

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,

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Totem Lake Connector Pedestrian Bridge

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2018

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**City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2018**

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Introductory Section



Government Finance Officers Association

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

Presented to

**City of Kirkland
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF KIRKLAND

CITY COUNCIL

Mayor.....	Amy Walen
Deputy Mayor	Jay Arnold
Council Members	Jon Pascal
	Penny Sweet
	Toby Nixon
	Dave Asher
	Tom Neir

ADMINISTRATIVE STAFF

CITY MANAGER'S OFFICE

City Manager	Kurt Triplett
Deputy City Manager.....	Marilynne Beard
Deputy City Manager.....	Tracey Dunlap
Assistant City Manager.....	James Lopez

MUNICIPAL COURT

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

City Attorney.....	Kevin Raymond
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FINANCE AND ADMINISTRATION

Director.....	Michael Olson
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FIRE

Fire Chief	Joe Sanford
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HUMAN RESOURCES AND PERFORMANCE MANAGEMENT

Director.....	Chris Thomas
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INFORMATION TECHNOLOGY

Chief Information Officer.....	Brenda Cooper
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PARKS AND COMMUNITY SERVICES

Director.....	Lynn Zwaagstra
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PLANNING AND BUILDING

Director.....	Adam Weinstein
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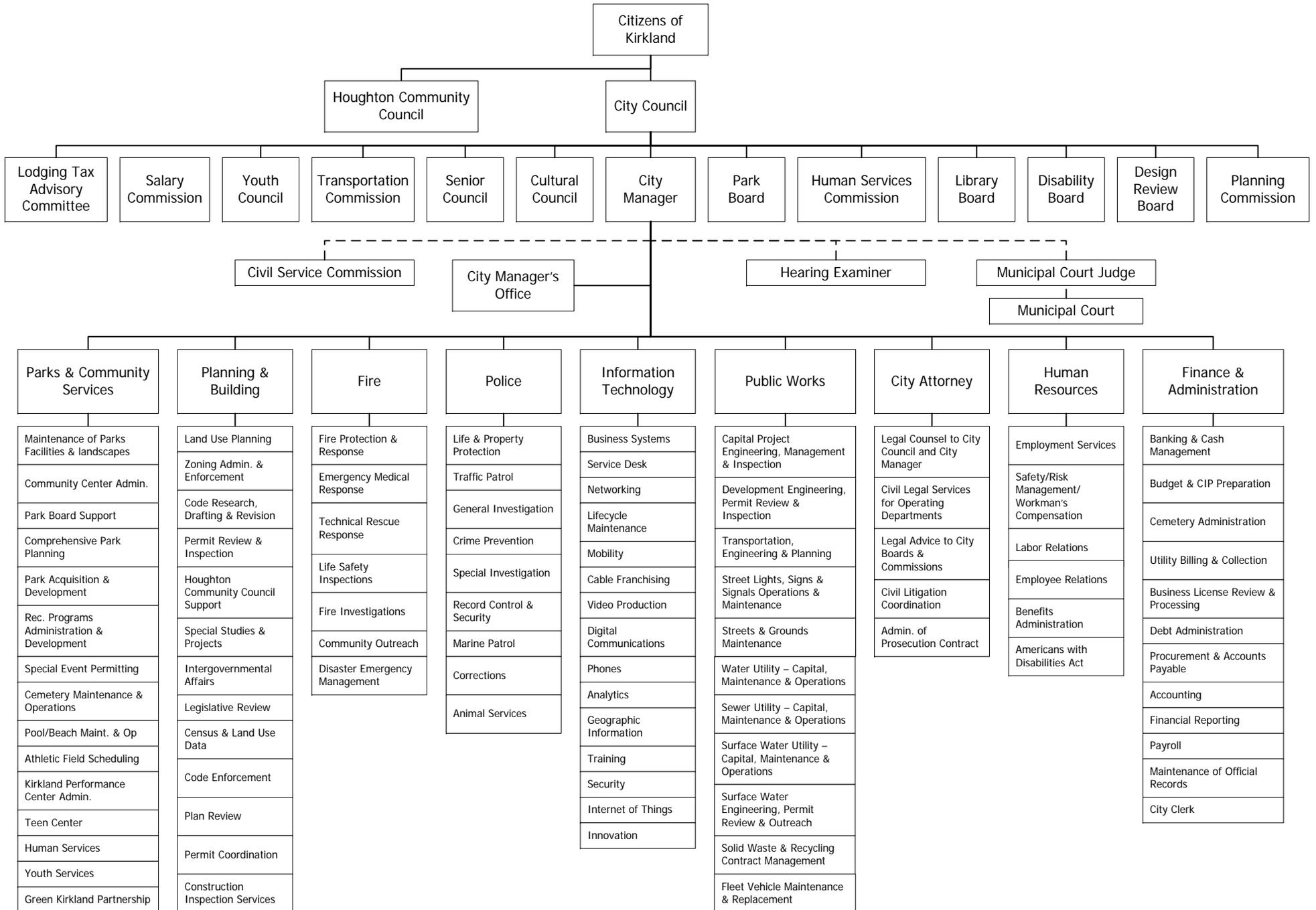
POLICE

Police Chief	Cherie Harris
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PUBLIC WORKS

Director.....	Kathy Brown
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CITY OF KIRKLAND





July 25, 2019

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, 2018.

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 unmodified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2018. 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 2018 estimated population is 87,240 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 North 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 2018, the City boasted fifty parks, including eleven that are located on the waterfront, as well as two community centers, a swimming pool, and a 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 2018, adding jobs, growth in sales tax, and increases in permitting activity. Additionally, Kirkland's office vacancy rate at the end of the third quarter of 2018 was 4.0 percent, significantly lower than the Puget Sound total vacancy rate of 9.4 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

The Kirkland City Council adopted revisions to the Comprehensive Plan on December 8, 2015 as part of "Kirkland 2035", a conversation with the residents about the City's future. 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 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. With the adoption of the 2019-2024 Capital Improvement Program in December 2018, Kirkland continues to fund the needs identified through the Kirkland 2035 process.

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 which has been successful in limiting the growth of health care costs, and active pursuit of economic development opportunities. The economic development efforts in Kirkland of its two major opportunities for redevelopment, The Village at Totem Lake (formerly Totem Lake Mall) and Kirkland Urban (formerly Parkplace) are coming into fruition as construction which began in 2016, is making steady progress toward completion in 2020.

Sales tax performance improved in 2018 over 2017 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 generates about \$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 The Village at Totem Lake and Kirkland Urban, anticipate that the new developments will be in operation before the expiration date, providing enhanced revenue streams to help absorb the impact. 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 2017-2018 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 2016. 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 2017-2018 biennium, which helps define the major initiatives related to the City's priority goals:

- Renovate Fire Station 25, construct new Station 24, and site new Station 27 to further the goals of Public Safety and Dependable Infrastructure.
- Facilitate Community Policing through implementation of Police Strategic Plan to further the goals of Public Safety and Neighborhoods.
- Fund capital investments to support growth in Totem Lake Urban Center to further the goals of Economic Development, Balanced Transportation, Parks, Open Spaces and Recreational Services.
- Partner with Sound Transit, the State Department of Transportation and King County Metro Transit to ensure that investments along I-405 serve Kirkland's mobility needs to further the goals of Balanced Transportation, Economic Development.
- Partner with A Regional Coalition for Housing, churches and non-profits to construct a permanent women and family shelter in Kirkland to further the goals of Human Services and Housing.
- Implement the Cross Kirkland Corridor Master Plan focused on the Totem Lake Connector and South Kirkland Park and Ride connection to further the goals of Balanced Transportation, Parks, Open Spaces and Recreational Services, Economic Development, Neighborhoods.
- Expand Maintenance Center capacity to meet the service needs of the larger City to further the goals of Dependable Infrastructure, Parks, Open Spaces and Recreational Services.
- Procure a new solid waste contract and engage King County and Kirkland residents to determine the future of the Houghton Transfer Station and Houghton Landfill to further the goals of Environment and Dependable Infrastructure.
- Replace the City's core financial and human resources software to further the goal of Financial Stability.
- Enhance resident and business engagement in Kirkland through community-based initiatives that foster a safe, inclusive and welcoming City and a love of Kirkland to further the goals of Public Safety, Neighborhoods and Economic Development.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence** in Financial Reporting to the City of Kirkland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. This was the fourteenth 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 2017-2018 Budget** (the fifteenth 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 Public 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



Michael Olson
Director of Finance and Administration



Financial Section



**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 25, 2019

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, as of and for the year ended December 31, 2018, 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, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Excise Tax Capital Improvement Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 19 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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 Fund Financial Statements and Schedules are presented for the purposes of additional analysis and are 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory, Capital Assets Used in the Operation of Governmental Funds, and Statistical Sections are presented for purposes of additional analysis and are 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 July 25, 2019, 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,



Pat McCarthy

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, 2018. 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 \$1.2 billion. Of this amount, \$997 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$93 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$127 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 \$40.2 million in 2018, after considering the impact of two GASB changes. The increase in Business-type activities was \$8.5 million, while the Governmental activities increased by \$31.7 million. The implementation of GASB 73 and GASB 75 had a negative net position effect of \$8.9 million. Per GASB 73 the Firefighter's Pension Fund is now reported in the General Fund, and not as a fiduciary fund. This change increased net position by \$1.2 million. Per GASB 75 the liability for Other Post Employment Benefits was restated and decreased the net position by \$10 million. For additional information see Note 19.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$152 million, an increase of \$22.8 million compared to the prior year. Over \$77 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$4.3 million has been committed for specific purposes by the City Council, and another \$47 million has been designated by the City Manager for assigned activities. Around \$22.7 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$42 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 and they do not measure the results of operations.

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 \$1,218,654,644 at December 31, 2018. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2018 to 2017.

City of Kirkland's Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$212.17	\$183.06	\$68.44	\$66.06	\$280.61	\$249.12
Capital assets, net of accumulated depreciation	860.69	854.14	176.43	171.34	1,037.12	1,025.48
Total assets	1,072.86	1,037.20	244.87	237.40	1,317.73	1,274.60
Total deferred outflows of resources	5.38	4.89	0.31	0.48	5.69	5.37
Long-term liabilities	66.21	64.55	5.72	6.85	71.93	71.40
Other liabilities	16.27	18.17	5.16	5.50	21.43	23.67
Total liabilities	82.48	82.72	10.88	12.35	93.36	95.07
Total deferred inflows of resources	10.65	5.98	0.76	0.44	11.41	6.42
Net position:						
Net investment in capital assets	824.99	813.49	172.21	166.86	997.20	980.35
Restricted	93.47	74.85	-	-	93.47	74.85
Unrestricted	66.65	65.05	61.33	58.23	127.98	123.28
Total net position	\$985.11	\$953.39	\$233.54	\$225.09	\$1,218.65	\$1,178.48

As of the end of 2018, the largest component of the City's total assets at \$997.2 million, 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.

Over \$93 million of the City's net position is subject to restrictions. The largest balances of restricted funds are for capital and transportation improvements. The largest restricted balance or \$28.9 million are related to Transportation Impact Fees and restrictions in the Transportation Capital Fund for active projects. The \$24.4 balance in Real Estate Excise Taxes is reserved for capital projects.

Culture and Recreation funds of \$16.9 million are park impact fees and levy funds reserved for future acquisitions and maintenance of existing City parks.

A net pension asset of \$16.3 million is a result of GASB 68, Reporting for Pensions. The amount includes \$873 thousand related to the Firefighter's Pension.

The remaining \$128 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, \$61.3 million pertains to the City's business-type activities, which may only be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and reservoirs), storm drain flushing, water meter reading, and utility capital construction projects. The \$66.7 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 by almost \$40 million in 2018.

A breakdown of the 2018 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$39.97	\$28.40	\$57.96	\$56.28	\$97.93	\$84.68
Operating grants and contributions	3.66	2.65	0.38	0.27	4.04	2.92
Capital grants and contributions	6.39	8.23	5.84	4.74	12.23	12.97
General revenues:						
Sales taxes	31.70	29.10	-	-	31.70	29.10
Property taxes	30.12	29.34	-	-	30.12	29.34
Utility taxes	14.20	14.82	-	-	14.20	14.82
Excise taxes	12.19	10.58	-	-	12.19	10.58
Business Taxes	3.27	2.86	-	-	3.27	2.86
Other taxes	2.71	2.76	-	-	2.71	2.76
Investment earnings	2.72	1.09	0.95	0.39	3.67	1.48
Miscellaneous*	2.46	1.43	-	-	2.46	1.43
Total revenues	149.39	131.26	65.13	61.68	214.52	192.94
Expenses:						
General government	10.75	12.23	-	-	10.75	12.23
Judicial	2.33	2.35	-	-	2.33	2.35
Security of Persons and Property	50.45	51.82	-	-	50.45	51.82
Physical environment	0.89	0.99	-	-	0.89	0.99
Transportation	22.14	21.19	-	-	22.14	21.19
Human services	3.20	1.37	-	-	3.20	1.37
Economic environment	8.63	9.00	-	-	8.63	9.00
Culture and recreation	10.42	10.46	-	-	10.42	10.46
Interest on long-term debt	1.91	1.97	-	-	1.91	1.97
Water/sewer	-	-	27.68	26.47	27.68	26.47
Surface water	-	-	9.69	9.42	9.69	9.42
Solid waste	-	-	17.37	17.16	17.37	17.16
Total expenses	110.72	111.38	54.74	53.05	165.46	164.43
Increase (decrease) in net position						
before transfers	38.67	19.88	10.39	8.63	49.06	28.51
Transfers	1.94	0.76	(1.94)	(0.76)	0.00	0.00
Increase (decrease) in net position	40.61	20.64	8.45	7.87	49.06	28.51
Net position at beginning of year	953.39	932.75	225.09	217.22	1,178.48	1,149.97
Change in Accounting Principle (Note 19)	(8.89)	-	-	-	(8.89)	-
Net position at end of year	\$985.11	\$953.39	\$233.54	\$225.09	\$1,218.65	\$1,178.48

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

Governmental activities net position increased over \$31.7 million in 2018. The increase is related to capital grant funding and developer contributions to infrastructure, charges for services and general revenues.

Expenses:

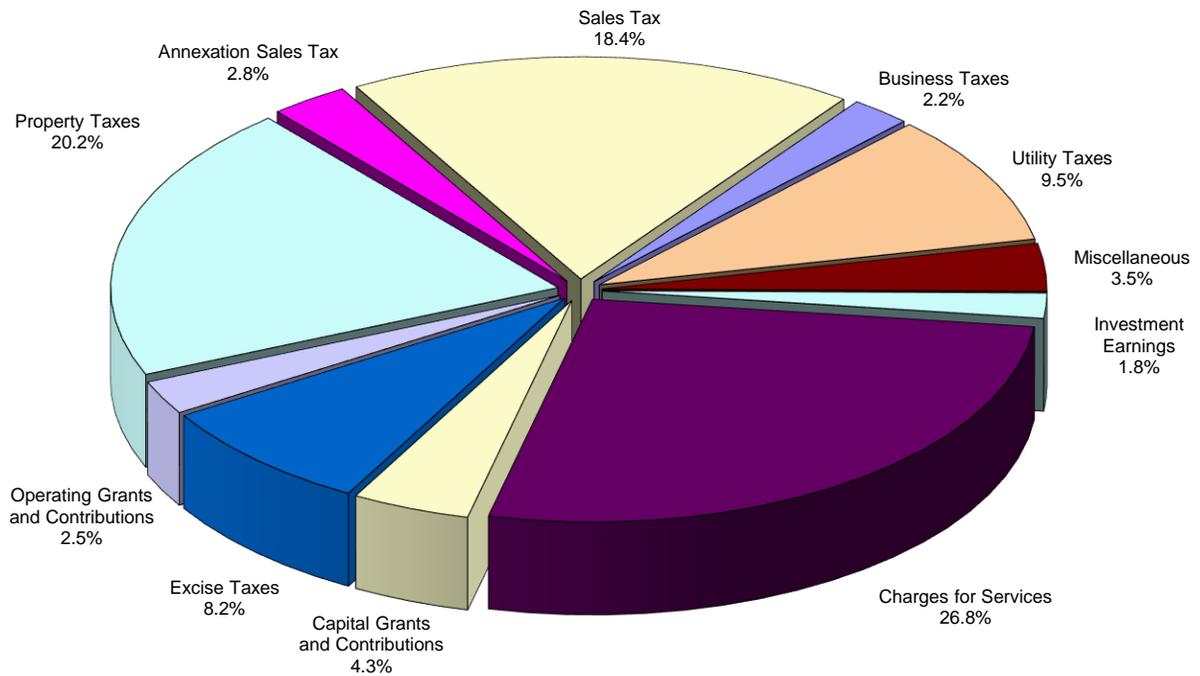
- Overall, governmental expenses had a modest decrease.
 - Most employees were given a 3% cost of living adjustment in 2018, however the increase was offset by the decrease in pension expense. The Department of Retirement Services actuarially determined the overall pension expense to be over \$2.3 million less in 2018 than in 2017.
 - An additional investment in regional affordable housing for \$898,000 paid to A Regional Coalition for Housing (ARCH) is the noticeable increase in human services expenses. Additional information on ARCH can be found in Note 15.

Revenues:

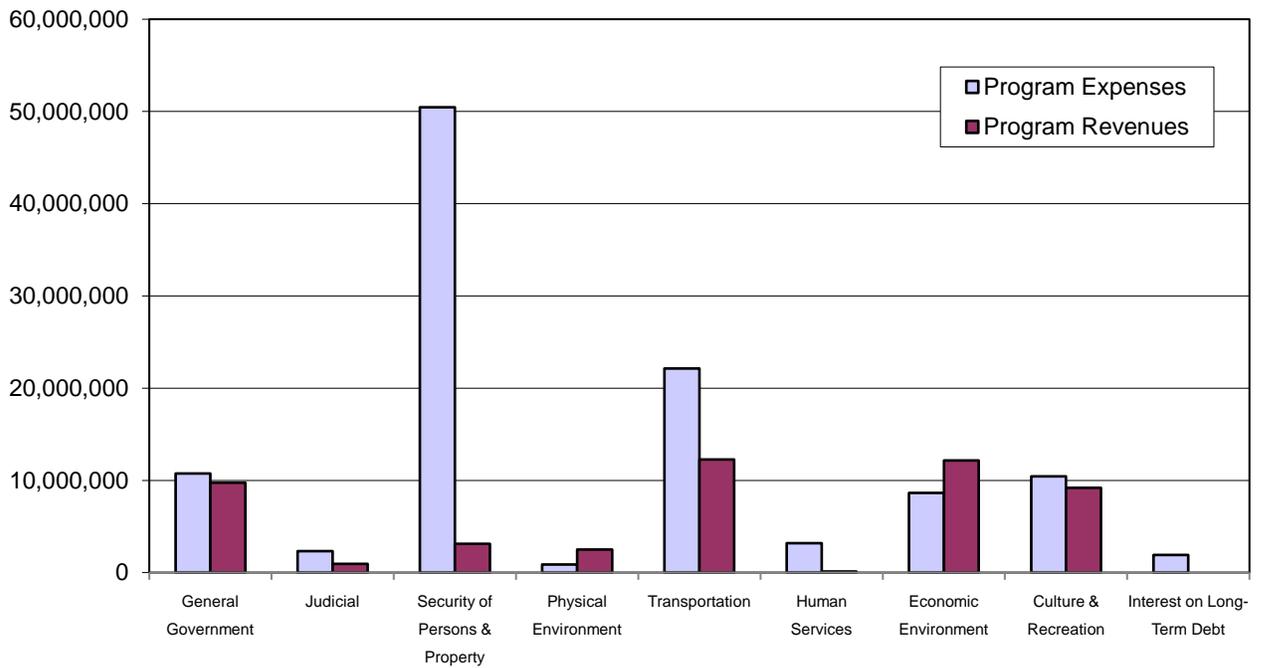
- Charges for services revenue increased 41% from 2017 to 2018.
 - Impact fees reflect fees paid for development that creates additional demands on the City's parks and transportation systems. Impact fees are up over \$8.3 million compared to 2017.
 - A new pet licensing program began in 2018. The police department is responsible for animal service calls and receipts associated with the licensing of companion animals.
- Operating Grants and Contributions increased by 38% in 2018.
 - Federal, state, and local grants allow the City to consistently provide programs and services. The City deployed multiple firefighters to assist with fire scenes in Eastern Washington and California. These deployments were reimbursed by the Washington Department of Natural Resources and Military Department. Other grants include funds for forest restoration, human services contracts, commute trip reduction programs, emergency management operations, community safety programs, and funding for the arts.
- Capital Grants and Contributions were over \$6 million in 2018.
 - Over \$1.8 million was received in Federal Highway Planning and Construction grants. These projects include a lakefront pedestrian and bike improvement, roadway improvements, and transportation efficiency programs.
 - Infrastructure development connected to new construction completed and contributed to the City totaled over \$2 million in 2018.
 - The Culture and Recreation contributions include funds for dock and shoreline improvements and expansion at Juanita Heights Park.

- The City's general revenues increased by over \$8.5 million in 2018.
 - Sales tax is up 8.9% due to the continued strength of the contracting business sector and the Marketplace Fairness Act that went into effect in January of 2018. The Act requires retailers to collect sales tax on behalf of third party sellers.
 - Investment interest has more than doubled in 2018 when compared to 2017. The increase was over \$2.1 million in 2018 due to a more positive investment market and portfolio.
 - The Gain on Sale of Capital represents the sale of multiple properties held by the City. The proceeds will fund future park purchases, a fire station, and human services related priorities.

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 \$8.45 million, primarily due to operating income of \$3.6 million and developer contributions, capital grants, and connection charges of \$5.8 million.

Water/sewer operating revenues increased by \$1.05 million compared to the prior year primarily the result of water and sewer rate increases of 3.0% and 4.0%, respectively.

Surface Water operating revenues increased by \$0.25 million primarily due to a rate increase of 2.5%.

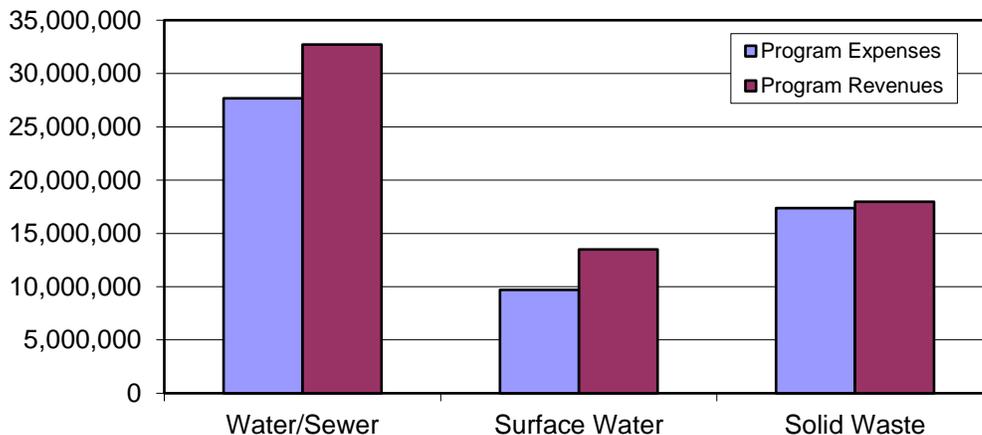
Solid Waste operating revenues increased by \$0.39 million primarily due to a 4.5% rate increase for residential and 1.8% increase for commercial and multifamily customers.

Capital contributions comprised of utility connection charges, capital grants, and developer infrastructure contributions totaled \$5.84 million for 2018. Details for these amounts are shown below:

	<u>Water</u>	<u>Sewer</u>	<u>Surface Water</u>	<u>Total</u>
2018 Connection Charges Collected	724,009	1,048,334	179,323	1,951,666
2018 Developer Infrastructure Contributions	477,582	848,220	2,387,073	3,712,875
2018 Capital Grants			178,875	178,875
	<u>\$ 1,201,591</u>	<u>\$ 1,896,554</u>	<u>\$ 2,745,271</u>	<u>\$ 5,843,416</u>

The infrastructure contributions detailed above represent 44 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.

