

COMPREHENSIVE ANNUAL  
**FINANCIAL  
REPORT**  
FOR THE FISCAL YEAR ENDED DECEMBER 31,

— 2 · 0 · 0 · 7 —



*photo: Chris Mast*

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

## **Comprehensive Annual Financial Report**



**For the Fiscal Year Ended December 31, 2007**

**Tracey Dunlap**

Director of Finance and Administration

Prepared by

Teresa Levine, Accounting Supervisor

Mike Reardon, Senior Public Works Accountant

Carol Wade, Senior Accounting Associate

Cover Design and Layout by



Cover Photo Courtesy of Chris Mast

**City of Kirkland, Washington  
Comprehensive Annual Financial Report  
For the Year ended December 31, 2007**

***Table of Contents*** ***Page***

---

**INTRODUCTORY SECTION**

GFOA Certificate of Achievement ..... 1  
 City Officials ..... 2  
 Organization Chart ..... 3  
 Letter of Transmittal ..... 4

**FINANCIAL SECTION**

Independent Auditor’s Report ..... 9  
 Management Discussion and Analysis ..... 11

**BASIC FINANCIAL STATEMENTS:**

Government-wide Financial Statements:  
     Statement of Net Assets ..... 30  
     Statement of Activities ..... 33

Fund Financial Statements:

Balance Sheet – Governmental Funds ..... 34  
 Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds ..... 36  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
     of Governmental Funds to the Statement of Activities ..... 38  
 Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:  
     General Fund ..... 39  
     Street Operating Special Revenue Fund ..... 40  
     Parks and Municipal Reserve Special Revenue Fund ..... 41  
     Excise Tax Capital Improvement Special Revenue Fund ..... 42  
 Statement of Net Assets – Proprietary Funds ..... 44  
 Statement of Revenues, Expenditures and Changes in Fund Net Assets – Proprietary Funds ..... 46  
 Combined Statement of Cash Flows – Proprietary Funds ..... 48  
 Statement of Fiduciary Net Assets – Trust and Agency Funds ..... 50  
 Statement of Changes in Net Plan Assets – Firefighter’s Pension Fund ..... 51

Notes to the Financial Statements ..... 53

Required Supplementary Information:

Schedule of Funding Progress - Firefighter’s Pension Plan ..... 92  
 Schedule of Funding Progress – LEOFF 1 Retiree Medical and Long Term Care Benefits ..... 92

**FUND FINANCIAL STATEMENTS AND SCHEDULES:**

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Non Major Governmental Funds ..... 96  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non Major Governmental Funds ..... 100

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:

Lodging Tax Special Revenue Fund.....	104
Cemetery Operating Special Revenue Fund.....	105
Parks Maintenance Special Revenue Fund.....	106
Recreation Revolving Special Revenue Fund.....	107
Facilities Maintenance Special Revenue Fund.....	108
Contingency Special Revenue Fund.....	109
Cemetery Improvement Special Revenue Fund.....	110
Impact Fees Special Revenue Fund.....	111
Off Street Parking Reserve Special Revenue Fund.....	112
Tour Dock Special Revenue Fund.....	113
Street Improvement Reserve Special Revenue Fund.....	114
Grant Control Special Revenue Fund.....	115
General Capital Projects Revenue Fund.....	116
Grant Capital Projects Revenue Fund.....	117
Limited GO Debt Service Fund.....	118
Unlimited GO Debt Service Fund.....	119
LID Debt Service Fund.....	120
Combining Statement of Net Assets – Internal Service Funds.....	122
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds.....	123
Combining Statement of Cash Flows – Internal Service Funds.....	124
Statement of Agency Fund Net Assets.....	126
Statement of Changes in Assets and Liabilities – All Agency Funds.....	127

CAPITAL ASSETS:

Capital Assets used in the Operation of Governmental Funds:

Comparative Schedules by Source.....	129
Schedule by Function and Activity.....	131
Schedule of Changes by Function and Activity.....	132

**STATISTICAL SECTION**

Net Assets by Component.....	135
Changes in Net Assets.....	136
Fund Balances, Governmental Funds.....	138
Changes in Fund Balances, Governmental Funds.....	139
Assessed Value and Actual Value of Taxable Property.....	140
Direct and Overlapping Property Tax Rates.....	141
Principal Property Tax Payers.....	142
Property Tax Levies and Collections.....	143
Taxable Sales by Category.....	144
Direct and Overlapping Sales Tax Rates.....	145
Ratio of Outstanding Debt by Type.....	146
Ratios of General Bonded Debt Outstanding.....	147
Direct and Overlapping Governmental Activities Debt.....	148
Legal Debt Margin Information.....	149
Pledged-Revenue Coverage.....	150
Demographic and Economic Statistics.....	151
Property Values and Construction.....	152
Principal Employers.....	153
Full-time Equivalent City Government Employees by Function/Program.....	154
Operating Indicators by Function/Program.....	155
Capital Asset Statistics by Function/Program.....	156



# 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, 2006

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



*Oliver S. Cox*

President

*Jeffrey R. Emery*

Executive Director

# CITY OF KIRKLAND

## CITY COUNCIL

---

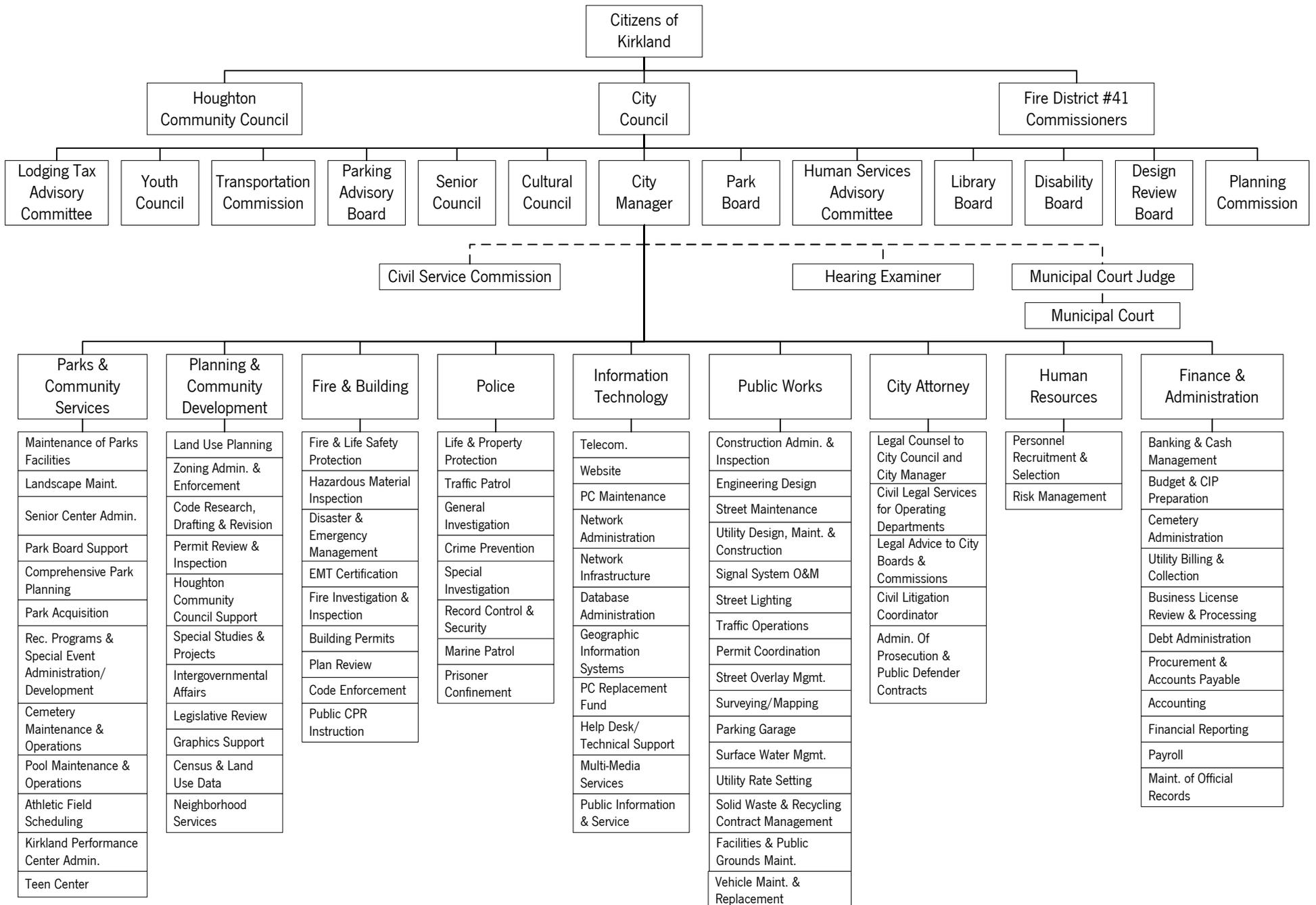
Mayor .....	James L. Lauinger
Deputy Mayor .....	Joan McBride
Council Members.....	David Asher Mary-Alyce Burleigh Jessica Greenway Tom Hodgson Bob Sternoff

## ADMINISTRATIVE STAFF

---

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

# CITY OF KIRKLAND





June 19, 2008

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, 2007.

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 it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor's Office has issued an unqualified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2007. 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. MD&A complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

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

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. On April 1, 2007, the estimated population was 47,890. Kirkland is the nineteenth largest city in the State of Washington and the ninth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eleven square miles -- approximately twelve times its original size. This growth occurred primarily through the

consolidation of the cities of Houghton and Kirkland in 1968 and the annexations of Rose Hill and Juanita in 1988.

Kirkland 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, coordinating its day-to-day activities.

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

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

### **Local Economy**

There are conflicting forces at work impacting the local Puget Sound economy. Local job growth remained strong in 2007 with more than 136,000 jobs added in the Seattle-Tacoma metropolitan area since January 2005. The unemployment rate in King County dropped to 3.6 percent as of December 2007, well below the national and Washington State average of 4.8 percent. Global conditions create a positive effect; decent global growth rates and the declining dollar supports growth in exports, adding 0.5 percent to the Puget Sound's growth rate. The Puget Sound region office market is expected to remain one of the strongest in the nation for some time. The Eastside office vacancy rate remains low at 9.3 percent and Kirkland's rate is 4.7 percent as of the fourth quarter of 2007 according to CB Richard Ellis Real Estate Services.

Local development activity was robust early in 2007, but showed signs of weakness during the last half of the year. While there are several major projects underway in the City, there are concerns that the slowing local real estate market could have a significant impact on residential development activity in 2008. Slumping housing sales, volatility in the credit markets, and general concern in consumer and business confidence on a national and local level could easily dampen economic growth locally. The rest of the nation is this region's largest market for goods. If there is a significant national recession, it would affect this area. If the national economy starts to expand by the end of 2008, Washington's economy may be able to weather the national recession without too much negative impact. A longer or deeper recession would most likely be felt in this region. Significant risks from business changes and slowing development activity could pose a challenge for the near future.

The City of Kirkland's major employers represent healthcare, education, retail, equipment, and a variety of technology enterprises. The City's economic development efforts have resulted in commitments by several high tech employers to increase their presence in Kirkland, including Google, Nokia, and Nintendo. In addition, a new downtown hotel opened during 2007 and discussions related to redeveloping two of the City's commercial centers continue. However, optimism on this front is tempered by the plans of a major Kirkland retailer to open two new locations within a fifteen mile radius of the City, which is likely to negatively impact sales at the Kirkland location, and by the planned relocation of the sales portion of a major auto dealership outside the City limits, both expected to occur during 2009-2010.

### **Long Term Financial Planning**

The City continues to have numerous plans, such as the strategic plans developed for Police and Fire and master plans in Parks, which it is unable to fully implement because of the ongoing financial resources and staff time that are both in short supply. The fundamental challenge that we face is the ongoing ability for revenue growth to keep pace with the cost of doing business. Roughly seventy percent of the City's operating budget goes toward the wages and benefits of the employees that provide the City's basic output --- services to the public. With wage and benefit costs increasing faster than inflation, the revenue base cannot keep pace with costs given tax limitation initiatives enacted in the state in past years. While progress had been made, the structural imbalance in the City's financial picture remains and will continue to be a primary topic of discussion and decision-making looking forward.

One of the issues that has featured prominently in the City's long term financial planning is the prospect of increasing the population of the City by over 33,000 by annexing the areas that are not currently part of the City but are included in the City's Urban Growth Boundary. In April 2008, the City Council gave direction that it would not be financially prudent to move forward at this time, as described further under "Major Initiatives" below.

The double-digit sales tax revenue increases experienced over the previous two years disappeared in 2007 largely due to the decline in development-related activity. While down from 2006, development related activity remained high in 2007 compared to historical averages and may not be sustainable over the long term. This dynamic, along with concerns about a general economic downturn and the other events described earlier, is leading the City to be cautious in its planning for the future. Fortunately, the City's strong financial position and conservative fiscal policies provide some time for the City to consider its options and see how these trends unfold.

Developing ongoing business activity is critical to ensure the City's financial health. Opportunities for growth in ongoing revenue exist from the potential redevelopment of Totem Lake Mall and Park Place, the completed expansions of major car dealerships, and the two additional hotels that opened in the past two years. The City is continuing to pursue economic development opportunities and has been successful in adding to its high technology employment base, as discussed earlier.

## **Relevant Financial Policies**

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

One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. To address this variability, the City budgets sales tax revenues on a one-year lag, monitoring trends on a monthly basis, particularly in the sectors influenced by development activity. As part of the budget process, significant one-time receipts can be set aside as a funding source for non-recurring expenditures.

## **Major Initiatives**

The City is continuing to closely monitor economic trends, both at the local and national level. The upcoming 2009-2010 budget process will focus on achieving the right balance of providing quality services to our citizens and addressing the long-term challenges facing the City. Major initiatives include:

- Public Safety needs are a prominent element of the City's budget. Continuing issues related to local and regional jail needs are being actively analyzed and options pursued with other impacted jurisdictions. In addition, the City has worked in cooperation with a number of other jurisdictions to create a regional solution to public safety dispatch needs. This new entity, NORCOM, the North King County Regional Public Safety Communications Agency, was created in November of 2007 and transition planning is underway to begin joint operations at some point in 2009.
- As mentioned earlier, the City engaged in an in-depth study of the potential impacts of annexation of the City's Potential Annexation Area, which resulted in City Council direction that it would not be financially prudent to move forward at this time, particularly in light of the uncertainty in the current economic climate. In giving this direction, the Council affirmed that annexation is consistent with growth management and good public policy principles and acknowledged that the City's financial structure must be placed on a more sustainable foundation before we can grow significantly through annexation.
- Another major initiative involves the City's needs for additional space in City facilities. The City will begin evaluating how best to address these needs given the recent direction on annexation. In addition to space needs, the Capital Improvement Program (CIP) identifies a number of major investments in infrastructure that cannot be funded from existing resources. Strategies for addressing the challenges posed in making progress on these capital needs are under 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, 2006. This was the third 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 also received the GFOA's Distinguished Budget Presentation Award for its budget document for the 2007-2008 biennium, for the eleventh year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operating guide, and a communications device.

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. I wish to express my appreciation to the staff and other personnel from various departments who assisted in its preparation. Credit also must be given to the Mayor, City Council, and the City Manager for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,



Tracey Dunlap  
Director of Finance and Administration



Teresa Levine  
Accounting Supervisor



**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 19, 2008

Council  
City of Kirkland  
Kirkland, Washington

We have audited the accompanying financial statements of the the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Street Operating Special Revenue Fund, Park and Municipal Reserve Special Revenue Fund, and Excise Capital Improvement Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, during the year ended December 31, 2007, the City has implemented the Governmental Accounting Standards Board's Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

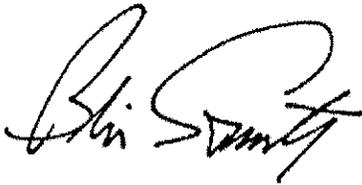
The management's discussion and analysis on pages 11 through 29 and pension trust fund information on page 92 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 96 through 127 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections and the Capital Assets on pages 129 through 132 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized with a large, sweeping initial "B" and a cursive "S".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## **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, 2007. We encourage readers to consider the information presented here in conjunction with the additional information provided in the preceding letter of transmittal.

### **Financial Highlights**

- The city's net assets, the amount by which total assets exceed total liabilities, equaled \$370.1 million at the end of 2007. Of this amount, \$260.3 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$2.7 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, and debt service and \$107.1 million that is unrestricted and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The city's total net assets increased by \$22.4 million in 2007. Business-type activities accounted for \$8.6 million of the increase with the remaining \$13.8 million coming from governmental activities. Across both types of activities, \$14.2 million, or 64 percent, of the increase was related to the addition of capital assets net of any related debt.
- At the end of the most recent fiscal year, the city's governmental funds reported combined ending fund balances of \$71.2 million, an increase of \$5.4 million compared to the prior year. Of this total amount, \$68.5 million, or 96 percent, is unreserved reported in general fund, special revenue funds, and capital projects funds.
- Unreserved, undesignated fund balance in the general fund was \$10.9 million at the end of 2007, which represents about 21 percent of total general fund expenditures. An additional fund balance of \$4.3 million is available in the park and municipal reserve fund (in the general operating reserve and the revenue stabilization reserve combined) to cover unforeseen revenue losses during an economic downturn or to provide funding for unforeseen expenditure needs for general city programs.
- Total outstanding debt, including Public Works Trust Fund loans, at year-end was \$26.4 million, which represents a decrease of \$5 million from the prior year.

### **Overview of the Financial Statements**

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

## **Government-wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

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

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

## **Notes to the Financial Statements**

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

## **Other Information**

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

## **Government-wide Financial Analysis**

### **Statement of Net Assets**

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Kirkland's net assets at December 31, 2007 total over \$370.1 million. Following is a condensed version of the government-wide statement of net assets (expressed in millions of dollars) comparing fiscal year 2007 to 2006. The 2006 presentation has been modified to include a prior period adjustment of \$1.25 million in current assets and unrestricted fund balance to Governmental Activities and an adjustment of \$2.18 million in current assets and unrestricted fund balance to Business-Type Activities. The details of the adjustments can be found in Note 15 of this report.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and other assets	\$87.54	\$81.06	\$32.62	\$29.25	\$120.16	\$110.31
Capital assets, net of accumulated depreciation	176.71	171.08	110.03	106.44	286.74	277.52
<b>Total assets</b>	<b>264.25</b>	<b>252.14</b>	<b>142.65</b>	<b>135.69</b>	<b>406.90</b>	<b>387.83</b>
Long-term liabilities	16.16	17.78	7.71	8.96	23.87	26.74
Other liabilities	9.10	9.13	3.77	4.20	12.87	13.33
<b>Total liabilities</b>	<b>25.26</b>	<b>26.91</b>	<b>11.48</b>	<b>13.16</b>	<b>36.74</b>	<b>40.07</b>
Net assets:						
Invested in capital assets, net of related debt	159.27	149.84	101.05	96.22	260.32	246.06
Restricted	2.61	37.58	0.16	0.18	2.77	37.76
Unrestricted	77.11	37.80	29.96	26.13	107.07	63.93
<b>Total net assets</b>	<b>\$238.99</b>	<b>\$225.22</b>	<b>\$131.17</b>	<b>\$122.53</b>	<b>\$370.16</b>	<b>\$347.75</b>

As of the end of 2007, the largest component of the city's total net assets at \$260.3 million, or 70 percent, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities.

Roughly \$2.8 million of the city's total net assets are subject to legal restrictions. These amounts include \$293,275 in Lodging Taxes reserved for tourism related activities, \$537,037 in the Parks Maintenance fund for the maintenance of parks approved by voters in the 2003 park maintenance levy, \$538,151 in park impact fees, \$823,306 in transportation impact fees, and \$583,694 in debt service funds. Additionally, \$20.8 million has been earmarked by the City to provide a funding source for general government capital projects. These projects include a variety of public works projects, park improvements, internal technology system upgrades, and facility maintenance projects. The city attempts to fund a majority of its capital construction projects on a pay as you go basis, aggressively pursuing transportation grant funding and cost sharing with developers wishing to construct large projects in the city that impact the transportation system.

The remaining \$86.3 million balance of total net assets is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Of this amount, almost \$30.0 million pertains to the city's business-type activities, which only may be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and wells), storm drain flushing, water meter reading, and utility capital construction projects. The \$56.3 million balance in unrestricted net assets relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

### **Changes in Net Assets**

The changes in net assets table on the following page illustrates the increases or decreases in net assets of the city resulting from operating activities. Overall, the City of Kirkland's net assets increased about \$22.4 million in 2007. The 2006 Governmental Activities presentation has been modified to reflect a prior period adjustment that includes an additional \$183,168 in Charges for Services revenue, an additional \$962,381 in Utility Taxes and \$97,030 in Other Taxes. The increase in Net Assets for 2006 is \$12.93 million resulting in Net Assets at the end of 2006 of \$225.22 million. In addition, the 2006 Business-type Activities presentation has been modified to reflect a prior period adjustment that includes an increase in Charges for Services revenue of \$2.18 million. The increase in Net Assets for 2006 is \$11.27 million resulting in Net Assets at the end of 2006 of \$122.53 million. The details of the adjustment can be found in Note 15 of this report. A breakdown of the 2007 increase in Net Assets by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues.

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

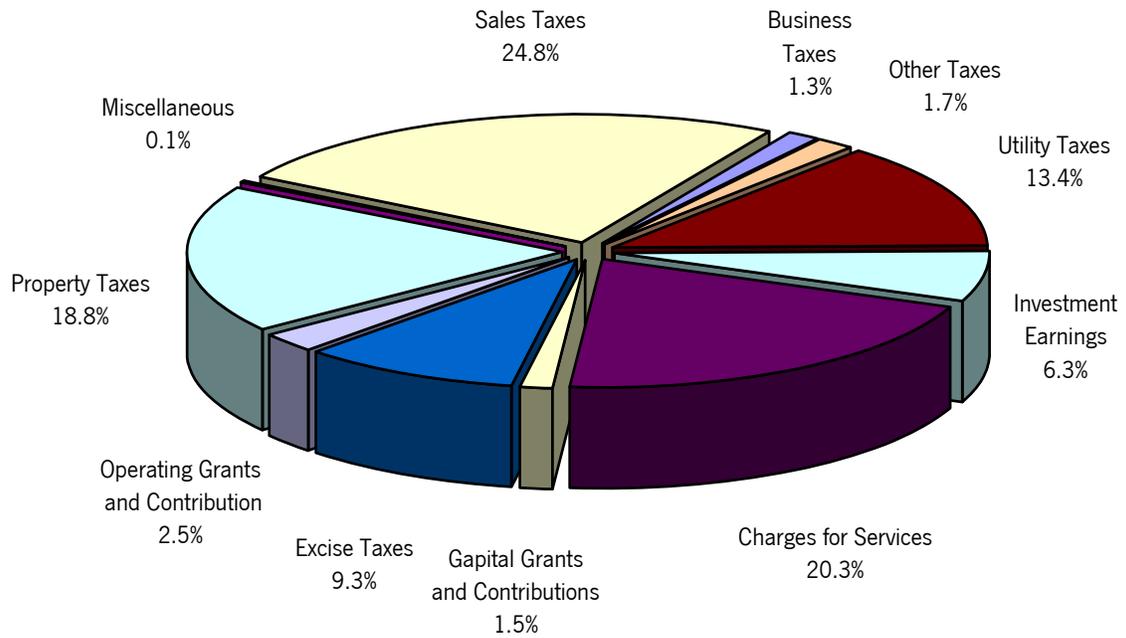
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$14.85	\$14.93	\$29.33	\$30.96	\$44.18	\$45.89
Operating grants and contributions	1.84	1.69	0.60	0.10	2.44	1.79
Capital grants and contributions	1.07	1.03	3.34	3.69	4.41	4.72
General revenues:						
Sales taxes	18.17	17.47	-	-	18.17	17.47
Property taxes	13.73	13.02	-	-	13.73	13.02
Utility taxes	9.82	8.97	-	-	9.82	8.97
Excise taxes	6.83	7.04	-	-	6.83	7.04
Regulatory license fee	0.98	0.98	-	-	0.98	0.98
Other taxes	1.22	1.88	-	-	1.22	1.88
Investment earnings	4.61	3.39	1.41	0.96	6.02	4.35
Miscellaneous *	0.11	0.32	-	-	0.11	0.32
<b>Total revenues</b>	<b>\$73.23</b>	<b>\$70.72</b>	<b>34.68</b>	<b>35.71</b>	<b>\$107.91</b>	<b>106.43</b>
<b>Expenses:</b>						
General government	5.49	4.40	-	-	5.49	4.40
Judicial	1.54	1.35	-	-	1.54	1.35
Public safety	28.23	25.21	-	-	28.23	25.21
Physical environment	2.89	2.35	-	-	2.89	2.35
Transportation	6.82	11.22	-	-	6.82	11.22
Human services	1.12	1.05	-	-	1.12	1.05
Economic environment	5.54	4.96	-	-	5.54	4.96
Culture and recreation	7.05	6.24	-	-	7.05	6.24
Interest on long-term debt	0.95	1.15	-	-	0.95	1.15
Water/sewer	-	-	15.04	14.29	15.04	14.29
Surface water	-	-	3.26	2.70	3.26	2.70
Solid waste	-	-	7.55	7.31	7.55	7.31
<b>Total expenses</b>	<b>59.63</b>	<b>57.93</b>	<b>25.85</b>	<b>24.30</b>	<b>85.48</b>	<b>82.23</b>
Increase in net assets before transfers and special items	13.59	12.79	8.82	11.41	22.41	24.20
Transfers	0.18	0.14	(0.18)	(0.14)	-	-
Increase in net assets	13.77	12.93	8.64	11.27	22.41	24.20
Net assets at beginning of year	225.22	212.29	122.53	111.26	347.75	323.55
<b>Net assets at end of year</b>	<b>\$238.99</b>	<b>\$225.22</b>	<b>\$131.17</b>	<b>\$122.53</b>	<b>\$370.16</b>	<b>\$347.75</b>

\* Miscellaneous includes gain on sale of capital assets.

