

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,

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*View of Seattle from Kirkland's Lakeview Neighborhood*

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

# Comprehensive Annual Financial Report



**For the Fiscal Year Ended December 31, 2010**

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Cover Design and Layout by



**City of Kirkland, Washington  
Comprehensive Annual Financial Report  
For the Year ended December 31, 2010**

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## Introductory Section

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kirkland  
Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

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.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

# CITY OF KIRKLAND

## CITY COUNCIL

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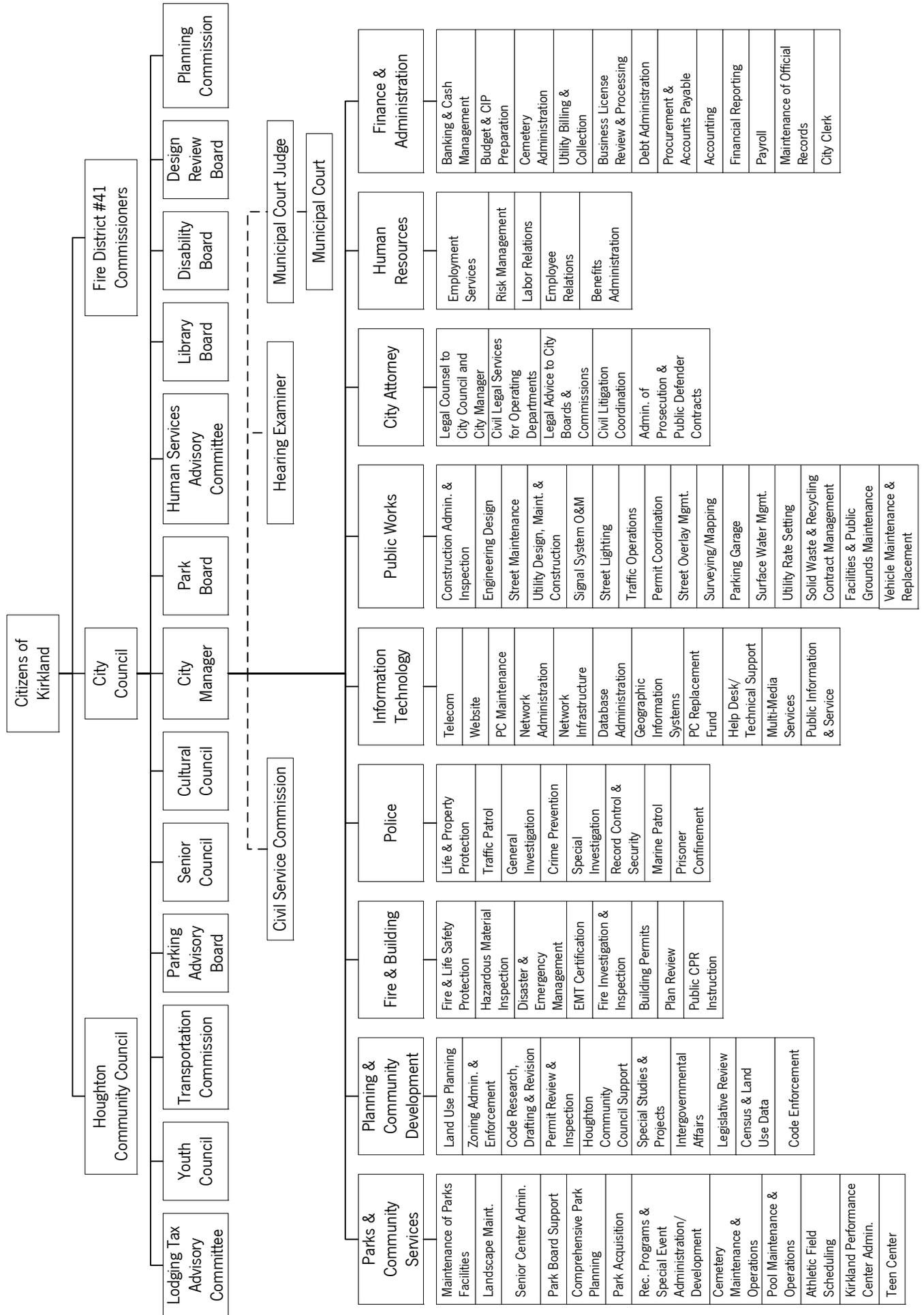
Mayor .....	Joan McBride
Deputy Mayor .....	Penny Sweet
Council Members .....	David Asher
	Jessica Greenway
	Doreen Marchione
	Bob Sternoff
	Amy Whalen

## ADMINISTRATIVE STAFF

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City Manager .....	Kurt Triplett
Assistant City Manager .....	Marilynne Beard
City Attorney .....	Robin Jenkinson
Director of Finance and Administration .....	Tracey Dunlap
Director of Fire and Building .....	Kevin Nalder
Director of Human Resources.....	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
Interim Director of Public Works.....	Ray Steiger

# CITY OF KIRKLAND





June 22, 2011

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, 2010.

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

The State Auditor's Office has issued an unqualified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2010. The auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Government**

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

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. On April 1, 2010, the estimated population was 49,620. In 2010, Kirkland was 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 will grow again through annexation of the Juanita, Finn Hill, and Kingsgate neighborhoods on June 1, 2011, as discussed under “Major Initiatives”.

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

The City government offers a full range of municipal services which are provided by ten operating departments. In 2010, the City boasted 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 periodically during the biennium.

## **Local Economy**

Washington State’s economy continues to recover, but slowly and hesitantly according to the latest update from the Washington State Economic and Revenue Forecast Council. Employment continues to rise at a slow pace, and consumer spending appears to be holding. However, home prices according to the CaseShiller Home Price Index for Seattle declined each of the past eight months and in March were 6.6 percent lower than 2010. The Japanese earthquake and tsunami are a short-term threat to recovery, but as Japanese infrastructure is rebuilt and shipments are able to be received, it is expected that exports to Japan will recover.

Other factors that represent a stabilizing environment are commercial vacancy rates and the local purchasing index. According to CB Richard Ellis Real Estate Services, the vacancy rate on the Eastside of Lake Washington is 17.4 percent for the first quarter of 2011 compared to 19.7 percent for the first quarter of 2010. Kirkland’s 2011 commercial vacancy rate is 21.6 percent, significantly lower than the 2010 rate of 30.6 percent. Continuing trends seen in 2010, the first quarter of 2011 has seen a steady decrease in vacancy rates in Kirkland. The Western Washington chapter of Purchasing Managers survey index saw a slight decrease in March at 65.0, down from 71.2 in February. The national survey index also decreased to 61.2 from 61.4. Both indexes are similar to those seen throughout 2010. An index reading greater than 50 indicates a growing economy, while scores below 50 suggest a shrinking economy.

## **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. The structural imbalance in the City's financial picture remains and will continue to be a primary topic for evaluation and decision-making looking forward.

On November 3, 2009, the residents of the City's Potential Annexation Area (PAA) voted to become part of the City of Kirkland. This annexation contains the Finn Hill, North Juanita, and Kingsgate areas and will extend the City to its Urban Growth Boundary. The annexation will be effective June 1, 2011 and will increase the population of the City to an estimated 80,505, the geographic area to 18 square miles, and City staff by as many as 100 employees. Implementation of the annexation has dominated the long-term financial planning, as discussed further under "Major Initiatives" below.

Sales tax performance stabilized in 2010, finishing the year with a modest increase after the significant declines in 2008 and 2009. Overall, the local economy began to stabilize in 2010, but the City continued to take action to adjust to the revenue declines experienced during the biennium, including using cash balances from reserves set-aside to address economic volatility and reducing expenditures and service levels. While development activity continued to be well below that experienced in recent years, several new large projects were completed in 2010 or are under construction, including the replacement of Lake Washington High School, the Bank of America project, and the McLeod redevelopment project.

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

## **Relevant Financial Policies**

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

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

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

### **Major Initiatives**

While there continued to be a significant focus on responding to the impacts of the economic downturn in 2010, the City is continuing to pursue a number of major initiatives, including:

- **Annexation:** As discussed under *Long Term Financial Planning*, the City of Kirkland will increase in population by about two-thirds on June 1, 2011. Planning for the annexation transition has been and continues to be one of the largest single initiatives undertaken by the City and dominates the work plans of most City departments. In 2010, the Police department began the hiring process for new officers given the long lead-time to get new officers on the street and other departments are also in the process of adding resources to be able to provide services to the newly annexed areas. The 2011-2012 biennial budget reflects the phasing-in of annexation area services and related revenues.
- **New Facilities:** Another major initiative involves the City's needs for additional space in City facilities, particularly given the upcoming annexation. In 2010, an existing structure in the City of Kirkland was purchased for renovation for a new Public Safety Facility (combining Police, Jail, and Municipal Court services). After completion of the renovations to that facility and the City's Public Works Maintenance Center, renovations will take place at City Hall to consolidate staff currently housed in off-site locations. The City issued \$35.345 million in Build America Bonds in December of 2010 for use in financing these facility projects.
- **Absorption of King County Fire District #41:** The District, which contracts operations with the City, has been pursuing the construction of a new fire station to achieve service improvements and operational efficiencies through the consolidation of two smaller stations. Once annexation is complete, the City will assume responsibility for providing services in the area currently served by the District and will take responsibility for the project, to be constructed using funds from the District (cash reserves and debt proceeds).

- In addition to these activities and the economic development efforts related to Park Place and Totem Lake mentioned earlier, the City is also pursuing the following major initiatives as part of its adopted 2011 work plan:
  - Actively engaging both the City Council and City staff in the 2011 State Legislative Session to achieve Kirkland's adopted legislative agenda;
  - Completing due diligence and potential purchase of the Burlington Northern Santa Fe Eastside Rail Corridor within Kirkland;
  - Developing zoning regulations to support Transit Oriented Development at the South Kirkland Park and Ride that reflect community input and values;
  - Completing property acquisition and Phase I utility undergrounding of the 85th Street Corridor Project;
  - Exploring new revenue options authorized by the State Legislature or requiring voter approval;
  - Researching and evaluating the evolution of Kirkland's budget development and adoption process to ensure an engaged public and desired Council outcomes for the 2013-2014 Budget;
  - Successfully resolving each of the five Collective Bargaining Agreements scheduled for negotiation in 2011;
  - Developing partnership initiatives with employees to achieve sustainability of wages and benefits.

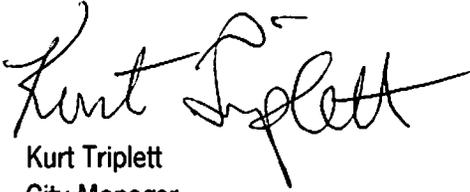
### **Awards and Acknowledgements**

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, 2009. This was the sixth 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 was one of two agencies nationwide to receive the **Association of Public Treasurers of the United States and Canada Certification of Excellence** for its Debt Policy signifying that the policy meets the standards established by that organization. The City also received the GFOA's **Distinguished Budget Presentation Award** for its budget document for the 2009-2010 biennium, for the twelfth 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. We wish to express appreciation to the staff and other personnel from various departments who assisted in its preparation. Credit also must be given to the City Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,



Kurt Triplett  
City Manager



Tracey Dunlap  
Director of Finance and Administration



## Financial Section



**Washington State Auditor**  
**Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 22, 2011

Council  
City of Kirkland  
Kirkland, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2010, 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, Parks and Municipal Reserve Special Revenue Fund and Excise Tax Capital Improvement Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we will also issue our report dated June 22, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 31, pension trust fund information and information on postemployment benefits other than pensions on page 104 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 108 through 142 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 Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kirkland, we offer readers of the City of Kirkland's financial statements this narrative overview and analysis of the financial activities of the City of Kirkland for the fiscal year ended December 31, 2010. 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 \$392.5 million at the end of 2010. Of this amount, \$288.7 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$26.5 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects and debt service and \$77.2 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 \$4.8 million in 2010. Business-type activities were the primary increase in net assets. The increase in Business-type activities was \$4.8 million and was relatively unaffected by the governmental decrease of \$70,000. Capital assets net of any related debt increased by \$4.7 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$78.2 million, an increase of \$21 million compared to the prior year. Unspent bond proceeds of \$24.8 million in the capital project funds comprise 32 percent of the ending fund balance. The City's total unreserved fund balance amount of \$51.9 million is reported in the general fund, special revenue funds, and capital projects funds.
- Unreserved, undesignated fund balance in the general fund was \$6.4 million at the end of 2010, which represents about 11 percent of total general fund expenditures. An additional fund balance of \$2.8 million is available in the park and municipal reserve fund (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. With the additional reserve funds, the total unreserved, undesignated fund balance available is 16 percent of the total general fund expenditures. These reserve balances remained stable during 2010.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$52.4 million, which represents an increase of \$32.8 million from the prior year. A bond issuance in the amount of \$35.3 million was issued in 2010 for planned development of a public safety campus.

### 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 nineteen 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 tax improvement 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, management of information systems and maintenance of City facilities. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the *governmental activities* column of the government-wide statement of net assets.

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

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

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

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

## Other Information

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

## Government - Wide Financial Analysis

### Statement of Net Assets

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Kirkland's net assets at December 31, 2010, total \$392.5 million. Following is a condensed version of the government-wide statement of net assets (expressed in millions of dollars) comparing fiscal year 2010 to 2009.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$101.27	\$78.91	\$39.63	\$36.53	\$140.90	\$115.44
Capital assets, net of accumulated depreciation	194.56	182.41	122.28	121.24	316.84	303.65
<b>Total assets</b>	<b>295.83</b>	<b>261.32</b>	<b>161.91</b>	<b>157.77</b>	<b>457.74</b>	<b>419.09</b>
Long-term liabilities	48.01	13.83	4.24	5.36	52.25	19.19
Other liabilities	8.39	7.99	4.62	4.22	13.01	12.21
<b>Total liabilities</b>	<b>56.40</b>	<b>21.82</b>	<b>8.86</b>	<b>9.58</b>	<b>65.26</b>	<b>31.40</b>
Net assets:						
Invested in capital assets, net of related debt	171.82	169.26	116.94	114.80	288.76	284.06
Restricted	25.65	1.53	0.82	0.12	26.47	1.65
Unrestricted	41.96	68.71	35.29	33.27	77.25	101.98
<b>Total net assets</b>	<b>\$239.43</b>	<b>\$239.50</b>	<b>\$153.05</b>	<b>\$148.19</b>	<b>\$392.48</b>	<b>\$387.69</b>

As of the end of 2010, the largest component of the City's total net assets at \$288.8 million, or 74 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 \$26.5 million of the City's total net assets are subject to legal restrictions. Restricted funds have increased by \$24.8 million in 2010 due to a \$35.3 million bond issuance for a public safety campus. Only \$10.5 million of the issuance amount was expended in 2010. The remainder of the funds will be used for building and site improvements in subsequent years. Additionally, restricted

assets include \$0.2 million in Lodging Taxes reserved for tourism related activities, \$0.5 million in the parks maintenance fund for the maintenance of parks approved by voters in the 2003 park maintenance levy and \$1 million in other debt service funds. Of the remaining balance, \$0.5 million is for transportation, which are unspent impact fees. Additionally, \$21.6 million has been earmarked by the City to provide a funding source for general government capital projects beyond the bond funds reserved specifically for the public safety campus. 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 \$77.2 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 \$35.3 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 \$42 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 \$4.8 million in 2010. A breakdown of the 2010 increase in Net Assets by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues on the next several pages.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$14.54	\$15.68	\$31.52	\$32.11	\$46.06	\$47.79
Operating grants and contributions	1.73	2.13	0.31	0.36	2.04	2.49
Capital grants and contributions	2.80	1.08	1.95	3.07	4.75	4.15
General revenues:						
Sales taxes	14.08	13.47	-	-	14.08	13.47
Property taxes	14.70	14.80	-	-	14.70	14.80
Utility taxes	10.34	10.83	-	-	10.34	10.83
Excise taxes	2.98	2.00	-	-	2.98	2.00
Regulatory license fee	2.02	1.94	-	-	2.02	1.94
Other taxes	0.97	1.16	-	-	0.97	1.16
Investment earnings	0.74	1.44	0.39	0.72	1.13	2.16
Miscellaneous	0.52	0.33	-	-	0.52	0.33
<b>Total revenues</b>	<b>65.42</b>	<b>64.86</b>	<b>34.17</b>	<b>36.26</b>	<b>99.59</b>	<b>101.12</b>
<b>Expenses:</b>						
General government	4.57	4.57	-	-	4.57	4.57
Judicial	1.65	1.65	-	-	1.65	1.65
Security of Persons and Property	34.22	33.75	-	-	34.22	33.75
Physical environment	1.27	1.70	-	-	1.27	1.70
Transportation	9.55	9.64	-	-	9.55	9.64
Human services	1.25	1.26	-	-	1.25	1.26
Economic environment	5.21	5.03	-	-	5.21	5.03
Culture and recreation	7.16	7.55	-	-	7.16	7.55
Interest on long-term debt	0.78	0.71	-	-	0.78	0.71
Water/sewer	-	-	17.10	16.81	17.10	16.81
Surface water	-	-	3.99	4.12	3.99	4.12
Solid waste	-	-	8.06	8.11	8.06	8.11
<b>Total expenses</b>	<b>65.66</b>	<b>65.86</b>	<b>29.15</b>	<b>29.04</b>	<b>94.81</b>	<b>94.90</b>
Increase (decrease) in net assets transfers and special items	(0.24)	(1.00)	5.02	7.22	4.78	6.22
Transfers	0.17	0.15	(0.17)	(0.15)	-	-
Increase (decrease) in net assets	(0.07)	(0.85)	4.85	7.07	4.78	6.22
Net assets at beginning of year	239.50	240.35	148.19	141.12	387.69	381.47
<b>Net assets at end of year</b>	<b>\$239.43</b>	<b>\$239.50</b>	<b>\$153.05</b>	<b>\$148.19</b>	<b>\$392.48</b>	<b>\$387.69</b>

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

**Governmental activities** moderately decreased by \$70,000 in 2010. This change was a combination of limited expense increases, a noticeable decrease in charges for services revenues and an improved response to grant applications.