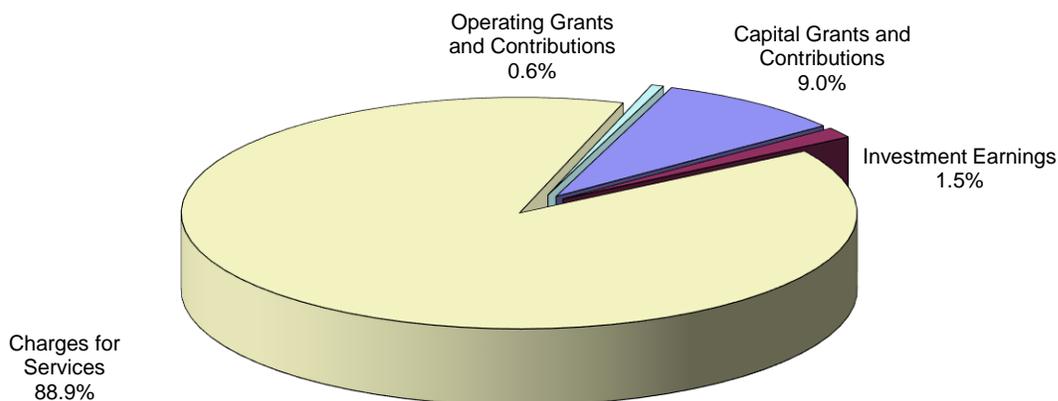
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2018 utility net income (before capital contributions and transfers) was about \$4.5 million. The components are as follows:

Water/Sewer	\$2.5 million
Surface Water	\$1.4 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 \$152 million, which represents an increase of \$22.8 million from the prior year. Of the total ending fund balance, over \$77 million is restricted and subject to an external legal constraint.

The \$25.7 million in Transportation Projects are primarily excise taxes and impact fees for projects in process that include Totem Lake improvements, school walk routes, and a pedestrian bridge. The \$16.9 million in Culture and Recreation Projects are impact fees and park levy funds associated with future projects and current projects such as the Juanita Beach bathhouse, Forbes Lake park development and the Totem Lake park master plan.

The \$24.4 million in Capital Improvement funds are excise taxes for future projects.

Most of the \$3.4 million in Fire Interlocal and Public Safety Facilities reserves are funds dedicated to fire service needs and include Fire District 41 bond funds and cash the Fire District held prior to their assumption in the 2011 City annexation. This funding is to support fire station land acquisition, fire station improvements, or new fire station construction.

The \$1.3 million in Firefighter Pension funds were previously reported in a separate fiduciary fund. GASB Statement #73 requires the balance of the fund be reported within the General Fund for reporting purposes.

The committed fund balance of \$4.3 million, is almost entirely the City's Contingency Fund. The State of Washington requires the City to have a Contingency Fund but the activity is reflected within the General Fund for reporting purposes.

The assigned balance of just over \$47 million are remaining amounts that have been determined by the City Manager, Finance Director, or City Council 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 \$3.3 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. The unassigned balance of \$22.75 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 to equipment sinking funds, carryovers, and one-time costs.

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 2018, the fund balance of the general fund was \$61.1 million, which represents an increase from the prior year of \$11.7 million. The Pension Fund balance is \$1.2 million of the increase as discussed previously.

The overall General Fund revenues increased \$9.5 million over 2017 due to sales tax, permit fees and investment interest increases.

General fund expenditures increased by 7% in 2018 as a result of additional appropriations for development services staff due to high demand, firefighter overtime for deployments and an average cost of living increase of 3% for most employees.

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 2018 was \$24.4 million, a decrease of 3% when compared to 2017. Over \$14.5 million was transferred 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 of \$24.7 million is supporting park improvements,

maintenance center renovations, shoreline improvements, fire station renovations, public safety equipment, technology projects and facility enhancements.

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 2018 was \$27.2 million. 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 2018, there was a net increase of \$2.99 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 2017-2018 and that the budget is recorded on a cash basis.

Following are the major components of the changes:

- An additional Fire Inspector was funded with a combination of proposed increases to Alarm and Sprinkler System review and inspection fees and sales tax totaling \$130,498.
- Grant revenues increased the budget to recognize revenues from external agencies to compensate for services or equipment, totaling \$124,318.
 - Staff was added to meet regional transportation staffing needs, including a Transportation Strategic Advisor position, A Transportation Program Coordinator, and a Transportation Engineer, for a total adjustment of \$249,975.
- Temporary staffing to support the Finance System Replacement was funded by a transfer from the CIP project in the amount of \$127,953.
- Higher development fee and rate revenues and increased use of credit cards resulted in higher credit card fees, which were funded by rate and fee revenues totaling \$377,673.
- Recognition of a \$676,217 developer fee in lieu that was transferred to ARCH for affordable housing needs.
- Recognition of funds to cover firefighter Wildland Deployment, Fire Academy training, disability payments from the State, equipment purchases and data review. Total resource adjustment was \$554,723 from outside agencies.

The actual General Fund 2018 results on a cash basis varied from the final amended budget as follows:

- Excluding resources forward, actual 2018 General Fund revenues ended the year \$12.2 million over the budgeted level (\$108.3 million versus budget of \$96.1 million).

- Development fees exceeded the budget by \$6.3 million reflecting the significant amount of building activity in the City.
- Sales tax revenues exceeded the budget by \$4.5 million due to the City's practice of budgeting sales tax on a two-year lag, with the base budget reflecting the 2016 actual receipts.
- Interest earnings exceeded budget by \$1.2 million due to increasing interest rates, higher fund balances, and more active portfolio management.
 - Revenue generating regulatory license collections and penalties were above budget by \$0.9 million as the result of new business growth and follow up on back payments from businesses that were formerly unlicensed.
 - Actual 2018 General Fund expenditures ended at 99.5% of budget, excluding reserves, primarily due to incomplete projects that will carry forward into 2019 and position 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, 2018 amounts to over \$1 billion (net of accumulated depreciation), which represents a \$11.6 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.

- Multiple properties were purchased and sold during 2018. Building and land sales of \$5.9 million include a fire station, a condominium, a rental house, and an apartment complex. Building and land purchases of \$11.2 million include two maintenance center properties, one for parks and one for public works; land for park expansion and property to be leased for a future women's shelter.
- Non-motorized projects of over \$4.6 million provided crosswalk upgrades, sidewalk improvements, additional school walk routes, pedestrian safety enhancements, and funds for the Neighborhood Safety Program.
- Improvements to Forbes Lake Park, Waverly Beach Park, Peter Kirk pool and the Marina Dock totaled over \$3 million. A \$3.7 million renovation to Fire Station #25 will enhance emergency response time and capacity in the north neighborhoods.
- The city spent \$3.7 million on street preservation, striping, turn lane improvements and traffic signal enhancements.
- Phase 1 of a new financial system went live in August of 2018 and has dominated the information technology expenditures. The implementation cost is at \$1.8 million with Phase 2 expected to complete in early 2019.

- Over \$2.8 million was received by developers constructing new infrastructure along with their improvements in Kirkland. In addition, over \$3.7 million was received by developers for their construction of water, sewer, and surface water assets.
- The City's Water/Sewer utility capitalized \$5.2 million for replacement of water and sewer mains.
- The City's Surface Water utility capitalized \$0.9 million for constructing new or replacing failing infrastructure.

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 2017 and 2018:

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$605.73	\$604.58	\$3.42	\$3.42	\$609.15	\$608.00
Buildings	25.66	21.61	-	-	25.66	21.61
Improvements other than buildings	59.04	56.69	165.17	159.97	224.21	216.66
Machinery and equipment	12.09	13.39	-	-	12.09	13.39
Infrastructure	138.20	138.36	-	-	138.20	138.36
Construction in progress	17.82	17.42	7.84	7.95	25.66	25.37
Artwork	2.15	2.09	-	-	2.15	2.09
Total	\$860.69	\$854.14	\$176.43	\$171.34	\$1,037.12	\$1,025.48

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 \$37.78 million and other long-term debt of \$4.22 million. The total outstanding debt (expressed in millions of dollars) at the end of 2017 and 2018 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$37.78	\$40.00	-	-	\$37.78	\$40.00
Revenue Bonds	-	-	-	-	-	-
Public Works Trust Fund Loans	-	-	4.22	4.48	4.22	4.48
Total	\$37.78	\$40.00	\$4.22	\$4.48	\$42.00	\$44.48

On December 5, 2014 Standard and Poor's affirmed the City of Kirkland's AAA rating. On November 13, 2018, Moody's Investors Service raised the rating of City of Kirkland, Washington's Limited Tax General Obligation Bonds rating from Aa1 to Aaa.

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 2018 was \$25.23 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$1,888 million.

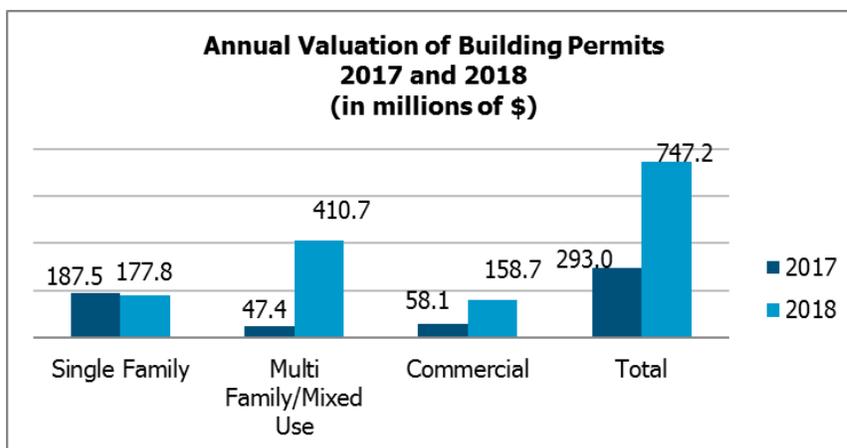
Additional information on the City of Kirkland's long-term debt can be found in Note 12 of this report and in the Statistical Section of the report.

Economic Factors and Next Year's Budgets and Rates

The Washington State Economic and Revenue Council monthly update reports total nonfarm payroll employment rose 27,100 for the fourth quarter of 2018. On an annual basis, 2019 is expected to grow 2.2 percent and 2020 is expected to grow 1.5 percent.

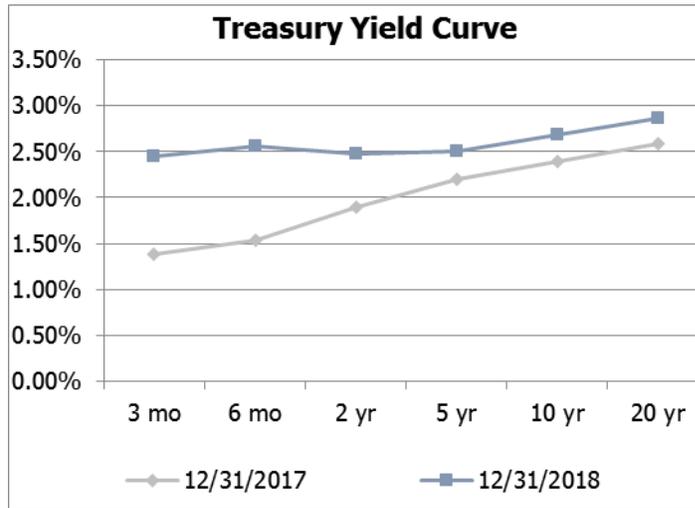
Unemployment rates edged lower to 3.9 percent in December when compared to December 2017 when they were at 4.1 at the national level. The state level was also down slightly to 4.5 from 4.9. At the local level, King County and Kirkland unemployment remain unchanged from 2017 at 3.6 and 3.5, respectively.

The valuation of local building permitting activity has increased by \$454.2 million for 2018. The significant contributor to this increase is from multi family/mixed use valuation increases of \$363.2 million, or 765.6% above 2017 levels. Commercial permit valuations have increased \$100.6 million, or 173.4% above 2017, but residential permit valuation has decreased by \$9.7 million, or 5.2 percent below 2017.



Inflation in the Seattle area is high relative to the national rate. In December 2018, the Seattle core CPI is at 4.5 percent compared to 4.6 of the previous year. For December, the national CPI decreased 1.8 percent, compared to 2.2 percent a year ago.

The economic growth continued to improve in the fourth quarter of 2018 despite the decline in the stock market. The Fed Funds rate is now at 2.25 to 2.50 percent from the increase on December 18, 2018 for a total of three rate increases in 2018. Given the market volatility at the end of the year, it is possible that there will be no rate hikes in 2019. At the end of the year, the yield curve inverted in the 2 to 5 year notes for a short while. The longer maturities dropped about 25 basis points.



Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector. Nine business sector groupings are used to compare 2017 and 2018 sales tax receipts.

General sales tax revenue through 2018 was more than 8% higher than in 2017. Contracting led the growth, followed by General Merchandise/Miscellaneous Retail at a 19.5% increase, mainly due to the Marketplace Fairness Act that went into effect in January 2018. Excluding the impact of revenue growth in the Contracting sector, the 2018 year to date total would have been up 5.5% through 2018. The tax receipts below reflect actuals on a budgetary (cash) basis.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total	
	2017	2018			2017	2018
Services	2,842,908	3,136,670	293,762	10.3%	13.0%	13.2%
Contracting	4,573,497	5,514,739	941,242	20.6%	20.9%	23.2%
Communications	592,699	549,191	(43,508)	-7.3%	2.7%	2.3%
Retail:						
Auto/Gas Retail	5,042,218	4,951,935	(90,283)	-1.8%	23.1%	20.8%
Gen Merch/Misc Retail	1,965,613	2,348,637	383,024	19.5%	9.0%	9.9%
Retail Eating/Drinking	1,683,847	1,719,164	35,317	2.1%	7.7%	7.2%
Other Retail	2,858,068	3,034,390	176,322	6.2%	13.1%	12.8%
Wholesale	1,009,745	1,063,075	53,330	5.3%	4.6%	4.5%
Miscellaneous	1,283,970	1,434,990	151,020	11.8%	5.9%	6.0%
Total	21,852,566	23,752,792	1,900,226	8.9%	100%	100%

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 or molson@kirklandwa.gov.

Basic Financial Statements



City of Kirkland
Statement of Net Position
December 31, 2018

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	66,229,471	23,015,664	89,245,135
Investments (Note 3)	112,635,703	35,808,395	148,444,098
Accounts Receivable	11,874,528	9,528,691	21,403,219
Intergovernmental Receivable	1,906,643	280,120	2,186,763
Internal Balances	886,438	(886,438)	0
Inventories	49,135	573,593	622,728
Prepayments	841,488	103,304	944,792
Deposits	1,457,767	12,305	1,470,072
Pension Asset	16,291,610	0	16,291,610
Capital Assets (Note 5)			
Land and Artwork	607,882,057	3,417,200	611,299,257
Depreciable Capital Assets (net of accumulated depreciation)	96,789,745	165,172,756	261,962,501
Depreciable Infrastructure (net of accumulated depreciation)	138,197,117	0	138,197,117
Construction in Progress	17,818,883	7,843,422	25,662,305
Total Assets	1,072,860,585	244,869,012	1,317,729,597
Deferred Outflows of Resources			
Deferred Outflow Pension Related	5,029,457	313,753	5,343,210
Deferred Outflow OPEB Related	347,581	0	347,581
Total Deferred Outflows of Resources	5,377,038	313,753	5,690,791

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

City of Kirkland
Statement of Net Position
December 31, 2018

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts Payable and Other Accrued Liabilities	7,243,069	2,215,112	9,458,181
Intergovernmental Payable	1,649,931	1,742,673	3,392,604
Unearned Revenue	364,095	580,544	944,639
Accrued Interest Payable	153,661	12,064	165,725
Deposits Payable	1,464,405	12,305	1,476,710
Noncurrent Liabilities			
Due within one year			
Bonds Payable	2,425,098	0	2,425,098
Loans and Contracts Payable	0	426,648	426,648
Claims Payable	397,000	0	397,000
Compensated Absences	2,570,224	169,650	2,739,874
Due in more than one year			
Bonds Payable	35,264,146	0	35,264,146
Loans and Contracts Payable	0	3,792,156	3,792,156
Compensated Absences	1,152,130	42,413	1,194,543
Net Pension Liability	14,107,713	1,889,240	15,996,953
OPEB Liability	15,684,554	0	15,684,554
Total Liabilities	82,476,026	10,882,805	93,358,831
Deferred Inflows of Resources			
Deferred Inflow Pension Related	10,651,066	755,847	11,406,913
Total Deferred Inflows of Resources	10,651,066	755,847	11,406,913
Net Position			
Net Investment in Capital Assets	824,986,759	172,214,574	997,201,333
Restricted for			
Net Pension Asset	16,291,610	0	16,291,610
Tourism	425,708	0	425,708
Culture and Recreation	16,974,235	0	16,974,235
Public Safety	5,115,578	0	5,115,578
Capital Improvements	24,397,555	0	24,397,555
Transportation	28,875,786	0	28,875,786
Debt Service	356,525	0	356,525
General Government	1,034,786	0	1,034,786
Unrestricted	66,651,989	61,329,539	127,981,528
Total Net Position	985,110,531	233,544,113	1,218,654,644



City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense/Revenue and Changes in Net Position)		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	10,755,283	9,387,518	345,482	0	(1,022,283)	0	(1,022,283)
Judicial	2,326,681	888,804	42,169	0	(1,395,708)	0	(1,395,708)
Security of Persons and Property	50,448,353	2,442,239	691,190	0	(47,314,924)	0	(47,314,924)
Physical Environment	890,022	2,510,609	0	0	1,620,587	0	1,620,587
Transportation	22,143,199	4,638,195	2,128,413	5,509,466	(9,867,125)	0	(9,867,125)
Human Services	3,201,640	0	99,874	0	(3,101,766)	0	(3,101,766)
Economic Environment	8,626,173	12,134,989	11,806	0	3,520,622	0	3,520,622
Culture and Recreation	10,421,768	7,965,572	345,238	877,875	(1,233,083)	0	(1,233,083)
Interest on Long Term Debt	1,909,573	0	0	0	(1,909,573)	0	(1,909,573)
Total Governmental Activities	110,722,692	39,967,926	3,664,172	6,387,341	(60,703,253)	0	(60,703,253)
Business Type Activities							
Water/Sewer	27,677,666	29,625,918	0	3,098,145	0	5,046,397	5,046,397
Surface Water	9,689,409	10,462,546	281,297	2,745,271	0	3,799,705	3,799,705
Solid Waste	17,373,591	17,876,644	99,503	0	0	602,556	602,556
Total Business Type Activities	54,740,666	57,965,108	380,800	5,843,416	0	9,448,658	9,448,658
Total Government	165,463,358	97,933,034	4,044,972	12,230,757	(60,703,253)	9,448,658	(51,254,595)
General Revenues							
Sales Taxes					31,695,703	0	31,695,703
Property Taxes					30,116,512	0	30,116,512
Utility Taxes					14,200,416	0	14,200,416
Excise Taxes					12,195,884	0	12,195,884
Business Taxes					3,273,007	0	3,273,007
Other Taxes					2,707,132	0	2,707,132
Unrestricted Grants & Contributions					713,252	0	713,252
Investment Earnings					2,718,370	948,188	3,666,558
Gain on Sale of Capital Assets					1,749,629	0	1,749,629
Transfers					1,940,203	(1,940,203)	0
Total General Revenues & Transfers					101,310,108	(992,015)	100,318,093
Change in Net Position					40,606,856	8,456,643	49,063,499
Net Position at Beginning of Year					953,389,090	225,087,470	1,178,476,560
Change in Accounting Principle (Note 19/GASB 73)					1,197,501	0	1,197,501
Change in Accounting Principle (Note 19/GASB 75)					(10,082,916)	0	(10,082,916)
Net Position at End of Year					985,110,531	233,544,113	1,218,654,644

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2018

Page 1 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Assets						
Current Assets						
Cash and Cash Equivalents	17,747,734	9,304,107	10,122,830	10,738,074	5,781,725	53,694,470
Investments	37,067,586	14,404,465	15,867,444	16,843,434	8,898,024	93,080,953
Receivables						
Taxes	8,229,357	688,983	0	0	107,777	9,026,117
Accounts	1,261,127	0	0	14,650	0	1,275,777
Due From Other Funds	900,152	0	0	0	0	900,152
Intergovernmental Receivable	443,841	0	154,292	1,177,494	0	1,775,627
Prepayments	743,419	0	0	0	26,557	769,976
Restricted Assets						
Deposits	1,457,767	0	0	0	0	1,457,767
Total Assets	67,850,983	24,397,555	26,144,566	28,773,652	14,814,083	161,980,839
Liabilities						
Accounts Payable	1,155,805	0	568,498	1,555,558	42,294	3,322,155
Wages Payable	2,354,437	0	0	0	55,185	2,409,622
Benefits Payable	428,008	0	0	0	12,343	440,351
Taxes Payable	142,021	0	0	0	0	142,021
Due to Other Funds	7,247	0	0	0	311	7,558
Intergovernmental Payable	711,584	0	902,838	953	1,825	1,617,200
Payable from Restricted Assets						
Deposits Payable	1,464,405	0	0	0	0	1,464,405
Unearned Revenue	115,102	0	0	0	0	115,102
Total Liabilities	6,378,609	0	1,471,336	1,556,511	111,958	9,518,414
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	380,863	0	0	0	69,800	450,663
Total Deferred Inflows of Resources	380,863	0	0	0	69,800	450,663
Fund Balances						
Nonspendable	743,419	0	0	0	26,557	769,976
Restricted for						
Tourism	0	0	0	0	425,708	425,708
Debt Service	0	0	0	0	356,525	356,525
Drug Enforcement	393,670	0	0	0	0	393,670
Fire Interlocal	252,787	0	1,225,681	0	0	1,478,468

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2018

Page 2 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Public Safety Facilities	0	0	1,936,802	0	0	1,936,802
Firefighter Pension	1,306,638	0	0	0	0	1,306,638
Transportation Projects	0	0	0	25,756,770	3,119,016	28,875,786
Cemetery Operations	0	0	0	0	941,700	941,700
Culture and Recreation Projects	0	0	7,210,601	0	9,762,819	16,973,420
Parks Interlocal	0	0	815	0	0	815
General Government Facilities	0	0	93,086	0	0	93,086
Capital Improvements	0	24,397,555	0	0	0	24,397,555
Committed for						
Contingency Fund (RCW 35A.33.145)	3,964,376	0	0	0	0	3,964,376
General Government Activities	77,168	0	0	0	0	77,168
Capital Projects	0	0	0	241,759	0	241,759
Assigned for						
Street Operating Fund	3,352,624	0	0	0	0	3,352,624
General Reserves	21,563,851	0	0	0	0	21,563,851
Public Safety Activities	885,778	0	0	0	0	885,778
Development Services	5,117,587	0	0	0	0	5,117,587
Parks and Recreation Activities	686,371	0	0	0	0	686,371
Capital Projects	0	0	14,206,245	1,218,612	0	15,424,857
Unassigned	22,747,242	0	0	0	0	22,747,242
Total Fund Balances	61,091,511	24,397,555	24,673,230	27,217,141	14,632,325	152,011,762
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	67,850,983	24,397,555	26,144,566	28,773,652	14,814,083	161,980,839

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	849,827,578
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	22,778,238
Long term liabilities are not due and payable in the current period and are not reported in the funds	(78,692,455)
Internal service funds are used by management to charge the costs of certain activities to individual funds	39,185,408
The assets and liabilities are included in governmental activities in the statement of net position	
Net Position of governmental activities	<u>985,110,531</u>

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, 2018

Page 1 of 2

	General Fund	Excise Capital Improvement
Revenues		
Taxes and Assessments	75,841,442	12,016,564
Licenses and Permits	13,513,898	0
Intergovernmental	4,578,096	0
Charges for Services	19,186,198	0
Fines and Forfeitures	1,439,762	0
Investment Interest	1,712,379	443,680
Miscellaneous Revenues	1,316,934	0
Total Revenues	117,588,709	12,460,244
Expenditures		
Current		
General Government	15,248,808	0
Security of Persons and Property	52,137,632	0
Physical Environment	4,856,013	0
Transportation	9,403,782	0
Economic Environment	11,326,185	0
Culture and Recreation	6,670,533	0
Debt Service		
Principal	0	0
Interest	0	0
Capital Outlay	18,449	0
Total Expenditures	99,661,402	0
Excess (Deficiency) of revenues		
Over (under) expenditures	17,927,307	12,460,244
Other Financing Sources (Uses)		
Sale of Capital Assets	226,333	0
Insurance Recovery	251,344	0
Transfers In	785,608	1,428,066
Transfers Out	(8,659,962)	(14,553,530)
Total Other Financing Sources (Uses)	(7,396,677)	(13,125,464)
Net Change in Fund Balance	10,530,630	(665,220)
Fund Balances Beginning of Year	49,363,380	25,062,775
Changes in Accounting Principle (Note 19)	1,197,501	0
Fund Balances End of Year	61,091,511	24,397,555

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, 2018

Page 2 of 2

General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
0	0	5,360,041	93,218,047
0	0	0	13,513,898
1,148,604	2,563,159	527,750	8,817,609
25,000	27,880	10,629,265	29,868,343
87,000	0	0	1,526,762
63,047	0	174,802	2,393,908
356,370	76,997	37,004	1,787,305
1,680,021	2,668,036	16,728,862	151,125,872
1,526,412	0	0	16,775,220
160,273	0	0	52,297,905
0	0	63,976	4,919,989
0	4,537,648	0	13,941,430
898,533	0	290,290	12,515,008
674,153	0	2,693,773	10,038,459
0	0	2,217,770	2,217,770
0	0	1,909,573	1,909,573
17,508,355	6,198,071	1,200	23,726,075
20,767,726	10,735,719	7,176,582	138,341,429
(19,087,705)	(8,067,683)	9,552,280	12,784,443
6,274,490	0	61,675	6,562,498
0	0	1,525	252,869
9,724,822	18,392,082	2,577,927	32,908,505
(1,708,872)	(793,143)	(5,197,924)	(30,913,431)
14,290,440	17,598,939	(2,556,797)	8,810,441
(4,797,265)	9,531,256	6,995,483	21,594,884
29,470,495	17,685,885	7,636,842	129,219,377
0	0	0	1,197,501
24,673,230	27,217,141	14,632,325	152,011,762

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, 2018

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

Net change in fund balances for governmental funds	21,594,884
Adjustment to beginning fund balance due to Change in Accounting Principle See Note 19	8,885,415

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	23,726,075	
Depreciation	(14,200,701)	
Contributed Capital	2,882,918	
Capital Sales	<u>(5,030,189)</u>	
	7,378,103	7,378,103

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	2,217,770	
Bond (Premium) Discount	<u>(12,455)</u>	
	2,205,315	2,205,315

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		(211,102)
Change in Pension Asset		(4,360,600)
Change in Pension Outflow		334,761
Change in OPEB Outflow		347,581
Bond Subsidy		(989)

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 Net Pension Liability		4,989,200
Change in Pension Inflow		(4,383,307)
Change in Compensated Absences		(1,132)
Accrued Interest		(43,399)
Other Post Employment Benefit Obligation		591,685

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.