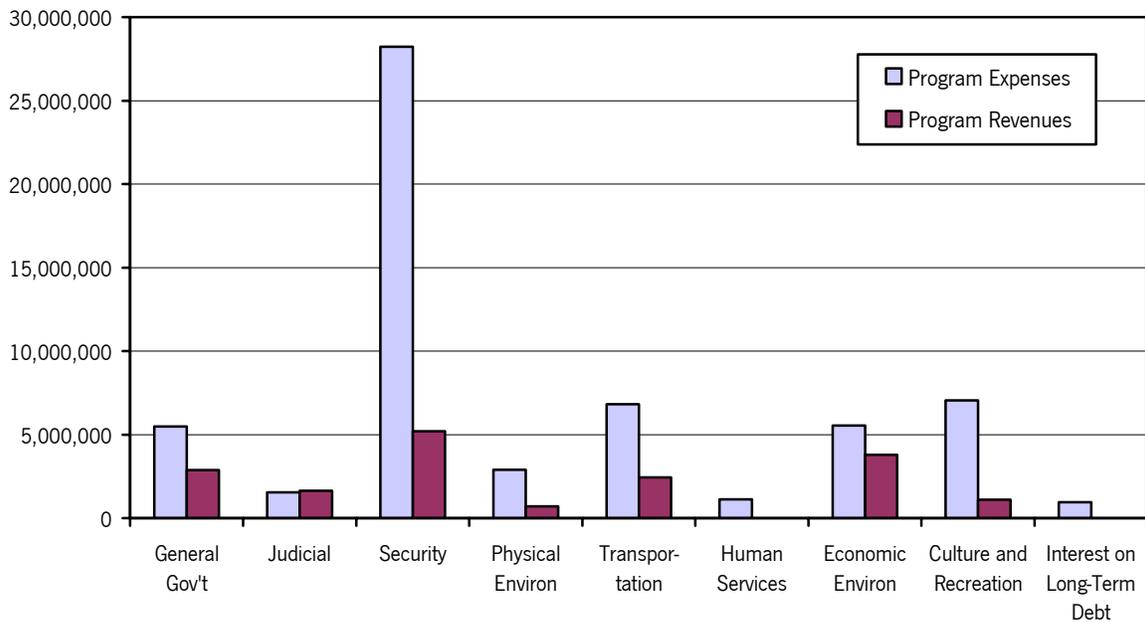
**Governmental activities** accounted for \$13.7 million of the \$22.4 million total increase in net assets. Key elements of this increase are as follows:

- On an accrual basis, sales tax revenue increased almost \$700,000 compared with 2006 due to changes in receivables. On a cash basis, receipts increased by less than \$100,000, or 0.6% due to a slowdown in development activity in the final months of 2007.
- Property tax revenue increased by over \$700,000 due to new construction value added from 2006 activity and the use of \$162,400 in banked property tax capacity toward additional corrections staff.
- A capital contribution of \$827,300 was made from the Surface Water utility to pay for the stormwater-related improvements included in transportation capital projects.
- A donation was made by Zone 1 of defibrillation devices valued at \$225,000.
- Utility taxes ended 2007 \$850,000 ahead of 2006 as a result of higher telecommunications tax collections.
- Investment interest was \$4.6 million in 2007, compared to \$3.3 million in 2006.
- General Government activity costs increased by \$1.1 million, due in part to the addition of a Communications Program Manager, economic development funding, outside agency funding, and studies and planning for a major potential annexation.
- Public Safety costs increased due to the addition of five corrections officers and higher than expected fire overtime, primarily due to disabilities and other leave.
- A large portion of the remaining increase is from capital-related sources that are available to be expended on pending capital projects.

### Revenues by Source—Governmental Activities



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



**Business-type activities**, which relate to the city's utilities, were responsible for \$8.6 million, or 39 percent, of the total increase in the city's net assets. Key elements of this increase are as follows:

Water/sewer operating revenues decreased by 4.5% compared to the prior year as a result of the prior period adjustment to the 2006 revenues of \$2.1 million to recognize services provided but not billed. These amounts previously reflected only services billed but not collected. Although, the revenues reflect a utility rate increase implemented in 2007 required to cover increased wholesale costs for purchases of water and sewer service charges. It is anticipated that similar rate increases may be required in future years as wholesale costs for water and sewer service continue to increase.

The surface water utility charges for services in 2007 totaled \$4.9 million. Residential and commercial storm drainage fees in 2007 were \$14.15 per equivalent residential unit to address capital construction projects, surface water elements of transportation projects, GIS technology upgrades, and environmental impacts.

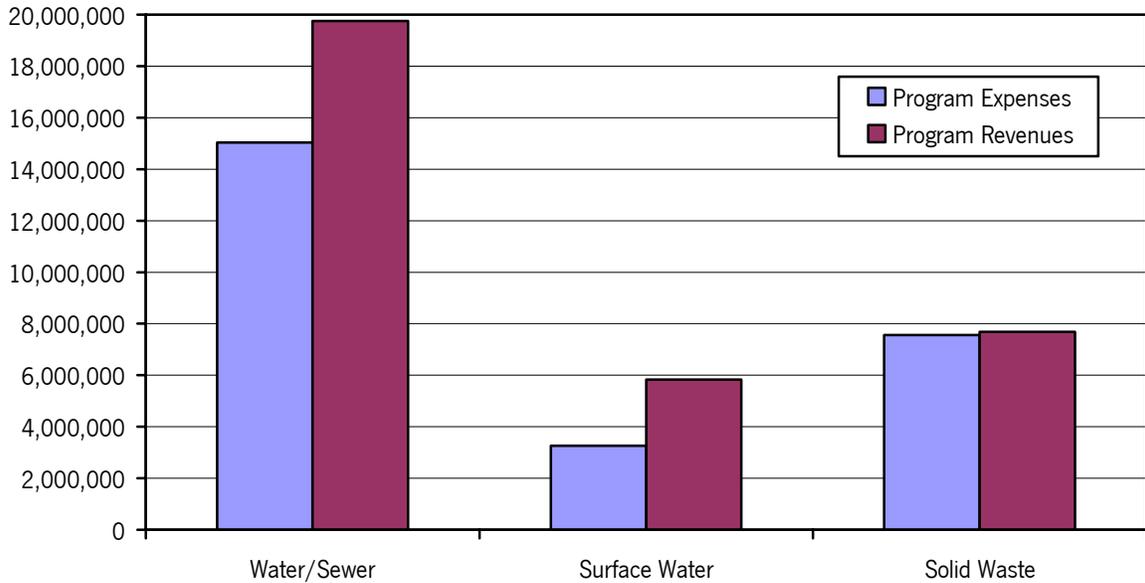
Capital contributions comprised of utility connection charges and developer infrastructure contributions totaled \$3.3 million for 2007. Details for these amounts are shown below:

		Water	Sewer	Surfacewater	Total
2007 Connection charges collected:	\$	421,386	757,660	52,430	1,231,476
2007 Developer infrastructure contributions:	\$	898,768	915,096	291,650	2,105,514
				\$	3,336,990

The infrastructure contributions detailed above represent 38% of the excess in revenues over expenditures. These increases are actually reflected as additions to capital assets for the utility functions and are presented in more detail in Note 5 of this report.

Investment earnings for the business type activities increased by over 46% compared to 2006, bringing in nearly \$1.5 million.

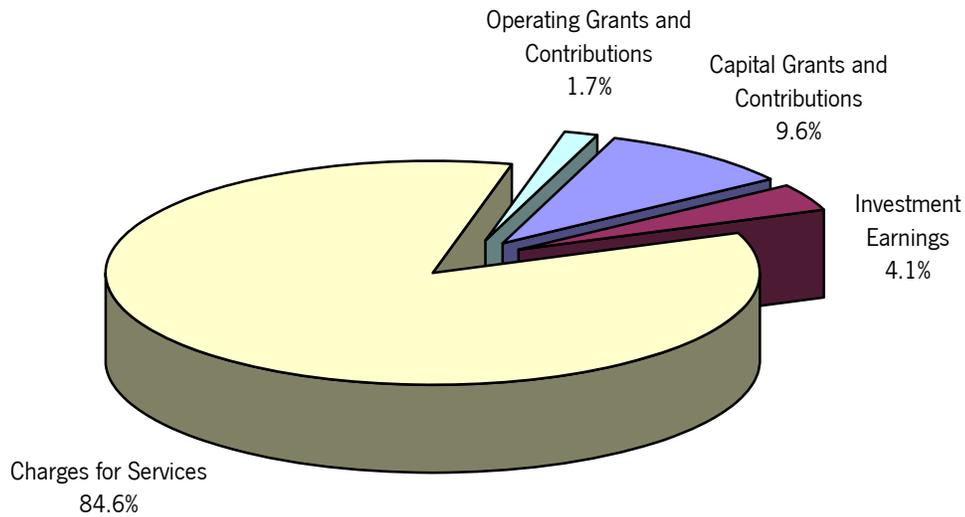
**Program Expenses vs. Program Revenues—Business-type Activities**



The City of Kirkland’s utility 2007 net income (before capital contributions and transfers) was about \$5.5 million. The components are as follows:

Water/Sewer	\$2.7 million
Surface water	\$2.6 million
Solid Waste	\$0.2 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 revenues/financial resources and expenditures. This information helps determine the city's financial requirements in the near future. In particular, fund balance is a good indicator of the city's resources available at the end of the year.

At the end of the current year the city's combined ending governmental fund balance was \$71.2 million, which represents an increase of \$5.4 million, or 8.2 percent, over the prior year. Of the total ending fund balance, almost \$2.7 million is reserved and considered restricted because it is subject to an external legal constraint. Tourism activities have a designated balance of \$0.3 million, impact fees for parks and transportation have a combined balance of \$1.3 million, and bond covenants restrict the use of the parks maintenance funds of \$0.5 million and the \$0.5 million in the debt service funds. The remaining balance of \$68.5 million is technically unreserved, which means it is available for spending at the city's discretion. In reality, most of it is earmarked for approved capital construction projects that are currently underway (\$20.8 million) or otherwise designated for some special purpose (\$36.8 million). Examples of such designated balances include funding for capital improvement projects (e.g., \$16.8 million in the excise tax capital improvement fund and \$1.8 million in the street improvement fund) and funding for various contingencies (e.g., \$10.2 million in the park and municipal reserve fund and \$2.5 million in the contingency fund).

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

The general fund is the primary operating fund of the city through which all receipts and payments of ordinary city operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2007, the fund balance of the general fund was \$10.9 million, which represents an increase of approximately \$3.8 million over the prior year. As a measure of the fund's liquidity, the ending fund balance was 21.4 percent of the fund's 2007 expenditures.

Compared to 2006, revenues increased by \$2.3 million, or 4.5 percent, and expenditures increased by \$5.4 million, or 11.9 percent. Much of the revenue increase can be attributed to sales and property tax increases by roughly parallel amounts and substantial increases in investment interest. Revenues exceeded expenditures in the general fund by over \$2.5 million in 2007, excluding other financing sources and uses.

The street operating fund accounts for the administration, maintenance, and minor construction of the city's transportation infrastructure. The fund balance at the end of 2007 was \$1.8 million which was an increase over 2006 primarily due to strong investment interest revenue.

The park and municipal reserve fund includes the city's general operating reserve (i.e. "Rainy Day" reserve), revenue stabilization reserve, building and property reserve, council special projects reserve, public safety building reserve, LEOFF 1 police reserve, development reserve and a number of other smaller reserves dedicated for various municipal purposes. The 2007 ending fund balance of \$10.2 million represents a decrease of \$1.8 million from the prior year. Reserves were designated resources for police department safety and evidence storage improvements, as well as facilities remodel costs in the information technology department.

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 2007 was \$16.8 million, which is up by almost \$1.1 million from 2006 due to the strong residential real estate market over the last several years. Based on the collections during the last several months of 2007, we are not expecting this trend to continue.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the city's capital improvement program (CIP) and that are funded from general revenue sources excluding grants. The ending fund balance increased by \$1.4 million from the prior year to a total of \$14.9 million.

The grant capital projects fund accounts for projects approved in the CIP that are funded partially or wholly by grants from other governments. The fund balance at the end of 2007 was \$5.8 million, which is up from 2006 by \$0.9 million. Balances in both capital project funds vary slightly from year to year dependent upon CIP activity and the size of projects in process.

### **Proprietary Funds**

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

## **General Fund Budgetary Highlights**

During the first year of the biennium, there was a \$5.7 million increase in appropriations between the original adopted budget and the final amended budget. These additions directly correspond to actual revenues and actual expenditures within the general fund. Following are the major components of the increases:

- Fund balance was increased by \$2.0 million to recognize actual fund balance compared to the original budget as a result of strong revenue performance and unspent expenditures from the previous budget period.
- Sales tax expectations were increased by about \$810,000 due to strong contracting and retail revenues early in 2007.
- Utility tax revenue was increased by about \$774,000 to recognize actual revenue collections, particularly from the telecommunications utility tax.
- Selected revenues for goods and services increased by \$234,000, due to higher than expected probation revenues, passport fees, and CIP interfund charges.
- Fines and forfeits increased by \$165,000 due in part to the reinstatement of the Driving While License Suspended (DWLS) infraction.
- Transfers of \$739,000 reflect the use of reserves and fund balance to fund specific projects and planning studies.
- Annexation related efforts were \$701,000 of the increase to the second year of the biennium (2008) and were funded by sales tax (\$434,000) and development activities (\$271,000).
- Miscellaneous revenues increased to recognize additional interest earnings and reimbursements received for a storm event.

## **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, 2007 amounts to \$286.7 million (net of accumulated depreciation), which represents over a \$9 million increase over 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. Actual expenditures for capital items are generally larger than what the City is capitalizing in any given year. Some projects that only maintain infrastructure or are smaller in scope and don't meet the threshold for capitalization will be included in the amounts for capital expenditures but will ultimately not result in an increase to capital assets on the balance sheet. Amounts below represent capital expenditures in 2007 that may or may not become part of capital assets but were nonetheless expenditures during the year:

- \$3.7 million was spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals traffic calming projects, and utility undergrounding. Most of these projects are still in progress.
- \$3 million spent on various park projects including Heritage Park improvements, park expansion purchases of land at Everest Park and Yarrow Bay and several play field improvements in conjunction with the Lake Washington School District.
- \$1.9 million spent for information system projects including a new records management system, ongoing progress within Geographic Information Systems, local and wide area networks, electronic public access to information improvements, and various internal system improvements.
- \$3.2 million spent on water and sewer utility improvement projects, most of which are still in progress.
- \$1.1 million spent on surface water utility improvement projects, most of which are still in progress.

Following is a condensed version of the city's capital assets (expressed in millions of dollars), net of depreciation, related to governmental and business-type activities for fiscal years 2006 and 2007:

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$74.25	\$73.77	\$0.05	\$0.05	\$74.30	\$73.82
Buildings	21.10	21.28	0.02	0.02	21.12	21.30
Improvements other than buildings	9.51	8.32	107.28	100.19	116.79	108.51
Machinery and equipment	7.15	6.77	-	-	7.15	6.77
Infrastructure	37.27	38.39	-	-	37.27	38.39
Construction in progress	25.82	20.95	2.68	6.17	28.50	27.12
Art	1.60	1.59	-	-	1.60	1.59
<b>Total</b>	<b>\$176.70</b>	<b>\$171.07</b>	<b>\$110.03</b>	<b>\$106.43</b>	<b>\$286.73</b>	<b>\$277.50</b>

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

### **Long-term Debt**

At the end of the current fiscal year, the City of Kirkland had total bonded debt outstanding of \$17.4 million and other long-term debt of \$8.9 million. The total outstanding debt (expressed in millions of dollars) at the end of 2006 and 2007 is broken down between governmental and business-type activities as follows:

## City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$17.44	\$21.23	-	-	\$17.44	\$21.23
Special assessment debt without governmental commitment	-	0.01	-	-	-	0.01
Revenue bonds	-	-	4.43	5.04	4.43	5.04
Public Works trust fund loans	-	-	4.52	5.13	4.52	5.13
<b>Total</b>	<b>\$17.44</b>	<b>\$21.24</b>	<b>\$8.95</b>	<b>\$10.17</b>	<b>\$26.39</b>	<b>\$31.41</b>

The City of Kirkland maintains an AA rating from Standard & Poor's and an Aa2 rating from Moody's on its general obligation bonds. In addition, the city's revenue bonds for its water/sewer utility are rated AA- and A1 by Standard & Poor's and Moody's respectively. Special assessment bonds are unrated. The special assessment debt reported by the city in 2006 was satisfied in full during 2007.

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 2007 was \$9.86 billion, and the total amount of unlimited tax and limited tax general obligation debt the city may issue is \$726 million. The remaining debt capacity can be broken down as follows:

General	\$ 239,971,021
Open Space, Park & Capital Facilities	239,055,147
Utilities	<u>246,563,687</u>
Total	<u>\$ 725,589,855</u>

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

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

There are many forces impacting the local Puget Sound economy. Local job growth remained strong in 2007 with more than 136,000 jobs added in the Seattle-Tacoma metropolitan area since January 2005. The unemployment rate in King County dropped to 3.6 percent as of December 2007, well below the national and

Washington State average of 4.8 percent. Global conditions created a positive effect; decent global growth rates and the declining dollar supports growth in exports, adding 0.5 percent to the Puget Sound's growth rate. Taxable retail sales in King County remained strong, up 9.7 percent for 2007 compared to 2006 largely due to strong development activity in Bellevue, Seattle and unincorporated King County.

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

As measured by the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W), Seattle metro CPI continues to track higher than the national average (4.8 percent compared to the national average of 4.3 percent as of December). This is an increase from the Seattle index for June, which was 3.31 percent. All of the City's labor contracts are tied to the CPI-W for the Seattle metropolitan area. The June 2007 CPI is used to calculate City employee cost of living adjustments (COLA) for 2008. As a result, 2008 COLA's will range from 2.98 to 3.31 percent depending on the bargaining unit contract.

Unemployment rates for King County, Washington State, and the U.S. from December 2006 through December 2007 are noted in the table below:

<b>Month</b>	<b>King County</b>	<b>Washington</b>	<b>U.S.</b>
December 2006	4.1%	5.0%	4.3%
January 2007	4.0%	5.4%	5.0%
February 2007	3.9%	4.7%	4.9%
March 2007	3.9%	4.7%	4.5%
April 2007	3.3%	4.3%	4.3%
May 2007	3.6%	4.2%	4.3%
June 2007	3.7%	4.4%	4.7%
July 2007	3.4%	4.4%	4.9%
August 2007	3.3%	4.3%	4.6%
September 2007	3.7%	4.2%	4.5%
October 2007	3.6%	4.0%	4.4%
November 2007	3.6%	4.5%	4.5%
December 2007	3.6%	4.8%	4.8%
<b>2007 Average</b>	<b>3.7%</b>	<b>4.5%</b>	<b>4.6%</b>
<b>2006 Average</b>	<b>4.2%</b>	<b>5.1%</b>	<b>4.6%</b>

*Source: Washington Employment Security Department*

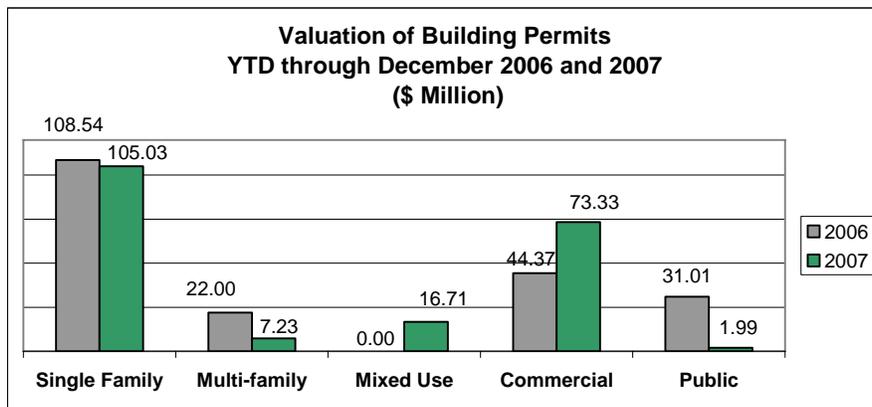
Employment levels in King County continued to exceed the national average, with the local average annual 2007 unemployment rate of 3.7 percent less than the national average annual 2006 rate of 4.6 percent.

As of the fourth quarter of 2007, the Puget Sound office market saw its 18th quarter of positive absorption. Over 1.9 million square feet of space was filled in 2007 and 20 million square feet is in the planning stages. The Puget Sound region office market is expected to remain one of the strongest in the nation for some time. The Eastside office vacancy rate remains low at 9.3 percent and Kirkland's rate is 4.7 percent as of the fourth quarter of 2007 according to CB Richard Ellis Real Estate Services.

On the other hand, slumping housing sales, volatility in the credit markets, and general concern in consumer and business confidence on a national and local level could easily dampen economic growth locally. The rest of the nation is this region's largest market for goods. If there is a significant national recession, it would affect this area. If the national economy starts to expand by the end of 2008, Washington's economy may be able to weather the national recession without too much negative impact. A longer or deeper recession would most likely be felt in this region. Significant risks from business changes and slowing development activity could pose a challenge for the near future.

Pending sales of new and existing single-family homes in King County are down 34 percent in December 2007 compared with a year earlier and prices declined 1.1 percent for closed sales compared to the same month last year. The median price of a single family home in December was \$435,000—down from \$445,000 in December 2006. On the Eastside, closed sales are down 36.6 percent and the median price is up 1.6 percent to \$589,500. Contributing factors to the slow-down in sales are housing prices overshooting wages, economic uncertainty and tightening consumer credit. Local economists predict 2008 housing prices to flatten to zero or decline as part of market correction and the demand for housing will keep the correction time short. However, this is contingent on the local economy remaining strong and order being restored to credit markets.

Local development activity comparing 2007 to 2006 as measured by the valuation of City of Kirkland building permits remains relatively strong, especially in the commercial/mixed use sectors. Single family activity in 2007 trended below 2006 levels for most of the year. A significant spike in 2006 public activity reflects the permitting for Evergreen Hospital. Concerns about the slowing local real estate market could have a significant impact on residential development activity in 2008.



During the first half of 2007, positive trends in sales tax revenue were experienced, with cash receipts through June exceeding the year to date 2006 collection for the same period by about 9 percent, due to construction-related activity and auto sales. However, receipts declined for the remainder of 2007, with collections for the full year of 2007 (on a cash basis) growing only 0.6 percent over 2006 levels. The decline in the latter half of the year was fueled by softening in the construction-related sectors. In other words, the double-digit sales tax revenue increases experienced over the previous two years disappeared in 2007 largely due to the decline in development-related activity. While down from 2006, development related activity remained high in 2007 compared to historical averages and may not be sustainable over the long term.

Lodging tax revenue increased in 2007, with a full year of revenue from the 150-room Marriott in Totem Lake that opened in August 2006 and the opening of the 91-room Heathman Kirkland in late 2007. The additional hotels should increase lodging tax revenue in the future.

Looking forward to 2008, we will continue to closely monitor development trends and overall economic conditions. The weakening of sales tax revenues is of particular concern since they represent the City's largest general fund revenue source. Potential redevelopment of two of the City's commercial areas could help to increase sales taxes; however, those developments are in the very early stages and would likely not be completed for two to three years. We anticipate that utility rates will increase to account for increases in operating costs, including wholesale sewer treatment, contractual solid waste services and other expenses.

