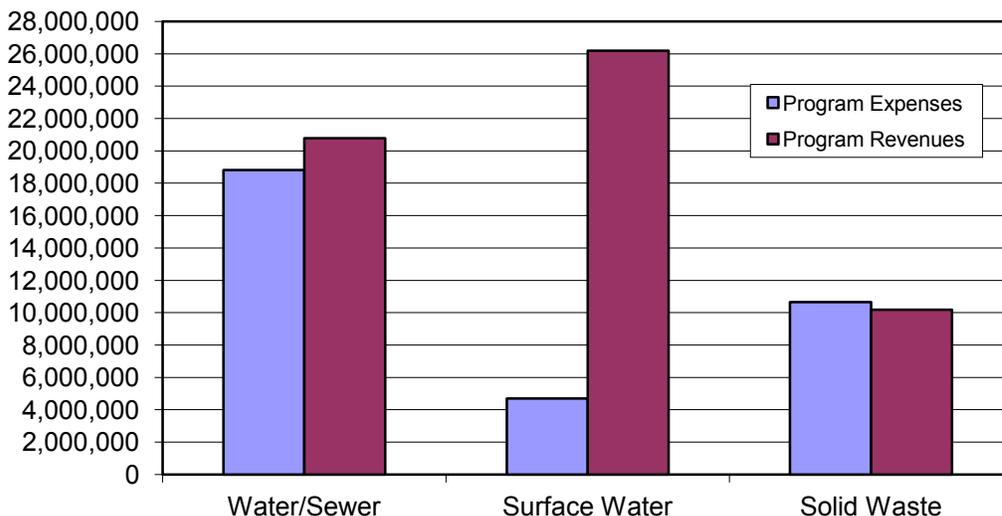
Solid Waste operating revenues increased by \$1.9 million due to the addition of approximately 10,000 new annexation customers. Operating expenses increased \$2.5 million in 2011 compared to 2010. \$1.9 million of this increase was for collection and disposal costs as a result of the additional customers.

Capital contributions comprised of utility connection charges and developer and annexation infrastructure contributions, totaled \$20 million for 2011. Details for these amounts are shown below:

	<u>Water</u>	<u>Sewer</u>	<u>Surface Water</u>	<u>Total</u>
2011 Connection Charges Collected:	157,421	703,979	37,999	899,399
2011 Developer Infrastructure Contributions:	37,911	33,911	76,980	148,802
2011 Annexation Infrastructure Contributions:	-	-	18,981,421	18,981,421
	<u>\$195,332</u>	<u>\$737,890</u>	<u>\$ 19,096,400</u>	<u>\$20,029,622</u>

The infrastructure contributions detailed above represent 85 percent of the increase in net assets. These increases are actually reflected as additions to capital assets for the utility functions and are presented in Note 5 of this report.

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

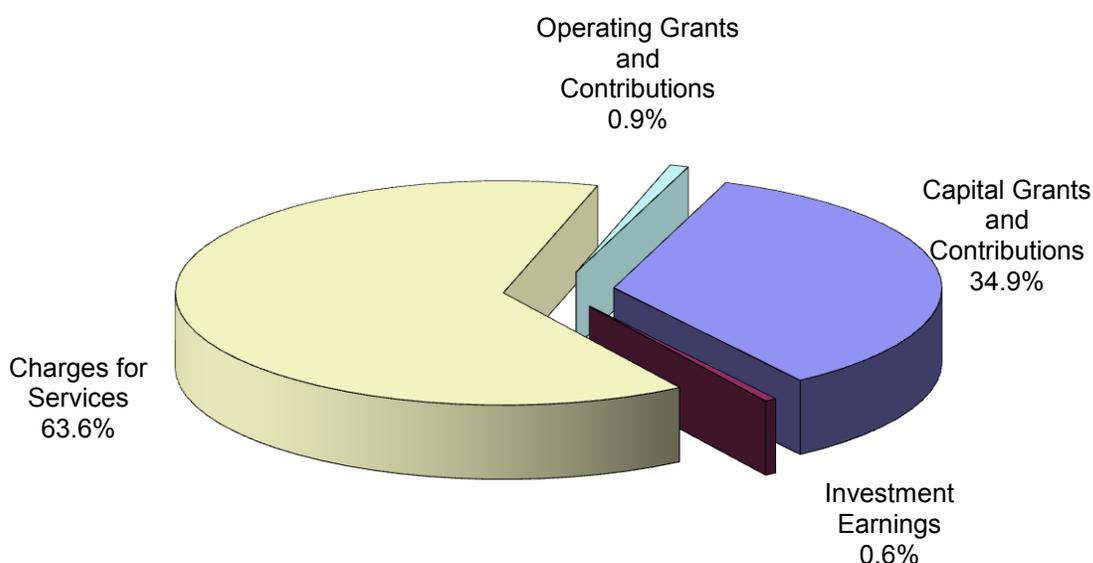


The City of Kirkland's 2011 utility net income (before capital contributions and transfers) was about \$3.2 million. The components are as follows:

Water/Sewer	\$1.2 million
Surface Water	\$2.5 million
Solid Waste	(\$0.5 million)

The solid waste loss was the result of the City paying for additional costs of the new neighborhoods prior to when charges for services were received and downsizing of cart sizes by the new customers.

### Revenues by Source - Business-Type Activities



### Financial Analysis of the Government's Funds

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

#### Governmental Funds

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

At the end of the current year, the City's combined ending governmental fund balance was \$88.2 million, which represents an increase of \$10 million, or 13 percent, from the prior year. Of the total ending fund balance, over \$49 million is restricted and subject to an external legal constraint. Bond covenants restrict the majority of the funds for the public safety campus and the consolidated fire station. Another \$8.8 million is restricted for transportation and parks projects that are funded with

real estate excise taxes, grants, and impact fees. The Excise Capital Improvement fund holds another \$8.7 in excise taxes that have yet to be designated for specific projects but the funding is still restricted for that purpose. The committed fund balance of \$6.5 million has been constrained by the City Council for a specific purpose. Several interlocal agreements commit funds for a regional jail, fire training, and other public safety purposes. The State of Washington provides for the City to have a Contingency Fund. This fund activity is shown within the General Fund for reporting purposes. The assigned balance of \$24 million is remaining amounts that have been determined by the City Manager, Finance Director, or City Council direction to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end is \$5.2 million. The City has funds assigned to meet operating obligations for activities such as labor negotiations, development services activities, overtime costs, litigation, property acquisition, park enhancements, and medical retiree benefits. These amounts comprise \$8.6 million of the year end fund balance. The unassigned balance of \$7.8 million in the general fund consists of amounts not otherwise classified such as revenue stabilization, cost of living adjustment, and working capital. Technically, they are unreserved, which means they are available for spending at the City's discretion.

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

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2011, the fund balance of the general fund was \$28.6 million, which represents an increase from the prior year of \$22.2 million. Due to the implementation of Governmental Accounting Standards Board Statement 54, the City ceased separate operational activities within seven special revenue funds in 2011. The fund balance of six of those funds is now included in the general fund, as well as the operational activities associated with the closed funds. The total fund balance adjustment to the general fund was over \$17 million which includes the equity from two fire districts of \$3.5 million.

Comparisons to 2010 would be challenging to conclude. General Fund revenues increased by 37% but those amounts are a combination of annexation driven impacts and fund consolidations. Taxes appear to have increased by over \$15 million but this amount is reflecting a one-time County Road Tax and property taxes once attributed to three fire districts. Additionally, the closure of the Parks Recreation Revolving fund relocated over \$1 million in registration revenues that were previously accounted for in a separate special revenue fund. The intergovernmental revenue decrease of \$1 million was the interlocal agreement between the City and King County Fire Protection District 41 for fire service. The Fire District ceased operations on the date of annexation and the intergovernmental revenue was replaced with the remaining 2011 property tax paid to the City from the area once served by the District. Only that portion of the levy associated with outstanding debt continues after 2011.

General fund expenditures increased by \$9.6 million in 2011. When the consolidated funds are considered the change in expenditures can be isolated to only a few functions. Security of Persons and Property increased by \$4.5 million due to additional patrol and fire staffing costs to serve the annexation area. The expenditures related to road maintenance that were once accounted for in the Street Fund are an additional \$3 million.

The excise tax capital improvement fund accounts for revenue from the first and second quarter percent real estate excise tax, which is reserved for the funding of capital projects related to streets, sidewalks, traffic improvements, parks, fire protection facilities, and other public facilities. The fund balance at the end of 2011 was \$8.7 million, which decreased only slightly from 2010 due to the use of \$4.4 million of the balance toward scheduled capital projects. Excise tax receipts remained steady at over \$3 million per year for the past two years.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital improvement program (CIP) and that are funded from other general revenue sources, grants, and restricted funds. The ending fund balance increased slightly by \$1.5 million from the prior year. Unspent bond proceeds from the 2010 Build America Bond issuance and the 2011 King County Fire Protection District 41 bond account for almost \$28 million of the fund balance.

The grant capital projects fund accounts for transportation projects approved in the CIP that are funded partially or wholly by grants from other governments. The fund balance at the end of 2011 was \$4.2 million, which is a slight increase of \$0.2 million from 2010. Balances in both capital project funds vary slightly from year to year dependent upon CIP activity and the size of projects in process.

### **Proprietary Funds**

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

### **General Fund Budgetary Highlights**

During 2011, there was a net increase of \$3.4 million in biennial appropriations between the original adopted budget and the final amended budget. These amendments were necessitated by changes to actual revenues and actual expenditures within the general fund. Note that the figures cited are biennial amounts for 2011-2012 and that the budget is recorded on a cash basis. Following are the major components of the changes:

- In 2011, fund balance was increased by \$1.8 million to recognize actual cash balances compared to the original budget as a result of under expenditures from the previous budget period. Funds were used to replenish General Fund reserves that had been used to balance the 2009-10 biennial budget and to fund expenditures in 2011 for unfinished projects and unpaid invoices from 2010.
- The City has provided services to King County Fire Protection District 41 for a number of years. The City assumed responsibility of the fire district operations as a result of annexation as of June 1, 2011. Cash assets from the fire district added \$1.7 million from the original budget. Funds were used to provide services (in lieu of contract revenue) and to provide partial funding for a fire station relocation/consolidation capital project to satisfy requirements of an interlocal agreement with the fire district.
- A fee for emergency medical transport (EMS) was established in early 2011, which increased the biennial budget by \$1.3 million. Funds are used to provide fire protection services.
- Grants, primarily for police services, emergency preparedness and environmental services, added about \$700,000 in revenue.
- Adjustments for the final 2012 property tax levy increased the budget by \$300,000 compared to original budget.
- Development-related revenues (engineering development revenues and review fees) were increased by \$170,000 to recognize increased activity that required adding temporary staffing.

- State legislation enacted in 2011 allowed use of real estate excise tax (REET) for parks and street operational expenses. The budget was increased by \$155,000 to recognize a transfer of this revenue into the General Fund to restore some parks and streets operational expenditures.
- Adjustments to annexation revenue increased the budget by about \$82,000.
- The budget was reduced by \$2.1 million as a result of not securing a SAFER (Staffing for Adequate Fire & Emergency Response) federal grant to fund hiring additional firefighters to serve a portion of the annexation area. Reserves were used to backfill the loss of this revenue.
- Telephone utility tax revenue was decreased by about \$700,000 to acknowledge actual revenue trends. The reduction was offset by recognizing expenditure savings and the increase to the 2012 final property tax levy.
- Reductions in state-shared revenues impacted the budget by about \$73,000.

## **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, 2011 amounts to \$926.5 million (net of accumulated depreciation), which represents over a \$609.7 million increase from the prior year. This investment in and capitalization of capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission and distribution systems, roads, and bridges. The majority of the increase is due to capital contributions from the annexation. More details about changes in capital assets are explained below.

The annexation of approximately 7 square miles was the single largest impact to total capital for the City. The additional \$497.2 million of annexed land assets is from three sources. The land with three fire stations for \$1.2 million, the parks acquired that valued at \$6.7 million and the right of way estimated to value at \$489.3 million. Due to the magnitude of the square footage of acquired land the City utilized Geographic Information Systems (GIS) mapping to determine the size of the annexation area and used County land property values to estimate the financial statement fair market value, as required by accounting standards.

Infrastructure has always been the largest asset balance for the City. It includes streets, sidewalks, street lights, traffic circles, bridges, and parking lots. The annexation infrastructure includes \$40.8 million in streets, \$16.5 million in curbs and gutters, \$14.2 million in sidewalks, and \$16.4 million in traffic signals.

The annexation involved the dissolution of King County Fire Protection District 41. The fire service area once covered by the District is now serviced completely by the City of Kirkland. The City acquired three fire stations from the District which added \$1.7 million in building assets to the extensive list of capital acquisitions in 2011.

The surface water utility annexation infrastructure includes \$1 million in land and \$18 million in vaults, tanks, ponds, and conveyance systems.

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

- \$7.7 million spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals traffic calming projects, and utility undergrounding. Most of these projects are still in progress.
- \$2.2 million spent primarily on improvements at Juanita Beach Park and upgraded play areas at Houghton Beach and Peter Kirk parks.
- \$1.7 million funded the purchase of vehicles and equipment from the City's Equipment Rental fund. The City uses an internal service fund to charge departments for the replacement of service vehicles and equipment. Approximately \$700,000 of the purchases in 2011 were from reserves of this fund, the other \$1.0 million were annexation related purchases for police vehicles and public works equipment.
- \$0.5 million spent on water and sewer utility improvement projects, most of which are still in progress.
- \$1 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 2010 and 2011:

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$583.75	\$80.78	\$1.02	\$0.05	\$584.77	\$80.83
Buildings	28.54	20.32	0.01	0.01	28.55	20.33
Improvements other than buildings	13.88	10.86	133.49	113.52	147.37	124.38
Machinery and equipment	7.33	6.65	-	-	7.33	6.65
Infrastructure	122.15	33.21	-	-	122.15	33.21
Construction in progress	29.79	41.13	4.87	8.70	34.66	49.83
Artwork	1.63	1.61	-	-	1.63	1.61
Total	\$787.07	\$194.56	\$139.39	\$122.28	\$926.46	\$316.84

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 General Obligation bonded debt outstanding of \$49.25 million and other long-term debt of \$4.22 million. The total outstanding debt (expressed in millions of dollars) at the end of 2010 and 2011 is broken down between governmental and business-type activities as follows:

### City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$49.25	\$47.09	-	-	\$49.25	\$47.09
Revenue Bonds	-	-	1.70	2.43	1.70	2.43
Public Works Trust Fund Loans	-	-	2.52	2.91	2.52	2.91
Total	\$49.25	\$47.09	\$4.22	\$5.34	\$53.47	\$52.43

On November 17, 2008, Standard and Poor's upgraded the City's Water and Sewer Revenue Bonds from "AA-" to "AAA" and on November 24, 2008, upgraded the City's General Obligation Bonds from "AA-" to "AAA." On August 16, 2011, Standard and Poor's affirmed the City of Kirkland's AAA rating.

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

Moody's ratings for Kirkland are now as follows:

Unlimited Tax GO Bonds	Aa1	(previously Aa2)
Limited Tax GO Bonds	Aa2	(previously Aa3)
Water/Sewer Revenue Bonds	Aa2	(previously A1)

In December 2010, Standard & Poor's and Moody's ratings were reaffirmed with the issuance of the 2010 Limited Tax General Obligation Bonds (Taxable Build America Bonds-Direct Payment).

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

The City's assessed valuation for 2011 was \$10.7 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$773.1 million.

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

### Economic Factors and Next Year's Budgets and Rates

Washington State's economy performed close to expectations in 2011 and is expected to continue marginally outperforming the United States in recovery. Washington is not immune to uncertainty in the global economy. The greatest risks to continued growth are the lack of progress in the European debt crisis, continued uncertainty with U.S. fiscal policies, the slowdown of growth in Asia and slow job growth. All of these factors are contributors to the projected prolonged period of slow growth.

The Washington State Legislature is putting the final signature on the state budget that brings new challenges to the City. Changes in liquor profits and tax apportionments once dedicated to the City and the cost shifting of other programs have assisted the State in balancing their shortfall but at

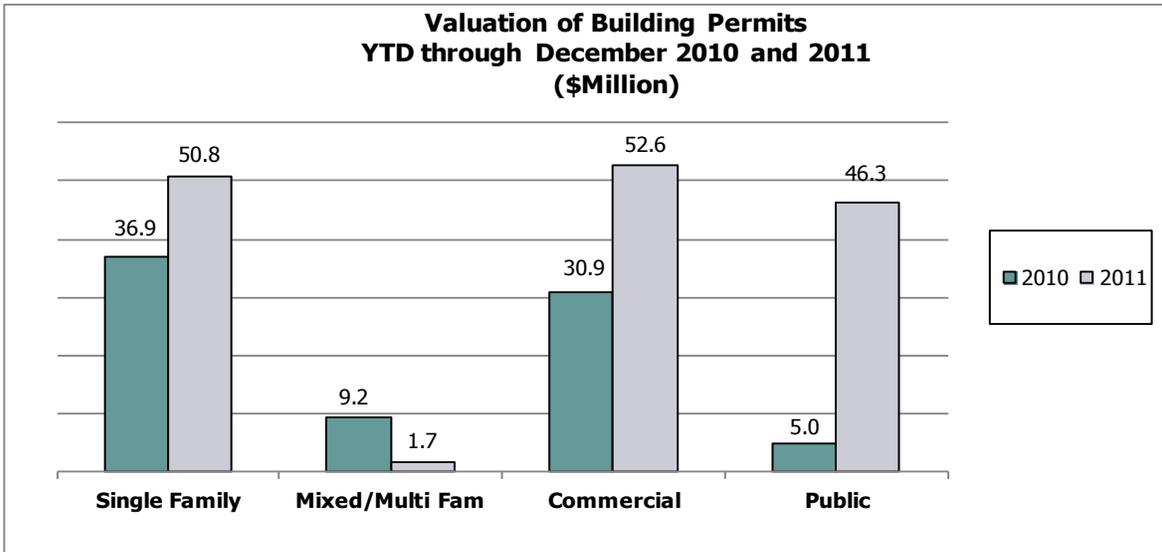
program costs for local governments. However, the City was successful in preserving the state annexation sales tax credit, which is expected to generate at least \$3.4 million per year for the first ten years after the June 1, 2011, annexation.

Employment rose slightly from August to November 2011 with 7,900 net new jobs in Washington, mostly in the private sector. King County's unemployment rate was 7.2 percent in December 2011 compared to 8.4 percent in December 2010, the lowest since January 2009. King County's unemployment rate is lower than the Washington State and national rates, which were 8.6 and 8.5 percent. Unemployment rates by month for the County, Washington State, and the United States are shown on the following table.

<b>Month</b>	<b>King County</b>	<b>Washington</b>	<b>United States</b>
December 2010	8.3%	9.2%	9.1%
January 2011	8.5%	9.6%	9.1%
February 2011	8.7%	9.5%	9.0%
March 2011	8.5%	9.4%	8.9%
April 2011	8.0%	9.3%	9.0%
May 2011	8.0%	9.3%	9.0%
June 2011	8.8%	9.3%	9.1%
July 2011	8.7%	9.3%	9.1%
August 2011	8.1%	9.2%	9.1%
September 2011	8.1%	9.0%	9.0%
October 2011	8.0%	8.9%	8.9%
November 2011	7.6%	8.7%	8.7%
December 2011	7.2%	8.6%	8.5%
<b>2011 Average</b>	<b>8.2%</b>	<b>9.2%</b>	<b>9.0%</b>
<b>2010 Average</b>	<b>8.8%</b>	<b>9.6%</b>	<b>9.6%</b>

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

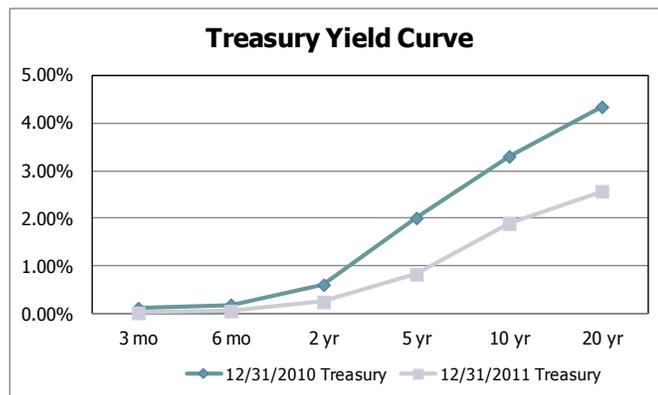
Local development activity through December comparing 2010 to 2011, as measured by the valuation of City of Kirkland building permits, is illustrated in the chart below. Activity has improved in the single family, commercial and public sectors. However, activity in the mixed use/multifamily sectors has been slow in 2011. Through December 2011, building permit valuation was up 84.7 percent compared to December 2010. This increase is largely due to Lake Washington School District permits for school renovations.



Closed sales of new and existing single family homes on the Eastside of Seattle were down 0.4 percent in December 2011 compared to December 2010. The median price of a single family home decreased 13.2 percent from \$530,000 to \$460,000. Closed sales for condominiums were down 4.2 percent and median price dropped 3.6 percent from \$248,500 to \$239,500. Countywide, closed sales for single family homes increased 0.5 percent compared to December 2010. The countywide median home price fell 13.5 percent on a year to year comparison.

The Seattle metro consumer price index in December was at 3.8 percent, which is slightly higher than the June CPI index of 3.7 percent. The City has four of six bargaining agreements expiring December 31, 2011 and the cost growth related to inflation will be an important aspect in negotiations, as well as in the overall budget development process. The CPI in Seattle and nationally remain the highest since October 2008. To help control cost growth in employee medical costs, the City became self insured in 2011. The change resulted in about a 7% increase in costs going into 2012 versus the 11% increase that would have been experienced under the prior plan.

The Fed Funds rate continued to remain at 0.25 percent through the third quarter of 2011 and is now not expected to change until the second quarter of 2014. The economy continues to struggle. The yield curve dropped significantly in the longer end of the curve reaching record low rates for the 5 and 10 year Treasuries.



Sales tax receipts have been mostly positive for 2011 compared to 2010, and are in-line with budget expectations. Upside trends pose potential risks – the services, general merchandise/miscellaneous retail, automotive/gas retail and miscellaneous sectors have contributed the largest amount of gain, but these sectors are very sensitive to economic conditions. Communications saw a significant increase in February, which has offset declines in all other months through September. Contracting, and wholesale have not shown signs of recovery. The impact from streamlined sales tax sourcing rule changes has negatively impacted some sectors, but is offset by gains in others. The shaky economic recovery poses significant risk to the City's ability to maintain services, since sales tax is one of the primary sources of general fund revenue.

Aside from the annexation state sales tax credit mentioned earlier, the impacts on service levels of the large addition of population and service area continue to be evaluated. The City will undertake a series of plan updates to assess the capital and operating needs of the new areas and how they fit within the resources and priorities of the larger City.