Expenses:

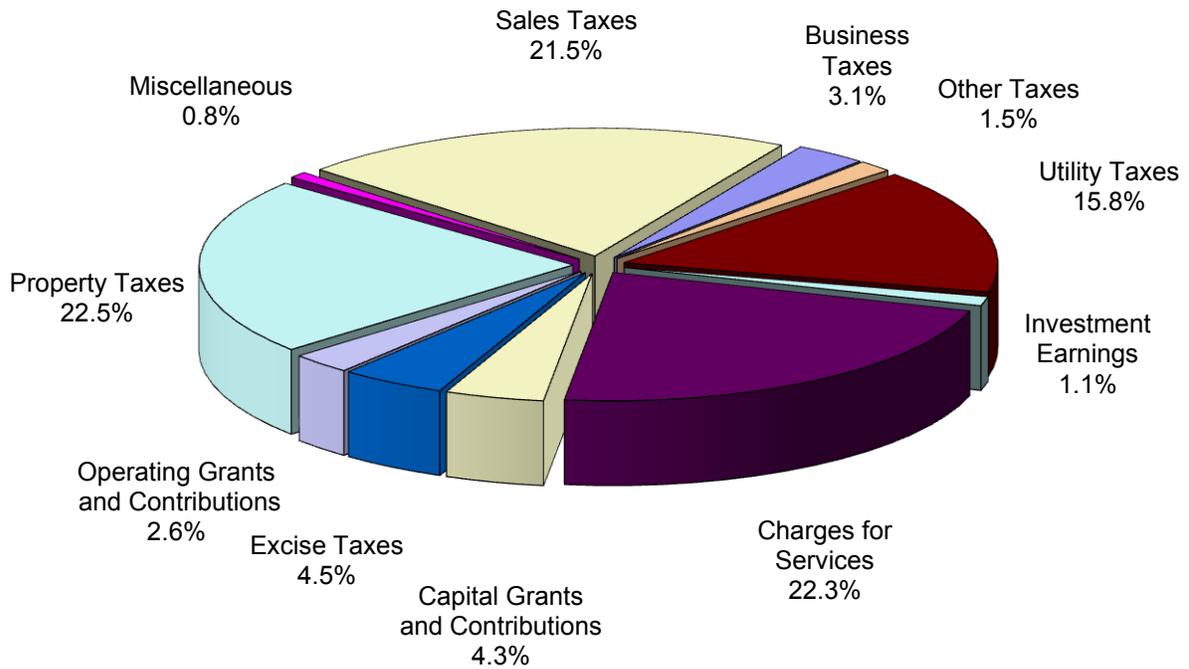
- In order to keep pace with declining revenues, a number of expense reducing strategies were introduced in 2010. Personnel costs were reduced by salary reductions in exchange for furlough days, positions were reduced or reclassified when appropriate, and hiring was delayed when feasible.
- Security of Persons and Property incurred a modest increase of \$0.5 million due to staff hires in anticipation of a substantial annexation scheduled for June 2011. Also, a full year of costs associated with contracted dispatch services was experienced in 2010. A regional agency, North East King County Regional Public Safety Communications Agency (NORCOM) began providing dispatch services as of July 1, 2009, which resulted in a shift of internal salary costs to contracted services costs.
- The minimal increase in Economic Environment related expenses were largely due to a one-time payment of \$670,000 in reserved funds to “A Regional Coalition for Housing”, which will hold the funds in a separate trust account. The designation of funding was established to meet the needs of income level based housing issues on a regional level.
- Physical Environment and Culture and Recreation expenses had a combined decrease of roughly \$1.0 million in 2010. Both programs had staff reductions and reallocations as a budget reduction strategy.

Revenues:

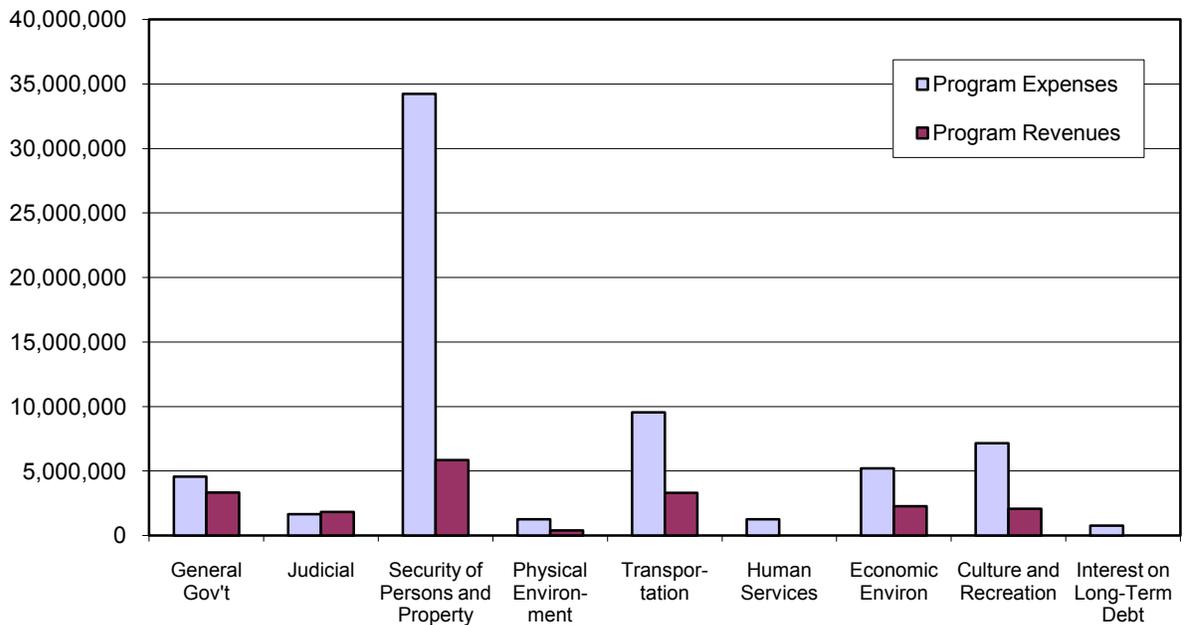
- Charges for services revenue had a decrease of \$1.1 million from 2009 to 2010. A variety of factors influenced the variance.
  - Public safety related revenues had a decrease of over \$1 million due to the elimination of the contract providing dispatching services to other cities caused by the formation of NORCOM.
  - Economic Environment revenues increased only modestly due to an increase in new contracts for inspection services with neighboring cities which was offset by decreasing building permit revenue. Building permits decreased by 26 percent in 2010 when compared to 2009, continuing a three year downturn.
  - While building permit revenues continued to slump in 2010, planning and pre-submittal process applications did increase in 2010. Although the revenue associated with the increase was slight, it was a 33 percent increase when compared to 2009, which is a hopeful sign of improved future development activity.
  - As a result of lower building permits, transportation and park impact fees were down by 36 percent from the prior year.

- Grants and Contributions increased significantly in 2010 resulting in a \$1.3 million increase over 2009.
  - Several transportation grants from Washington State added just under \$1.0 million to Program Revenues for 2010. The grants focus on a regional commuter enhancement program, redevelopment of a major retail and business cluster in the downtown area, and sidewalks for a business district.
  - The Culture and Recreation program secured over \$400,000 for redevelopment of Juanita Beach Park, as well as several other activities including a Dog Waste Education program and a Green Kirkland initiative.
  - The City secured several American Reinvestment and Recovery Act grants from multiple agencies. The total received from the Energy Efficiency and Conservation Block Grant, National Endowment for the Arts, and the Justice Assistance Grant amounted to just over \$200,000 in additional resources within several program areas.
  
- The City's general revenues reflect a slight increase of \$404,000 in 2010.
  - Excise taxes related to real estate sales showed the only significant increase in 2010. The increase of nearly \$1.0 million over 2009 is slightly less than where the collections were in 2008. Excise taxes still remain at less than 50 percent of what was being collected in 2007.
  - Sales taxes were slightly up in 2010 but this comparison is overshadowed by the realization that sales tax has decreased by 22 percent since 2007.
  - The minimal increase in business taxes of 4 percent is reflective of the full realization of the restructured fees in 2009.
  - Property taxes remained stable in 2010. Utility taxes reflect stability, however, a decrease in usage was balanced by an increase in user rates.
  - Investment interest revenues continue to decline. They were down by \$697,000 compared to 2009.

### Revenues by Source - Governmental Activities



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



**Business-type activities**, which relate to the City’s utilities, had an increase in net assets of \$4.9 million. Key elements of this increase are as follows:

Water/sewer operating revenues decreased by 0.6 percent compared to the prior year. A 2010 water rate increase of 6 percent and sewer rate increase of 3 percent was offset in part by a decrease in usage and a combination of miscellaneous revenue decreases.

The surface water utility charges for services in 2010 totaled \$5.1 million. Residential and commercial storm drainage fees in 2010 remained at \$14.15 per equivalent residential unit to address capital construction projects, surface water elements of transportation projects, GIS technology upgrades, and environmental impacts.

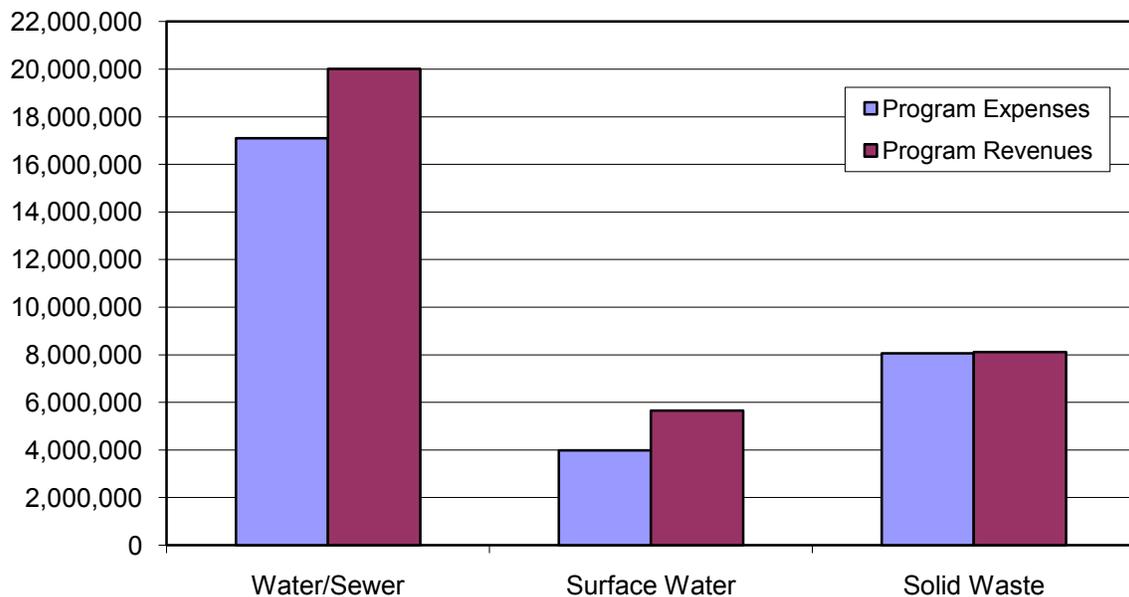
Capital contributions comprised of utility connection charges and developer infrastructure contributions totaled \$1.9 million for 2010. Details for these amounts are shown below:

	<b>Water</b>	<b>Sewer</b>	<b>Surface Water</b>	<b>Total</b>
2010 Connection charges collected:	142,913	768,041	20,683	931,637
2010 Developer infrastructure contributions:	354,535	363,937	300,544	1,019,016
				<b>\$ 1,950,653</b>

The infrastructure contributions detailed above represent 40 percent 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 Note 5 of this report.

Investment earnings for the business type activities dropped to \$394,277 compared to the 2009 amount of \$722,648 due to declining interest rates.

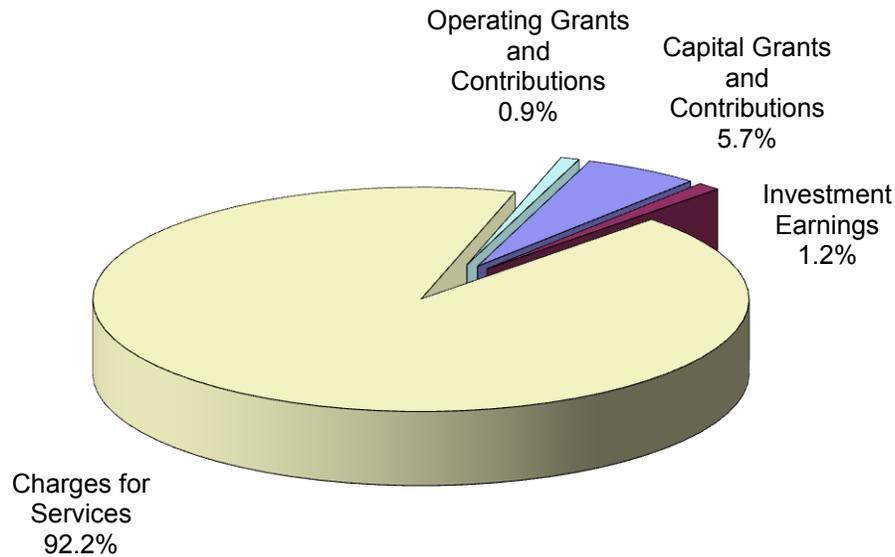
**Program Expenses vs. Program Revenues - Business-Type Activities**



The City of Kirkland's utility 2010 net income (before capital contributions and transfers) was about \$3.1 million. The components are as follows:

Water/Sewer	\$1.5 million
Surface Water	\$1.5 million
Solid Waste	\$0.1 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 year end.

At the end of the current year, the City's combined ending governmental fund balance was \$78.2 million, which represents an increase of \$20.9 million, or 37 percent, from the prior year. Of the total ending fund balance, over \$26 million is reserved and considered restricted because it is subject to an external legal constraint. Bond covenants restrict the majority of the \$24.8 million reserved amount held in the capital projects fund. Tourism activities have a designated balance of \$0.2 million, impact fees for parks and transportation have a combined balance of \$0.5 million, and bond covenants restrict the use of the parks maintenance funds of \$0.5 million and the \$0.3 million in the debt service funds. The remaining balance of \$51.9 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 (\$21.6 million) or otherwise designated for some special purpose (\$23.8 million). Examples of such designated balances include funding for capital improvement projects (e.g., \$9 million in the excise tax capital improvement fund and \$2.1 million in the street operating fund) and funding for various contingencies (e.g., \$8.1 million in the park and municipal reserve fund and \$2.1 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. At the end of 2010, the fund balance of the general fund was \$6.4 million, which represents a decrease from the prior year of \$1.2 million. The City used cash balances from reserve transfers in 2009 to maintain ongoing operations in 2010 which resulted in a negative net change in fund balance.