3,280,441

Change in net position of governmental activities	<u><u>40,606,856</u></u>
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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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	126,745,880	127,928,714	65,986,791	68,590,420	134,577,211	6,648,497
Licenses and Permits	16,779,573	17,230,305	9,215,921	13,184,816	22,400,738	5,170,433
Intergovernmental	2,948,518	3,483,542	1,730,824	2,509,611	4,240,435	756,893
Charges for Services	32,854,948	36,158,012	19,663,145	19,261,821	38,924,966	2,766,954
Fines and Forfeitures	3,713,570	3,717,642	1,553,709	1,439,423	2,993,132	(724,510)
Interest on Sales Tax Contract	160,000	160,000	76,051	92,877	168,928	8,928
Investment Interest-Dedicated	750,582	750,582	982,147	1,506,077	2,488,224	1,737,642
Contributions/Donations	81,000	151,747	158,457	92,606	251,062	99,315
Miscellaneous Revenues	1,444,567	1,905,369	838,142	755,045	1,593,187	(312,182)
Total Revenues	185,478,638	191,485,913	100,205,186	107,432,696	207,637,883	16,151,970
Expenditures						
Current						
General Government	26,861,684	29,050,932	14,382,446	14,851,158	29,233,604	(182,672)
Security of Persons and Property	99,557,747	104,743,677	51,081,624	53,418,104	104,499,728	243,949
Physical Environment	11,752,118	12,467,683	5,474,116	5,821,319	11,295,435	1,172,248
Transportation	2,097,305	2,645,088	935,837	1,362,175	2,298,012	347,076
Economic Environment	18,030,487	21,232,385	9,773,924	10,001,319	19,775,243	1,457,142
Human Services	3,342,487	3,605,173	1,651,646	1,978,824	3,630,470	(25,297)
Culture and Recreation	13,541,304	14,190,014	7,088,893	7,035,686	14,124,579	65,435
Capital Outlay	60,381	272,083	253,213	0	253,213	18,870
Total Expenditures	175,243,513	188,207,035	90,641,700	94,468,584	185,110,284	3,096,751
Excess of revenues over expenditures	10,235,125	3,278,878	9,563,486	12,964,113	22,527,599	19,248,721
Other Financing Sources (Uses)						
Sale of Capital Assets	0	3,275,155	2,415,155	226,333	2,641,487	(633,668)
Insurance Recovery	100,000	232,939	293,154	260,930	554,084	321,145
Transfers In	631,393	695,536	240,859	257,144	498,003	(197,533)
Transfers Out	(14,816,522)	(18,061,223)	(10,285,858)	(5,276,754)	(15,562,612)	2,498,611
Total Other Financing Sources (Uses)	(14,085,129)	(13,857,593)	(7,336,690)	(4,532,347)	(11,869,037)	1,988,556
Net Change in Fund Balance	(3,850,004)	(10,578,715)	2,226,796	8,431,766	10,658,562	21,237,277
Fund Balances Beginning of Year	29,918,353	33,862,139	33,862,139	36,088,935	33,862,139	0
Changes in Accounting Principle (Note 19)	0	0	0	0	1,197,501	1,197,501
Fund Balances End of Year	26,068,349	23,283,424	36,088,935	44,520,701	45,718,202	22,434,778

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	10,000,000	14,000,000	10,239,510	12,714,063	22,953,573	8,953,573
Investment Interest	291,145	291,145	254,644	475,072	729,716	438,571
Total Revenues	10,291,145	14,291,145	10,494,154	13,189,135	23,683,289	9,392,144
Excess of revenues over expenditures	10,291,145	14,291,145	10,494,154	13,189,135	23,683,289	9,392,144
Other Financing Sources (Uses)						
Transfers In	0	1,560,087	1,883,319	1,428,066	3,311,385	1,751,298
Transfers Out	(18,637,270)	(30,625,831)	(9,181,196)	(14,553,530)	(23,734,726)	6,891,105
Total Other Financing Sources (Uses)	(18,637,270)	(29,065,744)	(7,297,876)	(13,125,464)	(20,423,340)	8,642,404
Net Change in Fund Balance	(8,346,125)	(14,774,599)	3,196,278	63,671	3,259,949	18,034,548
Fund Balances Beginning of Year	19,858,047	20,638,314	20,638,314	23,834,592	20,638,314	0
Fund Balances End of Year	11,511,922	5,863,715	23,834,592	23,898,263	23,898,263	18,034,548

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

City of Kirkland
Statement of Net Position
Proprietary Funds
December 31, 2018

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
Assets					
Current Assets:					
Cash and Cash Equivalents	14,888,933	7,385,292	741,439	23,015,664	12,535,001
Investments (Note 3)	23,172,604	11,483,428	1,152,363	35,808,395	19,554,750
Receivables					
Interest	116,003	0	0	116,003	0
Contracts	551,059	0	0	551,059	0
Accounts	5,280,893	248,566	3,317,742	8,847,201	194,071
Assessments	14,428	0	0	14,428	0
Intergovernmental Receivable	19,516	238,317	22,287	280,120	86,236
Due From Other Funds	15,079	0	0	15,079	0
Inventories	499,149	74,444	0	573,593	49,135
Restricted Assets					
Cash	12,305	0	0	12,305	0
Prepayments	30,045	68,567	4,692	103,304	71,512
Total Current Assets	44,600,014	19,498,614	5,238,523	69,337,151	32,490,705
Noncurrent Assets					
Capital Assets (Note 5)					
Land	47,784	3,369,416	0	3,417,200	0
Depreciable Capital Assets (Net)	97,503,101	67,669,655	0	165,172,756	10,860,224
Construction in Progress	4,708,388	3,135,034	0	7,843,422	0
Total Capital Assets	102,259,273	74,174,105	0	176,433,378	10,860,224
Total Noncurrent Assets	102,259,273	74,174,105	0	176,433,378	10,860,224
Total Assets	146,859,287	93,672,719	5,238,523	245,770,529	43,350,929
Deferred Outflows of Resources					
Deferred Outflow Pension Related	111,790	181,820	20,143	313,753	313,753
Total Deferred Outflows of Resources	111,790	181,820	20,143	313,753	313,753

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

City of Kirkland
Statement of Net Position
 Proprietary Funds
 December 31, 2018

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
Liabilities					
Current Liabilities					
Accounts Payable	534,528	312,813	1,121,241	1,968,582	632,024
Claims Payable	0	0	0	0	397,000
Wages Payable	63,468	122,670	15,459	201,597	246,238
Benefits Payable	14,558	27,305	3,070	44,933	50,658
Compensated Absences Payable	75,351	87,324	6,975	169,650	176,308
Intergovernmental Payable	1,333,284	93,506	315,883	1,742,673	32,731
Due to Other Funds	564,667	25,054	311,796	901,517	6,156
Accrued Interest Payable	12,064	0	0	12,064	0
Unearned Revenue	580,544	0	0	580,544	248,993
Loans and Contracts Payable	426,648	0	0	426,648	0
Sub-total Current Liabilities	3,605,112	668,672	1,774,424	6,048,208	1,790,109
Current Liabilities Payable From Restricted Assets					
Deposits Payable	12,305	0	0	12,305	0
Sub-total Current Liabilities Payable From Restricted Assets	12,305	0	0	12,305	0
Total Current Liabilities	3,617,417	668,672	1,774,424	6,060,513	1,790,109
Noncurrent Liabilities					
Compensated Absences Payable	18,838	21,831	1,744	42,413	44,078
Loans and Contracts Payable	3,792,156	0	0	3,792,156	0
Net Pension Liability	673,136	1,094,815	121,289	1,889,240	1,889,240
Total Noncurrent Liabilities	4,484,130	1,116,646	123,033	5,723,809	1,933,318
Total Liabilities	8,101,547	1,785,318	1,897,457	11,784,322	3,723,427
Deferred Inflows of Resources					
Deferred Inflow Pension Related	269,308	438,013	48,526	755,847	755,847
Total Deferred Inflows of Resources	269,308	438,013	48,526	755,847	755,847
Net Position					
Net Investment in Capital Assets	98,040,469	74,174,105	0	172,214,574	10,860,224
Unrestricted	40,559,753	17,457,103	3,312,683	61,329,539	28,325,184
Total Net Position	138,600,222	91,631,208	3,312,683	233,544,113	39,185,408

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended December 31, 2018

	Business-type Activities Enterprise Funds			Total	Governmental
	Water/Sewer	Surface Water	Solid Waste		Activities Internal Service Funds
Operating Revenues					
Charges for Services	29,194,640	10,352,782	17,875,644	57,423,066	22,058,269
Miscellaneous Revenues	431,278	109,764	1,000	542,042	157,283
Total Operating Revenues	29,625,918	10,462,546	17,876,644	57,965,108	22,215,552
Operating Expenses					
Administrative and General	2,906,919	4,443,269	1,181,028	8,531,216	10,517,545
Supplies	0	0	0	0	451,605
Maintenance and Operations	18,013,286	2,339,430	13,540,355	33,893,071	6,581,754
Taxes	3,853,284	908,723	2,551,449	7,313,456	0
Depreciation	2,883,165	1,716,690	0	4,599,855	1,820,235
Total Operating expenses	27,656,654	9,408,112	17,272,832	54,337,598	19,371,139
Operating Income (Loss)	1,969,264	1,054,434	603,812	3,627,510	2,844,412
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	591,634	324,910	31,644	948,188	324,460
Grant Income	0	281,297	99,503	380,800	0
Interest Expense	(21,012)	0	0	(21,012)	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	131,137
Other Nonoperating Revenues/(Expenses)	0	(281,297)	(100,759)	(382,056)	35,304
Total Nonoperating revenues (expenses)	570,622	324,910	30,388	925,920	490,901
Income Before Contributions and Transfers	2,539,886	1,379,344	634,200	4,553,430	3,335,313
Capital Contributions					
Contributions	3,098,145	2,745,271	0	5,843,416	0
Transfers In	0	0	0	0	498,628
Transfers Out	(883,500)	(732,623)	(324,080)	(1,940,203)	(553,500)
Change in Net Position	4,754,531	3,391,992	310,120	8,456,643	3,280,441
Total Net Position - Beginning	133,845,691	88,239,216	3,002,563	225,087,470	35,904,967
Total Net Position - Ending	138,600,222	91,631,208	3,312,683	233,544,113	39,185,408

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, 2018
Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
Cash Flows From Operating Activities					
Cash Received From Customers	29,001,045	10,302,085	17,402,709	56,705,839	0
Cash Received From Interfund Charges	0	0	0	0	14,922,233
Contributions Received from Employees and Employer	0	0	0	0	6,681,246
Cash From Other Sources	493,237	116,561	397,001	1,006,799	914,184
Cash Paid to Suppliers for Goods and Services	(16,093,811)	(1,425,018)	(13,659,953)	(31,178,782)	(8,578,286)
Cash Paid to Employees for Services	(2,194,965)	(3,369,062)	(368,007)	(5,932,034)	(6,095,040)
Cash Paid in Lieu of Taxes	(3,843,721)	(905,276)	(2,540,683)	(7,289,680)	0
Cash Paid for Central Business Functions	(2,431,214)	(2,156,298)	(716,527)	(5,304,039)	(3,392,213)
Cash Provided by Operating Activities	4,930,571	2,562,992	514,540	8,008,103	4,452,124
Cash Flows From Noncapital Financing Activities					
Proceeds From Federal, State, Local Grants	0	135,783	106,196	241,979	0
Grant Administration Expenditures	0	(160,157)	(99,419)	(259,576)	0
Transfers In	0	0	0	0	498,628
Transfers Out	(883,500)	(732,623)	(324,080)	(1,940,203)	(553,500)
Cash Provided by (Used for) Noncapital Financing Activities	(883,500)	(756,997)	(317,303)	(1,957,800)	(54,872)
Cash Flows From Capital and Related Financing Activities					
Capital Contributed	1,722,133	179,323	0	1,901,456	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	227,747
Proceeds From Capital Grants	0	147,928	0	147,928	0
Proceeds From Loans	150,400	0	0	150,400	0
Principal Payments on Notes	(415,905)	0	0	(415,905)	0
Interest Paid on Notes	(21,148)	0	0	(21,148)	0
Interest Received on Program Loans	25,025	0	0	25,025	0
Acquisition and Construction of Capital Assets	(4,745,225)	(1,886,489)	0	(6,631,714)	(1,138,168)
Cash Provided by (Used for) Capital and Related Financing Activities	(3,284,720)	(1,559,238)	0	(4,843,958)	(910,421)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	(748,922)	1,334,443	13,869	599,390	297,346
Interest Revenue	606,996	327,517	31,645	966,158	303,063
Interfund Loan	4,698,991	0	0	4,698,991	0
Cash Provided by Investing Activities	4,557,065	1,661,960	45,514	6,264,539	600,409
Increase (Decrease) in Cash and Cash Equivalents	5,319,416	1,908,717	242,751	7,470,884	4,087,240
Cash and Cash Equivalents, January 1	9,581,822	5,476,575	498,688	15,557,085	8,447,761
Cash and Cash Equivalents, December 31	14,901,238	7,385,292	741,439	23,027,969	12,535,001

City of Kirkland
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2018
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	
Reconciliation of Operating Income (Loss) to					
Cash Provided by Operating Activities					
Operating Income (Loss)	1,969,264	1,054,463	603,812	3,627,539	2,844,412
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	2,883,165	1,716,690	0	4,599,855	1,820,235
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	(207,483)	(82,077)	(77,094)	(366,654)	79,223
(Increase) Decrease in Operating Intergovernmental Receivable	1,474	4,060	0	5,534	(79,122)
(Increase) Decrease in Operating Due From Other Funds	60,988	0	0	60,988	0
(Increase) Decrease in Other Accounts Receivable	5,204	6,447	0	11,651	0
(Increase) Decrease in Capital Related Accounts Receivable	(25,199)	(16,571)	0	(41,770)	0
(Increase) Decrease in Operating Inventories	0	0	0	0	8,057
(Increase) Decrease in Insurance Recovery Accounts Receivable	0	0	0	0	(3,222)
(Increase) Decrease in Assessments	3,127	0	0	3,127	0
(Increase) Decrease in Prepayments	(11,016)	(25,315)	(2,102)	(38,433)	(37,571)
(Increase) Decrease in Pension Deferred Outflows of Resources	64,658	89,127	11,420	165,205	199,048
Increase (Decrease) in Pension Deferred Inflows of Resources	107,338	189,299	19,552	316,189	285,127
Increase (Decrease) in Net Pension Liability	(338,050)	(457,922)	(59,594)	(855,566)	(1,049,503)
Increase (Decrease) in Operating Accounts Payable	6,784	(6,193)	2,199	2,790	126,306
Increase (Decrease) in Capital Accounts Payable	0	0	0	0	85,634
Increase (Decrease) in Claims Payable	0	0	0	0	(133,000)
Increase (Decrease) in Operating Intergovernmental Payable	384,207	40,222	6,780	431,209	(10,160)
Increase (Decrease) in Operating Due to Other Funds	3,264	4,002	6,383	13,649	(3,879)
Increase (Decrease) in Wages Payable	4,156	24,239	4,817	33,212	65,127
Increase (Decrease) in Benefits Payable	687	5,196	1,005	6,888	14,055
Increase (Decrease) in Compensated Absences Payable	16,979	17,325	(2,638)	31,666	(7,193)
Increase (Decrease) in Revenue Collected in Advance	1,024	0	0	1,024	248,550
Cash Provided by Operating Activities	4,930,571	2,562,992	514,540	8,008,103	4,452,124
Noncash Investing, Capital and Finance Activities					
Capital Contributions	1,325,802	2,387,073	0	3,712,875	0
Change in Fair Value of Investments	(201,050)	(100,930)	(10,638)	(312,618)	0

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

City of Kirkland
Statement of Fiduciary Net Position
 Agency Funds
 December 31, 2018

	Agency Funds
Assets	
Cash and Cash Equivalents	252,487
Investments, at fair value:	
Government Sponsored Enterprise Securities	0
Deposits	4,624,302
Total Assets	4,876,789
Liabilities	
Current Liabilities	
Due to Other Governments	2,776
Deposits	4,874,013
Total Liabilities	4,876,789
Net Position	
Net Position	0
Total Net Position	0

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, 2018

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City of Kirkland

Notes to the Basic Financial Statements
For Year Ended December 31, 2018

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

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. As required by the generally accepted accounting principles, the financial statements present City of Kirkland's primary government. The City of Kirkland Transportation Benefit District (TBD) was established in 2014 and qualifies as a component unit. The TBD has had no activity to date. See note 17 for additional information.

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 revenue 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.
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, Washington State Public Deposit Protection Commission (PDPC) member bank deposits, and investments in the Washington State Local Government Investment Pool (LGIP). 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, City funds in the LGIP are stated at amortized cost and all other investments are stated at fair value. Additional information is available in Note 3.

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. These balances are primarily utility taxes due from the utility funds to the general fund. Any residual balances outstanding between governmental activities

and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories

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

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

Restricted Assets and Liabilities

These accounts contain resources reserved for customer deposits.

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 of 2 or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Assets acquired through annexation in 2011 were recorded at estimated fair market value.

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

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

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

Proprietary Fund infrastructure assets capitalized prior to year end December 31, 2018 are depreciated using the composite method.

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 312 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 number of shift hours for public safety employees. Unused sick leave may be accumulated from year to year to a maximum of 180 days.

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 2018.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 business license fees collected in 2018 for 2019.

Deferred Outflows/Inflows of Resources

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

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

Net Position

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

Fund Balance

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

Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by Council Resolution, or 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. The general fund is the only fund that can report a positive unassigned fund balance amount.

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	1,378,563
Pension Asset	16,291,610
Deferred Pension Outflow	4,715,704
Deferred OPEB Outflow	347,581
Bond Subsidy	44,780
Net Adjustment	<u>\$22,778,238</u>

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

Bonds Payable	37,785,916
Compensated Absences	3,227,613
Net Pension Liability	12,218,473
Net OPEB Obligation	15,684,554
Deferred Pension Inflow	9,895,219
Bond Premium/Discount	(272,980)
Accrued Interest Payable	153,661
Net Adjustment	<u>\$78,692,455</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	1,051,473,493
Depreciation	<u>(201,645,915)</u>
Net Capital Assets Adjustment	<u>\$849,827,578</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	23,726,075
Depreciation Expense	(14,200,701)
Contributed Capital	2,882,918
Capital Sales	(5,030,189)
Net Adjustment	<u>\$7,378,103</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	2,217,770
Bond (Premium) Discount	(12,455)
Net Adjustment	<u>\$2,205,315</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	(211,102)
Pension Asset	(4,360,600)
Pension Outflow	334,761
OPEB Outflow	347,581
Bond Subsidy	(989)
Net Adjustment	<u>(\$3,890,349)</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 Pension Liability	4,989,200
Pension Inflow	(4,383,307)
Compensated Absence Payable	(1,132)
Accrued Interest Payable	(43,401)
Other Post Employment Benefit Obligation	591,685
Net Adjustment	<u>\$1,153,045</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 and Deposits	
Cash on Hand	\$ 10,200
FDIC or PDPC Insured Bank Deposits	36,990,118
Fire District #41 Funds held by King County	81,201
Total	\$ 37,081,518

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 US Treasury Notes, Government Sponsored Enterprises (GSE’s) securities, Washington State Local Government Investment Pool, obligations of state and local government agencies.

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). 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.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Investments Measured at Amortized Cost

As of December 31, 2018, the City of Kirkland held the following investments at amortized cost:

Investments Measured at Amortized Cost	
Washington State Local Government Investment Pool	60,029,932
Total	\$ 60,029,932

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, 2018, are listed below:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
U.S. Treasury Notes	Aaa	AA+	\$ 20,781,766
Government Sponsored Enterprises			
Federal Home Loan Bank	Aaa	AA+	48,573,640
Federal Home Loan Mortgage Corporation	Aaa	AA+	29,649,967
Federal Farm Credit Bank	Aaa	AA+	19,858,530
Federal National Mortgage Association	Aaa	AA+	29,580,195
Total			\$ 148,444,098

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. Detail information on concentration risk is covered in the City of Kirkland Investment Policy.