### **Requests for Information**

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



City of Kirkland  
**Statement of Net Assets**  
December 31, 2007

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	25,372,280	7,652,806	33,025,086
Investments (Note 3)	53,621,600	16,933,585	70,555,185
Receivables			
Accounts	7,304,335	6,022,528	13,326,863
Due From Other Governments	0	458,222	458,222
Inventories	56,341	379,934	436,275
Restricted Assets			
Deposits	826,910	36,737	863,647
Sub-total Current Assets	87,181,466	31,483,812	118,665,278
Non-Current Assets and Deferred Charges			
Restricted Assets			
Revenue Bond Reserves	0	822,275	822,275
Total Restricted Assets	0	822,275	822,275
Deferred Charges	0	311,259	311,259
Non-current Receivables	359,486	0	359,486
Capital Assets: (Note 5)			
Land & Artwork	75,854,432	47,784	75,902,216
Depreciable Capital Assets (net)	37,765,038	107,299,115	145,064,153
Depreciable Infrastructure (net)	37,266,796	0	37,266,796
Construction in Progress	25,820,291	2,681,745	28,502,036
Total Capital Assets	176,706,557	110,028,644	286,735,201
Total Non-Current Assets	177,066,043	111,162,178	288,228,221
<b>Total Assets</b>	<b>264,247,509</b>	<b>142,645,990</b>	<b>406,893,499</b>

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

City of Kirkland  
**Statement of Net Assets**  
December 31, 2007

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	3,336,216	601,436	3,937,652
Other Current Liabilities	1,585,725	792,981	2,378,706
Accrued Interest Payable	0	16,575	16,575
Unearned Revenue	1,178,528	1,661,947	2,840,475
Total Current Liabilities	6,100,469	3,072,939	9,173,408
Current Liabilities Payable from Restricted Assets			
Accrued Interest Payable	83,237	15,906	99,143
Current Bond Principal Payable	2,090,000	640,000	2,730,000
Deposits Payable	826,910	36,737	863,647
Total Current Liabilities Payable from Restricted Assets	3,000,147	692,643	3,692,790
Total Current Liabilities	9,100,616	3,765,582	12,866,198
Noncurrent Liabilities			
Due in more than one year	16,155,250	7,710,085	23,865,335
Total Noncurrent Liabilities	16,155,250	7,710,085	23,865,335
<b>Total Liabilities</b>	<b>25,255,866</b>	<b>11,475,667</b>	<b>36,731,533</b>
<b>Net Assets</b>			
Invested in capital assets net of related debt	159,271,557	101,047,975	260,319,532
Restricted for:			
Tourism	293,275	0	293,275
Parks and Recreation	1,075,188	0	1,075,188
Transportation	823,306	0	823,306
Debt Service	418,078	165,616	583,694
Unrestricted	77,110,238	29,956,731	107,066,969
<b>Total Net Assets</b>	<b>238,991,642</b>	<b>131,170,322</b>	<b>370,161,964</b>



City of Kirkland  
**Statement of Activities**  
For the fiscal year ended December 31, 2007

Functions/Programs	Program Revenues				Net (Expense/Revenue and Changes in Net Assets)		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General Government	5,489,712	2,867,603	7,776	6,966	(2,607,367)	0	(2,607,367)
Judicial	1,543,351	1,546,200	85,980	0	88,829	0	88,829
Security of Persons and Property	28,231,977	4,820,358	162,197	225,386	(23,024,036)	0	(23,024,036)
Physical Environment	2,886,473	704,730	0	0	(2,181,743)	0	(2,181,743)
Transportation	6,822,829	178,226	1,425,962	827,290	(4,391,351)	0	(4,391,351)
Human Services	1,122,182	0	0	0	(1,122,182)	0	(1,122,182)
Economic Environment	5,535,097	3,784,004	9,700	0	(1,741,393)	0	(1,741,393)
Culture and Recreation	7,050,990	944,457	143,804	7,443	(5,955,286)	0	(5,955,286)
Interest on Long Term Debt	952,919	0	0	0	(952,919)	0	(952,919)
<b>Total Governmental Activities</b>	<b>59,635,530</b>	<b>14,845,578</b>	<b>1,835,419</b>	<b>1,067,085</b>	<b>(41,887,448)</b>	<b>0</b>	<b>(41,887,448)</b>
<b>Business Type Activities</b>							
Water/Sewer	15,038,083	16,739,996	23,605	2,992,911	0	4,718,429	4,718,429
Surface Water	3,258,849	5,067,890	416,291	344,079	0	2,569,411	2,569,411
Solid Waste	7,556,493	7,518,635	160,787	0	0	122,929	122,929
<b>Total Business Type Activities</b>	<b>25,853,425</b>	<b>29,326,521</b>	<b>600,683</b>	<b>3,336,990</b>	<b>0</b>	<b>7,410,769</b>	<b>7,410,769</b>
<b>Total Government</b>	<b>85,488,955</b>	<b>44,172,099</b>	<b>2,436,102</b>	<b>4,404,075</b>	<b>(41,887,448)</b>	<b>7,410,769</b>	<b>(34,476,679)</b>
<b>General Revenues</b>							
Sales Taxes					18,167,448	0	18,167,448
Property Taxes					13,729,508	0	13,729,508
Utility Taxes					9,824,961	0	9,824,961
Excise Taxes					6,832,730	0	6,832,730
Business Taxes					981,243	0	981,243
Other Taxes					1,221,453	0	1,221,453
Unrestricted Grants & Contributions					501	0	501
Investment Earnings					4,607,033	1,411,155	6,018,188
Gain on sale of capital assets					108,031	0	108,031
Transfers, internal activities					180,715	(180,715)	0
<b>Total General Revenues &amp; Transfers</b>					<b>55,653,623</b>	<b>1,230,440</b>	<b>56,884,063</b>
Change in Net Assets					13,766,175	8,641,209	22,407,384
Net assets at beginning of year					223,982,887	120,353,277	344,336,163
Prior Period Adjustment (Note 15)					1,242,580	2,175,836	3,418,416
<b>Net assets at end of year</b>					<b>238,991,642</b>	<b>131,170,322</b>	<b>370,161,964</b>

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

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2007

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve	Excise Capital Improvement
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	2,279,264	276,188	3,428,571	5,529,885
Investments	6,517,711	1,621,182	6,745,158	11,020,705
Receivables				
Taxes	4,387,942	155,862	0	288,868
Accounts	215,290	2,247	0	0
Assessments				
Deferred	0	0	0	0
Due From Other Sources	190,525	1,426	0	0
Restricted Assets				
Deposits	308,034	516,218	0	0
<b>Total Assets</b>	<b>13,898,766</b>	<b>2,573,123</b>	<b>10,173,729</b>	<b>16,839,458</b>
<b>Liabilities and Fund Balance</b>				
Liabilities				
Accounts Payable	538,795	132,323	4,495	0
Wages Payable	1,595,521	68,996	0	0
Due to Other Sources	304,501	762	0	0
Payable from Restricted Assets				
Deposits Payable	308,034	516,218	0	0
Deferred Revenue	225,218	61,349	0	0
Total Liabilities	2,972,069	779,648	4,495	0
Fund Balances				
Reserved For				
Tourism	0	0	0	0
Parks and Recreation	0	0	0	0
Transportation	0	0	0	0
Debt Service	0	0	0	0
Unreserved, reported in				
General Fund	10,926,697	0	0	0
Special Revenue Funds	0	1,793,475	10,169,234	16,839,458
Capital Projects Funds	0	0	0	0
Total Fund Balances	10,926,697	1,793,475	10,169,234	16,839,458
<b>Total Liabilities and Fund Balance</b>	<b>13,898,766</b>	<b>2,573,123</b>	<b>10,173,729</b>	<b>16,839,458</b>

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds

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

Long term liabilities are not due and payable in the current period and are not reported in the funds

Internal service funds are used by management to charge the costs of certain activities to individual funds

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

**Net Assets of governmental activities**

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

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2007

Page 2 of 2

General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
4,987,704	1,992,777	3,794,342	22,288,731
10,052,768	3,914,175	7,590,658	47,462,357
83,333	0	311,791	5,227,796
1,232	0	0	218,769
0	0	29,226	29,226
4,889	0	48,765	245,605
0	0	2,658	826,910
15,129,926	5,906,952	11,777,440	76,299,394

169,630	79,111	110,858	1,035,212
0	0	49,267	1,713,784
225	0	7,214	312,702
0	0	2,658	826,910
0	0	891,961	1,178,528
169,855	79,111	1,061,958	5,067,136
0	0	293,275	293,275
0	0	1,075,188	1,075,188
0	0	823,306	823,306
0	0	501,315	501,315
0	0	0	10,926,697
0	0	8,022,398	36,824,565
14,960,071	5,827,841	0	20,787,912
14,960,071	5,827,841	10,715,482	71,232,258
15,129,926	5,906,952	11,777,440	76,299,394

169,998,871  
 1,865,339  
 (19,798,564)  
 15,693,738

238,991,642

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Governmental Funds  
 For the fiscal year ended December 31, 2007

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve
<b>Revenues</b>			
Taxes and Assessments	35,985,713	2,876,210	0
Licenses and Permits	3,646,676	0	0
Intergovernmental	5,096,080	739,748	67,368
Charges for Services	6,865,631	107,755	36
Fines and Forfeitures	1,360,834	0	2,400
Investment Interest	219,848	389,212	65,053
Miscellaneous Revenues	415,833	109,905	59,847
<b>Total Revenues</b>	<b>53,590,615</b>	<b>4,222,830</b>	<b>194,704</b>
<b>Expenditures</b>			
Current			
General Government	8,465,992	0	105,396
Security of Persons and Property	27,643,745	0	5,682
Physical Environment	3,386,933	0	0
Transportation	592,231	3,976,905	0
Economic Environment	6,424,447	0	305
Culture and Recreation	4,537,019	0	34,357
Debt Service			
Principal	0	0	0
Interest	0	0	0
Capital Outlay	0	3,886	2,000
<b>Total Expenditures</b>	<b>51,050,367</b>	<b>3,980,791</b>	<b>147,740</b>
<b>Excess (Deficiency) of revenues</b>			
Over (under) expenditures	2,540,248	242,039	46,964
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets	0	0	149,763
Transfers In	888,083	119,954	50,000
Transfers Out	(730,233)	(48,700)	(2,076,989)
<b>Total Other Financing Sources (Uses)</b>	<b>157,850</b>	<b>71,254</b>	<b>(1,877,226)</b>
<b>Net Change in Fund Balance</b>	<b>2,698,098</b>	<b>313,293</b>	<b>(1,830,262)</b>
<b>Fund Balances Beginning of Year</b>	<b>7,151,784</b>	<b>1,480,182</b>	<b>11,999,496</b>
<b>Prior Period Adjustment (Note 15)</b>	<b>1,076,815</b>	<b>0</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>10,926,697</b>	<b>1,793,475</b>	<b>10,169,234</b>

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Governmental Funds  
 For the fiscal year ended December 31, 2007

Page 2 of 2

Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
6,832,729	583,333	0	3,863,920	50,141,905
0	0	0	0	3,646,676
0	117,548	0	740,255	6,760,999
0	107,458	33,671	2,730,483	9,845,034
0	0	0	0	1,363,234
985,763	1,282,787	0	736,885	3,679,548
0	359,673	948	134,560	1,080,766
7,818,492	2,450,799	34,619	8,206,103	76,518,162
0	240,281	0	1,210,767	10,022,436
0	27,648	0	242,721	27,919,796
0	0	0	312,054	3,698,987
0	59,269	0	58,806	4,687,211
0	0	0	332,940	6,757,692
0	61,884	0	1,821,675	6,454,935
0	0	0	3,805,000	3,805,000
0	0	0	972,694	972,694
0	7,595,782	1,049,657	28,768	8,680,093
0	7,984,864	1,049,657	8,785,425	72,998,844
7,818,492	(5,534,065)	(1,015,038)	(579,322)	3,519,318
0	0	0	253,639	403,402
0	7,645,706	1,951,330	3,323,440	13,978,513
(6,739,786)	(744,261)	0	(3,416,877)	(13,756,846)
(6,739,786)	6,901,445	1,951,330	160,202	625,069
1,078,706	1,367,380	936,292	(419,120)	4,144,387
15,760,752	13,592,691	4,891,549	10,968,837	65,845,291
0	0	0	165,765	1,242,580
16,839,458	14,960,071	5,827,841	10,715,482	71,232,258

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

For the fiscal year ended December 31, 2007

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

Net change in fund balances for governmental funds 4,144,387

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	8,680,093	
Depreciation	(3,845,221)	
CIP Closures	(23,702)	
Cost of Goods	(481,421)	
Capital Donations	<u>1,052,676</u>	
	5,382,425	5,382,425

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

Debt Retired	3,805,000	3,805,000
--------------	-----------	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 78,698

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

Change in Compensated Absences	(340,502)
Accrued Interest	19,775
Other Post Employment Benefit Obligation	(379,701)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities. 1,056,093

Change in nets assets of governmental activities 13,766,175

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 General Fund  
 For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	69,650,607	71,720,873	35,655,657	35,655,657	(36,065,216)
Licenses and Permits	7,585,100	7,495,420	3,629,016	3,629,016	(3,866,404)
Intergovernmental	9,978,143	10,064,987	5,110,878	5,110,878	(4,954,109)
Charges for Services	13,279,906	13,915,967	6,856,500	6,856,500	(7,059,467)
Fines and Forfeitures	2,284,750	2,449,860	1,360,603	1,360,603	(1,089,257)
Investment Interest - Dedicated	111,400	111,400	55,700	55,700	(55,700)
Miscellaneous Revenues	680,400	723,160	536,795	536,795	(186,365)
<b>Total Revenues</b>	<b>103,570,306</b>	<b>106,481,667</b>	<b>53,205,149</b>	<b>53,205,149</b>	<b>(53,276,518)</b>
<b>Expenditures</b>					
Current					
General Government	16,050,252	18,843,027	8,143,722	8,143,722	10,699,305
Security of Persons and Property	61,859,920	63,949,281	30,901,340	30,901,340	33,047,941
Physical Environment	5,221,628	5,972,971	2,844,804	2,844,804	3,128,167
Transportation	1,082,591	1,262,466	588,917	588,917	673,549
Economic Environment	5,607,972	7,483,213	3,162,416	3,162,416	4,320,797
Human Services	2,032,990	2,145,809	983,495	983,495	1,162,314
Culture and Recreation	9,224,721	9,566,331	4,480,263	4,480,263	5,086,068
Capital Outlay	26,185	41,185	0	0	41,185
<b>Total Expenditures</b>	<b>101,106,259</b>	<b>109,264,283</b>	<b>51,104,957</b>	<b>51,104,957</b>	<b>58,159,326</b>
<b>Excess of revenues of expenditures</b>	<b>2,464,047</b>	<b>(2,782,616)</b>	<b>2,100,192</b>	<b>2,100,192</b>	<b>4,882,808</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	0	126	0	0	(126)
Transfers In	398,997	1,090,510	888,083	888,083	(202,427)
Transfers Out	(300,025)	(846,659)	(229,927)	(229,927)	616,732
<b>Total Other Financing Sources (Uses)</b>	<b>98,972</b>	<b>243,977</b>	<b>658,156</b>	<b>658,156</b>	<b>414,179</b>
<b>Net Change in Fund Balance</b>	<b>2,563,019</b>	<b>(2,538,639)</b>	<b>2,758,348</b>	<b>2,758,348</b>	<b>5,296,987</b>
<b>Fund Balances Beginning of Year</b>	<b>3,860,558</b>	<b>5,943,641</b>	<b>5,943,641</b>	<b>5,943,641</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>6,423,577</b>	<b>3,405,002</b>	<b>8,701,989</b>	<b>8,701,989</b>	<b>5,296,987</b>

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

Street Operating Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	5,687,326	5,687,326	2,874,998	2,874,998	(2,812,328)
Intergovernmental	1,317,206	1,327,702	645,020	645,020	(682,682)
Charges for Services	31,478	31,478	107,755	107,755	76,277
Miscellaneous Revenues	683,830	683,830	432,116	432,116	(251,714)
<b>Total Revenues</b>	<b>7,719,840</b>	<b>7,730,336</b>	<b>4,059,889</b>	<b>4,059,889</b>	<b>(3,670,447)</b>
<b>Expenditures</b>					
Current					
Transportation	7,927,128	8,393,315	3,896,851	3,896,851	4,496,464
Capital Outlay	170,604	259,025	3,886	3,886	255,139
<b>Total Expenditures</b>	<b>8,097,732</b>	<b>8,652,340</b>	<b>3,900,737</b>	<b>3,900,737</b>	<b>4,751,603</b>
<b>Excess of revenues of expenditures</b>	<b>(377,892)</b>	<b>(922,004)</b>	<b>159,152</b>	<b>159,152</b>	<b>1,081,156</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	40,000	274,747	119,954	119,954	(154,793)
Operating Transfers Out	(35,200)	(45,200)	(48,700)	(48,700)	(3,500)
<b>Total Other Financing Sources (Uses)</b>	<b>4,800</b>	<b>229,547</b>	<b>71,254</b>	<b>71,254</b>	<b>(158,293)</b>
<b>Net Change in Fund Balance</b>	<b>(373,092)</b>	<b>(692,457)</b>	<b>230,406</b>	<b>230,406</b>	<b>922,863</b>
<b>Fund Balances Beginning of Year</b>	<b>1,107,621</b>	<b>1,587,329</b>	<b>1,587,329</b>	<b>1,587,329</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>734,529</b>	<b>894,872</b>	<b>1,817,735</b>	<b>1,817,735</b>	<b>922,863</b>

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

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

Parks and Municipal Reserve Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Charges for Services	1,000	1,000	36	36	(964)
Fines and Forfeitures	50,000	50,000	2,400	2,400	(47,600)
Investment Interest	500,000	500,000	0	0	(500,000)
Investment Interest - Dedicated	0	0	54,230	54,230	54,230
Miscellaneous Revenues	37,000	37,000	126,560	126,560	89,560
<b>Total Revenues</b>	<b>588,000</b>	<b>588,000</b>	<b>183,226</b>	<b>183,226</b>	<b>(404,774)</b>
<b>Expenditures</b>					
Current					
General Government	205,200	205,200	106,708	106,708	98,492
Security of Persons and Property	1,000	1,000	5,902	5,902	(4,902)
Economic Environment	57,414	60,084	82	82	60,002
Human Services	5,000	5,000	223	223	4,777
Culture and Recreation	12,500	12,500	33,379	33,379	(20,879)
<b>Total Expenditures</b>	<b>281,114</b>	<b>283,784</b>	<b>146,294</b>	<b>146,294</b>	<b>137,490</b>
<b>Excess of revenues of expenditures</b>	<b>306,886</b>	<b>304,216</b>	<b>36,932</b>	<b>36,932</b>	<b>(267,284)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	0	0	149,763	149,763	149,763
Transfers In	100,000	100,000	50,000	50,000	(50,000)
Transfers Out	(422,669)	(456,169)	(2,076,989)	(2,076,989)	(1,620,820)
<b>Total Other Financing Sources (Uses)</b>	<b>(322,669)</b>	<b>(356,169)</b>	<b>(1,877,226)</b>	<b>(1,877,226)</b>	<b>(1,521,057)</b>
<b>Net Change in Fund Balance</b>	<b>(15,783)</b>	<b>(51,953)</b>	<b>(1,840,294)</b>	<b>(1,840,294)</b>	<b>(1,788,341)</b>
<b>Fund Balances Beginning of Year</b>	<b>10,738,772</b>	<b>12,003,198</b>	<b>12,003,198</b>	<b>12,003,198</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>10,722,989</b>	<b>11,951,245</b>	<b>10,162,904</b>	<b>10,162,904</b>	<b>(1,788,341)</b>

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

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

Excise Tax Capital Improvement Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	5,600,000	5,600,000	6,954,580	6,954,580	1,354,580
Investment Interest	1,111,000	1,111,000	796,730	796,730	(314,270)
<b>Total Revenues</b>	<b>6,711,000</b>	<b>6,711,000</b>	<b>7,751,310</b>	<b>7,751,310</b>	<b>1,040,310</b>
<b>Excess of revenues of expenditures</b>	<b>6,711,000</b>	<b>6,711,000</b>	<b>7,751,310</b>	<b>7,751,310</b>	<b>1,040,310</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(9,147,073)	(9,745,267)	(6,739,786)	(6,739,786)	3,005,481
<b>Total Other Financing Sources (Uses)</b>	<b>(9,147,073)</b>	<b>(9,745,267)</b>	<b>(6,739,786)</b>	<b>(6,739,786)</b>	<b>3,005,481</b>
<b>Net Change in Fund Balance</b>	<b>(2,436,073)</b>	<b>(3,034,267)</b>	<b>1,011,524</b>	<b>1,011,524</b>	<b>4,045,791</b>
<b>Fund Balances Beginning of Year</b>	<b>15,177,649</b>	<b>15,380,056</b>	<b>15,380,056</b>	<b>15,380,056</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>12,741,576</b>	<b>12,345,789</b>	<b>16,391,580</b>	<b>16,391,580</b>	<b>4,045,791</b>

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



City of Kirkland  
**Statement of Net Assets**  
 Proprietary Funds  
 December 31, 2007

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	4,743,610	2,523,059	386,137	7,652,806	3,083,549
Investments (Note 3)	11,105,136	5,056,979	771,470	16,933,585	6,159,243
Receivables					
Interest	128,441	0	0	128,441	0
Contracts	1,530,666	0	0	1,530,666	0
Accounts	2,860,429	135,505	1,361,212	4,357,146	79,352
Loans	0	0	0	0	0
Assessments					
Deferred	6,275	0	0	6,275	0
Due From Other Governments	8,611	401,842	47,769	458,222	0
Inventories	324,215	55,719	0	379,934	56,341
Restricted Assets					
Deposits	16,659	20,078	0	36,737	0
Total Current Assets	20,724,042	8,193,182	2,566,588	31,483,812	9,378,485
Noncurrent Assets and Deferred Charges					
Restricted Assets					
Revenue Bond Reserves	822,275	0	0	822,275	0
Total Restricted Assets	822,275	0	0	822,275	0
Deferred Charges and Other Assets					
Deferred Charges	249,486	61,773	0	311,259	0
Total Deferred Charges and Other Assets	249,486	61,773	0	311,259	0
Capital Assets (Note 5)					
Land	47,784	0	0	47,784	0
Depreciable Capital Assets (Net)	77,966,992	29,332,123	0	107,299,115	6,707,685
Construction in Progress	1,119,169	1,562,576	0	2,681,745	0
Total Capital Assets	79,133,945	30,894,699	0	110,028,644	6,707,685
Total Noncurrent Assets	80,205,706	30,956,472	0	111,162,178	6,707,685
<b>Total Assets</b>	<b>100,929,748</b>	<b>39,149,654</b>	<b>2,566,588</b>	<b>142,645,990</b>	<b>16,086,170</b>

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

City of Kirkland  
**Statement of Net Assets**  
 Proprietary Funds  
 December 31, 2007

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	169,332	48,287	19,962	237,581	62,155
Wages Payable	60,833	45,618	5,615	112,066	122,129
Compensated Absence Payable	41,036	24,104	1,110	66,250	92,519
Due to Other Governments	272,263	33,697	57,895	363,855	92,500
Accrued Interest Payable	16,575	0	0	16,575	0
Deferred Revenue	1,530,666	131,281	0	1,661,947	0
Loans and Contracts Payable (current portion)	614,665	0	0	614,665	0
Sub-total Current Liabilities	2,705,370	282,987	84,582	3,072,939	369,303
Current Liabilities Payable From Restricted Assets					
Deposits Payable	16,659	20,078	0	36,737	0
Accrued Interest Payable	15,906	0	0	15,906	0
Current Bond Principle Payable	640,000	0	0	640,000	0
Sub-total Current Liabilities Payable From Restricted Assets	672,565	20,078	0	692,643	0
Total Current Liabilities	3,377,935	303,065	84,582	3,765,582	369,303
Noncurrent Liabilities					
Compensated Absence Payable	10,259	6,026	278	16,563	23,129
Loans and Contracts Payable	3,908,522	0	0	3,908,522	0
Bonds Payable	3,785,000	0	0	3,785,000	0
Total Noncurrent Liabilities	7,703,781	6,026	278	7,710,085	23,129
<b>Total Liabilities</b>	<b>11,081,716</b>	<b>309,091</b>	<b>84,860</b>	<b>11,475,667</b>	<b>392,432</b>
<b>Net Assets</b>					
Invested in capital assets net of related debt	70,153,276	30,894,699	0	101,047,975	6,707,685
Restricted for:					
Debt Service	165,616	0	0	165,616	0
Unrestricted	19,529,139	7,945,864	2,481,728	29,956,731	8,986,053
<b>Total Net Assets</b>	<b>89,848,031</b>	<b>38,840,563</b>	<b>2,481,728</b>	<b>131,170,322</b>	<b>15,693,738</b>

City of Kirkland  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2007

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Operating Revenues</b>					
Charges for Services	16,640,746	4,894,378	7,643,735	29,178,859	6,510,474
Miscellaneous Revenues	99,250	173,512	0	272,762	120,246
<b>Total Operating Revenues</b>	<b>16,739,996</b>	<b>5,067,890</b>	<b>7,643,735</b>	<b>29,451,621</b>	<b>6,630,720</b>
<b>Operating Expenses</b>					
Administrative and General	2,066,270	1,605,526	522,378	4,194,174	1,231,292
Supplies	0	0	0	0	285,285
Maintenance and Operations	10,158,684	807,164	6,652,971	17,618,819	3,721,393
Taxes	516,333	73,109	381,144	970,586	0
Depreciation	2,004,010	734,354	0	2,738,364	964,288
<b>Total Operating expenses</b>	<b>14,745,297</b>	<b>3,220,153</b>	<b>7,556,493</b>	<b>25,521,943</b>	<b>6,202,258</b>
<b>Operating Income (Loss)</b>	<b>1,994,699</b>	<b>1,847,737</b>	<b>87,242</b>	<b>3,929,678</b>	<b>428,462</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	949,415	380,544	81,196	1,411,155	514,066
Grant Income	23,605	416,291	160,787	600,683	0
Interest Expense	(236,663)	0	0	(236,663)	0
Amortization of Debt Issue Costs	(56,123)	(38,696)	0	(94,819)	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	16,552
Miscellaneous	0	0	(125,100)	(125,100)	137,965
<b>Total Nonoperating revenues (expenses)</b>	<b>680,234</b>	<b>758,139</b>	<b>116,883</b>	<b>1,555,256</b>	<b>668,583</b>
<b>Income Before Contributions and Transfers</b>	<b>2,674,933</b>	<b>2,605,876</b>	<b>204,125</b>	<b>5,484,934</b>	<b>1,097,045</b>
<b>Capital Contributions</b>					
Contributions	2,992,911	344,079	0	3,336,990	0
Transfers In	0	45,000	0	45,000	178,525
Transfers Out	(161,500)	(62,500)	(1,715)	(225,715)	(219,477)
Change in Net Assets	5,506,344	2,932,455	202,410	8,641,209	1,056,093
Total Net Assets - Beginning	82,260,087	35,908,108	2,185,082	120,353,277	14,637,645
Prior Period Adjustment (Note 15)	2,081,600	0	94,236	2,175,836	0
Total Net Assets - Beginning (Restated)	84,341,687	35,908,108	2,279,318	122,529,113	0
<b>Total Net Assets - Ending</b>	<b>89,848,031</b>	<b>38,840,563</b>	<b>2,481,728</b>	<b>131,170,322</b>	<b>15,693,738</b>