Compared to 2009, revenues decreased by less than \$200,000 and expenditures decreased by \$0.6 million, or 1 percent. Intergovernmental revenue decreased by 6 percent in 2010 primarily due to a contracting change in dispatch services. Personnel costs were lower in 2010 than in 2009 which was the primary reason for a decrease in general fund expenditures. A combination of furloughs and staffing reductions were response strategies to declining revenues.

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 2010 was \$2.1 million which was a slight increase when compared to 2009. Staff reductions and furloughs resulted in a net increase in the overall fund balance.

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 2010 ending fund balance of \$8.1 million reflects a \$700,000 decrease over the prior year. A one-time payment of reserve funds for a joint affordable housing agreement was moved to an outside trust account.

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 2010 was \$9 million, which decreased by \$600,000 from 2009 due to the use of the balance toward scheduled capital projects. Excise tax receipts increased by 49 percent when compared to revenues received in 2009.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital improvement program (CIP) and that are funded from other general revenue sources. The ending fund balance increased dramatically by \$23.8 million from the prior year to a total of \$42.4 million. A Build America Bond issuance for \$35.3 million in late 2010 is the primary source of the fund balance increase. Over \$24 million are unspent bond proceeds for building and site improvements yet to be completed.

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 2010 was \$4 million, which is a decrease of \$0.7 million from 2009. 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 2009-2010 biennium, there was a net reduction of \$3.4 million in biennial appropriations between the original adopted budget and the final amended budget. These reductions were necessitated by changes to actual revenues and actual expenditures within the general fund. Note that the figures cited are biennial amounts for 2009-2010 and that the budget is recorded on a cash basis. Following are the major components of the changes:

- Budgeted sales tax was decreased by about \$4.9 million to recognize the drop in receipts. The revenue shortfall was offset in part by approximately \$1.1 million in expenditure reductions due to wage and benefit concessions agreed to by employees in 2010.
- Utility tax revenue was decreased by about \$4.4 million to recognize the failure of a November 2009 ballot measure to increase the utility tax on private utilities (gas, electric, telecommunications, and cable) and actual revenue collections (telecommunications and electric utility taxes saw the greatest decrease due to changes in usage patterns and other factors).
- Development-related revenues (licenses and permits, engineering development revenues, and Plan Check fees) were reduced by \$1.2 million to recognize declining revenues resulting from the economic downturn and related declines in development activity. Expenditure reductions were implemented and reserves were used to offset the shortfalls.
- Business License and Revenue Generating Regulatory License Fees were decreased by about \$200,000 from budgeted levels.
- In 2009, fund balance was increased by \$2.9 million to recognize actual fund balance compared to the original budget as a result of unspent expenditures from the previous budget period. Funds were used to offset reduced sales tax and interest revenues.
- During the biennium, transfers from reserves and other funds of about \$2.4 million were made to reflect the use of reserves and fund balances to fund specific projects and offset declining revenues.
- Grants primarily for police services, emergency preparedness and transportation engineering added about \$450,000 in revenue.
- Interfund Engineering Services revenue increased by about \$400,000 to recognize a revised allocation of engineering services and the full cost of services provided to the utilities.
- Property tax revenue was increased by \$360,000 to recognize actual collections and to backfill General Fund revenue shortfalls by returning \$200,000 in property tax revenue from the Street Operating Fund.
- Streamlined Sales Tax Mitigation revenue of \$347,000 received from the State of Washington related to the impact of the program was recognized.

- Other intergovernmental revenue increased by about \$305,000 largely due to reimbursements for the provision of a Criminal Justice Training Center Captain and the reserve firefighter program and despite a decrease in Fire District contract revenue.
- Fines and forfeits increased by \$108,000 due to an increase of \$10 per parking fine and to recognize additional probation revenue, which was used to increase court staffing to handle the related increase to workload.

## **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, 2010 amounts to \$316.8 million (net of accumulated depreciation), which represents over a \$13.2 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 do not 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 2010 that may or may not become part of capital assets but were nonetheless expenditures during the year:

- With a large annexation planned for 2011, the City purchased an existing building that will be renovated for use as a centrally located public safety facility. The building and property were purchased for \$10.5 million and will undergo significant renovations for police, court, and jail services.
- \$5.9 million spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals traffic calming projects, and utility undergrounding. Most of these projects are still in progress.
- \$1.7 million spent on various park projects including Juanita Beach Park, Everest Park, South Rose Hill Park, and Forbes Lake Park. Additionally, restoration improvements were made at Juanita Bay Park Wetlands.
- \$1.3 million spent on technology system improvements for a permit plan system replacement, financial system upgrade, records management, and geographic information systems software.
- \$0.4 million spent on water and sewer utility improvement projects, most of which are still in progress.
- \$0.6 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 2009 and 2010:

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$80.78	\$80.55	\$0.05	\$0.05	\$80.83	\$80.60
Buildings	20.32	20.98	0.01	0.01	20.33	20.99
Improvements other than buildings	10.86	10.74	113.52	114.61	124.38	125.35
Machinery and equipment	6.65	6.65	-	-	6.65	6.65
Infrastructure	33.21	35.40	-	-	33.21	35.40
Construction in progress	41.13	26.48	8.70	6.57	49.83	33.05
Art	1.61	1.61	-	-	1.61	1.61
<b>Total</b>	<b>\$194.56</b>	<b>\$182.41</b>	<b>\$122.28</b>	<b>\$121.24</b>	<b>\$316.84</b>	<b>\$303.65</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 General Obligation bonded debt outstanding of \$47.09 million and other long-term debt of \$5.34 million. The total outstanding debt (expressed in millions of dollars) at the end of 2009 and 2010 is broken down between governmental and business-type activities as follows:

**City of Kirkland's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$47.09	\$13.16	-	-	\$47.09	\$13.16
Revenue bonds	-	-	2.43	3.12	2.43	3.12
Public Works trust fund loans	-	-	2.91	3.29	2.91	3.29
<b>Total</b>	<b>\$47.09</b>	<b>\$13.16</b>	<b>\$5.34</b>	<b>\$6.41</b>	<b>\$52.43</b>	<b>\$19.57</b>

On November 17, 2008, Standard & Poor's upgraded the City's Water and Sewer Revenue Bonds from "AA-" to "AAA" and on November 24, 2008, upgraded the City's General Obligation Bonds from "AA-" to "AAA."

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

Moody's ratings for Kirkland are now as follows:

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

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

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

The City's assessed valuation for 2010 was \$11.3 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$809.4 million.

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

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

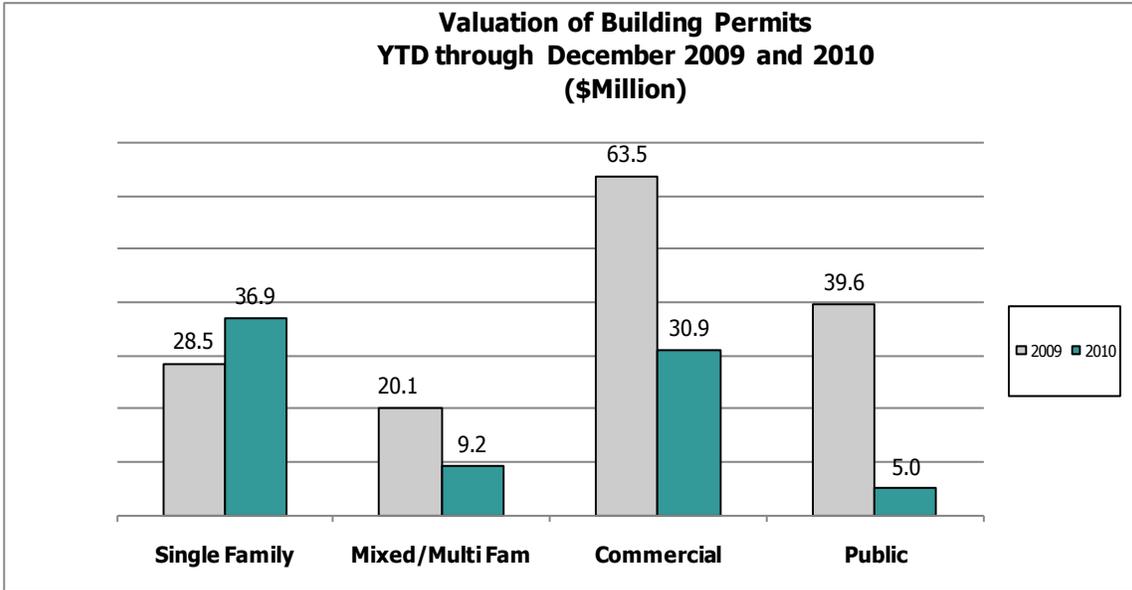
Similar to the past few years, the City of Kirkland is affected by regional and global economic issues that have impacted employment, development activity, and overall consumer confidence. The economy appears to be stabilizing but job growth is still lagging.

King County's unemployment rate was 8.3 percent in December of 2010, which is a slight improvement over the rate experienced in December of 2009. Unemployment rates by month for the County, Washington State, and the United States are shown in the following table.

<b>Month</b>	<b>King County</b>	<b>Washington</b>	<b>U.S.</b>
December 2009	9.0%	10.1%	9.7%
January 2010	9.2%	10.9%	10.6%
February 2010	9.3%	10.9%	10.4%
March 2010	8.9%	10.5%	10.2%
April 2010	8.3%	9.5%	9.5%
May 2010	8.5%	9.4%	9.3%
June 2010	8.9%	9.4%	9.6%
July 2010	8.6%	9.1%	9.7%
August 2010	8.5%	9.3%	9.5%
September 2010	8.8%	8.9%	9.2%
October 2010	8.8%	8.8%	9.0%
November 2010	8.9%	9.4%	9.3%
December 2010	8.3%	9.2%	9.1%
<b>2010 Average</b>	<b>8.8%</b>	<b>10.5%</b>	<b>10.4%</b>
<b>2009 Average</b>	<b>8.5%</b>	<b>9.3%</b>	<b>9.3%</b>

*Source: Washington Employment Security Department*

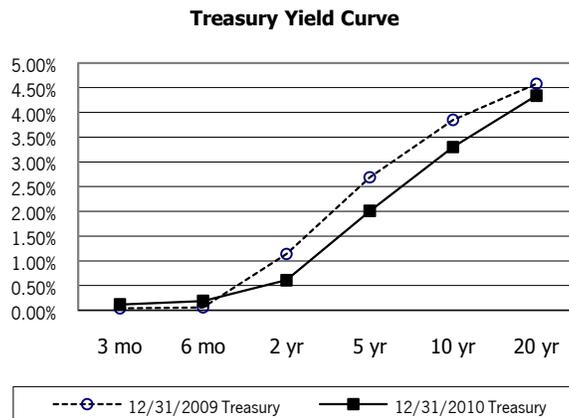
Local development activity through December comparing 2010 to 2009, as measured by the valuation of City building permits, is illustrated in the chart on the next page. Activity improved in the single family sector. However, activity in the mixed use/multifamily, commercial, and public sectors is low and the 2010 building permit valuation is 46 percent below the same period in 2009.



Closed sales of new and existing single-family homes on the Eastside of Lake Washington are up 1.3 percent in December 2010 compared to December 2009, and the median price increased 1.9 percent (\$530,000 compared to \$520,000). Closed sales for condominiums were also up 9.2 percent, but the median price dropped 11.6 percent (to \$248,500 from \$281,200). December year-over-year sales were the highest since the federal tax credits expired, with just four fewer houses selling in December 2010 than in December 2009.

The Seattle metro consumer price index annual average was up 0.80 percent compared to 2009. The June index, which is the contractual basis for employee cost of living increases, was down 0.10 percent compared to June 2009. Employees will receive no cost of living adjustment in 2011, which is the second consecutive year with no adjustment.

Throughout 2010, investment earning opportunities continued at all time lows. The Fed Funds rate remained in the range of 0.00 percent to 0.25 percent for all of 2010. As can be seen in the accompanying graph, the Treasury yield curve remained low on the short end of the curve and dropped about one-half percent in the middle of the curve.



Year to date sales tax performance ended up 4.5 percent compared to the same period in 2009 due to the positive trend experienced for most of 2010. Strong performance in the automotive/gas retail, wholesale services, and other retail sector revenue are the primary factors. However, the normalized increase drops to about 3.8 percent ahead of last year when field recoveries (one-time collections) resulting from Washington State Department of Revenue audits are factored out.

The auto/gas retail sector ended up 14.4 percent compared to the prior year. Positive performance was experienced throughout most of the year. National auto sales in 2009 were at their lowest in more than 25 years as a result of the recession. Several analysts predict that 2011 will be even better, increasing to 13 million vehicles from an estimated 12 million vehicles in 2010. Hopefully this will be reflected locally as this sector has been the primary driver in the recovery of 2010 sales tax revenue – providing more than two thirds of the dollar gain.

Other retail was up 4.1 percent compared to last year primarily due to internet retailers, health care, furniture, food retail, and electronics. The retail eating/drinking sector continued to struggle, down 5.6 percent compared to 2009.

Even though the fourth quarter of 2010 showed improvement, the general merchandise/miscellaneous retail sector ended the year down 9.5 percent. This sector continues to be the largest drain on revenue performance in 2010. Hopefully this sector will remain stable in 2011 and contribute to the continuing recovery of sales tax revenue in 2011.

Wholesale finished up 33.2 percent compared to 2009. However, this sector has been significantly impacted by field recoveries. The change in the streamlined sales tax sourcing rule change is benefitting this sector and there are some signs of increased development activity.

The services sector was up 12.3 percent compared to last year, largely due to temporary agency and consulting services, software, and publishing, all impacted by streamlined sales tax rule changes. The accommodations sector continues to improve, up 13.2 percent compared to last year.

The miscellaneous sector ended up 5.3 percent compared to last year due to manufacturing and despite declines in finance/insurance and real estate.

The contracting sector performance was up 0.5 percent compared to last year. However, this sector has been significantly impacted by field recoveries. Factoring these out, the sector would be down 0.8 percent. Although this sector stabilized in 2010, revenue is 42 percent down from 2007 resulting in a revenue loss of almost \$1.3 million.

The communications sector finished down 9.5 percent compared to 2009 due to changes in development activity as well as declining revenue from telecommunications companies.

In general, revenues were relatively stable compared to the volatility experienced in the prior two years, a hopeful sign that the economy is recovering. Furloughs and other compensation reductions allowed the City to maintain essential services and reduce expenditures to better match the decline in revenues. While furloughs are not part of the strategy to balance 2011, personnel costs remain a central focus. Since the cost of living adjustment recognized by City labor contracts was flat in 2010, the 2011 salaries will remain the same as 2010, though reductions made to salaries for the furloughs will be restored. The City has also moved medical benefit coverage to a self insured plan beginning January 1, 2011, in place of the Association of Washington Cities program. This change will hopefully allow the City to take a more active role in benefit costs and to have better management of specific personnel health needs.

In addition to furloughs, use of revenue stabilization reserves was part of the budget balancing strategy for the 2009–2010 biennium. Replenishment of this reserve will be the first priority for use of available funds.

Rate increases for the City's water and sewer utilities were implemented in 2010 to recognize cost increases. Other funds, such as Lodging Tax and Streets, have implemented expenditure reductions in response to reduced revenues.

In 2011, we will continue to closely monitor overall economic conditions and their impact on the City's financial picture. The City will implement a large annexation of the area to the north of the current City boundaries on June 1, 2011. The annexation will make Kirkland the twelfth largest city in Washington and sixth largest city in King County. The City continues to focus attention on economic development efforts to diversify the City's business base, while working toward achieving a more sustainable revenue and expenditure budget.