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
U.S. Treasury Notes	\$ 20,781,766		8.46%
Government Sponsored Enterprise			
Federal Home Loan Bank	48,573,640		19.78%
Federal Home Loan Mortgage Corporation	29,649,967		12.06%
Federal Farm Credit Bank	19,858,530		8.09%
Federal National Mortgage Association	29,580,195		12.05%
Cash on Hand		10,200	0.00%
FDIC or PDPC Insured Bank Deposits		36,990,118	15.05%
Fire District #41 Funds held by King County		81,201	0.03%
Washington State Local Government Investment Pool		60,029,932	24.45%
Total	\$ 148,444,098	\$ 97,111,450	
Total Cash, Deposits and Investments		\$ 245,555,548	

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 1.47 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, 2018, was 42 days.

The following schedule presents the investments and related maturities as of December 31, 2018.

Investment Type	Fair Value	Maturity (in Years)	
		Less Than 1	1 - 5
Government Sponsored Enterprise (GSE's)	127,662,332	39,648,280	88,014,052
US Treasury Notes	20,781,766	9,989,530	10,792,236
Total	148,444,098	49,637,810	98,806,288

Fair Value Hierarchy

Securities classified as Level 1 in the fair value hierarchy are valued using prices quoted in active markets for identical securities, Level 2 securities are valued using observable inputs, and Level 3 securities are valued using unobservable inputs. U.S. Treasury and Government Sponsored Enterprise (GSE) Securities classified in Level 2 are valued using quoted prices for similar securities and interest rates. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 3 security classifications to report. Cash on hand, bank deposits, cash held by other entities and the Local Government Investment Pool (LGIP) are valued using a cost based measure.

Investments By Fair Value	12/31/2018	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Enterprise (GSE's)	127,662,332	\$ -	\$ 127,662,332	\$ -
US Treasury Notes	20,781,766	20,781,766	-	-
Total By Fair Value Level	\$ 148,444,098	\$ 20,781,766	\$ 127,662,332	\$ -

**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 2018 was \$1.15704 per \$1,000 on an assessed valuation of \$25,233,434,063 for a total regular levy of \$29,195,989. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.03179 per \$1,000 for an excess levy of \$581,065. 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, 2018, was as follows:

	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	604,577,337	5,663,307	4,512,036	605,728,608
Construction in Progress	17,424,773	23,706,425	23,312,315	17,818,883
Artwork	2,085,864	67,585	0	2,153,449
Total Capital Assets, Not Being Depreciated	\$ 624,087,974	29,437,317	27,824,351	\$ 625,700,940
Capital Assets, Being Depreciated:				
Buildings	38,323,087	5,600,704	1,488,605	42,435,186
Improvements	85,330,563	6,685,233	0	92,015,796
Machinery and Equipment	27,427,197	1,052,533	903,348	27,576,382
Infrastructure	279,209,034	8,217,444	0	287,426,478
Total Capital Assets, Being Depreciated	\$ 430,289,881	21,555,914	2,391,953	\$ 449,453,842
Less Accumulated Depreciation for:				
Buildings	16,716,732	1,011,410	951,063	16,777,079
Improvements	28,641,481	4,337,186	0	32,978,667
Machinery and Equipment	14,039,612	2,287,528	845,267	15,481,873
Infrastructure	140,844,548	8,384,813	0	149,229,361
Total Accumulated Depreciation	\$ 200,242,373	16,020,937	1,796,330	\$ 214,466,980
Total Capital Assets, Being Depreciated, Net	\$ 230,047,508	5,534,977	595,623	\$ 234,986,862
Governmental Activities Capital Assets, Net	\$ 854,135,482	34,972,294	28,419,974	\$ 860,687,802
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	3,417,200	0	0	3,417,200
Construction in Progress	7,949,800	6,351,256	6,457,634	7,843,422
Total Capital Assets, Not Being Depreciated	\$ 11,367,000	6,351,256	6,457,634	\$ 11,260,622
Capital Assets, Being Depreciated:				
Buildings	47,591	0	0	47,591
Improvements	230,750,396	9,795,676	12,982	240,533,090
Total Capital Assets, Being Depreciated	\$ 230,797,987	9,795,676	12,982	\$ 240,580,681
Less Accumulated Depreciation for:				
Buildings	47,591	0	0	47,591
Improvements	70,773,461	4,599,855	12,982	75,360,334
Total Accumulated Depreciation	\$ 70,821,052	4,599,855	12,982	\$ 75,407,925
Total Capital Assets, Being Depreciated, Net	\$ 159,976,935	5,195,821	0	\$ 165,172,756
Business-type Activities Capital Assets, Net	\$ 171,343,935	11,547,077	6,457,634	\$ 176,433,378

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

Governmental Activities	
General Government	2,886,335
Security of Persons and Property	2,622,787
Physical Environment	892,129
Transportation (includes depreciation of general infrastructure assets)	8,422,531
Economic Environment	18,134
Culture and Recreation	1,179,021
Governmental Activities Depreciation Expense	<u>\$ 16,020,937</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	2,883,165
Surface Water Utility	1,716,690
Solid Waste Utility	0
Business-type Activities Depreciation Expense	<u>\$ 4,599,855</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2018. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Security of Persons and Property	2,998,767	14,824
Transportation	7,361,068	2,747,405
Culture and Recreation	1,700,152	80,984
Water/Sewer Utility	5,061,114	1,629,671
Total	<u>\$ 17,121,101</u>	<u>\$ 4,472,884</u>

**NOTE 6:
PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (15,996,953)
Pension assets	16,291,610
Deferred outflows of resources	5,343,210
Deferred inflows of resources	(11,406,911)
Pension expense/expenditures	(126,997)

Includes \$873,059 Pension assets for the Firefighters' Pension Plan

Includes \$59,385 Deferred outflows of resources for the Firefighters' Pension Plan

Includes \$37,338 Pension expense for the Firefighters' Pension Plan

State Sponsored Pension Plans

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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts

Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January-August 2018:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September–December 2018:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18

percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January-August 2018:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.70%	7.38%
September-December 2018:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.83%	7.41%

* For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The City's actual PERS plan contributions were \$38,395 to PERS Plan 1 and \$3,984,537 to PERS Plan 2/3 for the year ended December 31, 2018.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

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

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,

- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. 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. Members are eligible for retirement 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; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS 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 three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2018 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January–August 2018:		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	11.95%	6.74%
September–December 2018:		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.38%	7.07%

The City's actual plan contributions were \$169,955 to PSERS Plan 2 for the year ended December 31, 2018.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The City's actual contributions to the plan were \$1,283,663 for the year ended December 31, 2018.

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 Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$9,582,597.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017 to June 30, 2018, reflecting each plan's normal cost (using entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a

component for the PERS 1 and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington state Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	13,473,552	10,963,578	8,789,433
PERS 2/3	23,002,646	5,028,974	(9,707,431)
PSERS 2	457,184	4,401	(350,886)
LEOFF 1	(1,112,837)	(1,398,881)	(1,645,148)
LEOFF 2	(1,864,354)	(14,019,670)	(23,933,745)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plan’s fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a total pension liability of \$578,402 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	10,963,578
PERS 2/3	5,028,974
PSERS 2	4,401
LEOFF 1	(1,398,881)
LEOFF 2	(14,019,670)
Total Pension Liability	578,402

The amount of the liability/asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability/asset, the related State support, and the total portion of the net pension liability/asset that was associated with the City were as follows:

	Liability (or Asset)
LEOFF 2- Employer’s proportionate share	(14,019,670)
LEOFF 2 – State’s proportionate share of the net pension liability (asset) associated with the employer	(9,077,472)
TOTAL	(23,097,142)

At June 30, the City’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportionate Share
PERS 1	12,122,963	11,648,597	(474,365)
PERS 2/3	10,693,363	10,233,788	(459,575)
PSERS 2	74,894	69,590	(5,304)
LEOFF 1	(1,162,509)	(1,169,048)	(6,539)
LEOFF 2	(9,852,694)	(9,582,597)	270,097

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the City recognized pension expense as follows:

	Pension Expense
PERS 1	471,752
PERS 2/3	22,085
PSERS 2	74,924
LEOFF 1	(230,827)
LEOFF 2	(502,269)
TOTAL	(164,335)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(435,686)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	884,583	
TOTAL	884,583	(435,686)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	616,420	(880,481)
Net difference between projected and actual investment earnings on pension plan investments		(3,086,011)
Changes of assumptions	58,830	(1,431,205)
Changes in proportion and differences between contributions and proportionate share of contributions	630,492	(469,955)
Contributions subsequent to the measurement date	1,220,039	
TOTAL	2,525,781	(5,867,652)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	32,638	(4,515)
Net difference between projected and actual investment earnings on pension plan investments		(59,337)
Changes of assumptions	471	(27,233)
Changes in proportion and differences between contributions and proportionate share of contributions	913	(6,584)
Contributions subsequent to the measurement date	50,378	
TOTAL	84,400	(97,669)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(113,569)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL	0	(113,569)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	751,006	(325,538)
Net difference between projected and actual investment earnings on pension plan investments		(2,453,631)
Changes of assumptions	7,936	(2,012,076)
Changes in proportion and differences between contributions and proportionate share of contributions	387,418	(101,090)
Contributions subsequent to the measurement date	642,701	
TOTAL	1,789,061	(4,892,335)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,400,064	(1,210,534)
Net difference between projected and actual investment earnings on pension plan investments		(6,148,234)
Changes of assumptions	67,237	(3,470,514)
Changes in proportion and differences between contributions and proportionate share of contributions	1,018,823	(577,629)
Contributions subsequent to the measurement date	2,797,701	
TOTAL	5,283,825	(11,406,911)

Reported below are the deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PSERS 2</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2019	19,061	(374,568)	(1,382)	108	(284,667)
2020	(95,243)	(981,757)	(7,729)	(25,620)	(656,161)
2021	(285,799)	(1,859,671)	(20,342)	(69,779)	(1,441,297)
2022	(73,705)	(670,230)	(10,767)	(18,278)	(506,244)
2023	0	(229,651)	(3,264)	0	(158,391)
Thereafter	0	(446,032)	(20,163)	0	(699,216)

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 is a defined benefit plan and provides pension, disability and survivor benefits. It is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administrative costs of the VFFRPF are funded through legislative appropriation. Approximately 450 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. Retirement benefits are established in Chapter 41.24 RCW and may be amended only by the Legislature. 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. The City has not recorded any liability for this plan.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the comprehensive annual financial report (CAFR) of the State of Washington. The State CAFR may be downloaded from the Office of Financial Management (OFM) website at www.ofm.wa.gov.

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service, for a maximum monthly benefit of \$300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214,000 and funeral and burial expenses of \$2,000. Members receiving disability benefits at the time of death shall be paid \$500.

Contributions

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf. The City does not have any Volunteer Firefighters, therefore no contributions were made in 2018.

The contribution rates for 2018 were as follows:

VFFRPF		
	Firefighters	EMSD and Reserve Officers
Municipality fee	\$30	\$105
Member fee	\$30	\$30

In accordance with Chapter 41.24 RCW, the state contributes 40 percent of the fire insurance premium tax to the plan. For fiscal year 2018, the fire insurance premium tax contribution was \$7.2 million.

Actuarial Assumptions

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State Actuary (OSA) as of June 30, 2016, and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- **Inflation:** 2.5%
- **Salary increases:** N/A
- **Investment rate of return:** 7.0%

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2017 valuation report.

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Discount Rate

The discount rate used to measure the total VFFRPF pension asset was 7 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included as assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Long-Term Expected Rate of Return

The long-term expected rate of return on the VFFRPF pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington state Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Asset

The following presents the City’s proportionate share of the VFFRPF net pension asset calculated using the discount rate of 7 percent, as well as what the City’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
VFFRPF	\$ 0	\$ 0	\$ 0

Pension Plan Fiduciary Net Position

Detailed information about the VFFRPF plan’s fiduciary net position is available in the separately issued State of Washington CAFR.

The City had not reported any Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

Firefighters’ Pension

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 for the year 2018:

Pension Amounts – Fire Fighter Pension	
Pension Liability	\$
Pension Assets	\$ 873,059
Deferred Outflows of Resources	\$ 59,385
Deferred Inflows of Resources	\$ 0
Pension Expense	\$ 37,338

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. The City's fire insurance premium and interest earnings were sufficient to pay the expenses in 2018. The financial activity of the Firefighters' Pension Plan is reported within the City's General Fund.

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2018:

Retirees and beneficiaries receiving benefits	4
Active plan members	<u>0</u>

The pension standards in GASB Statement 68 are applicable only to pension plans that are administered through trusts or equivalent arrangements which:

- a. Contributions from employers to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms.
- c. Pension plan assets are legally protected from the creditors of employers, the plan administrator and plan members.

The Firefighters' Pension Plan does not meet the requirement "c" that assets be legally protected from the creditors of employers, the plan administrator and plan members. Therefore, the assets are not accumulated in a qualifying trust or equivalent arrangement as required by GASB 68 for reporting purposes.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2017	367,190	1,197,501	(830,311)
Changes for the year:			
Service Cost	0		0
interest on total pension liability	12,581		12,581
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	0		0
Effect of assumptions changes or inputs	(17,557)		(17,557)
Benefit payments	(15,635)	(15,635)	0
Medical payments from fund		(87,000)	87,000
Employer contributions		0	0
Contributions from state fire insurance premium tax		114,909	(114,909)
Net investment income		21,463	(21,463)
Administrative expenses		(11,600)	11,600
Balnces as of December 31, 2018	346,579	1,219,638	(873,059)

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. There were no significant changes during this period.

Discount Rates and Investment Earnings

	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Discount Rate	3.50%	4.00%
Long term expected rate of return, net of investment expense	3.50%	4.00%
Municipal bond rate	3.50%	4.00%

The following presents the total pension liability of the City, calculated using the discount rate of 4.00%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.00%) or 1 percentage point higher (5.00%) than the current rate.

	<u>1% Decrease 3.00%</u>	<u>Current Discount Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Total Pension Liability	383,086	346,579	315,165
Fiduciary Net Position	1,219,638	1,219,638	1,219,638
Net Pension Liability	(836,552)	(873,059)	(904,473)

Actuarial Assumptions

Valuation Date	January 1, 2016	January 1, 2018
Measurement Date	December 31, 2017	December 31, 2018
Inflation	2.25%	2.25%
Salary increases including inflation	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, 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) with generational projection using 100% of Projection Scale BB, 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

Deferred Inflows / Outflows of Resources Related to Pensions

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings	59,385	
Contributions subsequent to the measurement date		
TOTAL	59,385	0

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	25,870
2020	18,225
2021	11,197
2022	4,093
2023	0
Thereafter	0

Note that additional future deferred inflows and outflows of resources may impact these numbers.

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 758 employees who participated in the program during 2018, including seasonal employees. The City's contribution for 2018 was \$3,151,951; employee contributions were \$4,106,391 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 Cigna/Life Insurance Company of North America, 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 Governmental Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions" in June 2015. GASB 75's effective date is for an employer's fiscal year beginning after June 15, 2017.

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. The plan is a single-employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. 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 2018 there were 33 retirees receiving these benefits. All members of the closed group are retired and no new members are eligible for benefits. The benefits cover only the retiree, spouses and dependents are not covered by the plan.

For 2018, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 520,592
	Direct Medical Costs	<u>116,143</u>
	Total Costs	<u>\$ 636,735</u>

Funding for LEOFF retiree healthcare costs is provided entirely by the City on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2018.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$ (15,684,554)
OPEB Assets	\$
Deferred Outflows of Resources	\$ 347,581
Deferred Inflows of Resources	\$
OPEB Expenses	\$ (939,266)

The total OPEB liability was determined using Washington State's Actuary Alternative Measurement Method Online Tool. The liability was determined using a June 30, 2018, measurement date using the following assumptions and inputs.

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate of 7%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (6%) or 1- percentage point higher (8%) than the current rate.

	1% Decrease 6%	Current Healthcare Cost Trend Rate 7%	1% Increase 8%
Total OPEB Liability	\$14,103,433	\$15,684,554	\$17,523,771

The following presents the total OPEB liability of the City calculated using the discount rate of 3.87%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (2.87%) or 1- percentage point higher (4.87%) than the current rate.

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$17,640,084	\$15,684,554	\$14,042,084

Changes in the Total OPEB Liability (Asset)	
Total OPEB Liability at 01/01/2018	\$ 16,276,239
Interest	\$ 571,289
Differences between expected and actual experience	\$ (520,441)
Benefit Payments	\$ (642,533)
Net Change	\$ (591,685)
Total OPEB Liability at 12/31/2018	\$ 15,684,554

The total OPEB liability was determined using the Alternative Measurement Method as of June 30, 2018. The following actuarial assumptions applied to all measurements.

Methodology

Actuarial Valuation Date	6/30/2018
Actuarial Measurement Date	6/30/2018
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	No Assets

Assumptions

Discount Rate	
Beginning of Measurement Year	3.58%
End of Measurement Year	3.87%
Healthcare Trend Rates	
Medical Costs	Initial rate is approximately 7%, trends down to about 5% in 2080
Long term care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	RP-2000 Mortality Table +1 year Healthy/-2 years Disabled
Age Setback	Blended 50%/50% Healthy/Disabled
Mortality Improvements	100% Scale BB
Projection Period	Generational
Medicare Participation Rate	100%

The discount rate used to measure is based on the Bond Buyer General Obligation 20 Bond Municipal Index. For additional detail on the healthcare trend rates, please see the Office of State Actuary's 2016 LEOFF 1 Medical Benefits Actuarial Valuation Report.

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts.

For the year ended December 31, 2018, the City recognized an offset to OPEB expense of (\$939,266).

At December 31, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions	\$	\$
Payments subsequent to the measurement date	\$ 347,581	\$
TOTAL	\$ 347,581	\$

Deferred outflows of resources of \$347,581 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2019	\$ 347,581
2020	\$
2021	\$
2022	\$
2023	\$
Thereafter	\$

**NOTE 8:
NONGOVERNMENTAL PENSION PLAN**

The City of Kirkland, pursuant to a collective-bargaining agreement with the Teamsters Local 763, contributes into the Western Conference of Teamsters Pension Trust Fund on account of each member of the bargaining unit. The Western Conference of Teamsters Pension Plan (WCTPP) was established by the Trustees on April 26, 1955 to define and maintain retirement, death, and disability benefits to be provided by employer contributions to the Trust Fund. It is a multiemployer defined benefit pension plan. The Plan is administered by a Board of Trustees composed of 13 union trustees and 13 employer trustees. The Trustees are selected from the various geographic areas served by the Plan. The Plan's annual report is available on its website at <http://wctpension.org>.

To be eligible to participate in the Plan, a person must be an employee and must be covered under a bona fide written labor contract between an employer and a local union of the International Brotherhood of Teamsters that requires the employer to make payments to the Trust Fund. The current collective-bargaining agreement between the City and the Teamsters Local 763 expires December 31, 2020 and requires the City to pay \$0.35 per hour to the Trust Fund for each member of the bargaining unit, up to the maximum of 184 hours per calendar month. In 2018 the City made contributions for 101 employees, totaling \$71,025.

Participants become vested when they have completed (1) five years of service if at least one year of service was after 1990, or (2) ten years of service if all years of service were before 1991. Benefits for service prior to 1987 are determined using the five-year-average benefit formula. Monthly retirement benefits are based on the length of a participant's service and the rate of employer contributions payable for the participant's last five years of service. For service after 1986 the formula is the contribution-account benefit formula. Under this formula, monthly retirement benefits are based on a percentage of total employer contributions payable for all of the participant's service after 1986. WCTPP also pays disability retirement benefits for those that meet certain conditions. Surviving spouses and children are entitled to monthly survivor benefits under certain conditions.

If the City partially or totally withdraws from the Plan, a withdrawal liability would be imposed based on allocating a portion of the Plan's unfunded vested liability.

Contributions payable at December 31, 2018 were \$5,388 representing contributions made for hours worked in December 2018. These contributions were paid in January 2019.

NOTE 9: 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 161 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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 2018.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigation, consultants for personnel and land use issues, insurance brokerage, actuarial, 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, reinsurance and other 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 four claims in excess of the \$100,000 per person stop loss maximum in 2018. 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
2015	\$590,385	\$6,754,800	\$6,715,140	\$630,045
2016	\$630,045	\$6,225,297	\$6,294,771	\$560,571
2017	\$560,571	\$6,007,121	\$6,037,692	\$530,000
2018	\$530,000	\$3,372,869	\$4,299,869	\$397,000

**NOTE 10:
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 four loans with principal outstanding of \$4,218,804. 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 2015 the federal subsidy payments relating to Direct-Pay Tax Credit Bonds were reduced by 7.2 percent of the amount that would otherwise have been paid to the issuer. The sequestration reductions are scheduled to continue through 2023. As of October 1, 2017, the sequestration rate for direct pay bonds is 6.8%. This rate 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
2019	1,070,000	1,575,430	513,906	2,131,524
2020	1,195,000	1,535,305	500,817	2,229,488
2021	805,000	1,487,505	485,224	1,807,281
2022	1,000,000	1,453,695	474,195	1,979,500
2023	1,030,000	1,409,695	459,842	1,979,853
2024-2028	5,650,000	6,273,298	2,195,654	9,727,643
2029-2033	6,705,000	4,653,085	1,628,580	9,729,505
2034-2038	8,070,000	2,553,256	893,640	9,729,617
2039-2040	3,670,000	329,630	115,371	3,884,260
Total	\$ 29,195,000	\$ 21,270,899	\$ 7,267,228	\$ 43,198,671

On May 26, 2011, King County Fire Protection District #41 (Fire District) issued \$4,000,000 Limited Tax General Obligation (LTGO) 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 the Fire District dissolved when the City of Kirkland annexed all the territory served by the District. The outstanding debt remained an obligation of the taxable property which was annexed and therefore became the

obligation of the City of Kirkland. On October 20, 2015 City Council approved Resolution 5156 and Resolution 5163 relating to the accomplishment of the goals of the interlocal agreement between the City of Kirkland and the Fire District to increase the level of service to the former Fire District territory and improve FIRE/EMS Services in North Kirkland funded in part with the 2011 LTGO Bonds issued by the Fire District.

On March 3, 2015 the City Council authorized an interfund loan in an amount up to \$4.7 million between the Capital Projects Fund and the Water Sewer Utility for the purchase of real property. The loan term was three years at a rate of 0.20%. Interest accrued over the life of the loan. The loan was repaid in 2018, including interest of \$28,276.

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 12/31/2018	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	6,150,000	29,195,000	1,070,000
*2011 Limited Tax General Obligation Bond	5/26/2011	12/1/2021	3.2	4,000,000	2,664,084	1,335,916	431,245
2013 UTGO Refunding Bonds	10/29/2013	12/1/2022	2.3	4,670,000	2,535,000	2,135,000	515,000
*2015 LTGO Bonds - City Hall Remodel	11/20/2015	12/1/2034	3.45	5,800,000	680,000	5,120,000	245,000
Total				\$ 49,815,000	\$ 12,029,084	\$ 37,785,916	\$ 2,261,245

*Councilmanic

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2019	2,261,245	1,840,502
2020	2,425,156	1,766,169
2021	2,064,515	1,683,023
2022	1,820,000	1,616,765
2023	1,310,000	1,550,800
2024-2028	7,205,000	6,827,023
2029-2033	8,550,000	4,919,080
2034-2038	8,480,000	2,567,401
2039-2040	3,670,000	329,630
Total	\$ 37,785,916	\$ 23,100,393

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 12/31/2018	Due Within One Year
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	7/1/2000	7/1/2019	1.0	227,500	214,965	12,535	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/2001	7/1/2021	0.5	1,848,000	1,539,094	308,906	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	742,305	343,995	57,332
2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement	10/8/2012	6/1/2032	0.5	4,038,000	484,632	3,553,368	253,812
Total				\$7,199,800	\$2,980,996	\$4,218,804	\$426,648

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2019	426,648	20,758
2020	414,113	18,961
2021	414,113	16,890
2022	311,145	14,820
2023	311,145	13,264
2024-2028	1,326,392	44,703
2029-2032	1,015,248	12,691
Total	\$ 4,218,804	\$ 142,087

City of Kirkland Credit Ratings

On December 5, 2014, Standard and Poor's affirmed the City of Kirkland's AAA rating. Moody's Investors Service raised the City of Kirkland's General Obligation Limited Tax bond rating from Aa1 to Aaa on November 13, 2018.