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



City of Kirkland  
**Statement of Cash Flows**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2007  
 Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds			2007	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
<b>Cash Flows From Operating Activities</b>					
Cash Received From Customers	16,849,098	4,881,061	7,441,871	29,172,030	6,557,139
Cash From Other Sources	203,107	173,512	231,829	608,448	63,827
Cash Paid to Suppliers for Goods and Services	(10,451,830)	(812,714)	(6,699,835)	(17,964,379)	(2,185,892)
Cash Paid to Employees for Services	(1,382,868)	(1,183,099)	(114,619)	(2,680,586)	(2,761,945)
Cash Paid in Lieu of Taxes	(513,242)	(73,109)	(381,144)	(967,495)	0
Cash Paid for Central Business Functions	(750,963)	(383,641)	(378,427)	(1,513,031)	(176,628)
<b>Net Cash Provided by Operating Activities</b>	<b>3,953,302</b>	<b>2,602,009</b>	<b>99,675</b>	<b>6,654,986</b>	<b>1,496,501</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Proceeds From State and Local Grants	0	0	147,657	147,657	0
Grant Administration Expenditures	0	0	(125,100)	(125,100)	0
Transfers In	0	45,000	0	45,000	178,525
Transfers Out	(161,500)	(62,500)	(1,715)	(225,715)	(219,477)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(161,500)</b>	<b>(17,500)</b>	<b>20,842</b>	<b>(158,158)</b>	<b>(40,952)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Capital Contributed by Developers	1,179,046	52,429	0	1,231,475	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	113,495
Proceeds From State/Local Grants	23,605	78,488	0	102,093	0
Principal Payments on Notes, Capital Leases and Bonds	(1,229,665)	0	0	(1,229,665)	0
Interest Paid on Notes, Capital Leases and Bonds	(236,663)	0	0	(236,663)	0
Interest Received on Program Loans	37,763	0	0	37,763	0
Acquisition and Construction of Capital Assets	(3,202,399)	(1,108,137)	0	(4,310,536)	(1,251,234)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(3,428,313)</b>	<b>(977,220)</b>	<b>0</b>	<b>(4,405,533)</b>	<b>(1,137,739)</b>
<b>Cash Flows From Investing Activities</b>					
Net (Increase) Decrease in Investments	352,023	(884,415)	(61,133)	(593,524)	21,198
Interest Revenue	911,652	380,544	81,196	1,373,392	616,662
<b>Net Cash Provided by Investing Activities</b>	<b>1,263,675</b>	<b>(503,870)</b>	<b>20,063</b>	<b>779,868</b>	<b>637,860</b>
Net Increase (Decrease) in Cash and Cash Equivalents	1,627,164	1,103,419	140,580	2,871,163	955,670
Cash and Cash Equivalents, January 1	3,955,380	1,439,718	245,557	5,640,655	2,127,879
<b>Cash and Cash Equivalents, December 31</b>	<b>5,582,544</b>	<b>2,543,137</b>	<b>386,137</b>	<b>8,511,818</b>	<b>3,083,549</b>

City of Kirkland  
**Statement of Cash Flows**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2007  
 Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds			2007	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	1,994,699	1,847,737	87,242	3,929,678	428,462
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	2,004,010	734,354	0	2,738,364	964,288
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	226,037	20,314	29,965	276,316	(77,763)
(Increase) Decrease in Operating Due From Other Governments	(8,611)	(15,072)	0	(23,683)	0
(Increase) Decrease in Other Accounts Receivable	0	(4,224)	0	(4,224)	0
(Increase) Decrease in Operating Inventories	(34,509)	(969)	0	(35,478)	(9,396)
(Increase) Decrease in Loan Receivable	0	0	0	0	46,398
(Increase) Decrease in Interest Receivable	(38,845)	0	0	(38,845)	0
(Increase) Decrease in Deferred Assessments	(43,977)	38,695	0	(5,282)	0
(Increase) Decrease in Contracts Receivable	273,876	0	0	273,876	0
(Increase) Decrease in Due From Other Sources	0	0	0	0	996
Increase (Decrease) in Operating Accounts Payable	(16,601)	(12,323)	(20,425)	(49,349)	8,240
Increase (Decrease) in Interest Payable	(4,615)	0	0	(4,615)	0
Increase (Decrease) in Operating Due to Other Governments	(123,493)	8,993	574	(113,926)	92,235
Increase (Decrease) in Wages/Benefits Payable	(9,529)	12,858	2,319	5,648	43,041
Increase (Decrease) in Deposits Payable	8,735	(3,816)	0	4,919	0
Increase (Decrease) in Deferred Revenue	(273,876)	(24,538)	0	(298,414)	0
<b>Net Cash Provided by Operating Activities</b>	<b>3,953,302</b>	<b>2,602,009</b>	<b>99,675</b>	<b>6,654,986</b>	<b>1,496,501</b>
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	1,813,864	291,650	0	2,105,514	0

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

City of Kirkland  
**Statement of Fiduciary Net Assets**  
Trust and Agency Funds  
December 31, 2007

	Firefighter's Pension	Agency Funds
<b>Assets</b>		
Cash and Cash Equivalents	436,192	5,054
Investments, at fair value:		
Government Sponsored Enterprise Securities	868,330	0
Deposits	0	882,980
<b>Total Assets</b>	<b>1,304,522</b>	<b>888,034</b>
<b>Liabilities</b>		
Current Liabilities		
Due to Other Governments	0	5,054
Deposits	0	882,980
<b>Total Liabilities</b>	<b>0</b>	<b>888,034</b>
Net Assets		
Held in Trust for Pension Benefits	1,304,522	0
<b>Total Net Assets</b>	<b>1,304,522</b>	<b>0</b>

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

City of Kirkland  
**Statement of Changes in Net Plan Assets**  
 Firefighter's Pension Fund  
 For the Fiscal Year Ended December 31, 2007

	2007
<b>Additions</b>	
Fire Insurance Premium Contributions	68,210
Net Investment Income	72,041
<b>Total Additions</b>	140,251
<b>Deductions</b>	
Benefit Payments	8,605
Transfer Out	0
<b>Total Deductions</b>	8,605
Net Increase (Decrease)	131,646
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,172,876
<b>End of Year</b>	1,304,522

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, 2007**

<i><b>Note</b></i>	<i><b>Page</b></i>
1 Summary of Significant Accounting Policies .....	54
Reporting Entity .....	54
Government-Wide and Fund Financial Statements .....	54
Measurement Focus, Basis of Accounting and Financial Statement Presentation .....	55
Budgetary Data .....	57
Assets, Liabilities and Equities .....	58
2 Reconciliation of Government-wide and Fund Financial Statements .....	62
3 Deposits and Investments .....	64
4 Property Taxes .....	66
5 Capital Assets .....	67
Construction Obligations .....	68
6 Pension Plans .....	69
Public Employee's Retirement System (PERS) Plans I, II and III .....	69
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans I and II .....	71
Public Safety Employees' Retirement System (PSERS) Plan II .....	72
Volunteer Fire Fighters' Relief and Pension Fund .....	74
Fire Fighters' Pension .....	74
Municipal Employees Benefit Trust .....	77
7 Other Post-employment Benefits .....	78
8 Risk Management .....	80
9 Long-term Debt and Leases .....	81
Compensated Absences .....	83
Leases .....	84
10 Interfund Receivables/Payables .....	84
11 Contingencies and Litigations .....	84
12 Interfund Transfers .....	85
13 Joint Ventures .....	86
14 Budget to GAAP Reconciliation .....	90
15 Prior Period Adjustments .....	91
16 Subsequent Events .....	91

City of Kirkland

**Notes to the Basic Financial Statements**

For Year Ended December 31, 2007

NOTE 1:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the 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, utility taxes and gambling taxes associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of Kirkland.

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

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 and information technology services provided to other departments of the City on a cost reimbursement basis.

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

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

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

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

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

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

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

Budgetary Data

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

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

Procedures for Adopting the Original Budget

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

1. By late June, the City Manager requests budget priority input from the City Council.
2. By July, the official "budget call," as required by State law, is made to all department directors or fund managers by the City Manager and Director of Finance 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 published during the first quarter of the following year, distributed to staff, and made available to the public.

Amending the Budget

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

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

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

Assets, Liabilities and Equities

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. Amounts are reported on the Combined Balance Sheet as either Cash and Cash Equivalents or Investments. Cash and Cash Equivalents include currency on hand, demand deposits, and investments in the State Treasurer's Investment Pool. 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.

In most cases, the City places available cash in a common investment fund; exceptions are investments purchased directly from the available cash of a single fund, most notably construction funds that have a definite liquidity need. On an annual basis, interest earned on the City's common investment fund, less earmarked expenditures and all costs incurred in the administration of the common investment fund, are credited to the participating funds by determining annual average investment balance by the participating fund. Interest earned on investments directly purchased by a single fund is credited, less all costs incurred, to that fund.

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

Receivables

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

Property Taxes	Uncollected property taxes levied for the current year are reported as receivables at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore, no allowance for uncollectible taxes is recorded.
Sales Tax	Sales Tax collected for November and December but not remitted by the state until the following year are reported as receivables at year-end.
Other Taxes	Utility Taxes and Gambling Taxes remitted after the end of the year for activity occurring during the prior year are reported as receivables at year-end.

Accounts Receivable                      Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services provided, including amounts owed for which billings have not yet been prepared. Uncollected amounts are considered immaterial and the direct write-off method is used.

Amounts Due to and from Other Governmental Units

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

Interfund Transactions

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

Inventories

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

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

Restricted Assets and Liabilities

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

Deferred Charges

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

Capital Assets

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

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

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

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

Compensated Absences

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

Vacation leave is accumulated monthly at annual rates ranging from 104 hours to 192 hours depending on number of years of employment and union agreement. Earned vacation leave not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed one year of service except under special conditions listed in the Kirkland Municipal Code.

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

In January of 1985 the City Council passed Ordinance 2844 wherein Section 10F eliminated an employee's ability to cash out any unused sick leave upon resignation or retirement. At this time, certain bargaining units were given the option to freeze their unused sick leave to be paid at 1984 wage rates upon resignation or retirement. There is 1 employee currently employed by the City who chose to freeze the unused sick leave for a total of \$914 benefits payable.

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$9,500 for 2007.

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

Long-Term Debt

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

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

Deferred Revenues

Deferred revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes a deferred revenue as the offset. The deferred revenues include uncollected property taxes levied, impact fees, unbilled special assessments which have not yet been earned and business license fees collected in 2007 for 2008.

Fund Balance

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

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

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

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

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

Municipal Court	1,505,853
Net Pension Obligation	359,486
Net Adjustment	\$ <u>1,865,339</u>

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

Bonds Payable	17,435,000
Compensated Absences	1,900,626
Net OPEB Obligation	379,701
Accrued Interest Payable	83,237
Net Adjustment	\$ <u>19,798,564</u>

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

Capital Assets	273,359,222
Depreciation	(103,360,351)
Net Capital Assets Adjustment	\$ <u>169,998,871</u>

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

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

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

Capital Outlays	8,680,093
Depreciation Expense	(3,845,221)
CIP Closures	(23,702)
Cost of Goods Sold	(481,421)
Capital Donations	1,052,676
Net Adjustment	\$ <u>5,382,425</u>

The proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. Repayments of long-term debt use current financial resources and are reported as

expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.

General Obligation Debt Payment	3,800,000
LID Assessment Debt Payment	<u>5,000</u>
Net Adjustment	\$ <u><u>3,805,000</u></u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Municipal Court Receivable	78,698
Negative Pension Obligation	<u>359,486</u>
Net Adjustment	\$ <u><u>438,184</u></u>

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

Net OPEB Obligation	379,701
Compensated Absence Payable	340,502
Accrued Interest Payable	<u>(19,775)</u>
Net Adjustment	\$ <u><u>700,428</u></u>

NOTE 3:  
DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

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 City's investments in the bonds of U.S. agencies and GSE's were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The taxable state bonds were rated AA/Aa3. The Port of Seattle securities are rated Aaa. The Washington State Local Government Investment Pool is a 2a7-like pool and is unrated.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. It is the City's policy to diversify its investments by security type and institution. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity's total investment portfolio will be invested in a single security type, issuer or financial institution.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 2.01 years.

City of Kirkland Cash, Deposits and Investments  
Segmented Time Distribution  
At December 31, 2007

Investment Type	Fair Value	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months
Federal Agricultural Mortgage Corporation	1,905,147			1,905,147	
Federal Farm Credit Bank	4,036,250			4,036,250	
Federal Farm Credit Bank callable	1,000,000	1,000,000			
Federal Home Loan Bank	2,111,102				2,111,102
Federal Home Loan Bank callable	23,711,039	3,997,500	4,436,000	12,140,664	3,136,875
Federal Home Loan Mortgage Corp	4,775,667		3,773,277		1,002,390
Federal Home Loan Mortgage Corp callable	18,141,978	5,000,749	13,141,229		
Federal National Mortgage Association	4,078,750				4,078,750
Federal National Mortgage Association callable	7,997,813	5,013,750		2,984,063	
Illinois State Taxable Pension Bonds	1,675,348	1,675,348			
Port of Seattle General Obligation Revenue Bonds	999,020			999,020	
Energy Northwest WA Elec Rev	991,400			991,400	
FDIC or PDPC Insured Bank Deposits	1,011,076	1,011,076	-	-	-
	\$ 72,434,590	17,698,423	21,350,507	23,056,543	10,329,117
<b>Uncategorized Cash and Deposits</b>					
Washington State Local Government Investment Pool	35,000,800				
Cash on Hand	23,360				
	\$ 35,024,160				
Total Cash, Deposits and Investments	\$ 107,458,750				

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

NOTE 4:  
PROPERTY TAXES

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

Property Tax Calendar:

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

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

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

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. Kirkland's maximum property tax levy rate has been reduced from \$3.60 to \$3.17 due to annexation to the King County Library District. The City's levy rate is also subject to the following limitations:

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

The City's regular tax levy in 2007 was \$1.252 per \$1,000 on an assessed valuation of \$9,862,547,464 for a total regular levy of \$12,348,780. The excess tax levy was \$0.149 per \$1,000 for an excess levy of \$1,465,678. 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, 2007 was as follows:

	Balance <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2007</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	73,771,701	960,225	481,421	74,250,505
Construction in Progress	20,952,821	7,810,925	2,943,455	25,820,291
Artwork	1,592,234	11,693	0	1,603,927
Total Capital Assets, Not Being Depreciated:	<u>\$96,316,756</u>	<u>8,782,843</u>	<u>3,424,876</u>	<u>\$101,674,723</u>
Capital Assets, Being Depreciated:				
Buildings	29,065,505	459,000	0	29,524,505
Improvements	13,951,829	2,144,917	0	16,096,746
Machinery and Equipment	12,095,262	1,498,421	589,133	13,004,550
Infrastructure	123,778,316	1,040,377	0	124,818,693
Total Capital Assets, Being Depreciated:	<u>\$178,890,912</u>	<u>5,142,715</u>	<u>589,133</u>	<u>\$183,444,494</u>
Less Accumulated Depreciation for:				
Buildings	7,788,585	632,447	0	8,421,032
Improvements	5,632,383	950,316	0	6,582,699
Machinery and Equipment	5,323,972	1,059,578	526,518	5,857,032
Infrastructure	85,384,729	2,167,168	0	87,551,897
Total Accumulated Depreciation	<u>\$104,129,669</u>	<u>4,809,509</u>	<u>526,518</u>	<u>\$108,412,660</u>
Total Capital Assets, Being Depreciated, Net	\$74,761,243	333,206	62,615	\$75,031,834
Governmental Activities Capital Assets, Net	\$171,077,999	9,116,049	3,487,491	\$176,706,557
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	47,784	0	0	47,784
Construction In Progress	6,166,022	4,223,639	7,707,916	2,681,745
Total Capital Assets, Not Being Depreciated	<u>\$6,213,806</u>	<u>4,223,639</u>	<u>7,707,916</u>	<u>\$2,729,529</u>
Capital Assets, Being Depreciated:				
Buildings	198,381	0	0	198,381
Improvements	131,786,725	9,813,429	0	141,600,154
Total Capital Assets, Being Depreciated	<u>\$131,985,106</u>	<u>9,813,429</u>	<u>0</u>	<u>\$141,798,535</u>
Less Accumulated Depreciation for:				
Buildings	173,118	4,759	0	177,877
Improvements	31,587,938	2,733,605	0	34,321,543
Total Accumulated Depreciation	<u>\$31,761,056</u>	<u>2,738,364</u>	<u>0</u>	<u>\$34,499,420</u>
Total Capital Assets, Being Depreciated, Net	\$100,224,050	7,075,065	0	\$107,299,115
Business-Type Activities Capital Assets, Net	\$106,437,856	11,298,704	7,707,916	\$110,028,644

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

Governmental Activities:

General Government	637,983
Judicial	90,950
Security of Persons and Property	658,302
Human Services	2,028
Physical Environment	544,738
Transportation (includes depreciation of general infrastructure assets)	2,170,803
Economic Environment	14,376
Culture and Recreation	690,329
Total Depreciation Expense – Governmental Activities	<u>\$4,809,509</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	2,004,010
Surface Water Utility	734,354
Solid Waste Utility	0
Total Depreciation Expense – Business-type Activities	<u>\$2,738,364</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2007. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Parks & Recreation	830,859	22,904
Transportation	0	1,057,185
Water Utility	261,355	835,630
Sewer Utility	0	1,484,879
Surfacewater Utility	0	397,676
General Government	226,218	20,396
Total	<u>\$1,318,432</u>	<u>\$3,818,670</u>

NOTE 6:  
PENSION PLANS

## State Systems

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

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

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

## Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans I and II are defined benefit plans and Plan III is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system), employees of legislative committees, community and technical colleges, college and university employees (not in national higher education retirement programs), judges of district and municipal courts, and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan I members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan II members unless they exercise an option to transfer their membership to Plan III. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan II or PERS Plan III. The option must be exercised within 90 days of employment. An employee is reported in Plan II until a choice is made. Employees who fail to choose within 90 days default to PERS Plan III. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

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

Plan III has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60 month period. Plan III members become eligible for retirement if they have at least ten years of service or five years including twelve months that were earned after age 44 or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan III retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit and Plan III provides the same cost of living allowance as Plan II. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other authorized options authorized by the Employee Retirement Benefits Board.

There are 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	<u>49,812</u>
Total	250,838

Funding Policy

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

The required contribution rates are expressed as a percentage of covered payroll, as of December 31, 2007 were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
Employer*	6.13%**	6.13%*	6.13%****
Employee	6.00%***	4.15%	*****

\*The employer rates include the employer administrative expense fee currently set at 0.16%.  
 \*\*The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plan 2 and Plan 3.  
 \*\*\*The employee rate for state elected officials is 7.50% for Plan 1 and 4.15% for Plan 2.  
 \*\*\*\* Plan III defined benefit portion only.  
 \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the member.

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

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2007	\$42,055	\$914,716	\$189,769
2006	\$21,943	\$430,096	\$91,303
2005	\$17,143	\$248,950	\$57,306

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

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees, with the exception of the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003.

Participants who joined the system by September 30, 1977, are Plan I members. Those joining thereafter are enrolled in Plan II. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer Public Employees’ Retirement System (PERS) Plan I or Plan II service credit to LEOFF Plan II if while employed for a city, town, county or district, the EMT’s job was relocated to a fire department from another city, town, county or district.

Effective July 1, 2003, the LEOFF Plan II Retirement Board was established to provide governance of LEOFF Plan II. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan II retirement plan. LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

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

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

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

There are 383 participating employers in LEOFF. Membership in LEOFF consisted of the following at September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	<u>3,603</u>
Total	25,867

Funding Policy

Starting on July 1, 2000, Plan I employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan II employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan II in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.46 and 41.45 RCW.

The required contribution rates expressed as a percentage of covered payroll, as of December 31, 2007 were:

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
Employer	0.16%*	5.35%*
Employee	0.00%	8.64%
State	n/a	3.45%

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

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

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
2007	\$ 328	\$674,887
2006	\$ 354	\$558,439
2005	\$ 564	\$413,980

Public Safety Employees' Retirement System (PSERS) Plan II

Plan Description

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

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

A "covered employer" is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, 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 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan II members are vested after the completion of five years of eligible service. PSERS Plan II members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of two percent of the average final compensation per year of service. The average final compensation is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan II retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on year of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

There are 69 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of September 30, 2006.

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	<u>2,073</u>
Total	2,073

Funding Policy

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

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2007 were as follows:

	<u>PSERS Plan II</u>
Employer*	8.55%
Employee	6.57%

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

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

	<u>PSERS Plan II</u>
2007	\$3,815
2006	\$0

Volunteer Fire Fighters' Relief and Pension Fund

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

Fire Fighters' Pension

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

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

Membership of the Fire Fighters' Pension Plan consisted of the following at December 31, 2007:

Retirees and beneficiaries receiving benefits	5
Active plan members	<u>1</u>
Total	6

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

	2004	2005	2006
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	1,054	1,054	516
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(30,432)	(30,432)	(37,626)
Interest to End of Year	(1,469)	(1,469)	(1,856)
ARC at End of Year	(30,847)	(30,847)	(38,966)
Interest on Net Pension Obligation (NPO)	(4,714)	(8,527)	(12,106)
Adjustment to ARC	(6,132)	(11,299)	(16,361)
Annual Pension Cost (APC)	(29,429)	(28,075)	(34,711)
Employer Contributions	46,833	43,497	82,657
Change in NPO	(76,262)	(71,572)	(117,368)
NPO at Beginning of Year	(94,284)	(170,546)	(242,118)
NPO at End of Year	\$(170,546)	\$(242,118)	\$(359,486)

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

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended 12/31	Employer Contribution \$	Fire Insurance Premium Taxes \$	Interest Earned on Net Fund Balance \$	Annual Required Contribution*	Percentage Contributed
1998	0	40,759	18,159	-	-
1999	0	48,218	12,018	-	-
2000	0	27,006	23,174	-	-
2001	0	29,825	33,899	-	-
2002	(7,992)	33,969	0	-	-
2003	0	39,054	0	-	-
2004	0	46,833	0	(30,847)	-
2005	(3,634)	47,131	0	(30,847)	-
2006	(15,582)	55,586	42,653	(38,966)	-
2007	(8,605)	68,210	57,972	(38,966)	-

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

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets \$ (in thousands)	Actuarial Accrued Liabilities Entry Age \$ (in thousands)	Unfunded Actuarial Accrued Liabilities \$ (UAAL)	Funded Ratio %	Covered Payroll \$ (in thousands)	UAAL as a Percentage of Covered Payroll %
1/1/2001	901	385	(516)	234	73	707
1/1/2004	1,015	547	(466)	186	79	592
1/1/2006	1,090	533	(557)	205	84	663

Three Year Trend Information (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC) \$	Contributions as a Percentage of APC %	Net Pension Obligation (NPO) \$
12/31/04	(29,429)	NA	(170,546)
12/31/05	(28,075)	NA	(242,118)
12/31/06	(34,711)	NA	(359,486)

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

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

Actuarial economic assumptions:

Investment rate of return	5.0%
Projected salary increases <sup>(2)</sup>	4.0%
Consumer Price Index	3.0%
Projected annual growth in fire insurance premium tax revenue	3.0%

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

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

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

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 500 employees who participated in the program during 2007. The City's contribution for 2007 was \$1,795,615; employee contributions were \$2,498,740 during the same period. The rate the City must pay and the employee may pay is equal to the current Social Security rate.

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

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

NOTE 7:  
OTHER POST EMPLOYMENT BENEFITS

The City of Kirkland provides post-retirement health care benefits to LEOFF I retirees in accordance with RCW 41.26. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2007 there were 33 retirees receiving these benefits with 3 active employees eligible for these benefits when they retire.

For 2007, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$418,361
	Direct Medical Costs	<u>49,073</u>
	Total Costs	<u>\$467,434</u>

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. The following table shows the City's annual OPEB cost for 2006, the last actuarial valuation date of the City's obligation. The net OPEB obligation of \$379,701 is included as a noncurrent liability on the Statement of Net Assets.

Determination of Annual Required Contribution	December 31, 2006
Normal Cost at year end	62,110
Amortization of UAAL	<u>738,971</u>
Annual Required Contribution (ARC)	\$801,082
Determination of Net OPEB Obligation	
Annual Required Contribution	\$801,082
Interest on prior year Net OPEB Obligation	0
Adjustment to ARC	0
Annual OPEB Cost	801,082
Contributions made	421,381
Increase in Net OPEB Obligation	\$379,701
Net OPEB Obligation – beginning of year	\$0
Net OPEB Obligation – end of year	\$379,701

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2006 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2006	\$801,082	47.4%	\$379,701

Funding Status and Funding Progress

As of January 1, 2006, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$11,359,803 and actuarial value of assets was \$0 resulting in a UAAL of \$11,359,803.

The City pays medical costs associated with the benefits described above on a pay-as-you-go basis. The City has funded \$620,000 of the liability in a reserve account and continues to set aside funding as the opportunity arises. This amount is not reflected in the actuarial value due because the funds are not in a separate trust fund.

Actuarial Assumptions

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

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

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

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

Economic Assumptions:     Discount rate – 5.0%  
                                       Medical Inflation rate – 9% in 2006  
                                       Long Term Care Inflation rate – 4.5%

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

NOTE 8:  
RISK MANAGEMENT

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 126 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap and employee benefits liability. Limits are \$3 million per occurrence self insured layer and \$12 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$15 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

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

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2007.