### **Requests for Information**

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



## Basic Financial Statements



City of Kirkland  
**Statement of Net Assets**  
December 31, 2011

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	71,234,901	24,562,703	95,797,604
Investments (Note 3)	31,655,679	9,845,190	41,500,869
Receivables			
Accounts	10,067,268	9,164,042	19,231,310
Due From Other Governments	1,459,968	254,637	1,714,605
Internal Balances	2,257	(2,257)	0
Inventories	68,784	483,183	551,967
Prepayments	282,210	23,878	306,088
Restricted Assets			
Deposits	399,813	0	399,813
Sub-total Current Assets	115,170,880	44,331,376	159,502,256
Non-Current Assets and Deferred Charges			
Restricted Assets			
Revenue Bond Reserves	0	821,130	821,130
Total Restricted Assets	0	821,130	821,130
Deferred Charges	176,395	19,980	196,375
Negative Net Pension Obligation	887,834	0	887,834
Capital Assets (Note 5)			
Land and Artwork	585,376,658	1,021,084	586,397,742
Depreciable Capital Assets (net)	49,753,872	133,493,231	183,247,103
Depreciable Infrastructure (net)	122,148,232	0	122,148,232
Construction in Progress	29,792,475	4,873,020	34,665,495
Total Capital Assets	787,071,237	139,387,335	926,458,572
Total Non-Current Assets	788,135,466	140,228,445	928,363,911
<b>Total Assets</b>	<b>903,306,346</b>	<b>184,559,821</b>	<b>1,087,866,167</b>

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

City of Kirkland  
**Statement of Net Assets**  
December 31, 2011

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	4,699,565	987,851	5,687,416
Other Current Liabilities	2,158,284	1,847,301	4,005,585
Accrued Interest Payable	0	8,160	8,160
Unearned Revenue	826,608	2,343,585	3,170,193
Total Current Liabilities	7,684,457	5,186,897	12,871,354
Current Liabilities Payable from Restricted Assets			
Accrued Interest Payable	186,802	6,238	193,040
Current Bond Principal Payable	2,371,286	765,000	3,136,286
Deposits Payable	503,059	0	503,059
Total Current Liabilities Payable from Restricted Assets	3,061,147	771,238	3,832,385
Total Current Liabilities	10,745,604	5,958,135	16,703,739
Noncurrent Liabilities			
Due in more than one year	49,768,068	3,094,618	52,862,686
Total Noncurrent Liabilities	49,768,068	3,094,618	52,862,686
<b>Total Liabilities</b>	<b>60,513,672</b>	<b>9,052,753</b>	<b>69,566,425</b>
<b>Net Assets</b>			
Invested in capital assets net of related debt	765,633,941	135,167,834	900,801,775
Restricted for			
Tourism	233,775	0	233,775
Parks and Recreation	640,747	0	640,747
Public Safety	4,011,052	0	4,011,052
Capital Improvements	48,076,280	0	48,076,280
Debt Service	315,270	821,130	1,136,400
General Government	2,897,240	0	2,897,240
Unrestricted	20,984,369	39,518,104	60,502,473
<b>Total Net Assets</b>	<b>842,792,674</b>	<b>175,507,068</b>	<b>1,018,299,742</b>



City of Kirkland  
**Statement of Activities**  
For the fiscal year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense/Revenue and Changes in Net Assets)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	4,985,746	5,329,054	118,213	244,837	706,358	0	706,358
Judicial	1,961,880	2,011,693	22,468	0	72,281	0	72,281
Security of Persons and Property	38,342,580	3,899,269	424,634	2,929,900	(31,088,777)	0	(31,088,777)
Physical Environment	1,983,567	841,679	3,000	0	(1,138,888)	0	(1,138,888)
Transportation	8,874,943	778,133	1,296,133	581,343,122	574,542,445	0	574,542,445
Human Services	1,168,688	0	5,488	0	(1,163,200)	0	(1,163,200)
Economic Environment	4,581,729	2,793,946	10,651	0	(1,777,132)	0	(1,777,132)
Culture and Recreation	7,360,003	1,338,704	133,896	7,035,835	1,148,432	0	1,148,432
Interest on Long Term Debt	2,110,842	0	0	0	(2,110,842)	0	(2,110,842)
<b>Total Governmental Activities</b>	<b>71,369,978</b>	<b>16,992,478</b>	<b>2,014,483</b>	<b>591,553,694</b>	<b>539,190,677</b>	<b>0</b>	<b>539,190,677</b>
<b>Business Type Activities</b>							
Water/Sewer	18,820,946	19,736,206	112,832	933,222	0	1,961,314	1,961,314
Surface Water	4,695,287	6,777,735	304,890	19,096,400	0	21,483,738	21,483,738
Solid Waste	10,655,055	10,063,072	112,201	0	0	(479,782)	(479,782)
<b>Total Business Type Activities</b>	<b>34,171,288</b>	<b>36,577,013</b>	<b>529,923</b>	<b>20,029,622</b>	<b>0</b>	<b>22,965,270</b>	<b>22,965,270</b>
<b>Total Government</b>	<b>105,541,266</b>	<b>53,569,491</b>	<b>2,544,406</b>	<b>611,583,316</b>	<b>539,190,677</b>	<b>22,965,270</b>	<b>562,155,947</b>
<b>General Revenues</b>							
Sales Taxes					16,600,753	0	16,600,753
Property Taxes					21,815,979	0	21,815,979
Utility Taxes					12,302,205	0	12,302,205
Excise Taxes					3,544,099	0	3,544,099
Business Taxes					2,346,885	0	2,346,885
Other Taxes					2,151,532	0	2,151,532
Unrestricted Grants & Contributions					105,458	0	105,458
Investment Earnings					893,905	333,529	1,227,434
Gain on sale of capital assets					38,694	0	38,694
Transfers, internal activities					840,362	(840,362)	(0)
<b>Total General Revenues &amp; Transfers</b>					<b>60,639,872</b>	<b>(506,834)</b>	<b>60,133,038</b>
Change in Net Assets					599,830,549	22,458,437	622,288,986
Net assets at beginning of year					239,430,318	153,048,631	392,478,949
Changes in Accounting Principle (Note 16)					3,531,807	0	3,531,807
<b>Net assets at end of year</b>					<b>842,792,674</b>	<b>175,507,068</b>	<b>1,018,299,742</b>

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

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2011

Page 1 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
<b>Assets</b>						
Current Assets						
Cash and Cash Equivalents	16,655,450	5,778,174	30,647,141	2,314,063	1,853,112	57,247,940
Investments	7,959,694	2,510,647	13,313,731	1,001,937	803,882	25,589,891
Receivables						
Interest	1,681	0	0	0	0	1,681
Taxes	6,335,380	438,312	33,333	0	74,457	6,881,482
Accounts	1,016,030	0	574	92,259	2,754	1,111,617
Due From Other Funds	13,224	0	0	0	0	13,224
Due From Other Governments	86,627	0	156,844	1,215,434	0	1,458,905
Prepayments	260,094	0	0	0	2,746	262,840
Restricted Assets						
Deposits	399,813	0	0	0	0	399,813
<b>Total Assets</b>	<b>32,727,992</b>	<b>8,727,133</b>	<b>44,151,623</b>	<b>4,623,693</b>	<b>2,736,951</b>	<b>92,967,392</b>
<b>Liabilities and Fund Balance</b>						
Liabilities						
Accounts Payable	596,351	0	176,807	375,949	11,452	1,160,559
Wages Payable	2,138,184	0	0	0	25,324	2,163,508
Benefits Payable	0	0	0	0	0	0
Taxes Payable	225,854	0	0	0	0	225,854
Due to Other Funds	2,008	0	127	0	59	2,194
Due to Other Governments	164,841	0	5,859	0	295	170,995
Payable from Restricted Assets						
Deposits Payable	503,059	0	0	0	0	503,059
Deferred Revenue	472,928	0	0	0	47,590	520,518
Total Liabilities	4,103,225	0	182,793	375,949	84,720	4,746,687
Fund Balances						
Nonspendable:						
Prepaid	260,094	0	0	0	2,746	262,840
Restricted for:						
Customer Deposits	399,813	0	0	0	0	399,813
Tourism	0	0	0	0	233,775	233,775
Debt Service	0	0	0	0	315,270	315,270
Drug Enforcement	62,949	0	0	0	0	62,949
Public Safety Facilities	0	0	30,274,787	0	0	30,274,787
Technology Projects	0	0	483,914	0	0	483,914
Transportation Projects	0	0	976,724	3,688,018	859,670	5,524,412
Parks and Recreation Projects	0	0	2,682,922	0	635,635	3,318,557
Capital Improvements	0	8,727,133	0	0	0	8,727,133

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2011

Page 2 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
Committed for:						
Fire Interlocals	3,653,265	0	0	0	0	3,653,265
Contingency Fund	2,201,870	0	0	0	0	2,201,870
Regional Jail	294,838	0	0	0	0	294,838
Transportation Projects	0	0	0	383,112	0	383,112
General Government Activities	37,829	0	0	0	0	37,829
Assigned for:						
Street Operating Fund	5,218,311	0	0	0	0	5,218,311
General Reserves	6,148,624	0	0	0	0	6,148,624
Public Safety Activities	1,521,994	0	0	0	0	1,521,994
Development Services	611,374	0	0	0	0	611,374
Parks and Recreation Projects	257,652	0	0	0	0	257,652
General Government Activities	111,921	0	0	0	0	111,921
Cemetery Operations	0	0	0	0	605,135	605,135
Capital Projects	0	0	9,550,484	176,614	0	9,727,098
Unassigned:	7,844,233	0	0	0	0	7,844,233
Total Fund Balances	28,624,767	8,727,133	43,968,830	4,247,744	2,652,231	88,220,705
<b>Total Liabilities and Fund Balance</b>	<b>32,727,992</b>	<b>8,727,133</b>	<b>44,151,623</b>	<b>4,623,693</b>	<b>2,736,951</b>	<b>92,967,392</b>

**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	779,968,097
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	2,903,217
Long term liabilities are not due and payable in the current period and are not reported in the funds	(54,335,944)
Internal service funds are used by management to charge the costs of certain activities to individual funds	26,036,599

The assets and liabilities are included in governmental activities in the statement of net assets

**Net Assets of governmental activities** 842,792,674

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, 2011

Page 1 of 2

	General Fund	Excise Capital Improvement
<b>Revenues</b>		
Taxes and Assessments	51,660,422	3,544,100
Licenses and Permits	5,279,547	0
Intergovernmental	5,272,690	0
Charges for Services	9,214,330	0
Fines and Forfeitures	1,846,616	0
Investment Interest	323,973	76,507
Miscellaneous Revenues	888,163	0
<b>Total Revenues</b>	<b>74,485,741</b>	<b>3,620,607</b>
<b>Expenditures</b>		
Current		
General Government	10,067,705	0
Security of Persons and Property	37,644,340	0
Physical Environment	3,605,619	0
Transportation	3,520,940	0
Economic Environment	5,978,955	0
Culture and Recreation	5,590,772	0
Debt Service		
Principal	0	0
Interest	0	0
Bond Issuance Costs	0	0
Capital Outlay	69,234	0
<b>Total Expenditures</b>	<b>66,477,565</b>	<b>0</b>
<b>Excess (Deficiency) of revenues</b>		
Over (under) expenditures	8,008,176	3,620,607
<b>Other Financing Sources (Uses)</b>		
Issuance of Debt	0	0
Refunded Amount to Escrow	0	0
Bond Discount/Premium	0	0
Sale of Capital Assets	1,192	0
Insurance Recovery	818	0
Transfers In	194,534	501,824
Transfers Out	(3,644,575)	(4,372,694)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,448,031)</b>	<b>(3,870,870)</b>
<b>Net Change in Fund Balance</b>	<b>4,560,145</b>	<b>(250,263)</b>
<b>Fund Balances Beginning of Year</b>	<b>6,429,953</b>	<b>8,977,396</b>
<b>Changes in Accounting Principle (Note 16)</b>	<b>17,634,669</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>28,624,767</b>	<b>8,727,133</b>

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Governmental Funds  
 For the fiscal year ended December 31, 2011

Page 2 of 2

General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
200,000	0	2,078,317	57,482,839
0	0	0	5,279,547
292,035	2,986,610	571,896	9,123,231
0	8,250	626,031	9,848,611
50,700	46,222	0	1,943,538
386,623	0	15,983	803,086
14,500	106,751	9,859	1,019,273
<b>943,858</b>	<b>3,147,833</b>	<b>3,302,086</b>	<b>85,500,125</b>
43	0	0	10,067,748
20,678	0	0	37,665,018
0	0	30,023	3,635,642
89,420	2,477,029	0	6,087,389
467	0	142,061	6,121,483
3,142	0	923,699	6,517,613
0	0	1,705,000	1,705,000
0	0	2,247,480	2,247,480
0	0	48,679	48,679
4,034,170	4,895,546	9,600	9,008,550
<b>4,147,920</b>	<b>7,372,575</b>	<b>5,106,542</b>	<b>83,104,602</b>
(3,204,062)	(4,224,742)	(1,804,456)	2,395,523
0	0	4,255,000	4,255,000
0	0	(4,385,000)	(4,385,000)
0	0	185,317	185,317
0	0	37,502	38,694
0	0	0	818
1,513,648	4,441,084	2,381,575	9,032,665
(769,873)	0	(210,430)	(8,997,572)
<b>743,775</b>	<b>4,441,084</b>	<b>2,263,964</b>	<b>129,922</b>
(2,460,287)	216,342	459,508	2,525,445
42,429,117	4,031,402	1,687,647	63,555,515
4,000,000	0	505,076	22,139,745
<b>43,968,830</b>	<b>4,247,744</b>	<b>2,652,231</b>	<b>88,220,705</b>

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, 2011

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

Net change in fund balances for governmental funds 2,525,445

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	9,008,550	
Depreciation	(5,337,059)	
Annexation Right of Way	489,309,608	
Annexation Infrastructure	89,114,370	
Annexation Parks	6,750,300	
Fire District 41 Stations	2,929,900	
Public Safety Facility	10,525,304	
CIP Closures	<u>(10,469,128)</u>	
	591,831,845	591,831,845

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

Debt Issuance	(4,255,000)	
Debt Refunded	4,385,000	
Debt Retired	1,705,000	
Bond (Premium) Discount	<u>(196,228)</u>	
	1,638,772	1,638,772

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

Change in Court Receivable		79,080
Change in Pension Asset		127,124

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

Change in Compensated Absences		(74,458)
Accrued Interest		(4,552)
Other Post Employment Benefit Obligation		(340,781)
Bond Subsidy		(47,429)

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

4,193,736

Debt Issuance costs from a prior period.

Debt Issuance Costs		(98,233)
---------------------	--	----------

Change in nets assets of governmental activities

599,830,549

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



City of Kirkland  
**Statement of Net Assets**  
 Proprietary Funds  
 December 31, 2011

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	13,441,294	10,133,996	987,413	24,562,703	13,986,961
Investments (Note 3)	5,015,214	4,400,479	429,497	9,845,190	6,065,788
Receivables					
Interest	180,628	0	0	180,628	0
Contracts	2,191,477	0	0	2,191,477	0
Accounts	4,178,759	342,637	2,251,974	6,773,370	233,500
Assessments					
Deferred	18,567	0	0	18,567	0
Due From Other Governments	21,798	223,500	9,339	254,637	1,063
Due From Other Funds	11,221	0	0	11,221	14,087
Inventories	432,365	50,818	0	483,183	68,784
Restricted Assets					
Prepayments	11,945	10,546	1,387	23,878	19,370
<b>Total Current Assets</b>	<b>25,503,268</b>	<b>15,161,976</b>	<b>3,679,610</b>	<b>44,344,854</b>	<b>20,389,553</b>
Noncurrent Assets and Deferred Charges					
Restricted Assets					
Revenue Bond Reserves	821,130	0	0	821,130	0
<b>Total Restricted Assets</b>	<b>821,130</b>	<b>0</b>	<b>0</b>	<b>821,130</b>	<b>0</b>
Deferred Charges and Other Assets					
Deferred Charges	19,980	0	0	19,980	0
<b>Total Deferred Charges and Other Assets</b>	<b>19,980</b>	<b>0</b>	<b>0</b>	<b>19,980</b>	<b>0</b>
Capital Assets (Note 5)					
Land	47,784	973,300	0	1,021,084	0
Depreciable Capital Assets (Net)	84,196,379	49,296,852	0	133,493,231	7,103,140
Construction in Progress	2,723,742	2,149,278	0	4,873,020	0
<b>Total Capital Assets</b>	<b>86,967,905</b>	<b>52,419,430</b>	<b>0</b>	<b>139,387,335</b>	<b>7,103,140</b>
<b>Total Noncurrent Assets</b>	<b>87,809,015</b>	<b>52,419,430</b>	<b>0</b>	<b>140,228,445</b>	<b>7,103,140</b>
<b>Total Assets</b>	<b>113,312,283</b>	<b>67,581,406</b>	<b>3,679,610</b>	<b>184,573,299</b>	<b>27,492,693</b>

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

City of Kirkland  
**Statement of Net Assets**  
 Proprietary Funds  
 December 31, 2011

Page 2 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	52,284	42,372	893,195	987,851	166,490
Claims Payable	0	0	0	0	608,848
Wages Payable	67,505	83,644	11,023	162,172	165,264
Compensated Absences Payable	51,067	54,645	3,466	109,178	118,796
Due to Other Funds	1,952	11,526	0	13,478	22,860
Due to Other Governments	808,581	81,361	298,832	1,188,774	38,047
Accrued Interest Payable	8,160	0	0	8,160	0
Deferred Revenue	2,217,044	126,541	0	2,343,585	306,090
Loans and Contracts Payable (current portion)	387,178	0	0	387,178	0
Sub-total Current Liabilities	3,593,771	400,089	1,206,516	5,200,376	1,426,395
Current Liabilities Payable From Restricted Assets					
Accrued Interest Payable	6,238	0	0	6,238	0
Current Bond Principle Payable	765,000	0	0	765,000	0
Sub-total Current Liabilities Payable From Restricted Assets	771,238	0	0	771,238	0
Total Current Liabilities	4,365,009	400,089	1,206,516	5,971,614	1,426,395
Noncurrent Liabilities					
Compensated Absences Payable	12,767	13,661	867	27,295	29,699
Loans and Contracts Payable	2,132,322	0	0	2,132,322	0
Bonds Payable	935,000	0	0	935,000	0
Total Noncurrent Liabilities	3,080,089	13,661	867	3,094,617	29,699
<b>Total Liabilities</b>	<b>7,445,098</b>	<b>413,750</b>	<b>1,207,383</b>	<b>9,066,231</b>	<b>1,456,094</b>
<b>Net Assets</b>					
Invested in capital assets net of related debt	82,748,404	52,419,430	0	135,167,834	7,103,140
Restricted for:					
Debt Service	821,130	0	0	821,130	0
Unrestricted	22,297,651	14,748,226	2,472,227	39,518,104	18,933,459
<b>Total Net Assets</b>	<b>105,867,185</b>	<b>67,167,656</b>	<b>2,472,227</b>	<b>175,507,068</b>	<b>26,036,599</b>

City of Kirkland  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2011

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Operating Revenues</b>					
Intergovernmental	0	0	0	0	88,903
Charges for Services	19,380,946	6,767,207	10,063,072	36,211,225	16,588,638
Miscellaneous Revenues	355,260	10,528	0	365,788	577,338
<b>Total Operating Revenues</b>	<b>19,736,206</b>	<b>6,777,735</b>	<b>10,063,072</b>	<b>36,577,013</b>	<b>17,254,879</b>
<b>Operating Expenses</b>					
Administrative and General	2,766,722	2,431,337	872,167	6,070,226	8,112,702
Supplies	0	0	0	0	113,485
Maintenance and Operations	12,703,794	1,105,648	8,960,104	22,769,546	5,354,624
Taxes	817,454	123,120	684,124	1,624,698	0
Depreciation	2,378,109	1,035,182	0	3,413,291	1,124,764
<b>Total Operating expenses</b>	<b>18,666,079</b>	<b>4,695,287</b>	<b>10,516,395</b>	<b>33,877,761</b>	<b>14,705,575</b>
<b>Operating Income (Loss)</b>	<b>1,070,127</b>	<b>2,082,448</b>	<b>(453,323)</b>	<b>2,699,252</b>	<b>2,549,305</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	179,206	137,285	17,038	333,529	90,819
Grant Income	112,832	289,990	112,201	515,023	0
Intergovernmental	0	14,900	0	14,900	0
Interest Expense	(107,227)	0	0	(107,227)	0
Amortization of Debt Issue Costs	(47,640)	0	0	(47,640)	0
Other Nonoperating Revenues/(Expenses)	0	0	(138,660)	(138,660)	748,343
<b>Total Nonoperating revenues (expenses)</b>	<b>137,171</b>	<b>442,175</b>	<b>(9,421)</b>	<b>569,925</b>	<b>839,162</b>
<b>Income Before Contributions and Transfers</b>	<b>1,207,298</b>	<b>2,524,623</b>	<b>(462,744)</b>	<b>3,269,177</b>	<b>3,388,467</b>
<b>Capital Contributions</b>					
Contributions	933,222	19,096,400	0	20,029,622	0
Transfers In	0	0	0	0	1,235,656
Transfers Out	(143,000)	(397,362)	(300,000)	(840,362)	(430,387)
Change in Net Assets	1,997,520	21,223,661	(762,744)	22,458,437	4,193,736
Total Net Assets - Beginning	103,869,665	45,943,995	3,234,971	153,048,631	21,842,863
<b>Total Net Assets - Ending</b>	<b>105,867,185</b>	<b>67,167,656</b>	<b>2,472,227</b>	<b>175,507,068</b>	<b>26,036,599</b>