**NOTE 11:
LEASES**

Operating Leases

Copier Leases

In December 2016, the City entered into two 60-month leases for a Canon IR C 5560i and Canon IR C 700. Lease payments for 2018 totaled \$18,589. The future minimum payments for these agreements are summarized as follows:

2019	18,589
2020	18,589
2021	<u>18,589</u>
Total	<u>\$55,767</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. In October 2016 the lease was converted to a six-month lease, beginning on November 1, 2016. The lease automatically renews for six-month periods unless terminated by either party upon not less than ninety days prior written notice. The base monthly rental amount will increase by 1.5% at the beginning of each six-month renewal. On April 17, 2018 the City purchased this facility from King County Housing Authority. Lease payments of \$35,460 were paid in 2018.

Envelope Opener

In 2014, the City entered into a 60-month lease for an Envelope Opener from Neopost Northwest. In 2019, the City entered into a new 60-month lease for an Envelope Opener which will begin May 1, 2019. Lease payments for the year ended December 31, 2018, was \$492. The future minimum payments for these agreements are summarized as follows:

2019	638
2020	711
2021	711
2022	711
2023	711
2024	<u>237</u>
Total	<u>\$3,719</u>

City of Bellevue

Effective March 1, 2015, the City entered into a colocation agreement with the City of Bellevue to provide space in its premises for certain City equipment for a three-year term. The contract automatically renews for two more years unless the City notifies Bellevue 30 days prior to the renewal date. There is a CPI increase each year with a maximum of 3%. The current renewal term ends February 29, 2020. Contract payments for the year ended December 31, 2018 was \$41,880. The future minimum payments for this agreement is summarized as follows:

2019	41,880
2020	<u>6,980</u>

Total \$48,860

Gas Monitoring Equipment

Effective July 1, 2014, the City entered into a four-year lease for hazardous gas monitoring equipment. The initial term ended June 30, 2018. The lease automatically renews on a month-to-month basis for a period not to exceed twelve months unless either party gives 60 days' notice that they do not intend to renew. Lease payments for the year ended December 31, 2018 was \$3,777.

Effective July 15, 2017, the City entered into a four-year lease for hazardous gas monitoring equipment. The initial term ends July 14, 2021. The lease automatically renews on a month-to-month basis for a period not to exceed twelve months unless either party gives 60 days' notice that they do not intend to renew. Lease payments for the year ended December 31, 2018 was \$15,449. Future minimum payments are summarized as follows:

2019	15,449
2020	15,449
2021	<u>9,012</u>
Total	<u>\$39,910</u>

**NOTE 12:
CHANGES IN LONG-TERM LIABILITIES**

During the year ending December 31, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/18	Additions	Reductions	Ending Balance 12/31/18	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable:					
General Obligation Bonds	40,003,686	-	2,217,770	37,785,916	2,261,245
Less:					
Issuance Discount	(285,436)	-	(12,455)	(272,981)	(12,455)
Interfund Loan	4,698,991	-	4,698,991	-	-
Compensated Absences	3,456,324	3,445,231	3,453,556	3,447,999	2,746,532
Self Insurance Claims	530,000	3,372,869	4,299,869	397,000	397,000
Net Pension Liability	20,146,416	-	6,038,703	14,107,713	-
Other Post Employment Benefits	6,193,323	10,082,916	591,685	15,684,554	-
Governmental Activity Long-term Liabilities	<u>74,743,304</u>	<u>16,901,016</u>	<u>21,288,119</u>	<u>71,150,201</u>	<u>5,392,322</u>
<u>Business-Type Activities</u>					
PWTF Loans	4,484,309	150,400	415,905	4,218,804	426,648
Net Pension Liability	2,744,804	-	855,564	1,889,240	-
Compensated Absences	180,396	531,518	499,852	212,062	169,650
Business-Type Activity Long-term Liabilities	<u>7,409,509</u>	<u>681,918</u>	<u>1,771,321</u>	<u>6,320,106</u>	<u>596,298</u>

Compensated Absences

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$220,386 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 and pension obligation are liquidated by the general fund.

Beginning in 2014, the LEOFF 1 Pension Fund began liquidating some OPEB liability as deemed appropriate by the actuarial valuation of the fund. In 2018, the amount utilized to exhaust OPEB costs was \$87,000.

**NOTE 13:
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2018, 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 14:
INTERFUND BALANCES AND TRANSFERS**

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

Interfund balances as reported in the financial statements at December 31, 2018, were as follows:

<u>Interfund Balances Between Governmental and Business-Type Activities</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General	900,152	7,247
Non Major Governmental Funds:		
Parks Levy		253
Cemetery Operating		59
Internal Service Funds		6,156
Business-Type Funds:		
Water/Sewer	15,079	564,666
Surface Water		25,054
Solid Waste		311,796
Total Transfers	<u>\$ 915,231</u>	<u>\$ 915,231</u>

Interfund transfers at December 31, 2018, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	785,608	8,659,962
Excise Capital Improvement	1,428,066	14,553,530
General Capital	9,724,822	1,708,871
Transportation Capital Projects	18,392,082	793,143
Non Major Governmental Funds:		
Parks Maintenance	6,459	3,570
Parks Levy	21,255	624,000
Impact Fees		4,570,354
Debt Service Funds	2,550,213	
Internal Service Funds	498,628	553,500
Proprietary Funds:		
Water/Sewer		883,500
Surface Water		732,623
Solid Waste		324,080
Total Transfers In/Out	<u>\$ 33,407,133</u>	<u>\$ 33,407,133</u>

NOTE 15: JOINT VENTURES

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 are funded with member cities contributions.

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 2018 the City contributed \$111,075 to ARCH for operations and \$415,000 to fund affordable housing projects. In addition, the City contributed an additional \$898,533 to the Housing Trust Fund for the Kirkland Women and Family Shelter.

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 Klaas Nijhuis, 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 2018 was \$384,389. 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. In 2018, the City of Kirkland remitted \$1,258,048 for this charge. Members do not hold legal ownership rights in any assets owned by the Alliance.

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. In August of 2014, the Cascade Water Alliance issued a series of water system refunding revenue bonds for approximately \$29.2 million to pay a portion of the costs of refunding the callable portion of the outstanding 2006 bond issue. The 2006, 2009, 2012 and 2014 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 Chris Paulucci, Finance and Administration Manager, 520 112th 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 2018 the City of Kirkland paid EPSCA \$85,736 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, 2018, the weighted vote was as follows:

Bellevue	47.00%
Redmond	23.36%
Kirkland	17.84%
Mercer Island	5.90%
Issaquah	5.90%

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 approved by voters 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 Kale Fong, 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. Current principal partners of the Alliance are Bellevue, Issaquah, Kenmore, Kirkland, Sammamish, and Snoqualmie. The Alliance was formed to provide for joint development, oversight and delivery of regionally coordinated on-line public sector services. In 2014 eCityGov Alliance became a non-profit corporation.

The Executive Board is comprised of one Board member from each of the principal cities. 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 \$32,426 in 2018.

A partner may withdraw by written notice to the Executive Board. Any portion of annual fees shall be forfeited as well as their proportionate interest in assets and future revenues associated with eCityGov.

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 Evan Phillips, 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. Beginning January of 2018, the City of Normandy Park will be joining as a principal. 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 2018, the City of Kirkland's share of these fees was \$2,652,488.

Additional financial information can be obtained from NORCOM, c/o J.R. Lieuallen, 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 \$13,435 in 2018.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, 450 110th Ave NE, 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, Federal Way, Milton; the Lake Washington School District, Federal Way 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, South Correctional Entity, the Northshore School District and South Sound 911. 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 \$5,355 in 2018.

Upon dissolution of the corporation, assets of the Consortium shall be distributed by the Consortium Board among members after paying all obligations of the Consortium. The City's share of assets is deemed immaterial and thus not reflected in the financial statements.

For additional information please contact Chelo Picardal, Board Chair, CTO, City of Bellevue, 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 38 cities represented by SCA 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 \$50,890 in 2018. 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.

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, Mountlake Terrace, Redmond, and Mukilteo. 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 \$7,083 for 2018. 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 5th Ave North, Edmonds, WA 98020.

**NOTE 16:
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 and GASB 73, the Street Operating Fund, Contingency Fund and Firefighter Pension Fund will continue to be budgeted and operational but will be consolidated with the General Fund for reporting purposes and reclassified on this reconciliation.

2018 Budget to GAAP Reconciliation	General Fund	Excise Tax Capital Improvement	Street Operating Special Revenue	Contingency Special Revenue	Firefighter Pension
Revenues on the Budgetary Basis	107,432,696	13,189,135	10,613,745	0	135,056
Increase (Decrease) due to accruals	(592,791)	(728,891)	0	0	0
Reclassification	10,748,801	0	(10,613,745)	0	(135,056)
Revenues on the GAAP Basis	<u>117,588,706</u>	<u>12,460,244</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	94,440,936	0	6,349,472	0	27,234
Increase (Decrease) due to accruals	(1,156,239)	0	0	0	0
Reclassification	6,376,706	0	(6,349,472)	0	(27,234)
Expenditures on the GAAP Basis	<u>99,661,403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(4,532,347)	(13,125,464)	(3,382,462)	710,745	(87,000)
Increase (Decrease) due to accruals	(105,613)	0	0	0	0
Reclassification	(2,758,717)	0	3,382,462	(710,745)	87,000
Other Financing Sources (Uses) on the GAAP Basis	<u>(7,396,677)</u>	<u>(13,125,464)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the Budgetary Basis	12,991,760	13,189,135	4,264,273	0	107,822
Increase (Decrease) due to accruals	563,448	(728,891)	0	0	0
Reclassification	4,372,095	0	(4,264,273)	0	(107,822)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the GAAP Basis	<u>17,927,303</u>	<u>12,460,244</u>	<u>0</u>	<u>0</u>	<u>0</u>

**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 2018.

NOTE 18: TAX ABATEMENTS

The State of Washington enters into tax abatement agreements that reduce the amount of tax revenue that local jurisdictions receive. The information reported was provided by the Washington State Department of Revenue and is based on the State's fiscal year ended 6/30/18. The City used these estimates for its calendar year reporting. There were two state tax abatement programs that reduced the 2018 tax revenues of the City of Kirkland.

High-Technology Sales and Use Tax Deferral

RCW 82.63 provides a deferral and potential waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project. Eligible projects will receive a sales and use tax deferral certificate issued from the Department of Revenue. This allows vendors and contractors to sell to the approved business without charging sales tax. The recipient must file an annual survey with the Department of Revenue. If the project is used for any other purpose in the year it is certified and for the next seven years, a portion of the deferred taxes must be repaid.

The City sales and use tax revenues were reduced by \$644,539 as a result of this agreement.

Multi-Unit Urban Housing Exemption

RCW 84.14 provides exemption from ad valorem property taxes on the value of new housing construction, conversion, and rehabilitation improvements on multifamily housing in urban centers having insufficient housing opportunities. The purpose of the exemption is to encourage more multifamily housing opportunities by stimulating the construction or rehabilitation of multifamily housing to meet planning goals required under the Growth Management Act. The length of the exemption, between eight and twelve years, depends on what percentage of the property is committed to affordable housing. The value of the land or non-housing related improvements do not qualify for the exemption.

The applicant must enter into a contract with the City under which the applicant agrees to the implementation of the development on terms and conditions satisfactory to the governing authority. Upon completion of the project the applicant may request a final certificate of tax exemption. Each year of the exemption the property owner must certify that the requirements of the exemption continue to comply with the contract. The tax exemption will be cancelled for any property that no longer complies with the terms of the contract. Additional taxes, interest and penalties may be imposed if the exemption is cancelled.

The City property tax revenues were reduced by \$166,714 as a result of this exemption.

King County provides tax abatements through three programs – Current Use Programs, Historic Preservation Program and the Single-family Dwelling Improvement Program. These programs are property tax abatements. The property tax system in the State of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. As a result, tax abatement programs related to property taxes shift the tax burden to individual taxpayers rather than to the municipality. The City had tax abatements from two of the programs for 2018 – Current Use Programs and Single-family Dwelling Improvement Program.

Current Use Programs

The Current Use Programs provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW

84.34.010. An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a "current use" value, which is lower than the "highest and best use" assessment value that would otherwise apply to the property. When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.

Taxes abated for the Current Use Programs was \$1,964.

Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatements to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement. Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

Taxes abated for the Single-family Dwelling Improvement Program was \$5,426.

**NOTE 19:
ACCOUNTING AND REPORTING CHANGES**

The Firefighters' Pension Fund is reported in the City's general fund in the governmental statements, as a result of GASB Statement No. 73. An adjustment of \$1,197,501 is shown to reflect the adjustment for a change in accounting principle in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. Prior to 2018 the fund was reported as a fiduciary fund.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions and provides guidance for measuring the present value of the projected benefits to be provided to employees attributable to their past periods of service. An adjustment of (\$10,082,916) is shown to reflect the beginning balance adjustment to the OPEB liability. This Statement was adopted during the current year and the impact is reflected on the Statement of Net Position and notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PERS 1
as of June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.245488%	0.255485%	0.247082%	0.237347%
Employer's Proportionate Share of the Net Pension Liability (Asset)	10,963,578	12,122,963	13,269,467	12,415,455
Covered Payroll	32,165,028	31,875,429	29,040,840	26,675,074
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	34.09%	38.03%	45.69%	46.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.22%	61.24%	57.03%	59.10%

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
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PERS 2/3
as of June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.294538%	0.307765%	0.291129%	0.282083%
Employer's Proportionate Share of the Net Pension Liability (Asset)	5,028,974	10,693,363	14,658,115	10,078,986
Covered Payroll	30,613,959	30,222,970	27,302,787	25,094,088
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	16.43%	35.38%	53.69%	40.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.77%	90.97%	85.82%	89.20%

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
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PSERS 2
as of June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.355180%	0.382251%	0.386625%	0.374208%
Employer's Proportionate Share of the Net Pension Liability (Asset)	4,401	74,894	164,308	68,300
Covered Payroll	1,401,490	1,351,671	1,257,462	1,100,860
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.31%	5.54%	13.07%	6.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.79%	96.26%	90.41%	95.08%

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
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
LEOFF 1
as of June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.077052%	0.076621%	0.076145%	0.075351%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(1,398,881)	(1,162,509)	(784,511)	(908,146)
Covered Payroll	n/a	n/a	n/a	n/a
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	n/a	n/a	n/a	n/a
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	144.42%	135.96%	123.74%	127.36%

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
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
LEOFF 2
as of June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.690550%	0.710014%	0.708072%	0.742445%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(14,019,670)	(9,852,694)	(4,118,359)	(7,630,850)
Covered Payroll	22,866,548	22,289,760	21,439,475	21,573,273
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	(9,077,472)	(6,391,258)	(2,684,871)	(5,045,524)
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-61.31%	-44.20%	-19.21%	-35.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	118.50%	113.36%	106.04%	111.67%

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
Schedule of Employer Contributions
State Sponsored Plans
PERS 1
as of December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	1,717,449	1,579,243	1,488,736	1,253,566
Contributions in Relation to the Statutorily or Contractually Required Contributions	1,717,449	1,579,243	1,488,736	1,253,566
Contribution Deficiency (excess)	-	-	-	-
Covered Payroll	33,459,445	31,813,945	30,717,467	27,881,590
Contributions as a Percentage of Covered Employee Payroll	5.13%	4.96%	4.85%	4.50%

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
Schedule of Employer Contributions
State Sponsored Plans
PERS 2/3
as of December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	2,380,486	2,066,402	1,808,373	1,480,054
Contributions in Relation to the Statutorily or Contractually Required Contributions	2,380,486	2,066,402	1,808,373	1,480,054
Contribution Deficiency (excess)	-	-	-	-
Covered Payroll	31,738,800	30,114,668	29,032,093	26,203,665
Contributions as a Percentage of Covered Employee Payroll	7.50%	6.86%	6.23%	5.65%

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
Schedule of Employer Contributions
State Sponsored Plans
PSERS 2
as of December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	96,954	93,370	85,459	76,937
Contributions in Relation to the Statutorily or Contractually Required Contributions	96,954	93,370	85,459	76,937
Contribution Deficiency (excess)	-	-	-	-
Covered Payroll	1,415,115	1,400,916	1,300,951	1,187,373
Contributions as a Percentage of Covered Employee Payroll	6.85%	6.66%	6.57%	6.48%

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
Schedule of Employer Contributions
State Sponsored Plans
LEOFF 2
as of December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	1,250,298	1,180,952	1,057,143	1,122,507
Contributions in Relation to the Statutorily or Contractually Required Contributions	1,250,298	1,180,952	1,057,143	1,122,507
Contribution Deficiency (excess)	-	-	-	-
Covered Payroll	23,692,467	22,938,095	20,928,017	22,232,350
Contributions as a Percentage of Covered Employee Payroll	5.28%	5.15%	5.05%	5.05%

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
Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters' Pension Fund
(dollar amounts in thousands)

	Fiscal Year Ending December 31				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$0	\$0	\$0	\$0	\$0
Interest on total pension liability	13	12	12	13	13
Effect of plan changes	0	0	0	0	0
Effect of economic/demographic gains or (losses)	0	28	0	(67)	0
Effect of assumption changes or inputs	(18)	9	(9)	43	10
Benefit payments	(16)	(16)	(15)	(13)	(14)
Net change in total pension liability	(\$21)	\$33	(\$13)	(\$25)	\$9
Total pension liability, beginning	\$367	\$334	\$347	\$372	\$363
Total pension liability, ending (a)	\$347	\$367	\$334	\$347	\$372
Fiduciary Net Position					
Employer contributions	\$0	\$0	\$0	\$0	\$0
Contributions from state fire insurance premium tax	115	107	98	92	97
Investment income net of investment expenses	21	9	9	11	14
Benefit payments	(16)	(16)	(15)	(13)	(14)
Medical payments from fund	(87)	(105)	(225)	(225)	(225)
Administrative expenses	(12)	(3)	(12)	(3)	(8)
Net change in plan fiduciary net position	\$22	(\$8)	(\$145)	(\$138)	(\$136)
Fiduciary net position, beginning	\$1,198	\$1,205	\$1,350	\$1,488	\$1,624
Fiduciary net position, ending (b)	\$1,220	\$1,198	\$1,205	\$1,350	\$1,488
Net pension liability, ending = (a) - (b)	(\$873)	(\$831)	(\$872)	(\$1,003)	(\$1,117)
Fiduciary net position as a % of total pension liability	351.91%	326.13%	361.21%	389.56%	400.42%
Covered payroll	\$0	\$0	\$0	\$0	\$0
Net pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A

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
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
For the year ended December 31, 2018

	2018
Total OPEB liability - beginning	\$ 16,276,239
Service cost	0
Interest	571,289
Changes in benefit terms	0
Changes in Experience Data and Assumptions	(520,441)
Benefit payments	(642,533)
Other changes	0
Total OPEB liability - ending	15,684,554
 Covered payroll	0
 Total OPEB liability as a % of covered payroll	0.00%

Notes to Schedule:

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

No assets are accumulated in a trust that meets the criteria of GASB 75, paragraph 4.

**Required Supplementary Information
Schedule of Employer Contributions
Western Conference of Teamsters' Pension Plan
As of December 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily or Contractually Required Contributions	71,025	73,215	73,696
Contributions in Relation to the Statutorily or Contractually Required Contributions	71,025	73,215	73,696
Contribution Deficiency (excess)	-	-	-
Covered Payroll	5,872,671	5,604,106	5,585,341
Contributions as a Percentage of Covered Employee Payroll	1.21%	1.31%	1.32%

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
Schedule of Employer's Required Contributions
Western Conference of Teamsters' Pension Plan
Ten Most Recent Fiscal Years**

<u>Fiscal Year Ending December 31</u>	<u>Employer Contributions</u>
2009	54,917
2010	55,793
2011	54,627
2012	59,156
2013	66,552
2014	67,277
2015	72,159
2016	73,696
2017	73,215
2018	71,025

Notes to the Required Supplementary Information

Other Post Employment Benefits (OPEB)

The Alternative Measurement Method (AMM) online tool offered by Washington State Office of the State Actuary is intended to assist local government employers in Washington State covering Law Enforcement Officer's and Fire Fighter's Retirement System Plan 1 retiree healthcare costs with their reporting requirements for Other Post Employment Benefit obligations under GASB 75. Plans with fewer than 100 participants as of the beginning of the fiscal year, have the option to use the AMM in lieu of a professional valuation. Under this method, only the OPEB liability is calculated. There are no deferred outflows and inflows other than the deferred outflow for payments subsequent to the measurement date. The OPEB calculations were done using the AMM as the City does not administer OPEB through a trust or equivalent arrangement.