### **Requests for Information**

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



## Basic Financial Statements



City of Kirkland  
**Statement of Net Assets**  
December 31, 2010

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	53,164,208	18,132,591	71,296,799
Investments (Note 3)	37,583,624	11,751,413	49,335,037
Receivables			
Accounts	6,988,984	8,181,899	15,170,883
Due From Other Governments	1,727,635	231,186	1,958,821
Internal Balances	(7,099)	7,099	0
Inventories	65,281	445,440	510,721
Prepayments	55,814	0	55,814
Restricted Assets			
Deposits	457,046	0	457,046
Sub-total Current Assets	100,035,493	38,749,628	138,785,121
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	470,856	67,621	538,477
Negative Net Pension Obligation	760,712	0	760,712
Capital Assets (Note 5)			
Land and Artwork	82,393,355	47,784	82,441,139
Depreciable Capital Assets (net)	37,822,147	113,527,183	151,349,330
Depreciable Infrastructure (net)	33,212,003	0	33,212,003
Construction in Progress	41,130,628	8,702,129	49,832,757
Total Capital Assets	194,558,133	122,277,096	316,835,229
Total Non-Current Assets	195,789,701	123,166,992	318,956,693
<b>Total Assets</b>	<b>295,825,194</b>	<b>161,916,620</b>	<b>457,741,814</b>

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

City of Kirkland  
**Statement of Net Assets**  
December 31, 2010

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	3,460,668	104,911	3,565,579
Other Current Liabilities	2,115,790	1,017,770	3,133,560
Accrued Interest Payable	0	9,695	9,695
Unearned Revenue	474,503	2,752,014	3,226,517
Total Current Liabilities	6,050,961	3,884,390	9,935,351
Current Liabilities Payable from Restricted Assets			
Accrued Interest Payable	182,250	9,141	191,391
Current Bond Principal Payable	1,600,000	730,000	2,330,000
Deposits Payable	553,051	0	553,051
Total Current Liabilities Payable from Restricted Assets	2,335,301	739,141	3,074,442
Total Current Liabilities	8,386,262	4,623,531	13,009,793
Noncurrent Liabilities			
Due in more than one year	48,008,614	4,244,458	52,253,072
Total Noncurrent Liabilities	48,008,614	4,244,458	52,253,072
<b>Total Liabilities</b>	<b>56,394,876</b>	<b>8,867,989</b>	<b>65,262,865</b>
<b>Net Assets</b>			
Invested in capital assets net of related debt	171,816,615	116,940,418	288,757,033
Restricted for			
Tourism	165,770	0	165,770
Parks and Recreation	469,526	0	469,526
Capital Projects	24,348,482	0	24,348,482
Transportation	525,275	0	525,275
Debt Service	146,563	822,275	968,838
Unrestricted	41,958,087	35,285,938	77,244,025
<b>Total Net Assets</b>	<b>239,430,318</b>	<b>153,048,631</b>	<b>392,478,949</b>



City of Kirkland  
**Statement of Activities**  
For the fiscal year ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense/Revenue and Changes in Net Assets)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	4,573,285	3,226,434	81,256	23,150	(1,242,445)	0	(1,242,445)
Judicial	1,655,987	1,813,501	22,638	0	180,152	0	180,152
Security of Persons and Property	34,218,384	5,404,357	382,185	59,100	(28,372,742)	0	(28,372,742)
Physical Environment	1,266,318	332,774	63,772	0	(869,772)	0	(869,772)
Transportation	9,547,626	335,034	1,062,331	1,908,685	(6,241,576)	0	(6,241,576)
Human Services	1,254,029	0	0	0	(1,254,029)	0	(1,254,029)
Economic Environment	5,208,705	2,181,134	7,373	93,072	(2,927,126)	0	(2,927,126)
Culture and Recreation	7,162,320	1,245,180	111,151	720,817	(5,085,172)	0	(5,085,172)
Interest on Long Term Debt	776,642	0	0	0	(776,642)	0	(776,642)
<b>Total Governmental Activities</b>	<b>65,663,296</b>	<b>14,538,414</b>	<b>1,730,706</b>	<b>2,804,824</b>	<b>(46,589,352)</b>	<b>0</b>	<b>(46,589,352)</b>
<b>Business Type Activities</b>							
Water/Sewer	17,102,179	18,387,062	0	1,629,426	0	2,914,309	2,914,309
Surface Water	3,987,932	5,122,063	210,157	321,227	0	1,665,515	1,665,515
Solid Waste	8,057,897	8,007,631	103,333	0	0	53,067	53,067
<b>Total Business Type Activities</b>	<b>29,148,008</b>	<b>31,516,756</b>	<b>313,490</b>	<b>1,950,653</b>	<b>0</b>	<b>4,632,891</b>	<b>4,632,891</b>
<b>Total Government</b>	<b>94,811,304</b>	<b>46,055,170</b>	<b>2,044,196</b>	<b>4,755,477</b>	<b>(46,589,352)</b>	<b>4,632,891</b>	<b>(41,956,461)</b>
<b>General Revenues</b>							
Sales Taxes					14,083,506	0	14,083,506
Property Taxes					14,699,191	0	14,699,191
Utility Taxes					10,339,384	0	10,339,384
Excise Taxes					2,974,586	0	2,974,586
Business Taxes					2,023,534	0	2,023,534
Other Taxes					968,004	0	968,004
Unrestricted Grants & Contributions					115,815	0	115,815
Investment Earnings					744,667	394,277	1,138,944
Gain on sale of capital assets					397,866	0	397,866
Transfers, internal activities					172,799	(172,799)	0
<b>Total General Revenues &amp; Transfers</b>					<b>46,519,352</b>	<b>221,478</b>	<b>46,740,830</b>
Change in Net Assets					(70,000)	4,854,369	4,784,369
Net assets at beginning of year					239,500,318	148,194,262	387,694,580
<b>Net assets at end of year</b>					<b>239,430,318</b>	<b>153,048,631</b>	<b>392,478,949</b>

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

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 December 31, 2010

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve	Excise Capital Improvement
<b>Assets</b>				
Current Assets				
Cash and Cash Equivalents	2,364,806	1,193,134	4,790,018	5,120,245
Investments	2,211,991	977,438	3,303,950	3,557,192
Receivables				
Interest	1,819	0	0	0
Taxes	4,235,431	152,918	0	299,959
Accounts	251,596	33,889	0	0
Due From Other Funds	193	0	0	0
Due From Other Governments	323,434	2,278	0	0
Prepayments	55,814	0	0	0
Restricted Assets				
Deposits	228,229	223,941	0	0
<b>Total Assets</b>	<b>9,673,313</b>	<b>2,583,598</b>	<b>8,093,968</b>	<b>8,977,396</b>
<b>Liabilities and Fund Balance</b>				
Liabilities				
Accounts Payable	387,486	89,986	1,258	0
Wages Payable	1,881,871	58,472	0	0
Benefits Payable	11,306	0	0	0
Taxes Payable	2,183	0	0	0
Due to Other Funds	683	67	0	0
Due to Other Governments	298,487	5,210	0	0
Payable from Restricted Assets				
Deposits Payable	324,234	223,941	0	0
Deferred Revenue	337,110	77,063	0	0
Total Liabilities	3,243,360	454,739	1,258	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
Capital Projects	0	0	0	0
Unreserved, reported in				
General Fund	6,429,953	0	0	0
Special Revenue Funds	0	2,128,859	8,092,710	8,977,396
Capital Projects Funds	0	0	0	0
Total Fund Balances	6,429,953	2,128,859	8,092,710	8,977,396
<b>Total Liabilities and Fund Balance</b>	<b>9,673,313</b>	<b>2,583,598</b>	<b>8,093,968</b>	<b>8,977,396</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, 2010

Page 2 of 2

General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
24,996,385	1,869,086	3,522,824	43,856,498
17,365,481	1,289,215	2,436,121	31,141,388
0	0	0	1,819
33,333	0	212,335	4,933,976
574	0	0	286,059
0	0	0	193
221,681	1,125,404	1,414	1,674,211
0	0	0	55,814
0	0	4,876	457,046
42,617,454	4,283,705	6,177,570	82,407,004

188,144	252,228	11,932	931,034
0	0	28,483	1,968,826
0	0	0	11,306
0	0	0	2,183
193	0	0	943
0	75	1,894	305,666
0	0	4,876	553,051
0	0	56,369	470,542
188,337	252,303	103,554	4,243,551
0	0	165,770	165,770
0	0	469,526	469,526
0	0	525,275	525,275
0	0	328,813	328,813
24,819,338	0	0	24,819,338
0	0	0	6,429,953
0	0	4,584,632	23,783,597
17,609,779	4,031,402	0	21,641,181
42,429,117	4,031,402	6,074,016	78,163,453
42,617,454	4,283,705	6,177,570	82,407,004

188,136,251  
 3,038,905  
 (51,751,154)  
 21,842,863

239,430,318

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Governmental Funds  
 For the fiscal year ended December 31, 2010

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve
<b>Revenues</b>			
Taxes and Assessments	36,130,990	2,924,917	0
Licenses and Permits	3,241,959	12,800	0
Intergovernmental	6,277,971	675,219	164
Charges for Services	7,177,601	167,149	0
Fines and Forfeitures	1,651,358	0	1,000
Investment Interest	(84,744)	0	0
Miscellaneous Revenues	74,179	228,339	69,998
<b>Total Revenues</b>	<b>54,469,314</b>	<b>4,008,424</b>	<b>71,162</b>
<b>Expenditures</b>			
Current			
General Government	9,114,216	0	32,758
Security of Persons and Property	33,097,349	0	12,543
Physical Environment	3,180,993	0	0
Transportation	516,783	3,665,106	0
Economic Environment	5,658,753	0	678,799
Culture and Recreation	5,296,463	0	10,241
Debt Service			
Principal	0	0	0
Interest	0	0	0
Bond Issuance Costs	0	0	0
Capital Outlay	10,941	86,397	0
<b>Total Expenditures</b>	<b>56,875,498</b>	<b>3,751,503</b>	<b>734,341</b>
<b>Excess (Deficiency) of revenues</b>			
Over (under) expenditures	(2,406,184)	256,921	(663,179)
<b>Other Financing Sources (Uses)</b>			
Issuance of Debt	0	0	0
Bond Discount	0	0	0
Sale of Capital Assets	0	0	165,385
Insurance Recovery	0	0	0
Transfers In	2,275,530	0	102,363
Transfers Out	(1,103,912)	0	(313,685)
<b>Total Other Financing Sources (Uses)</b>	<b>1,171,618</b>	<b>0</b>	<b>(45,937)</b>
<b>Net Change in Fund Balance</b>	<b>(1,234,566)</b>	<b>256,921</b>	<b>(709,116)</b>
<b>Fund Balances Beginning of Year</b>	<b>7,664,519</b>	<b>1,871,938</b>	<b>8,801,826</b>
<b>Fund Balances End of Year</b>	<b>6,429,953</b>	<b>2,128,859</b>	<b>8,092,710</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, 2010

Page 2 of 2

Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
2,974,585	200,000	0	2,220,789	44,451,281
0	0	0	8,181	3,262,940
0	904,002	1,192,666	558,254	9,608,276
0	0	0	1,487,625	8,832,375
0	0	0	0	1,652,358
61,624	689,104	0	10,059	676,043
0	1,000	0	325,514	699,030
3,036,209	1,794,106	1,192,666	4,610,422	69,182,303
0	17,541	0	0	9,164,515
0	45,980	0	0	33,155,872
0	6,419	0	23,629	3,211,041
0	2,332,726	6,525	33,649	6,554,789
0	0	0	194,777	6,532,329
0	126,579	0	897,633	6,330,916
0	0	0	1,410,000	1,410,000
0	26,256	0	619,785	646,041
0	98,507	0	0	98,507
0	14,340,642	2,912,149	7,200	17,357,329
0	16,994,650	2,918,674	3,186,673	84,461,339
3,036,209	(15,200,544)	(1,726,008)	1,423,749	(15,279,036)
0	35,345,000	0	0	35,345,000
0	(373,661)	0	0	(373,661)
0	0	0	201,440	366,825
0	0	0	5,540	5,540
20,008	4,859,522	1,003,000	1,228,610	9,489,033
(3,679,399)	(866,000)	(20,008)	(2,598,692)	(8,581,696)
(3,659,391)	38,964,861	982,992	(1,163,102)	36,251,041
(623,182)	23,764,317	(743,016)	260,647	20,972,005
9,600,578	18,664,800	4,774,418	5,813,369	57,191,448
8,977,396	42,429,117	4,031,402	6,074,016	78,163,453

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, 2010

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

Net change in fund balances for governmental funds 20,972,005

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	17,357,329	
Depreciation	(5,170,774)	
CIP Closures	(2,603,046)	
Cost of Goods	1,828,012	
Capital Donations	<u>659,792</u>	
	12,071,313	12,071,313

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

Bond Issuance	(35,345,000)	
Debt Retired	1,410,000	
Debt Issuance Cost	98,233	
Bond Discount	<u>372,623</u>	
	(33,464,144)	(33,464,144)

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

Change in Court Receivable		70,974
Change in Pension Asset		134,400
Bond Subsidy		47,429

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		(220,458)
Accrued Interest		(130,601)
Other Post Employment Benefit Obligation		(377,945)

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.

827,024

Change in nets assets of governmental activities (70,000)

