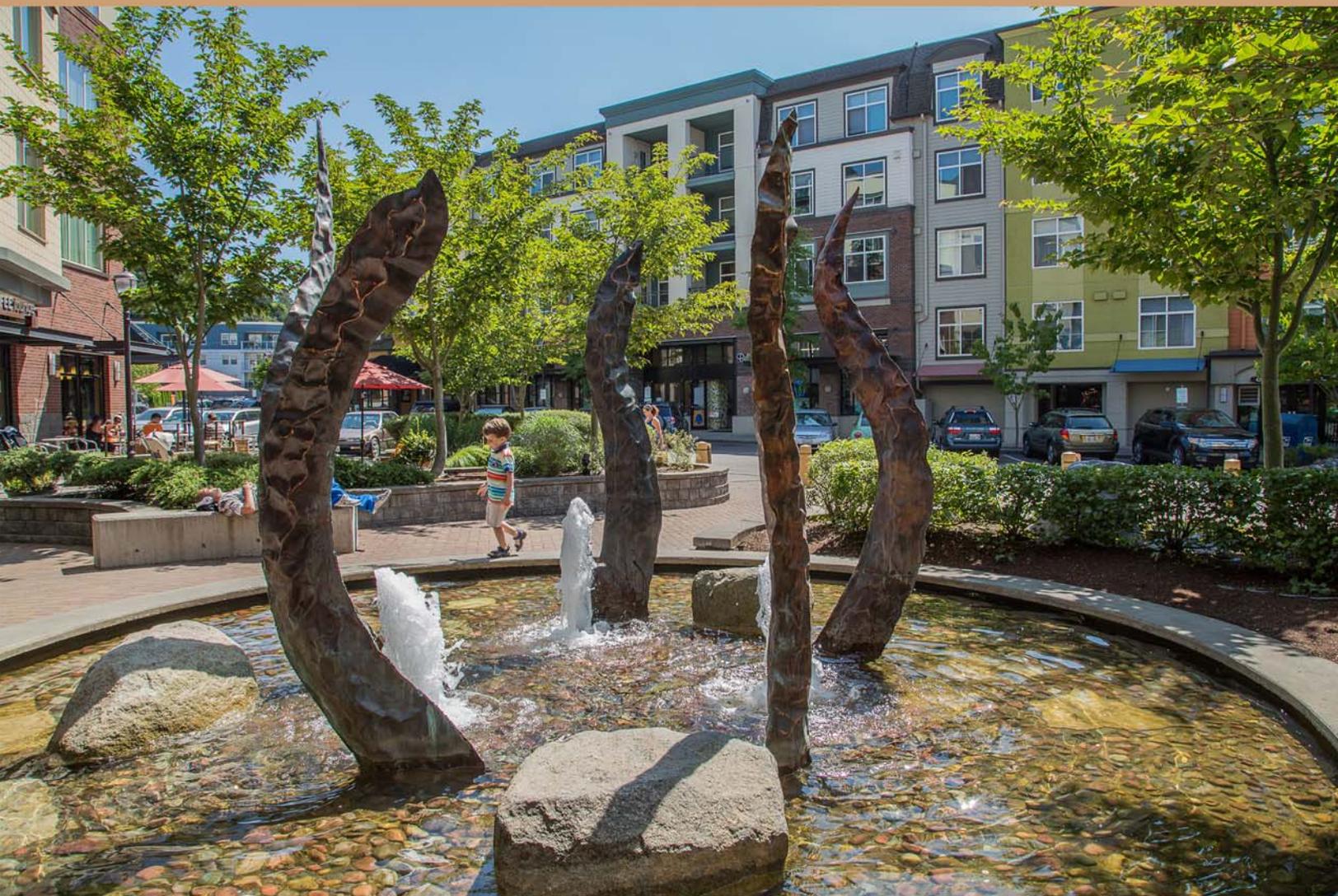


COMPREHENSIVE ANNUAL  
FINANCIAL  
REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31,  
— 2 · 0 · 1 · 4 —



City of Kirkland, Washington

# Comprehensive Annual Financial Report



**For the Fiscal Year Ended December 31, 2014**

**Tracey Dunlap**  
Director of Finance and Administration

Prepared by

Teresa Levine, Accounting Manager

Michael Olson, Deputy Director

Nancy Otterholt, Accountant

Cheryl Patterson, Senior Accounting Associate

Carol Wade, Accountant

Cover Design and Layout by

**City of Kirkland, Washington  
Comprehensive Annual Financial Report  
For the Year ended December 31, 2014**

<b><i>Table of Contents</i></b>	<b><i>Page</i></b>
<b>INTRODUCTORY SECTION</b>	
GFOA Certificate of Achievement .....	1
City Officials .....	2
Organization Chart .....	3
Letter of Transmittal .....	4
 <b>FINANCIAL SECTION</b>	
Independent Auditor’s Report .....	9
Management’s Discussion and Analysis .....	13
 <b>BASIC FINANCIAL STATEMENTS:</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	32
Statement of Activities .....	35
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	36
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	40
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual:	
General Fund .....	42
Excise Tax Capital Improvement Special Revenue Fund .....	43
Statement of Net Position – Proprietary Funds .....	44
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	46
Statement of Cash Flows – Proprietary Funds .....	48
Statement of Fiduciary Net Position – Trust and Agency Funds .....	50
Statement of Changes in Fiduciary Net Position – Firefighter’s Pension Fund .....	51
Notes to the Financial Statements .....	54
Required Supplementary Information:	
Schedule of Funding Progress – Firefighter’s Pension Plan .....	104
Schedule of Funding Progress – LEOFF 1 Retiree Medical and Long Term Care Benefits .....	104
Schedule of Changes in Net Pension Liability and Related Ratios – Firefighter’s Pension Plan .....	105
Schedule of Employer Contributions – Firefighter’s Pension Plan .....	106
Schedule of Investment Returns – Firefighter’s Pension Plan .....	106
 <b>FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Non Major Governmental Funds .....	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balance:	
Non Major Governmental Funds .....	110
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual:	
General Capital Projects Revenue Fund .....	112

Transportation Capital Projects Revenue Fund.....	113
Street Operating Special Revenue Fund.....	114
Contingency Special Revenue Fund.....	115
Lodging Tax Special Revenue Fund.....	116
Cemetery Operating Special Revenue Fund.....	117
Parks Maintenance Special Revenue Fund.....	118
Parks Levy Special Revenue Fund.....	119
Impact Fees Special Revenue Fund.....	120
Limited GO Debt Service Fund.....	121
Unlimited GO Debt Service Fund.....	122
Combining Statement of Net Position – Internal Service Funds.....	124
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds.....	125
Combining Statement of Cash Flows – Internal Service Funds.....	126
Statement of Agency Fund Net Position.....	128
Statement of Changes in Assets and Liabilities – All Agency Funds.....	129

CAPITAL ASSETS:

Capital Assets used in the Operation of Governmental Funds:

Comparative Schedule by Source.....	131
Schedule by Function and Activity.....	133
Schedule of Changes by Function and Activity.....	134

**STATISTICAL SECTION**

Net Position by Component.....	137
Changes in Net Position.....	138
Fund Balances of Governmental Funds.....	140
Changes in Fund Balance of Governmental Funds.....	141
Assessed Value and Actual Value of Taxable Property.....	142
Direct and Overlapping Governments.....	143
Principal Property Tax Payers.....	144
Property Tax Levies and Collections.....	145
Taxable Sales by Category.....	146
Direct and Overlapping Sales Tax Rates.....	147
Ratio of Outstanding Debt by Type.....	148
Ratios of General Bonded Debt Outstanding.....	149
Direct and Overlapping Governmental Activities Debt.....	150
Legal Debt Margin Information.....	151
Pledged-Revenue Coverage.....	152
Demographic and Economic Statistics.....	153
Property Values and Construction.....	154
Principal Employers.....	155
Full-time Equivalent City Government Employees by Function/Program.....	156
Operating Indicators by Function/Program.....	157
Capital Asset Statistics by Function/Program.....	158



## Introductory Section



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Kirkland  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

# CITY OF KIRKLAND

## CITY COUNCIL

---

Mayor .....	Amy Walen
Deputy Mayor .....	Penny Sweet
Council Members .....	Jay Arnold
	Shelley Kloba
	Toby Nixon
	Dave Asher
	Doreen Marchione

## ADMINISTRATIVE STAFF

---

### CITY MANAGER'S OFFICE

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

### MUNICIPAL COURT

Judge .....	Michael Lambo
-------------	---------------

### CITY ATTORNEY'S OFFICE

City Attorney .....	Robin Jenkinson
---------------------	-----------------

### FINANCE AND ADMINISTRATION

Director .....	Tracey Dunlap
----------------	---------------

### FIRE AND BUILDING

Fire Chief .....	Kevin Nalder
------------------	--------------

### HUMAN RESOURCES & PERFORMANCE MANAGEMENT

Director .....	James Lopez
----------------	-------------

### INFORMATION TECHNOLOGY

Chief Information Officer .....	Brenda Cooper
---------------------------------	---------------

### PARKS & COMMUNITY SERVICES

Director .....	Jennifer Schroder
----------------	-------------------

### PLANNING & COMMUNITY DEVELOPMENT

Director .....	Eric Shields
----------------	--------------

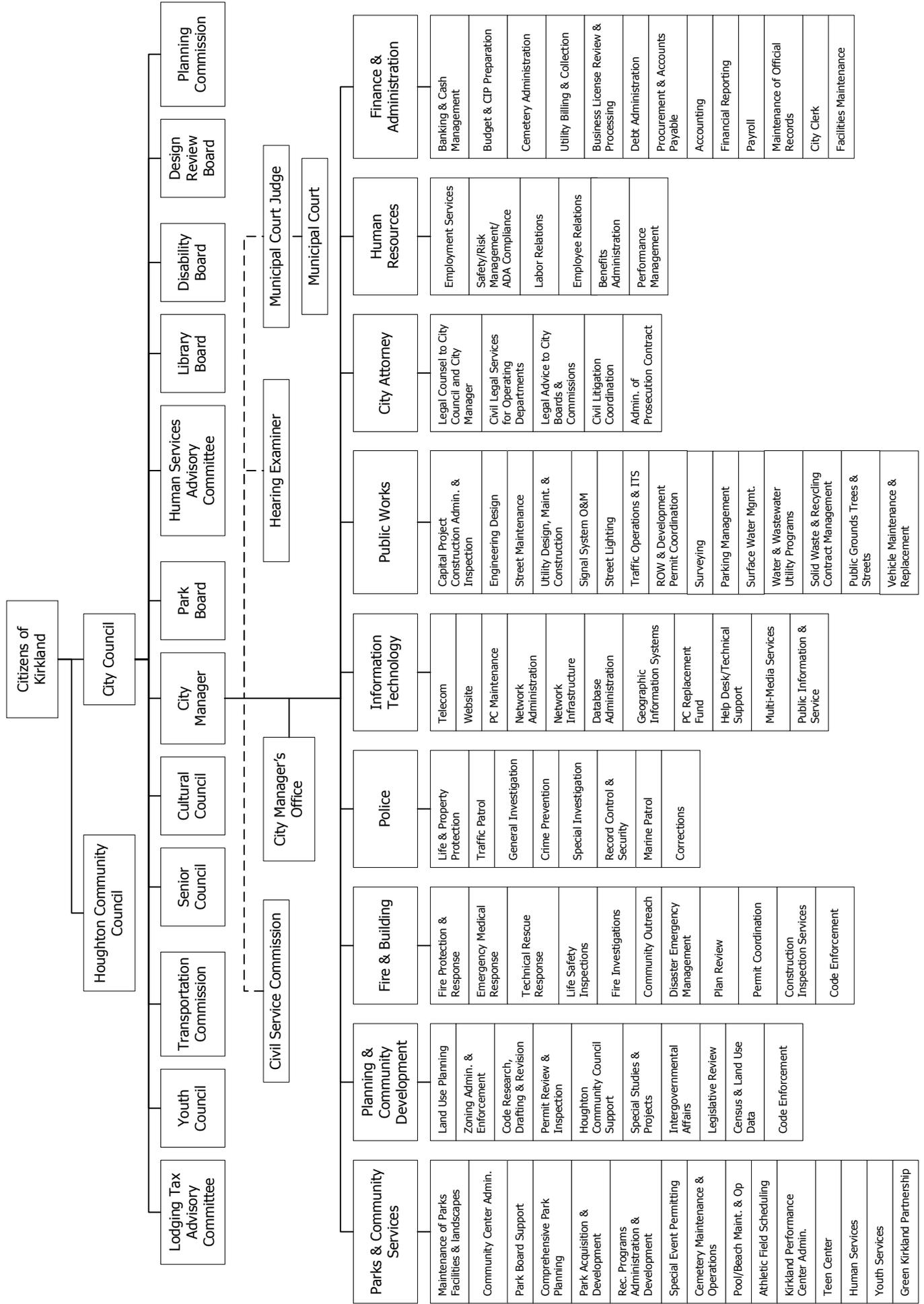
### POLICE

Police Chief .....	Eric Olsen
--------------------	------------

### PUBLIC WORKS

Director .....	Kathy Brown
----------------	-------------

# CITY OF KIRKLAND





June 26, 2015

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, 2014.

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, 2014. The auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Government**

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

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. The 2014 estimated population is 82,590, making Kirkland the thirteenth largest city in the State of Washington and the sixth largest in King County.

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

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

The City government offers a full range of municipal services which are provided by ten operating departments. In 2014, the City boasted forty five parks, including eleven that are located on the waterfront, as well as a community center, senior center, swimming pool, and teen center. The broad range of recreational facilities provides year-round services for citizens of all ages.

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

### **Local Economy**

The Washington State economy continued to expand in 2014, adding jobs, growth in sales tax, and increases in permitting activity. Additionally, Kirkland's office vacancy rate in 2014 was 4.5 percent, significantly lower than the Puget Sound total vacancy rate of 13.7 percent, and an improvement from 2013's vacancy rate of 8.1 percent.

Additional discussion of economic factors including unemployment data, local development, inflation, investment yields, and sales tax growth can be found in the Management Discussion and Analysis.

### **Long Term Financial Planning**

A major focus for 2014 has been engaging with citizens in a conversation about the City's future, the "Kirkland 2035" process that is expected to culminate in the adoption of a revised Comprehensive Plan by the end of 2015. The Comprehensive Plan, a requirement of the Growth Management Act (GMA), helps define goals, objectives and policies to guide Kirkland over the next 20 years. As part of the process, the City has developed new long-range plans for transportation, parks, recreation, and open spaces, the City's utilities, the Cross Kirkland Corridor, and other major capital projects. These efforts coupled with other strategic plans form the basis for long-term financial planning. A significant effort in 2015 will be development of a new Capital Improvement Program based on the needs identified through the Kirkland 2035 process, recognizing that the City may not have the financial resources to fully implement all of the recommendations.

Kirkland continues to take steps to bring the growth rate of the cost of doing business into line with revenue growth. Measures that the City has identified to help address this structural imbalance include voter approved property tax increases for transportation and parks (in 2012), implementation of the Healthy Kirkland Plan consisting of a consumer-driven healthcare model that includes a near-site employee health clinic that opened on April 1, 2015, and active pursuit of economic development opportunities. The economic development efforts have Kirkland poised to see its two major opportunities for redevelopment, Totem Lake Mall and Parkplace, come to fruition within the next few years.

Sales tax performance improved in 2014 over 2013 due to improved economic conditions. An important part of the financial plan for the annexation that occurred in 2011 is the ten-year State annexation sales tax credit, which is expected to generate \$3 - 4 million per year for the City through 2021. The City continues to plan for the financial impact of the expiration of the annexation sales tax credit and take actions to help anticipate how to fund the resulting gap. The current schedules for the redevelopment of Totem Lake Mall and Parkplace anticipate that the new developments will be in operation before the expiration date, providing enhanced revenue streams to help absorb the impact. Other economic development opportunities are expected to be in operation in 2015, including completion of a project to double the size of Google's campus in Kirkland, creating room to hire 1,000 more employees. 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's 2015-2016 budget reflects sales tax revenues on a modified two-year lag, with the revenues for those years assumed to be equal to the actual collections in 2014. As part of the budget process, significant one-time receipts can be set aside as a funding source for non-recurring expenditures, especially given the prospect of major redevelopment efforts described in the prior section. Reserve replenishment continues to be a high priority, with the objective of meeting reserve targets before the annexation sales tax credit expires in 2021. The City maintained its AAA credit rating as a result of its financial policies and practices, reserves, and the strength of the local economy and related demographics.

## **Major Initiatives**

The City Council adopted its work program for the 2015-2016 biennium, which helps define the major initiatives related to the City's priority goals:

- Continue the implementation of the Cross Kirkland Corridor Master Plan to further the goals of Balanced Transportation, Parks and Recreation, Economic Development and Neighborhoods;
- Complete the Comprehensive Plan Update and the Transportation Master Plan to further all ten Council goals;
- Complete a comprehensive update of the Capital Improvement Program to incorporate the projects identified in the Kirkland 2035 master plans and Comprehensive Plan to further the goals of Public Safety, Neighborhoods, Balanced Transportation, Parks and Recreation, Housing, Economic Development and Dependable Infrastructure;
- Invest Fire District #41 funds and City revenues to improve fire and emergency medical services to Finn Hill, Juanita and Kingsgate, site new north end fire stations and/or improve existing stations and operations to further the goal of Public Safety;
- Continue annexation related facility investments by renovating City Hall with a focus on enhancing customer service and identifying options to expand Maintenance Center capacity for both Parks and Public Works to serve the larger City to further the goals of Neighborhoods, Economic Development, Parks and Recreation and Dependable Infrastructure;
- Implement the capital, financial, legislative and organizational actions necessary to facilitate the redevelopment of Parkplace and Totem Lake Mall to further the goals of Economic Development and Financial Stability;
- Provide the electorate of Kirkland the opportunity to vote on a ballot measure in 2015 or 2016 to fund an Aquatics, Recreation, and Community Center to replace the Juanita Aquatic Center to further the goals of Parks and Recreation and Economic Development;
- Actively engage the Sound Transit Board to ensure that any Sound Transit ballot measure connects the Totem Lake Urban Center to the region with High Capacity Transit to further the goals of Balanced Transportation and Economic Development;
- Convert all employees of the City to an email archiving system to improve City responsiveness and transparency to the public, while also reducing the cost and complexity of storing email data to further the operational values of Efficiency and Accountability;
- Partner with A Regional Coalition for Housing and non-profit organizations to site a permanent Eastside women's shelter in Kirkland to further the goals of Housing and Human Services;

- Implement the Healthy Kirkland Plan, the consumer-driven healthcare initiative, including establishing an employee clinic as part of the effort to achieve sustainability of benefits to further the goal of Financial Stability.

### **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, 2013. This was the tenth consecutive year that the government has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

This report was prepared by the City's Department of Finance and Administration. The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the department. We wish to express appreciation to the staff and other personnel from various departments who assisted in its preparation. Further, the results reflect the City Council's continued leadership and support of strong fiscal planning and conducting the financial operations of the City in a prudent, safe, and responsible manner.

Respectfully submitted,



Kurt Triplett  
City Manager



Tracey Dunlap  
Deputy City Manager  
(Director of Finance and Administration in 2014)



## Financial Section



# Washington State Auditor's Office

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 26, 2015

Mayor and City Council  
City of Kirkland  
Kirkland, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Excise Capital Improvement Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 30, pension trust fund information and information on postemployment benefits other than pensions on pages 104 through 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 107 through 134 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated June 26, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA



## 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, 2014. We encourage readers to consider the information presented here in conjunction with the additional information provided in the preceding letter of transmittal.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Kirkland exceeded its liabilities at the close of the most recent fiscal year by \$1.102 billion. Of this amount, \$943.1 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$39.5 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$119.2 million that is unrestricted net position and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$39.4 million in 2014. The increase in Business-type activities was \$13.6 million, while the Governmental activities increased by \$25.8 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$86.9 million, an increase of \$4.8 million compared to the prior year. Over \$35 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$4.2 million has been committed for specific purposes by the City Council, and another \$29.6 million has been designated by the City Manager for assigned activities. Almost \$18 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$43.3 million.

### Overview of the Financial Statements

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

### Government-Wide Financial Statements

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

culture and recreation. The City's business-type activities are limited to water/sewer, surface water, and solid waste utilities. Governmental activities are primarily supported by taxes, charges for services, and grants, while business-type activities are self-supporting through user fees and charges.

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

### **Notes to the Financial Statements**

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

## Other Information

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

## **Government - Wide Financial Analysis**

### Statement of Net Position

The statement of net position can serve as a useful indicator of the city's financial position. The City of Kirkland's assets and deferred outflows of resources exceeded liabilities and inflows of resources by \$1,101,829,271 at December 31, 2014. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2014 to 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$127.03	\$119.85	\$56.48	\$51.09	\$183.51	\$170.94
Capital assets, net of accumulated depreciation	830.14	813.93	152.67	144.71	982.81	958.64
Total assets	957.17	933.78	209.15	195.80	1,166.32	1,129.58
Total deferred outflows of resources	0.32	0.34	-	-	0.32	0.34
Long-term liabilities	44.16	45.65	1.38	1.46	45.54	47.11
Other liabilities	13.17	14.20	5.96	6.12	19.13	20.32
Total liabilities	57.33	59.85	7.34	7.58	64.67	67.43
Total deferred inflows of resources	0.14	0.16	-	-	0.14	0.16
Net position:						
Net investment in capital assets	792.03	777.12	151.09	142.46	943.12	919.58
Restricted	39.55	33.72	-	0.48	39.55	34.20
Unrestricted	68.44	63.27	50.72	45.27	119.16	108.54
Total net position	\$900.02	\$874.11	\$201.81	\$188.21	\$1,101.83	\$1,062.32

As of the end of 2014, the largest component of the City's total assets at \$943.1 million, or 86 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.

Almost \$40 million of the City's net position is subject to restrictions. The largest balance of restricted funds are for capital improvements. A total of \$12.4 million is a combination of funding within two Capital Projects funds and Excise Tax funds for a variety of capital projects for all functions of the government. The \$10.8 million restriction for transportation includes \$6 million in dedicated Real Estate Excise taxes and just under \$4 million of impact fees.

The restricted Public Safety funds of \$5.9 million are \$2.8 million less than in 2013. The City finished construction of a new Public Safety Building and the remaining balance is for a consolidated fire station project yet to be started.

The \$3.5 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 and customer deposits. Additionally, restricted assets include \$6.2 million for park impact fees and levy funds, \$0.3 million in bond funds and \$0.3 million in lodging taxes reserved for tourism related activities.

The remaining \$119 million balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$50.7 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 \$68.4 million balance in unrestricted net position relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, health benefits and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

### **Changes in Net Position**

The changes in net position table on the following page illustrates the increases or decreases in net position of the City resulting from operating activities. Overall, the City of Kirkland's net position increased about \$39.4 million in 2014. Most key general revenues reflect increases with the exception of utility taxes. These increases, in conjunction with the recognition of over \$1 million in investment earnings enhanced the total net position. Over \$12.7 million in capital grants and contributions related to transportation activities was received during the year, of this amount \$7.3 million was related to developer contributions to City infrastructure. Business activities recognized a \$13.6 million increase to Net Position. A breakdown of the 2014 increase in Net Position by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues on the next several pages.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$24.72	\$22.46	\$51.36	\$50.43	\$76.08	\$72.89
Operating grants and contributions	2.10	2.01	0.42	0.28	2.52	2.29
Capital grants and contributions	12.79	6.52	8.29	3.29	21.08	9.81
General revenues:						
Sales taxes	23.97	22.78	-	-	23.97	22.78
Property taxes	27.18	26.62	-	-	27.18	26.62
Utility taxes	14.89	15.06	-	-	14.89	15.06
Excise taxes	7.27	6.90	-	-	7.27	6.90
Business Taxes	2.49	2.48	-	-	2.49	2.48
Other taxes	2.32	2.19	-	-	2.32	2.19
Investment earnings	1.08	0.05	0.39	0.06	1.47	0.11
Miscellaneous*	0.23	0.22	-	-	0.23	0.22
<b>Total revenues</b>	<b>119.05</b>	<b>107.29</b>	<b>60.46</b>	<b>54.06</b>	<b>179.51</b>	<b>161.35</b>
<b>Expenses:</b>						
General government	5.92	5.60	-	-	5.92	5.60
Judicial	2.33	2.25	-	-	2.33	2.25
Security of Persons and Property	46.50	44.50	-	-	46.50	44.50
Physical environment	1.53	1.32	-	-	1.53	1.32
Transportation	16.79	17.06	-	-	16.79	17.06
Human services	1.40	1.33	-	-	1.40	1.33
Economic environment	7.42	6.35	-	-	7.42	6.35
Culture and recreation	9.90	9.15	-	-	9.90	9.15
Interest on long-term debt	1.98	2.13	-	-	1.98	2.13
Water/sewer	-	-	23.53	23.68	23.53	23.68
Surface water	-	-	7.06	6.83	7.06	6.83
Solid waste	-	-	15.73	16.00	15.73	16.00
<b>Total expenses</b>	<b>93.77</b>	<b>89.69</b>	<b>46.32</b>	<b>46.51</b>	<b>140.09</b>	<b>136.20</b>
Increase (decrease) in net position						
before transfers	25.28	17.60	14.14	7.55	39.42	25.15
Transfers	0.54	0.59	(0.54)	(0.59)	0.00	0.00
Increase (decrease) in net position	25.82	18.19	13.60	6.96	39.42	25.15
Net position at beginning of year	874.11	859.85	188.21	181.25	1062.32	1041.10
Prior period adjustment (Note 16)	0.09	(3.93)	-	-	0.09	(3.93)
<b>Net position at end of year</b>	<b>\$900.02</b>	<b>\$874.11</b>	<b>\$201.81</b>	<b>\$188.21</b>	<b>\$1,101.83</b>	<b>\$1,062.32</b>

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

**Governmental activities** net position increased almost \$26 million in 2014. Half of this change was related to capital grant funding and developer contributions to infrastructure. Consequently the other increases were in charges for services and program expenses.