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, 2018

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Assets				
Cash and Cash Equivalents	154,254	369,124	300,240	488,620
Investments	239,775	573,903	466,897	760,290
Receivables, Net of Allowances				
Taxes	41,420	0	20,030	37,369
Prepayments	1,189	0	12,608	12,760
Total Assets	436,638	943,027	799,775	1,299,039
Liabilities				
Accounts Payable	4,024	1,268	15,725	21,277
Wages Payable	4,765	0	24,682	25,738
Benefits Payable	952	0	6,063	5,328
Due to Other Funds	0	59	0	252
Intergovernmental Payable	0	0	1,171	654
Total Liabilities	9,741	1,327	47,641	53,249
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	0	0	21,026	39,228
Total Deferred Inflows of Resources	0	0	21,026	39,228
Fund Balances				
Restricted for				
Tourism	426,897	0	0	0
Cemetery Operations	0	941,700	0	0
Culture and Recreation	0	0	731,108	1,206,562
Transportation	0	0	0	0
Debt Service	0	0	0	0
Total Fund Balances	426,897	941,700	731,108	1,206,562
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	436,638	943,027	799,775	1,299,039

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2018

Page 2 of 2

Impact Fees	Total Special Revenue	Debt Service		Total Debt Service	Non Major Governmental Funds Total
		LTGO	UTGO		
4,297,729	5,609,967	54,730	117,028	171,758	5,781,725
6,671,804	8,712,669	1,788	183,567	185,355	8,898,024
0	98,819	0	8,958	8,958	107,777
0	26,557	0	0	0	26,557
10,969,533	14,448,012	56,518	309,553	366,071	14,814,083
0	42,294	0	0	0	42,294
0	55,185	0	0	0	55,185
0	12,343	0	0	0	12,343
0	311	0	0	0	311
0	1,825	0	0	0	1,825
0	111,958	0	0	0	111,958
0	60,254	0	9,546	9,546	69,800
0	60,254	0	9,546	9,546	69,800
0	426,897	0	0	0	426,897
0	941,700	0	0	0	941,700
7,850,517	9,788,187	0	0	0	9,788,187
3,119,016	3,119,016	0	0	0	3,119,016
0	0	56,518	300,007	356,525	356,525
10,969,533	14,275,800	56,518	300,007	356,525	14,632,325
10,969,533	14,448,012	56,518	309,553	366,071	14,814,083

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 December 31, 2018

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Revenues				
Taxes and Assessments	333,977	0	1,385,269	2,584,407
Intergovernmental	0	0	0	0
Charges for Services	0	74,281	3,570	75,925
Investment Interest	6,458	15,039	11,828	13,714
Miscellaneous Revenues	0	0	12,830	24,174
Total Revenues	340,435	89,320	1,413,497	2,698,220
Expenditures				
Current				
Physical Environment	0	63,976	0	0
Economic Environment	290,290	0	0	0
Culture and Recreation	0	0	1,366,397	1,327,376
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	1,200	0	0
Total Expenditures	290,290	65,176	1,366,397	1,327,376
Excess (Deficiency) of revenues				
Over (under) expenditures	50,145	24,144	47,100	1,370,844
Other Financing Sources (Uses)				
Sale of Capital Assets	0	61,675	0	0
Insurance Recovery	0	0	1,525	0
Transfers In	0	0	6,459	21,255
Transfers Out	0	0	(3,570)	(624,000)
Total Other Financing Sources (Uses)	0	61,675	4,414	(602,745)
Net Change in Fund Balance	50,145	85,819	51,514	768,099
Fund Balances Beginning of Year	376,752	855,881	679,594	438,463
Fund Balances End of Year	426,897	941,700	731,108	1,206,562

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 December 31, 2018

Page 2 of 2

Debt Service						
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total	
0	4,303,653	477,923	578,465	1,056,388	5,360,041	
0	0	527,750	0	527,750	527,750	
10,475,489	10,629,265	0	0	0	10,629,265	
125,889	172,928	1,874	0	1,874	174,802	
0	37,004	0	0	0	37,004	
10,601,378	15,142,850	1,007,547	578,465	1,586,012	16,728,862	
0	63,976	0	0	0	63,976	
0	290,290	0	0	0	290,290	
0	2,693,773	0	0	0	2,693,773	
0	0	1,697,770	520,000	2,217,770	2,217,770	
0	0	1,848,508	61,065	1,909,573	1,909,573	
0	1,200	0	0	0	1,200	
0	3,049,239	3,546,278	581,065	4,127,343	7,176,582	
10,601,378	12,093,611	(2,538,731)	(2,600)	(2,541,331)	9,552,280	
0	61,675	0	0	0	61,675	
0	1,525	0	0	0	1,525	
0	27,714	2,550,213	0	2,550,213	2,577,927	
(4,570,354)	(5,197,924)	0	0	0	(5,197,924)	
(4,570,354)	(5,107,010)	2,550,213	0	2,550,213	(2,556,797)	
6,031,024	6,986,601	11,482	(2,600)	8,882	6,995,483	
4,938,509	7,289,199	45,036	302,607	347,643	7,636,842	
10,969,533	14,275,800	56,518	300,007	356,525	14,632,325	

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Intergovernmental	462,000	1,806,400	262,685	994,312	1,256,997	(549,403)
Charges for Services	0	95,811	95,811	25,000	120,811	25,000
Fines and Forfeitures	0	15,589	258,000	87,000	345,000	329,411
Investment Interest	62,710	62,710	43,292	47,072	90,363	27,653
Contributions/Donations	0	55,253	20,815	37,500	58,315	3,062
Miscellaneous Revenues	0	356,428	5,732	0	5,732	(350,696)
Total Revenues	524,710	2,392,191	686,334	1,190,884	1,877,218	(514,973)
Expenditures						
Current						
General Government	1,509,600	7,791,408	963,230	5,387,886	6,351,116	1,440,292
Security of Persons and Property	318,700	469,786	133,857	85,473	219,330	250,456
Physical Environment	0	121,900	99,454	56,137	155,590	(33,690)
Transportation	0	4,600	0	0	0	4,600
Culture and Recreation	0	4,544,056	(8,272)	20,520	12,248	4,531,808
Capital Outlay	27,025,800	49,324,291	7,633,243	20,322,400	27,955,644	21,368,647
Total Expenditures	28,854,100	62,256,041	8,821,511	25,872,417	34,693,928	27,562,113
Excess of revenues over expenditures	(28,329,390)	(59,863,850)	(8,135,177)	(24,681,533)	(32,816,710)	27,047,140
Other Financing Sources (Uses)						
Sale of Capital Assets	470,300	5,169,291	0	6,274,490	6,274,490	1,105,199
Transfers In	25,856,517	35,184,373	15,246,152	9,724,822	24,970,974	(10,213,399)
Transfers Out	(600,000)	(2,571,666)	(1,827,229)	(1,708,872)	(3,536,101)	(964,435)
Total Other Financing Sources (Uses)	25,726,817	37,781,998	13,418,923	14,290,440	27,709,363	(10,072,635)
Net Change in Fund Balance	(2,602,573)	(22,081,852)	5,283,746	(10,391,093)	(5,107,347)	16,974,506
Fund Balances Beginning of Year	30,716,852	29,371,124	29,371,124	34,654,870	29,371,124	0
Fund Balances End of Year	28,114,279	7,289,272	34,654,870	24,263,777	24,263,777	16,974,506

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Intergovernmental	21,791,255	26,637,319	3,849,102	3,426,561	7,275,663	(19,361,656)
Charges for Services	13,997,123	14,188,155	266,000	27,880	293,880	(13,894,275)
Planning/Development Contributions	0	4,200,000	0	0	0	(4,200,000)
Miscellaneous Revenues	961,032	965,367	0	36,000	36,000	(929,367)
Total Revenues	36,749,410	45,990,841	4,115,102	3,490,441	7,605,543	(38,385,298)
Expenditures						
Current						
Transportation	114,000	127,111	4,023,916	1,044,180	5,068,096	(4,940,985)
Capital Outlay	42,336,980	89,649,877	9,233,797	10,130,091	19,363,888	70,285,989
Total Expenditures	42,450,980	89,776,988	13,257,713	11,174,271	24,431,984	65,345,004
Excess of revenues over expenditures	(5,701,570)	(43,786,147)	(9,142,611)	(7,683,830)	(16,826,441)	26,959,706
Other Financing Sources (Uses)						
Transfers In	24,611,980	33,092,195	14,632,052	18,392,082	33,024,134	(68,061)
Transfers Out	0	(1,360,962)	(1,585,885)	(793,143)	(2,379,028)	(1,018,066)
Total Other Financing Sources (Uses)	24,611,980	31,731,233	13,046,167	17,598,938	30,645,106	(1,086,127)
Net Change in Fund Balance	18,910,410	(12,054,914)	3,903,556	9,915,108	13,818,665	25,873,579
Fund Balances Beginning of Year	10,857,723	12,083,950	12,083,950	15,987,506	12,083,950	0
Fund Balances End of Year	29,768,133	29,036	15,987,506	25,902,615	25,902,615	25,873,579

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	12,843,267	12,843,267	6,346,430	6,528,785	12,875,215	31,948
Licenses and Permits	462,000	462,000	359,663	324,546	684,209	222,209
Intergovernmental	3,942,286	3,942,286	1,922,953	2,005,659	3,928,611	(13,675)
Charges for Services	164,788	179,788	98,755	95,478	194,233	14,445
Contributions/Donations	0	0	7,840	1,650	9,490	9,490
Miscellaneous Revenues	483,615	694,476	375,669	426,699	802,368	107,892
Total Revenues	17,895,956	18,121,817	9,111,310	9,382,817	18,494,126	372,309
Expenditures						
Current						
Transportation	12,141,205	12,613,821	5,973,749	6,331,023	12,304,772	309,049
Capital Outlay	211,200	220,621	62,226	18,449	80,675	139,946
Total Expenditures	12,352,405	12,834,442	6,035,975	6,349,472	12,385,447	448,995
Excess of revenues over expenditures	5,543,551	5,287,375	3,075,335	3,033,345	6,108,680	821,305
Other Financing Sources (Uses)						
Sale of Capital Assets	0	0	71	0	71	71
Insurance Recovery	10,000	10,000	68,660	96,027	164,687	154,687
Transfers In	1,156,076	1,276,134	905,081	615,464	1,520,545	244,411
Transfers Out	(7,359,775)	(7,811,025)	(3,831,000)	(4,093,953)	(7,924,953)	(113,928)
Total Other Financing Sources (Uses)	(6,193,699)	(6,524,891)	(2,857,188)	(3,382,462)	(6,239,649)	285,242
Net Change in Fund Balance	(650,148)	(1,237,516)	218,147	(349,117)	(130,970)	1,106,546
Fund Balances Beginning of Year	2,083,842	2,448,092	2,448,092	2,666,239	2,448,092	0
Fund Balances End of Year	1,433,694	1,210,576	2,666,239	2,317,122	2,317,122	1,106,546

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Other Financing Sources (Uses)						
Transfers In	1,638,696	1,638,696	927,951	710,745	1,638,696	0
Total Other Financing Sources (Uses)	1,638,696	1,638,696	927,951	710,745	1,638,696	0
Net Change in Fund Balance	1,638,696	1,638,696	927,951	710,745	1,638,696	0
Fund Balances Beginning of Year	4,036,425	4,036,425	4,036,425	4,964,376	4,036,425	0
Fund Balances End of Year	5,675,121	5,675,121	4,964,376	5,675,121	5,675,121	0

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	585,818	585,818	326,919	329,043	655,962	70,144
Investment Interest	6,039	6,039	4,251	5,998	10,249	4,210
Total Revenues	591,857	591,857	331,170	335,041	666,212	74,355
Expenditures						
Current						
Economic Environment	631,692	734,350	379,147	292,767	671,914	62,436
Total Expenditures	631,692	734,350	379,147	292,767	671,914	62,436
Excess of revenues over expenditures	(39,835)	(142,493)	(47,977)	42,274	(5,703)	136,790
Net Change in Fund Balance	(39,835)	(142,493)	(47,977)	42,274	(5,703)	136,790
Fund Balances Beginning of Year	294,093	397,890	397,890	349,913	397,890	0
Fund Balances End of Year	254,258	255,397	349,913	392,187	392,187	136,790

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Charges for Services	80,000	80,000	74,345	74,280	148,625	68,625
Investment Interest	12,849	12,849	9,194	14,418	23,612	10,763
Total Revenues	92,849	92,849	83,539	88,698	172,237	79,388
Expenditures						
Current						
Physical Environment	170,981	170,588	87,905	68,422	156,327	14,261
Capital Outlay	17,200	17,200	3,200	1,200	4,400	12,800
Total Expenditures	188,181	187,788	91,105	69,622	160,727	27,061
Excess of revenues over expenditures	(95,332)	(94,939)	(7,566)	19,077	11,510	106,449
Other Financing Sources (Uses)						
Proceeds Sale of Fixed Assets	50,000	50,000	46,842	61,675	108,517	58,517
Total Other Financing Sources (Uses)	50,000	50,000	46,842	61,675	108,517	58,517
Net Change in Fund Balance	(45,332)	(44,939)	39,276	80,752	120,027	164,966
Fund Balances Beginning of Year	796,767	826,766	826,766	866,042	826,766	0
Fund Balances End of Year	751,435	781,827	866,042	946,793	946,793	164,966

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	2,726,189	2,726,189	1,346,416	1,386,855	2,733,271	7,082
Contributions/Donations	0	0	10,000	0	10,000	10,000
Investment Interest	10,001	10,001	6,903	11,589	18,492	8,491
Miscellaneous Revenues	25,200	25,200	9,272	12,830	22,102	(3,098)
Total Revenues	2,761,390	2,761,390	1,372,590	1,411,275	2,783,865	22,475
Expenditures						
Current						
Culture and Recreation	2,771,199	2,837,264	1,333,107	1,381,525	2,714,632	122,632
Total Expenditures	2,771,199	2,837,264	1,333,107	1,381,525	2,714,632	122,632
Excess of revenues over expenditures	(9,809)	(75,874)	39,484	29,749	69,233	145,107
Net Change in Fund Balance	(9,809)	(75,874)	39,484	29,749	69,233	145,107
Fund Balances Beginning of Year	571,711	677,076	677,076	716,560	677,076	0
Fund Balances End of Year	561,902	601,202	716,560	746,309	746,309	145,107

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	5,086,174	5,086,174	2,512,003	2,587,367	5,099,370	13,196
Charges for Services	150,000	178,973	96,366	75,925	172,291	(6,682)
Contributions/Donations	0	10,250	17,238	9,717	26,955	16,705
Investment Interest	17,011	17,011	7,471	15,214	22,685	5,674
Miscellaneous Revenues	13,000	13,000	12,242	14,457	26,699	13,699
Total Revenues	5,266,185	5,305,408	2,645,320	2,788,321	5,433,641	128,233
Expenditures						
Current						
Culture and Recreation	2,794,000	2,898,499	1,312,954	1,337,939	2,650,893	247,606
Capital Outlay	16,000	16,000	0	0	0	16,000
Total Expenditures	2,810,000	2,914,499	1,312,954	1,337,939	2,650,893	263,606
Excess of revenues over expenditures	2,456,185	2,390,909	1,332,366	1,450,382	2,782,748	391,839
Other Financing Sources (Uses)						
Insurance Recovery	0	0	785	0	785	785
Transfers In	122,140	140,910	41,246	21,255	62,501	(78,409)
Transfers Out	(2,700,000)	(2,688,600)	(1,418,908)	(624,000)	(2,042,908)	645,692
Total Other Financing Sources (Uses)	(2,577,860)	(2,547,690)	(1,376,877)	(602,745)	(1,979,622)	568,068
Net Change in Fund Balance	(121,675)	(156,781)	(44,511)	847,637	803,126	959,907
Fund Balances Beginning of Year	479,779	526,786	526,786	482,275	526,786	0
Fund Balances End of Year	358,104	370,005	482,275	1,329,912	1,329,912	959,907

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Charges for Services	8,240,080	8,353,934	2,095,080	10,475,489	12,570,570	4,216,636
Investment Interest	109,330	109,330	67,934	153,149	221,083	111,753
Total Revenues	8,349,410	8,463,264	2,163,014	10,628,639	12,791,653	4,328,389
Excess of revenues over expenditures	8,349,410	8,463,264	2,163,014	10,628,639	12,791,653	4,328,389
Other Financing Sources (Uses)						
Transfers In	0	206,822	281,822	0	281,822	75,000
Transfers Out	(7,959,080)	(8,407,934)	(3,825,080)	(4,570,354)	(8,395,434)	12,500
Total Other Financing Sources (Uses)	(7,959,080)	(8,201,112)	(3,543,258)	(4,570,354)	(8,113,612)	87,500
Net Change in Fund Balance	390,330	262,152	(1,380,244)	6,058,285	4,678,040	4,415,888
Fund Balances Beginning of Year	3,303,971	6,360,984	6,360,984	4,980,740	6,360,984	0
Fund Balances End of Year	3,694,301	6,623,136	4,980,740	11,039,024	11,039,024	4,415,888

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	960,352	960,352	480,875	477,923	958,798	(1,554)
Intergovernmental	1,061,070	1,061,070	535,862	527,750	1,063,613	2,543
Investment Interest	500	500	1,063	1,874	2,937	2,437
Miscellaneous Revenues	0	0	6,174	0	6,174	6,174
Total Revenues	2,021,922	2,021,922	1,023,975	1,007,548	2,031,522	9,600
Expenditures						
Debt Service						
Principal	3,274,915	3,274,915	1,664,715	1,280,000	2,944,715	330,200
Interest	3,836,479	3,836,479	1,900,399	1,795,708	3,696,107	140,372
Total Expenditures	7,111,394	7,111,394	3,565,115	3,075,708	6,640,822	470,572
Excess of revenues over expenditures	(5,089,472)	(5,089,472)	(2,541,140)	(2,068,160)	(4,609,300)	480,172
Other Financing Sources (Uses)						
Transfers In	5,109,180	5,109,180	2,558,967	2,550,213	5,109,180	0
Total Other Financing Sources (Uses)	5,109,180	5,109,180	2,558,967	2,550,213	5,109,180	0
Net Change in Fund Balance	19,708	19,708	17,827	482,053	499,880	480,172
Fund Balances Beginning of Year	45,813	74,191	74,191	92,018	74,191	0
Fund Balances End of Year	65,521	93,899	92,018	574,071	574,071	480,172

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, 2018

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Actual 2017-2018 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	1,163,860	1,163,860	580,840	579,378	1,160,218	(3,642)
Total Revenues	1,163,860	1,163,860	580,840	579,378	1,160,218	(3,642)
Expenditures						
Debt Service						
Principal	1,030,000	1,030,000	510,000	520,000	1,030,000	0
Interest	133,860	133,860	72,795	61,065	133,860	0
Total Expenditures	1,163,860	1,163,860	582,795	581,065	1,163,860	0
Excess of revenues over expenditures	0	0	(1,955)	(1,687)	(3,642)	(3,642)
Net Change in Fund Balance	0	0	(1,955)	(1,687)	(3,642)	(3,642)
Fund Balances Beginning of Year	342,716	304,237	304,237	302,282	304,237	0
Fund Balances End of Year	342,716	304,237	302,282	300,595	300,595	(3,642)

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, 2018

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Assets					
Current Assets					
Cash and Cash Equivalents	5,941,781	3,340,881	2,247,527	1,004,812	12,535,001
Investments	9,242,304	5,240,409	3,495,918	1,576,119	19,554,750
Accounts Receivable	4,985	432	169,992	18,662	194,071
Intergovernmental Receivable	7,028	0	0	79,208	86,236
Prepayments	12,420	13,092	0	46,000	71,512
Inventories	49,135	0	0	0	49,135
Total Current Assets	15,257,653	8,594,814	5,913,437	2,724,801	32,490,705
Noncurrent Assets					
Capital Assets					
Improvements	12,647	14,235	0	0	26,882
Equipment	23,597,873	12,773	0	43,760	23,654,406
Accumulated Depreciation	(12,775,712)	(7,716)	0	(37,636)	(12,821,064)
Total Capital Assets Net	10,834,808	19,292	0	6,124	10,860,224
Total Noncurrent Assets	10,834,808	19,292	0	6,124	10,860,224
Total Assets	26,092,461	8,614,106	5,913,437	2,730,925	43,350,929
Deferred Outflows of Resources					
Deferred Outflow Pension Contribution	49,761	44,459	0	219,533	313,753
Total Deferred Outflows of Resources	49,761	44,459	0	219,533	313,753
Liabilities					
Current Liabilities					
Accounts Payable	57,465	90,526	408,281	75,752	632,024
Claims Payable	0	0	397,000	0	397,000
Wages Payable	25,934	26,257	0	194,047	246,238
Benefits Payable	6,025	6,205	0	38,428	50,658
Compensated Absences Payable	33,694	32,475	0	110,139	176,308
Intergovernmental Payable	6,921	1,536	0	24,274	32,731
Due to Other Funds	0	6,156	0	0	6,156
Unearned Revenue	0	0	248,993	0	248,993
Total Current Liabilities	130,039	163,156	1,054,274	442,640	1,790,109
Noncurrent Liabilities					
Compensated Absences Payable	8,424	8,119	0	27,535	44,078
Net Pension Liability	299,634	267,705	0	1,321,901	1,889,240
Total Noncurrent Liabilities	308,058	275,824	0	1,349,436	1,933,318
Total Liabilities	438,097	438,980	1,054,274	1,792,076	3,723,427
Deferred Inflows of Resources					
Deferred Inflow Pension Related	119,877	107,104	0	528,866	755,847
Total Deferred Inflows of Resources	119,877	107,104	0	528,866	755,847
Net Position					
Investment in Capital Assets	10,834,808	19,292	0	6,124	10,860,224
Unrestricted	14,749,440	8,093,189	4,859,163	623,392	28,325,184
Total Net Position	25,584,248	8,112,481	4,859,163	629,516	39,185,408

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, 2018

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Operating Revenues					
Charges for Services	4,681,216	3,872,357	6,992,380	6,512,316	22,058,269
Miscellaneous Revenues	19,409	74,089	0	63,785	157,283
Total Operating Revenues	4,700,625	3,946,446	6,992,380	6,576,101	22,215,552
Operating Expenses					
Administrative & General	893,359	290,911	6,909,554	2,423,721	10,517,545
Supplies	22,425	141,041	0	288,139	451,605
Maintenance & Operations	1,279,545	1,984,598	0	3,317,611	6,581,754
Depreciation	1,813,315	3,858	0	3,062	1,820,235
Total Operating Expenses	4,008,644	2,420,408	6,909,554	6,032,533	19,371,139
Operating Income (Loss)	691,981	1,526,037	82,826	543,568	2,844,412
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	227,361	0	97,099	0	324,460
Gain (loss) on Disposal of Capital Assets	131,137	0	0	0	131,137
Other Nonoperating Revenues/(Expenses)	35,304	0	0	0	35,304
Total Nonoperating Revenues (Expenses)	393,802	0	97,099	0	490,901
Income (Loss) before Contributions and Transfers	1,085,783	1,526,037	179,925	543,568	3,335,313
Transfers In	465,628	0	0	33,000	498,628
Transfers Out	0	(553,500)	0	0	(553,500)
Change in Net Position	1,551,411	972,537	179,925	576,568	3,280,441
Total Net Position - Beginning	24,032,837	7,139,944	4,679,238	52,948	35,904,967
Total Net Position - Ending	25,584,248	8,112,481	4,859,163	629,516	39,185,408

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, 2017

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Cash Flows From Operating Activities					
Cash Received From Interfund Charges	4,672,710	3,869,957	160,995	6,218,571	14,922,233
Contributions Received from Employees and Employer	0	0	6,681,246	0	6,681,246
Cash From Other Sources	26,372	76,489	475,697	335,626	914,184
Cash Paid to Suppliers for Goods and Services	(709,839)	(1,541,381)	(4,272,579)	(2,054,487)	(8,578,286)
Cash Paid to Employees for Services	(910,255)	(852,814)	(148,931)	(4,183,040)	(6,095,040)
Cash Paid for Central Business Functions	(633,759)	(154,968)	(2,380,189)	(223,297)	(3,392,213)
Cash Provided by Operating Activities	2,445,229	1,397,283	516,239	93,373	4,452,124
Cash Flows From Noncapital Financing Activities					
Transfers In	465,628	0	0	33,000	498,628
Transfers Out	0	(553,500)	0	0	(553,500)
Cash Provided by (Used for) Noncapital Financing Activities	465,628	(553,500)	0	33,000	(54,872)
Cash Flows From Capital and Related Financing Activities					
Proceeds From Sale of Assets and Insurance Recoveries	227,747	0	0	0	227,747
Acquisition and Construction of Capital Assets	(1,138,168)	0	0	0	(1,138,168)
Cash Provided by (Used for) Capital and Related Financing Activities	(910,421)	0	0	0	(910,421)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	(155,908)	196,106	108,649	148,499	297,346
Interest Revenue	218,529	0	84,534	0	303,063
Cash Provided by Investing Activities	62,621	196,106	193,183	148,499	600,409
Increase (Decrease) in Cash and Cash Equivalents	2,063,057	1,039,889	709,422	274,872	4,087,240
Cash and Cash Equivalents, January 1	3,878,724	2,300,992	1,538,105	729,940	8,447,761
Cash and Cash Equivalents, December 31	5,941,781	3,340,881	2,247,527	1,004,812	12,535,001
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities					
Operating Income (Loss)	691,981	1,526,037	82,826	543,568	2,844,412
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	1,813,315	3,858	0	3,062	1,820,235
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	1,596	5,579	76,565	(4,517)	79,223
(Increase) Decrease of Insurance Recovery Accounts Receivable	(3,222)	0	0	0	(3,222)
(Increase) Decrease in Inventories	8,057	0	0	0	8,057
(Increase) Decrease in Intergovernmental Receivable	86	0	0	(79,208)	(79,122)
(Increase) Decrease in Prepayments	(6,615)	(7,818)	0	(23,138)	(37,571)
(Increase) Decrease in Pension Deferred Outflows of Resources	27,877	32,513	0	138,658	199,048
Increase (Decrease) in Pension Deferred Inflows of Resources	48,610	36,450	0	200,067	285,127
Increase (Decrease) in Net Pension Liability	(145,292)	(173,400)	0	(730,811)	(1,049,503)
Increase (Decrease) in Accounts Payable	(65,838)	(28,758)	240,854	(19,952)	126,306
Increase (Decrease) in Capital Accounts Payable	85,634	0	0	0	85,634
Increase (Decrease) in Claims Payable	0	0	(133,000)	0	(133,000)
Increase (Decrease) in Intergovernmental Payable	(3,804)	(5,935)	0	(421)	(10,160)
Increase (Decrease) in Unearned Revenue	0	0	248,993	0	248,993
Increase (Decrease) in Due to Other Funds	0	(3,879)	0	0	(3,879)
Increase (Decrease) in Wages Payable	82	3,250	0	61,795	65,127
Increase (Decrease) in Benefits Payable	213	867	0	12,975	14,055
Increase (Decrease) in Compensated Absences Payable	(7,451)	8,519	0	(8,261)	(7,193)
Increase (Decrease) in Advance Pay Facility Leases	0	0	0	(444)	(444)
Cash Provided by Operating Activities	2,445,229	1,397,283	516,239	93,373	4,452,124
Noncash Investing, Capital and Finance Activities:					
Change in Fair Value of Investments	0	0	0	0	0