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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	81,755,919	72,230,124	35,406,939	36,006,068	71,413,007	(817,117)
Licenses and Permits	7,134,352	6,817,374	3,292,508	3,092,226	6,384,734	(432,640)
Intergovernmental	11,569,475	12,793,458	6,706,039	6,226,644	12,932,683	139,225
Charges for Services	13,972,167	13,144,064	6,768,067	7,174,446	13,942,513	798,449
Fines and Forfeitures	2,867,000	2,946,863	1,504,982	1,651,358	3,156,340	209,477
Investment Interest	9,042	9,042	92,360	0	92,360	83,318
Investment Interest - Dedicated	928,258	928,258	429,237	11,512	440,749	(487,509)
Contributions/Donations	22,000	23,000	15,369	320	15,689	(7,311)
Miscellaneous Revenues	364,121	364,121	171,681	137,706	309,387	(54,734)
<b>Total Revenues</b>	<b>118,622,334</b>	<b>109,256,304</b>	<b>54,387,182</b>	<b>54,300,280</b>	<b>108,687,462</b>	<b>(568,842)</b>
<b>Expenditures</b>						
Current						
General Government	16,480,890	17,520,222	8,250,093	8,244,166	16,494,259	1,025,963
Security of Persons and Property	70,863,389	72,774,779	35,864,563	36,525,022	72,389,585	385,194
Physical Environment	6,009,618	5,651,471	2,853,402	2,611,412	5,464,814	186,657
Transportation	1,335,102	1,299,346	614,727	512,406	1,127,133	172,213
Economic Environment	5,533,929	5,566,259	2,733,663	2,610,737	5,344,400	221,859
Human Services	2,614,270	2,724,449	1,209,378	1,235,059	2,444,437	280,012
Culture and Recreation	11,730,214	11,619,757	5,750,552	5,370,922	11,121,474	498,283
Capital Outlay	16,500	161,035	17,108	10,941	28,049	132,986
<b>Total Expenditures</b>	<b>114,583,912</b>	<b>117,317,318</b>	<b>57,293,486</b>	<b>57,120,665</b>	<b>114,414,151</b>	<b>2,903,167</b>
<b>Excess of revenues over expenditures</b>	<b>4,038,422</b>	<b>(8,061,014)</b>	<b>(2,906,304)</b>	<b>(2,820,385)</b>	<b>(5,726,689)</b>	<b>2,334,325</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	0	0	5,520	0	5,520	5,520
Transfers In	3,109,800	6,174,583	4,477,317	2,275,530	6,752,847	578,264
Transfers Out	(2,616,373)	(2,730,361)	(1,705,441)	(1,103,912)	(2,809,353)	(78,992)
<b>Total Other Financing Sources (Uses)</b>	<b>493,427</b>	<b>3,444,222</b>	<b>2,777,396</b>	<b>1,171,618</b>	<b>3,949,014</b>	<b>504,792</b>
<b>Net Change in Fund Balance</b>	<b>4,531,849</b>	<b>(4,616,792)</b>	<b>(128,908)</b>	<b>(1,648,767)</b>	<b>(1,777,675)</b>	<b>2,839,117</b>
<b>Fund Balances Beginning of Year</b>	<b>2,955,209</b>	<b>5,907,718</b>	<b>5,907,718</b>	<b>5,778,810</b>	<b>5,907,718</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>7,487,058</b>	<b>1,290,926</b>	<b>5,778,810</b>	<b>4,130,043</b>	<b>4,130,043</b>	<b>2,839,117</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**  
Street Operating Special Revenue Fund  
For the year ended December 31, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	6,336,659	5,951,673	3,153,993	2,923,711	6,077,704	126,031
Licenses and Permits	0	0	0	12,800	12,800	12,800
Intergovernmental	1,201,368	1,350,847	552,514	679,935	1,232,449	(118,398)
Charges for Services	101,545	101,545	180,439	165,911	346,350	244,805
Contributions/Donations	0	0	1,550	450	2,000	2,000
Miscellaneous Revenues	212,000	318,432	167,361	221,972	389,333	70,901
<b>Total Revenues</b>	<b>7,851,572</b>	<b>7,722,497</b>	<b>4,055,857</b>	<b>4,004,779</b>	<b>8,060,636</b>	<b>338,139</b>
<b>Expenditures</b>						
Current						
Transportation	8,084,309	8,109,518	3,922,854	3,650,850	7,573,704	535,814
Capital Outlay	100,808	268,834	171,032	86,395	257,427	11,407
<b>Total Expenditures</b>	<b>8,185,117</b>	<b>8,378,352</b>	<b>4,093,886</b>	<b>3,737,245</b>	<b>7,831,131</b>	<b>547,221</b>
<b>Excess of revenues over expenditures</b>	<b>(333,545)</b>	<b>(655,855)</b>	<b>(38,029)</b>	<b>267,534</b>	<b>229,505</b>	<b>885,360</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	25,000	25,000	0	25,000	0
Operating Transfers Out	0	(28,000)	(51,980)	0	(51,980)	(23,980)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(3,000)</b>	<b>(26,980)</b>	<b>0</b>	<b>(26,980)</b>	<b>(23,980)</b>
<b>Net Change in Fund Balance</b>	<b>(333,545)</b>	<b>(658,855)</b>	<b>(65,009)</b>	<b>267,534</b>	<b>202,525</b>	<b>861,380</b>
<b>Fund Balances Beginning of Year</b>	<b>1,235,496</b>	<b>1,958,420</b>	<b>1,958,420</b>	<b>1,893,411</b>	<b>1,958,420</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>901,951</b>	<b>1,299,565</b>	<b>1,893,411</b>	<b>2,160,945</b>	<b>2,160,945</b>	<b>861,380</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	0	425,486	425,486	164	425,650	164
Charges for Services	5,000	5,000	0	0	0	(5,000)
Fines and Forfeitures	4,000	4,000	1,000	1,000	2,000	(2,000)
Contributions/Donations	87,400	87,400	38,158	28,578	66,736	(20,664)
Miscellaneous Revenues	2,000	218,000	85,125	35,462	120,587	(97,413)
<b>Total Revenues</b>	<b>98,400</b>	<b>739,886</b>	<b>549,769</b>	<b>65,204</b>	<b>614,973</b>	<b>(124,913)</b>
<b>Expenditures</b>						
Current						
General Government	510,000	407,687	124,916	60,104	185,020	222,667
Security of Persons and Property	9,941	9,941	27,705	12,627	40,332	(30,391)
Economic Environment	433,000	1,000	0	678,635	678,635	(677,635)
Human Services	0	0	16,271	164	16,435	(16,435)
Culture and Recreation	40,700	40,700	8,836	10,383	19,219	21,481
Capital Outlay	0	0	146,649	0	146,649	(146,649)
<b>Total Expenditures</b>	<b>993,641</b>	<b>459,328</b>	<b>324,377</b>	<b>761,913</b>	<b>1,086,290</b>	<b>(626,962)</b>
<b>Excess of revenues over expenditures</b>	<b>(895,241)</b>	<b>280,558</b>	<b>225,392</b>	<b>(696,709)</b>	<b>(471,317)</b>	<b>(751,875)</b>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	0	0	0	165,385	165,385	165,385
Transfers In	797,000	922,803	767,993	102,363	870,356	(52,447)
Transfers Out	(441,000)	(2,335,938)	(2,022,253)	(313,685)	(2,335,938)	0
<b>Total Other Financing Sources (Uses)</b>	<b>356,000</b>	<b>(1,413,135)</b>	<b>(1,254,260)</b>	<b>(45,937)</b>	<b>(1,300,197)</b>	<b>112,938</b>
<b>Net Change in Fund Balance</b>	<b>(539,241)</b>	<b>(1,132,577)</b>	<b>(1,028,868)</b>	<b>(742,646)</b>	<b>(1,771,514)</b>	<b>(638,937)</b>
<b>Fund Balances Beginning of Year</b>	<b>9,155,152</b>	<b>9,865,483</b>	<b>9,865,483</b>	<b>8,836,615</b>	<b>9,865,483</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>8,615,911</b>	<b>8,732,906</b>	<b>8,836,615</b>	<b>8,093,969</b>	<b>8,093,969</b>	<b>(638,937)</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	6,457,000	6,457,000	2,026,824	2,893,294	4,920,118	(1,536,882)
Investment Interest	945,400	945,400	427,669	167,163	594,832	(350,568)
<b>Total Revenues</b>	<b>7,402,400</b>	<b>7,402,400</b>	<b>2,454,493</b>	<b>3,060,457</b>	<b>5,514,950</b>	<b>(1,887,450)</b>
<b>Excess of revenues over expenditures</b>	<b>7,402,400</b>	<b>7,402,400</b>	<b>2,454,493</b>	<b>3,060,457</b>	<b>5,514,950</b>	<b>(1,887,450)</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	0	0	627,414	20,008	647,422	647,422
Transfers Out	(7,534,580)	(12,352,794)	(8,824,785)	(3,679,399)	(12,504,184)	(151,390)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,534,580)</b>	<b>(12,352,794)</b>	<b>(8,197,371)</b>	<b>(3,659,391)</b>	<b>(11,856,762)</b>	<b>496,032</b>
<b>Net Change in Fund Balance</b>	<b>(132,180)</b>	<b>(4,950,394)</b>	<b>(5,742,878)</b>	<b>(598,934)</b>	<b>(6,341,812)</b>	<b>(1,391,418)</b>
<b>Fund Balances Beginning of Year</b>	<b>16,636,692</b>	<b>14,993,787</b>	<b>14,993,787</b>	<b>9,250,909</b>	<b>14,993,787</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>16,504,512</b>	<b>10,043,393</b>	<b>9,250,909</b>	<b>8,651,975</b>	<b>8,651,975</b>	<b>(1,391,418)</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, 2010

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	9,653,247	7,393,850	1,085,494	18,132,591	9,307,710
Investments (Note 3)	5,868,776	5,128,206	754,431	11,751,413	6,442,236
Receivables					
Interest	220,963	0	0	220,963	0
Contracts	2,619,229	0	0	2,619,229	0
Accounts	3,708,463	172,623	1,449,651	5,330,737	7,221
Assessments					
Deferred	10,970	0	0	10,970	0
Due From Other Governments	66,749	140,320	24,117	231,186	5,996
Due From Other Funds	7,453	0	0	7,453	0
Inventories	388,813	56,627	0	445,440	65,281
<b>Total Current Assets</b>	<b>22,544,663</b>	<b>12,891,626</b>	<b>3,313,693</b>	<b>38,749,982</b>	<b>15,828,445</b>
Noncurrent Assets and Deferred Charges					
Restricted Assets					
Revenue Bond Reserves	822,275	0	0	822,275	0
<b>Total Restricted Assets</b>	<b>822,275</b>	<b>0</b>	<b>0</b>	<b>822,275</b>	<b>0</b>
Deferred Charges and Other Assets					
Deferred Charges	67,621	0	0	67,621	0
<b>Total Deferred Charges and Other Assets</b>	<b>67,621</b>	<b>0</b>	<b>0</b>	<b>67,621</b>	<b>0</b>
Capital Assets (Note 5)					
Land	47,784	0	0	47,784	0
Depreciable Capital Assets (Net)	83,324,923	30,202,260	0	113,527,183	6,421,881
Construction in Progress	5,455,806	3,246,323	0	8,702,129	0
<b>Total Capital Assets</b>	<b>88,828,513</b>	<b>33,448,583</b>	<b>0</b>	<b>122,277,096</b>	<b>6,421,881</b>
<b>Total Noncurrent Assets</b>	<b>89,718,409</b>	<b>33,448,583</b>	<b>0</b>	<b>123,166,992</b>	<b>6,421,881</b>
<b>Total Assets</b>	<b>112,263,072</b>	<b>46,340,209</b>	<b>3,313,693</b>	<b>161,916,974</b>	<b>22,250,326</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, 2010

Page 2 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	26,228	67,855	10,828	104,911	78,219
Wages Payable	71,853	58,472	7,107	137,432	142,941
Compensated Absences Payable	57,470	40,361	1,999	99,830	124,400
Due to Other Funds	354	0	0	354	6,349
Due to Other Governments	241,999	88,185	58,288	388,472	20,494
Accrued Interest Payable	9,695	0	0	9,695	0
Refunds Payable	4,858	0	0	4,858	0
Deferred Revenue	2,620,763	131,251	0	2,752,014	3,961
Loans and Contracts Payable (current portion)	387,178	0	0	387,178	0
Sub-total Current Liabilities	3,420,398	386,124	78,222	3,884,744	376,364
Current Liabilities Payable From Restricted Assets					
Deposits Payable	0	0	0	0	0
Accrued Interest Payable	9,141	0	0	9,141	0
Current Bond Principle Payable	730,000	0	0	730,000	0
Sub-total Current Liabilities Payable From Restricted Assets	739,141	0	0	739,141	0
Total Current Liabilities	4,159,539	386,124	78,222	4,623,885	376,364
Noncurrent Liabilities					
Compensated Absences Payable	14,368	10,090	500	24,958	31,099
Loans and Contracts Payable	2,519,500	0	0	2,519,500	0
Bonds Payable	1,700,000	0	0	1,700,000	0
Total Noncurrent Liabilities	4,233,868	10,090	500	4,244,458	31,099
<b>Total Liabilities</b>	<b>8,393,407</b>	<b>396,214</b>	<b>78,722</b>	<b>8,868,343</b>	<b>407,463</b>
<b>Net Assets</b>					
Invested in capital assets net of related debt	83,491,835	33,448,583	0	116,940,418	6,421,881
Restricted for:					
Debt Service	822,275	0	0	822,275	0
Unrestricted	19,555,555	12,495,412	3,234,971	35,285,938	15,420,982
<b>Total Net Assets</b>	<b>103,869,665</b>	<b>45,943,995</b>	<b>3,234,971</b>	<b>153,048,631</b>	<b>21,842,863</b>

City of Kirkland  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2010

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Operating Revenues</b>					
Intergovernmental	0	0	0	0	134,649
Charges for Services	18,212,400	5,048,827	8,166,408	31,427,635	9,133,876
Miscellaneous Revenues	174,662	73,236	0	247,898	180,813
<b>Total Operating Revenues</b>	<b>18,387,062</b>	<b>5,122,063</b>	<b>8,166,408</b>	<b>31,675,533</b>	<b>9,449,338</b>
<b>Operating Expenses</b>					
Administrative and General	2,556,566	2,046,933	654,783	5,258,282	2,235,733
Supplies	0	0	0	0	79,510
Maintenance and Operations	11,490,173	1,046,302	6,986,040	19,522,515	4,625,666
Taxes	532,590	90,878	417,074	1,040,542	0
Depreciation	2,328,940	801,783	0	3,130,723	1,077,768
<b>Total Operating expenses</b>	<b>16,908,269</b>	<b>3,985,896</b>	<b>8,057,897</b>	<b>28,952,062</b>	<b>8,018,677</b>
<b>Operating Income (Loss)</b>	<b>1,478,793</b>	<b>1,136,167</b>	<b>108,511</b>	<b>2,723,471</b>	<b>1,430,661</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	207,848	159,620	26,809	394,277	68,626
Grant Income	0	81,815	103,333	185,148	0
Intergovernmental	0	128,342	0	128,342	1
Interest Expense	(142,694)	0	0	(142,694)	0
Amortization of Debt Issue Costs	(51,216)	(2,036)	0	(53,252)	0
Miscellaneous	0	0	(158,777)	(158,777)	63,075
<b>Total Nonoperating revenues (expenses)</b>	<b>13,938</b>	<b>367,741</b>	<b>(28,635)</b>	<b>353,044</b>	<b>131,701</b>
<b>Income Before Contributions and Transfers</b>	<b>1,492,731</b>	<b>1,503,908</b>	<b>79,876</b>	<b>3,076,515</b>	<b>1,562,362</b>
<b>Capital Contributions</b>					
Contributions	1,629,426	321,227	0	1,950,653	0
Transfers In	0	0	0	0	152,536
Transfers Out	(115,466)	(57,333)	0	(172,799)	(887,874)
Change in Net Assets	3,006,691	1,767,802	79,876	4,854,369	827,024
Total Net Assets - Beginning	100,862,974	44,176,193	3,155,095	148,194,262	21,015,839
<b>Total Net Assets - Ending</b>	<b>103,869,665</b>	<b>45,943,995</b>	<b>3,234,971</b>	<b>153,048,631</b>	<b>21,842,863</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, 2010  
Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	2010	
<b>Cash Flows From Operating Activities</b>					
Cash Received From Customers	18,073,446	5,046,941	7,938,377	31,058,764	0
Cash Received From Interfund Charges	0	0	0	0	9,131,107
Cash From Other Sources	274,671	40,048	233,060	547,779	326,072
Cash Paid to Suppliers for Goods and Services	(10,139,351)	(638,502)	(7,020,996)	(17,798,849)	(2,936,902)
Cash Paid to Employees for Services	(1,805,522)	(1,397,389)	(184,068)	(3,386,979)	(3,458,728)
Cash Paid in Lieu of Taxes	(527,863)	(90,878)	(417,074)	(1,035,815)	0
Cash Paid for Central Business Functions	(2,013,393)	(1,068,180)	(449,654)	(3,531,227)	(591,161)
<b>Net Cash Provided by Operating Activities</b>	<b>3,861,988</b>	<b>1,892,040</b>	<b>99,645</b>	<b>5,853,673</b>	<b>2,470,388</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Proceeds From State and Local Grants	0	169,767	103,446	273,213	0
Proceeds From Intergovernmental	0	59,944	0	59,944	0
Grant Administration Expenditures	0	0	(152,729)	(152,729)	0
Transfers In	0	0	0	0	152,536
Transfers Out	(114,667)	(57,333)	0	(172,000)	(887,874)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(114,667)</b>	<b>172,378</b>	<b>(49,283)</b>	<b>8,428</b>	<b>(735,338)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds From Project Cost Share	940,000	0	0	940,000	0
Capital Contributed by Developers	910,955	20,683	0	931,638	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	93,807
Principal Payments on Notes, Capital Leases and Bonds	(1,077,178)	0	0	(1,077,178)	0
Interest Paid on Notes, Capital Leases and Bonds	(146,644)	0	0	(146,644)	0
Interest Received on Program Loans	53,651	0	0	53,651	0
Acquisition and Construction of Capital Assets	(2,839,997)	(1,059,394)	0	(3,899,391)	(1,152,184)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(2,159,213)</b>	<b>(1,038,711)</b>	<b>0</b>	<b>(3,197,924)</b>	<b>(1,058,377)</b>
<b>Cash Flows From Investing Activities</b>					
Net (Increase) Decrease in Investments	(1,328,395)	(972,731)	(108,457)	(2,409,583)	(1,046,168)
Interest Revenue	126,533	143,114	26,809	296,456	145,563
<b>Net Cash Provided by Investing Activities</b>	<b>(1,201,862)</b>	<b>(829,617)</b>	<b>(81,648)</b>	<b>(2,113,127)</b>	<b>(900,605)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	386,246	196,090	(31,285)	551,051	(223,931)
Cash and Cash Equivalents, January 1	9,267,001	7,197,760	1,116,779	17,581,540	9,531,641
<b>Cash and Cash Equivalents, December 31</b>	<b>9,653,247</b>	<b>7,393,850</b>	<b>1,085,494</b>	<b>18,132,591</b>	<b>9,307,710</b>