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

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

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

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

NOTE 9:  
LONG-TERM DEBT AND LEASES

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

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

Special Assessment Bonds are not a direct responsibility of the City. These bonds are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the LID Debt Service Fund. As a guarantee to bond holders, a guaranty reserve is maintained at approximately 10% of the total outstanding bonds. The LID guaranty is funded from interest income, foreclosure amounts, and surplus from the LID Debt Service Fund. The City of Kirkland completed the final payment of the last LID and has no special assessment debt as of December 31, 2007.

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has eight loans with principal outstanding of \$4,523,187. Of this amount \$454,976 is assumed debt from the Rose Hill Water District. This debt will be repaid from Water/Sewer Fund revenues.

General obligation bonds currently outstanding are as follows:

Issue - Purpose		Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/07	Due Within One Year
1993 Refunding of 1989 Ltd GO Maintenance Center	*	03/02/93	07/01/09	4.45 to 5.75	\$2,665,000	\$2,030,000	\$635,000	\$310,000
1993 Refunding of 1989 & 1990 Unltd GO Parks		03/02/93	12/01/09	2.75 to 5.75	4,380,000	3,380,000	1,000,000	485,000
1995 Unltd G.O. Public Safety, Forbes Creek Fire Station		08/01/95	12/01/14	4.65 to 7.00	1,020,000	515,000	505,000	60,000
1999 Ltd. G.O. Teen Center Design and Construction	*	11/01/99	12/01/19	4.30 to 6.00	1,025,000	270,000	755,000	45,000
2001 Unltd. G.O. Refunding 1992 UTGO Public Safety Bonds		07/06/01	12/12/12	4.00 to 4.65	1,730,000	905,000	825,000	150,000
2001 Ltd. GO Refunding 1994 LTGO, McAuliffe, Library Parking Garage, City Hall, Cemetery Improvement	*	07/06/01	12/13/13	4.00 to 5.125	11,060,000	4,140,000	6,920,000	700,000
2001B Ltd. G.O. Purchase 505 Market Property	*	10/30/01	12/01/07	3.7	1,785,000	1,785,000	0	0
2003 Unltd. G.O. Park Acquisition and Improvements		01/30/03	12/01/22	4.408	8,400,000	1,605,000	6,795,000	340,000
Total					\$32,065,000	\$14,630,000	\$17,435,000	\$2,090,000

\* Councilmanic

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

Year Ending	Governmental Activities	
	Principal	Interest
2008	2,090,000	817,048
2009	2,190,000	722,333
2010	1,410,000	619,785
2011	1,465,000	560,880
2012	1,535,000	497,447
2013-2017	5,000,000	1,587,285
2018-2022	3,745,000	565,147
Total	\$17,435,000	\$5,369,925

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 12/31/07	Due Within One Year
1996 Refunding portion of 1992 Water/Sewer Revenue Bonds	03/04/96	06/01/12	3.9 to 5.2	3,725,000	1,460,000	2,265,000	345,000
1993 Public Works Trust Loan Lake Street Sewer Line Replacement	08/25/93	07/01/14	1.0	823,368	563,357	260,011	43,335
1994 Public Works Trust Loan(A) Lake Washington Blvd Water Line Replacement	07/26/94	07/01/14	1.0	1,231,700	778,089	453,611	64,802
1994 Public Works Trust Loan(B) Lake Washington Blvd Sewer Line Replacement	07/26/94	07/01/14	1.0	1,165,500	733,720	431,780	61,683
1994 Public Works Trust Fund Loan Consolidated Rose Hill Assumption	01/01/94	07/01/09	1.0	3,184,824	2,729,849	454,975	227,487
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	06/07/95	07/01/15	1.0	794,850	438,674	356,176	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	07/01/00	07/01/19	1.0	227,500	77,081	150,419	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/01	07/01/21	0.5	1,848,000	406,439	1,441,561	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	09/01/04	07/01/24	.5	1,086,300	111,647	974,653	57,332
2004 Water/Sewer Revenue Refunding Bonds	08/01/04	06/01/14	2.0 to 4.0	3,090,000	930,000	2,160,000	295,000
Total				\$17,177,042	\$8,228,856	\$8,948,186	\$1,254,665

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2008	1,254,665	211,324
2009	1,279,665	179,879
2010	1,077,178	146,644
2011	1,117,178	111,665
2012	1,152,178	72,450
2013-2017	2,229,050	80,086
2018-2022	723,607	12,691
2023-2024	114,665	860
<b>Total</b>	<b>\$8,948,186</b>	<b>\$815,599</b>

Special Assessment Bonds, Issuances, Redemption, and Balances Outstanding

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

Changes in Long-Term Liabilities

	Beginning Balance 01/01/2007	Additions	Reductions	Ending Balance 12/31/2007	Due Within One Year
<u>Governmental Activities</u>					
General Obligation Bonds	21,235,000	0	3,800,000	17,435,000	2,090,000
LID Assessment with governmental commitment	5,000	0	5,000	0	0
Compensated Absences	1,650,259	2,094,668	1,728,653	2,016,274	1,585,725
Governmental Activity long-term liabilities	<u>\$ 22,890,259</u>	<u>2,094,668</u>	<u>5,533,653</u>	<u>\$ 19,451,274</u>	<u>\$ 3,675,725</u>
<u>Business-Type Activities</u>					
Revenue Bonds	5,040,000	0	615,000	4,425,000	640,000
PWTF Loans	5,137,851	0	614,665	4,523,186	614,665
Compensated Absences	73,115	241,341	231,643	82,813	66,250
Business-type Activity long-term liabilities	<u>\$ 10,250,966</u>	<u>241,341</u>	<u>1,461,308</u>	<u>\$ 9,030,999</u>	<u>\$ 1,320,915</u>

Compensated Absences

The City's liability for accrued compensated absences is recorded in the schedule above. The governmental activities category includes a liability of \$115,649 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental

funds which typically liquidate compensated absences include the General, Street Operating, Parks Maintenance, Recreation Revolving, and Facilities Maintenance.

Leases

Operating Leases

In 2006, the City leased 3 copiers with four year non-cancellable agreements. The City also had three payments remaining from a three year non-cancelable rental agreement for two copiers entered into in 2004. The total cost for leased copiers for the year ended December 31, 2007 was \$39,262. The future minimum payments for these agreements are as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>December 31</u>	
2008	33,816
2009	33,816
2010	<u>33,816</u>
Total	<u>\$101,448</u>

NOTE 10:  
INTERFUND RECEIVABLES/PAYABLES

Interfund Loans Receivable/Payable represents loans from one fund to another. During 2006, the Equipment Rental Fund paid for the balance on the cost of new equipment purchased on behalf of the Capital Projects Fund. The loan amount of \$46,398.08 was repaid in full in 2007. The loan did not incur interest due to the short duration of the payment period. There are no outstanding interfund loans at the end of 2007.

NOTE 11:  
CONTINGENCIES AND LITIGATIONS

As of December 31, 2007, 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 12:  
INTERFUND TRANSFERS

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, indirect overhead and subsidies. Interfund transfers at December 31, 2007 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	888,083	730,233
Street Operating	119,954	48,700
Facilities Maintenance	0	868,449
Park and Municipal Reserve	50,000	2,076,989
Contingency	0	365,936
Cemetery Operations	0	5,000
Cemetery Improvement	0	28,949
Parks Maintenance	35,000	0
Impact Fee	0	755,000
Street Improve Reserve	0	1,362,589
Excise Capital Improvement	0	6,739,786
Recreation Revolving	78,000	0
Debt Service	3,210,440	0
Capital Projects	9,597,036	744,261
Internal Service	178,525	219,477
Water/Sewer	0	161,500
Surface Water	45,000	62,500
Solid Waste	0	1,715
Off-Street Parking Reserve	0	25,954
Lodging Tax	0	5,000
Total Transfers In	<u>\$14,202,038</u>	<u>\$14,202,038</u>

NOTE 13:  
JOINT VENTURES

Eastside Narcotics Task Force

The Eastside Narcotics Task Force was restructured by the Cities of Bellevue, Kirkland, Redmond, Mercer Island and Issaquah (Principals) in August 1998. The task force provides collaborative efforts of its members detective staffs and equitable benefits from asset forfeitures.

The task force is governed by an Executive Board of Police Chiefs and Directors of Public Safety. The Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding and disposing of real and personal property. A Commander is responsible for the operation of the task force and the accomplishment of the goals and objectives of the task force.

Member agencies share in the costs and proceeds of the operation of the Task Force on a percentage basis. The member agencies shares are as follows:

Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	4.90%
	<hr/>
	100.00%

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

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

ARCH – Housing Coalition

In November 1992, the City of Kirkland joined the cities of Bellevue, Redmond and King County to establish a Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 to add clarifying language regarding responsibility and dissolution. Subsequently, the Cities of Bothell, Issaquah, Mercer Island and Woodinville joined ARCH.

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

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population.

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

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

Cascade Water Alliance

In 1999 eight cities and districts joined together to provide water supply for current and future demands through the Cascade Water Alliance. The members have entered into an interlocal agreement to enhance their ability to supply water to their respective service areas and the region by developing, owning, and operating regional water supply assets. Collectively, the membership of Cascade serves over 300,000 residents and 22,000 businesses in East and South King County, representing almost 50% of retail water sales outside of Seattle.

Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. During 2007 this amount was \$816,920 for the City of Kirkland.

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

Financial statement information can be obtained through contacting Steven Call, Finance Director, 11400 SE 8<sup>th</sup> Street, Suite 440, Bellevue, Wa 98004.

EPSCA

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

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

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

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

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

The interlocal agreement among the Eastside Cities of Bellevue, Redmond, Kirkland, Mercer Island and Issaquah 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, 2007, the weighted vote was as follows:

Bellevue	51.93%
Redmond	18.14%
Kirkland	17.79%
Mercer Island	6.51%
Issaquah	5.64%
	<hr/>
	100.00%

These percentages are reviewed and adjusted annually at January 1 based on the number of radios on the system in use by current principals as of December 31 of the preceding year. Upon dissolution, the interlocal agreement provides for distribution of net assets among the Principals based on weighted voting percentages in force at the time of dissolution.

The City's share of retained earnings and capital is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, 16100 NE 8th Street, Bellevue, WA 98008.

E-Gov Alliance

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the E-Gov Alliance between the City of Bellevue and the Cities of Bothell, Burien, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish and Woodinville. Since then, additional cities have joined. The Alliance establishes on-line services through a jointly operated internet portal. Additionally, the Alliance has established a partnership with Microsoft to help define the E-Gov architecture, provide consulting services, offer training and donated software.

Expenditures consist of capital and operations costs as specified in the budget adopted by the E-Gov 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 member jurisdictions of the E-Gov Alliance.

The interlocal agreement may be terminated if Principals holding at least 60% of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the property. The City's share of the net assets is deemed immaterial and thus not reflected in the financial statements.

Budget monitoring information may be obtained from City of Bellevue, Information Technology Department, c/o Nina Dennis, 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. 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. This North East King County Regional Public Safety Communications Agency (or NORCOM) will consolidate and centralize public dispatch services under a partnership model. NORCOM will include 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

The organization is currently in a transition phase and is not currently providing dispatch services, which continue to be provided by the separate dispatch operations operated by the Cities of Bellevue and Kirkland. At some point in 2009, it is expected that the operations will be combined and operated by NORCOM.

The City of Kirkland is serving as the fiscal agent for NORCOM during this transition period. As a result, NORCOM revenues of \$214,898 and expenditures of \$39,237 are reflected in the Cities general government activities. In 2007 the City, on behalf of NORCOM began contracting with the CPA firm Clark Nuber to provide accounting support to the City's financial oversight role. NORCOM will be reporting separate financial statements for the 2008 reporting period.

Additional financial information can be obtained from Tracey Dunlap, NORCOM Treasurer, 123 Fifth Ave, Kirkland, WA 98033.

NOTE 14:  
BUDGET TO GAAP RECONCILIATION

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – for the General Fund, Street Operating Special Revenue Fund, Parks and Municipal Reserve Special Revenue Fund and Excise Tax Capital Improvement 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.

	General Fund	Street Operating	Parks and Municipal Reserve	Excise Tax Capital Improvement
Revenues on the Budgetary Basis	53,205,149	4,059,889	183,226	7,751,310
Increase (Decrease) due to accruals	385,466	162,941	11,478	67,182
Revenues on the GAAP Basis	53,590,615	4,222,830	194,704	7,818,492
Expenditures on the Budgetary Basis	51,104,957	3,900,737	146,294	0
Increase (Decrease) due to accruals	(54,590)	80,054	1,446	0
Expenditures on the GAAP Basis	51,050,367	3,980,791	147,740	0
Other Financing Sources (Uses) on the Budgetary Basis	658,156	71,254	(1,877,226)	(6,739,786)
Increase (Decrease) due to accruals	(500,306)	0	0	0
Other Financing Sources (Uses) on the GAAP Basis	157,850	71,254	(1,877,226)	(6,739,786)
Excess (Deficiency) of Revenues Over (Under) Expenditures on the Budgetary Basis	2,100,192	159,152	36,932	7,751,310
Increase (Decrease) due to accruals	440,056	82,887	10,032	67,182
Excess (Deficiency) of Revenues Over (Under) Expenditures on the GAAP Basis	2,540,248	242,039	46,964	7,818,492
Fund Balances Beginning of Year on the Budgetary Basis	5,943,641	1,587,329	12,003,198	15,380,056
Increase (Decrease) due to accruals	1,208,143	(107,147)	(3,702)	380,696
Fund Balances Beginning of year on the GAAP Basis	7,151,784	1,480,182	11,999,496	15,760,752
Fund Balances End of Year on the Budgetary Basis	8,701,989	1,817,735	10,162,904	16,391,580
Increase (Decrease) due to Accruals	1,147,893	(24,260)	6,330	447,878
Fund Balances End of Year on the GAAP Basis	9,849,882*	1,793,475	10,169,234	16,839,458

\*The variance in ending fund balance is due to the prior period adjustment of \$1,076,815

NOTE 15:  
PRIOR PERIOD ADJUSTMENTS

Revenues related to unbilled water/sewer services and solid waste services for 2006 were not included in accounts receivable and revenue amounts reported in 2006. The amounts were immaterial to the 2006 financials and thus no adjustments were made by the City. The results of the adjustment are a decrease in water sewer revenues of \$2,081,600 and a decrease in solid waste revenues of \$94,236 and are reflected as a prior period adjustment in 2007. The revenue amounts also decrease the total Charges for Services on the Statement of Revenues, Expenditures and Changes in Fund Net Assets – Proprietary Funds and in Business type Activities on the Statement of Activities.

The General fund adjustment is a result of the above revenue adjustment to the utility funds and an additional amount of unaccrued utility tax returns that were received in 2007. The utility fund adjustment is \$163,187 and the utility tax returns adjustment is \$913,627. The utility fund revenue adjustment is reflected in Taxes and Assessments on the Statement of Revenues, Expenditures and Changes in Fund Balance, and Other Taxes amount on the Statement of Activities. Franchise fees of \$183,168 are included in the utility tax return adjustment and are reflected in Charges for Services in the Statement of Revenue, Expenditures, and Changes in Fund Balance and in General Government, Charges for Services on the Statement of Activities.

The non-major, Facilities Maintenance fund has an adjustment of \$165,764 for a portion of utility tax return revenue not accrued in 2006. The adjustment is reflected on the Combining Statement of Revenues, Expenditures and Changes in Fund Balance and as an adjustment to Other Taxes on the Statement of Activities.

Restated amounts in comparative tables in Management’s Discussion and Analysis reflect all of the above adjustments to 2006 amounts.

NOTE 16:  
SUBSEQUENT EVENTS

Jail Property

In late 2007 the City of Bellevue approved the sale of 6.6 acres that was deeded to Bellevue and 37 other Cities, including the City of Kirkland by King County for a future jail and justice center. The transfer of title occurred when the County announced several years ago it would discontinue contracting with the municipalities in 2012 to provide misdemeanor jail services.

Proceeds from the sale of the property, which will range from \$10.5 million up to \$13 million depending on future zoning of the site, will be used by the Cities to either build a jail or contract with a provider for jail services. The sale is expected to close in April. At this time the City of Kirkland does not expect to receive any funds directly as a result of the sale.

Potential Local Improvement District (LID)

At a January 2008 Council meeting the City acknowledged receipt of an informational petition from the owners of 11 properties in the 1600 block of 10<sup>th</sup> Street West for the possible formation of a utility conversion Local Improvement District. The LID process is available in order to finance capital improvements and generally culminates in the sale of bonds to investors and the retirement of those bonds through ten years of amortized payments by the property owners within the District. The costs for LID administration, design, legal and appraisal services, interim financial interest, bond sales, bond counsel and underwriting, in addition to charges for City staff time and construction, are all added to the total project costs that District participants are obligated to re-pay. The total estimated project cost is approximately \$400,000.

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2001	\$ 901	\$ 385	\$ (516)	234%	\$ 73	(707) %
January 1, 2004	1,015	547	(468)	186	79	(592)
January 1, 2006	1,090	533	(557)	205	84	(663)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**LEOFF 1 RETIREE MEDICAL AND LONG TERM CARE BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2005	\$ 0	\$ 11,359,803	\$ 11,359,803	0	% NA	% NA

## NON MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

## **Debt Service Funds**

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

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



City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2007

Page 1 of 4

	Special Revenue			Recreation
	Lodging Tax	Cemetery Operating	Parks Maintenance	Program Revolving
<b>Assets</b>				
Cash and Cash Equivalents	94,342	44,331	183,118	14,111
Investments	187,544	88,074	359,677	32,938
Receivables, Net of Allowances:				
Taxes	30,935	0	16,886	0
Special Assessments	0	0	0	0
Accounts	0	0	24,230	0
Due From Other Governments	0	0	0	0
Restricted Assets				
Deposits	0	0	0	2,658
<b>Total Assets</b>	<b>312,821</b>	<b>132,405</b>	<b>583,911</b>	<b>49,707</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts Payable	18,343	655	8,932	5,631
Wages Payable	1,203	0	18,848	10,942
Due to Other Sources	0	93	2,536	113
Deposits	0	0	0	2,658
Deferred Revenue	0	0	16,558	0
<b>Total Liabilities</b>	<b>19,546</b>	<b>748</b>	<b>46,874</b>	<b>19,344</b>
<b>Fund Balances</b>				
Reserved for:				
Tourism	293,275	0	0	0
Parks and Recreation	0	0	537,037	0
Transportation	0	0	0	0
Debt Service	0	0	0	0
Unreserved	0	131,657	0	30,363
<b>Total Liabilities and Fund Balances</b>	<b>312,821</b>	<b>132,405</b>	<b>583,911</b>	<b>49,707</b>

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2007

Page 2 of 4

Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking	Tour Dock
1,062,837	831,208	157,051	729,770	14,712	25,128
2,187,912	1,635,436	308,477	1,453,132	28,898	49,357
97,866	0	0	0	0	0
0	0	0	0	0	0
141	0	0	0	0	4,855
0	0	0	0	0	0
0	0	0	0	0	0
3,348,756	2,466,644	465,528	2,182,902	43,610	79,340
70,390	0	0	0	0	2,042
18,274	0	0	0	0	0
4,472	0	0	0	0	0
0	0	0	0	0	0
0	0	0	821,445	0	0
93,136	0	0	821,445	0	2,042
0	0	0	0	0	0
0	0	0	538,151	0	0
0	0	0	823,306	0	0
0	0	0	0	0	0
3,255,620	2,466,644	465,528	0	43,610	77,298
3,348,756	2,466,644	465,528	2,182,902	43,610	79,340

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2007

Page 3 of 4

	Street Improvement Reserve	Grant Control	Total Special Revenue
<b>Assets</b>			
Cash and Cash Equivalents	409,705	61,294	3,627,607
Investments	804,734	120,392	7,256,571
Receivables, Net of Allowances:			
Taxes	132,667	0	278,354
Special Assessments	0	0	0
Accounts	0	0	29,226
Due From Other Governments	0	48,765	48,765
Restricted Assets			
Deposits	0	0	2,658
<b>Total Assets</b>	<b>1,347,106</b>	<b>230,451</b>	<b>11,243,181</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts Payable	0	4,865	110,858
Wages Payable	0	0	49,267
Due to Other Sources	0	0	7,214
Deposits	0	0	2,658
Deferred Revenue	0	21,014	859,017
<b>Total Liabilities</b>	<b>0</b>	<b>25,879</b>	<b>1,029,014</b>
<b>Fund Balances</b>			
Reserved			
Tourism	0	0	293,275
Parks and Recreation	0	0	1,075,188
Transportation	0	0	823,306
Debt Service	0	0	0
Unreserved	1,347,106	204,572	8,022,398
<b>Total Liabilities and Fund Balances</b>	<b>1,347,106</b>	<b>230,451</b>	<b>11,243,181</b>

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2007

Page 4 of 4

Debt Service			Total	Governmental
LTGO	UTGO	LID	Debt Service	Funds Total
58,151	107,433	1,151	166,735	3,794,342
120,809	211,017	2,261	334,087	7,590,658
0	33,437	0	33,437	311,791
0	0	0	0	0
0	0	0	0	29,226
0	0	0	0	48,765
0	0	0	0	2,658
178,960	351,887	3,412	534,259	11,777,440
0	0	0	0	110,858
0	0	0	0	49,267
0	0	0	0	7,214
0	0	0	0	2,658
0	32,944	0	32,944	891,961
0	32,944	0	32,944	1,061,958
0	0	0	0	293,275
0	0	0	0	1,075,188
0	0	0	0	823,306
178,960	318,943	3,412	501,315	501,315
0	0	0	0	8,022,398
178,960	351,887	3,412	534,259	11,777,440

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2007

Page 1 of 4

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Recreation Program Revolving
<b>Revenues</b>				
Taxes and Assessments	243,128	0	777,371	0
Intergovernmental	501	0	397	43,219
Charges for Services	0	72,358	0	865,610
Investment Interest	13,795	5,998	0	0
Miscellaneous Revenues	72	0	38,668	9,835
<b>Total Revenues</b>	<b>257,496</b>	<b>78,356</b>	<b>816,436</b>	<b>918,664</b>
<b>Expenditures</b>				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	101,675	0	0
Transportation	0	0	0	0
Economic Environment	153,425	0	0	86,598
Culture and Recreation	0	0	809,362	880,661
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	0	0	0
<b>Total Expenditures</b>	<b>153,425</b>	<b>101,675</b>	<b>809,362</b>	<b>967,259</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	104,071	(23,319)	7,074	(48,595)
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	26,899	0	0
Transfers In	0	0	35,000	78,000
Transfers Out	(5,000)	(5,000)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(5,000)</b>	<b>21,899</b>	<b>35,000</b>	<b>78,000</b>
<b>Net Change in Fund Balance</b>	<b>99,071</b>	<b>(1,420)</b>	<b>42,074</b>	<b>29,405</b>
<b>Fund Balances Beginning of Year</b>	<b>194,204</b>	<b>133,077</b>	<b>494,963</b>	<b>958</b>
<b>Prior Period Adjustment (Note 15)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>293,275</b>	<b>131,657</b>	<b>537,037</b>	<b>30,363</b>

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2007

Page 2 of 4

Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking
1,068,612	0	0	0	0
2,958	0	0	0	0
1,792,515	0	0	0	0
630,685	16,790	0	26,349	0
55,880	0	0	0	0
3,550,650	16,790	0	26,349	0
1,210,767	0	0	0	0
242,721	0	0	0	0
210,379	0	0	0	0
0	0	0	0	0
92,917	0	0	0	0
129,610	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
1,886,394	0	0	0	0
1,664,256	16,790	0	26,349	0
0	0	76,977	0	0
0	0	0	0	0
(868,449)	(365,936)	(28,949)	(755,000)	(25,954)
(868,449)	(365,936)	48,028	(755,000)	(25,954)
795,807	(349,146)	48,028	(728,651)	(25,954)
2,294,048	2,815,790	417,500	2,090,108	69,564
165,765	0	0	0	0
3,255,620	2,466,644	465,528	1,361,457	43,610

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2007

Page 3 of 4

	Tour Dock	Street Improvement Reserve	Grant Control	Total Special Revenue
<b>Revenues</b>				
Taxes and Assessments	0	315,000	0	2,404,111
Intergovernmental	0	598,667	87,547	733,289
Charges for Services	0	0	0	2,730,483
Investment Interest	0	0	0	693,617
Miscellaneous Revenues	30,105	0	0	134,560
<b>Total Revenues</b>	<b>30,105</b>	<b>913,667</b>	<b>87,547</b>	<b>6,696,060</b>
<b>Expenditures</b>				
Current				
General Government	0	0	0	1,210,767
Security of Persons and Property	0	0	0	242,721
Physical Environment	0	0	0	312,054
Transportation	0	0	58,806	58,806
Economic Environment	0	0	0	332,940
Culture and Recreation	2,042	0	0	1,821,675
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	0	28,768	28,768
<b>Total Expenditures</b>	<b>2,042</b>	<b>0</b>	<b>87,574</b>	<b>4,007,731</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	28,063	913,667	(27)	2,688,329
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	149,763	0	253,639
Transfers In	0	0	0	113,000
Transfers Out	0	(1,362,589)	0	(3,416,877)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(1,212,826)</b>	<b>0</b>	<b>(3,050,238)</b>
<b>Net Change in Fund Balance</b>	<b>28,063</b>	<b>(299,159)</b>	<b>(27)</b>	<b>(361,909)</b>
<b>Fund Balances Beginning of Year</b>	<b>49,235</b>	<b>1,646,265</b>	<b>204,599</b>	<b>10,410,311</b>
<b>Prior Period Adjustment (Note 15)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>165,765</b>
<b>Fund Balances End of Year</b>	<b>77,298</b>	<b>1,347,106</b>	<b>204,572</b>	<b>10,214,167</b>