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
For the fiscal year ended December 31, 2018

	Intergovernmental Clearing	Customer Deposits	2018
Assets			
Cash and Cash Equivalents	252,487	0	252,487
Deposits	0	4,624,302	4,624,302
Total Assets	252,487	4,624,302	4,876,789
Liabilities			
Current Liabilities			
Due to Other Governments	2,776	0	2,776
Deposits	249,711	4,624,302	4,874,013
Total Liabilities	252,487	4,624,302	4,876,789

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, 2018

	01/01/18 Balance	Additions	Deletions	12/31/18 Balance
Intergovernmental Custodial				
Assets				
Cash and Cash Equivalents	196,667	29,452,702	29,396,882	252,487
Total Assets	<u>196,667</u>	<u>29,452,702</u>	<u>29,396,882</u>	<u>252,487</u>
Liabilities				
Due to Other Governments	179,415	2,892,862	3,069,501	2,776
Deposits	17,252	27,212,143	26,979,684	249,711
Total Liabilities	<u>196,667</u>	<u>30,105,005</u>	<u>30,049,185</u>	<u>252,487</u>
Customer Deposits				
Assets				
Deposits	3,716,004	1,827,562	919,264	4,624,302
Total Assets	<u>3,716,004</u>	<u>1,827,562</u>	<u>919,264</u>	<u>4,624,302</u>
Liabilities				
Deposits	3,716,004	2,076,178	1,167,880	4,624,302
Total Liabilities	<u>3,716,004</u>	<u>2,076,178</u>	<u>1,167,880</u>	<u>4,624,302</u>
Totals - All Agency Funds				
Assets				
Cash and Cash Equivalents	196,667	29,452,702	29,396,882	252,487
Deposits	3,716,004	1,827,562	919,264	4,624,302
Total Assets	<u>3,912,671</u>	<u>31,280,264</u>	<u>30,316,146</u>	<u>4,876,789</u>
Liabilities				
Due to Other Governments	179,415	2,892,862	3,069,501	2,776
Deposits	3,733,256	29,288,321	28,147,564	4,874,013
Total Liabilities	<u>3,912,671</u>	<u>32,181,183</u>	<u>31,217,065</u>	<u>4,876,789</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, 2018
Unaudited

	<u>2018</u>
Governmental Funds Capital Assets:	
Land	\$ 605,728,608
Buildings	42,435,186
Improvements other than Buildings	91,988,914
Machinery and Equipment	3,921,975
Artwork	2,153,449
Infrastructure	287,426,478
Construction in Progress	17,818,883
Total Governmental Funds Capital Assets	<u><u>\$ 1,051,473,493</u></u>

Investments in Governmental Funds Capital Assets by Source:	
General Fund	\$ 340,930,025
Special Revenue Funds	2,016,748
Impact Fees	25,169,635
Federal Grants	21,658,732
General Obligation Bonds	59,603,306
Private Gifts	13,990,869
Annexation	588,104,178
Total Governmental Funds Capital Assets	<u><u>\$ 1,051,473,493</u></u>

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



City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2018
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 9,246,416	\$ 15,337,999	\$ 28,888,663	\$ 2,359,362	\$ 120,998	\$ -	\$ 1,830,624	\$ 57,784,062
Judicial	-	-	-	-	-	-	-	\$ -
Security								
Police	5,367,905	5,157,399	33,913,599	235,969	99,383	-	42,342	\$ 44,816,597
Fire	1,311,600	5,233,396	4,270,938	808,921	36,750	-	419,108	\$ 12,080,713
Total Security	<u>6,679,505</u>	<u>10,390,795</u>	<u>38,184,537</u>	<u>1,044,890</u>	<u>136,133</u>	<u>-</u>	<u>461,450</u>	<u>56,897,310</u>
Transportation	524,166,012	5,845,821	392,794	205,741	-	287,426,478	12,741,351	\$ 830,778,197
Physical Environment	64,578	-	1,053,377	62,785	-	-	-	\$ 1,180,740
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	601,467	-	-	-	-	-	-	\$ 601,467
Culture and Recreation	64,970,630	10,860,571	23,469,543	249,197	1,896,318	-	2,785,458	\$ 104,231,717
Total Governmental Funds Capital Assets	\$ 605,728,608	\$ 42,435,186	\$ 91,988,914	\$ 3,921,975	\$ 2,153,449	\$ 287,426,478	\$ 17,818,883	\$ 1,051,473,493

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, 2018
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets Jan 1, 2018	Additions	Deductions	Governmental Funds Capital Assets Dec 31, 2017
General Govt	\$ 54,949,555	\$ 5,361,953	\$ 2,527,446	\$ 57,784,062
Judicial	-	-	-	-
Security				
Police	44,766,005	58,842	8,250	44,816,597
Fire	10,047,701	6,436,284	4,403,272	12,080,713
Total Security	<u>54,813,706</u>	<u>6,495,126</u>	<u>4,411,522</u>	<u>56,897,310</u>
Transportation	821,724,974	14,442,903	5,389,680	830,778,197
Physical Environment	1,184,120	1,200	4,580	1,180,740
Economic Environment	211,702	-	211,702	-
Human Services	-	601,467	-	601,467
Culture and Recreation	97,861,110	23,038,049	16,667,442	104,231,717
Total Governmental Funds Capital Assets	<u>\$1,030,745,167</u>	<u>\$ 49,940,698</u>	<u>\$29,212,372</u>	<u>\$1,051,473,493</u>

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

<i>Statistical Section</i>	<i>Page</i>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	155
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	160
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	166
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	171
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	174

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 169,257,160	\$ 171,816,615	\$ 765,633,941	\$ 776,309,902	\$ 777,116,200	\$ 792,032,185	\$ 808,553,668	\$ 808,933,913	\$ 813,489,653	\$ 824,986,759
Restricted	1,537,901	25,655,616	56,174,364	51,718,526	33,724,447	39,548,651	51,630,241	65,000,390	74,853,784	93,471,783
Unrestricted	68,705,257	41,958,087	20,984,369	31,820,341	63,270,315	68,438,296	53,070,324	58,812,732	65,045,653	66,651,989
Total Governmental Activities Net Position	\$ 239,500,318	\$ 239,430,318	\$ 842,792,674	\$ 859,848,769	\$ 874,110,962	\$ 900,019,132	\$ 913,254,233	\$ 932,747,035	\$ 953,389,090	\$ 985,110,531
Business-type Activities										
Net Investment in Capital Assets	\$ 114,800,561	\$ 116,940,418	\$ 135,167,834	\$ 138,359,034	\$ 142,458,066	\$ 151,092,784	\$ 158,155,675	\$ 158,304,984	\$ 166,859,626	\$ 172,214,574
Restricted	118,288	822,275	821,130	488,200	484,500	-	-	-	-	-
Unrestricted	33,275,413	35,285,938	39,518,104	42,401,172	45,271,055	50,717,355	52,534,113	58,915,069	58,227,844	61,329,539
Total Business-type Net Position	\$ 148,194,262	\$ 153,048,631	\$ 175,507,068	\$ 181,248,406	\$ 188,213,621	\$ 201,810,139	\$ 210,689,788	\$ 217,220,053	\$ 225,087,470	\$ 233,544,113
Primary Government										
Net Investment in Capital Assets	\$ 284,057,721	\$ 288,757,033	\$ 900,801,775	\$ 914,668,936	\$ 919,574,266	\$ 943,124,969	\$ 966,709,343	\$ 967,238,897	\$ 980,349,279	\$ 997,201,333
Restricted	1,656,189	26,477,891	56,995,494	52,206,726	34,208,947	39,548,651	51,630,241	65,000,390	74,853,784	93,471,783
Unrestricted	101,980,670	77,244,025	60,502,473	74,221,513	108,541,370	119,155,651	105,604,437	117,727,801	123,273,497	127,981,528
Total Primary Government Net Position	\$ 387,694,580	\$ 392,478,949	\$1,018,299,742	\$ 1,041,097,175	\$ 1,062,324,583	\$ 1,101,829,271	\$ 1,123,944,021	\$ 1,149,967,088	\$ 1,178,476,560	\$ 1,218,654,644

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

	Fiscal Year									
	2009	2010	2011	2012 ¹	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
General Government	\$ 4,568,923	\$ 4,573,285	\$ 4,985,746	\$ 4,996,539	\$ 5,598,429	\$ 5,918,750	\$ 9,401,861	\$ 8,918,548	\$ 12,234,921	\$ 10,755,283
Judicial	1,650,882	1,655,987	1,961,880	2,152,625	2,254,173	2,331,733	2,320,454	2,090,988	2,345,334	2,326,681
Security of Persons and Property	33,747,603	34,218,384	38,342,580	41,376,492	44,501,316	46,493,793	49,707,323	51,377,094	51,820,913	50,448,353
Physical Environment	1,705,151	1,266,318	1,983,567	2,088,842	1,320,358	1,533,702	1,136,320	1,154,543	986,341	890,022
Transportation	9,636,435	9,547,626	8,874,943	14,556,590	17,060,710	16,790,922	18,780,143	20,547,650	21,191,932	22,143,199
Human Services	1,262,160	1,254,029	1,168,688	1,247,531	1,328,171	1,402,936	1,462,975	1,598,994	1,374,295	3,201,640
Economic Environment	5,032,794	5,208,705	4,581,729	5,477,609	6,351,765	7,424,372	7,486,355	7,697,645	8,997,772	8,626,173
Culture and Recreation	7,547,669	7,162,320	7,360,003	7,842,007	9,145,795	9,897,398	10,881,414	10,691,708	10,459,005	10,421,768
Interest on Long Term Debt	706,000	776,642	2,110,842	2,238,879	2,129,096	1,980,886	1,978,302	2,044,592	1,973,194	1,909,573
Total Governmental Activities	\$ 65,857,617	\$ 65,663,296	\$ 71,369,978	\$ 81,977,114	\$ 89,689,813	\$ 93,774,492	\$ 103,155,147	\$ 106,121,762	\$ 111,383,707	\$ 110,722,692
Business Type Activities										
Water/Sewer	\$ 16,808,870	\$ 17,102,179	\$ 18,820,946	\$ 19,448,287	\$ 23,680,956	\$ 23,533,587	\$ 24,970,363	\$ 25,774,579	\$ 26,468,702	\$ 27,677,666
Surface Water	4,117,152	3,987,932	4,695,287	5,798,425	6,827,829	7,064,149	7,970,934	9,953,616	9,425,985	9,689,409
Solid Waste	8,112,106	8,057,897	10,655,055	13,191,812	16,005,799	15,727,658	16,040,939	16,225,830	17,162,439	17,373,591
Total Business Type Activities	\$ 29,038,128	\$ 29,148,008	\$ 34,171,288	\$ 38,438,524	\$ 46,514,584	\$ 46,325,394	\$ 48,982,236	\$ 51,954,025	\$ 53,057,126	\$ 54,740,666
Total Primary Government Expenses	\$ 94,895,745	\$ 94,811,304	\$ 105,541,266	\$ 120,415,638	\$ 136,204,397	\$ 140,099,886	\$ 152,137,383	\$ 158,075,787	\$ 164,440,833	\$ 165,463,358
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 2,960,276	\$ 3,226,434	\$ 5,329,054	\$ 6,193,191	\$ 6,426,151	\$ 7,092,815	\$ 7,284,611	\$ 7,553,305	\$ 8,192,037	\$ 9,387,518
Judicial	1,776,732	1,813,501	2,011,693	1,884,924	2,077,796	1,905,705	1,829,225	1,296,178	1,099,027	888,804
Security of Persons and Property	6,487,767	5,404,357	3,899,269	2,517,728	3,122,082	3,095,773	3,890,200	3,611,717	2,594,190	2,442,239
Physical Environment	443,828	332,774	841,679	1,245,290	1,565,435	1,377,746	1,842,902	2,137,154	2,605,310	2,510,609
Transportation	526,401	335,034	778,133	1,287,801	2,066,637	3,179,516	1,963,695	4,574,502	2,210,112	4,638,195
Economic Environment	2,152,903	2,181,134	2,793,946	4,579,991	5,278,298	5,665,855	7,639,110	9,785,849	9,245,932	12,134,989
Culture and Recreation	1,334,207	1,245,180	1,338,704	1,834,283	1,925,556	2,405,184	3,538,719	2,697,053	2,457,184	7,965,572
Operating Grants and Contributions	2,133,689	1,730,706	2,014,483	5,027,871	2,009,909	2,103,718	2,548,835	2,748,851	2,652,231	3,664,172
Capital Grants and Contributions	1,076,498	2,804,824	591,553,694	1,958,280	6,520,630	12,793,588	17,103,275	2,799,250	8,233,444	6,387,341
Total Governmental Activities	\$ 18,892,301	\$ 19,073,944	\$ 610,560,655	\$ 26,529,359	\$ 30,992,494	\$ 39,619,900	\$ 47,640,572	\$ 37,203,859	\$ 39,289,467	\$ 50,019,439

	Fiscal Year									
	2009	2010	2011	2012 ¹	2013	2014	2015	2016	2017	2018
Business Type Activities										
Charges for Service										
Water/Sewer	\$ 18,491,063	\$ 18,387,062	\$ 19,736,206	\$ 21,066,391	\$ 25,091,105	\$ 26,145,803	\$ 27,796,967	\$ 28,308,302	\$ 28,575,144	\$ 29,625,918
Surface Water	5,279,088	5,122,063	6,777,735	8,502,468	8,952,552	9,067,528	9,622,071	9,948,240	10,211,308	10,462,546
Solid Waste	8,336,846	8,007,631	10,063,072	12,746,781	16,391,610	16,147,436	16,463,224	16,847,535	17,489,671	17,876,644
Operating Grants and Contributions	364,251	313,490	529,923	284,721	277,666	423,061	252,351	244,933	267,938	380,800
Capital Grants and Contributions	3,071,321	1,950,653	20,029,622	2,194,949	3,292,523	8,288,574	6,794,503	3,629,064	4,742,986	5,843,416
Total Business Type Activities	\$ 35,542,569	\$ 33,780,899	\$ 57,136,558	\$ 44,795,310	\$ 54,005,456	\$ 60,072,402	\$ 60,929,116	\$ 58,978,074	\$ 61,287,047	\$ 64,189,324
Total Program Revenues	\$ 54,434,870	\$ 52,854,843	\$ 667,697,213	\$ 71,324,669	\$ 84,997,950	\$ 99,692,302	\$ 108,569,688	\$ 96,181,933	\$ 100,576,514	\$ 114,208,763
Net (Expense)/Revenue										
Governmental Activities	\$ (46,965,316)	\$ (46,589,352)	\$ 539,190,677	\$ (55,447,755)	\$ (58,697,319)	\$ (54,154,592)	\$ (55,514,575)	\$ (68,917,903)	\$ (72,094,240)	\$ (60,703,253)
Business Type Activities	6,504,441	4,632,891	22,965,270	6,356,786	7,490,872	13,747,008	11,946,880	7,024,049	8,229,921	9,448,658
Total Net Expense	\$ (40,460,875)	\$ (41,956,461)	\$ 562,155,947	\$ (49,090,969)	\$ (51,206,447)	\$ (40,407,584)	\$ (43,567,695)	\$ (61,893,854)	\$ (63,864,319)	\$ (51,254,595)
General Revenues										
Governmental Activities										
Taxes										
Property Taxes	\$ 14,804,560	\$ 14,699,191	\$ 21,815,979	\$ 21,435,319	\$ 26,617,501	\$ 27,178,110	\$ 27,890,261	\$ 28,585,488	\$ 29,340,885	\$ 31,695,703
Sales Taxes	13,473,254	14,083,506	16,600,753	20,813,009	22,774,745	23,974,307	25,694,212	26,966,254	29,101,348	30,116,512
Excise Taxes	1,999,843	2,974,586	3,544,099	5,434,137	6,896,100	7,270,619	9,349,674	10,338,111	10,579,790	12,195,884
Business Taxes	1,936,971	2,023,534	2,346,885	2,371,259	2,476,984	2,489,060	2,311,279	2,631,939	2,858,364	3,273,007
Utility Taxes	10,825,038	10,339,384	12,302,205	14,141,722	15,062,187	14,892,606	14,643,852	15,838,161	14,816,653	14,200,416
Other Taxes	1,159,940	968,004	2,151,532	2,773,320	2,195,147	2,324,241	2,513,546	1,722,548	2,761,796	2,707,132
Unrestricted Grants/Contributions	215,697	115,815	105,458	99,929	204,330	229,671	723,679	396,024	714,942	713,252
Investment Earnings	1,442,357	744,667	893,905	588,839	48,505	1,078,754	915,706	901,531	1,093,185	2,718,370
Gain (Loss) Sale of Capital Assets	106,852	397,866	38,694	46,215	32,395	-	63,123	179,129	713,732	1,749,629
Transfers, Internal Activities	150,000	172,799	840,362	865,313	586,406	537,149	1,183,245	851,520	755,600	1,940,203
Total Governmental Activities	\$ 46,114,512	\$ 46,519,352	\$ 60,639,872	\$ 68,569,062	\$ 76,894,300	\$ 79,974,517	\$ 85,288,577	\$ 88,410,705	\$ 92,736,295	\$ 101,310,108
Business Type Activities										
Investment Earnings	\$ 722,648	\$ 394,277	\$ 333,529	\$ 249,865	\$ 64,334	\$ 386,690	\$ 349,280	\$ 357,736	\$ 393,096	\$ 948,188
Gain (Loss) Sale of Capital Assets	-	-	-	-	(3,585)	(31)	(28,013)	-	-	-
Transfers, Internal Activities	(150,000)	(172,799)	(840,362)	(865,313)	(586,406)	(537,149)	(1,183,245)	(851,520)	(755,600)	(1,940,203)
Total Business Type Activities	\$ 572,648	\$ 221,478	\$ (506,834)	\$ (615,448)	\$ (525,657)	\$ (150,490)	\$ (861,978)	\$ (493,784)	\$ (362,504)	\$ (992,015)
Total Primary Government	\$ 46,687,160	\$ 46,740,830	\$ 60,133,038	\$ 67,953,614	\$ 76,368,643	\$ 79,824,027	\$ 84,426,599	\$ 87,916,921	\$ 92,373,791	\$ 100,318,093
Change in Net Position										
Governmental Activities	\$ (850,804)	\$ (70,000)	\$ 599,830,549	\$ 13,121,307	\$ 18,196,981	\$ 25,819,925	\$ 29,774,002	\$ 19,492,802	\$ 20,642,055	\$ 40,606,855
Business Type Activities	7,077,089	4,854,369	22,458,437	5,741,338	6,965,215	13,596,518	11,084,902	6,530,265	7,867,417	8,456,643
Total Change in Net Position	\$ 6,226,285	\$ 4,784,369	\$ 622,288,986	\$ 18,862,645	\$ 25,162,196	\$ 39,416,443	\$ 40,858,904	\$ 26,023,067	\$ 28,509,472	\$ 49,063,498

¹ 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund (Per GASB 54)¹										
Nonspendable			\$ 260,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443,551	\$ 743,419
Restricted			462,762	587,434	601,933	1,315,449	147,514	162,587	246,825	1,953,095
Committed			6,187,802	2,569,900	2,808,391	2,322,236	2,271,414	4,144,197	5,149,052	4,041,544
Assigned			13,869,876	12,467,508	14,821,433	16,178,706	15,145,089	15,907,714	23,752,075	31,606,211
Unassigned			7,844,233	16,971,158	16,647,490	17,725,868	21,275,640	25,924,394	19,771,877	22,747,242
General Fund (Prior GASB 54)¹										
Reserved	\$ -	\$ -								
Unreserved	7,664,519	6,429,953								
Total General Fund	\$ 7,664,519	\$ 6,429,953	\$28,624,767	\$32,596,000	\$34,879,247	\$37,542,259	\$38,839,657	\$46,138,892	\$49,363,380	\$61,091,511
All Other Governmental Funds (Per GASB 54)¹										
Nonspendable			\$ 2,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,384	\$ 26,557
Restricted			48,877,848	47,009,318	28,768,370	34,074,711	49,211,313	56,452,562	62,749,061	75,227,078
Committed			383,112	1,522,838	1,545,753	1,836,255	-	-	10,000	241,759
Assigned			10,332,233	10,432,282	16,944,228	13,475,518	15,251,585	10,357,078	17,084,552	15,424,857
Unassigned			-	-	-	-	-	-	-	-
All Other Governmental Funds (Prior GASB 54)¹										
Reserved	\$ 1,589,550	\$26,308,722								
Unreserved, reported in:										
Special Revenue Funds	24,498,161	23,783,597								
Capital Projects Funds	23,439,218	21,641,181								
Total all Other Governmental Funds	\$49,526,929	\$71,733,500	\$59,595,938	\$58,964,437	\$47,258,351	\$49,386,484	\$64,462,898	\$66,809,640	\$79,855,997	\$90,920,251