Expenses:

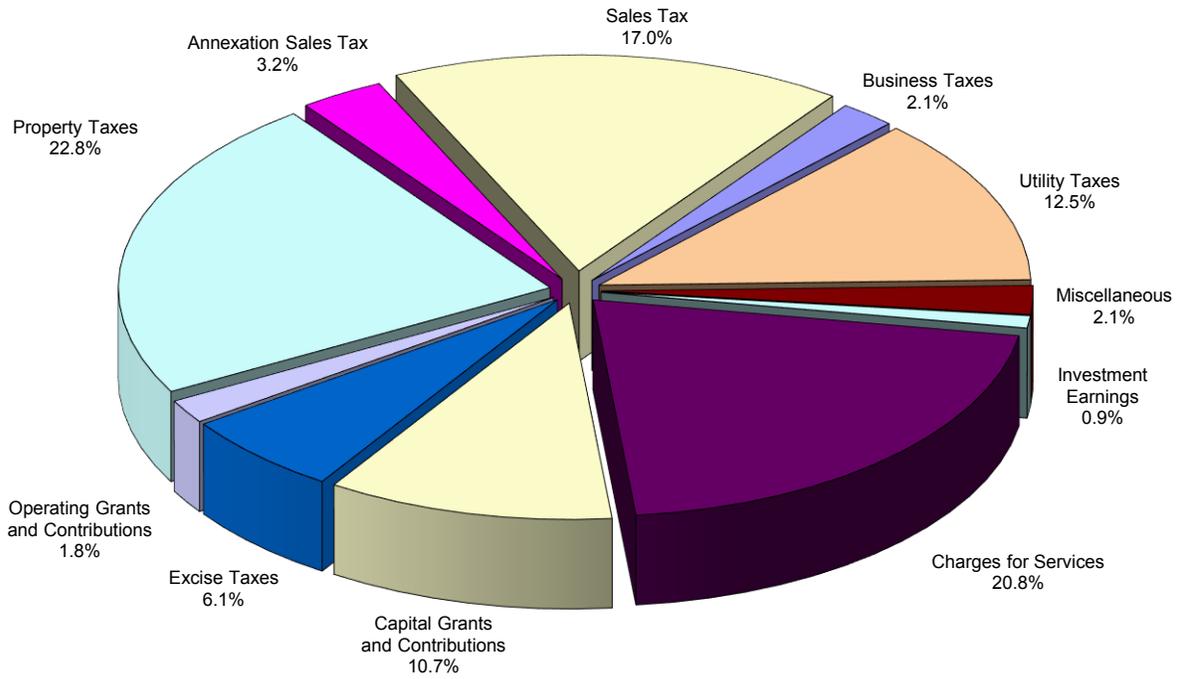
- Overall, governmental expenses increased by less than 5%.
  - Security of Persons and Property incurred an increase just under \$2 million. The City's new Justice Center opened in July of 2014. Our existing Police Department and Municipal Court relocated to the new building mid-year. Additionally, an expanded jail was available in late 2014. The police department had an increase in cost of \$1.5 million due to filled position vacancies and prisoner lodging costs during the transition.
  - The \$1.1 million increase in Economic Environment is related to an increase in services related to permitting.
  - The research, design, and outreach related to the Aquatic Recreation Community Center is the majority of the increase in Culture and Recreation costs for 2014. The City will continue to explore this topic into 2015.

Revenues:

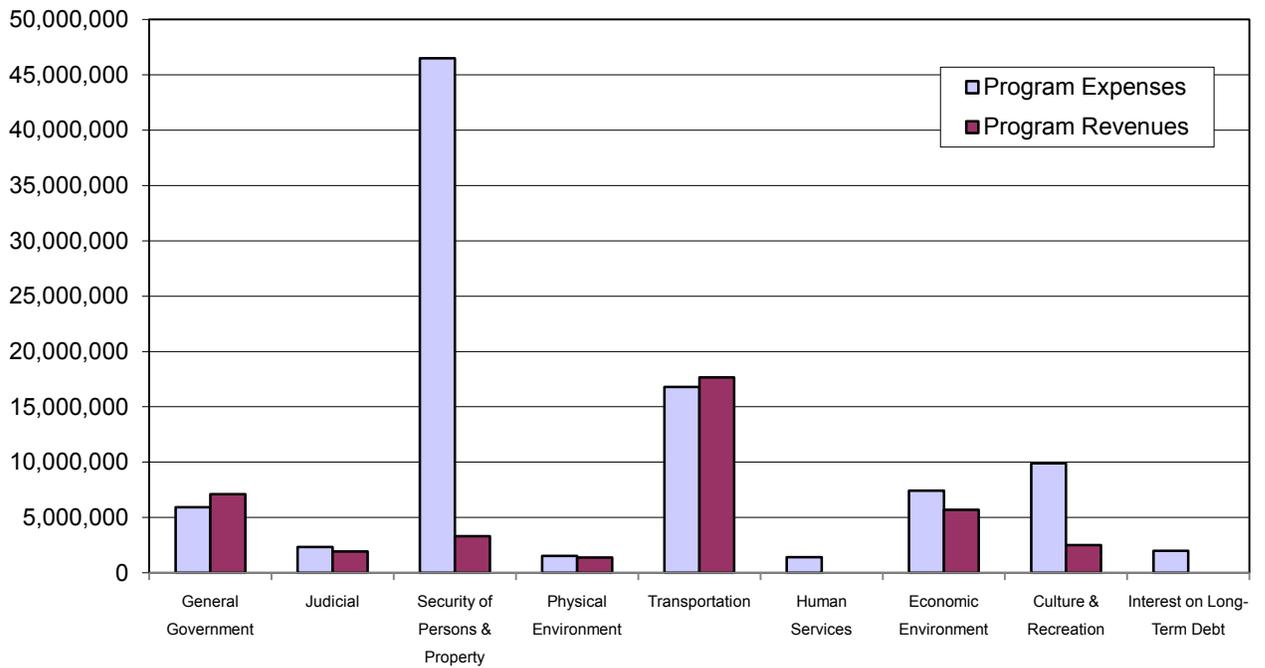
- Charges for services revenue had an increase of \$2.3 million from 2013 to 2014.
  - The predominant increase in charges for services is related to development fees. The increase in transportation of \$1.1 million is road impact fees, and the culture and recreation increase of \$400,000 is park impact fees.
  - Other increases in development activity resulted in additional fees collected and reported for the General Government and Economic Environment activities.
- Operating Grants and Contributions continue to be around \$2 million.
  - The Motor Vehicle Fuel Tax is roughly 80% of this revenue category. It remains consistent at \$1.7 million annually.
  - Federal, state, and local grants are the lesser part of Operating Grants and Contributions. Many of these amounts are somewhat stable from year to year and enhance the City's ability to consistently provide services. In 2014 these grants include funds for energy efficiency implementations, emergency management operations, community safety programs, historic property surveys and funding for the arts.
- Capital Grants and Contributions nearly doubled when compared to 2013.
  - Developer contributions comprise 56% of this amount. New development in the 2011 annexed portion of the City is driving the spike in private projects that add to the City's streets, curb, gutter, and related infrastructure.

- The City continues to improve the Cross Kirkland Corridor trail that was once a rail right of way. In 2014 the City secured funding from the Federal Department of Transportation, Washington State Department of Commerce, Trade and Economic Development for \$1.8 million. The Corridor provides a 5.7 mile north/south connection of neighborhoods and businesses within the City.
- Federal Transportation funding was fundamental to completion of the roadway extension of NE 120<sup>th</sup> Street. This project involved installing new roadway, curb, sidewalk and traffic signals that were included in the City's comprehensive plan. Capital grants totaled over \$2.2 million in 2014 for this project.
- The City's general revenues reflect a modest increase of 4% from 2013 to 2014.
  - Property tax revenues increased by only 2% in 2014, reflective of a 1% tax increase and new construction.
  - Investment earnings increased by over \$1 million year to year, nearly half of which is due to the change in fair market value of the investments between 2013 and 2014 year end.

### Revenues by Source - Governmental Activities



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



**Business-type activities**, which relate to the City’s utilities, had an increase in net position of \$13.6 million, primarily due to operating income of \$5.5 million and capital grants, developer contributions and connection charges of \$8.3 million.

Water/sewer operating revenues increased by \$1.1 million compared to the prior year primarily the result of a water rate increase of 4.9% and an increase in consumption.

Surface Water operating revenues increased by \$0.11 million primarily due to an increase in the number of accounts.

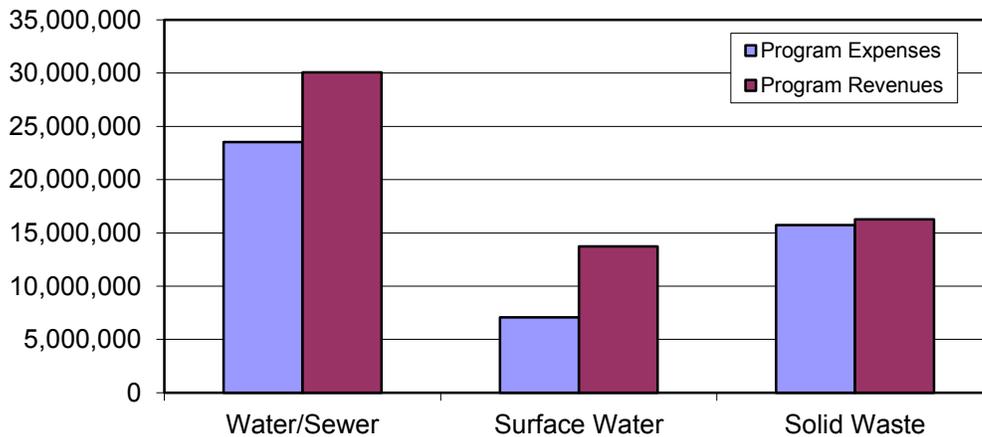
Solid Waste operating revenues decreased by \$0.24 million due to the City Utility Tax being included in operating revenues beginning in 2013. By 2014 the change in operating revenues because of this inclusion had less of an impact than in 2013.

Capital contributions comprised of utility connection charges, developer infrastructure contributions, capital grants, and intergovernmental asset transfers totaled \$8.29 million for 2014. Details for these amounts are shown below:

	<u>Water</u>	<u>Sewer</u>	<u>Surface Water</u>	<u>Total</u>
2014 Connection Charges Collected	473,358	1,244,225	128,427	1,846,010
2014 Developer Infrastructure Contributions	1,040,343	764,880	3,196,711	5,001,934
2014 Capital Grants	-	-	1,045,376	1,045,376
2014 Asset Transfer	395,254	-	-	395,254
	<u>\$ 1,908,955</u>	<u>\$ 2,009,105</u>	<u>\$ 4,370,514</u>	<u>\$ 8,288,574</u>

The infrastructure contributions detailed above represent 37 percent of the increase in net position. These increases are actually reflected as additions to capital assets for the utility functions and are presented in Note 5 of this report.

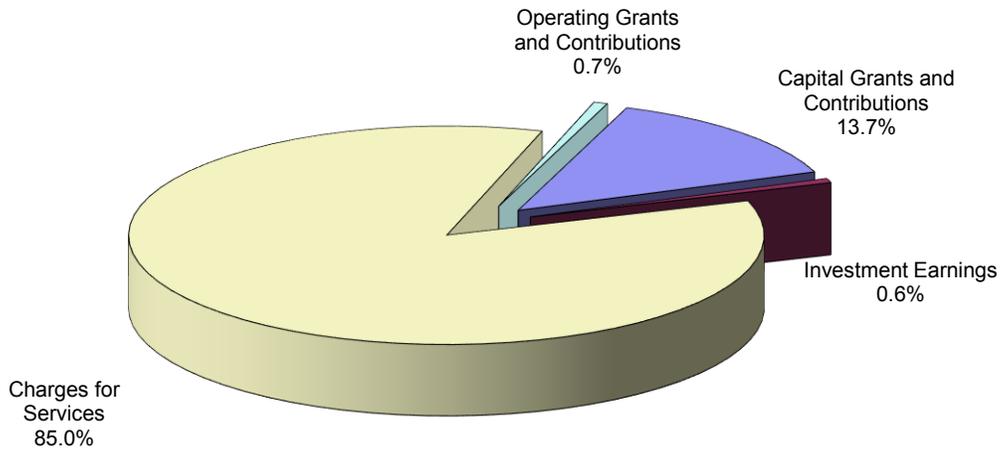
**Program Expenses vs. Program Revenues - Business-Type Activities**



The City of Kirkland's 2014 utility net income (before capital contributions and transfers) was about \$5.5 million. The components are as follows:

Water/Sewer	\$2.6 million
Surface Water	\$2.3 million
Solid Waste	\$0.6 million

**Revenues by Source - Business-Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

At the end of the current year, the City's combined ending governmental fund balance was \$86.9 million, which represents an increase of \$4.8 million from the prior year. Of the total ending fund balance, over \$35 million is restricted and subject to an external legal constraint.

The costs to complete the City's new Justice Center have expended bond funds in 2014 by \$2.5 million. The remaining public safety facilities restriction is related to bond funds for a consolidated fire station project which is still in the early stages of development.

Another \$16 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 \$12 million in excise taxes that have yet to be designated for specific projects but the funding is still restricted for that purpose.

The committed fund balance of \$4 million has been constrained by the City Council for specific purposes. The State of Washington requires the City to have a Contingency Fund. This fund balance of \$2.2 million is a separate fund for the City but activity is shown within the General Fund for reporting purposes. Several interlocal agreements commit \$1.3 million of funds for public safety purposes.

The assigned balance of \$29.6 million is remaining amounts that have been determined by the City Manager, Finance Director, or City Council direction to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end was \$5.7 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 \$24 million of the year end fund balance. The unassigned balance of \$17.7 million in the general fund consists of amounts not otherwise classified such as revenue stabilization, cost of living adjustment, and working capital. Technically, they are unrestricted, which means they are available for spending at the City's discretion. A significant portion of the unassigned balance is budgeted to fund reserve replenishments and additions, creation of equipment sinking funds, carryovers, and one-time service packages in the 2015-2016 biennium.

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

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2014, the fund balance of the general fund was \$37.5 million, which represents an increase from the prior year of \$2.7 million.

General Fund revenues increased by a modest 3% in 2014. Sales tax increased \$1.2 million due to growth in services, retail and auto/gas retail.

General fund expenditures increased by \$4.2 million in 2014. Additional jail costs and increased police staff costs at the new Public Safety Building are reflected in the additional \$2 million in Security of Persons and Property expenditures. The Parks Department is in the process of reviewing the feasibility of a new recreation center which is reflected in their increased expenditure totals. Other increases in general fund activity are related to review and permitting services.

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 2014 was \$12.4 million. Transfers for over \$4 million were used to fund scheduled capital projects.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital

improvement program (CIP) and that are funded from other general revenue sources, grants, and restricted funds. The ending fund balance decreased from the prior year. Construction was completed on the City's new Justice Center in 2014. Costs in 2014 for this project were \$9 million of the total \$14 million in total capital expenditures. The remaining highlighted projects were a building acquisition, safety equipment, network infrastructure and facility efficiency projects.

The transportation capital projects fund accounts for transportation projects approved in the CIP, including those that are funded partially or wholly by grants from other governments. The fund balance at the end of 2014 was \$6.5 million, which is an increase of \$2.2 million from 2013. Balances in both capital project funds vary from year to year dependent upon CIP activity and the size of projects in process.

### **Proprietary Funds**

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

### **General Fund Budgetary Highlights**

During 2014, there was a net increase of \$0.5 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 2013-2014 and that the budget is recorded on a cash basis.

Following are the major components of the changes:

- Development-related revenue exceeded budget expectations in 2014 and approximately \$0.2 million was recognized to fund staffing and other resources to address increased workload. Sales tax revenue received in 2014 also exceeded budget expectations and approximately \$0.1 million was recognized to fund community outreach and site planning for a potential aquatics and recreation community center.
- Grants and donations for cultural and transportation/commute trip reduction added \$93,000 in revenue.
- Additional interest revenue of \$30,000 was recognized to fund investment advisor services.
- Transfers of approximately \$20,000 from another operating fund provided funding for retiree medical costs and a housekeeping appropriation adjustment to operating transfers of approximately \$30,000 was made to correct a budget adjustment made in the prior year.

The actual General Fund 2014 results on a cash basis varied from the final amended budget as follows:

- Actual 2014 General Fund revenues ended the year \$5.9 million over the budgeted level (\$85.3 million versus budget of \$79.4 million), primarily due to sales and gambling taxes, business

license and franchise fees, and development services-related revenue ending the year higher than budget.

- Actual 2014 General Fund expenditures ended the year about \$1.5 million under budget excluding operating transfers. The balance is a combination of uncompleted projects and staffing vacancies.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The City of Kirkland's investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to \$943.1 million (net of accumulated depreciation), which represents a \$23.6 million increase from the prior year. This investment in and capitalization of capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission and distribution systems, roads, and bridges. More details about changes in capital assets are explained below.

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

- The City has completed construction on the Kirkland Justice Center. The 2014 expenditures were over \$9 million bringing the total cost of construction to over \$51 million in this multi-year project. The City began using the building in 2014 for the Police Department and Municipal Court activities. Much of the capital costs are bond funded and do not directly affect the City's Net Investment in Capital Assets.
- After relocating the Municipal Court to the new facility the City sold their current building for \$3.2 million.
- The City purchased a property for \$2.3 million in the Totem Lake area for future park expansion. The property is currently a rental property until redevelopment in the vicinity begins within the next few years.
- \$7.2 million spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals, traffic calming projects, and utility undergrounding. This amount includes \$2.3 million invested in the Cross Kirkland Corridor as enhancements to pedestrian access and \$2.4 million on the 120<sup>th</sup> Street roadway extension project.
- Over \$7.2 million was received by developers constructing new infrastructure along with their improvements in Kirkland.
- \$3.2 million spent on water and sewer utility improvement projects, most of which are still in progress. \$1.4 million capitalized on water and sewer utility improvement projects, most of which were in previous year's construction in progress.
- \$3.1 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 2013 and 2014:

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$589.56	\$589.06	\$2.03	\$2.03	\$591.59	\$591.09
Buildings	25.08	26.70	-	-	25.08	26.70
Improvements other than buildings	17.09	19.96	136.08	132.99	153.17	152.95
Machinery and equipment	8.34	8.25	-	-	8.34	8.25
Infrastructure	124.88	123.03	-	-	124.88	123.03
Construction in progress	63.48	45.28	14.56	9.69	78.04	54.97
Artwork	1.71	1.65	-	-	1.71	1.65
Total	\$830.14	\$813.93	\$152.67	\$144.71	\$982.81	\$958.64

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 \$41.76 million and other long-term debt of \$1.57 million. The total outstanding debt (expressed in millions of dollars) at the end of 2013 and 2014 is broken down between governmental and business-type activities as follows:

**City of Kirkland's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$41.76	\$44.29	-	-	\$41.76	\$44.29
Revenue Bonds	-	-	-	0.48	-	0.48
Public Works Trust Fund Loans	-	-	1.57	1.77	1.57	1.77
Total	\$41.76	\$44.29	\$1.57	\$2.25	\$43.33	\$46.54

On December 5, 2014 Standard and Poor's affirmed the City of Kirkland's AAA rating. On August 15, 2011, Moody's Investors Service assigned a rating of Aa2 to City of Kirkland, Washington's Limited Tax General Obligation Bonds, 2011. Moody's ratings for Kirkland are now Aa2 for both Unlimited Tax GO Bonds and Limited Tax GO Bonds.

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 2014 was \$15.8 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$1,175.8 million.

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

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

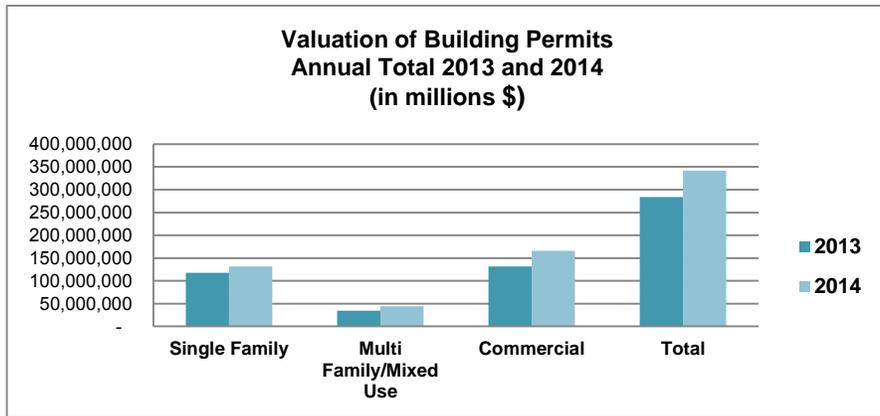
The Washington State economy continued to expand adding 23,700 new jobs in the fourth quarter of 2014, according to the February 2015 update from the Washington State Economic and Revenue Forecast Council. This growth was stronger than forecasted with employment growing by 90,300 jobs in 2014. The forecast also includes estimates for state personal income through the third quarter of 2014. The current estimate is \$350.2 billion, which is higher than 2013 but \$1.2 billion lower than forecast in November 2014.

U.S. unemployment for December 2014 was 5.6 percent, down from 6.7 percent in December 2013. Washington State unemployment ended the year at 6.3 percent, down from 6.7 percent in December 2013. Unemployment rates by month for the County, Washington State, and the United States are shown on the following table.

Month	King County	Washington	United States
December 2013	4.7%	6.7%	6.7%
January 2014	4.8%	6.5%	6.6%
February 2014	5.0%	6.4%	6.7%
March 2014	4.9%	6.3%	6.6%
April 2014	4.1%	6.2%	6.2%
May 2014	4.4%	6.2%	6.3%
June 2014	4.9%	6.1%	6.1%
July 2014	4.9%	6.2%	6.2%
August 2014	4.7%	6.2%	6.1%
September 2014	4.5%	6.2%	5.9%
October 2014	4.4%	6.3%	5.7%
November 2014	4.5%	6.3%	5.8%
December 2014	4.2%	6.3%	5.6%
<b>2014 Average</b>	<b>4.6%</b>	<b>6.3%</b>	<b>6.2%</b>
<b>2013 Average</b>	<b>5.2%</b>	<b>7.0%</b>	<b>7.4%</b>

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

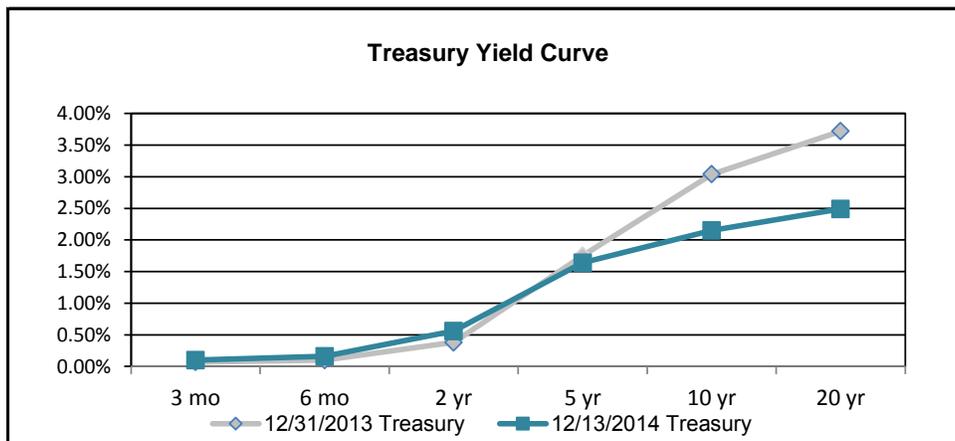
Local development activity, in terms of the valuation of the City’s building permits for 2014, has risen compared to 2013. This is illustrated in the following chart. Development activity has increased across the board, with the largest increase in dollar terms coming from commercial permits and the largest increase by percentage coming from multi-family/mixed use permits. Permit activity in the fourth quarter was equal to the third quarter, with each of those quarters accounting for 22 percent of the year’s development valuations.



National housing construction improved in the fourth quarter of 2014. Housing units authorized by permits increased by 7.0 percent over the third quarter, according to the Washington State Economic and Revenue Council. Washington State housing market was strong, but stable in the fourth quarter of 2014. The sales prices of existing homes have remained robust over the past year and were stable during the fourth quarter, although prices were still 11.7 percent below their 2007 peak.

Inflation in the Seattle area remained low. In December 2014, the Seattle all items CPI was 1.7% higher than in the previous December compared to the 0.8% increase for the U.S. city average. Core inflation in Seattle was 2.6% compared to 1.6% for the nation.

Longer term Treasury yields decreased with the yield curve becoming flatter at the long end of the curve. The Fed Funds rate continued at 0.25 percent through the fourth quarter of 2014. Any changes to the Fed Funds rate are not anticipated to occur until late 2015.



Sales tax growth slowed between the third and fourth quarter of 2014 after growing quickly during the first three quarters of the year. The high growth in year-over-year sales tax that was experienced in 2013 slowed over the course of the year in 2014. Big ticket items, such as auto purchases and contracting services, were significant contributors to growth in 2014, but growth in-services and other retail contributed more to increased revenues in 2014. Together, these four sectors contributed 63.2 percent of the increases in sales tax for the year. All but one sector in the City experienced growth in 2014.

### **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, Michael Olson, Director of Finance and Administration, City of Kirkland, 123 Fifth Avenue, Kirkland, WA 98033-6189.