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



City of Kirkland  
**Statement of Cash Flows**  
Proprietary Funds  
For the fiscal year ended December 31, 2011  
Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
<b>Cash Flows From Operating Activities</b>					
Cash Received From Customers	18,908,453	6,568,055	8,995,203	34,471,711	0
Cash Received From Interfund Charges	0	0	0	0	9,743,517
Contributions Received from Employees and Employer	0	0	0	0	7,135,504
Cash From Other Sources	416,218	24,470	265,865	706,553	475,105
Cash Paid to Suppliers for Goods and Services	(11,203,248)	(587,742)	(8,086,054)	(19,877,044)	(7,483,377)
Cash Paid to Employees for Services	(1,834,122)	(1,750,587)	(194,172)	(3,778,881)	(3,675,552)
Cash Paid in Lieu of Taxes	(603,684)	(122,565)	(523,447)	(1,249,696)	0
Cash Paid for Central Business Functions	(2,198,217)	(1,099,353)	(588,610)	(3,886,180)	(1,730,245)
<b>Net Cash Provided by Operating Activities</b>	<b>3,485,400</b>	<b>3,032,278</b>	<b>(131,215)</b>	<b>6,386,463</b>	<b>4,464,952</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Proceeds From State and Local Grants	112,832	139,132	126,926	378,890	83,960
Proceeds From Intergovernmental	0	83,297	0	83,297	0
Grant Administration Expenditures	0	0	(135,763)	(135,763)	0
Transfers In	0	0	0	0	1,221,569
Transfers Out	(143,000)	(397,362)	(300,000)	(840,362)	(416,300)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(30,168)</b>	<b>(174,933)</b>	<b>(308,837)</b>	<b>(513,938)</b>	<b>889,230</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds From Project Cost Share	67,968	0	0	67,968	0
Capital Contributed by Developers	869,220	37,999	0	907,219	0
Contributions From (To) Other Funds and Governments	0	0	0	0	500,000
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	163,710
Principal Payments on Notes, Capital Leases and Bonds	(1,117,178)	0	0	(1,117,178)	0
Interest Paid on Notes, Capital Leases and Bonds	(111,665)	0	0	(111,665)	0
Interest Received on Program Loans	60,842	0	0	60,842	0
Acquisition and Construction of Capital Assets	(449,778)	(1,017,739)	0	(1,467,517)	(1,805,909)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(680,591)</b>	<b>(979,740)</b>	<b>0</b>	<b>(1,660,331)</b>	<b>(1,142,199)</b>
<b>Cash Flows From Investing Activities</b>					
Net (Increase) Decrease in Investments	854,708	727,726	324,934	1,907,368	364,025
Interest Revenue	158,698	134,815	17,038	310,551	103,243
<b>Net Cash Provided by Investing Activities</b>	<b>1,013,406</b>	<b>862,541</b>	<b>341,972</b>	<b>2,217,919</b>	<b>467,268</b>
Net Increase (Decrease) in Cash and Cash Equivalents	3,788,047	2,740,146	(98,080)	6,430,113	4,679,251
Cash and Cash Equivalents, January 1	9,653,247	7,393,850	1,085,493	18,132,590	9,307,710
<b>Cash and Cash Equivalents, December 31</b>	<b>13,441,294</b>	<b>10,133,996</b>	<b>987,413</b>	<b>24,562,703</b>	<b>13,986,961</b>

City of Kirkland  
**Statement of Cash Flows**  
Proprietary Funds  
For the fiscal year ended December 31, 2011  
Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	1,070,127	2,082,448	(453,323)	2,699,252	2,549,305
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	2,378,109	1,035,182	0	3,413,291	1,124,763
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(498,312)	(195,090)	(802,322)	(1,495,724)	(226,279)
(Increase) Decrease in Operating Due From Other Governments	(1,151)	1,466	0	315	4,933
(Increase) Decrease in Operating Due From Other Funds	(3,768)	0	52	(3,716)	0
(Increase) Decrease in Other Accounts Receivable	3,504	25,077	0	28,581	0
(Increase) Decrease in Operating Inventory	(43,552)	5,666	0	(37,886)	(3,503)
(Increase) Decrease in Deferred Assessments	(7,597)	0	0	(7,597)	0
(Increase) Decrease in Prepayments	(11,945)	(10,546)	(1,387)	(23,878)	(19,370)
(Increase) Decrease in Reclassification of Nonoperating Revenue	0	0	0	0	(14,087)
Increase (Decrease) in Capital Accounts Payable	0	0	0	0	(113)
Increase (Decrease) in Operating Accounts Payable	27,998	3,611	879,471	911,080	88,943
Increase (Decrease) in Claims Payable	0	0	0	0	608,848
Increase (Decrease) in Operating Due to Other Funds	(101)	2,686	0	2,585	16,511
Increase (Decrease) in Operating Due to Other Governments	565,265	43,461	240,544	849,270	17,553
Increase (Decrease) in Wages Payable	(4,348)	25,171	3,916	24,739	22,323
Increase (Decrease) in Compensated Absences Payable	(8,005)	17,856	1,834	11,685	(7,003)
Increase (Decrease) in Refunds Payable	(4,858)	0	0	(4,858)	0
Increase (Decrease) in Deferred Revenue	24,034	(4,710)	0	19,324	302,129
<b>Net Cash Provided by Operating Activities</b>	<b>3,485,400</b>	<b>3,032,278</b>	<b>(131,215)</b>	<b>6,386,463</b>	<b>4,464,952</b>
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	71,822	19,058,401	0	19,130,223	0
Change in Fair Value of Investments	16,566	12,688	1,969	31,223	9,750

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, 2011

	Firefighter's Pension	Agency Funds
<b>Assets</b>		
Cash and Cash Equivalents	1,169,742	35,764
Investments, at fair value:		
Government Sponsored Enterprise Securities	508,061	0
Deposits	0	1,318,514
<b>Total Assets</b>	<b>1,677,803</b>	<b>1,354,278</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	0	0
Due to Other Governments	0	23,507
Deposits	0	1,330,771
<b>Total Liabilities</b>	<b>0</b>	<b>1,354,278</b>
Net Assets		
Held in Trust for Pension Benefits	1,677,803	0
<b>Total Net Assets</b>	<b>1,677,803</b>	<b>0</b>

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

City of Kirkland  
**Statement of Changes in Fiduciary Net Assets**  
 Firefighter's Pension Fund  
 For the Fiscal Year Ended December 31, 2011

	Firefighter's Pension
<b>Additions</b>	
Fire Insurance Premium Contributions	77,880
Net Investment Income	14,200
<b>Total Additions</b>	<b>92,080</b>
<b>Deductions</b>	
Benefit Payments	13,448
Administrative Expenses	0
<b>Total Deductions</b>	<b>13,448</b>
Net Increase (Decrease)	78,632
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,599,171
<b>End of Year</b>	<b>1,677,803</b>

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



**City of Kirkland**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year ended December 31, 2011**

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City of Kirkland

**Notes to the Basic Financial Statements**

For Year Ended December 31, 2011

**NOTE 1:  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Property taxes, sales taxes, utility taxes, gambling and admissions taxes, and franchise fees associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City of Kirkland.

The City of Kirkland reports the following major Governmental funds:

- General Fund is the general operating fund of the City. It accounts for all financial resources and transactions of the City not required to be accounted for in another fund. In some documents, this fund is referred to as the Current Expense Fund.
- Excise Capital Improvement Fund accounts for the administration of real estate excise taxes set aside for municipal capital improvements.
- General Capital Projects Fund accounts for the acquisition and construction of capital projects funded from general revenue sources.
- Grant Capital Projects Fund accounts for the acquisition and construction of transportation related capital projects in which many of the projects are financed through grants.

The City of Kirkland reports the following major Proprietary Funds:

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

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

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

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

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

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

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

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

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

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

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

**Budgetary Data**

The City of Kirkland budgets its funds on a cash basis in accordance with the Revised Code of Washington 35A.33. In compliance with the code, budgets for all funds are established. Budgets

established for the proprietary funds are considered "management budgets," and as such, are not required to be reported in the Comprehensive Annual Financial Report.

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

### **Procedures for Adopting the Original Budget**

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

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

**Amending the Budget**

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

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

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

**Assets, Liabilities and Equities**

**Cash and Investments**

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

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

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

**Receivables**

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

- Property Taxes                      Uncollected property taxes levied for the current year are reported as receivables at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore, no allowance for uncollectible taxes is recorded.
- Sales Tax                              Sales Tax collected for November and December but not remitted by the state until the following year, are reported as receivables at year-end.
- Other Taxes                            Utility, Gambling, Admission Taxes, and Franchise Fees remitted after the end of the year for activity occurring during the prior year are reported as receivables at year-end.
- Accounts Receivable                Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services provided, including

amounts owed for which billings have not yet been prepared. 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**

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

**Inventories**

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

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

**Prepayments**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

**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 water and sewer comprehensive plans and a capital financing reserve study. 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 or those acquired through annexation are recorded at estimated fair market value at the date of donation.

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

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

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

**Compensated Absences**

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

Vacation leave is accumulated monthly at annual rates ranging from 104 hours to 288 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established limits and not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed 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 180 days. Fire and police employees who entered the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) prior to October 1, 1977, do not accumulate sick leave, because they have unlimited disability coverage under state retirement law. Any outstanding sick leave is lost at termination of employment.

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

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$10,500 for 2011.

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

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

**Deferred Revenues**

Deferred revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes a deferred revenue as the offset. The deferred revenues include uncollected property taxes levied and business license fees collected in 2011 for 2012.

**Fund Balance**

In the fund financial statements, governmental funds report fund classification that comprise a hierarchy based on the extent to which the City is bound to honor constraints on how the amounts in those funds can be spent. Amounts that are restricted by specific purposes stipulated by external resource providers, imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balance. Amounts that can be used only for specific purposes determined by a formal action of the City Council are classified as committed fund balance. Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the City Manager or Finance Director based on Council direction. Non-spendable fund balances include amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. Unassigned fund balance represents a residual classification for the general fund and includes all amounts not contained in the other classifications. These amounts are technically available for any purpose.

**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	1,838,988
Negative Net Pension Obligation	887,834
Deferred Charges	
Debt Discount	176,395
Net Adjustment	<u>\$2,903,217</u>

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

Bonds Payable	49,255,000
Compensated Absences	2,569,843
Net OPEB Obligation	2,324,299
Accrued Interest Payable	186,802
Net Adjustment	<u>\$54,335,944</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	903,564,028
Depreciation	<u>(123,595,931)</u>
Net Capital Assets Adjustment	<u>\$779,968,097</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	9,008,550
Depreciation Expense	(5,337,059)
Annexation Right of Way	489,309,608
Annexation Infrastructure	89,114,370
Annexation Parks	6,750,300
Fire District 41 Stations	2,929,900
Public Safety Facility	10,525,304
CIP Closures	(10,469,128)
Net Adjustment	<u>\$591,831,845</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.

Debt Issuance	(4,255,000)
Debt Refunded	4,385,000
Debt Retired	1,705,000
Bond (Premium) Discount	(196,228)
Net Adjustment	<u>\$1,638,772</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	79,080
Negative Pension Obligation	127,124
Net Adjustment	<u>\$206,204</u>

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

Net OPEB Obligation	(340,781)
Compensated Absence Payable	(74,458)
Accrued Interest Payable	(4,552)
Bond Subsidy	(47,429)
Debt Issuance Costs	(98,233)
Net Adjustment	<u>\$(565,453)</u>

**NOTE 3:  
DEPOSITS AND INVESTMENTS**

**Deposits**

The City of Kirkland’s bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC.

Cash held in the Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). This pool represents an interest in a group of securities and has no specific security subject to custodial risk. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

**Investments**

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

**Credit Risk**

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause the price of the investment to decline. The City’s investment policy applies the prudent person standard; Investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of Kirkland on December 31, 2011 are listed below:

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

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

**Custodial Credit Risk**

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

**Concentration of Credit Risk**

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. It is the City's policy to diversify its investments by security type and institution. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and authorized pools, no more than 30% of the entity's total investment portfolio will be invested in a single security type, issuer or financial institution.

**Interest Rate Risk**

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 0.97 years.

The Washington State Local Government Investment Pool is an unrated 2a-7 like pool as defined by GASB 31, accordingly participants balances are not subject to interest rate risk as the weighted average maturity of the portfolio will not exceed 90 days. The Average Days to Maturity on December 31, 2011 was 32 days.

City of Kirkland Cash, Deposits and Investments  
 Segmented Time Distribution  
 At December 31, 2011

Investment Type	Fair Value*	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
Federal Farm Credit Bank	5,013,450	5,013,450					
Federal Farm Credit Bank callable	5,038,400						5,038,400
Federal Agricultural Mortgage Corporation	2,775,493						2,775,493
Federal Home Loan Bank callable	5,002,555						5,002,555
Federal National Mortgage Association callable	15,016,385				5,017,190		9,999,195
Deschutes & Jefferson County's School District GO Bonds	1,232,198 *	1,232,198					
Grant County, WA Public Utility District #2	2,299,142 *			2,299,142			
Oregon State General Obligation Pension Bonds	2,675,921 *	2,675,921					
Port of Vancouver WA General Obligation bonds	773,618		773,618				
Vancouver WA GO LTD	456,199 *		456,199				
Washington State Certificates of Participation	2,546,698 *				2,546,698		
FDIC or PDPC Insured Bank Deposits	51,855,810	51,855,810					
	\$ 94,685,869	60,777,379	1,229,817	2,299,142	7,563,888	-	22,815,643
<b>Uncategorized Cash and Deposits</b>							
Fire District #41 Funds held by King County	2,627						
Washington State Local Government Investment Pool	46,844,399						
Cash on Hand	18,600						
	\$ 46,865,626						
Total Cash, Deposits and Investments	\$ 141,551,495						

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

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

**NOTE 4:  
PROPERTY TAXES**

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

Property Tax Calendar:

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

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

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred 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.

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

The City's regular tax levy in 2011 was \$1.30370 per \$1,000 on an assessed valuation of \$10,709,950,883 for a total regular levy of \$13,962,487. The excess tax levy was \$0.08534 per \$1,000 for an excess levy of \$913,986. 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, 2011, was as follows:

	<u>Balance Jan. 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2011</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	80,780,389	502,966,931	628	583,746,692
Construction in Progress	41,130,628	8,929,715	20,267,868	29,792,475
Artwork	1,612,966	17,000	0	1,629,966
Total Capital Assets, Not Being Depreciated:	\$123,523,983	511,913,646	20,268,496	\$615,169,133
Capital Assets, Being Depreciated:				
Buildings	30,637,432	8,884,429	0	39,521,861
Improvements	21,615,987	4,777,021	0	26,393,008
Machinery and Equipment	14,575,713	1,888,715	625,787	15,838,641
Infrastructure	129,301,084	91,779,610	0	221,080,694
Total Capital Assets, Being Depreciated:	\$196,130,216	107,329,775	625,787	\$302,834,204
Less Accumulated Depreciation for:				
Buildings	10,316,567	662,451	0	10,979,018
Improvements	10,755,760	1,753,715	0	12,509,475
Machinery and Equipment	7,934,658	1,202,274	625,787	8,511,145
Infrastructure	96,089,080	2,843,382	0	98,932,462
Total Accumulated Depreciation	\$125,096,065	6,461,822	625,787	130,932,100
Total Capital Assets, Being Depreciated, Net	\$71,034,151	100,867,953	0	\$171,902,104
Governmental Activities Capital Assets, Net	\$194,558,134	612,781,599	20,268,496	\$787,071,237
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	47,784	973,300	0	1,021,084
Construction In Progress	8,702,129	1,393,307	5,222,416	4,873,020
Total Capital Assets, Not Being Depreciated	\$8,749,913	2,366,607	5,222,416	\$5,894,104
Capital Assets, Being Depreciated:				
Buildings	47,591	0	0	47,591
Improvements	156,884,180	23,379,339	0	180,263,519
Total Capital Assets, Being Depreciated	\$156,931,771	23,379,339	0	\$180,311,110
Less Accumulated Depreciation for:				
Buildings	41,368	3,113	0	44,481
Improvements	43,363,220	3,410,178	0	46,773,398
Total Accumulated Depreciation	\$43,404,588	3,413,291	0	\$46,817,879
Total Capital Assets, Being Depreciated, Net	\$113,527,183	19,966,048	0	\$133,493,231
Business-Type Activities Capital Assets, Net	\$122,277,096	22,332,655	5,222,416	\$139,387,335

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

Governmental Activities:	
General Government	1,005,184
Judicial	117,378
Security of Persons and Property	949,412
Human Services	0
Physical Environment	557,654
Transportation (includes depreciation of general infrastructure assets)	2,845,446
Economic Environment	6,919
Culture and Recreation	979,829
Total Depreciation Expense – Governmental Activities	<u>\$6,461,822</u>

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

Business-type Activities:	
Water/Sewer Utility	2,378,109
Surface Water Utility	1,035,182
Solid Waste Utility	0
Total Depreciation Expense – Business-type Activities	<u>\$3,413,291</u>

**Construction Obligations**

The City of Kirkland has active construction projects as of December 31, 2011. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Transportation	3,764,980	3,202,782
Surface Water Utility	220,358	59,440
Sewer Utility	0	831,445
Total	<u>\$3,985,338</u>	<u>\$ 4,093,667</u>

**NOTE 6:  
PENSION PLANS**

**State Systems**

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

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

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

**Plan Description**

The Legislature established PERS in 1947. PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system), employees of legislative committees, community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts, and employees of local governments.

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

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired for 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor

option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost of living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on the job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with 5 years of service. The monthly benefit is two percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost of living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom.

PERS Plan 3 has a dual benefit structure. Employer contributions to Plan 3 finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is one percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months)

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

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

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

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

PERS Plan 3 defined benefits retirement benefits are also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost of living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on the job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A onetime duty related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if

the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

**Judicial Benefit Multiplier**

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75% of AFC, pay higher contributions; stop contributing to the Judicial Retirement Account (JRA); and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	51,005
Total	262,285

**Funding Policy**

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 to 15 percent based on member choice; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

Members Not Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

- \* The employer rates include the employer administrative expense fee currently set at 0.16%.
- \*\* The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
- \*\*\* Plan 3 defined benefit portion only.
- \*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
- \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Members Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	7.25%	7.25%	7.25%**
Employee	12.26%	11.60%	7.50%***

- \* The employer rates include the employer administrative expense fee currently set at 0.16%.
  - \*\* Plan 3 defined benefit portion only.
  - \*\*\* Minimum rate.
- Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2011	\$32,096	\$998,988	\$177,698
2010	\$34,585	\$853,349	\$146,922
2009	\$48,851	\$1,195,404	\$230,002

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

**Plan Description**

The Legislature established LEOFF in 1970. LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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

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

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

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

A one-time duty related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months.) Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty related and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

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

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

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

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit. LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington State Health Care Authority.

A one-time duty related benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Non-vested	<u>3,656</u>
Total	27,505

**Funding Policy**

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service

costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.16%	5.24%
Employee	0.00%	8.46%
State	n/a	3.38%

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2011	\$ 179	\$826,510
2010	\$ 144	\$822,209
2009	\$ 211	\$799,074

**Public Safety Employees' Retirement System (PSERS) Plan 2**

**Plan Description**

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

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

A "covered employer" is one that participates in PSERS. Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board;
- Corrections departments of Washington state counties;
- Corrections departments of Washington state cities except for Seattle, Tacoma and Spokane;
- Interlocal corrections agencies

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

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

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

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member’s 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member’s age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years).

PSERS Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, may apply for interruptive military service credit. Should any such member die during this active duty, the member’s surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not a normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	<u>4,210</u>
Total	4,217

**Funding Policy**

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

	<u>PSERS Plan 2</u>
Employer*	8.86%
Employee	6.36%

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

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

	<u>PSERS Plan 2</u>
2011	\$56,679
2010	\$49,553
2009	\$41,548

**Volunteer Firefighters' Relief and Pension Fund**

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

**Firefighters' Pension**

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

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

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

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2011:

Retirees and beneficiaries receiving benefits	5
Active plan members	0
Total	5

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

	2009	2010	2011
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	12,442	0	0
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(54,069)	(75,855)	(75,855)
Interest to End of Year	(1,665)	(3,034)	(3,034)
ARC at End of Year	(43,292)	(78,889)	(78,889)
Interest on Net Pension Obligation (NPO)	(21,177)	(25,052)	(30,170)
Adjustment to ARC	(35,227)	(42,927)	(53,365)
Annual Pension Cost (APC)	(29,242)	(61,014)	(55,694)
Employer Contributions	67,634	73,386	77,880
Change in NPO	(96,876)	(134,400)	(133,574)
NPO at Beginning of Year	(529,436)	(626,312)	(754,260)*
NPO at End of Year	(626,312)	(760,712)*	(887,834)

The negative net pension obligation has been recorded as a receivable on the City's government-wide statement of net assets. \*the variance in NPO Ending 2010 and beginning 2011 is due to a new valuation completed January 1, 2012.

Schedule of Contributions from the Employer and Other Contributing Entities:

Year Ended December 31	Employer Contribution \$	Fire Insurance Premium Taxes \$	Interest Earned on Net Fund Balance \$	Annual Required Contribution*	Percentage Contributed
1998	0	40,759	18,159	-	-
1999	0	48,218	12,018	-	-
2000	0	27,006	23,174	-	-
2001	0	29,825	33,899	-	-
2002	(7,992)	33,969	0	-	-
2003	0	39,054	0	-	-
2004	0	46,833	0	(30,847)	-
2005	(3,634)	47,131	0	(30,847)	-
2006	(15,582)	55,586	42,653	(38,966)	-
2007	(8,605)	68,210	57,972	(38,966)	-
2008**	0	70,929	58,891	(43,292)	-
2009	0	67,634	33,503	(43,292)	-
2010	(7,625)	74,559	17,793	(78,889)	-
2011	0	77,880	14,200	(78,889)	-

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

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

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets \$ (in thousands)	Actuarial Accrued Liabilities Entry Age \$ (in thousands)	Unfunded Actuarial Accrued Liabilities \$ (UAAL)	Funded Ratio %	Covered Payroll \$ (in thousands)	UAAL as a Percentage of Covered Payroll %
1/1/2006	1,090	533	(557)	205	84	(663)
1/1/2008	1,305	469	(836)	278	90	(929)
1/1/2010	1,527	420	(1,107)	364	0	N/A
1/1/2012	1,678	396	(1,282)	424	0	N/A

Three Year Trend Information (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC) \$	Contributions as a Percentage of APC %	Net Pension Obligation (NPO) \$
12/31/09	(29,242)	NA	(626,312)
12/31/10	(61,014)	NA	(760,712)
12/31/11	(55,694)	NA	(887,834)

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

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

Actuarial economic assumptions:

Investment rate of return	4.0%
Projected salary increases <sup>(2)</sup>	3.75%
Consumer Price Index	2.75%
Projected annual growth in fire Insurance premium tax revenue	2.75%

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

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

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

**Municipal Employees Benefit Trust**

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 435 employees who participated in the program during 2011. The City's contribution for 2011 was \$1,763,914; employee contributions were \$2,333,592 during the same period. The rate the City must pay and the employee may pay is equal to the 2010 Social Security rate and does not change with the Federal Payroll Tax credit legislation.

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

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

**NOTE 7:  
OTHER POST EMPLOYMENT BENEFITS**

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2011 there were 34 retirees receiving these benefits with 1 active employee eligible for these benefits when he retires.

For 2011, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 409,879
	Direct Medical Costs	<u>51,848</u>
	Total Costs	<u>\$ 461,727</u>

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

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post employment benefit cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. The following table shows the City's annual OPEB cost for 2009, 2010 and 2011. The date of the last actuarial valuation done by Milliman was January 1, 2008. Beginning in 2009, the OPEB liability was calculated using the Alternative Measurement Method for GASB 45 by the Office of the State Actuary for the State of Washington. The net OPEB obligation of \$2,324,299 is included as a noncurrent liability on the Statement of Net Assets.