City of Kirkland  
**Statement of Cash Flows**  
Proprietary Funds  
For the fiscal year ended December 31, 2010  
Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds			2010	Governmental
	Water/Sewer	Surfacewater	Solid Waste		Activities- Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	1,478,793	1,136,167	108,511	2,723,471	1,430,661
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	2,328,940	801,783	0	3,130,723	1,077,768
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(138,932)	(5,424)	5,029	(139,327)	24,221
(Increase) Decrease in Operating Due From Other Governments	(8,638)	0	0	(8,638)	14,322
(Increase) Decrease in Operating Due From Other Funds	9,319	(1,938)	(52)	7,329	0
(Increase) Decrease in Other Accounts Receivable	(3,443)	(33,188)	0	(36,631)	0
(Increase) Decrease in Capital Related Accounts Receivable	0	0	0	0	(27,991)
(Increase) Decrease in Operating Inventory	(8,101)	1,130	0	(6,971)	(21,147)
(Increase) Decrease in Deferred Assessments	(2,075)	0	0	(2,075)	0
Increase (Decrease) in Capital Accounts Payable	0	0	0	0	30,623
Increase (Decrease) in Operating Accounts Payable	6,759	400	(13,277)	(6,118)	0
Increase (Decrease) in Operating Due to Other Funds	354	0	0	354	0
Increase (Decrease) in Operating Due to Other Governments	205,110	(17,946)	(1,215)	185,949	(73,436)
Increase (Decrease) in Operating Due to Other Sources	0	0	0	0	(22)
Increase (Decrease) in Wages Payable	2,131	(5,233)	(162)	(3,264)	(9,244)
Increase (Decrease) in Compensated Absences Payable	4,225	10,865	811	15,901	20,671
Increase (Decrease) in Deposits Payable	(13,987)	0	0	(13,987)	0
Increase (Decrease) in Deferred Revenue	1,533	5,424	0	6,957	3,961
<b>Net Cash Provided by Operating Activities</b>	<b>3,861,988</b>	<b>1,892,040</b>	<b>99,645</b>	<b>5,853,673</b>	<b>2,470,388</b>
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	718,472	300,544	0	1,019,016	0
Change in Fair Value of Investments	32,653	28,244	5,704	66,601	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, 2010

	Firefighter's Pension	Agency Funds
<b>Assets</b>		
Cash and Cash Equivalents	943,933	44,627
Investments, at fair value:		
Government Sponsored Enterprise Securities	655,238	0
Deposits	0	724,371
<b>Total Assets</b>	<b>1,599,171</b>	<b>768,998</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	0	0
Due to Other Governments	0	2,506
Deposits	0	766,492
<b>Total Liabilities</b>	<b>0</b>	<b>768,998</b>
Net Assets		
Held in Trust for Pension Benefits	0	0
<b>Total Net Assets</b>	<b>1,599,171</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, 2010

	2010
<b>Additions</b>	
Fire Insurance Premium Contributions	74,559
Net Investment Income	17,792
<b>Total Additions</b>	<b>92,351</b>
<b>Deductions</b>	
Benefit Payments	12,341
Administrative Expenses	7,625
<b>Total Deductions</b>	<b>19,966</b>
Net Increase (Decrease)	72,385
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,526,786
<b>End of Year</b>	<b>1,599,171</b>

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



**City of Kirkland**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Year ended December 31, 2010**

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City of Kirkland

**Notes to the Basic Financial Statements**

For Year Ended December 31, 2010

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

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

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

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

The City of Kirkland reports the following major Governmental funds:

- General Fund is the general operating fund of the City. It accounts for all financial resources and transactions of the City not required to be accounted for in another fund. In some documents, this fund is referred to as the Current Expense Fund.
- 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, information technology, and facilities 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. The intergovernmental clearing and customer deposit funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

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

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

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

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

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

**Budgetary Data**

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

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

**Procedures for Adopting the Original Budget**

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

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

10. The final budget is generally published during the first quarter of the following year, distributed to staff, and made available to the public.

**Amending the Budget**

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

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

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

**Assets, Liabilities and Equities**

**Cash and Investments**

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

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

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

**Receivables**

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

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

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

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

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

#### **Interfund Transactions**

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

#### **Inventories**

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

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

#### **Prepayments**

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

#### **Restricted Assets and Liabilities**

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

#### **Deferred Charges**

Deferred charges consist of deferred expense on 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 288 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established limits and not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed one year of service except under special conditions listed in the Kirkland Municipal Code.

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

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

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$10,500 for 2010.

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 and business license fees collected in 2010 for 2011.

**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	1,759,908
Negative Net Pension Obligation	760,712
Deferred Charges	
Debt Issuance	98,233
Debt Discount	372,623
Bond Subsidy	47,429
Net Adjustment	<u>\$3,038,905</u>

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

Bonds Payable	47,090,000
Compensated Absences	2,495,385
Net OPEB Obligation	1,983,519
Accrued Interest Payable	182,250
Net Adjustment	<u>\$51,751,154</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	306,395,124
Depreciation	(118,258,873)
Net Capital Assets Adjustment	<u>\$188,136,251</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	17,357,329
Depreciation Expense	(5,170,774)
CIP Closures	(2,603,046)
Improvements	1,828,012
Infrastructure/Other Capital	659,792
Net Adjustment	<u>\$12,071,313</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.

Bond Issuance	(35,345,000)
Debt Retired	1,410,000
Debt Issuance Costs	98,233
Bond Discount	372,623
Net Adjustment	<u>\$(33,464,144)</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	70,974
Negative Pension Obligation	134,400
Bond Subsidy	47,429
Net Adjustment	<u>\$252,803</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	(377,945)
Compensated Absence Payable	(220,458)
Accrued Interest Payable	(130,601)
Net Adjustment	<u>\$(729,004)</u>

**NOTE 3:  
DEPOSITS AND INVESTMENTS**

**Deposits**

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

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

**Investments**

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

**Credit Risk**

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause the price of the investment to decline. The City’s investment policy applies the prudent person standard; Investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of Kirkland on December 31, 2010 are listed below:

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

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

**Custodial Credit Risk**

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

safekeeping by a third party custodian designated by a member of the Investment Committee. All of the City's securities at year end were held in safekeeping by a third party custodian.

### Concentration of Credit Risk

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

### Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 1.13 years.

The Washington State Local Government Investment Pool is an unrated 2a-7 like pool as defined by GASB 31, accordingly participants balances are not subject to interest rate risk as the weighted average maturity of the portfolio will not exceed 90 days. The Average Days to Maturity on December 31, 2010 was 55 days.

City of Kirkland Cash, Deposits and Investments  
Segmented Time Distribution  
At December 31, 2010

Investment Type	Fair Value	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
Federal Farm Credit Bank	15,120,460	5,025,095		10,095,365			
Federal Farm Credit Bank callable	4,964,685					4,964,685	
Federal Home Loan Bank callable	18,031,337			3,111,347	4,974,500		9,945,490
Federal Home Loan Mortgage Corp callable	5,013,750					5,013,750	
Deschutes & Jefferson County's School District GO Bonds	1,275,321			1,275,321			
Grant County, WA Public Utility District #2	2,367,445				2,367,445		
Oregon State General Obligation Pension Bonds	2,787,845			2,787,845			
Port of Vancouver WA General Obligation bonds	787,593			787,593			
Vancouver WA GO LTD	464,114			464,114			
FDIC or PDPC Insured Bank Deposits	9,809,194	9,809,194					
	\$ 60,621,744	14,834,289	0	18,521,585	7,341,945	9,978,435	9,945,490
<b>Uncategorized Cash and Deposits</b>							
Washington State Local Government Investment Pool	63,638,981						
Cash on Hand	18,600						
	\$ 63,657,581						
Total Cash, Deposits and Investments	\$ 124,279,325						

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

**NOTE 4:  
PROPERTY TAXES**

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

Property Tax Calendar:

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

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

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

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

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

The City's regular tax levy in 2010 was \$1.02928 per \$1,000 on an assessed valuation of \$11,313,599,319 for a total regular levy of \$13,681,190. The excess tax levy was \$0.08148 per \$1,000 for an excess levy of \$921,776. 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, 2010, was as follows:

	Balance Jan. 1, 2010	Additions	Deletions	Balance Dec. 31, 2010
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	80,548,698	236,885	5,194	80,780,389
Construction in Progress	26,480,883	17,252,791	2,603,046	41,130,628
Artwork	1,612,966	0	0	1,612,966
Total Capital Assets, Not Being Depreciated:	\$108,642,547	17,489,676	2,608,240	\$123,523,983
Capital Assets, Being Depreciated:				
Buildings	30,637,432	0	0	30,637,432
Improvements	20,145,781	1,828,012	357,806	21,615,987
Machinery and Equipment	13,745,351	1,163,919	333,557	14,575,713
Infrastructure	128,575,002	726,082	0	129,301,084
Total Capital Assets, Being Depreciated:	\$193,103,566	3,718,013	691,363	\$196,130,216
Less Accumulated Depreciation for:				
Buildings	9,654,115	662,452	0	10,316,567
Improvements	9,403,208	1,505,424	152,872	10,755,760
Machinery and Equipment	7,095,408	1,172,807	333,557	7,934,658
Infrastructure	93,181,222	2,907,859	0	96,089,081
Total Accumulated Depreciation	\$119,333,953	6,248,542	486,429	\$125,096,066
Total Capital Assets, Being Depreciated, Net	\$73,769,613	(2,530,529)	204,934	\$71,034,150
Governmental Activities Capital Assets, Net	\$182,412,160	14,959,147	2,813,174	\$194,558,133
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	47,784	0	0	47,784
Construction In Progress	6,572,160	3,152,398	1,022,429	8,702,129
Total Capital Assets, Not Being Depreciated	\$6,619,944	3,152,398	1,022,429	\$8,749,913
Capital Assets, Being Depreciated:				
Buildings	198,381	0	150,790	47,591
Improvements	154,843,534	2,041,445	799	156,884,180
Total Capital Assets, Being Depreciated	\$155,041,915	2,041,445	151,589	\$156,931,771
Less Accumulated Depreciation for:				
Buildings	187,399	4,759	150,790	41,368
Improvements	40,237,256	3,125,964	0	43,363,220
Total Accumulated Depreciation	\$40,424,655	3,130,723	150,790	\$43,404,588
Total Capital Assets, Being Depreciated, Net	\$114,617,260	(1,089,278)	799	\$113,527,183
Business-Type Activities Capital Assets, Net	\$121,237,204	2,063,120	1,023,228	\$122,277,096

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

Governmental Activities:	
General Government	842,452
Judicial	117,378
Security of Persons and Property	923,506
Human Services	0
Physical Environment	558,684
Transportation (includes depreciation of general infrastructure assets)	2,909,923
Economic Environment	6,919
Culture and Recreation	889,680
Total Depreciation Expense – Governmental Activities	<u>\$6,248,542</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	2,328,940
Surface Water Utility	801,783
Solid Waste Utility	0
Total Depreciation Expense – Business-type Activities	<u>\$3,130,723</u>

**Construction Obligations**

The City of Kirkland has active construction projects as of December 31, 2010. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Culture and Recreation	551,479	628,911
Transportation	2,114,878	188,813
Water Utility	1,324,107	61,151
Sewer Utility	652,999	29,817
General Government	1,418,261	67,860
Total	<u>\$6,061,724</u>	<u>\$ 976,552</u>

**NOTE 6:  
PENSION PLANS**

**State Systems**

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

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

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

**Plan Description**

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

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

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

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

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

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

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on the job injury.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Judicial Benefit Multiplier**

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

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

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

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	<u>53,896</u>
Total	262,166

**Funding Policy**

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, are as follows:

Members Not Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

- \* The employer rates include the employer administrative expense fee currently set at 0.16%.
- \*\* The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.
- \*\*\* Plan 3 defined benefit portion only.
- \*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.
- \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Members Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	5.31%	5.31%	5.31%**
Employee	12.26%	9.75%	7.50%***

- \* The employer rates include the employer administrative expense fee currently set at 0.16%.
- \*\* Plan 3 defined benefit portion only.
- \*\*\* Minimum rate.

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2010	\$34,585	\$853,349	\$146,922
2009	\$48,851	\$1,195,404	\$230,002
2008	\$59,401	\$1,206,039	\$253,570

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

**Plan Description**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	<u>3,944</u>
Total	27,435

**Funding Policy**

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

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, are as follows:

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

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2010	\$ 144	\$822,209
2009	\$ 211	\$799,074
2008	\$ 331	\$766,564

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

**Plan Description**

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

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

A "covered employer" is one that participates in PSERS. Covered employers include the following: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board, 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 one of the following:

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

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years

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

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

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

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

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

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

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	<u>4,340</u>
Total	4,342

**Funding Policy**

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, are as follows:

	<u>PSERS Plan 2</u>
Employer*	7.85%
Employee	6.55%

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

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

	<u>PSERS Plan 2</u>
2010	\$49,553
2009	\$41,548
2008	\$21,486

**Volunteer Firefighters' Relief and Pension Fund**

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

**Firefighters' Pension**

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

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

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

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2010:

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

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

	2008	2009	2010
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	12,442	12,442	0
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(54,069)	(54,069)	(75,855)
Interest to End of Year	(1,665)	(1,665)	(3,034)
ARC at End of Year	(43,292)	(43,292)	(78,889)
Interest on Net Pension Obligation (NPO)	(17,030)	(21,177)	(25,052)
Adjustment to ARC	(27,554)	(35,227)	(42,927)
Annual Pension Cost (APC)	(32,768)	(29,242)	(61,014)
Employer Contributions	121,045	67,634	73,386
Change in NPO	(153,813)	(96,876)	(134,400)
NPO at Beginning of Year	(523,921)	(529,436)*	(626,312)
NPO at End of Year	(677,734)*	(626,312)	(760,712)

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

\*the variance in NPO Ending 2008 and beginning 2009 is due to a new valuation completed January 1, 2010.

Schedule of Contributions from the Employer and Other Contributing Entities:

Year Ended December 31	Employer Contribution \$	Fire Insurance Premium Taxes \$	Interest Earned on Net Fund Balance \$	Annual Required Contribution*	Percentage Contributed
1998	0	40,759	18,159	-	-
1999	0	48,218	12,018	-	-
2000	0	27,006	23,174	-	-
2001	0	29,825	33,899	-	-
2002	(7,992)	33,969	0	-	-
2003	0	39,054	0	-	-
2004	0	46,833	0	(30,847)	-
2005	(3,634)	47,131	0	(30,847)	-
2006	(15,582)	55,586	42,653	(38,966)	-
2007	(8,605)	68,210	57,972	(38,966)	-
2008**	0	70,929	58,891	(43,292)	-
2009	0	67,634	33,503	(43,292)	-
2010	(7,625)	74,559	17,793	(75,855)	-

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

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

## Schedule of Funding Progress

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

## Three Year Trend Information (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC) \$	Contributions as a Percentage of APC %	Net Pension Obligation (NPO) \$
12/31/08	(32,768)	NA	(677,734)*
12/31/09	(29,242)	NA	(626,312)
12/31/10	(61,014)	NA	(760,712)

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

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

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

## Actuarial economic assumptions:

Investment rate of return	4.0%
Projected salary increases <sup>(2)</sup>	3.5%
Consumer Price Index	2.5%
Projected annual growth in fire Insurance premium tax revenue	2.5%

(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 462 employees who participated in the program during 2010. The City's contribution for 2010 was \$2,021,445; employee contributions were \$2,513,459 during the same period. The rate the City must pay and the employee may pay is equal to the 2010 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 1 retirees in accordance with RCW 41.26. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2010 there were 34 retirees receiving these benefits with 1 active employee eligible for these benefits when he retires.

For 2010, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 442,172
	Direct Medical Costs	<u>50,851</u>
	Total Costs	<u>\$ 493,023</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 2008, 2009 and 2010. The date of the last actuarial valuation done by Milliman was January 1, 2008. Beginning in 2009, the OPEB liability was calculated using the Alternative Measurement Method for GASB 45 by the Office of the State Actuary for the State of Washington. The net OPEB obligation of \$1,983,519 is included as a noncurrent liability on the Statement of Net Assets.