## Basic Financial Statements



City of Kirkland  
**Statement of Net Position**  
December 31, 2014

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	39,192,737	17,337,572	56,530,309
Investments (Note 3)	70,216,412	28,739,481	98,955,893
Accounts Receivable	10,771,020	10,111,449	20,882,469
Intergovernmental Receivable	3,805,788	702,219	4,508,007
Internal Balances	798,945	(798,945)	0
Inventories	47,541	367,812	415,353
Prepayments	37,241	21,864	59,105
Deposits	1,249,478	0	1,249,478
Negative Net Pension Obligation	909,065	0	909,065
Capital Assets (Note 5)			
Land and Artwork	591,278,970	2,025,871	593,304,841
Depreciable Capital Assets (net of accumulated depreciation)	50,509,508	136,083,492	186,593,000
Depreciable Infrastructure (net of accumulated depreciation)	124,874,557	0	124,874,557
Construction in Progress	63,478,119	14,556,734	78,034,853
<b>Total Assets</b>	<b>957,169,382</b>	<b>209,147,550</b>	<b>1,166,316,932</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	322,802	0	322,802
<b>Total Deferred Outflows of Resources</b>	<b>322,802</b>	<b>0</b>	<b>322,802</b>

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

City of Kirkland  
**Statement of Net Position**  
December 31, 2014

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Accounts Payable and Other Accrued Liabilities	5,876,675	2,339,245	8,215,920
Intergovernmental Payable	200,732	1,357,926	1,558,658
Unearned Revenue	568,117	1,911,420	2,479,537
Accrued Interest Payable	159,897	3,501	163,398
Deposits Payable	1,341,011	0	1,341,011
Noncurrent Liabilities			
Due within one year	5,019,587	348,520	5,368,107
Due in more than one year	44,165,478	1,376,800	45,542,278
<b>Total Liabilities</b>	<b>57,331,497</b>	<b>7,337,411</b>	<b>64,668,908</b>
<b>Deferred Inflows of Resources</b>			
Deferred Charge on Refunding	141,555	0	141,555
<b>Total Deferred Inflows of Resources</b>	<b>141,555</b>	<b>0</b>	<b>141,555</b>
<b>Net Position</b>			
Net Investment in Capital Assets	792,032,185	151,092,784	943,124,969
Restricted for			
Tourism	379,037	0	379,037
Parks and Recreation	6,208,835	0	6,208,835
Public Safety	5,917,025	0	5,917,025
Capital Improvements	12,424,292	0	12,424,292
Transportation	10,778,856	0	10,778,856
Debt Service	329,296	0	329,296
General Government	3,511,310	0	3,511,310
Unrestricted	68,438,296	50,717,355	119,155,651
<b>Total Net Position</b>	<b>900,019,132</b>	<b>201,810,139</b>	<b>1,101,829,271</b>



City of Kirkland  
**Statement of Activities**  
For the fiscal year ended December 31, 2014

Functions/Programs	Program Revenues			Net (Expense/Revenue and Changes in Net Position)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	5,918,750	7,092,815	12,944	0	1,187,009	0	1,187,009
Judicial	2,331,733	1,905,705	22,503	0	(403,525)	0	(403,525)
Security of Persons and Property	46,493,793	3,095,773	207,588	20,441	(43,169,991)	0	(43,169,991)
Physical Environment	1,533,702	1,377,746	0	0	(155,956)	0	(155,956)
Transportation	16,790,922	3,179,516	1,731,513	12,757,709	877,816	0	877,816
Human Services	1,402,936	0	0	0	(1,402,936)	0	(1,402,936)
Economic Environment	7,424,372	5,665,855	38,617	0	(1,719,900)	0	(1,719,900)
Culture and Recreation	9,897,398	2,405,184	90,553	15,438	(7,386,223)	0	(7,386,223)
Interest on Long Term Debt	1,980,886	0	0	0	(1,980,886)	0	(1,980,886)
<b>Total Governmental Activities</b>	<b>93,774,492</b>	<b>24,722,594</b>	<b>2,103,718</b>	<b>12,793,588</b>	<b>(54,154,592)</b>	<b>0</b>	<b>(54,154,592)</b>
<b>Business Type Activities</b>							
Water/Sewer	23,533,618	26,145,803	0	3,918,060	0	6,530,245	6,530,245
Surface Water	7,064,149	9,067,528	289,371	4,370,514	0	6,663,264	6,663,264
Solid Waste	15,727,658	16,147,436	133,690	0	0	553,468	553,468
<b>Total Business Type Activities</b>	<b>46,325,425</b>	<b>51,360,767</b>	<b>423,061</b>	<b>8,288,574</b>	<b>0</b>	<b>13,746,977</b>	<b>13,746,977</b>
<b>Total Government</b>	<b>140,099,917</b>	<b>76,083,361</b>	<b>2,526,779</b>	<b>21,082,162</b>	<b>(54,154,592)</b>	<b>13,746,977</b>	<b>(40,407,615)</b>
<b>General Revenues</b>							
Sales Taxes					23,974,307	0	23,974,307
Property Taxes					27,178,110	0	27,178,110
Utility Taxes					14,892,606	0	14,892,606
Excise Taxes					7,270,619	0	7,270,619
Business Taxes					2,489,060	0	2,489,060
Other Taxes					2,324,241	0	2,324,241
Unrestricted Grants & Contributions					229,671	0	229,671
Investment Earnings					1,078,754	386,690	1,465,444
Transfers, internal activities					537,149	(537,149)	0
<b>Total General Revenues &amp; Transfers</b>					<b>79,974,517</b>	<b>(150,459)</b>	<b>79,824,058</b>
Change in net position					25,819,925	13,596,518	39,416,443
Net position at beginning of year					874,110,962	188,213,621	1,062,324,583
Prior Period Adjustment (Note 16)					88,245	0	88,245
<b>Net Position at end of year</b>					<b>900,019,132</b>	<b>201,810,139</b>	<b>1,101,829,271</b>

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

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2014

Page 1 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
<b>Assets</b>						
Current Assets						
Cash and Cash Equivalents	10,505,218	4,348,876	8,420,085	1,668,987	3,158,141	28,101,307
Investments	22,579,085	7,208,775	14,004,156	2,777,234	5,234,603	51,803,852
Receivables						
Taxes	6,414,473	866,641	0	0	107,343	7,388,457
Accounts	1,327,614	0	0	0	0	1,327,614
Due From Other Funds	810,501	0	0	0	0	810,501
Intergovernmental Receivable	130,605	0	208,000	3,421,450	0	3,760,055
Prepayments	37,241	0	0	0	0	37,241
Restricted Assets						
Deposits	1,249,478	0	0	0	0	1,249,478
<b>Total Assets</b>	<b>43,054,216</b>	<b>12,424,292</b>	<b>22,632,240</b>	<b>7,867,671</b>	<b>8,500,087</b>	<b>94,478,506</b>
<b>Liabilities</b>						
Accounts Payable	834,479	0	541,734	1,321,147	22,251	2,719,611
Wages Payable	2,557,702	0	0	0	63,232	2,620,934
Taxes Payable	143,436	0	0	0	0	143,436
Due to Other Funds	2,690	0	0	0	164	2,854
Intergovernmental Payable	180,639	0	2,889	467	2,106	186,101
Payable from Restricted Assets						
Deposits Payable	1,341,011	0	0	0	0	1,341,011
Unearned Revenue	0	0	15,000	0	0	15,000
Total Liabilities	5,059,957	0	559,623	1,321,614	87,753	7,028,947
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	452,000	0	0	0	68,817	520,817
Total Deferred Inflows of Resources	452,000	0	0	0	68,817	520,817
Fund Balances						
Restricted for						
Customer Deposits	1,249,479	0	0	0	0	1,249,479
Tourism	0	0	0	0	379,037	379,037
Debt Service	0	0	0	0	329,296	329,296
Drug Enforcement	65,970	0	0	0	0	65,970
Public Safety Facilities	0	0	4,564,969	0	0	4,564,969
Transportation Projects	0	0	399,130	6,081,448	3,862,704	10,343,282
Culture and Recreation Projects	0	0	3,026,458	0	3,007,377	6,033,835
Capital Improvements	0	12,424,292	0	0	0	12,424,292

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2014

Page 2 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
<b>Committed for</b>						
Fire Interlocals	60,405	0	1,225,681	0	0	1,286,086
Contingency Fund	2,201,870	0	0	0	0	2,201,870
Parks Interlocal	0	0	175,000	0	0	175,000
Transportation Projects	0	0	0	435,574	0	435,574
General Government Activities	59,961	0	0	0	0	59,961
<b>Assigned for</b>						
Street Operating Fund	5,675,187	0	0	0	0	5,675,187
General Reserves	4,905,521	0	0	0	0	4,905,521
Public Safety Activities	725,491	0	0	0	0	725,491
Development Services	4,162,265	0	0	0	0	4,162,265
Parks and Recreation Activities	385,693	0	0	0	0	385,693
General Government Activities	324,549	0	0	0	0	324,549
Cemetery Operations	0	0	0	0	765,103	765,103
Capital Projects	0	0	12,681,379	29,036	0	12,710,415
Unassigned	17,725,868	0	0	0	0	17,725,868
Total Fund Balances	37,542,259	12,424,292	22,072,617	6,546,058	8,343,517	86,928,743
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>43,054,216</b>	<b>12,424,292</b>	<b>22,632,240</b>	<b>7,867,672</b>	<b>8,500,087</b>	<b>94,478,507</b>

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	822,346,730
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	3,209,602
Long term liabilities are not due and payable in the current period and are not reported in the funds	(48,726,522)
Internal service funds are used by management to charge the costs of certain activities to individual funds	36,260,579
The assets and liabilities are included in governmental activities in the statement of net position	
<b>Net Position of governmental activities</b>	<b>900,019,132</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, 2014

Page 1 of 2

	General Fund	Excise Capital Improvement
<b>Revenues</b>		
Taxes and Assessments	64,909,109	6,973,395
Licenses and Permits	8,337,352	0
Intergovernmental	2,969,037	0
Charges for Services	12,789,529	0
Fines and Forfeitures	2,143,143	0
Investment Interest	595,925	73,655
Miscellaneous Revenues	1,181,603	0
<b>Total Revenues</b>	<b>92,925,698</b>	<b>7,047,050</b>
<b>Expenditures</b>		
Current		
General Government	11,491,306	0
Security of Persons and Property	44,763,611	0
Physical Environment	3,416,756	0
Transportation	6,622,549	0
Economic Environment	8,623,713	0
Culture and Recreation	6,214,931	0
Debt Service		
Principal	0	0
Interest	0	0
Capital Outlay	115,435	0
<b>Total Expenditures</b>	<b>81,248,301</b>	<b>0</b>
<b>Excess (Deficiency) of revenues</b>		
Over (under) expenditures	11,677,397	7,047,050
<b>Other Financing Sources (Uses)</b>		
Sale of Capital Assets	0	0
Insurance Recovery	41,690	0
Transfers In	470,007	51,593
Transfers Out	(9,526,082)	(4,369,031)
<b>Total Other Financing Sources (Uses)</b>	<b>(9,014,385)</b>	<b>(4,317,438)</b>
<b>Net Change in Fund Balance</b>	<b>2,663,012</b>	<b>2,729,612</b>
<b>Fund Balances Beginning of Year</b>	<b>34,879,247</b>	<b>9,694,680</b>
<b>Fund Balances End of Year</b>	<b>37,542,259</b>	<b>12,424,292</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, 2014

Page 2 of 2

General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
0	0	4,967,334	76,849,838
0	0	0	8,337,352
126,432	5,493,868	552,903	9,142,240
196,562	448,817	3,585,049	17,019,957
0	0	0	2,143,143
150,369	0	45,180	865,129
300,102	0	25,302	1,507,007
773,465	5,942,685	9,175,768	115,864,666
0	0	28	11,491,334
96,786	0	0	44,860,397
0	0	51,803	3,468,559
0	3,859,532	0	10,482,081
0	0	221,549	8,845,262
200,430	0	2,426,065	8,841,426
0	0	2,537,949	2,537,949
0	0	1,980,886	1,980,886
14,821,402	7,605,145	3,918	22,545,900
15,118,618	11,464,677	7,222,198	115,053,794
(14,345,153)	(5,521,992)	1,953,570	810,872
3,193,313	0	23,484	3,216,797
0	0	0	41,690
7,053,586	7,746,351	2,854,495	18,176,032
(540,768)	(50,320)	(2,968,045)	(17,454,246)
9,706,131	7,696,031	(90,066)	3,980,273
(4,639,023)	2,174,040	1,863,504	4,791,145
26,711,640	4,372,018	6,480,013	82,137,598
22,072,617	6,546,058	8,343,517	86,928,743

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

For the fiscal year ended December 31, 2014

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

Net change in fund balances for governmental funds 4,791,145

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	22,545,900	
Depreciation	(10,002,446)	
Contributed Infrastructure	7,263,840	
Sale of Building	(3,145,523)	
CIP Closures	(534,686)	
	16,127,085	16,127,085

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

Debt Retired	2,537,949	
Bond (Premium) Discount	8,005	
	2,545,954	2,545,954

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		(36,069)
Change in Pension Asset		(73,777)
Bond Subsidy		(3,945)

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		(39,633)
Accrued Interest		14,598
Other Post Employment Benefit Obligation		(532,798)

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.

3,027,366

Change in net position of governmental activities 25,819,925

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



City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 General Fund  
 For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	109,097,641	110,332,023	56,867,184	59,090,759	115,957,943	5,625,920
Licenses and Permits	12,936,530	13,290,785	7,642,826	7,920,843	15,563,669	2,272,884
Intergovernmental	2,290,953	2,581,996	1,115,520	1,262,800	2,378,320	(203,676)
Charges for Services	23,574,226	25,231,984	13,539,635	13,282,076	26,821,711	1,589,727
Fines and Forfeitures	3,816,924	3,858,924	2,167,476	2,120,028	4,287,504	428,580
Interest on Sales Tax Contract	120,000	120,000	79,235	97,887	177,122	57,122
Investment Interest - Dedicated	451,200	481,200	333,022	291,114	624,136	142,936
Contributions/Donations	44,800	97,300	63,908	156,303	220,211	122,911
Miscellaneous Revenues	820,321	820,321	563,081	695,381	1,258,462	438,141
<b>Total Revenues</b>	<b>153,152,595</b>	<b>156,814,533</b>	<b>82,371,887</b>	<b>84,917,191</b>	<b>167,289,078</b>	<b>10,474,545</b>
<b>Expenditures</b>						
Current						
General Government	20,334,421	21,660,263	10,406,947	10,635,987	21,042,934	617,329
Security of Persons and Property	95,118,406	98,275,493	47,205,627	50,140,892	97,346,519	928,974
Physical Environment	7,417,620	8,639,704	3,684,858	4,182,778	7,867,636	772,068
Transportation	1,075,602	1,195,655	545,503	518,236	1,152,647	43,008
Economic Environment	6,816,151	7,624,229	3,470,277	3,715,919	7,186,196	438,033
Human Services	2,751,944	3,029,769	1,311,034	1,359,522	2,670,556	359,213
Culture and Recreation	11,401,725	12,146,638	5,758,952	6,191,923	11,950,875	195,763
Capital Outlay	105,940	133,440	0	0	0	133,440
<b>Total Expenditures</b>	<b>145,021,809</b>	<b>152,705,191</b>	<b>72,383,198</b>	<b>76,745,257</b>	<b>149,217,363</b>	<b>3,487,828</b>
<b>Excess of revenues over expenditures</b>	<b>8,130,786</b>	<b>4,109,342</b>	<b>9,988,689</b>	<b>8,171,934</b>	<b>18,071,715</b>	<b>13,962,373</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	0	16,944	29,771	500	30,271	13,327
Transfers In	587,763	721,963	402,008	319,955	721,963	0
Transfers Out	(11,650,568)	(15,268,489)	(8,035,883)	(6,138,738)	(14,174,621)	1,093,868
<b>Total Other Financing Sources (Uses)</b>	<b>(11,062,805)</b>	<b>(14,529,582)</b>	<b>(7,604,104)</b>	<b>(5,818,283)</b>	<b>(13,422,387)</b>	<b>1,107,195</b>
<b>Net Change in Fund Balance</b>	<b>(2,932,019)</b>	<b>(10,420,240)</b>	<b>2,384,585</b>	<b>2,353,651</b>	<b>4,649,328</b>	<b>15,069,568</b>
<b>Fund Balances Beginning of Year</b>	<b>17,886,480</b>	<b>21,345,779</b>	<b>21,345,779</b>	<b>23,730,364</b>	<b>21,345,779</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>14,954,461</b>	<b>10,925,539</b>	<b>23,730,364</b>	<b>26,084,015</b>	<b>25,995,107</b>	<b>15,069,568</b>

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

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

Excise Tax Capital Improvement Special Revenue Fund  
For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	7,000,000	7,000,000	6,699,986	6,846,464	13,546,450	6,546,450
Investment Interest	84,012	84,012	46,628	48,104	94,732	10,720
<b>Total Revenues</b>	<b>7,084,012</b>	<b>7,084,012</b>	<b>6,746,614</b>	<b>6,894,568</b>	<b>13,641,182</b>	<b>6,557,170</b>
<b>Excess of revenues over expenditures</b>	<b>7,084,012</b>	<b>7,084,012</b>	<b>6,746,614</b>	<b>6,894,568</b>	<b>13,641,182</b>	<b>6,557,170</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	0	482,822	51,593	534,415	534,415
Transfers Out	(6,020,162)	(8,531,043)	(3,983,832)	(4,369,031)	(8,352,863)	178,180
<b>Total Other Financing Sources (Uses)</b>	<b>(6,020,162)</b>	<b>(8,531,043)</b>	<b>(3,501,010)</b>	<b>(4,317,438)</b>	<b>(7,818,448)</b>	<b>712,595</b>
<b>Net Change in Fund Balance</b>	<b>1,063,850</b>	<b>(1,447,031)</b>	<b>3,245,604</b>	<b>2,577,130</b>	<b>5,822,734</b>	<b>7,269,765</b>
<b>Fund Balances Beginning of Year</b>	<b>5,513,163</b>	<b>5,762,774</b>	<b>5,762,774</b>	<b>9,008,378</b>	<b>5,762,774</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>6,577,013</b>	<b>4,315,743</b>	<b>9,008,378</b>	<b>11,585,508</b>	<b>11,585,508</b>	<b>7,269,765</b>

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

City of Kirkland  
**Statement of Net Position**  
 Proprietary Funds  
 December 31, 2014

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	10,555,783	6,408,797	372,992	17,337,572	11,091,431
Investments (Note 3)	17,497,848	10,623,219	618,414	28,739,481	18,412,559
Receivables					
Interest	200,108	0	0	200,108	0
Contracts	1,911,420	0	0	1,911,420	0
Accounts	4,740,288	322,457	2,914,724	7,977,469	122,945
Assessments	22,452	0	0	22,452	0
Intergovernmental Receivable	16,338	680,489	5,392	702,219	0
Due From Other Funds	12,298	0	0	12,298	0
Inventories	314,967	52,845	0	367,812	47,541
Restricted Assets					
Prepayments	258	21,435	171	21,864	0
<b>Total Current Assets</b>	<b>35,271,760</b>	<b>18,109,242</b>	<b>3,911,693</b>	<b>57,292,695</b>	<b>29,674,476</b>
Noncurrent Assets					
Capital Assets (Note 5)					
Land	47,784	1,978,087	0	2,025,871	0
Depreciable Capital Assets (Net)	84,760,788	51,322,704	0	136,083,492	7,794,427
Construction in Progress	4,532,302	10,024,432	0	14,556,734	0
<b>Total Capital Assets</b>	<b>89,340,874</b>	<b>63,325,223</b>	<b>0</b>	<b>152,666,097</b>	<b>7,794,427</b>
<b>Total Noncurrent Assets</b>	<b>89,340,874</b>	<b>63,325,223</b>	<b>0</b>	<b>152,666,097</b>	<b>7,794,427</b>
<b>Total Assets</b>	<b>124,612,634</b>	<b>81,434,465</b>	<b>3,911,693</b>	<b>209,958,792</b>	<b>37,468,903</b>

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

City of Kirkland  
**Statement of Net Position**  
 Proprietary Funds  
 December 31, 2014

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	389,511	757,231	993,428	2,140,170	181,244
Claims Payable	0	0	0	0	590,385
Wages Payable	79,869	105,241	13,965	199,075	211,450
Compensated Absences Payable	66,695	51,637	3,274	121,606	135,688
Intergovernmental Payable	921,399	115,703	320,824	1,357,926	14,631
Due to Other Funds	504,201	38,312	268,729	811,242	8,702
Accrued Interest Payable	3,501	0	0	3,501	0
Unearned Revenue	1,911,420	0	0	1,911,420	32,300
Loans and Contracts Payable	226,914	0	0	226,914	0
<b>Total Current Liabilities</b>	<b>4,103,510</b>	<b>1,068,124</b>	<b>1,600,220</b>	<b>6,771,854</b>	<b>1,174,400</b>
Noncurrent Liabilities					
Compensated Absences Payable	16,674	12,909	818	30,401	33,922
Loans and Contracts Payable	1,346,399	0	0	1,346,399	0
<b>Total Noncurrent Liabilities</b>	<b>1,363,073</b>	<b>12,909</b>	<b>818</b>	<b>1,376,800</b>	<b>33,922</b>
<b>Total Liabilities</b>	<b>5,466,583</b>	<b>1,081,033</b>	<b>1,601,038</b>	<b>8,148,654</b>	<b>1,208,322</b>
<b>Net Position</b>					
Net Investment in Capital Assets	87,767,561	63,325,223	0	151,092,784	7,794,427
Unrestricted	31,378,490	17,028,210	2,310,655	50,717,355	28,466,152
<b>Total Net Position</b>	<b>119,146,051</b>	<b>80,353,433</b>	<b>2,310,655</b>	<b>201,810,139</b>	<b>36,260,579</b>

City of Kirkland  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
Proprietary Funds  
For the fiscal year ended December 31, 2014

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Operating Revenues</b>					
Charges for Services	25,798,960	8,990,036	16,146,891	50,935,887	22,755,320
Miscellaneous Revenues	346,843	77,492	545	424,880	364,948
<b>Total Operating Revenues</b>	<b>26,145,803</b>	<b>9,067,528</b>	<b>16,147,436</b>	<b>51,360,767</b>	<b>23,120,268</b>
<b>Operating Expenses</b>					
Administrative and General	2,803,625	3,370,935	955,890	7,130,450	12,098,180
Supplies	0	0	0	0	113,975
Maintenance and Operations	14,746,914	1,314,558	12,329,604	28,391,076	6,615,479
Taxes	3,430,964	766,618	2,291,905	6,489,487	0
Depreciation	2,535,487	1,289,183	0	3,824,670	1,541,696
<b>Total Operating expenses</b>	<b>23,516,990</b>	<b>6,741,294</b>	<b>15,577,399</b>	<b>45,835,683</b>	<b>20,369,331</b>
<b>Operating Income (Loss)</b>	<b>2,628,813</b>	<b>2,326,234</b>	<b>570,037</b>	<b>5,525,084</b>	<b>2,750,937</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	230,419	149,583	6,688	386,690	123,935
Grant Income	0	289,371	133,690	423,061	0
Insurance Recovery	0	0	0	0	471
Interest Expense	(16,597)	0	0	(16,597)	0
Amortization	0	0	0	0	0
Gain (Loss) on Disposal of Capital Assets	(31)	0	0	(31)	84,871
Other Nonoperating Revenues/(Expenses)	0	(322,855)	(150,259)	(473,114)	26,788
<b>Total Nonoperating revenues (expenses)</b>	<b>213,791</b>	<b>116,099</b>	<b>(9,881)</b>	<b>320,009</b>	<b>236,065</b>
<b>Income Before Contributions and Transfers</b>	<b>2,842,604</b>	<b>2,442,333</b>	<b>560,156</b>	<b>5,845,093</b>	<b>2,987,002</b>
<b>Capital Contributions</b>					
Contributions	3,918,060	4,370,514	0	8,288,574	0
Transfers In	0	0	0	0	852,067
Transfers Out	(135,400)	(101,749)	(300,000)	(537,149)	(811,704)
Change in Net Position	6,625,264	6,711,098	260,156	13,596,518	3,027,366
Total Net Position - Beginning	112,520,787	73,642,335	2,050,499	188,213,621	33,144,970
Prior Period Adjustment (Note 16)	0	0	0	0	88,244
<b>Total Net Position - Ending</b>	<b>119,146,051</b>	<b>80,353,433</b>	<b>2,310,655</b>	<b>201,810,139</b>	<b>36,260,579</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, 2014  
 Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste			
<b>Cash Flows From Operating Activities</b>						
Cash Received From Customers	25,459,149	8,865,588	15,717,488		50,042,225	0
Cash Received From Interfund Charges	0	0	0		0	12,370,668
Contributions Received from Employees and Employer	0	0	0		0	9,918,146
Cash From Other Sources	346,279	75,137	456,478		877,894	1,405,059
Cash Paid to Suppliers for Goods and Services	(13,575,761)	(1,023,220)	(12,427,415)		(27,026,396)	(11,539,995)
Cash Paid to Employees for Services	(1,848,160)	(2,344,820)	(295,704)		(4,488,684)	(5,215,479)
Cash Paid in Lieu of Taxes	(3,367,100)	(758,327)	(2,295,852)		(6,421,279)	0
Cash Paid for Central Business Functions	(2,184,504)	(1,373,529)	(572,741)		(4,130,774)	(2,036,411)
<b>Cash Provided by Operating Activities</b>	<b>4,829,903</b>	<b>3,440,829</b>	<b>582,254</b>		<b>8,852,986</b>	<b>4,901,988</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Proceeds From Federal, State, Local Grants	0	82,700	129,821		212,521	0
Deposits	(17,001)	0	0		(17,001)	0
Grant Administration Expenditures	0	(264,218)	(148,298)		(412,516)	0
Transfers In	0	0	0		0	852,067
Transfers Out	(135,400)	(101,749)	(300,000)		(537,149)	(811,704)
<b>Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(152,401)</b>	<b>(283,267)</b>	<b>(318,477)</b>		<b>(754,145)</b>	<b>40,363</b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Proceeds From Project Cost Share	268	0	0		268	0
Capital Contributed	1,722,473	128,427	0		1,850,900	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0		0	252,633
Proceeds From Capital Grants	0	851,699	0		851,699	0
Proceeds From Loans	150,679	0	0		150,679	0
Principal Payments on Notes, Capital Leases and Bonds	(824,354)	0	0		(824,354)	0
Interest Paid on Notes, Capital Leases and Bonds	(19,804)	0	0		(19,804)	0
Interest Received on Program Loans	32,874	0	0		32,874	0
Acquisition and Construction of Capital Assets	(2,831,630)	(2,755,462)	0		(5,587,092)	(1,793,375)
<b>Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,769,494)</b>	<b>(1,775,336)</b>	<b>0</b>		<b>(3,544,830)</b>	<b>(1,540,742)</b>
<b>Cash Flows From Investing Activities</b>						
(Increase) Decrease in Investments	(2,696,876)	(1,441,270)	(191,262)		(4,329,408)	(2,988,441)
Interest Revenue	188,680	156,815	6,688		352,183	75,706
<b>Cash Provided by Investing Activities</b>	<b>(2,508,196)</b>	<b>(1,284,455)</b>	<b>(184,574)</b>		<b>(3,977,225)</b>	<b>(2,912,735)</b>
Increase (Decrease) in Cash and Cash Equivalents	399,812	97,771	79,203		576,786	488,874
Cash and Cash Equivalents, January 1	10,155,971	6,311,026	293,789		16,760,786	10,514,313
Prior Period Adjustment (Note 16)	0	0	0		0	88,244
<b>Cash and Cash Equivalents, December 31</b>	<b>10,555,783</b>	<b>6,408,797</b>	<b>372,992</b>		<b>17,337,572</b>	<b>11,091,431</b>