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2007

Page 4 of 4

Debt Service

LTGO	UTGO	LID	Total Debt Service	Governmental Funds Total
0	1,459,809	0	1,459,809	3,863,920
0	0	6,966	6,966	740,255
0	0	0	0	2,730,483
43,268	0	0	43,268	736,885
0	0	0	0	134,560
43,268	1,459,809	6,966	1,510,043	8,206,103
0	0	0	0	1,210,767
0	0	0	0	242,721
0	0	0	0	312,054
0	0	0	0	58,806
0	0	0	0	332,940
0	0	0	0	1,821,675
2,795,000	1,005,000	5,000	3,805,000	3,805,000
511,756	460,678	260	972,694	972,694
0	0	0	0	28,768
3,306,756	1,465,678	5,260	4,777,694	8,785,425
(3,263,488)	(5,869)	1,706	(3,267,651)	(579,322)
0	0	0	0	253,639
3,210,440	0	0	3,210,440	3,323,440
0	0	0	0	(3,416,877)
3,210,440	0	0	3,210,440	160,202
(53,048)	(5,869)	1,706	(57,211)	(419,120)
232,008	324,812	1,706	558,526	10,968,837
0	0	0	0	165,765
178,960	318,943	3,412	501,315	10,715,482

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

Lodging Tax Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	285,000	296,000	212,194	212,194	(83,806)
Miscellaneous Revenues	0	0	11,787	11,787	11,787
<b>Total Revenues</b>	<b>285,000</b>	<b>296,000</b>	<b>223,981</b>	<b>223,981</b>	<b>(72,019)</b>
<b>Expenditures</b>					
Current					
Economic Environment	284,942	307,301	138,574	138,574	168,727
<b>Total Expenditures</b>	<b>284,942</b>	<b>307,301</b>	<b>138,574</b>	<b>138,574</b>	<b>168,727</b>
<b>Excess of revenues of expenditures</b>	58	(11,301)	85,407	85,407	96,708
<b>Other Financing Sources (Uses)</b>					
Operating Transfers Out	(10,000)	(10,000)	(5,000)	(5,000)	5,000
<b>Total Other Financing Sources (Uses)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>5,000</b>
<b>Net Change in Fund Balance</b>	<b>(9,942)</b>	<b>(21,301)</b>	<b>80,407</b>	<b>80,407</b>	<b>101,708</b>
<b>Fund Balances Beginning of Year</b>	<b>105,814</b>	<b>199,182</b>	<b>199,182</b>	<b>199,182</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>95,872</b>	<b>177,881</b>	<b>279,589</b>	<b>279,589</b>	<b>101,708</b>

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

Cemetery Operating Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Charges for Services	153,820	153,820	72,358	72,358	(81,462)
Investment Interest	5,000	5,000	0	0	(5,000)
Investment Interest - Dedicated	0	0	5,000	5,000	5,000
<b>Total Revenues</b>	<b>158,820</b>	<b>158,820</b>	<b>77,358</b>	<b>77,358</b>	<b>(81,462)</b>
<b>Expenditures</b>					
Current					
Physical Environment	209,045	209,045	101,737	101,737	107,308
Capital Outlay	4,000	4,000	0	0	4,000
<b>Total Expenditures</b>	<b>213,045</b>	<b>213,045</b>	<b>101,737</b>	<b>101,737</b>	<b>111,308</b>
<b>Excess of revenues of expenditures</b>	<b>(54,225)</b>	<b>(54,225)</b>	<b>(24,379)</b>	<b>(24,379)</b>	<b>29,846</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	44,000	44,000	26,899	26,899	(17,101)
Operating Transfers Out	(5,000)	(5,000)	(5,000)	(5,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>39,000</b>	<b>39,000</b>	<b>21,899</b>	<b>21,899</b>	<b>(17,101)</b>
<b>Net Change in Fund Balance</b>	<b>(15,225)</b>	<b>(15,225)</b>	<b>(2,480)</b>	<b>(2,480)</b>	<b>12,745</b>
<b>Fund Balances Beginning of Year</b>	<b>134,694</b>	<b>133,889</b>	<b>133,889</b>	<b>133,889</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>119,469</b>	<b>118,664</b>	<b>131,409</b>	<b>131,409</b>	<b>12,745</b>

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

Parks Maintenance Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	1,531,306	1,531,306	777,044	777,044	(754,262)
Intergovernmental	0	0	397	397	397
Miscellaneous Revenues	23,000	23,000	14,437	14,437	(8,563)
<b>Total Revenues</b>	<b>1,554,306</b>	<b>1,554,306</b>	<b>791,878</b>	<b>791,878</b>	<b>(762,428)</b>
<b>Expenditures</b>					
Culture and Recreation	1,780,233	1,783,003	806,003	806,003	977,000
<b>Total Expenditures</b>	<b>1,780,233</b>	<b>1,783,003</b>	<b>806,003</b>	<b>806,003</b>	<b>977,000</b>
<b>Excess of revenues of expenditures</b>	<b>(225,927)</b>	<b>(228,697)</b>	<b>(14,125)</b>	<b>(14,125)</b>	<b>214,572</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	70,000	70,000	35,000	35,000	(35,000)
<b>Total Other Financing Sources (Uses)</b>	<b>70,000</b>	<b>70,000</b>	<b>35,000</b>	<b>35,000</b>	<b>(35,000)</b>
<b>Net Change in Fund Balance</b>	<b>(155,927)</b>	<b>(158,697)</b>	<b>20,875</b>	<b>20,875</b>	<b>179,572</b>
<b>Fund Balances Beginning of Year</b>	<b>335,667</b>	<b>519,960</b>	<b>519,960</b>	<b>519,960</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>179,740</b>	<b>361,263</b>	<b>540,835</b>	<b>540,835</b>	<b>179,572</b>

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

Recreation Revolving Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Intergovernmental	0	5,500	8,800	8,800	3,300
Charges for Services	1,821,833	1,821,833	865,791	865,791	(956,042)
Miscellaneous Revenues	149,890	149,890	49,754	49,754	(100,136)
<b>Total Revenues</b>	<b>1,971,723</b>	<b>1,977,223</b>	<b>924,345</b>	<b>924,345</b>	<b>(1,052,878)</b>
<b>Expenditures</b>					
Current					
Human Services	249,199	253,889	87,566	87,566	166,323
Culture and Recreation	1,784,043	1,820,214	885,316	885,316	934,898
<b>Total Expenditures</b>	<b>2,033,242</b>	<b>2,074,103</b>	<b>972,882</b>	<b>972,882</b>	<b>1,101,221</b>
<b>Excess of revenues of expenditures</b>	<b>(61,519)</b>	<b>(96,880)</b>	<b>(48,537)</b>	<b>(48,537)</b>	<b>48,343</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	78,000	117,000	78,000	78,000	(39,000)
<b>Total Other Financing Sources (Uses)</b>	<b>78,000</b>	<b>117,000</b>	<b>78,000</b>	<b>78,000</b>	<b>(39,000)</b>
<b>Net Change in Fund Balance</b>	<b>16,481</b>	<b>20,120</b>	<b>29,463</b>	<b>29,463</b>	<b>9,343</b>
<b>Fund Balances Beginning of Year</b>	<b>91,978</b>	<b>17,115</b>	<b>17,115</b>	<b>17,115</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>108,459</b>	<b>37,235</b>	<b>46,578</b>	<b>46,578</b>	<b>9,343</b>

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

Facilities Maintenance Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	1,815,000	1,818,000	1,136,512	1,136,512	(681,488)
Intergovernmental	0	2,535	2,958	2,958	423
Charges for Services	3,664,491	3,664,491	1,792,515	1,792,515	(1,871,976)
Investment Interest - Dedicated	999,900	999,900	502,606	502,606	(497,294)
Miscellaneous Revenues	152,590	152,590	55,880	55,880	(96,710)
<b>Total Revenues</b>	<b>6,631,981</b>	<b>6,637,516</b>	<b>3,490,471</b>	<b>3,490,471</b>	<b>(3,147,045)</b>
<b>Expenditures</b>					
Current					
General Government	1,949,385	1,965,687	883,169	883,169	1,082,518
Judicial	716,130	716,670	329,656	329,656	387,014
Security of Persons and Property	507,762	525,165	245,472	245,472	279,693
Physical Environment	464,568	465,690	209,482	209,482	256,208
Human Services	220,236	221,083	90,445	90,445	130,638
Culture and Recreation	317,240	317,500	132,856	132,856	184,644
Capital Outlay	100,000	100,000	0	0	100,000
<b>Total Expenditures</b>	<b>4,275,321</b>	<b>4,311,795</b>	<b>1,891,080</b>	<b>1,891,080</b>	<b>2,420,715</b>
<b>Excess of revenues of expenditures</b>	<b>2,356,660</b>	<b>2,325,721</b>	<b>1,599,391</b>	<b>1,599,391</b>	<b>(726,330)</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	0	10,000	0	0	(10,000)
Transfers Out	(1,698,501)	(1,698,501)	(868,449)	(868,449)	830,052
<b>Total Other Financing Sources (Uses)</b>	<b>(1,698,501)</b>	<b>(1,688,501)</b>	<b>(868,449)</b>	<b>(868,449)</b>	<b>820,052</b>
<b>Net Change in Fund Balance</b>	<b>658,159</b>	<b>637,220</b>	<b>730,942</b>	<b>730,942</b>	<b>93,722</b>
<b>Fund Balances Beginning of Year</b>	<b>2,268,089</b>	<b>2,418,808</b>	<b>2,418,808</b>	<b>2,418,808</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>2,926,248</b>	<b>3,056,028</b>	<b>3,149,750</b>	<b>3,149,750</b>	<b>93,722</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Contingency Special Revenue Fund  
 For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Investment Interest	125,000	125,000	0	0	(125,000)
Investment Interest - Dedicated	0	0	13,997	13,997	13,997
<b>Total Revenues</b>	<b>125,000</b>	<b>125,000</b>	<b>13,997</b>	<b>13,997</b>	<b>(111,003)</b>
<b>Excess of revenues of expenditures</b>	<b>125,000</b>	<b>125,000</b>	<b>13,997</b>	<b>13,997</b>	<b>(111,003)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	0	(31,500)	(365,936)	(365,936)	(334,436)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(31,500)</b>	<b>(365,936)</b>	<b>(365,936)</b>	<b>(334,436)</b>
<b>Net Change in Fund Balance</b>	<b>125,000</b>	<b>93,500</b>	<b>(351,939)</b>	<b>(351,939)</b>	<b>(445,439)</b>
<b>Fund Balances Beginning of Year</b>	<b>3,068,826</b>	<b>2,815,790</b>	<b>2,815,790</b>	<b>2,815,790</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>3,193,826</b>	<b>2,909,290</b>	<b>2,463,851</b>	<b>2,463,851</b>	<b>(445,439)</b>

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

Cemetery Improvement Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Expenditures</b>					
Capital Outlay	12,000	12,000	0	0	12,000
<b>Total Expenditures</b>	<b>12,000</b>	<b>12,000</b>	<b>0</b>	<b>0</b>	<b>12,000</b>
<b>Excess of revenues of expenditures</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>0</b>	<b>0</b>	<b>12,000</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	132,000	132,000	76,976	76,976	(55,024)
Transfers Out	(62,072)	(62,072)	(28,949)	(28,949)	33,123
<b>Total Other Financing Sources (Uses)</b>	<b>69,928</b>	<b>69,928</b>	<b>48,027</b>	<b>48,027</b>	<b>(21,901)</b>
<b>Net Change in Fund Balance</b>	<b>57,928</b>	<b>57,928</b>	<b>48,027</b>	<b>48,027</b>	<b>(9,901)</b>
<b>Fund Balances Beginning of Year</b>	<b>418,473</b>	<b>417,500</b>	<b>417,500</b>	<b>417,500</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>476,401</b>	<b>475,428</b>	<b>465,527</b>	<b>465,527</b>	<b>(9,901)</b>

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

Impact Fees Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Charges for Services	1,350,000	1,350,000	721,966	721,966	(628,034)
Investment Interest	262,600	262,600	98,867	98,867	(163,733)
<b>Total Revenues</b>	<b>1,612,600</b>	<b>1,612,600</b>	<b>820,833</b>	<b>820,833</b>	<b>(791,767)</b>
<b>Excess of revenues of expenditures</b>	<b>1,612,600</b>	<b>1,612,600</b>	<b>820,833</b>	<b>820,833</b>	<b>(791,767)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(1,098,600)	(1,098,600)	(755,000)	(755,000)	343,600
<b>Total Other Financing Sources (Uses)</b>	<b>(1,098,600)</b>	<b>(1,098,600)</b>	<b>(755,000)</b>	<b>(755,000)</b>	<b>343,600</b>
<b>Net Change in Fund Balance</b>	<b>514,000</b>	<b>514,000</b>	<b>65,833</b>	<b>65,833</b>	<b>(448,167)</b>
<b>Fund Balances Beginning of Year</b>	<b>2,390,231</b>	<b>2,097,337</b>	<b>2,097,337</b>	<b>2,097,337</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>2,904,231</b>	<b>2,611,337</b>	<b>2,163,170</b>	<b>2,163,170</b>	<b>(448,167)</b>

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

Off Street Parking Reserve Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(40,000)	(40,000)	(25,954)	(25,954)	14,046
<b>Total Other Financing Sources (Uses)</b>	(40,000)	(40,000)	(25,954)	(25,954)	14,046
<b>Net Change in Fund Balance</b>	(40,000)	(40,000)	(25,954)	(25,954)	14,046
<b>Fund Balances Beginning of Year</b>	69,564	69,564	69,564	69,564	0
<b>Fund Balances End of Year</b>	29,564	29,564	43,610	43,610	14,046

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Tour Dock Special Revenue Fund  
 For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Miscellaneous Revenues	50,000	50,000	25,250	25,250	(24,750)
<b>Total Revenues</b>	<b>50,000</b>	<b>50,000</b>	<b>25,250</b>	<b>25,250</b>	<b>(24,750)</b>
<b>Expenditures</b>					
Culture and Recreation	20,000	20,000	0	0	20,000
<b>Total Expenditures</b>	<b>20,000</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>20,000</b>
<b>Excess of revenues of expenditures</b>	<b>30,000</b>	<b>30,000</b>	<b>25,250</b>	<b>25,250</b>	<b>(4,750)</b>
<b>Net Change in Fund Balance</b>	<b>30,000</b>	<b>30,000</b>	<b>25,250</b>	<b>25,250</b>	<b>(4,750)</b>
<b>Fund Balances Beginning of Year</b>	<b>43,211</b>	<b>49,235</b>	<b>49,235</b>	<b>49,235</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>73,211</b>	<b>79,235</b>	<b>74,485</b>	<b>74,485</b>	<b>(4,750)</b>

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

Street Improvement Reserve Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	540,000	540,000	270,000	270,000	(270,000)
Intergovernmental	1,036,000	1,036,000	511,000	511,000	(525,000)
<b>Total Revenues</b>	<b>1,576,000</b>	<b>1,576,000</b>	<b>781,000</b>	<b>781,000</b>	<b>(795,000)</b>
<b>Excess of revenues of expenditures</b>	<b>1,576,000</b>	<b>1,576,000</b>	<b>781,000</b>	<b>781,000</b>	<b>(795,000)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	0	0	149,762	149,762	149,762
Transfers Out	(1,479,500)	(1,640,600)	(1,362,589)	(1,362,589)	278,011
<b>Total Other Financing Sources (Uses)</b>	<b>(1,479,500)</b>	<b>(1,640,600)</b>	<b>(1,212,827)</b>	<b>(1,212,827)</b>	<b>427,773</b>
<b>Net Change in Fund Balance</b>	<b>96,500</b>	<b>(64,600)</b>	<b>(431,827)</b>	<b>(431,827)</b>	<b>(367,227)</b>
<b>Fund Balances Beginning of Year</b>	<b>1,024,998</b>	<b>1,646,265</b>	<b>1,646,265</b>	<b>1,646,265</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>1,121,498</b>	<b>1,581,665</b>	<b>1,214,438</b>	<b>1,214,438</b>	<b>(367,227)</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
Grant Control Special Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Intergovernmental	60,000	60,000	38,560	38,560	(21,440)
<b>Total Revenues</b>	<b>60,000</b>	<b>60,000</b>	<b>38,560</b>	<b>38,560</b>	<b>(21,440)</b>
<b>Expenditures</b>					
Current					
Transportation	60,000	60,000	54,003	54,003	5,997
Capital Outlay	0	0	28,706	28,706	(28,706)
<b>Total Expenditures</b>	<b>60,000</b>	<b>60,000</b>	<b>82,709</b>	<b>82,709</b>	<b>(22,709)</b>
<b>Excess of revenues of expenditures</b>	<b>0</b>	<b>0</b>	<b>(44,149)</b>	<b>(44,149)</b>	<b>(44,149)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>(44,149)</b>	<b>(44,149)</b>	<b>(44,149)</b>
<b>Fund Balances Beginning of Year</b>	<b>225,873</b>	<b>225,835</b>	<b>225,835</b>	<b>225,835</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>225,873</b>	<b>225,835</b>	<b>181,686</b>	<b>181,686</b>	<b>(44,149)</b>

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

General Capital Projects Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	1,250,000	1,250,000	500,000	500,000	(750,000)
Intergovernmental	257,700	295,960	150,919	150,919	(145,041)
Charges for Services	0	208,100	107,458	107,458	(100,642)
Investment Interest	424,174	424,174	35,416	35,416	(388,758)
Investment Interest - Dedicated	1,880,000	1,880,000	1,247,371	1,247,371	(632,629)
Miscellaneous Revenues	0	0	48,851	48,851	48,851
<b>Total Revenues</b>	<b>3,811,874</b>	<b>4,058,234</b>	<b>2,090,015</b>	<b>2,090,015</b>	<b>(1,968,219)</b>
<b>Expenditures</b>					
Current					
General Government	1,044,407	1,653,493	237,024	237,024	1,416,469
Security of Persons and Property	0	145,289	41,798	41,798	103,491
Physical Environment	9,300	9,300	199	199	9,101
Transportation	3,042,900	3,042,900	1,804,780	1,804,780	1,238,120
Human Services	0	0	299	299	(299)
Culture and Recreation	40,000	417,328	281,347	281,347	135,981
Capital Outlay	8,289,693	18,328,109	5,773,630	5,773,630	12,554,479
<b>Total Expenditures</b>	<b>12,426,300</b>	<b>23,596,419</b>	<b>8,139,077</b>	<b>8,139,077</b>	<b>15,457,342</b>
<b>Excess of revenues of expenditures</b>	<b>(8,614,426)</b>	<b>(19,538,185)</b>	<b>(6,049,062)</b>	<b>(6,049,062)</b>	<b>13,489,123</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	9,128,659	11,651,517	7,645,706	7,645,706	(4,005,811)
Transfers Out	0	(299,217)	(744,261)	(744,261)	(445,044)
<b>Total Other Financing Sources (Uses)</b>	<b>9,128,659</b>	<b>11,352,300</b>	<b>6,901,445</b>	<b>6,901,445</b>	<b>(4,450,855)</b>
<b>Net Change in Fund Balance</b>	<b>514,233</b>	<b>(8,185,885)</b>	<b>852,383</b>	<b>852,383</b>	<b>9,038,268</b>
<b>Fund Balances Beginning of Year</b>	<b>3,391,576</b>	<b>12,091,694</b>	<b>12,091,694</b>	<b>12,091,694</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>3,905,809</b>	<b>3,905,809</b>	<b>12,944,077</b>	<b>12,944,077</b>	<b>9,038,268</b>

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

Grant Capital Projects Revenue Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Intergovernmental	2,121,800	7,889,923	0	0	(7,889,923)
Charges for Services	0	0	33,670	33,670	33,670
Miscellaneous Revenues	224,500	334,500	948	948	(333,552)
<b>Total Revenues</b>	<b>2,346,300</b>	<b>8,224,423</b>	<b>34,618</b>	<b>34,618</b>	<b>(8,189,805)</b>
<b>Expenditures</b>					
Current					
Transportation	0	0	0	0	0
Capital Outlay	3,966,100	15,971,727	1,117,050	1,117,050	14,854,677
<b>Total Expenditures</b>	<b>3,966,100</b>	<b>15,971,727</b>	<b>1,117,050</b>	<b>1,117,050</b>	<b>14,854,677</b>
<b>Excess of revenues of expenditures</b>	<b>(1,619,800)</b>	<b>(7,747,304)</b>	<b>(1,082,432)</b>	<b>(1,082,432)</b>	<b>6,664,872</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,619,800	2,782,853	1,951,330	1,951,330	(831,523)
Operating Transfers Out	0	0	0	0	
<b>Total Other Financing Sources (Uses)</b>	<b>1,619,800</b>	<b>2,782,853</b>	<b>1,951,330</b>	<b>1,951,330</b>	<b>(831,523)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(4,964,451)</b>	<b>868,898</b>	<b>868,898</b>	<b>5,833,349</b>
<b>Fund Balances Beginning of Year</b>	<b>2,536</b>	<b>4,966,987</b>	<b>4,966,987</b>	<b>4,966,987</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>2,536</b>	<b>2,536</b>	<b>5,835,885</b>	<b>5,835,885</b>	<b>5,833,349</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Limited GO Debt Service Fund  
 For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Investment Interest - Dedicated	66,045	66,045	33,022	33,022	(33,023)
<b>Total Revenues</b>	<b>66,045</b>	<b>66,045</b>	<b>33,022</b>	<b>33,022</b>	<b>(33,023)</b>
<b>Expenditures</b>					
Debt Service					
Principal	3,850,000	3,850,000	2,795,000	2,795,000	1,055,000
Interest	910,969	910,969	511,756	511,756	399,213
<b>Total Expenditures</b>	<b>4,760,969</b>	<b>4,760,969</b>	<b>3,306,756</b>	<b>3,306,756</b>	<b>1,454,213</b>
<b>Excess of revenues of expenditures</b>	<b>(4,694,924)</b>	<b>(4,694,924)</b>	<b>(3,273,734)</b>	<b>(3,273,734)</b>	<b>1,421,190</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	4,664,651	4,664,651	3,210,440	3,210,440	(1,454,211)
Operating Transfers Out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>4,664,651</b>	<b>4,664,651</b>	<b>3,210,440</b>	<b>3,210,440</b>	<b>(1,454,211)</b>
<b>Net Change in Fund Balance</b>	<b>(30,273)</b>	<b>(30,273)</b>	<b>(63,294)</b>	<b>(63,294)</b>	<b>(33,021)</b>
<b>Fund Balances Beginning of Year</b>	<b>235,660</b>	<b>235,660</b>	<b>235,660</b>	<b>235,660</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>205,387</b>	<b>205,387</b>	<b>172,366</b>	<b>172,366</b>	<b>(33,021)</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Unlimited GO Debt Service Fund  
 For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Taxes and Assessments	2,918,515	2,918,515	1,459,308	1,459,308	(1,459,207)
<b>Total Revenues</b>	<b>2,918,515</b>	<b>2,918,515</b>	<b>1,459,308</b>	<b>1,459,308</b>	<b>(1,459,207)</b>
<b>Expenditures</b>					
Debt Service					
Principal	2,040,000	2,040,000	1,005,000	1,005,000	1,035,000
Interest	878,515	878,515	460,678	460,678	417,837
<b>Total Expenditures</b>	<b>2,918,515</b>	<b>2,918,515</b>	<b>1,465,678</b>	<b>1,465,678</b>	<b>1,452,837</b>
<b>Excess of revenues of expenditures</b>	0	0	(6,370)	(6,370)	(6,370)
<b>Net Change in Fund Balance</b>	0	0	(6,370)	(6,370)	(6,370)
<b>Fund Balances Beginning of Year</b>	338,264	324,819	324,819	324,819	0
<b>Fund Balances End of Year</b>	<b>338,264</b>	<b>324,819</b>	<b>318,449</b>	<b>318,449</b>	<b>(6,370)</b>

City of Kirkland  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
LID Debt Service Fund  
For the year ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	2007 Actual Amounts Budgetary Basis	Actual 2007-2008 Biennium	Variance with Final Budget
<b>Revenues</b>					
Miscellaneous Revenues	5,520	5,520	4,544	4,544	(976)
<b>Total Revenues</b>	<b>5,520</b>	<b>5,520</b>	<b>4,544</b>	<b>4,544</b>	<b>(976)</b>
<b>Expenditures</b>					
Debt Service					
Principal	5,000	5,000	5,000	5,000	0
Interest	520	520	260	260	260
<b>Total Expenditures</b>	<b>5,520</b>	<b>5,520</b>	<b>5,260</b>	<b>5,260</b>	<b>260</b>
<b>Excess of revenues of expenditures</b>	<b>0</b>	<b>0</b>	<b>(716)</b>	<b>(716)</b>	<b>(716)</b>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers Out	(1,841)	(4,127)	0	0	4,127
<b>Total Other Financing Sources (Uses)</b>	<b>(1,841)</b>	<b>(4,127)</b>	<b>0</b>	<b>0</b>	<b>4,127</b>
<b>Net Change in Fund Balance</b>	<b>(1,841)</b>	<b>(4,127)</b>	<b>(716)</b>	<b>(716)</b>	<b>3,411</b>
<b>Fund Balances Beginning of Year</b>	<b>1,841</b>	<b>4,127</b>	<b>4,127</b>	<b>4,127</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>0</b>	<b>0</b>	<b>3,411</b>	<b>3,411</b>	<b>3,411</b>

## INTERNAL SERVICE FUNDS

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

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

City of Kirkland, Washington  
**Combining Statement of Net Assets**  
Internal Service Funds  
December 31, 2007