Determination of Annual Required Contribution	12/31/2008	12/31/2009	12/31/2010
Normal Cost at Year End	76,903	10,815	10,518
Amortization of UAAL	753,553	998,552	937,700
Annual Required Contribution (ARC)	\$830,456	\$1,009,367	\$948,218
 Determination of Net OPEB Obligation			
Annual Required Contribution	\$830,456	\$1,009,367	\$948,218
Interest on Prior Year Net OPEB Obligation	29,664	49,694	72,251
Adjustments to ARC	42,794	102,826	149,501
Annual OPEB Cost	817,326	956,235	870,968
Contributions Made	421,453	454,963	493,023
Increase in Net OPEB Obligation	\$395,873	\$501,272	\$377,945
 Net OPEB Obligation - beginning of year	 \$708,429*	 \$1,104,302	 \$1,605,574
Net OPEB Obligation – end of year	\$1,104,302	\$1,605,574	\$1,983,519

\*Amount not known until January 1, 2008, valuation.

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

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

**Funding Status and Funding Progress**

As of December 31, 2010, the plan was 0% funded. The accrued liability for benefits was \$10,070,468 and actuarial value of assets was \$0 resulting in a UAAL of \$10,070,468.

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

**Actuarial Assumptions**

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

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

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

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

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

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

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

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

determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

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

**NOTE 8:  
RISK MANAGEMENT**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 145 Members.

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

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

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

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2010.

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**

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has seven loans with principal outstanding of \$2,906,678. This debt will be repaid from Water/Sewer Fund revenues.

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

Year Ending December 31	Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment)			
	Principal	Gross Interest	Interest Subsidy	Net Totals
2011	135,000	1,626,121	569,142	1,191,979
2012	640,000	1,720,560	602,196	1,758,364
2013	645,000	1,712,880	599,508	1,758,372
2014	655,000	1,703,205	596,122	1,762,083
2015	990,000	1,691,415	591,995	2,089,420
2016-2020	5,350,000	8,033,190	2,811,617	10,571,573
2021-2025	4,990,000	7,025,175	2,458,811	9,556,364
2026-2030	6,030,000	5,679,947	1,987,982	9,721,965
2031-2035	7,220,000	3,870,984	1,354,844	9,736,140
2036-2040	8,690,000	1,584,058	554,420	9,719,638
<b>Total</b>	<b>\$ 35,345,000</b>	<b>\$ 34,647,535</b>	<b>\$ 12,126,637</b>	<b>\$ 57,865,898</b>

General obligation bonds currently outstanding are as follows:

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/10	Due Within One Year
1995 Unltd G.O. Public Safety, Forbes Creek Fire Station	08/01/95	12/01/14	4.65 to 7.00	1,020,000	710,000	310,000	70,000
1999 Ltd. G.O. Teen Center Design and Construction	* 11/01/99	12/01/19	4.30 to 6.00	1,025,000	415,000	610,000	55,000
2001 Unltd. G.O. Refunding 1992 UTGO Public Safety Bonds	07/06/01	12/12/12	4.00 to 4.65	1,730,000	1,375,000	355,000	170,000
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	6,330,000	4,730,000	795,000
2003 Unltd. G.O. Park Acquisition and Improvements	01/30/03	12/01/22	4.408	8,400,000	2,660,000	5,740,000	375,000
2010 LTGO Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment)	12/21/10	12/01/40	0.900 to 5.95	35,345,000	0	35,345,000	135,000
<b>Total</b>				<b>\$58,580,000</b>	<b>\$11,490,000</b>	<b>\$47,090,000</b>	<b>\$1,600,000</b>

\* Councilmanic

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

Year Ending	Governmental Activities	
	Principal	Interest
2011	1,600,000	2,187,001
2012	2,175,000	2,218,007
2013	2,050,000	3,854,290
2014	2,130,000	2,067,545
2015	1,660,000	1,986,480
2016-2020	9,145,000	8,993,592
2021-2025	6,390,000	7,129,270
2026-2030	6,030,000	5,679,947
2031-2035	7,220,000	3,870,984
2036-2040	8,690,000	1,584,058
<b>Total</b>	<b>\$47,090,000</b>	<b>\$39,571,174</b>

The revenue debt, issuance, redemption and current balance outstanding are as follows:

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/10	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	2,540,000	1,185,000	580,000
1993 Public Works Trust Loan Lake Street Sewer Line Replacement	08/25/93	07/01/14	1.0	823,368	693,362	130,006	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	972,494	259,206	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	918,769	246,731	61,683
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	06/07/95	07/01/15	1.0	794,850	572,240	222,610	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	07/01/00	07/01/19	1.0	227,500	114,685	112,815	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/01	07/01/21	0.5	1,848,000	715,345	1,132,655	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	09/01/04	07/01/24	.5	1,086,300	283,645	802,655	57,332
2004 Water/Sewer Revenue Refunding Bonds	08/01/04	06/01/14	2.0 to 4.0	3,090,000	1,845,000	1,245,000	150,000
<b>Total</b>				<b>\$13,992,218</b>	<b>\$8,655,540</b>	<b>\$5,336,678</b>	<b>\$1,117,178</b>

The revenue debt service requirements to maturity are as follows:

Year Ending December 31	Requirements	
	Principal	Interest
2011	1,117,178	111,665
2012	1,152,178	72,450
2013	847,178	41,450
2014	818,842	19,679
2015	217,358	7,542
2016-2020	851,645	21,584
2021-2024	332,299	3,381
<b>Total</b>	<b>\$5,336,678</b>	<b>\$277,751</b>

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

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

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

On November 17, 2008, Standard & Poor's upgraded the City's Water and Sewer Revenue Bonds from "AA-" to "AAA" and on November 24, 2008, upgraded the City's General Obligation Bonds from "AA-" to "AAA."

Moody's ratings for Kirkland are now as follows:

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

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

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

Summary of Municipal Bond Insurance Company Rating Downgrades for the years January 1, 2008, through December 31, 2010, are listed below.

**MBIA rating downgrade history**

February 18, 2009 MBIA split into MBIA Illinois (muni insurer) and MBIA Insurance

April 4, 2008 Fitch Ratings ("Fitch") lowered its rating for MBIA Insurance Corporation ("MBIA") from "AAA" to "AA"

June 25, 2008 Fitch withdrew its rating for MBIA

June 5, 2008 Standard and Poor's ("S&P") lowered its rating for MBIA from "AAA" to "AA"

February 18, 2009 S&P lowered its rating for MBIA ILL. From "AA" to "AA-"

June 5, 2009 S&P lowered its rating for MBIA ILL. From "AA-" to "A"

December 22, 2010 S&P lowered its rating for MBIA ILL. From "A" to "BBB"

June 19, 2008 Moody's Investors Service ("Moody's") lowered its rating for MBIA from "Aaa" to "A2"

November 7, 2008 Moody's lowered its rating for MBIA from "A2" to "Baa1"

**AMBAC rating downgrade history**

January 18, 2008 Fitch lowered its rating for AMBAC Assurance Corporation ("AMBAC") from "AAA" to "AA"

June 25, 2008 Fitch withdrew its rating for AMBAC

June 5, 2008 S&P lowered its rating for AMBAC from "AAA" to "AA"

November 19, 2008 S&P lowered its rating for AMBAC from "AA" to "A"  
June 24, 2009 S&P lowered its rating for AMBAC from "A" to "BBB"  
July 28, 2009 S&P lowered its rating for AMBAC from "BBB" to "CC"  
March 25, 2010 S&P lowered its rating for AMBAC from "CC" to "R"

June 19, 2008 Moody's lowered its rating for AMBAC from "Aaa" to "Aa3"  
November 5, 2008 Moody's lowered its rating for AMBAC from "Aa3" to "Baa1"  
April 13, 2009 Moody's lowered its rating for AMBAC from "Baa1" to "Ba3"  
July 29, 2009 Moody's lowered its rating for AMBAC from "Ba3" to "Caa2"

**FSA rating downgrade history**

May 5, 2009 Fitch lowered its rating for FSA from "AAA" to "AA+"  
October 12, 2009 Fitch lowered its rating for FSA from "AA+" to "AA"  
February 24, 2010 Fitch withdrew its rating for FSA

October 25, 2010 S&P lowered its rating for Assured (which includes FSA) from "AAA" to "AA+"

November 21, 2008 Moody's lowered its rating for Financial Security Assurance Inc. (FSA)  
from "Aaa" to "Aa3"

**Compensated Absences**

The City's liability for accrued compensated absences is recorded in the table of Changes in long-Term Liabilities, NOTE 11. The governmental activities category includes a liability of \$155,500 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, and Parks Maintenance.

**NOTE 10:  
LEASES**

**Operating Leases**

**Copier Leases**

In 2006, the City leased 3 copiers with four year non-cancellable agreements. The total cost for leased copiers for the year ended December 31, 2010, was \$31,662. There will be no future minimum payments for these agreements.

In 2009, the City entered into a 36 month lease for a Cannon IR 3225. The total cost for the year ended December 31, 2010, was \$1,872. The future minimum payments for this agreement are summarized as follows:

2011	1,872
2012	<u>1,872</u>
Total	<u>\$ 3,744</u>

**King County Housing Authority**

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. Lease payments for 2010 totaled \$89,652. Future minimum payments are summarized as follows:

2011	95,220
2012	96,160
2013	<u>84,050</u>
Total	<u>\$ 275,430</u>

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

During the year ending December 31, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2010	Additions	Reductions	Ending Balance 12/31/2010	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable:					
General Obligation Bonds	13,155,000	35,345,000	1,410,000	47,090,000	1,600,000
Less Deferred Amounts					
Issuance Discount	0	(373,661)	(1,038)	(372,623)	0
Issuance Costs	0	(98,507)	(274)	(98,233)	0
Compensated Absences	2,407,041	2,014,443	1,770,599	2,650,885	2,115,790
Other post employment benefits	1,605,574	870,968	493,023	1,983,519	0
Governmental Activity long-term liabilities	<u>\$ 17,167,615</u>	<u>37,758,243</u>	<u>3,672,310</u>	<u>\$ 52,253,548</u>	<u>\$ 3,715,790</u>
<u>Business-Type Activities</u>					
Revenue Bonds	3,120,000	0	690,000	2,430,000	730,000
PWTF Loans	3,293,856	0	387,178	2,906,678	387,178
Compensated Absences	108,886	409,166	393,264	124,788	99,830
Business-type Activity long-term liabilities	<u>\$ 6,522,742</u>	<u>409,166</u>	<u>1,470,442</u>	<u>\$ 5,461,466</u>	<u>\$ 1,217,008</u>

**NOTE 12:  
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2010, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 13:  
INTERFUND TRANSFERS**

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, indirect overhead and subsidies. Interfund transfers at December 31, 2010, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General	2,275,530	1,103,912
Park and Municipal Reserve	102,363	313,685
Excise Capital Improvement	20,008	3,679,399
General Capital	4,859,522	866,000
Grant Capital	1,003,000	20,008
Non Major Governmental Funds:		
Recreation Revolving	0	1,277,485
Contingency	270,600	125,822
Cemetery Improvement	0	31,030
Impact Fees	0	274,453
Street Improvement Reserve	0	889,902
Debt Service Funds	958,010	0
Internal Service Funds	152,536	887,874
Proprietary Funds:		
Water/Sewer	0	115,466
Surface Water	0	57,333
<u>Total Transfers In/Out</u>	<u>\$9,641,569</u>	<u>\$9,642,369</u>

The unbalanced transfer amount is due to a difference in measurement focus for capital assets between the Water/Sewer Fund and the General Governmental Funds.

**NOTE 14:  
JOINT VENTURES**

**Eastside Narcotics Task Force**

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

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

Member agencies share in the costs of the operation of the Task Force. All revenues are disbursed to the participating Agencies on a pro rata basis as determined by the Board.

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

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

**ARCH – Housing Coalition**

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

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

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. The City contributed \$677,635 to ARCH in 2010. This amount consisted of multiple year appropriations being held in reserve by the City for ARCH projects.

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

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

### **Cascade Water Alliance**

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

Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. During 2010, the City of Kirkland remitted \$246,205 for this charge.

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

Financial statement information can be obtained from Cascade Water Alliance by contacting Scott Hardin, Director of Finance and Administration, 11400 SE 8th 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 comprised of the Chief Executive officers of the Principals. The Executive Board is responsible for review and approval of all budgetary, financial, and contractual matters.

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

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

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

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2010, the weighted vote was as follows:

Bellevue	52.295%
Redmond	19.830%
Kirkland	15.524%
Mercer Island	6.572%
Issaquah	<u>5.78%</u>
	100.00%

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

Budget monitoring and compiled financial statements for EPSCA can be obtained from EPSCA, c/o Jessie Morgan, 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 and agencies have joined. The Alliance establishes on-line services through a jointly operated internet portal.

Expenditures consist of capital and operations costs as specified in the budget adopted by the 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 members 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 Mollie Purcell, P.O. Box 90012, Bellevue, WA 98009-9012.

**NORCOM**

In November of 2007, the City of Kirkland, with the cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27

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

Operating revenues are provided by user fees charged to each member based on average call volume. For 2010, the City of Kirkland's share of these fees was \$1,840,485.

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

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

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

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

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

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

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

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

**NOTE 15:  
BUDGET TO GAAP RECONCILIATION**

The City's budget is prepared primarily on the cash basis of accounting; therefore, the 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	54,300,280	4,004,779	65,204	3,060,457
Increase (Decrease) due to accruals	169,034	3,645	5,958	(24,248)
Revenues on the GAAP Basis	<u>54,469,314</u>	<u>4,008,424</u>	<u>71,162</u>	<u>3,036,209</u>
Expenditures on the Budgetary Basis	57,120,665	3,737,245	761,913	0
Increase (Decrease) due to accruals	(245,167)	14,258	(27,572)	0
Expenditures on the GAAP Basis	<u>56,875,498</u>	<u>3,751,503</u>	<u>734,341</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	1,171,618	0	(45,937)	(3,659,391)
Increase (Decrease) due to accruals	0	0	0	0
Other Financing Sources (Uses) on the GAAP Basis	<u>1,171,618</u>	<u>0</u>	<u>(45,937)</u>	<u>(3,659,391)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	(2,820,385)	267,534	(696,709)	3,060,457
Increase (Decrease) due to accruals	414,201	(10,613)	33,530	(24,248)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	<u>(2,406,184)</u>	<u>256,921</u>	<u>(663,179)</u>	<u>3,036,209</u>
Fund Balances Beginning of Year on the Budgetary Basis	5,778,810	1,893,411	8,836,615	9,250,909
Increase (Decrease) due to accruals	1,885,709	(21,473)	(34,789)	349,669
Fund Balances Beginning of year on the GAAP Basis	<u>7,664,519</u>	<u>1,871,938</u>	<u>8,801,826</u>	<u>9,600,578</u>
Fund Balances End of Year on the Budgetary Basis	4,130,043	2,160,945	8,093,969	8,651,975
Increase (Decrease) due to Accruals	2,299,910	(32,086)	(1,259)	325,421
Fund Balances End of Year on the GAAP Basis	<u>6,429,953</u>	<u>2,128,859</u>	<u>8,092,710</u>	<u>8,977,396</u>

**NOTE 16:  
SUBSEQUENT EVENTS**

On June 1, 2011 the City will annex the areas known as Finn Hill, North Juanita, and Kingsgate. The annexation area is approximately seven square miles. It will add over 31,000 residents to the City.

Council authorized the City to self-insure medical benefits effective January 1, 2011. Funds of the City from which employee wages are paid will also make premium payments to the Medical Self-Insurance Fund based on health insurance rates derived from expected fund experience.

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

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

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

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

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

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

## Fund Financial Statements and Schedules

## NON MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

- The **Lodging Tax Fund** accounts for the City's tourism program and expenditures related to the operation of tourism-related facilities. The primary source of revenue is a one percent lodging tax instituted in January of 2002.
- The **Cemetery Operating Fund** accounts for the operation of the City's cemetery. The primary source of revenue is user fees.
- The **Parks Maintenance Fund** accounts for the maintenance and operation of park properties acquired and/or developed with a park bond passed in November 2002. The primary source of revenue is from a special property tax levy approved in November 2002.
- The **Recreation Program Revolving Fund** accounts for the City's fee supported recreational programs. The primary source of revenue is user fees.
- 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.