City of Kirkland  
**Statement of Cash Flows**

Proprietary Funds

For the fiscal year ended December 31, 2014

Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities</b>					
Operating Income (Loss)	2,628,813	2,326,234	570,037	5,525,084	2,750,937
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	2,535,487	1,289,183	0	3,824,670	1,541,696
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(337,707)	(138,174)	25,715	(450,166)	573,508
(Increase) Decrease in Operating Intergovernmental Receivable	(4,544)	0	0	(4,544)	39,722
(Increase) Decrease in Operating Due From Other Funds	5,355	0	0	5,355	0
(Increase) Decrease in Other Accounts Receivable	(13,387)	0	0	(13,387)	0
(Increase) Decrease in Capital Related Accounts Receivable	0	0	0	0	(71,982)
(Increase) Decrease in Operating Inventories	61,778	(12,957)	0	48,821	10,322
(Increase) Decrease in Assessments	(925)	0	0	(925)	0
(Increase) Decrease in Prepayments	(258)	(21,435)	(171)	(21,864)	0
Increase (Decrease) in Capital Accounts Payable	0	0	0	0	99,498
Increase (Decrease) in Operating Accounts Payable	(6,716)	(32,495)	(8,755)	(47,966)	(75,876)
Increase (Decrease) in Claims Payable	0	0	0	0	(11,510)
Increase (Decrease) in Operating Intergovernmental Payable	(54,498)	14,662	(1,132)	(40,968)	(6,985)
Increase (Decrease) in Operating Due to Other Funds	42,320	6,506	(2,302)	46,524	1,542
Increase (Decrease) in Operating Wages Payable	(616)	(366)	1,190	208	9,329
Increase (Decrease) in Compensated Absences Payable	3,117	9,671	(2,328)	10,460	9,487
Increase (Decrease) in Revenue Collected in Advance	(28,316)	0	0	(28,316)	32,300
<b>Cash Provided by Operating Activities</b>	<b>4,829,903</b>	<b>3,440,829</b>	<b>582,254</b>	<b>8,852,986</b>	<b>4,901,988</b>
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	2,200,477	3,196,711	0	5,397,188	0
Change in Fair Value of Investments	(67,221)	(41,168)	(2,253)	(110,642)	(43,838)

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

City of Kirkland  
**Statement of Fiduciary Net Position**  
Trust and Agency Funds  
December 31, 2014

	Firefighter's Pension	Agency Funds
<b>Assets</b>		
Cash and Cash Equivalents	560,224	163,367
Investments, at fair value:		
Government Sponsored Enterprise Securities	927,926	0
Deposits	0	1,838,472
<b>Total Assets</b>	<b>1,488,150</b>	<b>2,001,839</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	0	0
Due to Other Governments	0	154,231
Deposits	0	1,847,608
<b>Total Liabilities</b>	<b>0</b>	<b>2,001,839</b>
Net Position		
Held in Trust for Pension Benefits	1,488,150	0
<b>Total Net Position</b>	<b>1,488,150</b>	<b>0</b>

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

City of Kirkland  
**Statement of Changes in Fiduciary Net Position**  
 Firefighter's Pension Fund  
 For the Fiscal Year Ended December 31, 2014

	Firefighter's Pension
<b>Additions</b>	
Contributions:	
Fire Insurance Premium Contributions	97,205
Investment Earnings:	
Net Increase in the Fair Value of Investments	14,415
<b>Total Additions</b>	<b>111,620</b>
<b>Deductions</b>	
Benefit Payments	14,066
OPEB Payments	225,000
Administrative Expenses	8,125
<b>Total Deductions</b>	<b>247,191</b>
Change in Net Position	(135,571)
Net Position Beginning of Year	1,623,721
<b>Net Position End of Year</b>	<b>1,488,150</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, 2014**

<b>Note</b>	<b>Page</b>
1 Summary of Significant Accounting Policies.....	54
Reporting Entity.....	54
Government-Wide and Fund Financial Statements.....	54
Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	55
Budgetary Data.....	56
Assets, Liabilities, Fund Balance and Net Position.....	58
2 Reconciliation of Government-wide and Fund Financial Statements.....	62
3 Deposits and Investments.....	64
4 Property Taxes.....	67
5 Capital Assets.....	68
Construction Obligations.....	69
6 Pension Plans.....	70
Public Employees' Retirement System (PERS) Plans 1, 2, and 3.....	70
Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plans 1 and 2.....	74
Public Safety Employees' Retirement System (PSERS) Plan 2.....	77
Volunteer Firefighters' Relief and Pension Fund.....	79
Firefighters' Pension.....	79
Municipal Employees Benefit Trust.....	84
7 Other Post Employment Benefits.....	85
8 Risk Management.....	87
9 Long-term Debt.....	89
City of Kirkland Credit Ratings.....	91
10 Leases.....	92
11 Changes in Long-term Liabilities.....	93
Compensated Absences.....	93
Other Post Employment Benefits.....	93
12 Contingencies and Litigations.....	93
13 Interfund Balances and Transfers.....	94
14 Joint Ventures.....	96
15 Budget to GAAP Reconciliation.....	102
16 Prior Period Adjustment.....	103
17 Other Information.....	103

City of Kirkland

**Notes to the Basic Financial Statements**  
For Year Ended December 31, 2014

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

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

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

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

Water/Sewer Operating Fund	accounts for the maintenance, operation, and minor construction of water and sewer systems activity of the Water/Sewer Utility.
Surface Water Management Fund	accounts for the maintenance, operation, and minor appurtenances, including drainage and public retention/detention systems, and related infrastructure activity of the Surface Water Management Utility.
Solid Waste Fund	accounts for all monies collected for solid waste and recycling services, the majority of which are provided through a private contractor.

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

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

The City complies with all applicable GASB pronouncements and GAAP hierarchy as prescribed by GASB.

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

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

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

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

### **Budgetary Data**

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

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

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

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

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

## **Amending the Budget**

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

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

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

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

### **Cash and Investments**

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

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

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

### **Receivables**

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

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

### **Amounts Due to and from Other Governmental Units**

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

### **Interfund Transactions**

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

## **Inventories**

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

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

## **Restricted Assets and Liabilities**

These accounts contain resources reserved for customer deposits.

## **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets acquired through annexation in 2011 were recorded at estimated fair market value.

On January 2, 2014, under an interlocal agreement, the ownership of distribution facilities formerly served by the City of Redmond were transferred to the City of Kirkland. This service area is within the City of Kirkland. As a result of the transfer, the City recorded water mains with a carrying value of \$395,254 and additional net investment in capital assets. This value was reduced by \$56,034 to reflect a consistent method of accounting with other City assets. Additional assets were transferred but were either below our capitalization threshold or were fully depreciated and had no carrying value.

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

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

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

## **Compensated Absences**

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

Vacation leave is accumulated monthly at annual rates ranging from 104 hours to 300 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established

limits and not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed probation except under special conditions listed in the Kirkland Municipal Code.

Sick leave is accrued at a rate of 8 hours for each month of the employee's service, or the equivalent of a 24 hour shift for fire employees. Unused sick leave may be accumulated from year to year to a maximum of 180 days. Fire and police employees who entered the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) prior to October 1, 1977, do not accumulate sick leave, because they have unlimited disability coverage under state retirement law. Any outstanding sick leave is lost at termination of employment.

In January 1985, the City Council passed Ordinance 2844 wherein Section 10F eliminated an employee's ability to cash out any unused sick leave upon resignation or retirement. At this time, certain bargaining units were given the option to freeze their unused sick leave to be paid at 1984 wage rates upon resignation or retirement. There is one employee currently employed by the City who chose to freeze the unused sick leave for a total of \$407 benefits payable.

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$11,000 for 2014.

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

### **Long-Term Debt**

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

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

### **Unearned Revenues**

Unearned revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes an unearned revenue as the offset. The unearned revenues include leases and business license fees collected in 2014 for 2015.

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

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

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

### **Net Position**

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

### **Fund Balance**

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

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

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

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

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

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

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

Municipal Court	1,932,004
Negative Net Pension Obligation	909,065
Deferred Charges/Discount	322,801
Bond Subsidy	45,732
Net Adjustment	<u>\$3,209,602</u>

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

Bonds Payable	41,755,287
Compensated Absences	2,827,385
Net OPEB Obligation	3,842,397
Accrued Interest Payable	159,898
Deferred Charges/Premium	141,555
Net Adjustment	<u>\$48,726,522</u>

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

Capital Assets	973,688,271
Depreciation	(151,341,541)
Net Capital Assets Adjustment	<u>\$822,346,730</u>

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

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

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

Capital Outlays	22,545,900
Depreciation Expense	(10,002,446)
Contributed Infrastructure	7,263,840
Sale of Building	(3,145,523)
CIP Closures	(534,686)
Net Adjustment	<u>\$16,127,085</u>

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

Debt Retired	2,537,949
Bond (Premium) Discount	8,005
Net Adjustment	<u>\$2,545,954</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	(36,069)
Negative Pension Obligation	(73,777)
Bond Subsidy	(3,945)
Net Adjustment	<u>(\$113,791)</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	(532,798)
Compensated Absence Payable	(39,633)
Accrued Interest Payable	14,598
Net Adjustment	<u>(\$557,833)</u>

**NOTE 3:  
DEPOSITS AND INVESTMENTS**

**Deposits**

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

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

**Investments**

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

**Credit Risk**

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The City's investment policy applies the prudent person standard; Investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of Kirkland on December 31, 2014 are listed below:

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

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

**Custodial Credit Risk**

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

**Concentration of Credit Risk**

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

**Interest Rate Risk**

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 1.44 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, 2014 was 43 days.

City of Kirkland Cash, Deposits and Investments  
Segmented Time Distribution  
At December 31, 2014

<b>Cash and Investment Type</b>	Fair Value*	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
Federal Agricultural Mortgage Corporation callable	1,203,761			1,203,761			
Federal Farm Credit Bank bullet	14,932,720			9,974,220	4,958,500		
Federal Farm Credit Bank callable	4,933,240				4,933,240		
Federal Home Loan Bank bullet	4,944,120			4,944,120			
Federal Home Loan Bank callable	4,941,800					4,941,800	
Federal Home Loan Mortgage Corporation bullet	9,956,935			5,011,015		4,945,920	
Federal Home Loan Mortgage Corporation callable	9,965,340			9,965,340			
Federal National Mortgage Association bullet	4,980,155			4,980,155			
Federal National Mortgage Association callable	4,996,035				4,996,035		
US Treasury Notes	16,983,594			7,023,830	9,959,764		
US Agency Backed - Aid-Israel Strips	3,518,698			3,518,698			
Clackamas & Washington Cnty OR JT SD#3	6,270,361		3,891,789	2,378,572			
Clackamas & Washington Cnty OR Sch Dist #62C	6,128,553				6,128,553		
Marion & Polk Cntys OR SD #24J	4,990,250			4,990,250			
Seattle Museum Development Authority	1,138,258 *			1,138,258			
Opus Bank CD	8,018,692		8,018,692				
Umpqua Bank CD	5,000,000	5,000,000					
	\$ 112,902,512	5,000,000	11,910,481	55,128,219	30,976,092	9,887,720	0
<b>Uncategorized Cash and Deposits</b>							
Fire District #41 Funds held by King County	35,593						
Washington State Local Government Investment Pool	22,823,656						
FDIC or PDPC Insured Bank Deposits	24,444,413						
Cash on Hand	19,500						
	\$ 47,323,163						
Total Cash, Deposits and Investments	\$ 160,225,675						

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

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

**NOTE 4:  
PROPERTY TAXES**

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

Property Tax Calendar:

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

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

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

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

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

The City's regular tax levy in 2014 was \$1.65893 per \$1,000 on an assessed valuation of \$15,774,360,007 for a total regular levy of \$26,168,501. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.05778 per \$1,000 for an excess levy of \$656,958. 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, 2014, was as follows:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	589,056,379	1,808,936	1,300,966	589,564,349
Construction in Progress	45,275,696	22,541,982	4,339,559	63,478,119
Artwork	1,648,921	65,700	0	1,714,621
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 635,980,996</b>	<b>24,416,618</b>	<b>5,640,525</b>	<b>\$ 654,757,089</b>
Capital Assets, Being Depreciated:				
Buildings	39,521,861	553,914	1,399,615	38,676,160
Improvements	36,399,823	299,197	1,308,493	35,390,527
Machinery and Equipment	18,862,412	1,798,680	1,289,472	19,371,620
Infrastructure	234,972,474	8,247,809	0	243,220,283
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 329,756,570</b>	<b>10,899,600</b>	<b>3,997,580</b>	<b>\$ 336,658,590</b>
Less Accumulated Depreciation for:				
Buildings	12,816,894	918,938	139,961	13,595,871
Improvements	16,441,796	2,575,330	714,058	18,303,068
Machinery and Equipment	10,610,240	1,642,372	1,222,752	11,029,860
Infrastructure	111,938,224	6,407,502	0	118,345,726
<b>Total Accumulated Depreciation</b>	<b>\$ 151,807,154</b>	<b>11,544,142</b>	<b>2,076,771</b>	<b>\$ 161,274,525</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 177,949,416</b>	<b>(644,542)</b>	<b>1,920,809</b>	<b>\$ 175,384,065</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 813,930,413</b>	<b>23,772,076</b>	<b>7,561,334</b>	<b>\$ 830,141,154</b>
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	2,025,871	0	0	2,025,871
Construction in Progress	9,686,332	6,462,968	1,592,566	14,556,734
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 11,712,203</b>	<b>6,462,968</b>	<b>1,592,566</b>	<b>\$ 16,582,605</b>
Capital Assets, Being Depreciated:				
Buildings	47,591	0	0	47,591
Improvements	187,096,179	6,915,342	1,577	194,009,944
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 187,143,770</b>	<b>6,915,342</b>	<b>1,577</b>	<b>\$ 194,057,535</b>
Less Accumulated Depreciation for:				
Buildings	47,591	0	0	47,591
Improvements	54,103,328	3,824,670	1,546	57,926,452
<b>Total Accumulated Depreciation</b>	<b>\$ 54,150,919</b>	<b>3,824,670</b>	<b>1,546</b>	<b>\$ 57,974,043</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 132,992,851</b>	<b>3,090,672</b>	<b>31</b>	<b>\$ 136,083,492</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 144,705,054</b>	<b>9,553,640</b>	<b>1,592,597</b>	<b>\$ 152,666,097</b>

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

Governmental Activities	
General Government	1,634,092
Judicial	111,974
Security of Persons and Property	1,468,735
Physical Environment	758,416
Transportation (includes depreciation of general infrastructure assets)	6,414,594
Economic Environment	8,421
Culture and Recreation	1,147,910
Governmental Activities Depreciation Expense	<u>\$ 11,544,142</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	2,535,487
Surface Water Utility	1,289,183
Solid Waste Utility	0
Business-type Activities Depreciation Expense	<u>\$ 3,824,670</u>

### **Construction Obligations**

The City of Kirkland has active construction projects as of December 31, 2014. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Public Safety	24,467,928	533,319
Sewer Utility	407,415	1,055,215
Surface Water Utility	2,443,183	378,850
Transportation	11,425,769	9,857,261
Total	<u>\$ 38,744,295</u>	<u>\$ 11,824,645</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 the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

#### **Plan Description**

The Legislature established PERS in 1947. PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts, employees of legislative committees, employees of district and municipal courts, and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

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

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2014, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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

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

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

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

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

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

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return to work rules.

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

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of

salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

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

For DRS' fiscal year 2014, PERS Plan 3 employee contributions were \$105.2 million, and plan refunds paid out were \$81.9 million.

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

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

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

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

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

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

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

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

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

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

**Judicial Benefit Multiplier**

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

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

There are 634 participating employers in PERS Plan 1, 934 in PERS Plan 2, and 673 in PERS Plan 3. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	107,073
Active Plan Members Non-vested	<u>43,633</u>
Total	267,081

**Funding Policy**

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 to 15 percent based on member choice.

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, 2014, are as follows:

Members Not Participating in JBM:

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

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

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

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

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

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

Members Participating in JBM:

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

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

\*\* Plan 3 defined benefit portion only.

\*\*\* Minimum rate.

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>	<u>JBM – PERS Plan 1</u>
2014	\$32,531	\$1,916,487	\$345,094	\$12,757
2013	\$39,015	\$1,578,708	\$297,982	\$11,008
2012	\$32,126	\$1,215,845	\$226,215	\$ 9,679

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

### **Plan Description**

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

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays through state

legislative appropriations. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2014, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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

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

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

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

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

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with a benefit of two percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months.) Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

also available to those LEOFF 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums. Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

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

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

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

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

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

There are 45 participating employers in LEOFF Plan 1, and 369 in LEOFF Plan 2. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	14,532
Active Plan Members Non-vested	<u>2,298</u>
Total	28,040

**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, appropriates 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 recommendations 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 could be changed by statute. For DRS' fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

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

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2014	\$ 125	\$1,072,622
2013	\$ 194	\$1,040,668
2012	\$ 171	\$ 922,331

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

#### **Plan Description**

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS Plan 2 membership includes PERS 2 or 3 employees of a covered employer 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 employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

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

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board;
- Washington state counties;
- Washington state cities except for Seattle, Tacoma and Spokane;
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

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

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

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2014, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with a benefit of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

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

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	43
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	119
Active Plan Members Vested	2,784
Active Plan Members Non-vested	<u>1,729</u>
Total	4,675

### **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, 2014, are as follows:

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

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

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

	<u>PSERS Plan 2</u>
2014	\$109,762
2013	\$90,974
2012	\$71,769

### **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.

A five person Pension Board is created to oversee the benefits for LEOFF 1 retirees. The Board consists of one elected official of the City, two regularly employed and two retired firefighters.

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, 2014:

Retirees and beneficiaries receiving benefits	5
Active plan members	0

It has been determined by the City that GASB 67 applies to this pension plan and thus disclosures and Required Supplementary Information are being provided in conjunction with the new standards.

Investment procedures and policies can be found in Note 3: Deposits and Investments.

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during the period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow each month. The money-weighted rate of return is calculated net of investment expenses.

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Net Money-Weighted</u> <u>Rate of Return</u>
2005	N/A
2006	N/A
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	0.87%

	<u>Net External</u> <u>Cash Flows</u>	<u>Periods</u> <u>Invested</u>	<u>Period</u> <u>Weight</u>	<u>Net External Cash</u> <u>Flows with Interest</u>
Beginning Value -January 1, 2014	\$1,623,721	12.00	1.00	\$1,637,834
Monthly Net External Cash Flows:				
January	(1,162)	12.00	1.00	(1,172)
February	(1,162)	11.00	0.92	(1,172)
March	(1,162)	10.00	0.83	(1,171)
April	(1,176)	9.00	0.75	(1,183)
May	96,029	8.00	0.67	96,588
June	(9,301)	7.00	0.58	(9,347)
July	(1,176)	6.00	0.50	(1,181)
August	(1,176)	5.00	0.42	(1,180)
September	(1,176)	4.00	0.33	(1,179)
October	(1,176)	3.00	0.25	(1,178)
November	(1,176)	2.00	0.17	(1,177)
December	(226,176)	1.00	0.08	(226,332)
Ending Value – December 31,2014	1,488,150			1,488,150
Money-Weighted Rate of Return	0.87%			

## Net Pension Liability

The components of the net pension liability at December 31, 2014, were as follows:

	December 31, 2013	December 31, 2014
Total Pension Liability	\$363,000	\$371,647
Fiduciary Net Position	\$1,623,721	\$1,488,150
Net Pension Liability	\$(1,260,721)	\$(1,116,503)
Fiduciary Net Position as a % of total pension liability	447.31%	400.42%
Covered Payroll	0	0
Net Pension Liability as a % of covered payroll	N/A	N/A

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by Governmental Accounting Standard's Board Statement 67.

## Rates

	December 31, 2013	December 31, 2014
Discount Rate	3.75%	3.50%
Long term expected rate of return, net of investment expense	3.75%	3.50%
Municipal bond rate	N/A	3.50%

The plan's fiduciary net position, along with expected future contributions, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

## Other key actuarial assumptions

Valuation Date	January 1, 2014	January 1, 2014
Measurement Date	December 31, 2013	December 31, 2014
Inflation	2.5%	2.5%
Salary increases including inflation	3.5%	3.5%
Mortality	RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry Age Normal	Entry Age Normal

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

	2012	2013	2014
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	0	0	0
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(93,836)	(93,836)	(97,978)
Interest to End of Year	(3,753)	(3,753)	(3,674)
ARC at End of Year	(97,589)	(97,589)	(101,652)
Interest on Net Pension Obligation (NPO)	(35,513)	(41,101)	(36,857)
Adjustment to ARC	(64,999)	(78,046)	(76,366)
Annual Pension Cost (APC)	(68,103)	(60,644)	(62,143)
Employer Contributions	71,592*	(105,331)	(135,920)
Change in NPO	(139,695)	44,687	73,777
NPO at Beginning of Year	(887,834)	(1,027,529)*	(982,842)
NPO at End of Year	(1,027,529)*	(982,842)	(909,065)

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

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

**Schedule of Employer Contributions**

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution As a % of Covered Payroll
2005	0	43,497	(43,497)	\$79,000	55.06%
2006	0	47,911	(47,911)	84,000	57.04%
2007	0	68,210	(68,210)	84,000	81.20%
2008	0	70,929	(70,929)	90,000	78.81%
2009	0	67,634	(67,634)	90,000	75.15%
2010	0	66,934	(66,634)	0	N/A
2011	0	77,880	(77,880)	0	N/A
2012	0	71,592	(71,592)	0	N/A
2013	(105,331)	(105,331)	0	0	N/A
2014	(127,795)	(127,795)	0	0	N/A

\*Employer contributions for pensions are total contributions to the fund net of disbursements from the fund for medical expenses under RCW 41.26.150. It includes revenues from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions.

## Sensitivity Analysis

The following presents the net pension liability of the City, calculated using the discount rate of 3.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current rate.

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total Pension Liability	\$ 415,134	\$ 371,647	\$ 334,631
Fiduciary Net Position	1,488,150	1,488,150	1,488,150
Net Pension Liability	(1,073,016)	(1,116,503)	(1,153,519)

## Schedule of Funding Progress

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	N/A
January 1, 2012	1,678	396	(1,282)	424%	0	N/A
January 1, 2014	1,624	363	(1,261)	447%	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) \$
12/31/12	(68,103)	NA	(1,027,529)*
12/31/13	(60,644)	NA	(982,842)
12/31/14	(62,143)	NA	(909,065)

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

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

Actuarial economic assumptions:

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

- (1) The Entry Age Cost Normal method was used to comply with GASB 25 and 27 reporting requirements. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by the future Normal Cost payments is called the Actuarial Liability. Since nearly all members have already retired, the amount of the annual Normal Cost is small. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Liability minus the actuarial value of the Fund's assets.
- (2) Projected salary increases are for future inflation only. Since the members have at least 20 years of service, no merit increases are assumed.

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

### **Municipal Employees Benefit Trust**

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 827 employees who participated in the program during 2014, including seasonal employees. The City's contribution for 2014 was \$2,634,260; employee contributions were \$3,335,283 during the same period. The rate the City must pay and the employee may pay is equal to the Social Security rate of 6.2%.

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

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

**NOTE 7:  
OTHER POST EMPLOYMENT BENEFITS**

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2014 there were 35 retirees receiving these benefits.

For 2014, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 566,739
	Direct Medical Costs	<u>76,431</u>
	Total Costs	<u>\$ 643,170</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 2012, 2013 and 2014. The date of the last actuarial valuation done by Milliman was January 1, 2008. Beginning in 2009, the OPEB liability was calculated using the Alternative Measurement Method for GASB 45 by the Office of the State Actuary for the State of Washington. The net OPEB obligation of \$3,842,397 is included as a noncurrent liability on the Statement of Net Position.

Determination of Annual Required Contribution	12/31/2012	12/31/2013	12/31/2014
Normal Cost at Year End	12,027	18,243	0
Amortization of UAAL	950,776	1,402,653	1,341,253
Annual Required Contribution (ARC)	\$962,803	\$1,420,895	\$1,341,253
 Determination of Net OPEB Obligation			
Annual Required Contribution	\$962,803	\$1,420,895	\$1,341,253
Interest on Prior Year Net OPEB Obligation	104,593	105,678	132,384
Adjustments to ARC	(216,423)	(237,620)	(297,669)
Annual OPEB Cost	850,973	1,288,953	1,175,968
Contributions Made	533,319	621,307	643,170
Increase in Net OPEB Obligation	\$317,654	\$667,646	\$532,798
 Net OPEB Obligation - beginning of year			
Net OPEB Obligation - beginning of year	\$2,324,299	\$2,641,953	\$3,309,599
Net OPEB Obligation - end of year	\$2,641,953	\$3,309,599	\$3,842,397

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$850,973	62.7%	\$2,641,953
12/31/2013	\$1,288,953	48.2%	\$3,309,599
12/31/2014	\$1,175,968	54.7%	\$3,842,397

### Funding Status and Funding Progress

As of December 31, 2014, the plan was 0% funded. The accrued liability for benefits was \$14,912,571 and actuarial value of assets was \$0 resulting in a UAAL of \$14,912,571.

The City pays medical costs associated with the benefits described above on a pay-as-you-go basis. The City has funded \$618,079 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.

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, 2011, 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 2013. The results are based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

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

## **NOTE 8: RISK MANAGEMENT**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 175 Members.

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

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

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

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2014.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

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

### Medical Self Insurance

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

In order to mitigate its risk exposure the City holds individual and aggregate stop loss insurance. There were three claims in excess of the \$100,000 per person stop loss maximum in 2014. 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>
2012	\$ 503,643	\$ 6,316,315	\$ 6,208,928	\$ 611,030
2013	\$ 611,030	\$ 6,379,496	\$ 6,388,631	\$ 601,895
2014	\$ 601,895	\$ 7,159,200	\$ 7,170,710	\$ 590,385

**NOTE 9:  
LONG-TERM DEBT**

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has five loans with principal outstanding of \$1,573,313. This debt will be repaid from Water/Sewer Fund revenues.

On December 21, 2010, the City issued \$35,345,000 in Limited Tax General Obligation Bonds (Build America Bonds – Direct Payment) with a net interest cost of 3.53 percent and final payment on December 1, 2040. The federal subsidy rate on the bonds is 35 percent of the interest paid by the issuer (ie: the City). The proceeds from these bonds are being used to pay the costs of reimbursing previously incurred capital expenditures (designated for reimbursement) associated with the purchase of property, improvements and modifications for use as a public safety facility for the City and refurbishing and furnishing the public safety facility. On Friday, March 1, 2013, the sequestration provisions of the Budget Control Act of 2011 (“Sequestration”) went into effect. As a result, in 2014 the federal subsidy payments relating to Direct-Pay Tax Credit Bonds were reduced by 7.3 percent of the amount that would otherwise have been paid to the issuer. The sequestration reductions are scheduled to continue through 2023. The estimated 2015 reduction is 7.2%. An estimated reduction of 7.2% will be used for years through 2023.