	Equipment Rental	Information Technology	2007
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	2,161,008	922,541	3,083,549
Investments	4,300,919	1,858,324	6,159,243
Accounts Receivable	79,252	100	79,352
Inventories	56,341	0	56,341
Total Current Assets	6,597,520	2,780,965	9,378,485
Noncurrent Assets			
Capital Assets:			
Improvements	128,605	0	128,605
Equipment	11,571,615	59,775	11,631,390
Accumulated Depreciation	(5,036,905)	(15,405)	(5,052,310)
Total Capital Assets Net	6,663,315	44,370	6,707,685
Total Noncurrent Assets	6,663,315	44,370	6,707,685
<b>Total Assets</b>	<b>13,260,835</b>	<b>2,825,335</b>	<b>16,086,170</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	42,327	19,828	62,155
Due to Other Governments	0	92,500	92,500
Wages Payable	19,546	102,583	122,129
Employee Benefits Payable	25,712	89,936	115,648
<b>Total Liabilities</b>	<b>87,585</b>	<b>304,847</b>	<b>392,432</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	6,663,315	44,370	6,707,685
Unrestricted	6,509,935	2,476,118	8,986,053
<b>Total Net Assets</b>	<b>13,173,250</b>	<b>2,520,488</b>	<b>15,693,738</b>

City of Kirkland, Washington  
**Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2007

	Equipment Rental	Information Technology	2007
<b>Operating Revenues</b>			
Charges for Services	2,970,922	3,539,552	6,510,474
Miscellaneous Revenues	64,855	55,391	120,246
<b>Total Operating Revenues</b>	<b>3,035,777</b>	<b>3,594,943</b>	<b>6,630,720</b>
<b>Operating Expenses</b>			
Administrative & General	440,682	790,610	1,231,292
Supplies	31,881	253,404	285,285
Maintenance & Operations	1,139,457	2,581,936	3,721,393
Depreciation	955,749	8,539	964,288
<b>Total Operating Expenses</b>	<b>2,567,769</b>	<b>3,634,489</b>	<b>6,202,258</b>
<b>Operating Income (Loss)</b>	<b>468,008</b>	<b>(39,546)</b>	<b>428,462</b>
Nonoperating Revenues (Expenses)			
Interest Revenue	282,138	231,928	514,066
Gain (loss) on Disposal of Capital Assets	16,552	0	16,552
Other Nonoperating Revenue	91,677	46,288	137,965
Total Nonoperating Revenues (Expenses)	390,367	278,216	668,583
<b>Income (Loss) before Contributions and Transfers</b>	<b>858,375</b>	<b>238,670</b>	<b>1,097,045</b>
Transfers In	178,525	0	178,525
Transfers Out	(45,000)	(174,477)	(219,477)
Change in Net Assets	991,900	64,193	1,056,093
Total Net Assets - Beginning	12,181,350	2,456,295	14,637,645
<b>Total Net Assets - Ending</b>	<b>13,173,250</b>	<b>2,520,488</b>	<b>15,693,738</b>

City of Kirkland, Washington  
**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2007

	Equipment Rental	Information Technology	2007
<b>Cash Flows From Operating Activities</b>			
Cash Received From Interfund Charges	3,017,587	3,539,552	6,557,139
Cash From Other Sources	7,439	56,388	63,827
Cash Paid to Suppliers for Goods and Services	(995,332)	(1,190,560)	(2,185,892)
Cash Paid to Employees for Services	(459,517)	(2,302,428)	(2,761,945)
Cash Paid for Central Business Functions	(176,628)	0	(176,628)
<b>Net Cash Provided by Operating Activities</b>	<b>1,393,549</b>	<b>102,952</b>	<b>1,496,501</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers In	178,525	0	178,525
Transfers Out	(45,000)	(174,477)	(219,477)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>133,525</b>	<b>(174,477)</b>	<b>(40,952)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds From Sale of Assets and Insurance Recoveries	94,742	18,753	113,495
Acquisition and Construction of Capital Assets	(1,251,234)	0	(1,251,234)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,156,492)</b>	<b>18,753</b>	<b>(1,137,739)</b>
<b>Cash Flows From Investing Activities</b>			
Net (Increase) Decrease in Investments	(21,420)	42,618	21,198
Interest Revenue	338,446	278,216	616,662
<b>Net Cash Provided by Investing Activities</b>	<b>317,027</b>	<b>320,833</b>	<b>637,860</b>
Net Increase (Decrease) in Cash and Cash Equivalents	687,609	268,061	955,670
Cash and Cash Equivalents, January 1	1,473,399	654,480	2,127,879
<b>Cash and Cash Equivalents, December 31</b>	<b>2,161,008</b>	<b>922,541</b>	<b>3,083,549</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	468,008	(39,546)	428,462
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	955,749	8,539	964,288
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(77,692)	(71)	(77,763)
(Increase) Decrease in Loan Receivable	46,398	0	46,398
(Increase) Decrease in Inventories	(9,396)	0	(9,396)
(Increase) Decrease in Due From Other Sources	0	996	996
Increase (Decrease) in Accounts Payable	12,504	(4,264)	8,240
Increase (Decrease) in Due to Other Governments	0	92,235	92,235
Increase (Decrease) in Wages Payable	(865)	20,707	19,842
Increase (Decrease) in Employee Benefits Payable	(1,157)	24,356	23,199
<b>Net Cash Provided by Operating Activities</b>	<b>1,393,549</b>	<b>102,952</b>	<b>1,496,501</b>

## AGENCY FUNDS

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

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

City of Kirkland  
**Statement of Agency Fund Net Assets**  
December 31, 2007

	Intergovernmental Clearing	Customer Deposits	2007
<b>Assets</b>			
Cash and Cash Equivalents	5,054	0	5,054
Deposits	0	882,980	882,980
<b>Total Assets</b>	<b>5,054</b>	<b>882,980</b>	<b>888,034</b>
<b>Liabilities</b>			
Current Liabilities			
Due to Other Governments	5,054	0	5,054
Deposits	0	882,980	882,980
<b>Total Liabilities</b>	<b>5,054</b>	<b>882,980</b>	<b>888,034</b>

City of Kirkland  
**Statement of Changes in Assets and Liabilities**  
All Agency Funds  
For the fiscal year ended December 31, 2007

	01/01/07 Balance	Additions	Deletions	12/31/07 Balance
<b>Intergovernmental Custodial</b>				
Assets				
Cash and Cash Equivalents	5,533	2,044,355	2,044,834	5,054
Total Assets	<u>5,533</u>	<u>2,044,355</u>	<u>2,044,834</u>	<u>5,054</u>
Liabilities				
Due to Other Governments	5,533	53,039	53,518	5,054
Total Liabilities	<u>5,533</u>	<u>53,039</u>	<u>53,518</u>	<u>5,054</u>
<b>Customer Deposits</b>				
Assets				
Deposits	894,341	372,831	384,192	882,980
Total Assets	<u>894,341</u>	<u>372,831</u>	<u>384,192</u>	<u>882,980</u>
Liabilities				
Deposits	894,341	1,282,663	1,294,024	882,980
Total Liabilities	<u>894,341</u>	<u>1,282,663</u>	<u>1,294,024</u>	<u>882,980</u>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	5,533	2,044,355	2,044,834	5,054
Deposits	894,341	372,831	384,192	882,980
Total Assets	<u>899,874</u>	<u>2,417,186</u>	<u>2,429,026</u>	<u>888,034</u>
Liabilities				
Due to Other Governments	5,533	53,039	53,518	5,054
Deposits	894,341	1,282,663	1,294,024	882,980
Total Liabilities	<u>899,874</u>	<u>1,335,702</u>	<u>1,347,542</u>	<u>888,034</u>



City of Kirkland  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
December 31, 2007  
Unaudited

**2007**

**Governmental Funds Capital Assets:**

Land	\$ 74,250,505
Buildings	29,395,900
Improvements other than Buildings	16,096,746
Machinery and Equipment	1,373,160
Artwork	1,603,927
Infrastructure	124,818,693
Construction in Progress	25,820,291
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 273,359,222</u></b>

**Investments in Governmental Funds Capital Assets by Source:**

General Fund	\$ 215,673,997
Special Revenue Funds	1,411,009
Impact Fees	3,574,761
Federal Grants	88,902
General Obligation Bonds	43,278,002
Private Gifts	9,332,551
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 273,359,222</u></b>

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



City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
December 31, 2007  
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 13,589,390	\$ 3,710,932	\$ 435,796	\$ -	\$ -	\$ 13,672,514	\$ 36,709,047
Judicial	-	-	1,297,552	-	-	-	-	\$ 1,297,552
Security								
Police	-	-	270,157	279,493	-	-	207,455	\$ 757,105
Fire	134,000	3,603,614	644,331	339,639	-	-	287,669	\$ 5,009,253
Total Security	<u>134,000</u>	<u>3,603,614</u>	<u>914,488</u>	<u>619,132</u>	<u>-</u>	<u>-</u>	<u>495,124</u>	<u>5,766,358</u>
Transportation	30,988,371	5,845,821	-	14,481	-	124,818,693	5,536,837	\$ 167,204,203
Physical Environment	46,034	-	1,053,377	107,556	-	-	-	\$ 1,206,967
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	37,781,685	6,357,075	9,120,397	196,195	1,603,927	-	6,115,816	\$ 61,175,095
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 74,250,505</u></b>	<b><u>\$ 29,395,900</u></b>	<b><u>\$ 16,096,746</u></b>	<b><u>\$ 1,373,160</u></b>	<b><u>\$ 1,603,927</u></b>	<b><u>\$ 124,818,693</u></b>	<b><u>\$ 25,820,291</u></b>	<b><u>\$ 273,359,222</u></b>

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

City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
For the Year Ended December 31, 2007  
Unaudited

FUNCTION AND ACTIVITY	Governmental	Additions	Deductions	Governmental
	Funds Capital Assets			Funds Capital Assets
	Jan 1, 2007			Dec 31, 2007
General Govt	\$ 35,031,369	\$ 3,196,594	\$ 1,518,916	\$ 36,709,047
Judicial	1,297,552	-	-	1,297,552
Security				
Police	510,352	246,753	-	757,105
Fire	4,581,601	427,652	-	5,009,253
Total Security	<u>5,091,953</u>	<u>674,405</u>	<u>-</u>	<u>5,766,358</u>
Transportation	163,155,636	4,561,180	512,613	167,204,203
Physical Environment	1,219,845	-	12,878	1,206,967
Economic Environment	-	-	-	-
Human Services	100,395	-	100,395	-
Culture and Recreation	58,251,725	4,220,344	1,296,974	61,175,095
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 264,148,475</u></b>	<b><u>\$ 12,652,523</u></b>	<b><u>\$ 3,441,776</u></b>	<b><u>\$ 273,359,222</u></b>

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

## **City of Kirkland STATISTICAL SECTION**

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

<b><i>Statistical Section</i></b>	<b><i>Page</i></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	135
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	140
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	146
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	151
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	154

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



Schedule 1

**City of Kirkland**

Net Assets by Component

Last Five Fiscal Years\* - Unaudited

(accrual basis of accounting)

135

	<b>Fiscal Year</b>				
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006**</u></b>	<b><u>2007</u></b>
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 141,921,038	\$ 144,192,014	\$ 144,889,758	\$ 149,842,998	\$ 159,271,557
Restricted	39,956,320	32,708,901	31,529,052	37,582,793	2,609,847
Unrestricted	11,725,447	25,921,417	35,872,865	37,799,676	77,110,238
<b>Total Governmental Activities Net Assets</b>	<b><u>\$ 193,602,805</u></b>	<b><u>\$ 202,822,332</u></b>	<b><u>\$ 212,291,675</u></b>	<b><u>\$ 225,225,467</u></b>	<b><u>\$ 238,991,642</u></b>
<b>Business-type Activities</b>					
Invested In Capital Assets, Net of Related Debt	\$ 72,934,376	\$ 83,386,001	\$ 92,417,203	\$ 96,222,908	\$ 101,047,975
Restricted	297,987	211,353	203,786	181,440	165,616
Unrestricted	17,041,390	18,749,964	18,643,884	26,124,764	29,956,731
<b>Total Business-type Net Assets</b>	<b><u>\$ 90,273,753</u></b>	<b><u>\$ 102,347,318</u></b>	<b><u>\$ 111,264,873</u></b>	<b><u>\$ 122,529,112</u></b>	<b><u>\$ 131,170,322</u></b>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 214,855,414	\$ 227,578,015	\$ 237,306,961	\$ 246,065,906	\$ 260,319,532
Restricted	40,254,307	32,920,254	31,732,838	37,764,233	2,775,463
Unrestricted	28,766,837	44,671,381	54,516,749	63,924,440	107,066,969
<b>Total Primary Government Net Assets</b>	<b><u>\$ 283,876,558</u></b>	<b><u>\$ 305,169,650</u></b>	<b><u>\$ 323,556,548</u></b>	<b><u>\$ 347,754,579</u></b>	<b><u>\$ 370,161,964</u></b>

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

\*\*2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 2

**City of Kirkland**

Changes in Net Assets

Last Five Fiscal Years\* - Unaudited

(accrual basis of accounting)

	<b>Fiscal Year</b>				
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006***</u></b>	<b><u>2007</u></b>
<b>Expenses</b>					
<b>Governmental Activities</b>					
General Government	\$ 2,856,768	\$ 3,072,412	\$ 4,029,646	\$ 4,399,307	\$ 5,489,712
Judicial	1,132,956	1,237,842	1,232,126	1,346,720	1,543,351
Public Safety	21,283,552	21,663,542	24,501,016	25,210,510	28,231,977
Physical Environment	2,051,401	2,335,038	2,160,540	2,345,553	2,886,473
Transportation	8,376,404	6,718,867	9,859,368	11,225,929	6,822,829
Human Services	1,138,226	1,115,196	1,013,306	1,049,579	1,122,182
Economic Environment	4,655,743	4,383,632	5,063,940	4,956,792	5,535,097
Culture and Recreation	5,647,716	5,617,903	5,878,788	6,244,431	7,050,990
Interest on Long Term Debt	1,467,601	1,335,805	1,248,028	1,157,676	952,919
<b>Total Governmental Activities Expenses</b>	<b>\$ 48,610,367</b>	<b>\$ 47,480,237</b>	<b>\$ 54,986,758</b>	<b>\$ 57,936,497</b>	<b>\$ 59,635,530</b>
<b>Business Type Activities</b>					
Water/Sewer	\$ 13,783,135	\$ 12,444,661	\$ 13,415,317	\$ 14,293,499	\$ 15,038,083
Surface Water	2,270,481	2,468,998	2,694,872	2,698,022	3,258,849
Solid Waste	7,542,788	7,006,972	7,055,826	7,313,435	7,556,493
<b>Total Business Type Activities Expenses</b>	<b>\$ 23,596,404</b>	<b>\$ 21,920,631</b>	<b>\$ 23,166,015</b>	<b>\$ 24,304,956</b>	<b>\$ 25,853,425</b>
<b>Total Primary Government Expenses</b>	<b>\$ 72,206,771</b>	<b>\$ 69,400,868</b>	<b>\$ 78,152,773</b>	<b>\$ 82,241,453</b>	<b>\$ 85,488,955</b>
<b>Program Revenues</b>					
<b>Governmental Activities</b>					
<b>Charges for Services</b>					
General Government	\$ 1,892,009	\$ 1,871,874	\$ 2,176,589	\$ 2,583,828	\$ 2,867,603
Judicial	2,491,794	1,489,330	1,198,671	1,365,820	1,546,200
Public Safety	3,372,591	3,758,854	4,700,508	4,601,906	4,820,358
Physical Environment	334,062	489,291	614,942	697,593	704,730
Transportation	70,526	207,436	1,096,127	580,475	178,226
Economic Environment	3,542,188	4,538,432	4,648,507	4,047,288	3,784,004
Culture and Recreation	843,363	861,459	1,095,629	1,053,975	944,457
Operating Grants and Contributions	1,962,167	1,579,462	2,081,827	1,688,627	1,835,419
Capital Grants and Contributions	901,588	892,384	1,233,637	1,031,834	1,067,085
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 15,410,288</b>	<b>\$ 15,688,522</b>	<b>\$ 18,846,437</b>	<b>\$ 17,651,346</b>	<b>\$ 17,748,082</b>

	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006***</b>	<b>2007</b>
Business Type Activities					
Charges for Service					
Water/Sewer	\$ 15,147,095	\$ 13,564,146	\$ 13,628,018	\$ 17,604,778	\$ 16,739,996
Surface Water	2,563,696	2,806,057	4,065,829	5,049,525	5,067,890
Solid Waste	7,622,436	7,118,725	7,199,748	8,300,583	7,518,635
Operating Grants and Contributions	406,482	64,698	-	105,073	600,683
Capital Grants and Contributions	7,052,440	10,251,810	7,139,864	3,692,047	3,336,990
Total Business Type Activities Program Revenues	<u>\$ 32,792,149</u>	<u>\$ 33,805,436</u>	<u>\$ 32,033,459</u>	<u>\$ 34,752,006</u>	<u>\$ 33,264,194</u>
Total Primary Government Program Revenues	<u>\$ 48,202,437</u>	<u>\$ 49,493,958</u>	<u>\$ 50,879,896</u>	<u>\$ 52,403,352</u>	<u>\$ 51,012,276</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (33,200,079)	\$ (31,791,715)	\$ (36,140,321)	\$ (40,285,151)	\$ (41,887,448)
Business Type Activities	9,195,745	11,884,805	8,867,444	10,447,050	7,410,769
Total Primary Government Net Expense	<u>\$ (24,004,334)</u>	<u>\$ (19,906,910)</u>	<u>\$ (27,272,877)</u>	<u>\$ (29,838,101)</u>	<u>\$ (34,476,679)</u>
<b>General Revenue and Other Changes in Net Assets</b>					
Governmental Activities					
Taxes					
Property Taxes	\$ 11,379,010	\$ 11,772,666	\$ 11,593,056	\$ 13,023,578	\$ 13,729,508
Sales Taxes	13,614,210	14,245,140	16,008,359	17,473,327	18,167,448
Excise Taxes **	-	-	6,261,813	7,044,850	6,832,730
Business and Occupational Taxes	500,194	899,709	929,499	978,746	981,243
Utility Taxes	7,200,791	7,390,288	6,978,378	8,966,649	9,824,961
Other Taxes	3,618,383	5,262,954	1,429,341	1,879,171	1,221,453
Unrestricted Grants and Contributions	46,856	520,573	324,842	-	501
Investment Earnings	1,083,545	954,779	1,417,570	3,391,684	4,607,033
Gain (Loss) of Sale of Capital Assets	36,611	(172,867)	272,899	318,182	108,031
Transfers, Internal Activities	40,598	138,000	393,907	142,755	180,715
Total Governmental Activities	<u>\$ 37,520,198</u>	<u>\$ 41,011,242</u>	<u>\$ 45,609,664</u>	<u>\$ 53,218,942</u>	<u>\$ 55,653,623</u>
Business Type Activities					
Investment Earnings	\$ 316,405	\$ 326,761	\$ 444,017	\$ 959,944	\$ 1,411,155
Transfers, Internal Activities	(40,598)	(138,000)	(393,907)	(142,755)	(180,715)
Total Business Type Activities	<u>\$ 275,807</u>	<u>\$ 188,761</u>	<u>\$ 50,110</u>	<u>\$ 817,189</u>	<u>\$ 1,230,440</u>
Total Primary Government	<u>\$ 37,796,005</u>	<u>\$ 41,200,003</u>	<u>\$ 45,659,774</u>	<u>\$ 54,036,131</u>	<u>\$ 56,884,063</u>
<b>Change in Net Assets</b>					
Governmental Activities	\$ 4,320,117	\$ 9,219,527	\$ 9,469,343	\$ 12,933,791	\$ 13,766,175
Business Type Activities	9,471,554	12,073,566	8,917,554	11,264,239	8,641,209
Total Primary Government	<u>\$ 13,791,671</u>	<u>\$ 21,293,093</u>	<u>\$ 18,386,897</u>	<u>\$ 24,198,030</u>	<u>\$ 22,407,384</u>

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

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

\*\*\*2006 presentation was modified in 2007 to reflect a prior period adjustment.

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 3

**City of Kirkland**

Fund Balances, Governmental Funds

Last Five Fiscal Years\* - Unaudited

(modified accrual basis of accounting)

	<b>Fiscal Year</b>				
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006**</u></b>	<b><u>2007</u></b>
<b>General Fund</b>					
Reserved	\$ 23,175	\$ 23,175	\$ 23,175	\$ -	\$ -
Unreserved	4,132,740	5,603,516	5,505,380	8,394,364	10,926,697
<b>Total General Fund</b>	<b>\$ 4,155,915</b>	<b>\$ 5,626,691</b>	<b>\$ 5,528,555</b>	<b>\$ 8,394,364</b>	<b>\$ 10,926,697</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ 595,670	\$ 568,667	\$ 15,850,351	\$ 19,098,553	\$ 2,693,084
Unreserved, reported in:					
Special Revenue Funds	28,828,816	29,056,531	18,198,126	21,110,714	36,824,565
Capital Projects Funds	24,010,369	18,743,786	15,771,542	18,484,240	20,787,912
<b>Total all Other Governmental Funds</b>	<b>\$ 53,434,855</b>	<b>\$ 48,368,984</b>	<b>\$ 49,820,019</b>	<b>\$ 58,693,507</b>	<b>\$ 60,305,561</b>

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

\*\*2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 4

**City of Kirkland**

Changes in Fund Balance, Governmental Funds

Last Five Fiscal Years\* - Unaudited

(modified accrual basis of accounting)

139

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006**</u>	<u>2007</u>
<b>Revenues</b>					
Taxes and Assessments	\$ 36,148,462	\$ 39,285,690	\$ 43,013,052	\$ 48,869,999	\$ 49,958,737
Licenses and Permits	2,622,783	3,076,018	3,979,870	3,708,339	3,829,844
Intergovernmental	5,894,441	5,730,204	6,871,563	6,240,952	6,760,999
Charges for Services	8,386,242	9,450,454	10,094,396	10,048,417	9,845,034
Fines and Forfeitures	1,173,958	1,233,761	1,117,030	1,165,921	1,363,234
Investment Interest	1,387,251	1,258,689	1,829,674	2,778,651	3,679,548
Miscellaneous Revenues	640,413	447,210	797,317	1,531,327	1,080,766
<b>Total Revenues</b>	<b>\$ 56,253,550</b>	<b>\$ 60,482,026</b>	<b>\$ 67,702,902</b>	<b>\$ 74,343,606</b>	<b>\$ 76,518,162</b>
<b>Expenditures</b>					
Current					
General Government	\$ 7,972,444	\$ 7,909,306	\$ 8,758,846	\$ 8,744,986	\$ 10,022,436
Security of Persons and Property	20,511,004	23,445,532	26,257,339	27,543,202	27,919,796
Physical Environment	3,132,268	3,182,524	3,409,688	3,547,034	3,698,987
Transportation	4,056,329	3,298,181	4,628,907	4,999,973	4,687,211
Economic Environment	5,231,261	3,991,399	4,360,324	4,115,011	6,757,692
Culture and Recreation	5,020,420	5,053,334	5,479,543	5,919,511	6,454,935
Debt Service					
Principal	1,970,000	1,835,000	2,012,000	1,920,000	3,805,000
Interest	1,374,996	1,207,062	1,132,012	1,054,664	972,694
Capital Outlay	4,836,500	13,256,914	10,239,560	4,448,792	8,680,093
<b>Total Expenditures</b>	<b>\$ 54,105,222</b>	<b>\$ 63,179,252</b>	<b>\$ 66,278,218</b>	<b>\$ 62,293,173</b>	<b>\$ 72,998,844</b>
<b>Excess (Deficiency) of Revenues</b>	<b>\$ 2,148,328</b>	<b>\$ (2,697,226)</b>	<b>\$ 1,424,684</b>	<b>\$ 12,050,433</b>	<b>\$ 3,519,318</b>
Over (Under) Expenditures					
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	\$ 90,670	\$ 87,600	\$ 234,560	\$ 564,788	\$ 403,402
Proceeds from Long Term Debt	8,560,351	-	-	-	-
Operating Transfers In	9,963,670	9,494,297	9,347,701	11,518,923	13,978,513
Operating Transfers Out	(9,923,072)	(10,479,766)	(9,654,045)	(12,394,848)	(13,756,846)
<b>Total Other Financing Sources (Uses)</b>	<b>8,691,619</b>	<b>(897,869)</b>	<b>(71,784)</b>	<b>(311,137)</b>	<b>625,069</b>
<b>Net C noncapital expenditures</b>	<b>\$ 10,839,947.00</b>	<b>\$ (3,595,095.00)</b>	<b>\$ 1,352,899.98</b>	<b>\$ 11,739,296.00</b>	<b>\$ 4,144,387.00</b>
Debt Service as a percentage of	6.79%	6.09%	5.61%	5.14%	7.43%

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

\*\*2006 presentation was modified in 2007 to reflect a prior period adjustment.