	12/31/2009	12/31/2010	12/31/2011
Determination of Annual Required Contribution			
Normal Cost at Year End	10,815	10,518	10,144
Amortization of UAAL	998,552	937,700	887,799
Annual Required Contribution (ARC)	\$1,009,367	\$948,218	\$897,943
Determination of Net OPEB Obligation			
Annual Required Contribution	\$1,009,367	\$948,218	\$897,943
Interest on Prior Year Net OPEB Obligation	49,694	72,251	89,258
Adjustments to ARC	102,826	149,501	184,693
Annual OPEB Cost	956,235	870,968	802,508
Contributions Made	454,963	493,023	461,728
Increase in Net OPEB Obligation	\$501,272	\$377,945	\$340,780
Net OPEB Obligation - beginning of year	\$1,104,302	\$1,605,574	\$1,983,519
Net OPEB Obligation – end of year	\$1,605,574	\$1,983,519	\$2,324,299

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2007, 2008, 2009, 2010 and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$796,162	58.7%	\$708,429
12/31/2008	\$817,326	51.5%	\$1,104,302
12/31/2009	\$956,235	47.6%	\$1,605,574
12/31/2010	\$870,967	56.6%	\$1,983,519
12/31/2011	\$802,508	57.5%	\$2,324,299

**Funding Status and Funding Progress**

As of December 31, 2011, the plan was 0% funded. The accrued liability for benefits was \$9,534,557 and actuarial value of assets was \$0 resulting in a UAAL of \$9,534,557.

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

**Actuarial Assumptions**

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

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

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

For years 2007 and 2008 the following methodologies were used to calculate the liability:

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

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

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

Beginning in 2009, the City used the alternative measurement method permitted under GASB Statement 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2007, actuarial valuation report issued by the Office of the State Actuary. Healthcare costs and trends were determined by Milliman and used by the Office of the State Actuary in the state-wide LEOFF 1 medical study performed in 2007. The results are based on

grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

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

**NOTE 8:  
RISK MANAGEMENT**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 150 Members.

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

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

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

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2011.

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

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

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

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

**Medical Self Insurance**

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

In order to mitigate its risk exposure the City holds individual and aggregate stop loss insurance. There were two claims in excess of the \$100,000 per person stop loss maximum in 2011. In accordance with GASB Statement 10, estimated liabilities are accrued for current outstanding claims and claims incurred but not reported (IBNR).

	<u>Beginning Of Year Liability</u>	<u>Incurred Claims Including IBNRs</u>	<u>Claim Payments</u>	<u>Unpaid Claims</u>
2011	\$ 0	\$ 5,140,580	\$ 4,636,937	\$ 503,643

**NOTE 9:  
LONG-TERM DEBT**

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has seven loans with principal outstanding of \$2,519,500. This debt will be repaid from Water/Sewer Fund revenues.

On December 21, 2010, the City issued \$35,345,000 in Limited Tax General Obligation Bonds (Build America Bonds – Direct Payment) with a net interest cost of 3.53 percent and final payment on December 1, 2040. The federal subsidy rate on the bonds is 35 percent of the interest paid by the issuer (ie: the City). The proceeds from these bonds are being used to pay the costs of reimbursing previously incurred capital expenditures (designated for reimbursement) associated with the purchase of property, improvements and modifications for use as a public safety facility for the City and refurbishing and furnishing the public safety facility.

Year Ending December 31	Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment)			
	Principal	Gross Interest	Interest Subsidy	Net Totals
2012	640,000	1,720,560	602,196	1,758,364
2013	645,000	1,712,880	599,508	1,758,372
2014	655,000	1,703,205	596,122	1,762,083
2015	990,000	1,691,415	591,995	2,089,420
2016	1,010,000	1,669,635	584,372	2,095,263
2017-2021	5,145,000	7,851,060	2,747,871	10,248,189
2022-2026	5,310,000	6,795,980	2,378,593	9,727,387
2027-2031	6,245,000	5,356,270	1,874,694	9,726,576
2032-2036	7,490,000	3,450,494	1,207,673	9,732,821
2037-2040	7,080,000	1,584,057	374,470	8,289,587
<b>Total</b>	<b>\$ 35,210,000</b>	<b>\$ 33,535,556</b>	<b>\$ 11,557,494</b>	<b>57,188,062</b>

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

On September 2, 2011, the City issued \$4,255,000 Limited Tax General Obligation Refunding Bonds at a net interest cost of 1.38 percent with final payment on December 1, 2021. The Bonds were issued for the purpose of refunding on a current basis the City's Limited Tax General Obligation Bonds, 1999 and the City's Limited Tax General Obligation Refunding Bonds, 2001 and paying costs of issuance of the Bonds.

The City realized a net economic gain on the transaction with the reduced principal due to the premium received on the sale and reduced debt payments. The principal was reduced \$130,000 and the aggregate difference in debt service between the refunded debt and the refunding debt is a reduction of \$628,492 in total payments over the life of the bond.

General obligation bonds currently outstanding are as follows:

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/11	Due Within One Year
1995 Unltd G.O. Public Safety, Forbes Creek Fire Station	08/01/95	12/01/14	4.65 to 7.00	1,020,000	780,000	240,000	75,000
2001 Unltd. G.O. Refunding 1992 UTGO Public Safety Bonds	07/06/01	12/12/12	4.00 to 4.65	1,730,000	1,545,000	185,000	185,000
2003 Unltd. G.O. Park Acquisition and Improvements	01/30/03	12/01/22	4.408	8,400,000	3,035,000	5,365,000	390,000
2010 LTGO Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment)	12/21/10	12/01/40	0.900 to 5.95	35,345,000	135,000	35,210,000	640,000
2011 Limited Tax General Obligation Bond	05/26/11	12/01/21	3.20	4,000,000	0	4,000,000	171,286
2011 Limited Tax General Obligation Refunding Bonds	09/02/11	12/01/21	1.20	4,255,000	0	4,255,000	910,000
<b>Total</b>				<b>\$54,750,000</b>	<b>\$5,495,000</b>	<b>\$49,255,000</b>	<b>\$2,371,286</b>

\* Councilmanic

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

Year Ending	Governmental Activities	
	Principal	Interest
December 31		
2012	2,545,313	2,238,881
2013	2,431,451	2,151,056
2014	2,502,949	2,091,033
2015	2,014,817	2,026,230
2016	2,072,069	1,970,498
2017-2021	10,958,401	8,713,810
2022-2026	5,915,000	6,795,980
2027-2031	6,245,000	5,356,270
2032-2036	7,490,000	3,450,494
2037-2040	7,080,000	1,069,915
<b>Total</b>	<b>\$49,255,000</b>	<b>\$35,864,167</b>

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 12/31/11	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	3,120,000	605,000	605,000
1993 Public Works Trust Loan Lake Street Sewer Line Replacement	08/05/93	07/01/13	1.0	823,368	736,698	86,670	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	1,037,295	194,405	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	980,451	185,049	61,683
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	06/07/95	07/01/15	1.0	794,850	616,762	178,088	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	07/01/00	07/01/19	1.0	227,500	127,220	100,280	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/01	07/01/21	0.5	1,848,000	818,314	1,029,686	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	09/01/04	07/01/24	.5	1,086,300	340,978	745,322	57,332
2004 Water/Sewer Revenue Refunding Bonds	08/01/04	06/01/14	2.0 to 4.0	3,090,000	1,995,000	1,095,000	160,000
<b>Total</b>				<b>\$13,992,218</b>	<b>\$9,772,718</b>	<b>\$4,219,500</b>	<b>\$1,152,178</b>

The revenue debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
	2012	1,152,178
2013	847,178	41,450
2014	818,842	19,679
2015	217,358	7,542
2016	172,836	6,170
2017-2021	839,110	17,075
2022-2024	171,998	1,720
<b>Total</b>	<b>\$4,219,500</b>	<b>\$166,086</b>

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

On November 29, 2010, Moody's Investors Service assigned a rating of Aa2 to City of Kirkland, Washington's Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds – Direct Payment). On November 30, 2010, Standard & Poor's assigned a rating of AAA to the same bond issuance.

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

On November 17, 2008, Standard and Poor's upgraded the City's Water and Sewer Revenue Bonds from "AA-" to "AAA" and on November 24, 2008, upgraded the City's General Obligation Bonds from "AA-" to "AAA." On August 16, 2011, Standard and Poor's affirmed the City of Kirkland's AAA rating.

Moody's ratings for Kirkland are now as follows:

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

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

1996 Water and Sewer Revenue Refunding Bonds – FSA  
 2001 UTGO Refunding Bonds – AMBAC  
 2003 UTGO Bonds – MBIA  
 2004 Water and Sewer Revenue and Refunding Bonds – MBIA

<u>MBIA Rating as of December 31, 2011</u>		<u>Date</u>
S&P	BBB	December 22, 2010
Moody's	Baa2	December 19, 2011

<u>AMBAC Rating as of December 31, 2011</u>		<u>Date</u>
S&P	R – Regulatory Supervision	March 25, 2010
Moody's	Caa2	March 26, 2010

<u>FSA Rating as of December 31, 2011</u>		<u>Date</u>
S&P	AA-	November 30, 2011
Moody's	Aa3	December 18, 2009

**Compensated Absences**

The City's liability for accrued compensated absences is recorded in the table of Changes in long-Term Liabilities, NOTE 11. The governmental activities category includes a liability of \$148,495 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General Fund and Parks Maintenance Fund.

**NOTE 10:  
LEASES**

**Operating Leases**

**Copier Leases**

In 2009, the City entered into a 36 month lease for a Cannon IR 3225. The total cost for the year ended December 31, 2011, was \$1,872. The future minimum payments for this agreement are summarized as follows:

2012	1,872
Total	<u>\$ 1,872</u>

In 2011, the City entered into two 60 month leases for a Konica Minolta C652 and Konica Minolta C652. The total cost for the year ended December 31, 2011, was \$5,194. The future minimum payments for these agreements are summarized as follows:

2012	17,845
2013	17,845
2014	17,845
2015	17,845
2016	<u>12,652</u>
Total	<u>\$ 84,032</u>

**King County Housing Authority**

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. Lease payments for 2011 totaled \$95,220. Future minimum payments are summarized as follows:

2012	96,160
2013	<u>84,050</u>
Total	<u>\$ 180,210</u>

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

During the year ending December 31, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2011	Additions	Reductions	Ending Balance 12/31/2011	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable:					
General Obligation Bonds	47,090,000	8,255,000	6,090,000	49,255,000	2,371,286
Less Deferred Amounts					
Issuance Discount	(372,623)	(19,323)	(12,616)	(379,330)	0
Issuance Premium	0	204,640	1,705	202,935	0
Issuance Costs	(98,233)	0	(98,233)	0	0
Compensated Absences	2,650,885	2,256,505	2,189,053	2,718,337	2,158,284
Other post employment benefits	1,983,519	802,508	461,728	2,324,299	0
Governmental Activity long-term liabilities	<u>\$ 51,253,548</u>	<u>11,499,330</u>	<u>8,631,637</u>	<u>\$ 54,121,241</u>	<u>\$ 4,529,570</u>
<u>Business-Type Activities</u>					
Revenue Bonds	2,430,000	0	730,000	1,700,000	765,000
PWTF Loans	2,906,678	0	387,178	2,519,500	387,178
Compensated Absences	124,788	471,585	459,900	136,473	109,178
Business-type Activity long-term liabilities	<u>\$ 5,461,466</u>	<u>471,585</u>	<u>1,577,078</u>	<u>\$ 4,355,973</u>	<u>\$ 1,261,356</u>

**NOTE 12:  
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2011, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 13:  
INTERFUND TRANSFERS**

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, indirect overhead and subsidies. Interfund transfers at December 31, 2011 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General	194,534	3,644,575
Excise Capital Improvement	501,824	4,372,694
General Capital	1,513,648	769,873
Grant Capital	4,441,084	0
Non Major Governmental Funds:		
Cemetery Improvement	0	112,930
Impact Fees	0	97,500
Debt Service Funds	2,381,575	0
Internal Service Funds	1,235,656	430,387
Proprietary Funds:		
Water/Sewer	0	143,000
Surface Water	0	397,362
Solid Waste	0	300,000
<u>Total Transfers In/Out</u>	<u>\$10,268,321</u>	<u>\$10,268,321</u>

**NOTE 14:  
JOINT VENTURES**

**Eastside Narcotics Task Force**

The Eastside Narcotics Task Force (ENTF) was formed by the cities of Bellevue, Kirkland, Redmond, Mercer Island, and Issaquah in 1981 for the purpose of mutual support in the fight against drug crimes. In 1990, ENTF engaged the support services of King County Prosecutor’s Office. The King County Sheriff’s Office joined ENTF in 2002 to also provide support in the fight against drug crimes. On May 3, 2010, the ENTF amended the Interlocal Cooperative Agreement to include The Washington State Patrol. As of October of 2009, Issaquah permanently withdrew its ENTF membership.

The task force is governed by an Executive Board whose members are composed of the chief law enforcement officer, or his/her designee, from each participating jurisdiction. The Board is responsible for formulating policy, establishing annual budgets, adding members, appointing the Administering Agency, and acquiring, holding, and disposing of real and personal property, and has final approval of expenditures and disbursements of revenues (seized and forfeited assets). A Commander is assigned who is an Officer from the Bellevue Police Department with a rank of Captain or higher, and is responsible for the operation of the task force and the accomplishment of the goals and objectives of the task force.

Member agencies share in the costs of the operation of the Task Force. All revenues are disbursed to the participating Agencies based on current participations and calculated every two years. Current percentages are as follows:

Bellevue	54.5%
Redmond	9.8%
Kirkland	10.6%
Mercer Island	9.4%
Issaquah	2.7%
King County	11.2%
WSP	1.8%

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

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Fiscal Manager, Bellevue Police Department, 450 110th Avenue NE, Bellevue, WA 98004 or PO Box 90012, Bellevue, WA 98009.

**ARCH – Housing Coalition**

In November 1992, the City of Kirkland joined the cities of Bellevue, Redmond, and King County to establish A Regional Coalition for Housing (ARCH). The agreement was most recently amended in 2010 which includes King County and the cities of Bellevue, Redmond, Bothell, Woodinville, Issaquah, Mercer Island, Newcastle, Beaux Arts, Clyde Hill, Hunts Point, Medina, Yarrow Point, Kenmore, Sammamish, and Kirkland.

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

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. The City contributed \$275,768 to ARCH in 2011.

Members may withdraw from the ARCH agreement by giving one year's written notice to the Executive Board, by December 31 of any year, of its intention to terminate, effective December 31 of the following year. Members remain legally and financially responsible for any obligation incurred while a member of ARCH. Upon dissolution, the agreement provides for distribution of all property and assets among the members based on the percentage of the total annual contributions during the period of the agreement paid by each member.

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

### **Cascade Water Alliance**

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

Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. During 2011, the City of Kirkland remitted \$318,265 for this charge.

In April of 2006, the Cascade Water Alliance issued revenue bonds in the amount of \$55.2 million. The bonds were issued to cover the costs of carrying out a portion of the capital program described in the Cascade Watershed Management Plan. In October of 2009, Cascade Water Alliance issued a series of water system revenue bonds with net proceeds to Cascade of \$80 million. The majority of the bond proceeds will fund the acquisition of Lake Tapps, tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. Both the 2006 and 2009 bonds do not pledge the full faith and credit of any of the eight members, nor do the bonds pledge any revenues except as the members commit under the Interlocal Contract which established Cascade Water Alliance.

Financial statement information can be obtained from Cascade Water Alliance by contacting Scott Hardin, Director of Finance and Administration, 520 112<sup>th</sup> Ave NE, Suite 400, Bellevue, WA 98004.

### **EPSCA**

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

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

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

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

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

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2011, the weighted vote was as follows:

Bellevue	51.705%
Redmond	20.067%
Kirkland	16.266%
Mercer Island	6.260%
Issaquah	<u>5.70%</u>
	100.00%

These percentages are reviewed and adjusted annually at January 1 based on the number of radios on the system in use by current principals as of December 31 of the preceding year. Upon dissolution, the interlocal agreement provides for distribution of net assets among the Principals based on weighted voting percentages in force at the time of dissolution. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statements.

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

**eCityGov Alliance**

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

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

The interlocal agreement may be terminated if Principals holding at least 60% of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the

property. The City's share of the net assets is deemed immaterial and thus not reflected in the financial statements.

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

### **NORCOM**

In November of 2007, the City of Kirkland, with the cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. For 2011, the City of Kirkland's share of these fees was \$2,209,279.

Additional financial information can be obtained from NORCOM, c/o Gwen Pilo, Finance Manager, P.O. Box 50911, Bellevue, WA 98015-0911.

### **Hazardous Materials Unit and Response Team**

In January 1984, the City of Kirkland joined the cities of Bellevue, Redmond, Bothell, and King County Fire Protection Districts 16 and 36 to form a Hazardous Materials Unit and Response Team (HazMat). In December 1991, the agreement was modified to designate the City of Bellevue as the lead agency. Current members are the cities of Bellevue, Kirkland, Redmond, Bothell, Snoqualmie, and Duvall along with Eastside Fire & Rescue, Woodinville Fire & Life Safety, and King County Fire District 27.

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

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

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

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

Budget monitoring information can be obtained from HazMat, c/o Gale Hill, Bellevue Fire Department, PO Box 90012, Bellevue, WA 98004.

**NOTE 15:  
BUDGET TO GAAP RECONCILIATION**

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – for the General Fund, Excise Tax Capital Improvement Fund, Street Operating Special Revenue Fund, and Contingency Special Revenue Fund report revenues when received and expenditures when paid, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting. The following schedule reconciles revenues and expenditures on the budgetary basis to revenues and expenditures on the modified accrual basis as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances. With the implementation of GASB 54 the Street Operating Fund and Contingency Fund will continue to be budgeted and operational but will be consolidated with the General Fund for reporting purposes and reclassified on this reconciliation.

**2011 Budget to GAAP Reconciliation**

	General Fund	Excise Tax Capital Improvement	Street Operating Special Revenue	Contingency Special Revenue
Revenues on the Budgetary Basis	66,510,725	3,498,889	6,490,682	0
Increase (Decrease) due to accruals	1,484,334	121,718	0	0
Reclassification	6,490,682	0	(6,490,682)	0
Revenues on the GAAP Basis	<u>74,485,741</u>	<u>3,620,607</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	63,324,094	0	3,835,919	0
Increase (Decrease) due to accruals	(682,448)	0	0	0
Reclassification	3,835,919	0	(3,835,919)	0
Expenditures on the GAAP Basis	<u>66,477,565</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(2,727,027)	(3,780,870)	(871,004)	150,000
Increase (Decrease) due to accruals	0	0	0	0
Reclassification	(721,004)	0	871,004	(150,000)
Other Financing Sources (Uses) on the GAAP Basis	<u>(3,448,031)</u>	<u>(3,780,870)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	3,186,631	3,498,889	2,654,763	0
Increase (Decrease) due to accruals	2,166,782	121,718	0	0
Reclassification	2,654,763	0	(2,654,763)	0
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	<u>8,008,176</u>	<u>3,620,607</u>	<u>0</u>	<u>0</u>

**NOTE 16:  
CHANGES IN ACCOUNTING PRINCIPLE**

Fund Changes:

The City ceased separate operational activities within seven special revenue funds in 2011 due to the implementation of the Governmental Accounting Standards Board Statement 54. Additionally, two special revenue funds, required by the State of Washington remain operational but will be combined with the General Fund for reporting purposes.

<u>Fund Closed</u>	<u>Fund Balance</u>	<u>Current Reporting Fund</u>
Recreation Revolving	\$ 369,802	General Fund
Municipal Reserve	\$8,092,710	General Fund
Tour Dock	\$ 81,746	General Fund
Grant Control	\$ 202,892	General Fund
Off Street Parking	\$ 10,777	General Fund
<u>Street Improvement</u>	<u>\$1,228,758</u>	General Fund
 Total to General Fund	 <u>\$9,986,685</u>	
 Cemetery Improvement	 <u>\$ 440,524</u>	 Cemetery Fund
 <u>Funds Combined</u>		 <u>Current Reporting Fund</u>
Contingency Fund	\$2,051,870	General Fund
<u>Street Operating Fund</u>	<u>\$2,128,859</u>	General Fund
Total to General Fund	<u>\$4,180,729</u>	

Annexation:

The City annexed a large area to the north on June 1, 2011. The annexation dissolved one Fire District entirely and areas within several others. Below is a list of assets and liabilities acquired by the City following annexation and the status of each Fire District as of December 31, 2011.

Fire District 41 – dissolved as of May 31, 2011

Equity to General Fund:	\$1,724,497
Equity to Debt Service Fund:	\$ 64,552
Equity to Capital Projects Fund:	\$4,000,000
 Liabilities to General Government:	 \$4,000,000
Assets to General Government:	\$2,929,900
 Revenues to General Fund	 \$1,874,738
Expenditures to General Fund	\$ 10,210

Woodinville Fire and Life Safety – still operational, fewer residents served

Equity to General Fund:	\$1,742,758
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Fire District 34 – still operational, fewer residents served

Revenues to General Fund	\$ 120,766
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Fire District 36 – still operational, fewer residents served

Revenues to General Fund	\$ 320,353
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Debt Issuance Costs:

Debt issuance costs related to prior period debt has been restated and excluded from the Statement of Net Assets in accordance with Governmental Accounting Standards Board Statement 65. The amount from the prior period is \$98,233 and has been expensed on the Statement of Activities.

**NOTE 17:  
SUBSEQUENT EVENTS**

In December of 2011, the City Council approved execution of a Purchase and Sale agreement with the Port of Seattle for \$5 million to acquire a 5.75 mile long segment of the former BNSF rail corridor. The City finalized the purchase in April of 2012.

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2001	\$ 901	\$ 385	\$ (516)	234%	\$ 73	(707) %
January 1, 2004	1,015	547	(468)	186	79	(592)
January 1, 2006	1,090	533	(557)	205	84	(663)
January 1, 2008	1,305	469	(836)	278	90	(929)
January 1, 2010	1,527	420	(1,107)	364	0	NA
January 1, 2012	1,678	396	(1,282)	424	0	NA

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2006	\$ 0	\$ 11,360	\$ 11,360	0	% NA	% NA
01/01/2008	\$ 0	\$ 12,505	\$ 12,505	0	% NA	% NA
12/31/2009	\$ 0	\$ 10,724	\$ 10,724	0	% NA	% NA
12/31/2010	\$ 0	\$ 10,070	\$ 10,070	0	% NA	% NA
12/31/2011	\$ 0	\$ 9,534	\$ 9,534	0	% NA	% NA

Source: City of Kirkland, Actuarial Valuation of Firefighters' Pension Fund and Retiree Medical and Long-Term Care Benefits for LEOFF 1 Employees. Pension Fund Valuations are done every two years.