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

Year Ending December 31	Principal	Gross Interest	Interest Subsidy	Net Totals
2015	990,000	1,691,415	548,779	2,132,636
2016	1,010,000	1,669,635	541,713	2,137,922
2017	1,030,000	1,641,860	532,701	2,139,159
2018	1,045,000	1,610,960	522,676	2,133,284
2019	1,070,000	1,575,430	511,149	2,134,281
2020-2024	5,090,000	7,248,515	2,386,587	9,951,928
2025-2029	5,835,000	5,985,685	2,536,980	9,283,705
2030-2034	6,955,000	4,271,713	2,094,990	9,131,723
2035-2039	8,375,000	2,078,291	727,402	9,725,889
2040	1,870,000	111,265	38,943	1,942,322
<b>Total</b>	<b>\$ 33,270,000</b>	<b>\$ 27,884,769</b>	<b>\$ 10,441,920</b>	<b>\$ 50,712,848</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.

General obligation bonds for governmental activities currently outstanding are as follows:

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2014	Due Within One Year
*2010 LTGO Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment)	12/21/2010	12/1/2040	0.90 to 5.95	35,345,000	2,075,000	33,270,000	990,000
*2011 Limited Tax General Obligation Bond	5/26/2011	12/1/2021	3.2	4,000,000	1,069,713	2,930,287	379,817
*2011 Limited Tax General Obligation Refunding Bonds	9/2/2011	12/1/2021	1.2	4,255,000	2,830,000	1,425,000	205,000
2013 UTGO Refunding Bonds	10/29/2013	12/1/2022	2.3	4,670,000	540,000	4,130,000	475,000
Total				\$ 48,270,000	\$ 6,514,713	\$41,755,287	\$ 2,049,817

\*Councilmanic

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2015	2,049,817	1,915,760
2016	2,102,069	1,866,703
2017	2,154,715	1,810,812
2018	2,202,770	1,748,827
2019	2,246,246	1,681,262
2020-2024	7,964,670	7,363,069
2025-2029	5,835,000	5,985,685
2030-2034	6,955,000	4,271,713
2035-2039	8,375,000	2,078,291
2040	1,870,000	111,265
Total	\$ 41,755,287	\$ 28,833,387

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 12/31/2014	Due Within One Year
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	6/7/1995	7/1/2015	1	794,850	750,328	44,522	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	7/1/2000	7/1/2019	1	227,500	164,825	62,675	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/2001	7/1/2021	0.5	1,848,000	1,127,220	720,780	102,968
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	512,975	573,325	57,333
2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement	10/8/2012	6/1/2032	0.5	177,522	5,511	172,011	9,556
<b>Total</b>				<b>\$4,134,172</b>	<b>\$2,560,859</b>	<b>\$1,573,313</b>	<b>\$226,914</b>

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2015	226,914	8,403
2016	182,393	6,982
2017	182,392	6,008
2018	182,393	5,033
2019	182,392	4,059
2020-2024	540,380	8,473
2025-2029	47,781	1,433
2030-2032	28,668	287
<b>Total</b>	<b>\$ 1,573,313</b>	<b>\$ 40,678</b>

### **City of Kirkland Credit Ratings**

On December 5, 2014 Standard and Poor's affirmed the City of Kirkland's AAA rating. On August 15, 2011, Moody's Investors Service assigned a rating of Aa2 to City of Kirkland, Washington's Limited Tax General Obligation Bonds, 2011. Moody's ratings for Kirkland are now Aa2 for both Unlimited Tax GO Bonds and Limited Tax GO Bonds.

**NOTE 10:  
LEASES**

**Operating Leases**

**Copier Leases**

In 2011, the City entered into two 60 month leases for a Konica Minolta C652 and Konica Minolta C652. The total cost for the year ended December 31, 2014, was \$17,845. The future minimum payments for these agreements are summarized as follows:

2015	17,845
2016	<u>12,652</u>
Total	<u>\$ 30,497</u>

**King County Housing Authority**

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. On June 27, 2013 the lease was extended 3 additional years with a termination date of October 31, 2016. Lease payments for 2014 totaled \$101,364. Future minimum payments are summarized as follows:

2015	103,884
2016	<u>86,570</u>
Total	<u>\$190,454</u>

**Envelope Opener**

In 2014, the City entered into a 60 month lease for an Envelope Opener from Neopost Northwest. The total cost for the year ended December 31, 2014, was \$328. The future minimum payments for these agreements are summarized as follows:

2015	492
2016	493
2017	492
2018	493
2019	<u>164</u>
Total	<u>\$2,134</u>

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

During the year ending December 31, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/14	Additions	Reductions	Ending Balance 12/31/14	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
General Obligation Bonds	44,293,236	-	2,537,949	41,755,287	2,049,817
Less:					
Issuance Discount	(335,257)	0	(12,455)	(322,802)	0
Issuance Premium	162,015	0	20,460	141,555	0
Compensated Absences	2,947,875	2,872,848	2,823,726	2,996,996	2,379,385
Self Insurance Claims	601,895	7,159,200	7,170,710	590,385	590,385
Pension Obligation	(982,842)	(135,920)	(209,697)	(909,065)	
Other Post Employment Benefits	3,309,599	1,175,968	643,170	3,842,397	
Governmental Activity Long-term Liabilities	<u>49,996,521</u>	<u>11,072,096</u>	<u>12,973,863</u>	<u>48,094,753</u>	<u>5,019,587</u>
<b>Business-Type Activities</b>					
Revenue Bonds	475,000	0	475,000	0	0
PWTF Loans	1,771,988	150,679	349,354	1,573,313	226,914
Compensated Absences	141,547	361,346	350,886	152,007	121,606
Business-Type Activity Long-term Liabilities	<u>2,388,535</u>	<u>512,025</u>	<u>1,175,240</u>	<u>1,725,320</u>	<u>348,520</u>

**Compensated Absences**

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$169,610 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General Fund and Parks Maintenance Fund.

**Other Post Employment Benefits**

The liability for the Other Post Employment Benefits obligation is liquidated by the general fund.

Beginning in 2014 the LEOFF 1 Pension Fund is liquidating some OPEB liability as deemed appropriate by the actuarial valuation of the fund. In 2014 the amount utilized to exhaust OPEB costs was \$225,000.

**NOTE 12:  
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2014, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 13:  
INTERFUND BALANCES AND TRANSFERS**

Interfund balances as reported in the financial statements at December 31, 2014, were as follows:

<b><u>Interfund Balances Between Governmental and Business-Type Activities</u></b>	<b><u>Due From Other Funds</u></b>	<b><u>Due To Other Funds</u></b>
Major Governmental Funds:		
General	\$810,501	\$2,690
Non Major Governmental Funds:		
Cemetery Operating		
Parks Maintenance		
Parks Levy		164
Internal Service Funds		8,702
Business-Type Funds:		
Water/Sewer	12,298	504,201
Surface Water		38,312
Solid Waste		268,729
<b>Total Transfers</b>	<b>\$822,799</b>	<b>\$822,799</b>

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, and subsidies. Interfund transfers at December 31, 2014, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	470,007	9,526,082
Excise Capital Improvement	51,594	4,369,031
General Capital	7,053,586	540,768
Transportation Capital	7,746,351	50,320
Non Major Governmental Funds:		
Parks Maintenance	0	0
Parks Levy	15,987	1,125,000
Impact Fees	0	1,843,045
Debt Service Funds	2,838,508	0
Internal Service Funds	852,067	811,704
Proprietary Funds:		
Water/Sewer	0	135,400
Surface Water	0	101,749
Solid Waste	0	300,000
Agency Funds	0	225,000
<b>Total Transfers In/Out</b>	<b><u><u>\$19,028,100</u></u></b>	<b><u><u>\$19,028,100</u></u></b>

## **NOTE 14: JOINT VENTURES**

### **Eastside Narcotics Task Force**

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

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

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

Bellevue	54.1%
Redmond	9.9%
Kirkland	9.7%
Mercer Island	8.9%
Issaquah	2.2%
King County	9.9%
WSP	5.3%

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

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

### **ARCH – Housing Coalition**

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

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

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2014 the City contributed \$81,456 to ARCH for operations and \$300,000 to fund affordable housing projects.

Members may withdraw from the ARCH agreement by giving one year's written notice to the Executive Board, by December 31 of any year, of its intention to terminate, effective December 31 of the following year. Members remain legally and financially responsible for any obligation incurred while a member of ARCH. Upon dissolution, the agreement provides for distribution of all property and assets among the members based on the percentage of the total annual contributions during the period of the agreement paid by each member. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

### **Cascade Water Alliance**

In 1999, eight cities and districts joined together to provide water supply for current and future demands through the Cascade Water Alliance. The members entered into an interlocal agreement to enhance their ability to supply water to their respective service areas and the region by developing, owning, and operating regional water supply assets. The current members include five Cities and two Water and Sewer Districts. Collectively, the membership of the Alliance serves over 350,000 residents and 20,000 businesses in the Puget Sound Region.

The City of Kirkland's share of membership dues for 2014 was \$339,645. 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 2014, the City of Kirkland remitted \$853,457 for this charge.

In April of 2006, the Cascade Water Alliance issued revenue bonds in the amount of \$55.2 million. The bonds were issued to cover the costs of carrying out a portion of the capital program described in the Cascade Watershed Management Plan. In October of 2009, the Cascade Water Alliance issued a series of water system revenue bonds with net proceeds to Cascade of \$80 million. The majority of the bond proceeds funded the acquisition of Lake Tapps, tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. In December of 2012, the Cascade Water Alliance issued a series of water system revenue bonds for approximately \$48 million for the purposes of paying part of the cost of financing Capital Projects and providing for a Debt Service Reserve. The 2006, 2009 and 2012 bonds do not pledge the full faith and credit of any of the seven current members, nor do the bonds pledge any revenues except as the members commit under the Interlocal Contract which established Cascade Water Alliance.

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

## **EPSCA**

The Eastside Public Safety Communications Agency (EPSCA), an emergency regional radio access service provider operation, was established on May 26, 1992, by an interlocal agreement among the cities of Bellevue, Redmond, Kirkland and Mercer Island. The Agreement was amended in 1993, to include the City of Issaquah as an additional principal. EPSCA began principal operations in December 1995. In 2013 EPSCA was converted from an interlocal agency to a non-profit entity.

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

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

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

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services. In 2014 the City of Kirkland paid EPSCA \$127,328 for these services.

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2014, the weighted vote was as follows:

Bellevue	48.780%
Redmond	23.965%
Kirkland	16.013%
Mercer Island	5.992%
Issaquah	5.250%

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

The current EPSCA system is approaching 20 years old. In 2014 an Interlocal Cooperation Agreement was signed to provide for the implementation of a new regional emergency radio network system and will be paid for through a King County ballot measure in 2015. It will take 5 to 6 years to complete the system.

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

## **eCityGov Alliance**

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the eCityGov Alliance between the City of Bellevue and the Cities of Bothell, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish and Snoqualmie. Since then, additional cities and agencies have joined. The Alliance establishes on-line services through a jointly operated internet portal. In 2014 eCityGov Alliance became a non-profit corporation.

Expenditures consist of capital and operations costs as specified in the budget adopted by the eCityGov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the members of the eCityGov Alliance. The City of Kirkland paid membership dues of \$79,499 in 2014.

The interlocal agreement may be terminated if Principals holding at least 66% of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the property. The City's share of assets is deemed immaterial and thus not reflected in the financial statements.

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

### **NORCOM**

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

Operating revenues are provided by user fees charged to each member based on average call volume. For 2014, the City of Kirkland's share of these fees was \$2,432,592.

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

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

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

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

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

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

Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Kirkland's assessment was \$9,539 in 2014.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, PO Box 90012, Bellevue, WA 98004.

### **Community Connectivity Consortium**

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

The Consortium sets the terms and conditions for sharing fiber optic installation projects, outlines how the parties will work together on fiber projects and establishes the original backbone of the Fiber Consortium network through contributions of budget, fiber assets, conduit, right of way and staff expertise. It has built over 35 miles of fiber optic cable, creating strategic connection points along the way. The partners use the fiber network to connect schools and universities to enhance learning; to connect hospitals, medical facilities and clinics to improve health care; connect government facilities for public safety, transportation and other needs; and to provide an open access network to serve the public with wireless and broadband access. The City of Kirkland paid membership dues of \$3,570 in 2014.

For additional information please contact Chelo Picardal, Board Chair, CTO, City of Bellevue, [cpicardal@bellevuewa.gov](mailto:cpicardal@bellevuewa.gov).

### **Sound Cities Association**

In 1970 Sound Cities Association (SCA) was formed to help cities act locally and partner regionally to create vital, livable communities through advocacy, education, leadership, mutual support and networking. The City of Kirkland is among 36 cities represented by SCA. Membership is limited to cities and towns in King County having a population less than 150,000. The SCA Board of Directors oversees the general activities of the Association, and governs the organization by establishing broad policies and objectives for SCA.

Operating revenues are provided by membership dues based on population. The City of Kirkland's dues were \$39,186 in 2014. Upon dissolution of SCA, any funds or assets shall be distributed to member cities and towns pursuant to the same formula used to determine membership dues. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

For additional information contact Deanna Dawson, Executive Director, [deanna@soundcities.org](mailto:deanna@soundcities.org).

### **North Sound Metro SWAT**

In 2013, Kirkland joined the North Sound Metro Special Weapons and Tactics (SWAT) Crisis Negotiating Team, which is a regional team made up of the following cities: Bothell, Edmonds, Kirkland, Lake Forest Park, Lynnwood, Mill Creek, Monroe and Mountlake Terrace. Kirkland joined this team for the purpose of combining resources to create a specially trained and equipped unit to respond to and resolve criminal activity of a high risk nature. The Executive Board is comprised of the Police Chiefs of all participating cities.

The Board reviews and approves changes and updates to the SWAT Policy and Procedures Manual and gives approval and direction on operational matters.

Operating revenues are provided by contributions from the participating cities based on population. The City of Kirkland's dues were \$8,562 for 2014. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from Assistant Chief Jim Lawless, City of Edmonds, 250 5<sup>th</sup> Ave North, Edmonds, WA 98020.

**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.

**2014 Budget to GAAP Reconciliation**

	<b>General Fund</b>	<b>Excise Tax Capital Improvement</b>	<b>Street Operating Special Revenue</b>	<b>Contingency Special Revenue</b>
Revenues on the Budgetary Basis	84,917,191	6,894,568	8,378,567	0
Increase (Decrease) due to accruals	(370,060)	152,482	0	0
Reclassification	8,378,567	0	(8,378,567)	0
Revenues on the GAAP Basis	<u>92,925,698</u>	<u>7,047,050</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	76,745,257	0	5,502,023	0
Increase (Decrease) due to accruals	(998,979)	0	0	0
Reclassification	5,502,023	0	(5,502,023)	0
Expenditures on the GAAP Basis	<u>81,248,301</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(5,818,283)	(4,317,438)	(3,196,714)	0
Increase (Decrease) due to accruals	612	0	0	0
Reclassification	(3,196,714)	0	3,196,714	0
Other Financing Sources (Uses) on the GAAP Basis	<u>(9,014,385)</u>	<u>(4,317,438)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	8,171,934	6,894,568	2,876,544	0
Increase (Decrease) due to accruals	628,919	152,482	0	0
Reclassification	2,876,544	0	(2,876,544)	0
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	<u>11,677,397</u>	<u>7,047,050</u>	<u>0</u>	<u>0</u>

**NOTE 16:  
PRIOR PERIOD ADJUSTMENT**

In 2014 the City received \$88,245 from Washington Cities Insurance Authority reimbursing for extensive damage to the canopy structure for the Maintenance Center Fuel Pumping Station which was not included as a 2013 accounts receivable. This adjustment is reflected in the restatement of the Facilities Fund beginning fund balance.

**NOTE 17:  
OTHER INFORMATION**

The City of Kirkland Transportation Benefit District (TBD) was legally established by ordinance on February 10, 2014. It will provide additional funding for the purposes of implementing and funding transportation improvements. There has been no formal action from the Kirkland City Council to establish a meeting of the governing body, no business has been conducted, and no economic activity has commenced for the TBD. Therefore there is no financial reporting activity for the Transportation Benefit District in 2014.

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2006	\$ 1,090	\$ 533	\$ (557)	205%	\$ 84	(663)%
January 1, 2008	1,305	469	(836)	278%	90	(929)%
January 1, 2010	1,527	420	(1,107)	364%	0	N/A
January 1, 2012	1,678	396	(1,282)	424%	0	N/A
January 1, 2014	1,624	363	(1,261)	447%	0	N/A

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2006	\$ 0	\$ 11,360	\$ 11,360	0	% N/A	% N/A
January 1, 2008	0	12,505	12,505	0	% N/A	% N/A
December 31, 2009	0	10,724	10,724	0	% N/A	% N/A
December 31, 2010	0	10,070	10,070	0	% N/A	% N/A
December 31, 2011	0	9,534	9,534	0	% N/A	% N/A
December 31, 2012	0	10,211	10,211	0	% N/A	% N/A
December 31, 2013	0	15,595	15,595	0	% N/A	% N/A
December 31, 2014	0	14,913	14,913	0	% N/A	% N/A

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

2009 through 2014 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.

**REQUIRED SUPPLEMENTARY INFORMATION  
FIREFIGHTER'S PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	Fiscal Year Ending December 31 <u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 0
Interest on total pension liability	12,813
Effect of plan changes	0
Effect of economic/demographic gains or (losses)	0
Effect of assumption changes or inputs	9,900
Benefit payments	(14,066)
<b>Net change in total pension liability</b>	<b>\$ 8,647</b>
<b>Total pension liability, beginning</b>	<b>\$ 363,000</b>
<b>Total pension liability, ending (a)</b>	<b>\$ 371,647</b>
<b>Fiduciary Net Position</b>	
Employer contributions	\$ 0
Contributions from state fire insurance premium tax	97,205
Investment income net of investment expenses	14,415
Benefit payments	(14,066)
Medical payments from fund	(225,000)
Administrative expenses	(8,125)
<b>Net change in plan fiduciary net position</b>	<b>\$ (135,571)</b>
<b>Fiduciary net position, beginning</b>	<b>\$ 1,623,721</b>
<b>Fiduciary net position, ending (b)</b>	<b>\$ 1,488,150</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ (1,116,503)</b>
<b>Fiduciary net position as a % of total pension liability</b>	<b>400.42%</b>
<b>Covered payroll</b>	<b>\$ 0</b>
<b>Net pension liability as a % of covered payroll</b>	<b>N/A</b>

Schedule should present information for 10 years. Until the full 10 year trend is compiled City of Kirkland will present years as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION  
FIREFIGHTER'S PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution As a % of Covered Payroll
2005	0	43,497	(43,497)	\$79,000	55.06%
2006	0	47,911	(47,911)	84,000	57.04%
2007	0	68,210	(68,210)	84,000	81.20%
2008	0	70,929	(70,929)	90,000	78.81%
2009	0	67,634	(67,634)	90,000	75.15%
2010	0	66,934	(66,634)	0	N/A
2011	0	77,880	(77,880)	0	N/A
2012	0	71,592	(71,592)	0	N/A
2013	(105,331)	(105,331)	0	0	N/A
2014	(127,795)	(127,795)	0	0	N/A

\*Employer contributions for pensions are total contributions to the fund net of disbursements from the fund for medical expenses under RCW 41.26.150. It includes revenues from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions.

**REQUIRED SUPPLEMENTARY INFORMATION  
FIREFIGHTER'S PENSION PLAN  
SCHEDULE OF INVESTMENT RETURNS**

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2005	N/A
2006	N/A
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	0.87%

## Fund Financial Statements and Schedules

## NON MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

- The **Lodging Tax Fund** accounts for the City's tourism program and expenditures related to the operation of tourism-related facilities. The primary source of revenue is a one percent lodging tax instituted in January of 2002.
- The **Cemetery Operating Fund** accounts for the operation of the City's cemetery. The primary source of revenue is user fees.
- The **Parks Maintenance Fund** accounts for the maintenance and operation of park properties acquired and/or developed with a park bond passed in November 2002. The primary source of revenue is from a special property tax levy approved in November 2002.
- The **Parks Levy Fund** accounts for the maintenance and operation of park properties acquired and/or developed with the revenues from the 2012 Park Levy – Proposition No. 2: Levy for City parks maintenance, restoration, and enhancement.
- The **Impact Fees Fund** accounts for road and park impact fees initiated in 1999. Impact fees, and the interest earned on them, are deposited in this fund and transferred out to the capital projects funds to pay for road and park capacity projects approved in the Capital Improvement Program (CIP).

### Debt Service Funds

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

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

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2014

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
<b>Assets</b>				
Cash and Cash Equivalents	131,518	288,483	227,861	236,920
Investments	218,005	478,095	377,724	392,569
Receivables, Net of Allowances				
Taxes	36,989	0	20,547	38,332
<b>Total Assets</b>	<b>386,512</b>	<b>766,578</b>	<b>626,132</b>	<b>667,821</b>
<b>Liabilities</b>				
Accounts Payable	3,372	1,475	12,305	5,099
Wages Payable	4,103	0	33,825	25,304
Due to Other Funds	0	0	0	164
Intergovernmental Payable	0	0	696	1,410
<b>Total Liabilities</b>	<b>7,475</b>	<b>1,475</b>	<b>46,826</b>	<b>31,977</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	0	0	20,066	37,436
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>20,066</b>	<b>37,436</b>
<b>Fund Balances</b>				
Restricted for				
Tourism	379,037	0	0	0
Culture and Recreation	0	0	559,240	598,408
Transportation	0	0	0	0
Debt Service	0	0	0	0
Assigned for				
Cemetery Operations	0	765,103	0	0
Total Fund Balances	379,037	765,103	559,240	598,408
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>386,512</b>	<b>766,578</b>	<b>626,132</b>	<b>667,821</b>

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

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2014

Page 2 of 2

Impact Fees	Total Special Revenue	Debt Service		Total Debt Service	Non Major Governmental Funds Total
		LTGO	UTGO		
2,149,810	3,034,592	8,802	114,747	123,549	3,158,141
3,562,623	5,029,016	14,646	190,941	205,587	5,234,603
0	95,868	0	11,475	11,475	107,343
5,712,433	8,159,476	23,448	317,163	340,611	8,500,087
0	22,251	0	0	0	22,251
0	63,232	0	0	0	63,232
0	164	0	0	0	164
0	2,106	0	0	0	2,106
0	87,753	0	0	0	87,753
0	57,502	0	11,315	11,315	68,817
0	57,502	0	11,315	11,315	68,817
0	379,037	0	0	0	379,037
1,849,729	3,007,377	0	0	0	3,007,377
3,862,704	3,862,704	0	0	0	3,862,704
0	0	23,448	305,848	329,296	329,296
0	765,103	0	0	0	765,103
5,712,433	8,014,221	23,448	305,848	329,296	8,343,517
5,712,433	8,159,476	23,448	317,163	340,611	8,500,087

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 December 31, 2014

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
<b>Revenues</b>				
Taxes and Assessments	277,429	0	1,241,592	2,316,375
Intergovernmental	0	0	0	0
Charges for Services	0	57,650	0	150,000
Investment Interest	2,319	5,904	1,049	1,215
Miscellaneous Revenues	0	0	5,174	20,128
<b>Total Revenues</b>	<b>279,748</b>	<b>63,554</b>	<b>1,247,815</b>	<b>2,487,718</b>
<b>Expenditures</b>				
Current				
General Government	0	0	0	0
Physical Environment	0	51,803	0	0
Economic Environment	221,549	0	0	0
Culture and Recreation	0	0	1,259,279	1,166,786
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	3,918	0	0
<b>Total Expenditures</b>	<b>221,549</b>	<b>55,721</b>	<b>1,259,279</b>	<b>1,166,786</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	58,199	7,833	(11,464)	1,320,932
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	23,484	0	0
Transfers In	0	0	0	15,987
Transfers Out	0	0	0	(1,125,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>23,484</b>	<b>0</b>	<b>(1,109,013)</b>
<b>Net Change in Fund Balance</b>	<b>58,199</b>	<b>31,317</b>	<b>(11,464)</b>	<b>211,919</b>
<b>Fund Balances Beginning of Year</b>	<b>320,838</b>	<b>733,786</b>	<b>570,704</b>	<b>386,489</b>
<b>Fund Balances End of Year</b>	<b>379,037</b>	<b>765,103</b>	<b>559,240</b>	<b>598,408</b>

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

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 December 31, 2014

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
0	3,835,396	477,101	654,837	1,131,938	4,967,334
0	0	552,903	0	552,903	552,903
3,377,399	3,585,049	0	0	0	3,585,049
34,356	44,843	337	0	337	45,180
0	25,302	0	0	0	25,302
3,411,755	7,490,590	1,030,341	654,837	1,685,178	9,175,768
0	0	28	0	28	28
0	51,803	0	0	0	51,803
0	221,549	0	0	0	221,549
0	2,426,065	0	0	0	2,426,065
0	0	1,997,949	540,000	2,537,949	2,537,949
0	0	1,863,928	116,958	1,980,886	1,980,886
0	3,918	0	0	0	3,918
0	2,703,335	3,861,905	656,958	4,518,863	7,222,198
3,411,755	4,787,255	(2,831,564)	(2,121)	(2,833,685)	1,953,570
0	23,484	0	0	0	23,484
0	15,987	2,838,508	0	2,838,508	2,854,495
(1,843,045)	(2,968,045)	0	0	0	(2,968,045)
(1,843,045)	(2,928,574)	2,838,508	0	2,838,508	(90,066)
1,568,710	1,858,681	6,944	(2,121)	4,823	1,863,504
4,143,723	6,155,540	16,504	307,969	324,473	6,480,013
5,712,433	8,014,221	23,448	305,848	329,296	8,343,517