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 5

**City of Kirkland**

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

<b><u>Fiscal Year</u></b>	<b><u>Real Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Total Taxable Assessed Valuation</u></b>	<b><u>Total Direct Tax Rate</u></b>
1998	\$ 3,865,098,825	\$ 298,244,390	\$ 4,163,343,215	2.16
1999	\$ 4,490,682,018	\$ 330,285,204	\$ 4,820,967,222	1.95
2000	\$ 4,916,387,558	\$ 296,624,693	\$ 5,213,012,251	1.84
2001	\$ 5,628,415,398	\$ 368,150,440	\$ 5,996,565,838	1.64
2002	\$ 6,311,766,096	\$ 414,773,536	\$ 6,726,539,632	1.44
2003	\$ 6,788,777,356	\$ 344,404,165	\$ 7,133,181,521	1.59
2004	\$ 7,151,120,913	\$ 295,356,068	\$ 7,446,476,981	1.55
2005	\$ 7,605,630,655	\$ 290,763,254	\$ 7,896,393,909	1.49
2006	\$ 8,489,201,834	\$ 313,726,919	\$ 8,802,928,753	1.49
2007	\$ 9,536,541,460	\$ 328,698,684	\$ 9,865,240,144	1.40

Schedule 6

**City of Kirkland**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years - Unaudited

141

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>							<u>Total Direct and Overlapping Rate</u>
	<u>Regular Levy</u>	<u>General Obligation Debt Service</u>	<u>Total Direct Rate</u>	<u>School District</u>	<u>County</u>	<u>State</u>	<u>Emergency Medical Services</u>	<u>Hospital</u>	<u>King County Library</u>	<u>Port of Seattle</u>	
1998	1.83	0.34	2.16	3.52	1.85	3.51	0.00	0.43	0.50	0.27	12.24
1999	1.66	0.29	1.95	4.06	1.77	3.36	0.29	0.41	0.50	0.24	12.58
2000	1.59	0.25	1.84	4.02	1.69	3.30	0.27	0.41	0.50	0.22	12.25
2001	1.43	0.22	1.64	3.53	1.55	3.15	0.25	0.39	0.48	0.19	11.18
2002	1.31	0.13	1.44	3.17	1.45	2.99	0.25	0.36	0.46	0.19	10.31
2003	1.37	0.22	1.59	3.06	1.35	2.90	0.25	0.34	0.50	0.26	10.25
2004	1.35	0.20	1.55	2.96	1.43	2.76	0.25	0.34	0.49	0.25	10.03
2005	1.31	0.18	1.49	2.83	1.38	2.69	0.23	0.59	0.49	0.25	9.95
2006	1.32	0.17	1.49	2.64	1.33	2.49	0.22	0.54	0.49	0.24	9.44
2007	1.25	0.15	1.40	2.57	1.29	2.33	0.21	0.50	0.46	0.23	8.99

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

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 7

**City of Kirkland**

Principal Property Tax Payers

Current Year and Ten Years Ago - Unaudited

142

<u><b>Taxpayer</b></u>	<u><b>2007</b></u>			<u><b>1997*</b></u>		
	<u><b>Taxable Assessed Value</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total City Taxable Assessed Value</b></u>	<u><b>Taxable Assessed Value</b></u>	<u><b>Rank</b></u>	<u><b>Percentage of Total City Taxable Assessed Value</b></u>
Carillon Properties	\$ 148,076,634	1	1.50%	\$ 84,300,000	1	2.32%
Villaggio (Yarrow Bay Club Apartments)	59,871,000	2	0.61%	13,400,000	8	0.37%
Park at Forbes Creek LLC	59,421,000	3	0.60%	25,800,000	2	0.71%
Plaza at Yarrow Bay, Inc.	58,584,800	4	0.59%	23,900,000	3	0.66%
Property Tax Advisors, LLC	47,223,300	5	0.48%			
BRE Properties	44,742,000	6	0.45%			
Puget Sound Energy Electricity/Gas	38,962,247	7	0.39%			
Essex Property Trust	37,280,000	8	0.38%			
Touchstone KPP Development (Parkplace)	36,739,400	9	0.37%	21,300,000	5	0.59%
Paccar, Inc.	29,831,116	10	0.30%	15,400,000	7	0.42%
Riggs National Bank of Washington DC (405 Corp Center)				23,700,000	4	0.65%
HSC Management, Inc. (Carillon Heights Apartments)				16,700,000	6	0.46%
Eproperty Tax, Inc. (formerly CB Heronfield Apts, Inc.)				12,900,000	9	0.35%
Totem Shopping Center Assoc. (Totem lake Mall)				11,800,000	10	0.32%
<b>Totals</b>	<u><u><b>\$ 560,731,497</b></u></u>		<u><u><b>5.67%</b></u></u>	<u><u><b>\$ 249,200,000</b></u></u>		<u><u><b>6.85%</b></u></u>

\* 1998 Principal Property Tax Payer information not available. 1997 information used for comparison.

Schedule 8

**City of Kirkland**

Property Tax Levies and Collections

Last Eight Fiscal Years - Unaudited

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2000	\$ 9,444,624	\$ 9,244,961	97.89%	\$ 183,110	\$ 9,428,071	99.82%
2001	\$ 9,706,445	\$ 9,479,204	97.66%	\$ 202,846	\$ 9,682,050	99.75%
2002	\$ 9,672,026	\$ 9,419,039	97.38%	\$ 219,758	\$ 9,638,797	99.66%
2003	\$ 11,289,849	\$ 10,955,151	97.04%	\$ 265,089	\$ 11,220,240	99.38%
2004	\$ 11,528,775	\$ 11,264,874	97.71%	\$ 223,160	\$ 11,488,034	99.65%
2005	\$ 11,628,478	\$ 11,393,400	97.98%	\$ 234,050	\$ 11,627,450	99.99%
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 195,242	\$ 12,986,327	99.48%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ -	\$ 13,539,420	97.87%

Schedule 9

**City of Kirkland**

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

144

	Fiscal Year									
	<u>1998 *</u>	<u>1999 **</u>	<u>2000 **</u>	<u>2001 **</u>	<u>2002 **</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Services	\$ 1,198,905	\$ 1,313,285	\$ 1,424,590	\$ 1,418,678	\$ 1,342,157	\$ 1,277,213	\$ 1,347,480	\$ 1,516,943	\$ 1,722,501	\$ 1,779,742
Contracting	1,392,912	1,470,683	1,788,687	1,739,136	1,463,962	1,497,052	1,777,419	2,315,820	3,279,243	3,007,168
Communications	551,033	654,747	706,919	644,333	551,003	936,836	576,840	689,152	793,243	657,923
Automotive/Gas Retail	2,092,993	2,286,476	2,417,073	2,325,651	2,283,057	2,532,728	2,721,983	2,791,766	2,973,380	3,276,488
Gen Merch/ Misc Retail	-	-	-	-	-	2,377,572	2,220,194	2,384,674	2,524,268	2,562,537
Retail Eating/Drinking	-	-	-	-	-	1,031,527	1,109,576	1,183,017	1,228,127	1,294,444
Other Retail	5,176,731	4,045,399	4,328,082	4,131,602	4,276,413	1,259,370	1,577,589	1,774,957	1,800,744	1,738,458
Wholesale	-	1,325,810	1,428,082	929,125	759,878	1,112,417	652,515	984,807	1,320,124	1,111,079
Miscellaneous	607,119	654,198	652,062	648,901	544,290	647,736	720,378	668,662	786,514	1,098,629
<b>Total</b>	<b>\$ 11,019,693</b>	<b>\$ 11,750,598</b>	<b>\$ 12,745,495</b>	<b>\$ 11,837,426</b>	<b>\$ 11,220,760</b>	<b>\$ 12,672,451</b>	<b>\$ 12,703,974</b>	<b>\$ 14,309,798</b>	<b>\$ 16,428,144</b>	<b>\$ 16,526,468</b>
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%

\* 1998 Other Retail included General Merchandise/Miscellaneous Retail, Retail Eating/Drinking and Wholesale.

\*\* 1999 through 2002 Other Retail included General Merchandise/Miscellaneous Retail and Retail Eating/Drinking.

**City of Kirkland**

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

145

Fiscal Year	General Sales					Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington General Sales	King County Metro	Criminal Justice Levy	Regional Transit Authority	City of Kirkland *	Total General Sales Tax	State of Washington Automobile Sales/Leases	Total Automobile Sales/Leases	King County Restaurant Food and Beverage	Total Restaurant Food and Beverage
1998	6.50%	0.60%	0.10%	0.40%	1.00%	8.60%	0%	8.60%	0.50%	9.10%
1999	6.50%	0.60%	0.10%	0.40%	1.00%	8.60%	0%	8.60%	0.50%	9.10%
2000	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2001	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2002	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2003	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2004	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2005	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2006	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2007	6.50%	0.90%	0.10%	0.40%	1.00%	8.90%	0.30%	9.20%	0.50%	9.40%

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

**City of Kirkland**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>			<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Special Assessment Bonds</b>	<b>Tourdock Interlocal Agreement</b>	<b>Capital Leases</b>	<b>Revenue Bonds</b>	<b>Public Works Trust Fund Loans</b>	<b>Total Government</b>		
1998	\$ 20,340,000	\$ 156,000	\$ 130,068	\$ -	\$ 8,700,000	\$ 5,498,933	\$ 34,825,001	2.06%	788
1999	\$ 19,905,000	\$ 99,000	\$ 130,068	\$ -	\$ 8,325,000	\$ 5,491,189	\$ 33,950,257	1.79%	757
2000	\$ 18,425,000	\$ 60,000	\$ 130,068	\$ -	\$ 7,930,000	\$ 5,219,983	\$ 31,765,051	1.59%	704
2001	\$ 21,930,000	\$ 50,000	\$ 130,068	\$ 29,670	\$ 7,510,000	\$ 4,769,176	\$ 34,418,914	1.72%	752
2002	\$ 20,380,000	\$ 40,000	\$ 130,068	\$ 16,150	\$ 7,060,000	\$ 4,318,367	\$ 31,944,585	1.58%	698
2003	\$ 26,820,000	\$ 30,000	\$ 130,068	\$ 1,424	\$ 6,580,000	\$ 5,680,030	\$ 39,241,522	1.92%	860
2004	\$ 25,000,000	\$ 15,000	\$ 130,068	\$ 49,016	\$ 6,215,000	\$ 5,437,794	\$ 36,846,878	1.62%	805
2005	\$ 23,150,000	\$ 10,000	\$ -	\$ 27,231	\$ 5,635,000	\$ 5,423,610	\$ 34,245,841	1.53%	749
2006	\$ 21,235,000	\$ 5,000	\$ -	\$ 140,710	\$ 5,040,000	\$ 5,137,851	\$ 31,558,561	1.27%	669
2007	\$ 17,435,000	\$ -	\$ -	\$ 101,448	\$ 4,425,000	\$ 4,523,186	\$ 26,484,634	1.04%	553

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

Schedule 12

**City of Kirkland**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

<b><u>Fiscal Year</u></b>	<b><u>General Obligation Bonds</u></b>	<b><u>Percentage of Actual Taxable Value of Property</u></b>	<b><u>Per Capita</u></b>
1998	\$ 20,340,000	0.49%	\$ 459.97
1999	\$ 19,905,000	0.41%	\$ 443.71
2000	\$ 18,425,000	0.35%	\$ 408.63
2001	\$ 21,930,000	0.37%	\$ 479.13
2002	\$ 20,380,000	0.30%	\$ 445.08
2003	\$ 26,820,000	0.38%	\$ 587.77
2004	\$ 25,000,000	0.34%	\$ 545.85
2005	\$ 23,150,000	0.29%	\$ 506.12
2006	\$ 21,235,000	0.24%	\$ 450.08
2007	\$ 17,435,000	0.18%	\$ 364.06

Schedule 13

**City of Kirkland**

Direct and Overlapping Governmental Activities Debt

As of December 31, 2007 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	\$ 1,107,322,999	3.35%	\$ 37,111,168
Lake Washington School District	294,585,000	31.26%	92,099,938
Port of Seattle	397,835,000	3.35%	13,333,166
Bellevue School District	221,615,000	0.06%	141,881
Hospital District #2	250,400,000	21.51%	53,856,625
Library	74,330,000	0.02%	<u>17,717</u>
Total Overlapping Debt			\$ 196,560,495
Direct Debt			
City of Kirkland*	\$ 17,435,000	100.00%	<u>\$ 17,435,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 213,995,495</u></u>

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

Source: Davidson Fixed Income Capital Markets

Schedule 14

**City of Kirkland**

Legal Debt Margin Information  
Last Ten Fiscal Years - Unaudited

	<b>Fiscal Year</b>									
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Debt Limit	\$ 312,250,741	\$ 361,572,542	\$ 390,975,919	\$ 449,742,438	\$ 504,490,472	\$ 534,988,614	\$ 558,485,774	\$ 592,229,543	\$ 660,219,656	\$ 739,893,011
Total Net Debt Applicable to Limit	<u>19,900,534</u>	<u>19,463,045</u>	<u>17,983,159</u>	<u>21,437,081</u>	<u>19,849,153</u>	<u>26,236,750</u>	<u>24,436,756</u>	<u>22,615,509</u>	<u>20,678,180</u>	<u>16,937,097</u>
Legal Debt Margin	<u>\$ 292,350,207</u>	<u>\$ 342,109,497</u>	<u>\$ 372,992,760</u>	<u>\$ 428,305,357</u>	<u>\$ 484,641,319</u>	<u>\$ 508,751,864</u>	<u>\$ 534,049,018</u>	<u>\$ 569,614,034</u>	<u>\$ 639,541,476</u>	<u>\$ 722,955,914</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	6.37%	5.38%	4.60%	4.77%	3.93%	4.90%	4.38%	3.82%	3.13%	2.29%

**Legal Debt Margin Calculation for Fiscal Year 2007**

Total Assessed Value	<u>9,865,240,144</u>
Debt Limit (7.5% of Total Assessed Value)	<u>739,893,011</u>
Debt Applicable to Limit:	
General Obligation Bonds	17,435,000
Less Cash on Hand for Debt Redemption	<u>(497,903)</u>
Total Net Debt Applicable to Limit	16,937,097
Legal Debt Margin	<u>\$ 722,955,914</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.

Source: City of Kirkland Finance and Administration Financial Operations

**City of Kirkland**

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

150

Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage	
				Principal	Interest			Principal	Interest		
1998	\$ 10,783,126	\$ 8,004,297	\$ 2,778,829	\$ 340,000	\$ 464,335	3.45	\$ 61,193	\$ 24,592	\$ 9,200	1.81	
1999	\$ 11,721,980	\$ 8,654,290	\$ 3,067,690	\$ 375,000	\$ 442,480	3.75	\$ 54,852	\$ 57,000	\$ 7,982	0.84	
2000	\$ 12,575,674	\$ 9,406,929	\$ 3,168,745	\$ 395,000	\$ 415,409	3.91	\$ 37,681	\$ 39,000	\$ 5,102	0.85	
2001	\$ 13,031,759	\$ 9,570,486	\$ 3,461,273	\$ 770,000	\$ 390,865	2.98	\$ 13,446	\$ 10,000	\$ 3,030	1.03	
2002	\$ 14,639,664	\$ 10,559,037	\$ 4,080,627	\$ 770,000	\$ 365,925	3.59	\$ 15,800	\$ 10,000	\$ 2,540	1.26	
2003	\$ 15,112,520	\$ 11,814,586	\$ 3,297,934	\$ 495,000	\$ 274,610	4.29	\$ 19,963	\$ 10,000	\$ 2,045	1.66	
2004	\$ 13,573,647	\$ 10,504,460	\$ 3,069,187	\$ 580,000	\$ 244,756	3.72	\$ 11,134	\$ 15,000	\$ 1,545	0.67	
2005	\$ 13,276,138	\$ 11,397,440	\$ 1,878,698	\$ 595,000	\$ 225,385	2.29	\$ 5,064	\$ 10,000	\$ 780	0.47	
2006 *	\$ 17,509,308	\$ 12,168,914	\$ 5,340,394	\$ 615,000	\$ 202,908	6.53	\$ 7,881	\$ 5,000	\$ 520	1.43	
2007	\$ 16,578,496	\$ 12,741,287	\$ 3,837,209	\$ 640,000	\$ 178,173	4.69	\$ 4,544	\$ -	\$ -	-	

\*2006 presentation was modified in 2007 to reflect a prior period adjustment.

**City of Kirkland**

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

<b><u>Fiscal Year</u></b>	<b><u>Population</u></b>	<b><u>Personal Income (thousands of dollars)</u></b>	<b><u>Per Capita Personal Income</u></b>	<b><u>King County Unemployment Rate</u></b>
1998	44,220	\$ 1,691,017	\$ 38,241	3.10%
1999	44,860	\$ 1,893,899	\$ 42,218	3.20%
2000	45,090	\$ 2,002,808	\$ 44,418	3.60%
2001	45,770	\$ 2,001,705	\$ 43,734	4.80%
2002	45,790	\$ 2,021,766	\$ 44,153	6.30%
2003	45,630	\$ 2,039,844	\$ 44,704	6.80%
2004	45,800	\$ 2,268,611	\$ 49,533	5.70%
2005	45,740	\$ 2,231,609	\$ 48,789	4.70%
2006	47,180	\$ 2,484,263	\$ 52,655	4.10%
2007	47,890	\$ 2,557,371	\$ 53,401	3.70%

Sources: US Department of Commerce; Washington State Employment Security Department  
Used King County personal Income and population to project City of Kirkland Personal Income.

**City of Kirkland**

Property Values and Construction

Last Ten Fiscal Years - Unaudited

152

<b>Fiscal Year</b>	<b>Commercial Construction</b>		<b>Residential Construction</b>		<b>Multi-Family Construction *</b>		<b>Mixed Use Construction **</b>		<b>Total Assessed Property Valuation</b>
	<b>Number of Units</b>	<b>Valuation</b>	<b>Number of Units</b>	<b>Valuation</b>	<b>Number of Units</b>	<b>Valuation</b>	<b>Number of Units</b>	<b>Valuation</b>	
1998	7	\$ 3,737,731	429	\$ 69,423,245	0	\$ -	0	\$ -	\$ 4,163,343,215
1999	18	\$ 23,760,782	416	\$ 74,980,467	0	\$ -	0	\$ -	\$ 4,820,967,222
2000	8	\$ 11,098,790	246	\$ 52,369,011	0	\$ -	0	\$ -	\$ 5,213,012,251
2001	12	\$ 10,823,390	150	\$ 44,718,844	262	\$ 25,917,299	0	\$ -	\$ 5,996,565,838
2002	6	\$ 6,091,081	137	\$ 44,598,760	155	\$ 14,095,460	0	\$ -	\$ 6,726,539,632
2003	3	\$ 6,725,700	165	\$ 53,479,192	27	\$ 4,239,774	0	\$ -	\$ 7,133,181,521
2004	11	\$ 46,413,334	192	\$ 59,285,927	263	\$ 26,658,812	0	\$ -	\$ 7,446,476,981
2005	10	\$ 36,336,205	229	\$ 77,808,567	277	\$ 31,070,574	0	\$ -	\$ 7,896,393,909
2006	4	\$ 6,440,429	237	\$ 86,466,535	160	\$ 22,000,720	0	\$ -	\$ 8,802,928,753
2007	8	\$ 36,632,094	229	\$ 85,599,108	129	\$ 7,229,000	2	\$ 16,710,654	\$ 9,865,240,144

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

\*\* Prior to 2007, Mixed Use Construction included with Multi-Family Construction

Schedule 18

**City of Kirkland**

Principal Employers

Current Year and Ten Years Ago - Unaudited

153

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	2,850	1	8.91%	1,305	1	5.67%
City of Kirkland	581	2	1.82%	365	5	1.59%
Nintendo of America, Inc.	515	3	1.61%			
Lake Washington School District	428	4	1.34%			
Kenworth Truck Co.	427	5	1.33%	300	7	1.30%
Clearwire Corporation	400	6	1.25%			
Wireless Data Services	390	7	1.22%			
Costco Wholesale	204	8	0.64%	304	6	1.32%
Ciber, Inc.	200	9	0.63%			
Google, Inc.	200	10	0.63%			
AT&T Wireless Services				1,110	2	4.83%
Keane, Inc.				600	3	2.61%
Larry's Market				350	4	1.52%
Fred Meyer				280	8	1.22%
Evergreen Pharmaceutical				269	9	1.17%
Van Water and Rogers, Inc.				268	10	1.17%
Total	<u>6,195</u>		<u>19.36%</u>	<u>5,151</u>		<u>22.40%</u>

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 19

**City of Kirkland**

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

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

<b>Function/Program</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
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	5.50	6.00	6.00	6.50	6.50	6.50	6.89	6.89	19.48	21.24
City Attorney	3.50	3.50	3.50	3.50	3.50	3.50	3.00	4.00	4.00	4.00
Human Resources	-	-	-	-	-	-	5.56	6.68	7.10	7.10
Parks and Community Services	29.15	30.15	31.40	30.15	32.15	32.15	31.15	32.28	32.28	32.78
Public Works Engineering	21.33	22.32	23.39	24.39	24.39	26.39	26.39	25.65	26.65	26.95
Finance and Administration	41.47	42.67	44.73	46.41	47.47	48.47	41.41	41.29	28.45	29.50
Planning and Community Development	17.50	20.00	20.50	21.50	21.62	21.62	21.62	21.62	22.56	23.56
Police	85.50	89.50	90.50	92.50	96.50	96.00	96.50	99.50	105.50	110.50
Fire & Building	83.16	85.61	86.61	90.61	93.53	96.53	96.53	96.53	100.53	109.53
Other General Gov't Operating Funds										
Lodging Tax Fund	-	-	-	-	-	-	0.11	0.11	0.11	0.25
Street Operating	14.60	15.23	14.97	14.97	14.97	14.67	15.45	15.40	15.40	15.40
Parks Maintenance	-	-	-	-	-	4.50	6.50	7.50	7.50	7.50
Recreation Programs	1.85	2.10	2.10	2.10	3.25	3.25	3.25	3.25	3.25	3.25
Facilities Maintenance	3.00	4.00	4.50	6.50	6.50	6.50	5.90	5.90	5.90	5.90
Equipment Rental	5.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50	5.50	6.00
Information Technology	5.00	5.00	6.00	7.00	7.50	14.00	14.00	15.00	18.25	18.75
Utility Funds										
Water/Sewer Operation	18.08	18.45	18.45	18.45	18.95	19.15	20.10	20.31	20.31	20.71
Surface Water Management	8.13	8.25	9.44	12.44	12.32	12.42	13.16	13.69	15.19	15.39
Solid Waste	-	-	-	-	-	-	-	1.05	1.05	1.65
<b>Total</b>	<b>349.77</b>	<b>364.78</b>	<b>374.09</b>	<b>389.02</b>	<b>401.15</b>	<b>418.15</b>	<b>420.02</b>	<b>429.15</b>	<b>446.01</b>	<b>466.96</b>

154

Source: City of Kirkland Finance and Administration Financial Planning

**City of Kirkland**

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

155

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Public Safety - Police										
Calls for Service	*	*	50,915	54,706	54,735	57,026	53,238	43,120	53,215	56,986
Public Safety - Fire										
Calls for Service (aid and fire)	6,373	6,373	6,568	7,000	7,151	7,175	7,335	7,195	8,109	7,255
Average EMS Reponse (minutes)	4:37	4:28	4:24	5:45	5:28	5:09	5:11	5:17	5:21	5:30
Average Fire Response (minutes)	5:09	5:07	5:05	6:40	5:56	5:53	5:58	5:53	6:02	5:59
Culture and Recreation										
Adult Program Registrations	*	*	1,887	3,367	4,466	4,546	3,868	4,621	4,484	4,675
Preschool Program Registrations	*	*	2,250	2,562	2,488	2,654	3,131	3,436	3,520	3,467
Youth Program Registrations	*	*	3,619	4,141	4,045	3,924	4,180	4,553	4,639	4,526
Teen Program Registrations	*	*	113	54	56	155	210	134	140	93
Parent/Child Program Registrations	*	*	176	182	224	167	180	348	484	392
Senior Program Registrations	*	*	*	2,449	4,114	4,090	3,777	5,010	4,858	4,833
Physical Environment										
Street Hot Patching (hours)	6,768	5,616	6,336	5,377	5,283	4,632	4,924	5,261	4,127	4,469
Street Signal Maintenance (hours)	2,796	2,140	2,932	2,927	2,874	2,356	2,645	2,976	2,685	2,546
Street Sweeping (hours)	1,443	2,285	1,520	2,008	1,703	1,931	1,824	2,016	2,177	2,001
Number of Sewer Customers	8,445	8,567	8,723	8,843	8,971	9,103	9,276	9,420	9,580	9,771
Number of Water Customers	10,862	10,962	11,090	11,197	11,265	11,376	11,452	11,534	11,648	11,849
Average Daily Water Consumption (million gallons)	6.00	6.00	6.00	5.80	5.80	5.21	6.20	5.72	6.60	5.80

\* Data not available

**City of Kirkland**

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	*	*	5.1	6.2	6.4	6.4	7.1	6.5	6.6	6.8
Public Safety - Fire										
Stations (full-time staffed)	5	5	5	5	5	5	5	5	5	6
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks Acreage	403	403	403	403	450	480	512	525	510	515
Parks (developed)	30	30	30	30	30	32	32	32	33	33
Parks (undeveloped)	2	2	2	2	2	5	5	5	7	7
Waterfront Footage	12,000	12,000	12,000	12,000	12,000	13,200	13,200	13,200	13,200	13,200
Miles of Improved Park Trails	4.6	4.6	4.6	4.6	4.6	4.6	5.0	5.0	5.5	5.5
Miles of Unimproved Park Trails	4.2	4.2	4.2	4.2	4.2	4.2	4.0	4.0	4.0	4.0
Community Centers	1	1	1	1	1	1	1	1	2	2
Physical Environment										
Water Mains (miles)	162	162	162	162	162	162	163	166	166	166
Sanitary Sewers (miles)	95	*	*	100	100	100	115	116	116	117
Streets (miles)	146	146	146	146	146	146	148	149	149	149
Sidewalks (miles)	118	118	118	118	118	118	134	134	136	138

\* Data not available