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 General Fund  
 For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	97,268,065	96,735,812	45,197,051	45,197,051	(51,538,761)
Licenses and Permits	11,407,382	11,731,523	4,602,791	4,602,791	(7,128,732)
Intergovernmental	11,820,987	10,407,392	4,052,747	4,052,747	(6,354,645)
Charges for Services	20,230,483	21,602,803	9,886,550	9,886,550	(11,716,253)
Fines and Forfeitures	5,216,659	5,216,659	1,843,297	1,843,297	(3,373,362)
Investment Interest	0	0	63,008	63,008	63,008
Investment Interest - Dedicated	394,315	394,315	238,161	238,161	(156,154)
Contributions/Donations	75,500	93,459	167,754	167,754	74,295
Miscellaneous Revenues	755,067	755,067	459,366	459,366	(295,701)
<b>Total Revenues</b>	<b>147,168,458</b>	<b>146,937,030</b>	<b>66,510,725</b>	<b>66,510,725</b>	<b>(80,426,305)</b>
<b>Expenditures</b>					
Current					
General Government	20,155,690	20,026,859	8,986,578	8,986,578	11,040,281
Security of Persons and Property	88,730,338	91,127,279	41,311,053	41,311,053	49,816,226
Physical Environment	6,219,832	6,440,616	2,861,448	2,861,448	3,579,168
Transportation	1,137,008	1,177,016	503,786	503,786	673,230
Economic Environment	6,461,613	6,335,133	2,880,399	2,880,399	3,454,734
Human Services	2,443,436	2,651,753	1,159,141	1,159,141	1,492,612
Culture and Recreation	12,095,682	12,052,288	5,565,507	5,565,507	6,486,781
Capital Outlay	286,773	286,773	56,182	56,182	230,591
<b>Total Expenditures</b>	<b>137,530,372</b>	<b>140,097,717</b>	<b>63,324,094</b>	<b>63,324,094</b>	<b>76,773,623</b>
<b>Excess of revenues over expenditures</b>	<b>9,638,086</b>	<b>6,839,313</b>	<b>3,186,631</b>	<b>3,186,631</b>	<b>(3,652,682)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	0	0	1,192	1,192	1,192
Transfers In	175,494	329,881	99,534	99,534	(230,347)
Transfers Out	(6,839,113)	(6,979,416)	(2,827,753)	(2,827,753)	4,151,663
<b>Total Other Financing Sources (Uses)</b>	<b>(6,663,619)</b>	<b>(6,649,535)</b>	<b>(2,727,027)</b>	<b>(2,727,027)</b>	<b>3,922,508</b>
<b>Net Change in Fund Balance</b>	<b>2,974,467</b>	<b>189,778</b>	<b>459,604</b>	<b>459,604</b>	<b>269,826</b>
<b>Fund Balances Beginning of Year</b>	<b>11,124,606</b>	<b>12,877,021</b>	<b>4,130,043</b>	<b>4,130,043</b>	<b>(8,746,978)</b>
<b>Changes in Accounting Principle</b>		<b>1,722,725</b>	<b>12,220,109</b>	<b>12,220,109</b>	<b>10,497,384</b>
<b>Fund Balances End of Year</b>	<b>14,099,073</b>	<b>14,789,524</b>	<b>16,809,756</b>	<b>16,809,756</b>	<b>2,020,232</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Excise Tax Capital Improvement Special Revenue Fund  
For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	4,070,000	4,070,000	3,405,746	3,405,746	(664,254)
Investment Interest	144,773	144,773	93,143	93,143	(51,630)
<b>Total Revenues</b>	<b>4,214,773</b>	<b>4,214,773</b>	<b>3,498,889</b>	<b>3,498,889</b>	<b>(715,884)</b>
<b>Excess of revenues over expenditures</b>	<b>4,214,773</b>	<b>4,214,773</b>	<b>3,498,889</b>	<b>3,498,889</b>	<b>(715,884)</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	0	0	501,824	501,824	501,824
Transfers Out	(6,871,123)	(7,684,034)	(4,372,694)	(4,372,694)	3,311,340
<b>Total Other Financing Sources (Uses)</b>	<b>(6,871,123)</b>	<b>(7,684,034)</b>	<b>(3,870,870)</b>	<b>(3,870,870)</b>	<b>3,813,164</b>
<b>Net Change in Fund Balance</b>	<b>(2,656,350)</b>	<b>(3,469,261)</b>	<b>(371,981)</b>	<b>(371,981)</b>	<b>3,097,280</b>
<b>Fund Balances Beginning of Year</b>	<b>8,702,668</b>	<b>8,651,975</b>	<b>8,651,975</b>	<b>8,651,975</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>6,046,318</b>	<b>5,182,714</b>	<b>8,279,994</b>	<b>8,279,994</b>	<b>3,097,280</b>

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

General Capital Projects Revenue Fund  
For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	400,000	400,000	200,000	200,000	(200,000)
Intergovernmental	461,200	1,226,485	356,873	356,873	(869,612)
Investment Interest - Dedicated	311,700	311,700	213,300	213,300	(98,400)
Contributions/Donations	0	0	14,500	14,500	14,500
Other Income to Fund Balance/Assets	0	4,000,000	4,000,000	4,000,000	0
<b>Total Revenues</b>	<b>1,172,900</b>	<b>5,938,185</b>	<b>5,088,526</b>	<b>5,088,526</b>	<b>(849,659)</b>
<b>Expenditures</b>					
Current					
General Government	0	843,947	143,034	143,034	700,913
Security of Persons and Property	0	104,347	166,664	197,614	(93,267)
Physical Environment	0	48,000	0	0	48,000
Transportation	0	297,183	103,531	103,531	193,652
Culture and Recreation	0	153,480	1,040	1,040	152,440
Debt Service					
Debt Issue Cost	0	0	30,950	30,950	(30,950)
Capital Outlay	28,025,400	45,453,679	3,708,246	3,708,246	41,745,433
<b>Total Expenditures</b>	<b>28,025,400</b>	<b>46,900,636</b>	<b>4,153,465</b>	<b>4,184,415</b>	<b>42,716,221</b>
<b>Excess of revenues over expenditures</b>	<b>(26,852,500)</b>	<b>(40,962,451)</b>	<b>935,061</b>	<b>904,111</b>	<b>41,866,562</b>
<b>Other Financing Sources (Uses)</b>					
GO Bond Proceeds	23,614,600	0	0	0	0
Transfers In	3,237,900	3,619,900	1,513,648	1,513,648	(2,106,252)
Transfers Out	0	(10,000)	(769,872)	(769,872)	(759,872)
<b>Total Other Financing Sources (Uses)</b>	<b>26,852,500</b>	<b>3,609,900</b>	<b>743,776</b>	<b>743,776</b>	<b>(2,866,124)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(37,352,551)</b>	<b>1,678,837</b>	<b>1,647,887</b>	<b>39,000,438</b>
<b>Fund Balances Beginning of Year</b>	<b>14,696,220</b>	<b>42,237,825</b>	<b>42,237,825</b>	<b>42,237,825</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>14,696,220</b>	<b>4,885,274</b>	<b>43,916,662</b>	<b>43,885,712</b>	<b>39,000,438</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Grant Capital Projects Revenue Fund  
For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Intergovernmental	18,751,574	22,152,418	2,896,581	2,896,581	(19,255,837)
Charges for Services	1,124,000	0	8,250	8,250	8,250
Fines and Forfeitures	0	0	46,222	46,222	46,222
Contributions/Donations	0	156,000	14,492	14,492	(141,508)
<b>Total Revenues</b>	<b>19,875,574</b>	<b>22,308,418</b>	<b>2,965,545</b>	<b>2,965,545</b>	<b>(19,342,873)</b>
<b>Expenditures</b>					
Current					
Transportation	0	691,900	2,292,724	2,292,724	(1,600,824)
Capital Outlay	18,796,000	32,279,799	4,956,206	4,956,206	27,323,593
<b>Total Expenditures</b>	<b>18,796,000</b>	<b>32,971,699</b>	<b>7,248,930</b>	<b>7,248,930</b>	<b>25,722,769</b>
<b>Excess of revenues over expenditures</b>	<b>1,079,574</b>	<b>(10,663,281)</b>	<b>(4,283,385)</b>	<b>(4,283,385)</b>	<b>6,379,896</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	7,223,000	7,719,900	4,441,084	4,441,084	(3,278,816)
<b>Total Other Financing Sources (Uses)</b>	<b>7,223,000</b>	<b>7,719,900</b>	<b>4,441,084</b>	<b>4,441,084</b>	<b>(3,278,816)</b>
<b>Net Change in Fund Balance</b>	<b>8,302,574</b>	<b>(2,943,381)</b>	<b>157,699</b>	<b>157,699</b>	<b>3,101,080</b>
<b>Fund Balances Beginning of Year</b>	<b>1,845,397</b>	<b>3,158,298</b>	<b>3,158,298</b>	<b>3,158,298</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>10,147,971</b>	<b>214,917</b>	<b>3,315,997</b>	<b>3,315,997</b>	<b>3,101,080</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Street Operating Special Revenue Fund  
For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	7,721,896	7,721,896	4,814,377	4,814,377	(2,907,519)
Licenses and Permits	0	0	102,618	102,618	102,618
Intergovernmental	2,707,841	2,957,841	1,203,229	1,203,229	(1,754,612)
Charges for Services	73,452	73,452	119,728	119,728	46,276
Fines and Forfeitures	0	0	3,318	3,318	3,318
Contributions/Donations	0	0	150	150	150
Miscellaneous Revenues	448,000	448,000	247,262	247,262	(200,738)
<b>Total Revenues</b>	<b>10,951,189</b>	<b>11,201,189</b>	<b>6,490,682</b>	<b>6,490,682</b>	<b>(4,710,507)</b>
<b>Expenditures</b>					
Current					
Transportation	9,111,622	9,298,194	3,822,867	3,822,867	5,475,327
Capital Outlay	42,424	55,683	13,052	13,052	42,631
<b>Total Expenditures</b>	<b>9,154,046</b>	<b>9,353,877</b>	<b>3,835,919</b>	<b>3,835,919</b>	<b>5,517,958</b>
<b>Excess of revenues over expenditures</b>	<b>1,797,143</b>	<b>1,847,312</b>	<b>2,654,763</b>	<b>2,654,763</b>	<b>807,451</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	200,000	100,000	100,000	(100,000)
Insurance Recovery	0	0	818	818	818
Operating Transfers Out	(2,246,083)	(2,620,690)	(971,822)	(971,822)	1,648,868
<b>Total Other Financing Sources (Uses)</b>	<b>(2,246,083)</b>	<b>(2,420,690)</b>	<b>(871,004)</b>	<b>(871,004)</b>	<b>1,549,686</b>
<b>Net Change in Fund Balance</b>	<b>(448,940)</b>	<b>(573,378)</b>	<b>1,783,759</b>	<b>1,783,759</b>	<b>2,357,137</b>
<b>Fund Balances Beginning of Year</b>	<b>2,916,750</b>	<b>3,263,983</b>	<b>2,160,945</b>	<b>2,160,945</b>	<b>(1,103,038)</b>
<b>Changes in Accounting Principle</b>	<b>0</b>	<b>0</b>	<b>1,103,038</b>	<b>1,103,038</b>	<b>1,103,038</b>
<b>Fund Balances End of Year</b>	<b>2,467,810</b>	<b>2,690,605</b>	<b>5,047,742</b>	<b>5,047,742</b>	<b>2,357,137</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Contingency Special Revenue Fund  
 For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Intergovernmental	44,640	44,640	0	0	(44,640)
<b>Total Revenues</b>	<b>44,640</b>	<b>44,640</b>	<b>0</b>	<b>0</b>	<b>(44,640)</b>
<b>Excess of revenues over expenditures</b>	<b>44,640</b>	<b>44,640</b>	<b>0</b>	<b>0</b>	<b>(44,640)</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	150,000	150,000	150,000	150,000	0
<b>Total Other Financing Sources (Uses)</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>194,640</b>	<b>194,640</b>	<b>150,000</b>	<b>150,000</b>	<b>(44,640)</b>
<b>Fund Balances Beginning of Year</b>	<b>2,051,870</b>	<b>2,051,870</b>	<b>2,051,870</b>	<b>2,051,870</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>2,246,510</b>	<b>2,246,510</b>	<b>2,201,870</b>	<b>2,201,870</b>	<b>(44,640)</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Lodging Tax Special Revenue Fund  
For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	375,550	375,550	205,583	205,583	(169,967)
Investment Interest	2,250	2,250	1,809	1,809	(441)
Contributions/Donations	1,500	1,500	0	0	(1,500)
Miscellaneous Revenues	140	140	0	0	(140)
<b>Total Revenues</b>	<b>379,440</b>	<b>379,440</b>	<b>207,392</b>	<b>207,392</b>	<b>(172,048)</b>
<b>Expenditures</b>					
Current					
Economic Environment	381,194	415,585	142,114	142,114	273,471
<b>Total Expenditures</b>	<b>381,194</b>	<b>415,585</b>	<b>142,114</b>	<b>142,114</b>	<b>273,471</b>
<b>Excess of revenues over expenditures</b>	<b>(1,754)</b>	<b>(36,145)</b>	<b>65,278</b>	<b>65,278</b>	<b>101,423</b>
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(1,754)</b>	<b>(36,145)</b>	<b>65,278</b>	<b>65,278</b>	<b>101,423</b>
<b>Fund Balances Beginning of Year</b>	<b>116,549</b>	<b>146,384</b>	<b>146,384</b>	<b>146,384</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>114,795</b>	<b>110,239</b>	<b>211,662</b>	<b>211,662</b>	<b>101,423</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Cemetery Operating Special Revenue Fund  
 For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Charges for Services	66,000	66,000	68,680	68,680	2,680
Investment Interest	0	0	6,379	6,379	6,379
Miscellaneous Revenues	13,800	13,800	6,900	6,900	(6,900)
<b>Total Revenues</b>	<b>79,800</b>	<b>79,800</b>	<b>81,959</b>	<b>81,959</b>	<b>2,159</b>
<b>Expenditures</b>					
Current					
Physical Environment	66,153	66,417	29,893	29,893	36,524
Capital Outlay	16,000	16,000	9,600	9,600	6,400
<b>Total Expenditures</b>	<b>82,153</b>	<b>82,417</b>	<b>39,493</b>	<b>39,493</b>	<b>42,924</b>
<b>Excess of revenues over expenditures</b>	<b>(2,353)</b>	<b>(2,617)</b>	<b>42,466</b>	<b>42,466</b>	<b>45,083</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	44,000	44,000	37,430	37,430	(6,570)
Operating Transfers Out	(58,735)	(112,930)	(112,930)	(112,930)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(14,735)</b>	<b>(68,930)</b>	<b>(75,500)</b>	<b>(75,500)</b>	<b>(6,570)</b>
<b>Net Change in Fund Balance</b>	<b>(17,088)</b>	<b>(71,547)</b>	<b>(33,034)</b>	<b>(33,034)</b>	<b>38,513</b>
<b>Fund Balances Beginning of Year</b>	<b>609,481</b>	<b>638,692</b>	<b>199,279</b>	<b>199,279</b>	<b>(439,413)</b>
<b>Changes in Accounting Principle</b>	<b>0</b>	<b>0</b>	<b>439,413</b>	<b>439,413</b>	<b>439,413</b>
<b>Fund Balances End of Year</b>	<b>592,393</b>	<b>567,145</b>	<b>605,658</b>	<b>605,658</b>	<b>38,513</b>

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

Parks Maintenance Special Revenue Fund  
For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	1,677,638	1,677,638	956,691	956,691	(720,947)
Miscellaneous Revenues	14,400	14,400	2,959	2,959	(11,441)
<b>Total Revenues</b>	<b>1,692,038</b>	<b>1,692,038</b>	<b>959,650</b>	<b>959,650</b>	<b>(732,388)</b>
<b>Expenditures</b>					
Current					
Culture and Recreation	1,901,560	1,896,459	928,364	928,364	968,095
<b>Total Expenditures</b>	<b>1,901,560</b>	<b>1,896,459</b>	<b>928,364</b>	<b>928,364</b>	<b>968,095</b>
<b>Excess of revenues over expenditures</b>	<b>(209,522)</b>	<b>(204,421)</b>	<b>31,286</b>	<b>31,286</b>	<b>235,707</b>
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(209,522)</b>	<b>(204,421)</b>	<b>31,286</b>	<b>31,286</b>	<b>235,707</b>
<b>Fund Balances Beginning of Year</b>	<b>441,525</b>	<b>496,600</b>	<b>496,600</b>	<b>496,600</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>232,003</b>	<b>292,179</b>	<b>527,886</b>	<b>527,886</b>	<b>235,707</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Impact Fees Special Revenue Fund  
For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Charges for Services	1,400,000	1,400,000	557,352	557,352	(842,648)
Investment Interest	7,155	7,155	7,906	7,906	751
<b>Total Revenues</b>	<b>1,407,155</b>	<b>1,407,155</b>	<b>565,258</b>	<b>565,258</b>	<b>(841,897)</b>
<b>Excess of revenues over expenditures</b>	<b>1,407,155</b>	<b>1,407,155</b>	<b>565,258</b>	<b>565,258</b>	<b>(841,897)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(819,000)	(200,000)	(97,500)	(97,500)	102,500
<b>Total Other Financing Sources (Uses)</b>	<b>(819,000)</b>	<b>(200,000)</b>	<b>(97,500)</b>	<b>(97,500)</b>	<b>102,500</b>
<b>Net Change in Fund Balance</b>	<b>588,155</b>	<b>1,207,155</b>	<b>467,758</b>	<b>467,758</b>	<b>(739,397)</b>
<b>Fund Balances Beginning of Year</b>	<b>293,918</b>	<b>524,628</b>	<b>524,628</b>	<b>524,628</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>882,073</b>	<b>1,731,783</b>	<b>992,386</b>	<b>992,386</b>	<b>(739,397)</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Limited GO Debt Service Fund  
 For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Intergovernmental	0	1,171,338	569,142	569,142	(602,196)
<b>Total Revenues</b>	<b>0</b>	<b>1,171,338</b>	<b>569,142</b>	<b>569,142</b>	<b>(602,196)</b>
<b>Expenditures</b>					
Debt Service					
Principal	4,557,011	2,640,000	1,090,000	1,090,000	1,550,000
Interest	485,018	3,722,014	1,882,718	1,882,718	1,839,296
Debt Issue Cost	0	0	48,679	48,679	(48,679)
<b>Total Expenditures</b>	<b>5,042,029</b>	<b>6,362,014</b>	<b>3,021,397</b>	<b>3,021,397</b>	<b>3,340,617</b>
<b>Excess of revenues over expenditures</b>	<b>(5,042,029)</b>	<b>(5,190,676)</b>	<b>(2,452,255)</b>	<b>(2,452,255)</b>	<b>2,738,421</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds of Other Longterm Debt	0	75,000	0	0	(75,000)
Bond Premium	0	0	204,640	204,640	204,640
Bond Discount	0	0	(19,323)	(19,323)	19,323
Issuance of Longterm Debt	0	0	4,255,000	4,255,000	4,255,000
Refunded Amount to Escrow	0	0	(4,385,000)	(4,385,000)	4,385,000
Operating Transfers In	5,042,029	5,168,676	2,381,576	2,381,576	(2,787,100)
<b>Total Other Financing Sources (Uses)</b>	<b>5,042,029</b>	<b>5,243,676</b>	<b>2,436,893</b>	<b>2,436,893</b>	<b>6,001,863</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>53,000</b>	<b>(15,362)</b>	<b>(15,362)</b>	<b>(68,362)</b>
<b>Fund Balances Beginning of Year</b>	<b>22,370</b>	<b>22,363</b>	<b>22,363</b>	<b>22,363</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>22,370</b>	<b>75,363</b>	<b>7,001</b>	<b>7,001</b>	<b>(68,362)</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Unlimited GO Debt Service Fund  
 For the year ended December 31, 2011

	Original Budget 2011-2012	Final Budget 2011-2012	2011 Actual Amounts Budgetary Basis	Actual 2011-2012 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	1,838,311	1,838,311	914,502	914,502	(923,809)
<b>Total Revenues</b>	<b>1,838,311</b>	<b>1,838,311</b>	<b>914,502</b>	<b>914,502</b>	<b>(923,809)</b>
<b>Expenditures</b>					
Debt Service					
Principal	1,265,000	1,265,000	615,000	615,000	650,000
Interest	573,311	573,311	298,985	298,985	274,326
<b>Total Expenditures</b>	<b>1,838,311</b>	<b>1,838,311</b>	<b>913,985</b>	<b>913,985</b>	<b>924,326</b>
<b>Excess of revenues over expenditures</b>	<b>0</b>	<b>0</b>	<b>517</b>	<b>517</b>	<b>517</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>517</b>	<b>517</b>	<b>517</b>
<b>Fund Balances Beginning of Year</b>	<b>300,095</b>	<b>306,176</b>	<b>306,176</b>	<b>306,176</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>300,095</b>	<b>306,176</b>	<b>306,693</b>	<b>306,693</b>	<b>517</b>

## Fund Financial Statements and Schedules

## NON MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

- The **Lodging Tax Fund** accounts for the City's tourism program and expenditures related to the operation of tourism-related facilities. The primary source of revenue is a one percent lodging tax instituted in January of 2002.
- The **Cemetery Operating Fund** accounts for the operation of the City's cemetery. The primary source of revenue is user fees.
- The **Parks Maintenance Fund** accounts for the maintenance and operation of park properties acquired and/or developed with a park bond passed in November 2002. The primary source of revenue is from a special property tax levy approved in November 2002.
- The **Impact Fees Fund** accounts for road and park impact fees initiated in 1999. Impact fees, and the interest earned on them, are deposited in this fund and transferred out to the capital projects funds to pay for road and park capacity projects approved in the Capital Improvement Program (CIP).

### Debt Service Funds

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

- The **Limited Tax General Obligation (LTGO) Bonds** (also called Councilmanic Bonds) can be issued with approval of the City Council. The debt is repaid from general revenues of the City.
- The **Unlimited Tax General Obligation (UTGO) Bonds** represent debt that was approved by voters for a specific purpose. In this case, citizens have agreed to levy property taxes to repay the debt generally over a twenty-year period.