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, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Licenses and Permits	0	49,358	49,358	0	49,358	0
Intergovernmental	0	686,305	285,762	432,544	718,306	32,001
Charges for Services	0	4,000	22,701	4,000	26,701	22,701
Investment Interest	0	0	115,160	25,527	140,687	140,687
Investment Interest - Dedicated	107,735	107,735	0	0	0	(107,735)
Contributions/Donations	0	0	175,000	200,052	375,052	375,052
Miscellaneous Revenues	0	90,000	5,808	100,624	106,432	16,432
<b>Total Revenues</b>	<b>107,735</b>	<b>937,398</b>	<b>653,789</b>	<b>762,747</b>	<b>1,416,536</b>	<b>479,138</b>
<b>Expenditures</b>						
Current						
General Government	133,200	526,138	270,593	36,230	306,823	219,315
Security of Persons and Property	3,717,614	900,459	122,240	86,031	208,271	692,188
Physical Environment	0	50,400	0	0	0	50,400
Transportation	7,829	12,466	0	0	0	12,466
Human Services	0	55,163	0	0	0	55,163
Culture and Recreation	0	59,530	0	6,870	6,870	52,660
Capital Outlay	37,078,057	53,001,575	21,908,302	16,511,644	38,419,946	14,581,629
<b>Total Expenditures</b>	<b>40,936,700</b>	<b>54,605,731</b>	<b>22,301,135</b>	<b>16,640,775</b>	<b>38,941,910</b>	<b>15,663,821</b>
<b>Excess of revenues over expenditures</b>	<b>(40,828,965)</b>	<b>(53,668,333)</b>	<b>(21,647,346)</b>	<b>(15,878,028)</b>	<b>(37,525,374)</b>	<b>16,142,959</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	1,450,000	1,450,000	16,288	3,193,313	3,209,601	1,759,601
Insurance Recovery	0	0	2,262	0	2,262	2,262
Transfers In	10,930,457	15,546,919	7,184,142	7,053,586	14,237,728	(1,309,191)
Transfers Out	0	(230,896)	(342,583)	(540,769)	(883,352)	(652,456)
<b>Total Other Financing Sources (Uses)</b>	<b>12,380,457</b>	<b>16,766,023</b>	<b>6,860,109</b>	<b>9,706,130</b>	<b>16,566,239</b>	<b>(199,784)</b>
<b>Net Change in Fund Balance</b>	<b>(28,448,508)</b>	<b>(36,902,310)</b>	<b>(14,787,237)</b>	<b>(6,171,898)</b>	<b>(20,959,135)</b>	<b>15,943,175</b>
<b>Fund Balances Beginning of Year</b>	<b>42,271,156</b>	<b>43,375,432</b>	<b>43,375,432</b>	<b>28,588,195</b>	<b>43,375,432</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>13,822,648</b>	<b>6,473,122</b>	<b>28,588,195</b>	<b>22,416,297</b>	<b>22,416,297</b>	<b>15,943,175</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Transportation Capital Projects Revenue Fund  
For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Licenses and Permits	0	0	17,548	0	17,548	17,548
Intergovernmental	24,432,345	26,404,401	2,820,744	4,128,933	6,949,677	(19,454,724)
Charges for Services	0	161,231	49,597	449,946	499,543	338,312
Contributions/Donations	0	2,317,702	0	0	0	(2,317,702)
Miscellaneous Revenues	0	0	14,181	0	14,181	14,181
<b>Total Revenues</b>	<b>24,432,345</b>	<b>28,883,334</b>	<b>2,902,070</b>	<b>4,578,879</b>	<b>7,480,949</b>	<b>(21,402,385)</b>
<b>Expenditures</b>						
Current						
Transportation	224,300	800,672	3,913,806	3,695,162	7,608,968	(6,808,296)
Capital Outlay	23,481,300	44,023,993	6,963,453	7,235,960	14,199,413	29,824,580
<b>Total Expenditures</b>	<b>23,705,600</b>	<b>44,824,665</b>	<b>10,877,259</b>	<b>10,931,122</b>	<b>21,808,381</b>	<b>23,016,284</b>
<b>Excess of revenues over expenditures</b>	<b>726,745</b>	<b>(15,941,331)</b>	<b>(7,975,189)</b>	<b>(6,352,243)</b>	<b>(14,327,432)</b>	<b>1,613,899</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	0	0	0	541,366	541,366	541,366
Transfers In	12,320,500	17,836,030	6,855,424	7,746,351	14,601,775	(3,234,255)
Transfers Out	0	(125,718)	(374,193)	(50,320)	(424,513)	(298,795)
<b>Total Other Financing Sources (Uses)</b>	<b>12,320,500</b>	<b>17,710,312</b>	<b>6,481,231</b>	<b>8,237,397</b>	<b>14,718,628</b>	<b>(2,991,684)</b>
<b>Net Change in Fund Balance</b>	<b>13,047,245</b>	<b>1,768,981</b>	<b>(1,493,958)</b>	<b>1,885,154</b>	<b>391,196</b>	<b>(1,377,785)</b>
<b>Fund Balances Beginning of Year</b>	<b>2,663,538</b>	<b>4,055,030</b>	<b>4,055,030</b>	<b>2,561,072</b>	<b>4,055,030</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>15,710,783</b>	<b>5,824,011</b>	<b>2,561,072</b>	<b>4,446,226</b>	<b>4,446,226</b>	<b>(1,377,785)</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Street Operating Special Revenue Fund  
For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	11,684,245	11,684,245	5,747,093	5,874,248	11,621,341	(62,904)
Licenses and Permits	220,000	220,000	258,725	326,160	584,885	364,885
Intergovernmental	3,388,658	3,408,074	1,684,424	1,702,804	3,387,228	(20,846)
Charges for Services	62,453	62,453	72,140	163,727	235,867	173,414
Fines and Forfeitures	0	0	850	0	850	850
Contributions/Donations	0	0	49	99	148	148
Miscellaneous Revenues	496,320	496,320	266,206	311,529	577,735	81,415
<b>Total Revenues</b>	<b>15,851,676</b>	<b>15,871,092</b>	<b>8,029,487</b>	<b>8,378,567</b>	<b>16,408,054</b>	<b>536,962</b>
<b>Expenditures</b>						
Transportation	9,990,487	10,344,359	4,485,375	5,388,142	9,873,517	470,842
Capital Outlay	129,000	158,000	47,859	113,881	161,740	(3,740)
<b>Total Expenditures</b>	<b>10,119,487</b>	<b>10,502,359</b>	<b>4,533,234</b>	<b>5,502,023</b>	<b>10,035,257</b>	<b>467,102</b>
<b>Excess of revenues over expenditures</b>	<b>5,732,189</b>	<b>5,368,733</b>	<b>3,496,253</b>	<b>2,876,544</b>	<b>6,372,797</b>	<b>1,004,064</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	0	0	115,199	40,578	155,777	155,777
Transfers In	320,116	380,413	170,064	188,960	359,024	(21,389)
Transfers Out	(6,853,437)	(7,183,011)	(3,712,162)	(3,426,252)	(7,138,414)	44,597
<b>Total Other Financing Sources (Uses)</b>	<b>(6,533,321)</b>	<b>(6,802,598)</b>	<b>(3,426,899)</b>	<b>(3,196,714)</b>	<b>(6,623,613)</b>	<b>178,985</b>
<b>Net Change in Fund Balance</b>	<b>(801,132)</b>	<b>(1,433,865)</b>	<b>69,354</b>	<b>(320,170)</b>	<b>(250,816)</b>	<b>1,183,049</b>
<b>Fund Balances Beginning of Year</b>	<b>3,995,494</b>	<b>4,482,629</b>	<b>4,482,629</b>	<b>4,551,983</b>	<b>4,482,629</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>3,194,362</b>	<b>3,048,764</b>	<b>4,551,983</b>	<b>4,231,813</b>	<b>4,231,813</b>	<b>1,183,049</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Contingency Special Revenue Fund  
 For the year ended December 31, 2014

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

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Lodging Tax Special Revenue Fund  
For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	464,704	464,704	245,587	270,608	516,195	51,491
Investment Interest	1,632	1,632	1,489	1,458	2,947	1,315
<b>Total Revenues</b>	<b>466,336</b>	<b>466,336</b>	<b>247,076</b>	<b>272,066</b>	<b>519,142</b>	<b>52,806</b>
<b>Expenditures</b>						
Current						
Economic Environment	480,457	493,937	193,417	216,436	409,853	84,084
<b>Total Expenditures</b>	<b>480,457</b>	<b>493,937</b>	<b>193,417</b>	<b>216,436</b>	<b>409,853</b>	<b>84,084</b>
<b>Excess of revenues over expenditures</b>	<b>(14,121)</b>	<b>(27,601)</b>	<b>53,659</b>	<b>55,630</b>	<b>109,289</b>	<b>136,890</b>
<b>Net Change in Fund Balance</b>	<b>(14,121)</b>	<b>(27,601)</b>	<b>53,659</b>	<b>55,630</b>	<b>109,289</b>	<b>136,890</b>
<b>Fund Balances Beginning of Year</b>	<b>224,316</b>	<b>240,991</b>	<b>240,991</b>	<b>294,650</b>	<b>240,991</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>210,195</b>	<b>213,390</b>	<b>294,650</b>	<b>350,280</b>	<b>350,280</b>	<b>136,890</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Cemetery Operating Special Revenue Fund  
 For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Charges for Services	83,940	83,940	61,859	57,651	119,510	35,570
Investment Interest	5,754	5,754	3,918	3,365	7,283	1,529
<b>Total Revenues</b>	<b>89,694</b>	<b>89,694</b>	<b>65,777</b>	<b>61,016</b>	<b>126,793</b>	<b>37,099</b>
<b>Expenditures</b>						
Current						
Physical Environment	115,973	138,700	66,948	51,610	118,558	20,142
Capital Outlay	9,600	9,600	2,400	3,918	6,318	3,282
<b>Total Expenditures</b>	<b>125,573</b>	<b>148,300</b>	<b>69,348</b>	<b>55,528</b>	<b>124,876</b>	<b>23,424</b>
<b>Excess of revenues over expenditures</b>	<b>(35,879)</b>	<b>(58,606)</b>	<b>(3,571)</b>	<b>5,488</b>	<b>1,917</b>	<b>60,523</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	64,000	64,000	58,310	24,246	82,556	18,556
<b>Total Other Financing Sources (Uses)</b>	<b>64,000</b>	<b>64,000</b>	<b>58,310</b>	<b>24,246</b>	<b>82,556</b>	<b>18,556</b>
<b>Net Change in Fund Balance</b>	<b>28,121</b>	<b>5,394</b>	<b>54,739</b>	<b>29,734</b>	<b>84,473</b>	<b>79,079</b>
<b>Fund Balances Beginning of Year</b>	<b>662,614</b>	<b>684,053</b>	<b>684,053</b>	<b>738,792</b>	<b>684,053</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>690,735</b>	<b>689,447</b>	<b>738,792</b>	<b>768,526</b>	<b>768,526</b>	<b>79,079</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Parks Maintenance Special Revenue Fund  
For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	2,474,910	2,474,910	1,214,236	1,241,821	2,456,057	(18,853)
Investment Interest	0	0	0	2,491	2,491	2,491
Miscellaneous Revenues	4,800	6,355	9,143	5,174	14,317	7,962
<b>Total Revenues</b>	<b>2,479,710</b>	<b>2,481,265</b>	<b>1,223,379</b>	<b>1,249,486</b>	<b>2,472,865</b>	<b>(8,400)</b>
<b>Expenditures</b>						
Current						
Culture and Recreation	2,724,127	2,752,336	1,214,462	1,256,581	2,471,043	281,293
<b>Total Expenditures</b>	<b>2,724,127</b>	<b>2,752,336</b>	<b>1,214,462</b>	<b>1,256,581</b>	<b>2,471,043</b>	<b>281,293</b>
<b>Excess of revenues over expenditures</b>	<b>(244,417)</b>	<b>(271,071)</b>	<b>8,917</b>	<b>(7,095)</b>	<b>1,822</b>	<b>272,893</b>
<b>Other Financing Sources (Uses)</b>						
Transfers Out	0	0	(17,856)	0	(17,856)	(17,856)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(17,856)</b>	<b>0</b>	<b>(17,856)</b>	<b>(17,856)</b>
<b>Net Change in Fund Balance</b>	<b>(244,417)</b>	<b>(271,071)</b>	<b>(8,939)</b>	<b>(7,095)</b>	<b>(16,034)</b>	<b>255,037</b>
<b>Fund Balances Beginning of Year</b>	<b>580,939</b>	<b>617,517</b>	<b>617,517</b>	<b>608,578</b>	<b>617,517</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>336,522</b>	<b>346,446</b>	<b>608,578</b>	<b>601,483</b>	<b>601,483</b>	<b>255,037</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Parks Levy Special Revenue Fund  
For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	4,606,077	4,606,077	2,271,404	2,316,801	4,588,205	(17,872)
Charges for Services	150,000	150,000	0	150,000	150,000	0
Contributions/Donations	0	14,486	1,000	13,991	14,991	505
Investment Interest	0	0	0	2,886	2,886	2,886
Miscellaneous Revenues	0	0	4,285	6,137	10,422	10,422
<b>Total Revenues</b>	<b>4,756,077</b>	<b>4,770,563</b>	<b>2,276,689</b>	<b>2,489,815</b>	<b>4,766,504</b>	<b>(4,059)</b>
<b>Expenditures</b>						
Current						
Culture and Recreation	2,400,563	2,453,965	891,303	1,163,220	2,054,523	399,442
<b>Total Expenditures</b>	<b>2,400,563</b>	<b>2,453,965</b>	<b>891,303</b>	<b>1,163,220</b>	<b>2,054,523</b>	<b>399,442</b>
<b>Excess of revenues over expenditures</b>	<b>2,355,514</b>	<b>2,316,598</b>	<b>1,385,386</b>	<b>1,326,595</b>	<b>2,711,981</b>	<b>395,383</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	15,987	250,000	15,987	265,987	250,000
Transfers Out	(2,350,000)	(2,350,000)	(1,225,000)	(1,125,000)	(2,350,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(2,350,000)</b>	<b>(2,334,013)</b>	<b>(975,000)</b>	<b>(1,109,013)</b>	<b>(2,084,013)</b>	<b>250,000</b>
<b>Net Change in Fund Balance</b>	<b>5,514</b>	<b>(17,415)</b>	<b>410,386</b>	<b>217,582</b>	<b>627,968</b>	<b>645,383</b>
<b>Fund Balances Beginning of Year</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>660,386</b>	<b>250,000</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>255,514</b>	<b>232,585</b>	<b>660,386</b>	<b>877,968</b>	<b>877,968</b>	<b>645,383</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
Impact Fees Special Revenue Fund  
For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Charges for Services	1,200,000	1,200,000	2,046,601	3,377,399	5,424,000	4,224,000
Investment Interest	7,130	7,130	20,660	25,405	46,065	38,935
<b>Total Revenues</b>	<b>1,207,130</b>	<b>1,207,130</b>	<b>2,067,261</b>	<b>3,402,804</b>	<b>5,470,065</b>	<b>4,262,935</b>
<b>Excess of revenues over expenditures</b>	<b>1,207,130</b>	<b>1,207,130</b>	<b>2,067,261</b>	<b>3,402,804</b>	<b>5,470,065</b>	<b>4,262,935</b>
<b>Other Financing Sources (Uses)</b>						
Transfers Out	(1,288,637)	(2,489,187)	(646,142)	(1,843,045)	(2,489,187)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,288,637)</b>	<b>(2,489,187)</b>	<b>(646,142)</b>	<b>(1,843,045)</b>	<b>(2,489,187)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(81,507)</b>	<b>(1,282,057)</b>	<b>1,421,119</b>	<b>1,559,759</b>	<b>2,980,878</b>	<b>4,262,935</b>
<b>Fund Balances Beginning of Year</b>	<b>1,904,609</b>	<b>2,746,267</b>	<b>2,746,267</b>	<b>4,167,386</b>	<b>2,746,267</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>1,823,102</b>	<b>1,464,210</b>	<b>4,167,386</b>	<b>5,727,145</b>	<b>5,727,145</b>	<b>4,262,935</b>

0

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Limited GO Debt Service Fund  
 For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	941,144	941,144	477,218	477,101	954,319	13,175
Intergovernmental	1,195,630	1,195,630	551,847	552,903	1,104,750	(90,880)
Investment Interest - Dedicated	0	0	295	337	632	632
<b>Total Revenues</b>	<b>2,136,774</b>	<b>2,136,774</b>	<b>1,029,360</b>	<b>1,030,341</b>	<b>2,059,701</b>	<b>(77,073)</b>
<b>Expenditures</b>						
Current						
General Government	0	0	0	29	29	(29)
Debt Service						
Principal	3,944,400	3,944,400	1,946,451	1,997,949	3,944,400	0
Interest	3,767,929	3,767,929	1,904,001	1,863,928	3,767,929	0
<b>Total Expenditures</b>	<b>7,712,329</b>	<b>7,712,329</b>	<b>3,850,452</b>	<b>3,861,906</b>	<b>7,712,358</b>	<b>(29)</b>
<b>Excess of revenues over expenditures</b>	<b>(5,575,555)</b>	<b>(5,575,555)</b>	<b>(2,821,092)</b>	<b>(2,831,565)</b>	<b>(5,652,657)</b>	<b>(77,102)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	5,575,555	5,575,555	2,828,033	2,838,508	5,666,541	90,986
<b>Total Other Financing Sources (Uses)</b>	<b>5,575,555</b>	<b>5,575,555</b>	<b>2,828,033</b>	<b>2,838,508</b>	<b>5,666,541</b>	<b>90,986</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>6,941</b>	<b>6,943</b>	<b>13,884</b>	<b>13,884</b>
<b>Fund Balances Beginning of Year</b>	<b>7,001</b>	<b>9,563</b>	<b>9,563</b>	<b>16,504</b>	<b>9,563</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>7,001</b>	<b>9,563</b>	<b>16,504</b>	<b>23,447</b>	<b>23,447</b>	<b>13,884</b>

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

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget to Actual**  
 Unlimited GO Debt Service Fund  
 For the year ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Actual 2013-2014 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	1,464,160	1,389,013	729,546	655,115	1,384,661	(4,352)
<b>Total Revenues</b>	<b>1,464,160</b>	<b>1,389,013</b>	<b>729,546</b>	<b>655,115</b>	<b>1,384,661</b>	<b>(4,352)</b>
<b>Expenditures</b>						
Debt Service						
Principal	990,000	1,025,000	485,000	540,000	1,025,000	0
Interest	474,160	342,053	225,095	116,958	342,053	0
Debt Issue Cost	0	36,960	32,500	0	32,500	4,460
<b>Total Expenditures</b>	<b>1,464,160</b>	<b>1,404,013</b>	<b>742,595</b>	<b>656,958</b>	<b>1,399,553</b>	<b>4,460</b>
<b>Excess of revenues over expenditures</b>	<b>0</b>	<b>(15,000)</b>	<b>(13,049)</b>	<b>(1,843)</b>	<b>(14,892)</b>	<b>108</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds Refunded Longterm Debt	0	4,670,000	4,670,000	0	4,670,000	0
Payment to Refunded Bond Escrow Agnt	0	(4,655,000)	(4,655,000)	0	(4,655,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>15,000</b>	<b>15,000</b>	<b>0</b>	<b>15,000</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>1,951</b>	<b>(1,843)</b>	<b>108</b>	<b>108</b>
<b>Fund Balances Beginning of Year</b>	<b>306,693</b>	<b>305,580</b>	<b>305,580</b>	<b>307,531</b>	<b>305,580</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>306,693</b>	<b>305,580</b>	<b>307,531</b>	<b>305,688</b>	<b>305,688</b>	<b>108</b>

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

## INTERNAL SERVICE FUNDS

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

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

City of Kirkland, Washington  
**Combining Statement of Net Position**  
Internal Service Funds  
December 31, 2014

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Assets</b>					
Current Assets					
Cash and Cash Equivalents	4,367,138	3,020,857	2,492,464	1,210,972	11,091,431
Investments	7,238,148	5,026,776	4,132,549	2,015,086	18,412,559
Accounts Receivable	30,781	464	72,721	18,979	122,945
Inventories	47,541	0	0	0	47,541
<b>Total Current Assets</b>	<b>11,683,608</b>	<b>8,048,097</b>	<b>6,697,734</b>	<b>3,245,037</b>	<b>29,674,476</b>
Noncurrent Assets					
Capital Assets					
Improvements	141,252	0	0	0	141,252
Equipment	17,542,397	0	0	43,760	17,586,157
Accumulated Depreciation	(9,907,594)	0	0	(25,388)	(9,932,982)
<b>Total Capital Assets Net</b>	<b>7,776,055</b>	<b>0</b>	<b>0</b>	<b>18,372</b>	<b>7,794,427</b>
<b>Total Noncurrent Assets</b>	<b>7,776,055</b>	<b>0</b>	<b>0</b>	<b>18,372</b>	<b>7,794,427</b>
<b>Total Assets</b>	<b>19,459,663</b>	<b>8,048,097</b>	<b>6,697,734</b>	<b>3,263,409</b>	<b>37,468,903</b>
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	41,038	91,646	635	47,925	181,244
Claims Payable	0	0	590,385	0	590,385
Wages Payable	32,283	33,272	0	145,895	211,450
Compensated Absences Payable	29,590	18,699	0	87,399	135,688
Intergovernmental Payable	17	2,935	0	11,679	14,631
Due to Other Funds	0	8,702	0	0	8,702
Unearned Revenue	0	32,300	0	0	32,300
<b>Total Current Liabilities</b>	<b>102,928</b>	<b>187,554</b>	<b>591,020</b>	<b>292,898</b>	<b>1,174,400</b>
Noncurrent Liabilities					
Compensated Absences Payable	7,397	4,675	0	21,850	33,922
<b>Total Noncurrent Liabilities</b>	<b>7,397</b>	<b>4,675</b>	<b>0</b>	<b>21,850</b>	<b>33,922</b>
<b>Total Liabilities</b>	<b>110,325</b>	<b>192,229</b>	<b>591,020</b>	<b>314,748</b>	<b>1,208,323</b>
<b>Net Position</b>					
Investment in Capital Assets	7,776,055	0	0	18,372	7,794,427
Unrestricted	11,573,283	7,855,868	6,106,713	2,930,288	28,466,152
<b>Total Net Position</b>	<b>19,349,338</b>	<b>7,855,868</b>	<b>6,106,713</b>	<b>2,948,660</b>	<b>36,260,579</b>

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

City of Kirkland, Washington  
**Combining Statement of Revenues, Expenses  
and Changes in Net Position**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2014

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Operating Revenues</b>					
Charges for Services	4,019,948	3,655,524	10,399,153	4,680,695	22,755,320
Miscellaneous Revenues	13,535	79,702	182,022	89,689	364,948
<b>Total Operating Revenues</b>	<b>4,033,483</b>	<b>3,735,226</b>	<b>10,581,175</b>	<b>4,770,384</b>	<b>23,120,268</b>
<b>Operating Expenses</b>					
Administrative & General	489,230	303,269	9,250,438	2,055,243	12,098,180
Supplies	27,028	70,825	0	16,122	113,975
Maintenance & Operations	1,676,438	1,876,804	0	3,062,237	6,615,479
Depreciation	1,537,118	0	0	4,578	1,541,696
<b>Total Operating Expenses</b>	<b>3,729,815</b>	<b>2,250,898</b>	<b>9,250,438</b>	<b>5,138,180</b>	<b>20,369,331</b>
<b>Operating Income (Loss)</b>	<b>303,668</b>	<b>1,484,328</b>	<b>1,330,737</b>	<b>(367,796)</b>	<b>2,750,937</b>
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	87,278	0	36,657	0	123,935
Insurance Recovery	0	471	0	0	471
Gain (loss) on Disposal of Capital Assets	84,871	0	0	0	84,871
Other Nonoperating Revenues/(Expenses)	26,788	0	0	0	26,788
Total Nonoperating Revenues (Expenses)	198,937	471	36,657	0	236,065
<b>Income (Loss) before Contributions and Transfers</b>	<b>502,605</b>	<b>1,484,798</b>	<b>1,367,394</b>	<b>(367,796)</b>	<b>2,987,002</b>
Transfers In	187,123	523,508	0	141,436	852,067
Transfers Out	0	(752,404)	0	(59,300)	(811,704)
Change in Net Position	689,728	1,255,903	1,367,394	(285,660)	3,027,366
Total Net Position - Beginning	18,659,610	6,511,721	4,739,319	3,234,320	33,144,970
Prior Period Adjustment (Note 16)	0	88,244	0	0	88,244
<b>Total Net Position - Ending</b>	<b>19,349,338</b>	<b>7,855,868</b>	<b>6,106,713</b>	<b>2,948,660</b>	<b>36,260,579</b>

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

City of Kirkland, Washington  
**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2014

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Cash Flows From Operating Activities</b>					
Cash Received From Interfund Charges	4,007,910	3,652,724	113,442	4,596,592	12,370,668
Contributions Received from Employees and Employer	0	0	9,918,146	0	9,918,146
Cash From Other Sources	21,624	116,297	1,072,557	194,581	1,405,059
Cash Paid to Suppliers for Goods and Services	(892,175)	(1,351,428)	(7,772,605)	(1,523,787)	(11,539,995)
Cash Paid to Employees for Services	(722,733)	(774,880)	(182,191)	(3,535,675)	(5,215,479)
Cash Paid for Central Business Functions	(550,074)	(101,285)	(1,310,254)	(74,798)	(2,036,411)
<b>Cash Provided by Operating Activities</b>	<b>1,864,552</b>	<b>1,541,428</b>	<b>1,839,095</b>	<b>(343,087)</b>	<b>4,901,988</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers In	187,123	523,508	0	141,436	852,067
Transfers Out	0	(752,404)	0	(59,300)	(811,704)
<b>Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>187,123</b>	<b>(228,896)</b>	<b>0</b>	<b>82,136</b>	<b>40,363</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds From Sale of Assets and Insurance Recoveries	252,162	471	0	0	252,633
Acquisition and Construction of Capital Assets	(1,793,375)	0	0	0	(1,793,375)
<b>Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,541,213)</b>	<b>471</b>	<b>0</b>	<b>0</b>	<b>(1,540,742)</b>
<b>Cash Flows From Investing Activities</b>					
(Increase) Decrease in Investments	(674,460)	(1,070,001)	(1,304,807)	60,827	(2,988,441)
Interest Revenue	49,857	0	25,849	0	75,706
<b>Cash Provided by Investing Activities</b>	<b>(624,603)</b>	<b>(1,070,001)</b>	<b>(1,278,958)</b>	<b>60,827</b>	<b>(2,912,735)</b>
Increase (Decrease) in Cash and Cash Equivalents	(114,141)	243,002	560,137	(200,125)	488,873
Cash and Cash Equivalents, January 1	4,481,279	2,689,610	1,932,327	1,411,097	10,514,313
Prior Period Adjustment (Note 16)	0	88,244	0	0	88,244
<b>Cash and Cash Equivalents, December 31</b>	<b>4,367,138</b>	<b>3,020,857</b>	<b>2,492,464</b>	<b>1,210,972</b>	<b>11,091,431</b>
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities</b>					
Operating Income (Loss)	303,668	1,484,328	1,330,737	(367,796)	2,750,937
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	1,537,118	0	0	4,578	1,541,696
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	67,676	1,800	522,971	(18,939)	573,508
(Increase) Decrease in Capital Related Accounts Receivable	(71,982)	0	0	0	(71,982)
(Increase) Decrease in Inventories	10,322	0	0	0	10,322
(Increase) Decrease in Intergovernmental Receivable	0	0	0	39,722	39,722
Increase (Decrease) in Accounts Payable	(82,918)	7,904	(3,103)	2,241	(75,876)
Increase (Decrease) in Capital Accounts Payable	99,498	0	0	0	99,498
Increase (Decrease) in Claims Payable	0	0	(11,510)	0	(11,510)
Increase (Decrease) in Intergovernmental Payable	(6,155)	(830)	0	0	(6,985)
Increase (Decrease) in Due to Other Funds	0	1,542	0	0	1,542
Increase (Decrease) in Wages Payable	5,504	7,218	0	(3,393)	9,329
Increase (Decrease) in Compensated Absences Payable	1,821	7,166	0	500	9,487
Increase (Decrease) in Revenue Collected in Advance	0	32,300	0	0	32,300
<b>Cash Provided by Operating Activities</b>	<b>1,864,552</b>	<b>1,541,428</b>	<b>1,839,095</b>	<b>(343,087)</b>	<b>4,901,988</b>
<b>Noncash Investing, Capital and Finance Activities:</b>					
Change in Fair Value of Investments	(28,870)	0	(14,968)	0	(43,838)