¹ 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes and Assessments	\$ 43,627,322	\$ 44,451,281	\$ 57,482,839	\$ 65,360,731	\$ 74,738,398	\$ 76,849,838	\$ 81,488,933	\$ 84,708,112	\$ 88,421,066	\$ 93,218,047
Licenses and Permits	3,277,794	3,262,940	5,279,547	7,068,382	8,004,902	8,337,352	8,562,661	9,960,579	9,432,196	13,513,898
Intergovernmental	8,965,670	9,608,276	9,123,231	8,243,496	7,297,780	9,142,240	11,361,368	6,477,564	9,100,613	8,817,609
Charges for Services	8,753,980	8,832,375	9,848,611	13,501,666	15,279,129	17,019,957	18,291,286	23,313,222	21,246,107	29,868,343
Fines and Forfeitures	1,506,082	1,652,358	1,943,538	1,889,569	2,171,989	2,143,143	1,890,032	1,684,718	1,814,159	1,526,762
Investment Interest	1,654,092	676,043	803,086	527,466	53,779	865,129	787,521	775,507	957,004	2,393,908
Miscellaneous Revenues	816,419	699,030	1,019,273	1,088,652	1,051,682	1,507,007	2,244,804	1,516,895	1,493,683	1,787,305
Total Revenues	\$ 68,601,359	\$ 69,182,303	\$ 85,500,125	\$ 97,679,962	\$ 108,597,659	\$ 115,864,666	\$ 124,626,605	\$ 128,436,597	\$ 132,464,828	\$ 151,125,872
Expenditures										
Current										
General Government	\$ 9,550,636	\$ 9,164,515	\$ 10,067,748	\$ 11,089,878	\$ 11,610,891	\$ 11,491,334	\$ 13,913,401	\$ 14,467,522	\$ 14,341,656	\$ 16,775,220
Security of Persons and Property	32,479,111	33,155,872	37,665,018	40,515,907	42,734,394	44,860,397	47,717,141	47,070,679	50,996,823	52,297,905
Physical Environment	3,488,651	3,211,041	3,635,642	3,981,111	3,249,605	3,468,559	3,346,318	4,002,024	4,409,521	4,919,989
Transportation	6,957,494	6,554,789	6,087,389	8,384,173	10,165,878	10,482,081	11,653,620	12,493,646	13,221,359	13,941,430
Economic Environment	6,309,295	6,532,329	6,121,483	6,799,931	7,902,345	8,845,262	9,031,130	10,304,531	10,455,178	12,515,008
Culture and Recreation	6,764,722	6,330,916	6,517,613	6,869,066	7,901,305	8,841,426	9,922,640	9,170,244	9,481,680	10,038,459
Debt Service										
Principal	2,190,000	1,410,000	1,705,000	2,545,313	2,431,451	2,537,949	3,269,817	2,107,068	2,174,715	2,217,770
Interest	722,333	646,041	2,247,480	2,238,879	2,129,096	1,980,886	1,899,676	2,044,592	1,973,194	1,909,573
Bond Issuance Costs	-	98,507	48,679	-	-	-	78,625	-	-	-
Capital Outlay	10,882,097	17,357,329	9,008,550	12,212,995	30,701,746	22,545,900	18,359,423	17,592,097	14,211,392	23,726,075
Total Expenditures	\$ 79,344,339	\$ 84,461,339	\$ 83,104,602	\$ 94,637,253	\$ 118,826,711	\$ 115,053,794	\$ 119,191,791	\$ 119,252,403	\$ 121,265,518	\$ 138,341,429
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ (10,742,980)	\$ (15,279,036)	\$ 2,395,523	\$ 3,042,709	\$ (10,229,052)	\$ 810,872	\$ 5,434,814	\$ 9,184,193	\$ 11,199,310	\$ 12,784,443
Other Financing Sources (Uses)										
Issuance of Debt	\$ -	\$ 35,345,000	\$ 4,255,000	\$ -	\$ 4,670,000	\$ -	\$ 5,800,000	\$ -	\$ -	\$ -
Refunded Amount to Escrow	-	-	(4,385,000)	-	(4,655,000)	-	-	-	-	-
Bond Discount	-	(373,661)	185,317	-	-	-	-	-	-	-
Debt Issue Cost	-	-	-	-	(32,500)	-	-	-	-	-
Sale of Capital Assets	33,036	366,825	38,694	43,206	615,963	3,216,797	36,992	51,542	2,462,068	6,562,498
Insurance Recovery	5,520	5,540	818	-	148,353	41,690	341,639	239,979	406,140	252,869
Transfers In	19,453,883	9,489,033	9,032,665	16,243,715	18,172,493	18,176,032	25,231,417	22,523,986	35,300,328	32,908,505
Transfers Out	(18,297,093)	(8,581,696)	(8,997,572)	(15,989,897)	(18,113,096)	(17,454,246)	(20,471,050)	(22,353,723)	(33,097,002)	(30,913,431)
Total Other Financing Sources (Uses)	1,195,346	36,251,041	129,922	297,024	806,213	3,980,273	10,938,998	461,784	5,071,534	8,810,441
Net Change in Fund Balance	\$ (9,547,634)	\$ 20,972,005	\$ 2,525,445	\$ 3,339,733	\$ (9,422,839)	\$ 4,791,145	\$ 16,373,812	\$ 9,645,977	\$ 16,270,844	\$ 21,594,884
Debt Service as a percentage of noncapital expenditures	4.25%	3.06%	5.33%	5.80%	5.18%	4.88%	5.13%	4.08%	3.87%	3.60%

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>
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	1.85
2014	\$ 18,050,018,215	\$407,273,440	\$ 18,457,291,655	1.72
2015	\$ 19,818,344,668	\$435,282,325	\$ 20,253,626,993	1.55
2016	\$ 21,783,054,865	\$429,318,516	\$ 22,212,373,381	1.41
2017	\$ 24,756,207,744	\$478,434,919	\$ 25,234,642,663	1.31
2018	\$ 29,078,518,418	\$439,947,838	\$ 29,518,466,256	1.18

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	
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	0.07	1.85	3.75	1.54	2.70	0.30	0.52	0.57	0.23	11.46
2014	1.66	0.06	1.72	3.51	1.52	2.62	0.33	0.47	0.56	0.22	10.95
2015	1.50	0.04	1.55	3.30	1.35	2.42	0.30	0.40	0.50	0.19	10.01
2016	1.37	0.04	1.41	3.11	1.61	2.17	0.28	0.37	0.48	0.17	9.60
2017	1.28	0.04	1.31	3.16	1.75	2.03	0.26	0.36	0.45	0.15	9.48
2018	1.14	0.04	1.18	3.03	1.66	2.92	0.24	0.33	0.41	0.14	9.90

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

Schedule 7

City of Kirkland

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

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<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Essex Portfolio LP	\$ 288,402,105	1	0.98%	47,200,000	7	0.42%
Carillon Properties	281,202,818	2	0.95%	\$ 167,576,046	1	1.48%
PR II Kirkland Urban LLC	182,298,000	3	0.62%			
GSIC Forbes Creek Reit, Inc.	141,730,560	4	0.48%	79,360,000	3	0.70%
SCG Atlas (Woodlake & Heronfield Apts)	135,642,000	5	0.46%	35,350,000	10	0.31%
Thrive Communities (Prometheus Real Estate Group)	129,217,000	6	0.44%			
Balaclava Holdings, Inc.	93,219,700	7	0.32%	37,708,598	9	0.33%
Puget Sound Energy Electricity/Gas	87,277,978	8	0.30%			
Waterscape Village LLC	87,220,000	9	0.30%			
Yeung Angel	85,860,000	10	0.29%			
Villaggio				94,900,000	2	0.84%
Plaza at Yarrow Bay Inc				72,208,300	4	0.64%
Property Tax Advisors LLC				61,280,300	5	0.54%
BRE Properties				55,800,000	6	0.49%
Touchstone KPP Development				37,924,700	8	0.34%
Totals	<u>\$ 1,512,070,161</u>		<u>5.14%</u>	<u>\$ 689,307,944</u>		<u>6.09%</u>

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2009	\$ 14,958,836	\$ 14,520,416	97.07%	\$ 407,071	\$ 14,927,487	99.79%
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ 303,082	\$ 14,731,536	99.90%
2011	\$ 21,792,076	\$ 21,498,711	98.65%	\$ 289,455	\$ 21,788,166	99.98%
2012	\$ 20,926,668	\$ 20,663,153	98.74%	\$ 263,236	\$ 20,926,389	99.99%
2013	\$ 26,328,493	\$ 25,909,705	98.41%	\$ 336,336	\$ 26,246,041	99.69%
2014	\$ 26,826,311	\$ 26,427,503	98.51%	\$ 334,643	\$ 26,762,146	99.76%
2015	\$ 27,500,146	\$ 27,113,476	98.59%	\$ 332,236	\$ 27,445,712	99.80%
2016	\$ 28,201,752	\$ 27,785,359	98.52%	\$ 333,096	\$ 28,118,455	99.70%
2017	\$ 28,928,378	\$ 28,543,348	98.67%	\$ 263,624	\$ 28,806,972	99.58%
2018	\$ 29,776,936	\$ 29,347,051	98.56%	\$ -	\$ 29,347,051	98.56%

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Services	\$ 1,450,142	\$ 1,609,846	\$ 1,692,708	\$ 1,635,896	\$ 2,096,563	\$ 2,357,782	\$ 2,553,773	\$ 2,688,805	\$ 2,842,908	\$ 3,136,670
Contracting	1,727,379	1,739,823	1,748,813	2,544,008	2,739,984	2,866,557	2,980,957	3,443,988	4,573,497	5,514,739
Communications	481,053	439,692	476,189	442,779	472,092	505,170	521,689	537,934	592,699	549,191
Automotive/Gas Retail	2,650,594	3,038,615	3,161,851	3,655,104	4,147,690	4,383,760	4,735,672	4,757,711	5,042,218	4,951,935
Gen Merch/ Misc Retail	1,929,745	1,745,038	1,802,876	1,876,502	2,004,660	2,000,157	2,086,086	2,078,161	1,965,613	2,348,637
Retail Eating/Drinking	1,126,930	1,063,913	1,145,123	1,273,290	1,371,105	1,480,720	1,571,340	1,595,199	1,683,847	1,719,164
Other Retail	1,546,911	1,614,016	1,694,262	1,988,615	2,125,084	2,452,917	2,513,329	2,753,838	2,858,068	3,034,390
Wholesale	546,513	725,093	709,686	564,302	759,399	829,962	903,425	957,368	1,009,745	1,063,075
Miscellaneous	785,660	830,820	956,682	829,768	888,736	1,086,724	1,077,541	1,260,127	1,283,970	1,434,982
Total	\$ 12,244,927	\$ 12,806,856	\$ 13,388,190	\$ 14,810,264	\$ 16,605,313	\$ 17,963,749	\$ 18,943,812	\$ 20,073,131	\$ 21,852,565	\$ 23,752,783
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

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Fiscal Year	General Sales						Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington	King County			Regional	Total General Sales Tax	State of Washington	Total Automobile Sales/Leases	King County	Total Restaurant Food and Beverage	
	General Sales	Metro	Criminal Justice	Mental Health	Transit Authority		Automobile Sales/Leases		Restaurant Food and Beverage		
2009	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%
2010	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%
2011	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2012	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2013	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2014	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2015	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2016	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%
2017	6.50%	0.90%	0.10%	0.10%	1.40%	1.00%	10.00%	0.30%	10.30%	0.00%	10.00%
2018	6.50%	0.90%	0.10%	0.10%	1.40%	1.00%	10.00%	0.30%	10.30%	0.00%	10.00%

¹ The City of Kirkland direct tax rate is 1.00% with .15% remitted to King County.

Schedule 11

City of Kirkland

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

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Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Interfund Loan	Revenue Bonds	Public Works Trust Fund Loans			
2009	\$ 13,155,000	\$ -	\$ 3,120,000	\$ 3,293,856	\$ 19,568,856	0.70%	399
2010	\$ 46,717,377	\$ -	\$ 2,430,000	\$ 2,906,678	\$ 52,054,055	2.11%	1067
2011	\$ 49,078,605	\$ -	\$ 1,700,000	\$ 2,519,500	\$ 53,298,105	1.23%	662
2012	\$ 46,527,219	\$ -	\$ 935,000	\$ 2,132,322	\$ 49,594,541	1.19%	609
2013	\$ 44,119,994	\$ -	\$ 475,000	\$ 1,771,987	\$ 46,366,981	1.18%	567
2014	\$ 41,574,040	\$ -	\$ -	\$ 1,573,313	\$ 43,147,353	1.06%	522
2015	\$ 43,975,124	\$ 4,698,991	\$ -	\$ 1,519,124	\$ 50,193,239	1.19%	601
2016	\$ 41,880,510	\$ 4,698,991	\$ -	\$ 4,319,574	\$ 50,899,075	1.09%	601
2017	\$ 39,718,250	\$ 4,698,991	\$ -	\$ 4,484,309	\$ 48,901,550	1.01%	568
2018	\$ 37,512,935	\$ -	\$ -	\$ 4,218,804	\$ 41,731,739	0.83%	478

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>
2009	\$ 13,155,000	\$ 472,456	\$ 12,682,544	0.12%	\$ 268.41
2010	\$ 46,717,377	\$ 328,813	\$ 46,388,564	0.44%	\$ 957.58
2011	\$ 49,078,605	\$ 315,270	\$ 48,763,335	0.48%	\$ 609.63
2012	\$ 46,527,219	\$ 314,857	\$ 46,212,362	0.32%	\$ 571.03
2013	\$ 44,119,994	\$ 324,473	\$ 43,795,521	0.28%	\$ 539.83
2014	\$ 41,574,040	\$ 329,296	\$ 41,244,744	0.23%	\$ 503.38
2015	\$ 43,975,124	\$ 327,463	\$ 43,647,661	0.22%	\$ 526.90
2016	\$ 41,880,510	\$ 331,708	\$ 41,548,802	0.19%	\$ 494.57
2017	\$ 39,718,250	\$ 347,643	\$ 39,370,607	0.16%	\$ 461.41
2018	\$ 37,512,935	\$ 356,525	\$ 37,156,410	0.13%	\$ 430.00

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2018 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	\$ 656,541,218	4.73%	\$ 31,054,400
Bellevue School District #405	750,323,757	0.18%	1,350,583
Lake Washington School District #414	655,775,800	39.51%	259,097,019
Port of Seattle	362,390,000	4.73%	17,141,047
Northshore School District #417	480,027,342	1.33%	6,384,364
Hospital District #2	184,303,331	31.20%	57,502,639
Library	77,576,089	8.35%	6,477,603
Northshore Park and Rec	655,810	1.33%	<u>8,722</u>
Total Overlapping Debt			\$ 379,016,377
Direct Debt			
City of Kirkland ²	\$ 37,512,935	100.00%	<u>\$ 37,512,935</u>
Total Direct and Overlapping Debt			<u>\$ 416,529,312</u>

¹ 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.

² General obligations bonded debt excluding special assessment and revenue supported bonded debt.

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

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 848,415,206	\$ 803,312,424	\$ 772,394,589	\$ 1,074,592,668	\$ 1,183,077,001	\$ 1,384,296,874	\$ 1,519,022,024	\$ 1,665,928,004	\$ 1,892,598,200	\$ 2,213,884,969
Total Net Debt Applicable to Limit	12,682,544	46,761,187	48,939,730	46,394,830	43,955,443	41,425,991	43,958,007	41,846,693	39,370,607	37,156,410
Legal Debt Margin	<u>\$ 835,732,662</u>	<u>\$ 756,551,237</u>	<u>\$ 723,454,859</u>	<u>\$ 1,028,197,838</u>	<u>\$ 1,139,121,558</u>	<u>\$ 1,342,870,883</u>	<u>\$ 1,475,064,017</u>	<u>\$ 1,624,081,311</u>	<u>\$ 1,853,227,593</u>	<u>\$ 2,176,728,559</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	1.49%	5.82%	6.34%	4.32%	3.72%	2.99%	2.89%	2.51%	2.08%	1.68%

Legal Debt Margin Calculation for Fiscal Year 2018

Total Assessed Value	<u>29,518,466,256</u>
Debt Limit (7.5% of Total Assessed Value)	<u>2,213,884,969</u>
Debt Applicable to Limit:	
General Obligation Bonds	37,512,935
Less Cash on Hand for Debt Redemption	<u>(356,525)</u>
Total Net Debt Applicable to Limit	37,156,410
Legal Debt Margin	<u>\$ 2,176,728,559</u>

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

Schedule 15

City of Kirkland

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

Water/Sewer Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	\$ 690,000	\$ 124,185	5.00
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	\$ 730,000	\$ 92,275	4.49
2011	\$ 19,593,206	\$ 16,287,970	\$ 3,305,236	\$ 765,000	\$ 56,130	4.03
2012	\$ 20,966,391	\$ 16,940,958	\$ 4,025,433	\$ 460,000	\$ 28,200	8.25
2013	\$ 24,733,565	\$ 21,179,766	\$ 3,553,799	\$ 475,000	\$ 9,500	7.33
2014	\$ 25,798,960	\$ 20,981,503	\$ 4,817,457	\$ -	\$ -	-
2015	\$ 27,451,520	\$ 22,320,775	\$ 5,130,745	\$ -	\$ -	-
2016	\$ 27,947,299	\$ 22,991,364	\$ 4,955,935	\$ -	\$ -	-
2017	\$ 28,181,269	\$ 23,584,661	\$ 4,596,608	\$ -	\$ -	-
2018	\$ 29,194,640	\$ 24,773,489	\$ 4,421,151	\$ -	\$ -	-

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Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

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<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
2009	49,010	\$ 2,788,865	\$ 56,904	8.60%
2010	48,787	\$ 2,483,502	\$ 50,905	9.10%
2011	80,505	\$ 4,330,525	\$ 53,792	8.10%
2012	81,480	\$ 4,174,139	\$ 51,229	6.60%
2013	81,730	\$ 3,941,266	\$ 48,223	5.23%
2014	82,590	\$ 4,070,358	\$ 49,284	4.70%
2015	83,460	\$ 4,203,726	\$ 50,368	4.10%
2016	84,680	\$ 4,684,667	\$ 55,322	3.93%
2017	86,080	\$ 4,853,621	\$ 56,385	3.50%
2018	87,240	\$ 5,027,246	\$ 57,625	3.30%

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

Schedule 17

City of Kirkland

Property Values and Construction

Last Ten Fiscal Years - Unaudited

Fiscal Year	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction</u>		<u>Mixed Use Construction¹</u>			Total Assessed Property Valuation
	<u>Number of Permits</u>	<u>Valuation</u>	<u>Number of Dwellings</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Permits</u>	<u>Number of Units</u>	<u>Valuation</u>	
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 ²	\$ 8,263,498	3	135	\$ 32,156,303	\$ 18,457,291,655
2015	6	\$ 57,174,918	309	\$175,251,380	n/a ²	\$ 10,261,283	1	0	\$ 758,000	\$ 20,253,626,993
2016	15	\$228,630,789	316	\$161,292,444	91	\$ 17,025,380	5	132	\$ 30,263,720	\$ 22,212,373,381
2017	7	\$ 63,859,741	329	\$181,679,397	24	\$ 14,587,048	4	261	\$ 32,854,123	\$ 25,234,642,663
2018	12	\$158,688,280	262	\$160,374,341	646	\$100,731,253	8	1,487	\$309,923,815	\$ 29,518,466,256

¹ Prior to 2010, Mixed Use Construction included with Multi-Family Construction.

²Valuation for updated existing units. No additional new units

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Ago - Unaudited

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<u>Employer</u>	<u>2018</u>			<u>2009</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	4,281	1	9.25%	2,603	1	9.82%
Lake Washington School District	1,157	2	2.50%	428	4	1.62%
Google, Inc.	1,020	3	2.20%	367	6	1.38%
City of Kirkland	621	4	1.34%	581	2	2.19%
Astronics Advanced Electronic Systems	483	5	1.04%			
Wave Broadband	447	6	0.97%			
Kenworth Truck Co.	402	7	0.87%	426	5	1.61%
Fairfax Hospital	376	8	0.81%			
Costco Wholesale	336	9	0.73%			
Greenpoint Technologies	330	10	0.71%			
IBM Corporation				250	8	0.94%
Clearwire Corporation				248	9	0.94%
Wireless Data Services				529	3	2.00%
Evergreen Pharmaceutical				269	7	1.02%
WB Games				207	10	0.78%
Total	<u>9,453</u>		<u>20.42%</u>	<u>5,908</u>		<u>22.29%</u>

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of December 31</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</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 ¹	21.54	21.90	30.40	8.65	8.25	8.54	9.94	10.94	10.44	10.44
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 ¹	-	-	-	22.25	18.75	18.75	18.75	18.75	18.75	18.50
Human Resources	7.10	8.10	8.80	8.70	8.70	8.70	8.90	9.20	9.20	9.20
Parks and Community Services	36.53	33.03	32.25	31.00	30.00	30.00	31.00	31.00	33.00	34.00
Public Works	27.55	23.30	26.15	25.35	28.95	31.20	31.20	37.25	37.55	37.55
Finance and Administration	29.05	30.40	32.65	32.80	32.80	33.80	35.30	35.30	35.30	35.30
Planning and Community Development	21.06	19.95	24.25	24.25	23.45	23.45	24.45	-	-	-
Planning and Building ²	-	-	-	-	-	-	-	52.85	53.35	53.35
Police	95.50	121.50	135.25	137.50	135.50	135.50	136.00	136.00	140.00	140.00
Fire and Building ²	112.28	107.73	120.78	122.28	123.28	128.28	129.28	-	-	-
Fire ²	-	-	-	-	-	-	-	111.50	114.50	115.50
Other General Government Operating Funds										
Lodging Tax Fund	0.90	0.60	0.60	0.60	0.60	0.66	0.66	0.66	0.66	0.66
Street Operating	16.10	15.50	22.50	20.65	20.75	20.90	20.90	21.79	22.04	22.04
Parks Maintenance	7.50	7.50	10.25	10.25	9.25	9.25	8.50	8.50	8.50	8.50
2012 Parks Levy	-	-	-	-	7.25	7.25	7.75	7.00	7.00	7.00
Facilities Maintenance	5.95	5.85	6.35	6.35	7.35	7.95	7.95	7.95	7.95	7.95
Equipment Rental	6.40	6.30	7.30	7.30	7.30	7.40	7.40	7.45	7.45	7.45
Information Technology	20.00	19.25	23.75	24.50	24.70	24.70	26.70	26.70	27.20	27.20
Proprietary Funds										
Water/Sewer Operating	21.06	21.21	20.31	19.81	19.81	19.76	21.26	21.51	21.51	21.76
Surface Water Management	17.74	18.49	26.04	27.59	27.59	27.79	34.19	33.95	36.70	36.45
Solid Waste	1.70	2.00	3.30	2.80	2.80	2.80	2.80	2.80	2.80	2.80
Total	458.96	473.61	541.93	543.63	548.08	557.68	573.93	592.10	604.90	606.65

¹ Prior to 2012, Municipal Court a part of City Manager's Office

Schedule 20

City of Kirkland

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Security of Persons and Property - Police										
Calls for Service	58,245	62,677	71,729	74,317	69,568	69,876	63,104	60,732	60,099	57,484
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	7,320	7,098	7,286	7,982	8,033	8,228	8,674	8,743	9,306	9,461
Average EMS Reponse (minutes)	5:20	5:17	5:32	5:25	5:18	5:24	7:40	7:48	5:09	5:19
Average Fire Response (minutes)	5:46	5:41	5:42	5:44	5:55	5:45	7:49	8:12	6:20	6:45
Culture and Recreation										
Adult Program Registrations	3,234	2,877	3,508	3,675	3,259	3,443	3,246	2,859	3,574	2,406
Preschool Program Registrations	3,773	4,005	4,339	3,973	4,435	4,041	4,194	4,209	5,046	6,328
Youth Program Registrations	4,505	4,477	4,272	5,047	5,466	4,949	5,248	5,276	5,764	5,681
Teen Program Registrations	88	144	113	134	103	186	256	202	84	81
Parent/Child Program Registrations	222	199	199	1,608	1,752	1,773	1,937	1,974	2,055	1,954
Senior Program Registrations	4,104	3,441	3,509	4,120	4,196	3,568	3,444	4,047	4,123	3,522
Physical Environment										
Street Hot Patching (hours)	3,819	3,354	3,422	3,856	5,246	6,533	5,300	3,664	3,387	5,247
Street Signal Maintenance (hours)	2,712	2,700	3,717	4,376	3,871	3,064	2,973	1,006	1,584	3,577
Street Sweeping (hours)	1,971	1,518	2,340	2,883	3,389	2,770	2,763	2,765	3,188	3,376
Number of Sewer Customers	10,004	10,080	10,154	10,238	10,309	10,434	10,597	10,722	10,851	10,996
Number of Water Customers	12,056	12,104	12,153	12,224	12,318	12,431	12,571	12,652	12,762	12,872
Average Daily Water Consumption (million gallons)	5.90	5.46	5.40	5.60	5.31	5.60	6.01	5.50	5.67	5.54

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	6.4	7.0	10.1	10.5	10.5	10.3	9.8	-	-	
Patrol Officers per 10 hr shift ¹	-	-	-	-	-	-	-	8.0	10.0	10.0
Security of Persons and Property - Fire										
Stations (full-time staffed)	5	5	5	5	5	5	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	0	1	0	0	0	0	0
Culture and Recreation										
Parks Acreage	517	518	544	554	556	558	559	559	572	590
Parks (developed)	32	32	34	35	35	35	36	36	40	42
Parks (undeveloped)	8	8	10	10	10	10	10	10	10	9
Waterfront Footage	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270
Miles of Improved Park Trails	5.8	5.8	6.3	6.5	6.5	7.0	13.0	13.0	13.0	15.0
Miles of Unimproved Park Trails	4.0	4.0	5.0	5.0	5.0	11.0	5.0	5.0	5.0	19.0
Community Centers	2	2	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	169	169	170	170	175	175	175	175	176	176
Sanitary Sewers (miles)	119	120	121	122	122	123	123	123	123	123
Streets (miles)	147	147	249	250	250	250	250	250	251	251
Sidewalks (miles)	140	141	237	237	238	242	242	243	243	248

¹ Beginning February 2016, 10 hour shifts were implemented for Patrol Officers.