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2011

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Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Impact Fees
<b>Assets</b>				
Cash and Cash Equivalents	147,734	422,657	371,271	692,533
Investments	64,137	183,606	160,752	300,601
Receivables, Net of Allowances				
Taxes	27,744	0	25,060	0
Accounts	0	0	0	0
Prepayments	98	0	2,648	0
<b>Total Assets</b>	<b>239,713</b>	<b>606,263</b>	<b>559,731</b>	<b>993,134</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts Payable	4,437	1,128	5,887	0
Wages Payable	1,403	0	23,921	0
Due to Other Funds	0	0	59	0
Due to Other Governments	0	0	295	0
Deferred Revenue	0	0	24,750	0
<b>Total Liabilities</b>	<b>5,840</b>	<b>1,128</b>	<b>54,912</b>	<b>0</b>
<b>Fund Balances</b>				
Nonspendable				
Prepaid	98	0	2,648	0
Restricted for				
Tourism	233,775	0	0	0
Parks and Recreation	0	0	502,171	133,464
Transportation	0	0	0	859,670
Debt Service	0	0	0	0
Assigned to				
Cemetery Operations	0	605,135	0	0
Total Fund Balances	233,873	605,135	504,819	993,134
<b>Total Liabilities and Fund Balances</b>	<b>239,713</b>	<b>606,263</b>	<b>559,731</b>	<b>993,134</b>

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2011

Page 2 of 2

Total Special Revenue	Debt Service		Total Debt Service	Governmental Funds Total
	LTGO	UTGO		
1,634,195	4,892	214,025	218,917	1,853,112
709,096	2,118	92,668	94,786	803,882
52,804	0	21,653	21,653	74,457
0	2,754	0	2,754	2,754
2,746	0	0	0	2,746
<b>2,398,841</b>	<b>9,764</b>	<b>328,346</b>	<b>338,110</b>	<b>2,736,951</b>
11,452	0	0	0	11,452
25,324	0	0	0	25,324
59	0	0	0	59
295	0	0	0	295
24,750	0	22,840	22,840	47,590
<b>61,880</b>	<b>0</b>	<b>22,840</b>	<b>22,840</b>	<b>84,720</b>
2,746	0	0	0	2,746
233,775	0	0	0	233,775
635,635	0	0	0	635,635
859,670	0	0	0	859,670
0	9,764	305,506	315,270	315,270
605,135	0	0	0	605,135
2,336,961	9,764	305,506	315,270	2,652,231
<b>2,398,841</b>	<b>9,764</b>	<b>328,346</b>	<b>338,110</b>	<b>2,736,951</b>

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2011

Page 1 of 1

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Impact Fees
<b>Revenues</b>				
Taxes and Assessments	208,608	0	956,659	0
Intergovernmental	0	0	0	0
Charges for Services	0	68,679	0	557,352
Investment Interest	1,556	5,820	0	7,381
Miscellaneous Revenues	0	6,900	2,959	0
<b>Total Revenues</b>	<b>210,164</b>	<b>81,399</b>	<b>959,618</b>	<b>564,733</b>
<b>Expenditures</b>				
Current				
Physical Environment	0	30,023	0	0
Economic Environment	142,061	0	0	0
Culture and Recreation	0	0	923,699	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Bond Issuance Costs	0	0	0	0
Capital Outlay	0	9,600	0	0
<b>Total Expenditures</b>	<b>142,061</b>	<b>39,623</b>	<b>923,699</b>	<b>0</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	68,103	41,776	35,919	564,733
<b>Other Financing Sources (Uses)</b>				
Issuance of Debt	0	0	0	0
Refunded Amount to Escrow	0	0	0	0
Bond Discount/Premium	0	0	0	0
Sale of Capital Assets	0	37,502	0	0
Transfers In	0	0	0	0
Transfers Out	0	(112,930)	0	(97,500)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(75,428)</b>	<b>0</b>	<b>(97,500)</b>
<b>Net Change in Fund Balance</b>	<b>68,103</b>	<b>(33,652)</b>	<b>35,919</b>	<b>467,233</b>
<b>Fund Balances Beginning of Year</b>	<b>165,770</b>	<b>198,263</b>	<b>468,900</b>	<b>525,901</b>
<b>Changes in Accounting Principle (Note 16 )</b>	<b>0</b>	<b>440,524</b>	<b>0</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>233,873</b>	<b>605,135</b>	<b>504,819</b>	<b>993,134</b>

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2011

Page 1 of 2

Total Special Revenue	Debt Service		Total Debt Service	Governmental Funds Total
	LTGO	UTGO		
1,165,267	0	913,050	913,050	2,078,317
0	571,896	0	571,896	571,896
626,031	0	0	0	626,031
14,757	0	1,226	1,226	15,983
9,859	0	0	0	9,859
<b>1,815,914</b>	<b>571,896</b>	<b>914,276</b>	<b>1,486,172</b>	<b>3,302,086</b>
30,023	0	0	0	30,023
142,061	0	0	0	142,061
923,699	0	0	0	923,699
0	1,090,000	615,000	1,705,000	1,705,000
0	1,882,717	364,763	2,247,480	2,247,480
0	48,679	0	48,679	48,679
9,600	0	0	0	9,600
<b>1,105,383</b>	<b>3,021,396</b>	<b>979,763</b>	<b>4,001,159</b>	<b>5,106,542</b>
710,531	(2,449,500)	(65,487)	(2,514,987)	(1,804,456)
0	4,255,000	0	4,255,000	4,255,000
0	(4,385,000)	0	(4,385,000)	(4,385,000)
0	185,317	0	185,317	185,317
37,502	0	0	0	37,502
0	2,381,575	0	2,381,575	2,381,575
(210,430)	0	0	0	(210,430)
<b>(172,928)</b>	<b>2,436,892</b>	<b>0</b>	<b>2,436,892</b>	<b>2,263,964</b>
537,603	(12,608)	(65,487)	(78,095)	459,508
1,358,834	22,372	306,441	328,813	1,687,647
440,524	0	64,552	64,552	505,076
<b>2,336,961</b>	<b>9,764</b>	<b>305,506</b>	<b>315,270</b>	<b>2,652,231</b>



## INTERNAL SERVICE FUNDS

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

- The ***Equipment Rental Fund*** accounts and assesses user charges for the cost of maintaining and replacing all City vehicles and heavy equipment.
- The ***Facilities Maintenance Fund*** accounts and assesses user charges for the operations and maintenance of the City's building facilities and public facilities ground maintenance and landscaping.
- The ***Health Benefits Fund*** accounts for programs established to provide employee medical health care coverage. Medical premiums received by the fund are used to pay claims for employees participating in the City's self-insured health care program, purchase "stop-loss" coverage for individual and aggregate claims in excess of self-insured limits, and maintain reserves for the payment to future claims based on actuarial estimates. Employee dental and vision coverage is purchased from an outside carrier.
- The ***Information Technology Fund*** accounts and assesses user charges for the cost of supporting the City's information processing and telecommunications functions and replacing all City computers.

City of Kirkland, Washington  
**Combining Statement of Net Assets**  
Internal Service Funds  
December 31, 2011

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Assets</b>					
Current Assets					
Cash and Cash Equivalents	6,685,595	3,724,643	1,541,514	2,035,209	13,986,961
Investments	2,903,088	1,612,686	668,815	881,199	6,065,788
Accounts Receivable	2,190	2,803	228,507	0	233,500
Due from Other Governments	0	0	0	1,063	1,063
Due from Other Funds	14,087	0	0	0	14,087
Inventories	68,784	0	0	0	68,784
Prepayments	2,939	4,475	0	11,956	19,370
<b>Total Current Assets</b>	<b>9,676,683</b>	<b>5,344,607</b>	<b>2,438,836</b>	<b>2,929,427</b>	<b>20,389,553</b>
Noncurrent Assets					
Capital Assets					
Improvements	128,605	0	0	0	128,605
Equipment	14,240,320	0	0	70,384	14,310,704
Accumulated Depreciation	(7,280,545)	0	0	(55,624)	(7,336,169)
<b>Total Capital Assets Net</b>	<b>7,088,380</b>	<b>0</b>	<b>0</b>	<b>14,760</b>	<b>7,103,140</b>
<b>Total Noncurrent Assets</b>	<b>7,088,380</b>	<b>0</b>	<b>0</b>	<b>14,760</b>	<b>7,103,140</b>
<b>Total Assets</b>	<b>16,765,063</b>	<b>5,344,607</b>	<b>2,438,836</b>	<b>2,944,187</b>	<b>27,492,693</b>
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	65,586	78,316	946	21,642	166,490
Claims Payable	0	0	608,848	0	608,848
Due to Other Funds	0	22,860	0	0	22,860
Due to Other Governments	8,942	12,852	0	16,253	38,047
Wages Payable	24,901	26,514	0	113,849	165,264
Compensated Absences Payable	25,686	14,198	0	78,912	118,796
Deferred Revenue	0	0	306,090	0	306,090
<b>Total Current Liabilities</b>	<b>125,115</b>	<b>154,740</b>	<b>915,884</b>	<b>230,656</b>	<b>1,426,395</b>
Noncurrent Liabilities					
Compensated Absences Payable	6,422	3,549	0	19,728	29,699
<b>Total Noncurrent Liabilities</b>	<b>6,422</b>	<b>3,549</b>	<b>0</b>	<b>19,728</b>	<b>29,699</b>
<b>Total Liabilities</b>	<b>131,537</b>	<b>158,289</b>	<b>915,884</b>	<b>250,384</b>	<b>1,456,094</b>
<b>Net Assets</b>					
Invested in Capital Assets, net of related debt	7,088,380	0	0	14,760	7,103,140
Unrestricted	9,545,146	5,186,318	1,522,952	2,679,043	18,933,459
<b>Total Net Assets</b>	<b>16,633,526</b>	<b>5,186,318</b>	<b>1,522,952</b>	<b>2,693,803</b>	<b>26,036,599</b>

City of Kirkland, Washington  
**Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2011

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Operating Revenues</b>					
Intergovernmental	0	0	9,243	79,660	88,903
Charges for Services	3,125,949	2,808,261	7,016,301	3,638,127	16,588,638
Miscellaneous Revenues	35,177	299,495	242,666	0	577,338
<b>Total Operating Revenues</b>	<b>3,161,126</b>	<b>3,107,756</b>	<b>7,268,210</b>	<b>3,717,787</b>	<b>17,254,879</b>
<b>Operating Expenses</b>					
Administrative & General	444,937	243,169	6,261,135	1,163,462	8,112,702
Supplies	19,559	80,507	0	13,419	113,485
Maintenance & Operations	1,461,627	1,597,360	0	2,295,637	5,354,624
Depreciation	1,113,193	0	0	11,571	1,124,764
<b>Total Operating Expenses</b>	<b>3,039,316</b>	<b>1,921,036</b>	<b>6,261,135</b>	<b>3,484,089</b>	<b>14,705,575</b>
<b>Operating Income (Loss)</b>	<b>121,810</b>	<b>1,186,720</b>	<b>1,007,076</b>	<b>233,699</b>	<b>2,549,305</b>
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	74,943	0	15,876	0	90,819
Other Nonoperating Revenues/(Expenses)	244,837	3,506	500,000	0	748,343
Total Nonoperating Revenues (Expenses)	319,780	3,506	515,876	0	839,162
<b>Income (Loss) before Contributions and Transfers</b>	<b>441,590</b>	<b>1,190,226</b>	<b>1,522,952</b>	<b>233,699</b>	<b>3,388,467</b>
Transfers In	1,048,267	0	0	187,389	1,235,656
Transfers Out	0	(274,187)	0	(156,200)	(430,387)
Change in Net Assets	1,489,857	916,039	1,522,952	264,888	4,193,736
Total Net Assets - Beginning	15,143,669	4,270,279	0	2,428,915	21,842,863
<b>Total Net Assets - Ending</b>	<b>16,633,526</b>	<b>5,186,318</b>	<b>1,522,952</b>	<b>2,693,803</b>	<b>26,036,599</b>

City of Kirkland, Washington  
**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2011

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Cash Flows From Operating Activities</b>					
Cash Received From Interfund Charges	3,125,949	2,805,861	173,580	3,638,127	9,743,517
Contributions Received from Employees and Employer	0	0	7,135,504	0	7,135,504
Cash From Other Sources	39,090	300,727	49,995	85,293	475,105
Cash Paid to Suppliers for Goods and Services	(750,597)	(1,212,839)	(4,554,261)	(965,680)	(7,483,377)
Cash Paid to Employees for Services	(601,603)	(585,319)	(97,000)	(2,391,630)	(3,675,552)
Cash Paid for Central Business Functions	(522,216)	(98,537)	(1,013,366)	(96,126)	(1,730,245)
<b>Net Cash Provided by Operating Activities</b>	<b>1,290,623</b>	<b>1,209,893</b>	<b>1,694,452</b>	<b>269,984</b>	<b>4,464,952</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Proceeds from Federal, State, Local Grants	83,960	0	0	0	83,960
Transfers In	1,034,180	0	0	187,389	1,221,569
Transfers Out	0	(260,100)	0	(156,200)	(416,300)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>1,118,140</b>	<b>(260,100)</b>	<b>0</b>	<b>31,190</b>	<b>889,230</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Contributions From (To) Other Funds and Governments	0	0	500,000	0	500,000
Proceeds From Sale of Assets and Insurance Recoveries	160,204	3,506	0	0	163,710
Acquisition and Construction of Capital Assets	(1,805,909)	0	0	0	(1,805,909)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,645,705)</b>	<b>3,506</b>	<b>500,000</b>	<b>0</b>	<b>(1,142,199)</b>
<b>Cash Flows From Investing Activities</b>					
Net (Increase) Decrease in Investments	668,257	176,871	(667,441)	186,337	364,025
Interest Revenue	88,741	0	14,502	0	103,243
<b>Net Cash Provided by Investing Activities</b>	<b>756,998</b>	<b>176,871</b>	<b>(652,939)</b>	<b>186,337</b>	<b>467,268</b>
Net Increase (Decrease) in Cash and Cash Equivalents	1,520,056	1,130,170	1,541,514	487,511	4,679,251
Cash and Cash Equivalents, January 1	5,165,539	2,594,473	0	1,547,698	9,307,710
<b>Cash and Cash Equivalents, December 31</b>	<b>6,685,595</b>	<b>3,724,643</b>	<b>1,541,514</b>	<b>2,035,209</b>	<b>13,986,961</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	121,810	1,186,720	1,007,076	233,699	2,549,305
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	1,113,193	0	0	11,570	1,124,763
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	3,407	(2,052)	(228,507)	873	(226,279)
(Increase) Decrease in Inventories	(3,503)	0	0	0	(3,503)
(Increase) Decrease in Due From Other Governments	0	0	0	4,933	4,933
(Increase) Decrease in Prepayments	(2,939)	(4,475)	0	(11,956)	(19,370)
(Increase) Decrease in Reclassification of Nonoperating Revenue	0	(14,087)	0	0	(14,087)
Increase (Decrease) in Capital Accounts Payable	(113)	0	0	0	(113)
Increase (Decrease) in Accounts Payable	53,913	26,884	946	7,200	88,943
Increase (Decrease) in Claims Payable	0	0	608,848	0	608,848
Increase (Decrease) in Due to Other Governments	8,942	158	0	8,453	17,553
Increase (Decrease) in Due to Other Funds	0	16,511	0	0	16,511
Increase (Decrease) in Wages Payable	1,004	1,460	0	19,859	22,323
Increase (Decrease) in Compensated Absences Payable	(5,091)	(1,226)	0	(686)	(7,003)
Increase (Decrease) in Deferred Revenue	0	0	306,090	(3,961)	302,129
<b>Net Cash Provided by Operating Activities</b>	<b>1,290,623</b>	<b>1,209,893</b>	<b>1,694,452</b>	<b>269,984</b>	<b>4,464,952</b>
<b>Noncash Investing, Capital and Finance Activities:</b>					
Change in Fair Value of Investments	8,376	0	1,374	0	9,750

## 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, 2011

	Intergovernmental Clearing	Customer Deposits	2011
<b>Assets</b>			
Cash and Cash Equivalents	35,764	0	35,764
Deposits	0	1,318,514	1,318,514
<b>Total Assets</b>	<b>35,764</b>	<b>1,318,514</b>	<b>1,354,278</b>
<b>Liabilities</b>			
Current Liabilities			
Due to Other Governments	23,507	0	23,507
Deposits	12,257	1,318,514	1,330,771
<b>Total Liabilities</b>	<b>35,764</b>	<b>1,318,514</b>	<b>1,354,278</b>

City of Kirkland  
**Statement of Changes in Assets and Liabilities**  
All Agency Funds  
For the fiscal year ended December 31, 2011

	01/01/11 Balance	Additions	Deletions	12/31/11 Balance
<b>Intergovernmental Custodial</b>				
Assets				
Cash and Cash Equivalents	44,627	18,857,966	18,866,829	35,764
<b>Total Assets</b>	<b>44,627</b>	<b>18,857,966</b>	<b>18,866,829</b>	<b>35,764</b>
Liabilities				
Due to Other Governments	2,506	98,042	77,041	23,507
Deposits	42,121	0	29,864	12,257
<b>Total Liabilities</b>	<b>44,627</b>	<b>98,042</b>	<b>106,905</b>	<b>35,764</b>
<b>Customer Deposits</b>				
Assets				
Deposits	724,371	917,780	323,637	1,318,514
<b>Total Assets</b>	<b>724,371</b>	<b>917,780</b>	<b>323,637</b>	<b>1,318,514</b>
Liabilities				
Deposits	724,371	926,291	332,148	1,318,514
<b>Total Liabilities</b>	<b>724,371</b>	<b>926,291</b>	<b>332,148</b>	<b>1,318,514</b>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	44,627	18,857,966	18,866,829	35,764
Deposits	724,371	917,780	323,637	1,318,514
<b>Total Assets</b>	<b>768,998</b>	<b>19,775,746</b>	<b>19,190,466</b>	<b>1,354,278</b>
Liabilities				
Due to Other Governments	2,506	98,042	77,041	23,507
Deposits	766,492	926,291	362,012	1,330,771
<b>Total Liabilities</b>	<b>768,998</b>	<b>1,024,333</b>	<b>439,053</b>	<b>1,354,278</b>



## Capital Assets

City of Kirkland  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
December 31, 2011  
Unaudited

	<u><b>2011</b></u>
<b>Governmental Funds Capital Assets:</b>	
Land	\$ 583,746,692
Buildings	39,393,256
Improvements other than Buildings	26,393,008
Machinery and Equipment	1,527,937
Artwork	1,629,966
Infrastructure	221,080,694
Construction in Progress	29,792,475
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 903,564,028</u></u></b>
<b>Investments in Governmental Funds Capital Assets by Source:</b>	
General Fund	\$ 240,569,697
Special Revenue Funds	1,993,230
Impact Fees	7,230,321
Federal Grants	2,491,745
General Obligation Bonds	53,803,306
Private Gifts	9,371,551
Annexation	588,104,178
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 903,564,028</u></u></b>

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



City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
December 31, 2011  
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 15,272,032	\$ 5,661,242	\$ 452,904	\$ -	\$ -	\$ 14,262,420	\$ 40,949,013
Judicial	1,298,000	1,399,615	1,274,148	-	-	-	-	\$ 3,971,763
Security								
Police	5,367,905	5,157,399	1,873,371	335,675	-	-	903,122	\$ 13,637,472
Fire	1,306,200	5,361,314	466,054	339,639	-	-	630,592	\$ 8,103,799
Total Security	<u>6,674,105</u>	<u>10,518,713</u>	<u>2,339,425</u>	<u>675,314</u>	<u>-</u>	<u>-</u>	<u>1,533,714</u>	<u>21,741,271</u>
Transportation	520,565,904	5,845,821	-	28,927	-	221,080,694	13,531,260	\$ 761,052,606
Physical Environment	64,550	-	1,053,377	134,068	-	-	504	\$ 1,252,499
Economic Environment	-	-	-	-	-	-	459,720	\$ 459,720
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	49,843,718	6,357,075	16,064,816	236,724	1,629,966	-	4,857	\$ 74,137,156
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 583,746,692</b>	<b>\$ 39,393,256</b>	<b>\$ 26,393,008</b>	<b>\$ 1,527,937</b>	<b>\$ 1,629,966</b>	<b>\$ 221,080,694</b>	<b>\$ 29,792,475</b>	<b>\$ 903,564,028</b>

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

City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
For the Year Ended December 31, 2011  
Unaudited

<b>FUNCTION AND ACTIVITY</b>	<b>Governmental Funds Capital Assets</b>			<b>Governmental Funds Capital Assets</b>
	<b>Jan 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Dec 31, 2011</b>
General Govt	\$ 40,233,429	\$ 2,870,522	\$ 2,154,938	\$ 40,949,013
Judicial	3,971,763	-	-	3,971,763
Security				
Police	13,201,614	10,961,161	10,525,303	13,637,472
Fire	4,790,701	3,332,971	19,873	8,103,799
Total Security	<u>17,992,315</u>	<u>14,294,132</u>	<u>10,545,176</u>	<u>21,741,271</u>
Transportation	177,367,036	586,644,062	2,958,492	761,052,606
Physical Environment	1,217,015	36,112	628	1,252,499
Economic Environment	459,720	-	-	459,720
Human Services	-	-	-	-
Culture and Recreation	65,153,846	13,592,572	4,609,262	74,137,156
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$306,395,124</u></b>	<b><u>\$617,437,400</u></b>	<b><u>\$ 20,268,496</u></b>	<b><u>\$903,564,028</u></b>

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

## Statistical Section

## City of Kirkland STATISTICAL SECTION

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

<b><i>Statistical Section</i></b>	<b><i>Page</i></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	133
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	138
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	144
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	149
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	152

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



Schedule 1  
**City of Kirkland**  
**Net Assets by Component**  
 Last Nine Fiscal Years<sup>1</sup> - Unaudited  
 (accrual basis of accounting)

	Fiscal Year								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006<sup>2</sup></u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities</b>									
Invested in Capital Assets, Net of Related Debt	\$ 141,921,038	\$ 144,192,014	\$ 144,889,758	\$ 149,842,998	\$ 159,271,557	\$ 161,182,917	\$ 169,257,160	\$ 171,816,615	\$ 765,633,941
Restricted	39,956,320	32,708,901	31,529,052	37,582,793	2,609,847	2,414,668	1,537,901	25,655,616	56,174,364
Unrestricted	11,725,447	25,921,417	35,872,865	37,799,676	77,110,238	76,753,537	68,705,257	41,958,087	20,984,369
<b>Total Governmental Activities Net Assets</b>	<b>\$ 193,602,805</b>	<b>\$ 202,822,332</b>	<b>\$ 212,291,675</b>	<b>\$ 225,225,467</b>	<b>\$ 238,991,642</b>	<b>\$ 240,351,122</b>	<b>\$ 239,500,318</b>	<b>\$ 239,430,318</b>	<b>\$ 842,792,674</b>
<b>Business-type Activities</b>									
Invested In Capital Assets, Net of Related Debt	\$ 72,934,376	\$ 83,386,001	\$ 92,417,203	\$ 96,222,908	\$ 101,047,975	\$ 108,618,685	\$ 114,800,561	\$ 116,940,418	\$ 135,167,834
Restricted	297,987	211,353	203,786	181,440	165,616	151,659	118,288	822,275	821,130
Unrestricted	17,041,390	18,749,964	18,643,884	26,124,764	29,956,731	32,346,829	33,275,413	35,285,938	39,518,104
<b>Total Business-type Net Assets</b>	<b>\$ 90,273,753</b>	<b>\$ 102,347,318</b>	<b>\$ 111,264,873</b>	<b>\$ 122,529,112</b>	<b>\$ 131,170,322</b>	<b>\$ 141,117,173</b>	<b>\$ 148,194,262</b>	<b>\$ 153,048,631</b>	<b>\$ 175,507,068</b>
<b>Primary Government</b>									
Invested in Capital Assets, Net of Related Debt	\$ 214,855,414	\$ 227,578,015	\$ 237,306,961	\$ 246,065,906	\$ 260,319,532	\$ 269,801,602	\$ 284,057,721	\$ 288,757,033	\$ 900,801,775
Restricted	40,254,307	32,920,254	31,732,838	37,764,233	2,775,463	2,566,327	1,656,189	26,477,891	56,995,494
Unrestricted	28,766,837	44,671,381	54,516,749	63,924,440	107,066,969	109,100,366	101,980,670	77,244,025	60,502,473
<b>Total Primary Government Net Assets</b>	<b>\$ 283,876,558</b>	<b>\$ 305,169,650</b>	<b>\$ 323,556,548</b>	<b>\$ 347,754,579</b>	<b>\$ 370,161,964</b>	<b>\$ 381,468,295</b>	<b>\$ 387,694,580</b>	<b>\$ 392,478,949</b>	<b>\$ 1,018,299,742</b>

<sup>1</sup> Only nine years of data available due to implementation of GASB Statement 34 in the fiscal year 2003.