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

## AGENCY FUNDS

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

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

City of Kirkland  
**Statement of Agency Fund Net Position**  
December 31, 2014

	Intergovernmental Clearing	Customer Deposits	2014
<b>Assets</b>			
Cash and Cash Equivalents	163,367	0	163,367
Deposits	0	1,838,472	1,838,472
<b>Total Assets</b>	<b>163,367</b>	<b>1,838,472</b>	<b>2,001,839</b>
<b>Liabilities</b>			
Current Liabilities			
Due to Other Governments	154,231	0	154,231
Deposits	9,136	1,838,472	1,847,608
<b>Total Liabilities</b>	<b>163,367</b>	<b>1,838,472</b>	<b>2,001,839</b>

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

City of Kirkland  
**Statement of Changes in Assets and Liabilities**  
All Agency Funds  
For the fiscal year ended December 31, 2014

	01/01/14 Balance	Additions	Deletions	12/31/14 Balance
<b>Intergovernmental Custodial</b>				
Assets				
Cash and Cash Equivalents	72,138	14,054,171	13,962,942	163,367
Total Assets	<u>72,138</u>	<u>14,054,171</u>	<u>13,962,942</u>	<u>163,367</u>
Liabilities				
Due to Other Governments	63,002	14,156,270	14,065,041	154,231
Deposits	9,136	0	0	9,136
Total Liabilities	<u>72,138</u>	<u>14,156,270</u>	<u>14,065,041</u>	<u>163,367</u>
<b>Customer Deposits</b>				
Assets				
Deposits	1,818,068	1,304,780	1,284,376	1,838,472
Total Assets	<u>1,818,068</u>	<u>1,304,780</u>	<u>1,284,376</u>	<u>1,838,472</u>
Liabilities				
Deposits	1,818,068	1,307,507	1,287,103	1,838,472
Total Liabilities	<u>1,818,068</u>	<u>1,307,507</u>	<u>1,287,103</u>	<u>1,838,472</u>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	72,138	14,054,171	13,962,942	163,367
Deposits	1,818,068	1,304,780	1,284,376	1,838,472
Total Assets	<u>1,890,206</u>	<u>15,358,951</u>	<u>15,247,318</u>	<u>2,001,839</u>
Liabilities				
Due to Other Governments	63,003	14,156,270	14,065,041	154,231
Deposits	1,827,204	1,307,507	1,287,103	1,847,608
Total Liabilities	<u>1,890,206</u>	<u>15,463,777</u>	<u>15,352,144</u>	<u>2,001,839</u>

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



## Capital Assets

City of Kirkland  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedule by Source**  
December 31, 2014  
Unaudited

	<b><u>2014</u></b>
<b>Governmental Funds Capital Assets:</b>	
Land	\$ 589,564,349
Buildings	38,547,555
Improvements other than Buildings	35,377,880
Machinery and Equipment	1,785,464
Artwork	1,714,621
Infrastructure	243,220,283
Construction in Progress	63,478,119
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 973,688,271</u></b>
<b>Investments in Governmental Funds Capital Assets by Source:</b>	
General Fund	\$ 300,532,192
Special Revenue Funds	2,000,748
Impact Fees	9,859,693
Federal Grants	10,006,603
General Obligation Bonds	53,803,306
Private Gifts	9,381,551
Annexation	588,104,178
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 973,688,271</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 Position.



City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
 December 31, 2014  
 Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 15,272,032	\$ 11,505,794	\$ 397,886	-	\$ -	\$ 8,858,476	\$ 41,334,603
Judicial	-	-	-	-	-	-	25,152	\$ 25,152
Security								
Police	5,367,905	5,157,399	1,839,026	198,841	-	-	31,246,331	\$ 43,809,502
Fire	1,306,200	5,361,314	617,425	746,964	-	-	1,046,000	\$ 9,077,903
Total Security	6,674,105	10,518,713	2,456,451	945,805	-	-	32,292,331	52,887,405
Transportation	521,171,285	5,845,821	235,253	142,259	-	243,220,283	21,042,673	\$ 791,657,574
Physical Environment	65,128	-	1,053,377	62,790	-	-	193,390	\$ 1,374,685
Economic Environment	-	-	-	-	-	-	465,991	\$ 465,991
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	56,353,416	6,910,989	20,127,005	236,724	1,714,621	-	600,106	\$ 85,942,861
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 589,564,349</b>	<b>\$ 38,547,555</b>	<b>\$ 35,377,880</b>	<b>\$ 1,785,464</b>	<b>\$ 1,714,621</b>	<b>\$ 243,220,283</b>	<b>\$ 63,478,119</b>	<b>\$ 973,688,271</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 Position.

City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
For the Year Ended December 31, 2014  
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	Jan 1, 2014	Additions	Deductions	Dec 31, 2014
General Govt	\$ 39,580,892	\$ 1,858,831	\$ 51,859	\$ 41,387,864
Judicial	3,984,704	1,000	3,995,167	(9,463)
Security				
Police	35,027,336	9,168,608	363,036	43,832,908
Fire	8,494,820	1,045,093	462,008	9,077,905
Total Security	<u>43,522,156</u>	<u>10,213,701</u>	<u>825,044</u>	<u>52,910,813</u>
Transportation	776,430,408	16,343,911	1,230,077	791,544,242
Physical Environment	1,443,017	3,918	972	1,445,963
Economic Environment	465,991	-	-	465,991
Human Services	-	-	-	-
Culture and Recreation	83,240,899	5,202,782	2,500,820	85,942,861
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$948,668,067</u></b>	<b><u>\$ 33,624,143</u></b>	<b><u>\$ 8,603,939</u></b>	<b><u>\$973,688,271</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 Position.

## 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.	137
<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.	142
<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.	148
<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.	153
<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.	156

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



Schedule 1

**City of Kirkland**

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

	Fiscal Year									
	2005	2006 <sup>1</sup>	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 144,889,758	\$ 149,842,998	\$ 159,271,557	\$ 161,182,917	\$ 169,257,160	\$ 171,816,615	\$ 765,633,941	\$ 776,309,902	\$ 777,116,200	\$ 792,032,185
Restricted	31,529,052	37,582,793	2,609,847	2,414,668	1,537,901	25,655,616	56,174,364	51,718,526	33,724,447	39,548,651
Unrestricted	35,872,865	37,799,676	77,110,238	76,753,537	68,705,257	41,958,087	20,984,369	31,820,341	63,270,315	68,438,296
<b>Total Governmental Activities Net Position</b>	<b>\$ 212,291,675</b>	<b>\$ 225,225,467</b>	<b>\$ 238,991,642</b>	<b>\$ 240,351,122</b>	<b>\$ 239,500,318</b>	<b>\$ 239,430,318</b>	<b>\$ 842,792,674</b>	<b>\$ 859,848,769</b>	<b>\$ 874,110,962</b>	<b>\$ 900,019,132</b>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 92,417,203	\$ 96,222,908	\$ 101,047,975	\$ 108,618,685	\$ 114,800,561	\$ 116,940,418	\$ 135,167,834	\$ 138,359,034	\$ 142,458,066	\$ 151,092,784
Restricted	203,786	181,440	165,616	151,659	118,288	822,275	821,130	488,200	484,500	-
Unrestricted	18,643,884	26,124,764	29,956,731	32,346,829	33,275,413	35,285,938	39,518,104	42,401,172	45,271,055	50,717,355
<b>Total Business-type Net Position</b>	<b>\$ 111,264,873</b>	<b>\$ 122,529,112</b>	<b>\$ 131,170,322</b>	<b>\$ 141,117,173</b>	<b>\$ 148,194,262</b>	<b>\$ 153,048,631</b>	<b>\$ 175,507,068</b>	<b>\$ 181,248,406</b>	<b>\$ 188,213,621</b>	<b>\$ 201,810,139</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 237,306,961	\$ 246,065,906	\$ 260,319,532	\$ 269,801,602	\$ 284,057,721	\$ 288,757,033	\$ 900,801,775	\$ 914,668,936	\$ 919,574,266	\$ 943,124,969
Restricted	31,732,838	37,764,233	2,775,463	2,566,327	1,656,189	26,477,891	56,995,494	52,206,726	34,208,947	39,548,651
Unrestricted	54,516,749	63,924,440	107,066,969	109,100,366	101,980,670	77,244,025	60,502,473	74,221,513	108,541,370	119,155,651
<b>Total Primary Government Net Position</b>	<b>\$ 323,556,548</b>	<b>\$ 347,754,579</b>	<b>\$ 370,161,964</b>	<b>\$ 381,468,295</b>	<b>\$ 387,694,580</b>	<b>\$ 392,478,949</b>	<b>\$ 1,018,299,742</b>	<b>\$ 1,041,097,175</b>	<b>\$ 1,062,324,583</b>	<b>\$ 1,101,829,271</b>

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

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

	Fiscal Year									
	2005	2006 <sup>2</sup>	2007	2008	2009	2010	2011	2012 <sup>3</sup>	2013	2014
<b>Expenses</b>										
Governmental Activities										
General Government	\$ 4,029,646	\$ 4,399,307	\$ 5,489,712	\$ 6,820,650	\$ 4,568,923	\$ 4,573,285	\$ 4,985,746	\$ 4,996,539	\$ 5,598,429	\$ 5,918,750
Judicial	1,232,126	1,346,720	1,543,351	1,642,299	1,650,882	1,655,987	1,961,880	2,152,625	2,254,173	2,331,733
Security of Persons and Property	24,501,016	25,210,510	28,231,977	30,785,015	33,747,603	34,218,384	38,342,580	41,376,492	44,501,316	46,493,793
Physical Environment	2,160,540	2,345,553	2,886,473	2,797,484	1,705,151	1,266,318	1,983,567	2,088,842	1,320,358	1,533,702
Transportation	9,859,368	11,225,929	6,822,829	11,884,663	9,636,435	9,547,626	8,874,943	14,556,590	17,060,710	16,790,922
Human Services	1,013,306	1,049,579	1,122,182	1,050,624	1,262,160	1,254,029	1,168,688	1,247,531	1,328,171	1,402,936
Economic Environment	5,063,940	4,956,792	5,535,097	5,713,660	5,032,794	5,208,705	4,581,729	5,477,609	6,351,765	7,424,372
Culture and Recreation	5,878,788	6,244,431	7,050,990	7,223,809	7,547,669	7,162,320	7,360,003	7,842,007	9,145,795	9,897,398
Interest on Long Term Debt	1,248,028	1,157,676	952,919	801,792	706,000	776,642	2,110,842	2,238,879	2,129,096	1,980,886
Total Governmental Activities	\$ 54,986,758	\$ 57,936,497	\$ 59,635,530	\$ 68,719,996	\$ 65,857,617	\$ 65,663,296	\$ 71,369,978	\$ 81,977,114	\$ 89,689,813	\$ 93,774,492
Business Type Activities										
Water/Sewer	\$ 13,415,317	\$ 14,293,499	\$ 15,038,083	\$ 15,644,082	\$ 16,808,870	\$ 17,102,179	\$ 18,820,946	\$ 19,448,287	\$ 23,680,956	\$ 23,533,587
Surface Water	2,694,872	2,698,022	3,258,849	3,356,904	4,117,152	3,987,932	4,695,287	5,798,425	6,827,829	7,064,149
Solid Waste	7,055,826	7,313,435	7,556,493	8,168,316	8,112,106	8,057,897	10,655,055	13,191,812	16,005,799	15,727,658
Total Business Type Activities	\$ 23,166,015	\$ 24,304,956	\$ 25,853,425	\$ 27,169,302	\$ 29,038,128	\$ 29,148,008	\$ 34,171,288	\$ 38,438,524	\$ 46,514,584	\$ 46,325,394
Total Primary Government Expenses	\$ 78,152,773	\$ 82,241,453	\$ 85,488,955	\$ 95,889,298	\$ 94,895,745	\$ 94,811,304	\$ 105,541,266	\$ 120,415,638	\$ 136,204,397	\$ 140,099,886
<b>Program Revenues</b>										
Governmental Activities										
Charges for Services										
General Government	\$ 2,176,589	\$ 2,583,828	\$ 2,867,603	\$ 3,096,779	\$ 2,960,276	\$ 3,226,434	\$ 5,329,054	\$ 6,193,191	\$ 6,426,151	\$ 7,092,815
Judicial	1,198,671	1,365,820	1,546,200	1,534,567	1,776,732	1,813,501	2,011,693	1,884,924	2,077,796	1,905,705
Security of Persons and Property	4,700,508	4,601,906	4,820,358	5,306,512	6,487,767	5,404,357	3,899,269	2,517,728	3,122,082	3,095,773
Physical Environment	614,942	697,593	704,730	573,298	443,828	332,774	841,679	1,245,290	1,565,435	1,377,746
Transportation	1,096,127	580,475	178,226	782,638	526,401	335,034	778,133	1,287,801	2,066,637	3,179,516
Economic Environment	4,648,507	4,047,288	3,784,004	2,884,005	2,152,903	2,181,134	2,793,946	4,579,991	5,278,298	5,665,855
Culture and Recreation	1,095,629	1,053,975	944,457	1,191,477	1,334,207	1,245,180	1,338,704	1,834,283	1,925,556	2,405,184
Operating Grants and Contributions	2,081,827	1,688,627	1,835,419	1,478,355	2,133,689	1,730,706	2,014,483	5,027,871	2,009,909	2,103,718
Capital Grants and Contributions	1,233,637	1,031,834	1,067,085	1,702,710	1,076,498	2,804,824	591,553,694	1,958,280	6,520,630	12,793,588
Total Governmental Activities	\$ 18,846,437	\$ 17,651,346	\$ 17,748,082	\$ 18,550,341	\$ 18,892,301	\$ 19,073,944	\$ 610,560,655	\$ 26,529,359	\$ 30,992,494	\$ 39,619,900

	Fiscal Year									
	2005	2006 <sup>2</sup>	2007	2008	2009	2010	2011	2012 <sup>3</sup>	2013	2014
Business Type Activities										
Charges for Service	\$ 13,628,018	\$ 17,604,778	\$ 16,739,996	\$ 18,169,666	\$ 18,491,063	\$ 18,387,062	\$ 19,736,206	\$ 21,066,391	\$ 25,091,105	\$ 26,145,803
Water/Sewer	4,065,829	5,049,525	5,067,890	5,220,765	5,279,088	5,122,063	6,777,735	8,502,468	8,952,552	9,067,528
Surface Water	7,199,748	8,300,583	7,518,635	8,291,955	8,336,846	8,007,631	10,063,072	12,746,781	16,391,610	16,147,436
Solid Waste	-	105,073	600,663	388,360	364,251	313,490	529,923	284,721	277,666	423,061
Operating Grants and Contributions	7,139,864	3,692,047	3,336,990	4,281,929	3,071,321	1,950,653	20,029,622	2,194,949	3,292,523	8,288,574
Capital Grants and Contributions	\$ 32,033,459	\$ 34,752,006	\$ 33,264,194	\$ 36,352,675	\$ 35,542,569	\$ 33,780,839	\$ 57,136,558	\$ 44,795,310	\$ 54,005,456	\$ 60,072,402
Total Business Type Activities	\$ 50,879,896	\$ 52,403,352	\$ 51,012,276	\$ 54,903,016	\$ 54,434,870	\$ 52,854,843	\$ 667,697,213	\$ 71,324,669	\$ 84,997,950	\$ 99,692,302
Total Program Revenues										
<b>Net (Expense)/Revenue</b>	\$ (36,140,321)	\$ (40,285,151)	\$ (41,887,448)	\$ (50,169,655)	\$ (46,965,316)	\$ (46,589,352)	\$ 539,190,677	\$ (55,447,755)	\$ (58,697,319)	\$ (54,154,592)
Governmental Activities	8,867,444	10,447,050	7,410,769	9,183,373	6,504,441	4,632,891	22,965,270	6,356,786	7,490,872	13,747,008
Business Type Activities	\$ (27,272,877)	\$ (29,838,101)	\$ (34,476,679)	\$ (40,986,282)	\$ (40,460,876)	\$ (41,956,461)	\$ 562,155,947	\$ (49,090,969)	\$ (51,206,447)	\$ (40,407,584)
Total Net Expense										
<b>General Revenues</b>										
Governmental Activities										
Taxes										
Property Taxes	\$ 11,593,056	\$ 13,023,578	\$ 13,729,508	\$ 14,436,254	\$ 14,804,560	\$ 14,699,191	\$ 21,815,979	\$ 21,435,319	\$ 26,617,501	\$ 27,178,110
Sales Taxes	16,008,359	17,473,327	18,167,448	15,777,179	13,473,254	14,083,506	16,600,753	20,813,009	22,774,745	23,974,307
Excise Taxes <sup>1</sup>	6,261,813	7,044,850	6,832,730	3,158,532	1,999,843	2,974,586	3,544,099	5,434,137	6,896,100	7,270,619
Business/Occupational Taxes	929,499	978,746	981,243	1,007,998	1,936,971	2,023,534	2,346,885	2,371,259	2,476,984	2,489,060
Utility Taxes	6,978,378	8,966,649	9,824,961	10,225,600	10,825,038	10,339,384	12,302,205	14,141,722	15,062,187	14,892,606
Other Taxes	1,429,341	1,879,171	1,221,453	1,062,001	1,159,940	968,004	2,151,532	2,773,320	2,195,147	2,324,241
Unrestricted Grants/Contributions	324,842	-	501	74,548	215,697	115,815	105,458	99,929	204,330	229,671
Investment Earnings	1,417,570	3,391,684	4,607,033	4,218,724	1,442,357	744,667	893,905	588,839	48,505	1,078,754
Gain (Loss) Sale of Capital Assets	272,899	318,182	108,031	87,053	106,852	397,866	38,694	46,215	32,395	-
Transfers, Internal Activities	393,907	142,755	180,715	659,801	150,000	172,799	840,362	865,313	586,406	537,149
Total Governmental Activities	\$ 45,609,664	\$ 53,218,942	\$ 55,653,623	\$ 50,707,690	\$ 46,114,512	\$ 46,519,352	\$ 60,639,872	\$ 68,569,062	\$ 76,894,300	\$ 79,974,517
Business Type Activities										
Investment Earnings	\$ 444,017	\$ 959,944	\$ 1,411,155	\$ 1,423,279	\$ 722,648	\$ 394,277	\$ 333,529	\$ 249,865	\$ 64,334	\$ 386,690
Gain (Loss) Sale of Capital Assets	(393,907)	(142,755)	(180,715)	(659,801)	(150,000)	(172,799)	(840,362)	(865,313)	(586,406)	(537,149)
Transfers, Internal Activities	\$ 50,110	\$ 817,189	\$ 1,230,440	\$ 763,478	\$ 572,648	\$ 221,478	\$ (506,834)	\$ (615,448)	\$ (625,657)	\$ (150,490)
Total Business Type Activities	\$ 45,659,774	\$ 54,036,131	\$ 56,884,063	\$ 51,471,168	\$ 46,687,160	\$ 46,740,830	\$ 60,133,038	\$ 67,953,614	\$ 76,368,643	\$ 79,824,027
Total Primary Government										
<b>Change in Net Position</b>										
Governmental Activities	\$ 9,469,343	\$ 12,933,791	\$ 13,766,175	\$ 538,035	\$ (850,804)	\$ (70,000)	\$ 599,830,549	\$ 13,121,307	\$ 18,196,981	\$ 25,819,925
Business Type Activities	8,917,554	11,264,239	8,641,209	9,946,851	7,077,089	4,854,369	22,458,437	5,741,338	6,965,215	13,596,518
Total Change in Net Position	\$ 18,386,897	\$ 24,198,030	\$ 22,407,384	\$ 10,484,886	\$ 6,226,285	\$ 4,784,369	\$ 622,288,986	\$ 18,862,645	\$ 25,162,196	\$ 39,416,443

<sup>1</sup> Excise Taxes were reported as a portion of "Other Taxes" in 2004.

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

<sup>3</sup> 2012 presentation was modified in 2013 to reflect a prior period adjustment.

Schedule 3

**City of Kirkland**

Fund Balances of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	<u>2005</u>	<u>2006</u> <sup>1</sup>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>General Fund (Per GASB 54)<sup>2</sup></b>										
Nonspendable							\$ 260,094	\$ -	\$ -	\$ -
Restricted							462,762	587,434	601,933	1,315,449
Committed							6,187,802	2,569,900	2,808,391	2,322,236
Assigned							13,869,876	12,467,508	14,821,433	16,178,706
Unassigned							7,844,233	16,971,158	16,647,490	17,725,868
<b>General Fund (Prior GASB 54)<sup>2</sup></b>										
Reserved	\$ 23,175	\$ -	\$ -	\$ -	\$ -	\$ -				
Unreserved	5,505,380	8,394,364	10,926,697	7,585,824	7,664,519	6,429,953				
<b>Total General Fund</b>	<b>\$ 5,528,555</b>	<b>\$ 8,394,364</b>	<b>\$ 10,926,697</b>	<b>\$ 7,585,824</b>	<b>\$ 7,664,519</b>	<b>\$ 6,429,953</b>	<b>\$ 28,624,767</b>	<b>\$ 32,596,000</b>	<b>\$ 34,879,247</b>	<b>\$ 37,542,259</b>
<b>All Other Governmental Funds (Per GASB 54)<sup>2</sup></b>										
Nonspendable							\$ 2,746	\$ -	\$ -	\$ -
Restricted							48,877,848	47,009,318	28,768,370	34,074,711
Committed							383,112	1,522,838	1,545,753	1,836,255
Assigned							10,332,233	10,432,282	16,944,228	13,475,518
Unassigned							-	-	-	-
<b>All Other Governmental Funds (Prior GASB 54)<sup>2</sup></b>										
Reserved	\$ 15,850,351	\$ 19,098,553	\$ 2,693,084	\$ 2,482,649	\$ 1,589,550	\$ 26,308,722				
Unreserved, reported in:										
Special Revenue Funds	18,198,126	21,110,714	36,824,565	35,827,505	24,498,161	23,783,597				
Capital Projects Funds	15,771,542	18,484,240	20,787,912	24,403,049	23,439,218	21,641,181				
<b>Total all Other Governmental Funds</b>	<b>\$ 49,820,019</b>	<b>\$ 58,693,507</b>	<b>\$ 60,305,561</b>	<b>\$ 62,713,203</b>	<b>\$ 49,526,929</b>	<b>\$ 71,733,500</b>	<b>\$ 59,595,938</b>	<b>\$ 58,964,437</b>	<b>\$ 47,258,351</b>	<b>\$ 49,386,484</b>

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

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

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

Schedule 4

**City of Kirkland**

**Changes in Fund Balance of Governmental Funds**

Last Ten Fiscal Years - Unaudited  
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006 <sup>1</sup>	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes and Assessments	\$ 43,013,052	\$ 48,869,999	\$ 49,958,737	\$ 45,110,987	\$ 43,627,322	\$ 44,451,281	\$ 57,482,839	\$ 65,360,731	\$ 74,738,398	\$ 76,849,838
Licenses and Permits	3,979,870	3,708,339	3,829,844	3,246,893	3,277,794	3,262,940	5,279,547	7,088,382	8,004,902	8,337,352
Intergovernmental	6,871,563	6,240,952	6,760,999	7,664,200	8,965,670	9,608,276	9,123,231	8,243,496	7,297,780	9,142,240
Charges for Services	10,094,396	10,048,417	9,845,034	10,041,051	8,753,980	8,832,375	9,848,611	13,501,666	15,279,129	17,019,957
Fines and Forfeitures	1,117,030	1,165,921	1,363,234	1,422,321	1,506,082	1,652,358	1,943,538	1,889,569	2,171,989	2,143,143
Investment Interest	1,829,674	2,778,651	3,679,548	3,048,864	1,654,092	676,043	803,086	527,466	53,779	865,129
Miscellaneous Revenues	797,317	1,531,327	1,080,766	1,594,979	816,419	699,030	1,019,273	1,088,652	1,051,682	1,507,007
<b>Total Revenues</b>	\$ 67,702,902	\$ 74,343,606	\$ 76,518,162	\$ 72,129,295	\$ 68,801,359	\$ 69,182,303	\$ 85,500,125	\$ 97,679,962	\$ 108,597,659	\$ 115,864,666
<b>Expenditures</b>										
Current										
General Government	\$ 8,758,846	\$ 8,744,986	\$ 10,022,436	\$ 11,013,790	\$ 9,550,636	\$ 9,164,515	\$ 10,067,748	\$ 11,089,878	\$ 11,610,891	\$ 11,491,334
Security of Persons and Property	26,257,339	27,543,202	27,919,796	30,444,289	32,479,111	33,155,872	37,665,018	40,515,907	42,734,394	44,860,397
Physical Environment	3,409,688	3,547,034	3,698,987	3,689,425	3,488,651	3,211,041	3,635,642	3,981,111	3,249,605	3,468,559
Transportation	4,628,907	4,999,973	4,687,211	6,774,661	6,957,494	6,554,789	6,087,389	8,384,173	10,165,878	10,482,081
Economic Environment	4,360,324	4,115,011	6,757,692	6,898,759	6,309,295	6,532,329	6,121,483	6,799,931	7,902,345	8,845,262
Culture and Recreation	5,479,543	5,919,511	6,454,935	6,769,274	6,764,722	6,330,916	6,517,613	6,869,066	7,901,305	8,841,426
Debt Service										
Principal	2,012,000	1,920,000	3,805,000	2,090,000	2,190,000	1,410,000	1,705,000	2,545,313	2,431,451	2,537,949
Interest	1,132,012	1,054,664	972,694	817,048	722,333	646,041	2,247,480	2,238,879	2,129,096	1,980,886
Bond Issuance Costs	-	-	-	-	-	98,507	48,679	-	-	-
Capital Outlay	10,239,560	4,448,792	8,680,093	6,352,081	10,882,097	17,357,329	9,008,550	12,212,895	30,701,746	22,545,900
<b>Total Expenditures</b>	\$ 66,278,219	\$ 62,283,173	\$ 72,998,844	\$ 74,849,327	\$ 79,844,339	\$ 84,461,339	\$ 83,104,602	\$ 94,637,253	\$ 118,826,711	\$ 115,053,794
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	\$ 1,424,683	\$ 12,060,433	\$ 3,519,318	\$ (2,720,032)	\$ (10,742,980)	\$ (15,279,036)	\$ 2,395,523	\$ 3,042,709	\$ (10,229,052)	\$ 810,872
<b>Other Financing Sources (Uses)</b>										
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
Refunded Amount to Escrow	-	-	-	-	-	35,345,000	4,255,000	-	4,670,000	-
Bond Discount	-	-	-	-	-	(373,661)	(4,385,000)	-	(4,655,000)	-
Debt Issue Cost	-	-	-	-	-	185,317	-	-	-	-
Sale of Capital Assets	234,560	564,788	403,402	97,798	33,036	366,825	38,694	43,206	615,963	3,216,797
Insurance Recovery	-	-	-	390,669	5,520	5,540	818	-	148,353	41,690
Transfers In	9,347,701	11,518,923	13,978,513	12,796,892	19,453,883	9,489,033	9,032,665	16,243,715	18,172,493	18,176,032
Transfers Out	(9,654,045)	(12,394,848)	(13,756,846)	(12,320,003)	(18,297,093)	(8,581,696)	(8,997,572)	(15,989,897)	(18,113,096)	(17,454,246)
<b>Total Other Financing Sources (Uses)</b>	\$ (71,784)	\$ (311,137)	\$ 625,069	\$ 965,356	\$ 1,195,346	\$ 36,251,041	\$ 129,922	\$ 297,024	\$ 806,213	\$ 3,980,273
<b>Net Change in Fund Balance</b>	\$ 1,352,899	\$ 11,739,296	\$ 4,144,387	\$ (1,754,676)	\$ (9,547,634)	\$ 20,972,005	\$ 2,525,445	\$ 3,339,733	\$ (9,422,339)	\$ 4,791,145
Debt Service as a percentage of noncapital expenditures	5.61%	5.14%	7.43%	4.24%	4.25%	3.06%	5.33%	5.80%	5.18%	4.88%