<sup>2</sup> 2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 2  
**City of Kirkland**  
**Changes in Net Assets**  
 Last Nine Fiscal Years<sup>1</sup> - Unaudited  
 (accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006 <sup>3</sup>	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental Activities</b>									
General Government	\$ 2,856,768	\$ 3,072,412	\$ 4,029,646	\$ 4,399,307	\$ 5,489,712	\$ 6,820,650	\$ 4,568,923	\$ 4,573,285	\$ 4,985,746
Judicial	1,132,956	1,237,842	1,232,126	1,346,720	1,543,351	1,642,299	1,650,882	1,655,987	1,961,880
Security of Persons and Property	21,283,552	21,663,542	24,501,016	25,210,510	28,231,977	30,785,015	33,747,603	34,218,384	38,342,580
Physical Environment	2,051,401	2,335,038	2,160,540	2,345,553	2,886,473	2,797,484	1,705,151	1,266,318	1,983,567
Transportation	8,376,404	6,718,867	9,859,368	11,225,929	6,822,829	11,884,663	9,636,435	9,547,626	8,874,943
Human Services	1,138,226	1,115,196	1,013,306	1,049,579	1,122,182	1,050,624	1,262,160	1,254,029	1,168,688
Economic Environment	4,655,743	4,383,632	5,063,940	4,956,792	5,535,097	5,713,660	5,032,794	5,208,705	4,581,729
Culture and Recreation	5,647,716	5,617,903	5,878,788	6,244,431	7,050,990	7,223,809	7,547,669	7,162,320	7,360,003
Interest on Long Term Debt	1,467,601	1,335,805	1,248,028	1,157,676	952,919	801,792	706,000	776,642	2,110,842
<b>Total Governmental Activities Expenses</b>	<b>\$ 48,610,367</b>	<b>\$ 47,480,237</b>	<b>\$ 54,986,758</b>	<b>\$ 57,936,497</b>	<b>\$ 59,635,530</b>	<b>\$ 68,719,996</b>	<b>\$ 65,857,617</b>	<b>\$ 65,663,296</b>	<b>\$ 71,369,978</b>
<b>Business Type Activities</b>									
Water/Sewer	\$ 13,783,135	\$ 12,444,661	\$ 13,415,317	\$ 14,293,499	\$ 15,038,083	\$ 15,644,082	\$ 16,808,870	\$ 17,102,179	\$ 18,820,946
Surface Water	2,270,481	2,468,998	2,694,872	2,698,022	3,258,849	3,356,904	4,117,152	3,987,932	4,695,287
Solid Waste	7,542,788	7,006,972	7,055,826	7,313,435	7,556,493	8,168,316	8,112,106	8,057,897	10,655,055
<b>Total Business Type Activities Expenses</b>	<b>\$ 23,596,404</b>	<b>\$ 21,920,631</b>	<b>\$ 23,166,015</b>	<b>\$ 24,304,956</b>	<b>\$ 25,853,425</b>	<b>\$ 27,169,302</b>	<b>\$ 29,038,128</b>	<b>\$ 29,148,008</b>	<b>\$ 34,171,288</b>
<b>Total Primary Government Expenses</b>	<b>\$ 72,206,771</b>	<b>\$ 69,400,868</b>	<b>\$ 78,152,773</b>	<b>\$ 82,241,453</b>	<b>\$ 85,488,955</b>	<b>\$ 95,889,298</b>	<b>\$ 94,895,745</b>	<b>\$ 94,811,304</b>	<b>\$ 105,541,266</b>
<b>Program Revenues</b>									
<b>Governmental Activities</b>									
<b>Charges for Services</b>									
General Government	\$ 1,892,009	\$ 1,871,874	\$ 2,176,589	\$ 2,583,828	\$ 2,867,603	\$ 3,096,779	\$ 2,960,276	\$ 3,226,434	\$ 5,329,054
Judicial	2,491,794	1,489,330	1,198,671	1,365,820	1,546,200	1,534,567	1,776,732	1,813,501	2,011,693
Security of Persons and Property	3,372,591	3,758,854	4,700,508	4,601,906	4,820,358	5,306,512	6,487,767	5,404,357	3,899,269
Physical Environment	334,062	489,291	614,942	697,593	704,730	573,298	443,828	332,774	841,679
Transportation	70,526	207,436	1,096,127	580,475	178,226	782,638	526,401	335,034	778,133
Economic Environment	3,542,188	4,538,432	4,648,507	4,047,288	3,784,004	2,884,005	2,152,903	2,181,134	2,793,946
Culture and Recreation	843,363	861,459	1,095,629	1,053,975	944,457	1,191,477	1,334,207	1,245,180	1,338,704
Operating Grants and Contributions	1,962,167	1,579,462	2,081,827	1,688,627	1,835,419	1,478,355	2,133,689	1,730,706	2,014,483
Capital Grants and Contributions	901,588	892,384	1,233,637	1,031,834	1,067,085	1,702,710	1,076,498	2,804,824	591,553,694
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 15,410,288</b>	<b>\$ 15,688,522</b>	<b>\$ 18,846,437</b>	<b>\$ 17,651,346</b>	<b>\$ 17,748,082</b>	<b>\$ 18,550,341</b>	<b>\$ 18,892,301</b>	<b>\$ 19,073,944</b>	<b>\$ 610,560,655</b>

	Fiscal Year								
	2003	2004	2005	2006 <sup>3</sup>	2007	2008	2009	2010	2011
Business Type Activities									
Charges for Service									
Water/Sewer	\$ 15,147,095	\$ 13,564,146	\$ 13,628,018	\$ 17,604,778	\$ 16,739,996	\$ 18,169,666	\$ 18,491,063	\$ 18,387,062	\$ 19,736,206
Surface Water	2,563,696	2,806,057	4,065,829	5,049,525	5,067,890	5,220,765	5,279,088	5,122,063	6,777,735
Solid Waste	7,622,436	7,118,725	7,199,748	8,300,583	7,518,635	8,291,955	8,336,846	8,007,631	10,063,072
Operating Grants and Contributions	406,482	64,698	-	105,073	600,683	388,360	364,251	313,490	529,923
Capital Grants and Contributions	7,052,440	10,251,810	7,139,864	3,692,047	3,336,990	4,281,929	3,071,321	1,950,653	20,029,622
Total Business Type Activities Program Revenues	\$ 32,792,149	\$ 33,805,436	\$ 32,033,459	\$ 34,752,006	\$ 33,264,194	\$ 36,352,675	\$ 35,542,569	\$ 33,780,899	\$ 57,136,558
Total Primary Government Program Revenues	\$ 48,202,437	\$ 49,493,958	\$ 50,879,896	\$ 52,403,352	\$ 51,012,276	\$ 54,903,016	\$ 54,434,870	\$ 52,854,843	\$ 667,697,213
<b>Net (Expense)/Revenue</b>									
Governmental Activities	\$ (33,200,079)	\$ (31,791,715)	\$ (36,140,321)	\$ (40,285,151)	\$ (41,887,448)	\$ (50,169,655)	\$ (46,965,316)	\$ (46,589,352)	\$ 539,190,677
Business Type Activities	9,195,745	11,884,805	8,867,444	10,447,050	7,410,769	9,183,373	6,504,441	4,632,891	22,965,270
Total Primary Government Net Expense	\$ (24,004,334)	\$ (19,906,910)	\$ (27,272,877)	\$ (29,838,101)	\$ (34,476,679)	\$ (40,986,282)	\$ (40,460,875)	\$ (41,956,461)	\$ 562,155,947
<b>General Revenue and Other Changes in Net Assets</b>									
Governmental Activities									
Taxes									
Property Taxes	\$ 11,379,010	\$ 11,772,666	\$ 11,593,056	\$ 13,023,578	\$ 13,729,508	\$ 14,436,254	\$ 14,804,560	\$ 14,699,191	\$ 21,815,979
Sales Taxes	13,614,210	14,245,140	16,008,359	17,473,327	18,167,448	15,777,179	13,473,254	14,083,506	16,600,753
Excise Taxes <sup>2</sup>	-	-	6,261,813	7,044,850	6,832,730	3,158,532	1,999,843	2,974,586	3,544,099
Business and Occupational Taxes	500,194	899,709	929,499	978,746	981,243	1,007,998	1,936,971	2,023,534	2,346,885
Utility Taxes	7,200,791	7,390,288	6,978,378	8,966,649	9,824,961	10,225,600	10,825,038	10,339,384	12,302,205
Other Taxes	3,618,383	5,262,954	1,429,341	1,879,171	1,221,453	1,062,001	1,159,940	968,004	2,151,532
Unrestricted Grants and Contributions	46,856	520,573	324,842	-	501	74,548	215,697	115,815	105,458
Investment Earnings	1,083,545	954,779	1,417,570	3,391,684	4,607,033	4,218,724	1,442,357	744,667	893,905
Gain (Loss) of Sale of Capital Assets	36,611	(172,867)	272,899	318,182	108,031	87,053	106,852	397,866	38,694
Transfers, Internal Activities	40,598	138,000	393,907	142,755	180,715	659,801	150,000	172,799	840,362
Total Governmental Activities	\$ 37,520,198	\$ 41,011,242	\$ 45,609,664	\$ 53,218,942	\$ 55,653,623	\$ 50,707,690	\$ 46,114,512	\$ 46,519,352	\$ 60,639,872
Business Type Activities									
Investment Earnings	\$ 316,405	\$ 326,761	\$ 444,017	\$ 959,944	\$ 1,411,155	\$ 1,423,279	\$ 722,648	\$ 394,277	\$ 333,529
Transfers, Internal Activities	(40,598)	(138,000)	(393,907)	(142,755)	(180,715)	(659,801)	(150,000)	(172,799)	(840,362)
Total Business Type Activities	\$ 275,807	\$ 188,761	\$ 50,110	\$ 817,189	\$ 1,230,440	\$ 763,478	\$ 572,648	\$ 221,478	\$ (506,834)
Total Primary Government	\$ 37,796,005	\$ 41,200,003	\$ 45,659,774	\$ 54,036,131	\$ 56,884,063	\$ 51,471,168	\$ 46,687,160	\$ 46,740,830	\$ 60,133,038
<b>Change in Net Assets</b>									
Governmental Activities	\$ 4,320,117	\$ 9,219,527	\$ 9,469,343	\$ 12,933,791	\$ 13,766,175	\$ 538,035	\$ (850,804)	\$ (70,000)	\$ 599,830,549
Business Type Activities	9,471,554	12,073,566	8,917,554	11,264,239	8,641,209	9,946,851	7,077,089	4,854,369	22,458,437
Total Primary Government	\$ 13,791,671	\$ 21,293,093	\$ 18,386,897	\$ 24,198,030	\$ 22,407,384	\$ 10,484,886	\$ 6,226,285	\$ 4,784,369	\$ 622,288,986

<sup>1</sup> Only nine years of data available due to implementation of GASB Statement 34 in fiscal year 2003.

<sup>2</sup> Excise Taxes were reported as a portion of "Other Taxes" in 2003 and 2004.

<sup>3</sup> 2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 3

**City of Kirkland**

Fund Balances, Governmental Funds

Last Nine Fiscal Years<sup>1</sup> - Unaudited  
(modified accrual basis of accounting)

	Fiscal Year								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u> <sup>2</sup>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Fund (Per GASB 54)<sup>3</sup></b>									
Nonspendable									\$ 260,094
Restricted									462,762
Committed									6,187,802
Assigned									13,869,876
Unassigned									7,844,233
<b>General Fund (Prior GASB 54)<sup>3</sup></b>									
Reserved	\$ 23,175	\$ 23,175	\$ 23,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,132,740	5,603,516	5,505,380	8,394,364	10,926,697	7,585,824	7,664,519	6,429,953	
<b>Total General Fund</b>	<u>\$ 4,155,915</u>	<u>\$ 5,626,691</u>	<u>\$ 5,528,555</u>	<u>\$ 8,394,364</u>	<u>\$ 10,926,697</u>	<u>\$ 7,585,824</u>	<u>\$ 7,664,519</u>	<u>\$ 6,429,953</u>	<u>\$ 28,624,767</u>
<b>All Other Governmental Funds (Per GASB 54)<sup>3</sup></b>									
Nonspendable									2,746
Restricted									48,877,848
Committed									383,112
Assigned									10,332,233
Unassigned									-
<b>All Other Governmental Funds (Prior GASB 54)<sup>3</sup></b>									
Reserved	\$ 595,670	\$ 568,667	\$ 15,850,351	\$ 19,098,553	\$ 2,693,084	\$ 2,482,649	\$ 1,589,550	\$ 26,308,722	
Unreserved, reported in:									
Special Revenue Funds	28,828,816	29,056,531	18,198,126	21,110,714	36,824,565	35,827,505	24,498,161	23,783,597	
Capital Projects Funds	24,010,369	18,743,786	15,771,542	18,484,240	20,787,912	24,403,049	23,439,218	21,641,181	
<b>Total all Other Governmental Funds</b>	<u>\$ 53,434,855</u>	<u>\$ 48,368,984</u>	<u>\$ 49,820,019</u>	<u>\$ 58,693,507</u>	<u>\$ 60,305,561</u>	<u>\$ 62,713,203</u>	<u>\$ 49,526,929</u>	<u>\$ 71,733,500</u>	<u>\$ 59,595,938</u>

<sup>1</sup> Only nine years of data available due to implementation of GASB Statement 34 in fiscal year 2003.

<sup>2</sup> 2006 presentation was modified in 2007 to reflect a prior period adjustment.

<sup>3</sup> Prior to 2011 and the implementation of GASB statement 54, fund balances were classified as Reserved or Unreserved. Under GASB statement 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.

Schedule 4  
**City of Kirkland**  
 Changes in Fund Balance, Governmental Funds  
 Last Nine Fiscal Years<sup>1</sup> - Unaudited  
 (modified accrual basis of accounting)

	Fiscal Year								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006<sup>2</sup></u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>									
Taxes and Assessments	\$ 36,148,462	\$ 39,285,690	\$ 43,013,052	\$ 48,869,999	\$ 49,958,737	\$ 45,110,987	\$ 43,627,322	\$ 44,451,281	\$ 57,482,839
Licenses and Permits	2,622,783	3,076,018	3,979,870	3,708,339	3,829,844	3,246,893	3,277,794	3,262,940	5,279,547
Intergovernmental	5,894,441	5,730,204	6,871,563	6,240,952	6,760,999	7,664,200	8,965,670	9,608,276	9,123,231
Charges for Services	8,386,242	9,450,454	10,094,396	10,048,417	9,845,034	10,041,051	8,753,980	8,832,375	9,848,611
Fines and Forfeitures	1,173,958	1,233,761	1,117,030	1,165,921	1,363,234	1,422,321	1,506,082	1,652,358	1,943,538
Investment Interest	1,387,251	1,258,689	1,829,674	2,778,651	3,679,548	3,048,864	1,654,092	676,043	803,086
Miscellaneous Revenues	640,413	447,210	797,317	1,531,327	1,080,766	1,594,979	816,419	699,030	1,019,273
<b>Total Revenues</b>	<b>\$ 56,253,550</b>	<b>\$ 60,482,026</b>	<b>\$ 67,702,902</b>	<b>\$ 74,343,606</b>	<b>\$ 76,518,162</b>	<b>\$ 72,129,295</b>	<b>\$ 68,601,359</b>	<b>\$ 69,182,303</b>	<b>\$ 85,500,125</b>
<b>Expenditures</b>									
Current									
General Government	\$ 7,972,444	\$ 7,909,306	\$ 8,758,846	\$ 8,744,986	\$ 10,022,436	\$ 11,013,790	\$ 9,550,636	\$ 9,164,515	\$ 10,067,748
Security of Persons and Property	20,511,004	23,445,532	26,257,339	27,543,202	27,919,796	30,444,289	32,479,111	33,155,872	37,665,018
Physical Environment	3,132,268	3,182,524	3,409,688	3,547,034	3,698,987	3,689,425	3,488,651	3,211,041	3,635,642
Transportation	4,056,329	3,298,181	4,628,907	4,999,973	4,687,211	6,774,661	6,957,494	6,554,789	6,087,389
Economic Environment	5,231,261	3,991,399	4,360,324	4,115,011	6,757,692	6,898,759	6,309,295	6,532,329	6,121,483
Culture and Recreation	5,020,420	5,053,334	5,479,543	5,919,511	6,454,935	6,769,274	6,764,722	6,330,916	6,517,613
Debt Service									
Principal	1,970,000	1,835,000	2,012,000	1,920,000	3,805,000	2,090,000	2,190,000	1,410,000	1,705,000
Interest	1,374,996	1,207,062	1,132,012	1,054,664	972,694	817,048	722,333	646,041	2,247,480
Bond Issuance Costs	-	-	-	-	-	-	-	98,507	48,679
Capital Outlay	4,836,500	13,256,914	10,239,560	4,448,792	8,680,093	6,352,081	10,882,097	17,357,329	9,008,550
<b>Total Expenditures</b>	<b>\$ 54,105,222</b>	<b>\$ 63,179,252</b>	<b>\$ 66,278,219</b>	<b>\$ 62,293,173</b>	<b>\$ 72,998,844</b>	<b>\$ 74,849,327</b>	<b>\$ 79,344,339</b>	<b>\$ 84,461,339</b>	<b>\$ 83,104,602</b>
<b>Excess (Deficiency) of Revenues</b>	<b>\$ 2,148,328</b>	<b>\$ (2,697,226)</b>	<b>\$ 1,424,683</b>	<b>\$ 12,050,433</b>	<b>\$ 3,519,318</b>	<b>\$ (2,720,032)</b>	<b>\$ (10,742,980)</b>	<b>\$ (15,279,036)</b>	<b>\$ 2,395,523</b>
Over (Under) Expenditures									
<b>Other Financing Sources (Uses)</b>									
Issuance of Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,345,000	\$ 4,255,000
Refunded Amount to Escrow	-	-	-	-	-	-	-	-	(4,385,000)
Bond Discount	-	-	-	-	-	-	-	(373,661)	185,317
Sale of Capital Assets	90,670	87,600	234,560	564,788	403,402	97,798	33,036	366,825	38,694
Insurance Recovery	-	-	-	-	-	390,669	5,520	5,540	818
Proceeds from Long Term Debt	8,560,351	-	-	-	-	-	-	-	-
Operating Transfers In	9,963,670	9,494,297	9,347,701	11,518,923	13,978,513	12,796,892	19,453,883	9,489,033	9,032,665
Operating Transfers Out	(9,923,072)	(10,479,766)	(9,654,045)	(12,394,848)	(13,756,846)	(12,320,003)	(18,297,093)	(8,581,696)	(8,997,572)
<b>Total Other Financing Sources (Uses)</b>	<b>8,691,619</b>	<b>(897,869)</b>	<b>(71,784)</b>	<b>(311,137)</b>	<b>625,069</b>	<b>965,356</b>	<b>1,195,346</b>	<b>36,251,041</b>	<b>129,922</b>
<b>Net Change in Fund Balance</b>	<b>\$ 10,839,947</b>	<b>\$ (3,595,095)</b>	<b>\$ 1,352,899</b>	<b>\$ 11,739,296</b>	<b>\$ 4,144,387</b>	<b>\$ (1,754,676)</b>	<b>\$ (9,547,634)</b>	<b>\$ 20,972,005</b>	<b>\$ 2,525,445</b>
Debt Service as a percentage of noncapital expenditures	6.79%	6.09%	5.61%	5.14%	7.43%	4.24%	4.25%	3.06%	5.33%

<sup>1</sup> Only nine years of data available due to implementation of GASB Statement 34 in fiscal year 2003.