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

Schedule 5

**City of Kirkland**

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
2005	\$ 7,605,630,655	\$290,763,254	\$ 7,896,393,909	1.49
2006	\$ 8,489,201,834	\$313,726,919	\$ 8,802,928,753	1.49
2007	\$ 9,536,541,460	\$328,698,684	\$ 9,865,240,144	1.40
2008	\$ 12,770,499,212	\$386,893,391	\$ 13,157,392,603	1.27
2009	\$ 10,948,249,594	\$363,953,154	\$ 11,312,202,748	1.13
2010	\$ 10,339,449,107	\$371,383,209	\$ 10,710,832,316	1.29
2011	\$ 9,875,673,406	\$422,921,112	\$ 10,298,594,518	1.39
2012	\$ 13,917,848,447	\$410,053,788	\$ 14,327,902,235	1.46
2013	\$ 15,358,916,929	\$415,443,078	\$ 15,774,360,007	1.87
2014	\$ 18,050,018,215	\$407,273,440	\$ 18,457,291,655	1.72

Schedule 6

**City of Kirkland**

Direct and Overlapping Governments  
Last Ten Fiscal Years - Unaudited

Fiscal Year	City Direct Rates				Overlapping Rates						Total Direct and Overlapping Rate
	Regular Levy	General Obligation Debt Service	Total Direct Rate	School District	County	State	Emergency Medical Services	Hospital	King County Library	Port of Seattle	
2005	1.31	0.18	1.49	2.83	1.38	2.69	0.23	0.59	0.49	0.25	9.95
2006	1.32	0.17	1.49	2.64	1.33	2.49	0.22	0.54	0.49	0.24	9.44
2007	1.25	0.15	1.40	2.57	1.29	2.33	0.21	0.50	0.46	0.23	8.99
2008	1.14	0.13	1.27	2.34	1.21	2.28	0.30	0.45	0.42	0.22	8.49
2009	1.02	0.11	1.13	2.23	1.10	2.11	0.27	0.40	0.39	0.20	7.83
2010	1.21	0.08	1.29	2.80	1.28	2.33	0.30	0.46	0.46	0.22	9.14
2011	1.30	0.09	1.39	2.98	1.35	2.39	0.30	0.48	0.55	0.22	9.66
2012	1.37	0.09	1.46	3.53	1.42	2.54	0.30	0.49	0.57	0.23	10.54
2013	1.78	0.09	1.87	3.75	1.54	2.70	0.30	0.52	0.57	0.23	11.48
2014	1.66	0.06	1.72	3.51	1.52	2.62	0.33	0.47	0.56	0.22	10.95

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

Schedule 7

**City of Kirkland**

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

<u>Taxpayer</u>	2014			2005		
	<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	\$ 153,969,315	1	0.83%	\$ 109,092,930	1	1.38%
Prometheus Real Estate Group (Villaggio)	127,509,300	2	0.69%	34,422,000	6	0.44%
Park at Forbes Creek LLC	108,779,000	3	0.59%	48,894,000	3	0.62%
Essex Portfolio LP	99,304,000	4	0.54%	31,016,000	10	0.39%
Puget Sound Energy Electricity/Gas	76,108,110	5	0.41%	33,649,616	7	0.43%
Kilroy Realty (Plaza at Yarrow Bay, Inc.)	60,028,159	6	0.33%	43,911,000	4	0.56%
Balacava Holdings, Inc.	59,062,200	7	0.32%			
Essex Montebello LLC	51,527,500	8	0.28%			
EQR-Heronfield LLC	48,825,000	9	0.26%	33,222,700	8	0.42%
Hunt Pacific	42,655,300	10	0.23%			
Frontier Communications NW, Inc. (Verizon NW)				32,412,288	9	0.41%
Property Tax Advisors				68,813,800	2	0.87%
BRE Properties				39,211,000	5	0.50%
<b>Totals</b>	<b>\$ 827,767,884</b>		<b>4.48%</b>	<b>\$ 474,645,334</b>		<b>6.02%</b>

Schedule 8

**City of Kirkland**

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 11,724,737	\$ 11,393,400	97.17%	\$ 242,273	\$ 11,635,673	99.24%
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 224,019	\$ 13,015,104	99.70%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ 266,700	\$ 13,806,120	99.80%
2008	\$ 14,576,390	\$ 14,222,940	97.58%	\$ 333,152	\$ 14,556,092	99.86%
2009	\$ 14,958,836	\$ 14,520,416	97.07%	\$ 406,921	\$ 14,927,337	99.79%
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ 302,172	\$ 14,730,626	99.89%
2011	\$ 21,792,076	\$ 21,498,711	98.65%	\$ 286,203	\$ 21,784,914	99.97%
2012	\$ 20,926,668	\$ 20,663,153	98.74%	\$ 233,239	\$ 20,896,392	99.86%
2013	\$ 26,328,493	\$ 25,909,705	98.41%	\$ 267,928	\$ 26,177,633	99.43%
2014	\$ 26,826,311	\$ 26,427,503	98.51%	\$ -	\$ 26,427,503	98.51%

Schedule 9

**City of Kirkland**

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Services	\$ 1,516,943	\$ 1,722,501	\$ 1,779,742	\$ 1,696,462	\$ 1,450,142	\$ 1,609,846	\$ 1,692,708	\$ 1,635,896	\$ 2,096,563	\$ 2,357,155
Contracting	2,315,820	3,279,243	3,007,168	2,685,516	1,727,379	1,739,823	1,748,813	2,544,008	2,739,984	2,860,618
Communications	689,152	793,243	657,923	564,808	481,053	439,692	476,189	442,779	472,092	501,853
Automotive/Gas Retail	2,791,766	2,973,380	3,276,488	2,990,763	2,650,594	3,038,615	3,161,851	3,655,104	4,147,690	4,384,706
Gen Merch/ Misc Retail	2,384,674	2,524,268	2,562,537	2,230,501	1,929,745	1,745,038	1,802,876	1,876,502	2,004,660	2,091,289
Retail Eating/Drinking	1,183,017	1,228,127	1,294,444	1,295,765	1,126,930	1,063,913	1,145,123	1,273,290	1,371,105	1,477,789
Other Retail	1,774,957	1,800,744	1,738,458	1,761,238	1,546,911	1,614,016	1,694,262	1,988,615	2,125,084	2,364,892
Wholesale	984,807	1,320,124	1,111,079	881,824	546,513	725,093	709,686	564,302	759,399	837,107
Miscellaneous	668,662	786,514	1,098,629	924,213	785,660	830,820	956,682	829,768	888,736	1,088,338
<b>Total</b>	<b>\$ 14,309,798</b>	<b>\$ 16,428,144</b>	<b>\$ 16,526,468</b>	<b>\$ 15,031,090</b>	<b>\$ 12,244,927</b>	<b>\$ 12,806,856</b>	<b>\$ 13,388,190</b>	<b>\$ 14,810,264</b>	<b>\$ 16,605,313</b>	<b>\$ 17,963,747</b>

City direct sales tax rate 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00%

Schedule 10

**City of Kirkland**

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

Fiscal Year	General Sales										Automobile Sales/Leases			Restaurant Food/Beverage		
	State of Washington		King County			Regional Transit Authority		City of Kirkland <sup>1</sup>	Total General Sales Tax	State of Washington		Total Automobile Sales/Leases	King County		Total Restaurant Food and Beverage	
	General Sales		Metro	Justice	Criminal Mental Health		Transit Authority			Automobile Sales/Leases	Automobile Sales/Leases		Restaurant Food and Beverage	Restaurant Food and Beverage		
2005	6.50%		0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	0.30%	9.10%	0.50%	0.50%	9.30%		
2006	6.50%		0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	0.30%	9.10%	0.50%	0.50%	9.30%		
2007	6.50%		0.90%	0.10%	0%	0.40%	1.00%	8.90%	0.30%	0.30%	9.20%	0.50%	0.50%	9.40%		
2008	6.50%		0.90%	0.10%	0.10%	0.40%	1.00%	9.00%	0.30%	0.30%	9.30%	0.50%	0.50%	9.50%		
2009	6.50%		0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	0.30%	9.80%	0.50%	0.50%	10.00%		
2010	6.50%		0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	0.30%	9.80%	0.50%	0.50%	10.00%		
2011	6.50%		0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	0.30%	9.80%	0.00%	0.00%	9.50%		
2012	6.50%		0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	0.30%	9.80%	0.00%	0.00%	9.50%		
2013	6.50%		0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	0.30%	9.80%	0.00%	0.00%	9.50%		
2014	6.50%		0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	0.30%	9.80%	0.00%	0.00%	9.50%		

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

Schedule 11

**City of Kirkland**

Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Governmental Activities			Business-Type Activities				Total Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Public Works Trust Fund Loans	Bonds	Loans	Government			
2005	\$ 23,150,000	\$ 10,000	\$ 5,635,000	\$ 5,423,610	\$ 34,218,610	1.53%	748			
2006	\$ 21,235,000	\$ 5,000	\$ 5,040,000	\$ 5,137,851	\$ 31,417,851	1.26%	666			
2007	\$ 17,435,000	\$ -	\$ 4,425,000	\$ 4,523,186	\$ 26,383,186	0.96%	551			
2008	\$ 15,345,000	\$ -	\$ 3,785,000	\$ 3,908,523	\$ 23,038,523	0.82%	476			
2009	\$ 13,155,000	\$ -	\$ 3,120,000	\$ 3,293,856	\$ 19,568,856	0.70%	399			
2010	\$ 47,090,000	\$ -	\$ 2,430,000	\$ 2,906,678	\$ 52,426,678	2.11%	1075			
2011	\$ 49,255,000	\$ -	\$ 1,700,000	\$ 2,519,500	\$ 53,474,500	1.26%	664			
2012	\$ 46,709,687	\$ -	\$ 935,000	\$ 2,132,322	\$ 49,777,009	1.19%	611			
2013	\$ 44,293,236	\$ -	\$ 475,000	\$ 1,771,987	\$ 46,540,223	1.18%	569			
2014	\$ 41,755,287	\$ -	\$ -	\$ 1,573,313	\$ 43,328,600	1.06%	525			

Schedule 12

**City of Kirkland**

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2005	\$ 23,150,000	\$ 545,234	\$ 22,604,766	0.29%	\$ 506.12
2006	\$ 21,235,000	\$ 558,526	\$ 20,676,474	0.24%	\$ 450.08
2007	\$ 17,435,000	\$ 501,315	\$ 16,933,685	0.18%	\$ 364.06
2008	\$ 15,345,000	\$ 481,535	\$ 14,863,465	0.12%	\$ 316.98
2009	\$ 13,155,000	\$ 472,456	\$ 12,682,544	0.12%	\$ 268.41
2010	\$ 47,090,000	\$ 328,813	\$ 46,761,187	0.44%	\$ 965.22
2011	\$ 49,255,000	\$ 315,270	\$ 48,939,730	0.48%	\$ 611.83
2012	\$ 46,709,687	\$ 314,857	\$ 46,394,830	0.33%	\$ 573.27
2013	\$ 44,293,236	\$ 324,473	\$ 43,968,763	0.28%	\$ 541.95
2014	\$ 41,755,287	\$ 329,296	\$ 41,425,991	0.23%	\$ 505.57

Schedule 13

**City of Kirkland**

Direct and Overlapping Governmental Activities Debt

As of December 31, 2014 - Unaudited

<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	\$ 826,768,000	4.65%	\$ 38,444,712
Lake Washington School District #414	437,754,062	37.90%	165,908,789
Port of Seattle	24,069,500	4.65%	1,119,232
Bellevue School District #405	657,046,038	0.22%	1,445,501
Hospital District #2	178,560,052	29.72%	53,068,047
Library	118,264,183	7.93%	9,378,350
Northshore School District #417	348,387,026	1.26%	4,389,677
Northshore Parks and Rec	1,641,086	1.26%	20,625
<b>Total Overlapping Debt</b>			<b>\$ 273,774,933</b>
Direct Debt			
City of Kirkland <sup>2</sup>	\$ 41,755,287	100.00%	\$ 41,755,287
<b>Total Direct and Overlapping Debt</b>			<b>\$ 315,530,220</b>

<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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 592,229,543	\$ 660,219,656	\$ 739,893,011	\$ 986,804,445	\$ 848,415,206	\$ 803,312,424	\$ 772,394,589	\$ 1,074,592,668	\$ 1,183,077,001	\$ 1,384,296,874
Total Net Debt Applicable to Limit	22,615,509	20,676,180	16,937,097	14,863,464	12,682,544	46,761,187	48,939,730	46,394,830	43,955,443	41,425,991
Legal Debt Margin	\$ 569,614,034	\$ 639,541,476	\$ 722,955,914	\$ 971,940,981	\$ 835,732,662	\$ 756,551,237	\$ 723,454,859	\$ 1,028,197,838	\$ 1,139,121,558	\$ 1,342,870,883
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.82%	3.13%	2.29%	1.51%	1.49%	5.82%	6.34%	4.32%	3.72%	2.99%
<b>Legal Debt Margin Calculation for Fiscal Year 2014</b>										
Total Assessed Value	18,457,291,655									
Debt Limit (7.5% of Total Assessed Value)	1,384,296,874									
Debt Applicable to Limit:										
General Obligation Bonds	41,755,287									
Less Cash on Hand for Debt Redemption	(329,296)									
Total Net Debt Applicable to Limit	41,425,991									
Legal Debt Margin	1,342,870,883									

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

Schedule 15

**City of Kirkland**

Pledged-Revenue Coverage  
Last Ten Fiscal Years - Unaudited

Fiscal Year	Water/Sewer Revenue Bonds				Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2005	\$ 13,276,138	\$ 11,397,440	\$ 1,878,698	2.29	\$ 5,064	\$ 10,000	\$ 780	0.47
2006 <sup>1</sup>	\$ 17,509,308	\$ 12,168,914	\$ 5,340,394	6.53	\$ 7,881	\$ 5,000	\$ 520	1.43
2007	\$ 16,578,496	\$ 12,741,287	\$ 3,837,209	4.69	\$ 4,544	\$ -	\$ -	-
2008	\$ 17,559,865	\$ 13,220,756	\$ 4,339,109	5.31	\$ -	\$ -	\$ -	-
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	5.00	\$ -	\$ -	\$ -	-
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	4.49	\$ -	\$ -	\$ -	-
2011	\$ 19,593,206	\$ 16,287,970	\$ 3,305,236	4.03	\$ -	\$ -	\$ -	-
2012	\$ 20,966,391	\$ 16,940,958	\$ 4,025,433	8.25	\$ -	\$ -	\$ -	-
2013	\$ 24,733,565	\$ 21,179,766	\$ 3,553,799	7.33	\$ -	\$ -	\$ -	-
2014	\$ 25,798,960	\$ 20,981,503	\$ 4,817,457	-	\$ -	\$ -	\$ -	-

<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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>King County Unemployment Rate</b>
2005	45,740	\$ 2,231,609	\$ 48,789	4.60%
2006	47,180	\$ 2,484,263	\$ 52,655	4.10%
2007	47,890	\$ 2,749,317	\$ 57,409	3.70%
2008	48,410	\$ 2,813,347	\$ 58,115	4.33%
2009	49,010	\$ 2,788,865	\$ 56,904	8.50%
2010	48,787	\$ 2,483,502	\$ 50,905	8.80%
2011	80,505	\$ 4,330,525	\$ 53,792	8.10%
2012	81,480	\$ 4,174,139	\$ 51,229	7.00%
2013	81,730	\$ 3,941,266	\$ 48,223	5.23%
2014	82,590	\$ 4,070,358	\$ 49,284	4.61%

Sources: United States Census Bureau; United States Department of Labor

Schedule 17

**City of Kirkland**

Property Values and Construction  
Last Ten Fiscal Years - Unaudited

<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 Permits</u>	<u>Valuation</u>	<u>Number of Dwellings</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Permits</u>	<u>Number of Units</u>	<u>Valuation</u>	
2005	10	\$ 36,336,205	229	\$ 77,808,567	277	\$ 31,070,574	n/a	n/a	n/a	\$ 7,896,393,909
2006	4	\$ 6,440,429	237	\$ 86,466,535	160	\$ 22,000,720	n/a	n/a	n/a	\$ 8,802,928,753
2007	8	\$ 36,632,094	229	\$ 85,599,108	129	\$ 23,939,654	n/a	n/a	n/a	\$ 9,865,240,144
2008	4	\$ 8,115,000	128	\$ 44,004,859	241	\$ 27,792,550	n/a	n/a	n/a	\$ 13,157,392,603
2009	3	\$ 17,740,116	44	\$ 17,683,428	81	\$ 33,905,957	n/a	n/a	n/a	\$ 11,312,202,748
2010	2	\$ 101,000	71	\$ 25,993,732	61	\$ 9,200,000	-	-	\$ -	\$ 10,710,832,316
2011	4	\$ 3,093,000	94	\$ 34,502,303	9	\$ 1,737,948	-	-	\$ -	\$ 10,298,594,518
2012	4	\$ 43,098,113	92	\$ 52,742,439	124	\$ 2,200,000	1	108	\$ 10,500,000	\$ 14,327,902,235
2013	4	\$ 75,393,629	268	\$ 117,783,022	61	\$ 11,504,320	2	187	\$ 25,163,600	\$ 15,774,360,007
2014	20	\$ 83,037,794	253	\$ 133,592,300	n/a	\$ 8,263,498	3	135	\$ 32,156,303	\$ 18,457,291,655

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

<sup>2</sup> Valuation for updated existing units. No additional new units

Schedule 18

**City of Kirkland**

Principal Employers

Current Year and Nine Years Ago - Unaudited

<u>Employer</u>	<u>2014</u>			<u>2005</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	3,762	1	9.18%	2,700	1	9.31%
Lake Washington School District	1,112	2	2.71%	617	2	2.13%
Google, Inc.	774	3	1.89%			
City of Kirkland	580	4	1.41%	581	3	2.00%
Kenworth Truck Co.	410	5	1.00%	446	4	1.54%
Astronics Advanced Electronic Systems	388	6	0.95%			
Costco Wholesale	318	7	0.78%	408	5	1.41%
Issoftstone, Inc.	272	8	0.66%			
Wave Broadband	268	9	0.65%			
ATG Stores	253	10	0.62%			
Univar				291	6	1.00%
Lake Washington Institute of Technology				200	7	0.69%
Fred Meyer				191	8	0.66%
Wireless Data Services North America				190	9	0.66%
Digeo, Inc.				185	10	0.64%
<b>Total</b>	<b>8,137</b>		<b>19.85%</b>	<b>5,809</b>		<b>20.03%</b>

Schedule 19

**City of Kirkland**

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of December 31</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager's Office	6.89	19.48	21.24	21.54	21.54	21.90	30.40	8.65	8.25	8.54
City Attorney's Office	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Municipal Court	-	-	-	-	-	-	-	22.25	18.75	18.75
Human Resources	6.68	7.10	7.10	7.10	7.10	8.10	8.80	8.70	8.70	8.70
Parks and Community Services	32.28	32.28	32.78	36.53	36.53	33.03	32.25	31.00	30.00	30.00
Public Works	25.65	26.65	26.95	27.55	27.55	23.30	26.15	25.35	28.95	31.20
Finance and Administration	41.29	28.45	29.50	28.80	29.05	30.40	32.65	32.80	32.80	33.80
Planning and Community Development	21.62	22.56	23.56	22.06	21.06	19.95	24.25	24.25	23.45	23.45
Police	99.50	105.50	110.50	109.00	95.50	121.50	135.25	137.50	135.50	135.50
Fire and Building	96.53	100.53	109.53	113.28	112.28	107.73	120.78	122.28	123.28	128.28
Other General Government Operating Funds										
Lodging Tax Fund	0.11	0.11	0.25	0.90	0.90	0.60	0.60	0.60	0.60	0.66
Street Operating	15.40	15.40	15.40	16.90	16.10	15.50	22.50	20.65	20.75	20.90
Parks Maintenance	7.50	7.50	7.50	7.50	7.50	7.50	10.25	10.25	9.25	9.25
2012 Parks Levy	-	-	-	-	-	-	-	-	7.25	7.25
Recreation Revolving	3.25	3.25	3.25	-	-	-	-	-	-	-
Facilities Maintenance	5.90	5.90	5.90	5.90	5.95	5.85	6.35	6.35	7.35	7.95
Equipment Rental	5.50	5.50	6.00	6.00	6.40	6.30	7.30	7.30	7.30	7.40
Information Technology	15.00	18.25	18.75	19.50	20.00	19.25	23.75	24.50	24.70	24.70
Proprietary Funds										
Water/Sewer Operating	20.31	20.31	20.71	21.21	21.06	21.21	20.31	19.81	19.81	19.76
Surface Water Management	13.69	15.19	15.39	17.24	17.74	18.49	26.04	27.59	27.59	27.79
Solid Waste	1.05	1.05	1.65	1.70	1.70	2.00	3.30	2.80	2.80	2.80
<b>Total</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>	<b>543.63</b>	<b>548.08</b>	<b>557.68</b>

Source: City of Kirkland Finance and Administration

Schedule 20

**City of Kirkland**

Operating Indicators by Function/Program  
Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Security of Persons and Property - Police										
Calls for Service	43,120	53,215	56,986	58,499	58,245	62,677	71,729	74,317	69,568	69,876
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	7,195	8,109	7,255	7,256	7,320	7,098	7,286	7,982	8,033	8,228
Average EMS Response (minutes)	5:17	5:21	5:30	5:27	5:20	5:17	5:32	5:25	5:18	5:24
Average Fire Response (minutes)	5:53	6:02	5:59	5:47	5:46	5:41	5:42	5:44	5:55	5:45
Culture and Recreation										
Adult Program Registrations	4,621	4,484	4,675	3,894	3,234	2,877	3,508	3,675	3,259	3,443
Preschool Program Registrations	3,436	3,520	3,467	3,516	3,773	4,005	4,339	3,973	4,435	4,041
Youth Program Registrations	4,553	4,639	4,526	4,610	4,505	4,477	4,272	5,047	5,466	4,949
Teen Program Registrations	134	140	93	130	88	144	113	134	103	186
Parent/Child Program Registrations	348	484	392	372	222	199	199	1,608	1,752	1,773
Senior Program Registrations	5,010	4,858	4,833	4,065	4,104	3,441	3,509	4,120	4,196	3,568
Physical Environment										
Street Hot Patching (hours)	5,261	4,127	4,469	4,650	3,819	3,354	3,422	3,856	5,246	6,533
Street Signal Maintenance (hours)	2,976	2,685	2,546	2,723	2,712	2,700	3,717	4,376	3,871	3,064
Street Sweeping (hours)	2,016	2,177	2,001	1,959	1,971	1,518	2,340	2,883	3,389	2,770
Number of Sewer Customers	9,420	9,580	9,771	9,923	10,004	10,080	10,154	10,238	10,309	10,434
Number of Water Customers	11,534	11,648	11,849	11,955	12,056	12,104	12,153	12,224	12,318	12,431
Average Daily Water Consumption (million gallons)	5.72	6.60	5.80	6.30	5.90	5.46	5.40	5.60	5.31	5.60

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

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	6.5	6.6	6.8	6.5	6.4	7.0	10.1	10.5	10.5	10.3
Security of Persons and Property - Fire										
Stations (full-time staffed)	5	5	6	5	5	5	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	0	1	0
Culture and Recreation										
Parks Acreage	525	510	515	517	517	518	544	554	556	558
Parks (developed)	32	33	33	33	32	32	34	35	35	35
Parks (undeveloped)	5	7	7	7	8	8	10	10	10	10
Waterfront Footage	13,200	13,200	13,200	13,270	13,270	13,270	13,270	13,270	13,270	13,270
Miles of Improved Park Trails	5.0	5.5	5.5	5.5	5.8	5.8	6.3	6.5	6.5	7.0
Miles of Unimproved Park Trails	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	11.0
Community Centers	1	2	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	166	166	166	167	169	169	170	170	175	175
Sanitary Sewers (miles)	116	116	117	119	119	120	121	122	122	123
Streets (miles)	149	149	149	148	147	147	249	250	250	251
Sidewalks (miles)	134	136	138	139	140	141	237	237	238	242

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