<sup>2</sup> 2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 5

**City of Kirkland**

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

138

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
2002	\$ 6,311,766,096	\$414,773,536	\$ 6,726,539,632	1.44
2003	\$ 6,788,777,356	\$344,404,165	\$ 7,133,181,521	1.59
2004	\$ 7,151,120,913	\$295,356,068	\$ 7,446,476,981	1.55
2005	\$ 7,605,630,655	\$290,763,254	\$ 7,896,393,909	1.49
2006	\$ 8,489,201,834	\$313,726,919	\$ 8,802,928,753	1.49
2007	\$ 9,536,541,460	\$328,698,684	\$ 9,865,240,144	1.40
2008	\$ 12,770,499,212	\$386,893,391	\$ 13,157,392,603	1.27
2009	\$ 10,948,249,594	\$363,953,154	\$ 11,312,202,748	1.13
2010	\$ 10,339,449,107	\$371,383,209	\$ 10,710,832,316	1.29
2011	\$ 9,875,673,406	\$422,921,112	\$ 10,298,594,518	1.39

Schedule 6

**City of Kirkland**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years - Unaudited

139

Fiscal Year	City Direct Rates			Overlapping Rates							Total Direct and Overlapping Rate
	Regular Levy	General Obligation Debt Service	Total Direct Rate	School District	County	State	Emergency Medical Services	Hospital	King County Library	Port of Seattle	
2002	1.31	0.13	1.44	3.17	1.45	2.99	0.25	0.36	0.46	0.19	10.31
2003	1.37	0.22	1.59	3.06	1.35	2.90	0.25	0.34	0.50	0.26	10.25
2004	1.35	0.20	1.55	2.96	1.43	2.76	0.25	0.34	0.49	0.25	10.03
2005	1.31	0.18	1.49	2.83	1.38	2.69	0.23	0.59	0.49	0.25	9.95
2006	1.32	0.17	1.49	2.64	1.33	2.49	0.22	0.54	0.49	0.24	9.44
2007	1.25	0.15	1.40	2.57	1.29	2.33	0.21	0.50	0.46	0.23	8.99
2008	1.14	0.13	1.27	2.34	1.21	2.28	0.30	0.45	0.42	0.22	8.49
2009	1.02	0.11	1.13	2.23	1.10	2.11	0.27	0.40	0.39	0.20	7.83
2010	1.21	0.08	1.29	2.80	1.28	2.33	0.30	0.46	0.46	0.22	9.14
2011	1.30	0.09	1.39	2.98	1.35	2.39	0.30	0.48	0.55	0.22	9.66

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

Schedule 7

**City of Kirkland**

Principal Property Tax Payers

Current Year and Ten Years Ago<sup>1</sup> - Unaudited

140

<u>Taxpayer</u>	<u>2011</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Carillon Properties	\$ 121,630,813	1	1.18%	\$ 114,534,408	1	1.91%
Park at Forbes Creek LLC	74,400,000	2	0.72%	29,383,173	4	0.49%
Villaggio (Yarrow Bay Club Apartments)	73,000,000	3	0.71%	16,790,384	10	0.28%
Plaza at Yarrow Bay, Inc.	56,435,800	4	0.55%	46,773,214	3	0.78%
Puget Sound Energy Electricity/Gas	54,740,292	5	0.53%	25,185,600	8	0.42%
Frontier Communications NW, Inc. (Verizon NW)	42,441,550	6	0.41%	25,185,600	7	0.42%
Essex Property Trust	38,820,000	7	0.38%			
PPC Montebello LLC	35,619,000	8	0.35%	26,384,890	5	0.44%
EQR-Heronfield LLC	35,350,000	9	0.34%			
Touchstone KPP Development (Parkplace)	33,784,400	10	0.33%	25,185,600	6	0.42%
McElroy George & Associates				68,960,507	2	1.15%
Paccar, Inc.				18,589,355	9	0.31%
<b>Totals</b>	<u>\$ 566,221,855</u>		<u>5.50%</u>	<u>\$ 396,972,731</u>		<u>6.62%</u>

<sup>1</sup> 2002 Principal Property Tax Payer Information not available. 2001 information used for comparison.

Schedule 8

**City of Kirkland**

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

141

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002	\$ 9,672,026	\$ 9,419,039	97.38%	\$ 230,359	\$ 9,649,398	99.77%
2003	\$ 11,289,849	\$ 10,955,151	97.04%	\$ 265,089	\$ 11,220,240	99.38%
2004	\$ 11,528,775	\$ 11,264,874	97.71%	\$ 224,251	\$ 11,489,125	99.66%
2005	\$ 11,724,737	\$ 11,393,400	97.17%	\$ 242,273	\$ 11,635,673	99.24%
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 223,940	\$ 13,015,025	99.70%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ 266,411	\$ 13,805,831	99.80%
2008	\$ 14,576,390	\$ 14,222,940	97.58%	\$ 327,078	\$ 14,550,018	99.82%
2009	\$ 14,908,508	\$ 14,520,416	97.40%	\$ 369,567	\$ 14,889,983	99.88%
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ 219,425	\$ 14,647,879	99.33%
2011	\$ 21,792,076	\$ 21,498,711	98.65%	\$ -	\$ 21,498,711	98.65%

Schedule 9

**City of Kirkland**

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

142

	<u>2002</u> <sup>1</sup>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Services	\$ 1,342,157	\$ 1,277,213	\$ 1,347,480	\$ 1,516,943	\$ 1,722,501	\$ 1,779,742	\$ 1,696,462	\$ 1,450,142	\$ 1,609,846	\$ 1,692,708
Contracting	1,463,962	1,497,052	1,777,419	2,315,820	3,279,243	3,007,168	2,685,516	1,727,379	1,739,823	1,748,813
Communications	551,003	936,836	576,840	689,152	793,243	657,923	564,808	481,053	439,692	476,189
Automotive/Gas Retail	2,283,057	2,532,728	2,721,983	2,791,766	2,973,380	3,276,488	2,990,763	2,650,594	3,038,615	3,161,851
Gen Merch/ Misc Retail	-	2,377,572	2,220,194	2,384,674	2,524,268	2,562,537	2,230,501	1,929,745	1,745,038	1,802,876
Retail Eating/Drinking	-	1,031,527	1,109,576	1,183,017	1,228,127	1,294,444	1,295,765	1,126,930	1,063,913	1,145,123
Other Retail	4,276,413	1,259,370	1,577,589	1,774,957	1,800,744	1,738,458	1,761,238	1,546,911	1,614,016	1,694,262
Wholesale	759,878	1,112,417	652,515	984,807	1,320,124	1,111,079	881,824	546,513	725,093	709,686
Miscellaneous	544,290	647,736	720,378	668,662	786,514	1,098,629	924,213	785,660	830,820	956,682
<b>Total</b>	<b>\$ 11,220,760</b>	<b>\$ 12,672,451</b>	<b>\$ 12,703,974</b>	<b>\$ 14,309,798</b>	<b>\$ 16,428,144</b>	<b>\$ 16,526,468</b>	<b>\$ 15,031,090</b>	<b>\$ 12,244,927</b>	<b>\$ 12,806,856</b>	<b>\$ 13,388,190</b>
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%

<sup>1</sup>2002 Other Retail included General Merchandise/Miscellaneous Retail and Retail Eating/Drinking.

Schedule 10

**City of Kirkland**

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

143

Fiscal Year	General Sales						Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington	King County			Regional Transit Authority	City of Kirkland <sup>1</sup>	Total General Sales Tax	State of Washington	Total	King County	Total
	General Sales	Metro	Criminal Justice	Mental Health			Automobile Sales/Leases	Automobile Sales/Leases	Restaurant Food and Beverage	Restaurant Food and Beverage	
2002	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2003	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2004	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2005	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2006	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2007	6.50%	0.90%	0.10%	0%	0.40%	1.00%	8.90%	0.30%	9.20%	0.50%	9.40%
2008	6.50%	0.90%	0.10%	0.10%	0.40%	1.00%	9.00%	0.30%	9.30%	0.50%	9.50%
2009	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%
2010	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%
2011	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%

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

Schedule 11

**City of Kirkland**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

144

Fiscal Year	Governmental Activities				Business-Type Activities			Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Tourdock Interlocal Agreement	Capital Leases	Revenue Bonds	Public Works Trust Fund Loans	Total Government		
2002	\$ 20,380,000	\$ 40,000	\$130,068	\$ -	\$ 7,060,000	\$ 4,318,367	\$ 31,928,435	1.58%	697
2003	\$ 26,820,000	\$ 30,000	\$130,068	\$ -	\$ 6,580,000	\$ 5,680,030	\$ 39,240,098	1.92%	860
2004	\$ 25,000,000	\$ 15,000	\$130,068	\$ -	\$ 6,215,000	\$ 5,437,794	\$ 36,797,862	1.62%	803
2005	\$ 23,150,000	\$ 10,000	\$ -	\$ -	\$ 5,635,000	\$ 5,423,610	\$ 34,218,610	1.53%	748
2006	\$ 21,235,000	\$ 5,000	\$ -	\$ -	\$ 5,040,000	\$ 5,137,851	\$ 31,417,851	1.26%	666
2007	\$ 17,435,000	\$ -	\$ -	\$ -	\$ 4,425,000	\$ 4,523,186	\$ 26,383,186	0.96%	551
2008	\$ 15,345,000	\$ -	\$ -	\$ -	\$ 3,785,000	\$ 3,908,523	\$ 23,038,523	0.82%	476
2009	\$ 13,155,000	\$ -	\$ -	\$ -	\$ 3,120,000	\$ 3,293,856	\$ 19,568,856	0.70%	399
2010	\$ 47,090,000	\$ -	\$ -	\$ -	\$ 2,430,000	\$ 2,906,678	\$ 52,426,678	2.11%	1075
2011	\$ 49,255,000	\$ -	\$ -	\$ -	\$ 1,700,000	\$ 2,519,500	\$ 53,474,500	1.26%	664

Schedule 12

**City of Kirkland**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

145

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2002	\$ 20,380,000	\$ 555,917	\$ 19,824,083	0.30%	\$ 445.08
2003	\$ 26,820,000	\$ 595,670	\$ 26,224,330	0.38%	\$ 587.77
2004	\$ 25,000,000	\$ 568,667	\$ 24,431,333	0.34%	\$ 545.85
2005	\$ 23,150,000	\$ 545,234	\$ 22,604,766	0.29%	\$ 506.12
2006	\$ 21,235,000	\$ 558,526	\$ 20,676,474	0.24%	\$ 450.08
2007	\$ 17,435,000	\$ 501,315	\$ 16,933,685	0.18%	\$ 364.06
2008	\$ 15,345,000	\$ 481,535	\$ 14,863,465	0.12%	\$ 316.98
2009	\$ 13,155,000	\$ 472,456	\$ 12,682,544	0.12%	\$ 268.41
2010	\$ 47,090,000	\$ 328,813	\$ 46,761,187	0.44%	\$ 965.22
2011	\$ 49,255,000	\$ 315,270	\$ 48,939,730	0.48%	\$ 611.83

Schedule 13

**City of Kirkland**

Direct and Overlapping Governmental Activities Debt

As of December 31, 2011 - Unaudited

146

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	\$ 924,690,136	3.26%	\$ 30,102,915
Lake Washington School District	451,113,201	30.82%	139,013,330
Port of Seattle	336,120,000	3.26%	10,942,251
Bellevue School District	448,994,869	0.05%	224,412
Hospital District #2	216,293,289	21.00%	45,417,309
Library	123,116,633	5.17%	<u>6,369,831</u>
Total Overlapping Debt			\$ 232,070,048
Direct Debt			
City of Kirkland <sup>2</sup>	\$ 49,255,000	100.00%	<u>\$ 49,255,000</u>
Total Direct and Overlapping Debt			<u>\$ 281,325,048</u>

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

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

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

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 504,490,472	\$ 534,988,614	\$ 558,485,774	\$ 592,229,543	\$ 660,219,656	\$ 739,893,011	\$ 986,804,445	\$ 848,415,206	\$ 803,312,424	\$ 772,394,589
Total Net Debt Applicable to Limit	<u>19,849,153</u>	<u>26,236,750</u>	<u>24,436,756</u>	<u>22,615,509</u>	<u>20,678,180</u>	<u>16,937,097</u>	<u>14,863,464</u>	<u>12,682,544</u>	<u>46,761,187</u>	<u>48,939,730</u>
Legal Debt Margin	<u>\$ 484,641,319</u>	<u>\$ 508,751,864</u>	<u>\$ 534,049,018</u>	<u>\$ 569,614,034</u>	<u>\$ 639,541,476</u>	<u>\$ 722,955,914</u>	<u>\$ 971,940,981</u>	<u>\$ 835,732,662</u>	<u>\$ 756,551,237</u>	<u>\$ 723,454,859</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.93%	4.90%	4.38%	3.82%	3.13%	2.29%	1.51%	1.49%	5.82%	6.34%

147

**Legal Debt Margin Calculation for Fiscal Year 2011**

Total Assessed Value	<u>10,298,594,518</u>
Debt Limit (7.5% of Total Assessed Value)	<u>772,394,589</u>
Debt Applicable to Limit:	
General Obligation Bonds	49,255,000
Less Cash on Hand for Debt Redemption	<u>(315,270)</u>
Total Net Debt Applicable to Limit	48,939,730
Legal Debt Margin	<u>\$ 723,454,859</u>

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

Schedule 15

**City of Kirkland**

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

148

Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
			Principal	Interest			Principal	Interest		
2002	\$ 14,639,664	\$ 10,559,037	\$ 4,080,627	\$ 770,000	\$ 365,925	3.59	\$ 15,800	\$ 10,000	\$ 2,540	1.26
2003	\$ 15,112,520	\$ 11,814,586	\$ 3,297,934	\$ 495,000	\$ 274,610	4.29	\$ 19,963	\$ 10,000	\$ 2,045	1.66
2004	\$ 13,573,647	\$ 10,504,460	\$ 3,069,187	\$ 580,000	\$ 244,756	3.72	\$ 11,134	\$ 15,000	\$ 1,545	0.67
2005	\$ 13,276,138	\$ 11,397,440	\$ 1,878,698	\$ 595,000	\$ 225,385	2.29	\$ 5,064	\$ 10,000	\$ 780	0.47
2006 <sup>1</sup>	\$ 17,509,308	\$ 12,168,914	\$ 5,340,394	\$ 615,000	\$ 202,908	6.53	\$ 7,881	\$ 5,000	\$ 520	1.43
2007	\$ 16,578,496	\$ 12,741,287	\$ 3,837,209	\$ 640,000	\$ 178,173	4.69	\$ 4,544	\$ -	\$ -	-
2008	\$ 17,559,865	\$ 13,220,756	\$ 4,339,109	\$ 665,000	\$ 152,073	5.31	\$ -	\$ -	\$ -	-
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	\$ 690,000	\$ 124,185	5.00	\$ -	\$ -	\$ -	-
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	\$ 730,000	\$ 92,275	4.49	\$ -	\$ -	\$ -	-
2011	\$ 19,593,206	\$ 16,287,970	\$ 3,305,236	\$ 765,000	\$ 56,130	4.03	\$ -	\$ -	\$ -	-

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

Schedule 16

**City of Kirkland**

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

149

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
2002	45,790	\$ 2,021,766	\$ 44,153	6.10%
2003	45,630	\$ 2,039,844	\$ 44,704	6.20%
2004	45,800	\$ 2,268,611	\$ 49,533	5.10%
2005	45,740	\$ 2,231,609	\$ 48,789	4.60%
2006	47,180	\$ 2,484,263	\$ 52,655	4.10%
2007	47,890	\$ 2,749,317	\$ 57,409	3.70%
2008	48,410	\$ 2,813,362	\$ 58,115	4.33%
2009	49,010	\$ 2,788,865	\$ 56,904	8.50%
2010	48,787	\$ 2,483,502	\$ 50,905	8.80%
2011	80,505	\$ 4,229,246	\$ 52,534	8.20%

Schedule 17

**City of Kirkland**

Property Values and Construction

Last Ten Fiscal Years - Unaudited

150

<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction</u>		<u>Mixed Use Construction<sup>1</sup></u>		<u>Total Assessed Property Valuation</u>
	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	
2002	6	\$ 6,091,081	137	\$ 44,598,760	155	\$ 14,095,460	0	\$ -	\$ 6,726,539,632
2003	3	\$ 6,725,700	165	\$ 53,479,192	27	\$ 4,239,774	0	\$ -	\$ 7,133,181,521
2004	11	\$ 46,413,334	192	\$ 59,285,927	263	\$ 26,658,812	0	\$ -	\$ 7,446,476,981
2005	10	\$ 36,336,205	229	\$ 77,808,567	277	\$ 31,070,574	0	\$ -	\$ 7,896,393,909
2006	4	\$ 6,440,429	237	\$ 86,466,535	160	\$ 22,000,720	0	\$ -	\$ 8,802,928,753
2007	8	\$ 36,632,094	229	\$ 85,599,108	129	\$ 7,229,000	2	\$ 16,710,654	\$ 9,865,240,144
2008	4	\$ 8,115,000	128	\$ 44,004,859	241	\$ -	2	\$ 27,792,550	\$ 13,157,392,603
2009	3	\$ 17,740,116	44	\$ 17,683,428	81	\$ 2,384,000	3	\$ 31,521,957	\$ 11,312,202,748
2010	2	\$ 101,000	71	\$ 25,993,732	61	\$ 9,200,000	0	\$ -	\$ 10,710,832,316
2011	4	\$ 3,093,000	94	\$ 34,502,303	9	\$ 1,737,948	0	\$ -	\$ 10,298,594,518

<sup>1</sup>Prior to 2007, Mixed Use Construction included with Multi-Family Construction. In 2008, Multi-Family Construction valuation included with Mixed Use Construction valuation.

Schedule 18

**City of Kirkland**

Principal Employers

Current Year and Nine Years Ago - Unaudited

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<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	2,603	1	8.72%	1,863	1	6.42%
Lake Washington School District	998	2	3.34%	641	2	2.21%
City of Kirkland	575	3	1.93%	402	6	1.39%
Google, Inc.	468	4	1.57%			
Kenworth Truck Co.	413	5	1.38%	450	3	1.55%
Evergreen Pharmaceutical	269	6	0.90%			
IBM Corporation	256	7	0.86%			
WB Games, Inc	236	8	0.79%			
Fairfax Hospital	231	9	0.77%			
Wave Broadband	208	10	0.70%			
Captaris Customer Management Group				425	4	1.47%
Lake Washington Technical College				420	5	1.45%
Larry's Market				350	7	1.21%
Travis Industries, Inc.				350	8	1.21%
Costco Wholesale				304	9	1.05%
Vopak USA, Inc.				268	10	0.92%
<b>Total</b>	<u>6,257</u>		<u>20.96%</u>	<u>5,473</u>		<u>18.87%</u>

Schedule 19

**City of Kirkland**

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

**Full-time Equivalent Employees as of December 31**

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager's Office	6.50	6.50	6.89	6.89	19.48	21.24	21.54	21.54	21.90	30.40
City Attorney's Office	3.50	3.50	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Human Resources	-	-	5.56	6.68	7.10	7.10	7.10	7.10	8.10	8.80
Parks and Community Services	32.15	32.15	31.15	32.28	32.28	32.78	36.53	36.53	33.03	32.25
Public Works	24.39	26.39	26.39	25.65	26.65	26.95	27.55	27.55	23.30	26.15
Finance and Administration	47.47	48.47	41.41	41.29	28.45	29.50	28.80	29.05	30.40	32.65
Planning and Community Development	21.62	21.62	21.62	21.62	22.56	23.56	22.06	21.06	19.95	24.25
Police	96.50	96.00	96.50	99.50	105.50	110.50	109.00	95.50	121.50	135.25
Fire and Building	93.53	96.53	96.53	96.53	100.53	109.53	113.28	112.28	107.73	120.78
Other General Gov't Operating Funds										
Lodging Tax Fund	-	-	0.11	0.11	0.11	0.25	0.90	0.90	0.60	0.60
Street Operating	14.97	14.67	15.45	15.40	15.40	15.40	16.90	16.10	15.50	22.50
Parks Maintenance	-	4.50	6.50	7.50	7.50	7.50	7.50	7.50	7.50	10.25
Recreation Revolving	3.25	3.25	3.25	3.25	3.25	3.25	-	-	-	-
Facilities Maintenance	6.50	6.50	5.90	5.90	5.90	5.90	5.90	5.95	5.85	6.35
Equipment Rental	5.00	5.50	5.50	5.50	5.50	6.00	6.00	6.40	6.30	7.30
Information Technology	7.50	14.00	14.00	15.00	18.25	18.75	19.50	20.00	19.25	23.75
Utility Funds										
Water/Sewer Operating	18.95	19.15	20.10	20.31	20.31	20.71	21.21	21.06	21.21	20.31
Surface Water Management	12.32	12.42	13.16	13.69	15.19	15.39	17.24	17.74	18.49	26.04
Solid Waste	-	-	-	1.05	1.05	1.65	1.70	1.70	2.00	3.30
<b>Total</b>	<b>401.15</b>	<b>418.15</b>	<b>420.02</b>	<b>429.15</b>	<b>446.01</b>	<b>466.96</b>	<b>473.71</b>	<b>458.96</b>	<b>473.61</b>	<b>541.93</b>

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Schedule 20

**City of Kirkland**

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Security of Persons and Property - Police										
Calls for Service	54,735	57,026	53,238	43,120	53,215	56,986	58,499	58,245	62,677	71,729
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	7,151	7,175	7,335	7,195	8,109	7,255	7,256	7,320	7,098	7,286
Average EMS Reponse (minutes)	5:28	5:09	5:11	5:17	5:21	5:30	5:27	5:20	5:17	5:32
Average Fire Response (minutes)	5:56	5:53	5:58	5:53	6:02	5:59	5:47	5:46	5:41	5:42
Culture and Recreation										
Adult Program Registrations	4,466	4,546	3,868	4,621	4,484	4,675	3,894	3,234	2,877	3,508
Preschool Program Registrations	2,488	2,654	3,131	3,436	3,520	3,467	3,516	3,773	4,005	4,339
Youth Program Registrations	4,045	3,924	4,180	4,553	4,639	4,526	4,610	4,505	4,477	4,272
Teen Program Registrations	56	155	210	134	140	93	130	88	144	113
Parent/Child Program Registrations	224	167	180	348	484	392	372	222	199	199
Senior Program Registrations	4,114	4,090	3,777	5,010	4,858	4,833	4,065	4,104	3,441	3,509
Physical Environment										
Street Hot Patching (hours)	5,283	4,632	4,924	5,261	4,127	4,469	4,650	3,819	3,354	3,422
Street Signal Maintenance (hours)	2,874	2,356	2,645	2,976	2,685	2,546	2,723	2,712	2,700	3,717
Street Sweeping (hours)	1,703	1,931	1,824	2,016	2,177	2,001	1,959	1,971	1,518	2,340
Number of Sewer Customers	8,971	9,103	9,276	9,420	9,580	9,771	9,923	10,004	10,080	10,154
Number of Water Customers	11,265	11,376	11,452	11,534	11,648	11,849	11,955	12,056	12,104	12,153
Average Daily Water Consumption (million gallons)	5.80	5.21	6.20	5.72	6.60	5.80	6.30	5.90	5.46	5.40

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Schedule 21

**City of Kirkland**

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	6.4	6.4	7.1	6.5	6.6	6.8	6.5	6.4	7.0	10.1
Security of Persons and Property - Fire										
Stations (full-time staffed)	5	5	5	5	5	6	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks Acreage	450	480	512	525	510	515	517	517	518	544
Parks (developed)	30	32	32	32	33	33	33	32	32	34
Parks (undeveloped)	2	5	5	5	7	7	7	8	8	10
Waterfront Footage	12,000	13,200	13,200	13,200	13,200	13,200	13,270	13,270	13,270	13,270
Miles of Improved Park Trails	4.6	4.6	5.0	5.0	5.5	5.5	5.5	5.8	5.8	6.3
Miles of Unimproved Park Trails	4.2	4.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.4
Community Centers	1	1	1	1	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	162	162	163	166	166	166	167	169	169	170
Sanitary Sewers (miles)	100	100	115	116	116	117	119	119	120	121
Streets (miles)	146	146	148	149	149	149	148	147	147	249
Sidewalks (miles)	118	118	134	134	136	138	139	140	141	277

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