City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2010

Page 1 of 4

	Special Revenue			Recreation
	Lodging Tax	Cemetery Operating	Parks Maintenance	Program Revolving
<b>Assets</b>				
Cash and Cash Equivalents	86,745	117,933	297,948	219,718
Investments	60,258	81,345	205,512	154,916
Receivables, Net of Allowances				
Taxes	24,719	0	22,153	0
Due From Other Governments	0	0	651	0
Restricted Assets				
Deposits	0	0	0	4,876
<b>Total Assets</b>	<b>171,722</b>	<b>199,278</b>	<b>526,264</b>	<b>379,510</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts Payable	4,440	1,015	6,036	387
Wages Payable	1,512	0	26,971	0
Due to Other Governments	0	0	1,894	0
Deposits	0	0	0	4,876
Deferred Revenue	0	0	22,463	4,445
<b>Total Liabilities</b>	<b>5,952</b>	<b>1,015</b>	<b>57,364</b>	<b>9,708</b>
<b>Fund Balances</b>				
Reserved for				
Tourism	165,770	0	0	0
Parks and Recreation	0	0	468,900	0
Transportation	0	0	0	0
Debt Service	0	0	0	0
Unreserved	0	198,263	0	369,802
Total Fund Balances	165,770	198,263	468,900	369,802
<b>Total Liabilities and Fund Balances</b>	<b>171,722</b>	<b>199,278</b>	<b>526,264</b>	<b>379,510</b>

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2010

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Contingency	Cemetery Improvement	Impact Fees	Off Street Parking	Tour Dock
1,214,298	260,046	310,475	6,378	48,377
837,572	180,532	215,426	4,399	33,369
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
2,051,870	440,578	525,901	10,777	81,746
0	54	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	54	0	0	0
0	0	0	0	0
0	0	626	0	0
0	0	525,275	0	0
0	0	0	0	0
2,051,870	440,524	0	10,777	81,746
2,051,870	440,524	525,901	10,777	81,746
2,051,870	440,578	525,901	10,777	81,746

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2010

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	Street Improvement Reserve	Grant Control	Total Special Revenue
<b>Assets</b>			
Cash and Cash Equivalents	646,399	120,072	3,328,389
Investments	445,859	82,820	2,302,008
Receivables, Net of Allowances			
Taxes	136,500	0	183,372
Due From Other Governments	0	0	651
Restricted Assets			
Deposits	0	0	4,876
<b>Total Assets</b>	<b>1,228,758</b>	<b>202,892</b>	<b>5,819,296</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts Payable	0	0	11,932
Wages Payable	0	0	28,483
Due to Other Governments	0	0	1,894
Deposits	0	0	4,876
Deferred Revenue	0	0	26,908
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>74,093</b>
<b>Fund Balances</b>			
Reserved for			
Tourism	0	0	165,770
Parks and Recreation	0	0	469,526
Transportation	0	0	525,275
Debt Service	0	0	0
Unreserved	1,228,758	202,892	4,584,632
Total Fund Balances	1,228,758	202,892	5,745,203
<b>Total Liabilities and Fund Balances</b>	<b>1,228,758</b>	<b>202,892</b>	<b>5,819,296</b>

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 December 31, 2010

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Debt Service		Total Debt Service	Governmental Funds Total
LTGO	UTGO		
13,240	181,195	194,435	3,522,824
9,132	124,981	134,113	2,436,121
0	28,963	28,963	212,335
0	763	763	1,414
0	0	0	4,876
22,372	335,902	358,274	6,177,570
0	0	0	11,932
0	0	0	28,483
0	0	0	1,894
0	0	0	4,876
0	29,461	29,461	56,369
0	29,461	29,461	103,554
0	0	0	165,770
0	0	0	469,526
0	0	0	525,275
22,372	306,441	328,813	328,813
0	0	0	4,584,632
22,372	306,441	328,813	6,074,016
22,372	335,902	358,274	6,177,570

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2010

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Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Recreation Program Revolving
<b>Revenues</b>				
Taxes and Assessments	189,758	0	832,899	0
Licenses and Permits	0	0	0	8,181
Intergovernmental	7,000	0	0	4,750
Charges for Services	0	56,248	0	1,083,408
Investment Interest	1,253	0	0	0
Miscellaneous Revenues	373	6,900	4,848	274,812
<b>Total Revenues</b>	<b>198,384</b>	<b>63,148</b>	<b>837,747</b>	<b>1,371,151</b>
<b>Expenditures</b>				
Current				
Physical Environment	0	23,629	0	0
Transportation	0	0	0	0
Economic Environment	194,777	0	0	0
Culture and Recreation	0	0	870,557	2,396
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	1,800	0	0
<b>Total Expenditures</b>	<b>194,777</b>	<b>25,429</b>	<b>870,557</b>	<b>2,396</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	3,607	37,719	(32,810)	1,368,755
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	9,464	0	0
Insurance Recovery	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	(1,277,485)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>9,464</b>	<b>0</b>	<b>(1,277,485)</b>
<b>Net Change in Fund Balance</b>	<b>3,607</b>	<b>47,183</b>	<b>(32,810)</b>	<b>91,270</b>
<b>Fund Balances Beginning of Year</b>	<b>162,163</b>	<b>151,080</b>	<b>501,710</b>	<b>278,532</b>
<b>Fund Balances End of Year</b>	<b>165,770</b>	<b>198,263</b>	<b>468,900</b>	<b>369,802</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, 2010

Page 2 of 4

Contingency	Cemetery Improvement	Impact Fees	Off Street Parking
0	0	0	0
0	0	0	0
0	0	0	0
0	0	347,969	0
0	8,805	1	0
0	0	0	816
<b>0</b>	<b>8,805</b>	<b>347,970</b>	<b>816</b>
0	0	0	0
0	0	0	33,649
0	0	0	0
0	0	0	0
0	0	0	0
0	5,400	0	0
<b>0</b>	<b>5,400</b>	<b>0</b>	<b>33,649</b>
0	3,405	347,970	(32,833)
0	26,591	0	0
0	0	0	0
270,600	0	0	0
(125,822)	(31,030)	(274,453)	0
<b>144,778</b>	<b>(4,439)</b>	<b>(274,453)</b>	<b>0</b>
144,778	(1,034)	73,517	(32,833)
1,907,092	441,558	452,384	43,610
<b>2,051,870</b>	<b>440,524</b>	<b>525,901</b>	<b>10,777</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, 2010

Page 3 of 4

	Tour Dock	Street Improvement Reserve	Grant Control	Total Special Revenue
<b>Revenues</b>				
Taxes and Assessments	0	270,000	0	1,292,657
Licenses and Permits	0	0	0	8,181
Intergovernmental	0	545,667	837	558,254
Charges for Services	0	0	0	1,487,625
Investment Interest	0	0	0	10,059
Miscellaneous Revenues	37,765	0	0	325,514
<b>Total Revenues</b>	<b>37,765</b>	<b>815,667</b>	<b>837</b>	<b>3,682,290</b>
<b>Expenditures</b>				
Current				
Physical Environment	0	0	0	23,629
Transportation	0	0	0	33,649
Economic Environment	0	0	0	194,777
Culture and Recreation	24,680	0	0	897,633
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	0	0	7,200
<b>Total Expenditures</b>	<b>24,680</b>	<b>0</b>	<b>0</b>	<b>1,156,888</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	13,085	815,667	837	2,525,402
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	165,385	0	201,440
Insurance Recovery	5,540	0	0	5,540
Transfers In	0	0	0	270,600
Transfers Out	0	(889,902)	0	(2,598,692)
<b>Total Other Financing Sources (Uses)</b>	<b>5,540</b>	<b>(724,517)</b>	<b>0</b>	<b>(2,121,112)</b>
<b>Net Change in Fund Balance</b>	<b>18,625</b>	<b>91,150</b>	<b>837</b>	<b>404,290</b>
<b>Fund Balances Beginning of Year</b>	<b>63,121</b>	<b>1,137,608</b>	<b>202,055</b>	<b>5,340,913</b>
<b>Fund Balances End of Year</b>	<b>81,746</b>	<b>1,228,758</b>	<b>202,892</b>	<b>5,745,203</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, 2010

Page 4 of 4

Debt Service

LTGO	UTGO	Total Debt Service	Governmental Funds Total
0	928,132	928,132	2,220,789
0	0	0	8,181
0	0	0	558,254
0	0	0	1,487,625
0	0	0	10,059
0	0	0	325,514
0	928,132	928,132	4,610,422
0	0	0	23,629
0	0	0	33,649
0	0	0	194,777
0	0	0	897,633
810,000	600,000	1,410,000	1,410,000
298,010	321,775	619,785	619,785
0	0	0	7,200
1,108,010	921,775	2,029,785	3,186,673
(1,108,010)	6,357	(1,101,653)	1,423,749
0	0	0	201,440
0	0	0	5,540
958,010	0	958,010	1,228,610
0	0	0	(2,598,692)
958,010	0	958,010	(1,163,102)
(150,000)	6,357	(143,643)	260,647
172,372	300,084	472,456	5,813,369
22,372	306,441	328,813	6,074,016

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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	500,000	500,000	183,896	188,757	372,653	(127,347)
Intergovernmental	0	7,000	0	7,000	7,000	0
Investment Interest	16,300	16,300	6,413	2,792	9,205	(7,095)
Contributions/Donations	1,500	1,500	257	373	630	(870)
Miscellaneous Revenues	140	140	0	0	0	(140)
<b>Total Revenues</b>	<b>517,940</b>	<b>524,940</b>	<b>190,566</b>	<b>198,922</b>	<b>389,488</b>	<b>(135,452)</b>
<b>Expenditures</b>						
Current						
Economic Environment	557,644	625,813	315,079	201,732	516,811	109,002
<b>Total Expenditures</b>	<b>557,644</b>	<b>625,813</b>	<b>315,079</b>	<b>201,732</b>	<b>516,811</b>	<b>109,002</b>
<b>Excess of revenues over expenditures</b>	<b>(39,704)</b>	<b>(100,873)</b>	<b>(124,513)</b>	<b>(2,810)</b>	<b>(127,323)</b>	<b>(26,450)</b>
<b>Net Change in Fund Balance</b>	<b>(39,704)</b>	<b>(100,873)</b>	<b>(124,513)</b>	<b>(2,810)</b>	<b>(127,323)</b>	<b>(26,450)</b>
<b>Fund Balances Beginning of Year</b>	<b>276,484</b>	<b>273,708</b>	<b>273,708</b>	<b>149,195</b>	<b>273,708</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>236,780</b>	<b>172,835</b>	<b>149,195</b>	<b>146,385</b>	<b>146,385</b>	<b>(26,450)</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Charges for Services	65,000	65,000	68,368	56,248	124,616	59,616
Miscellaneous Revenues	0	0	1,150	6,900	8,050	8,050
<b>Total Revenues</b>	<b>65,000</b>	<b>65,000</b>	<b>69,518</b>	<b>63,148</b>	<b>132,666</b>	<b>67,666</b>
<b>Expenditures</b>						
Current						
Physical Environment	66,853	65,694	25,613	23,177	48,790	16,904
Capital Outlay	4,000	4,000	2,700	1,800	4,500	(500)
<b>Total Expenditures</b>	<b>70,853</b>	<b>69,694</b>	<b>28,313</b>	<b>24,977</b>	<b>53,290</b>	<b>16,404</b>
<b>Excess of revenues over expenditures</b>	<b>(5,853)</b>	<b>(4,694)</b>	<b>41,205</b>	<b>38,171</b>	<b>79,376</b>	<b>84,070</b>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	43,200	43,200	8,259	9,482	17,741	(25,459)
<b>Total Other Financing Sources (Uses)</b>	<b>43,200</b>	<b>43,200</b>	<b>8,259</b>	<b>9,482</b>	<b>17,741</b>	<b>(25,459)</b>
<b>Net Change in Fund Balance</b>	<b>37,347</b>	<b>38,506</b>	<b>49,464</b>	<b>47,653</b>	<b>97,117</b>	<b>58,611</b>
<b>Fund Balances Beginning of Year</b>	<b>91,298</b>	<b>102,162</b>	<b>102,162</b>	<b>151,626</b>	<b>102,162</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>128,645</b>	<b>140,668</b>	<b>151,626</b>	<b>199,279</b>	<b>199,279</b>	<b>58,611</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	1,625,863	1,625,863	809,171	832,561	1,641,732	15,869
Miscellaneous Revenues	2,400	2,400	15,229	4,848	20,077	17,677
<b>Total Revenues</b>	<b>1,628,263</b>	<b>1,628,263</b>	<b>824,400</b>	<b>837,409</b>	<b>1,661,809</b>	<b>33,546</b>
<b>Expenditures</b>						
Current						
Culture and Recreation	1,848,390	1,892,893	899,860	864,213	1,764,073	128,820
<b>Total Expenditures</b>	<b>1,848,390</b>	<b>1,892,893</b>	<b>899,860</b>	<b>864,213</b>	<b>1,764,073</b>	<b>128,820</b>
<b>Excess of revenues over expenditures</b>	<b>(220,127)</b>	<b>(264,630)</b>	<b>(75,460)</b>	<b>(26,804)</b>	<b>(102,264)</b>	<b>162,366</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	100,000	50,000	50,000	0	50,000	0
<b>Total Other Financing Sources (Uses)</b>	<b>100,000</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(120,127)</b>	<b>(214,630)</b>	<b>(25,460)</b>	<b>(26,804)</b>	<b>(52,264)</b>	<b>162,366</b>
<b>Fund Balances Beginning of Year</b>	<b>475,024</b>	<b>548,861</b>	<b>548,861</b>	<b>523,401</b>	<b>548,861</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>354,897</b>	<b>334,231</b>	<b>523,401</b>	<b>496,597</b>	<b>496,597</b>	<b>162,366</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments						
Licenses and Permits	9,920	9,920	8,755	8,181	16,936	7,016
Intergovernmental	0	2,000	3,750	4,750	8,500	6,500
Charges for Services	2,127,730	2,180,566	1,133,497	1,083,267	2,216,764	36,198
Contributions/Donations	139,600	141,100	86,028	13,700	99,728	(41,372)
Miscellaneous Revenues	486,900	491,900	271,231	261,651	532,882	40,982
<b>Total Revenues</b>	<b>2,764,150</b>	<b>2,825,486</b>	<b>1,503,261</b>	<b>1,371,549</b>	<b>2,874,810</b>	<b>49,324</b>
<b>Expenditures</b>						
Current						
Culture and Recreation	0	20,050	2,173	2,395	4,568	15,482
<b>Total Expenditures</b>	<b>0</b>	<b>20,050</b>	<b>2,173</b>	<b>2,395</b>	<b>4,568</b>	<b>15,482</b>
<b>Excess of revenues over expenditures</b>	<b>2,764,150</b>	<b>2,805,436</b>	<b>1,501,088</b>	<b>1,369,154</b>	<b>2,870,242</b>	<b>64,806</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers Out	(2,527,020)	(2,568,306)	(1,290,821)	(1,277,485)	(2,568,306)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(2,527,020)</b>	<b>(2,568,306)</b>	<b>(1,290,821)</b>	<b>(1,277,485)</b>	<b>(2,568,306)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>237,130</b>	<b>237,130</b>	<b>210,267</b>	<b>91,669</b>	<b>301,936</b>	<b>64,806</b>
<b>Fund Balances Beginning of Year</b>	<b>60,940</b>	<b>72,311</b>	<b>72,311</b>	<b>282,578</b>	<b>72,311</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>298,070</b>	<b>309,441</b>	<b>282,578</b>	<b>374,247</b>	<b>374,247</b>	<b>64,806</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Charges for Services	0	0	0	50,000	50,000	50,000
Miscellaneous Revenues	0	0	0	11,047	11,047	11,047
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,047</b>	<b>61,047</b>	<b>61,047</b>
<b>Excess of revenues over expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,047</b>	<b>61,047</b>	<b>61,047</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	0	270,600	0	270,600	270,600	0
Transfers Out	0	(607,837)	(482,015)	(125,822)	(607,837)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(337,237)</b>	<b>(482,015)</b>	<b>144,778</b>	<b>(337,237)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(337,237)</b>	<b>(482,015)</b>	<b>205,825</b>	<b>(276,190)</b>	<b>61,047</b>
<b>Fund Balances Beginning of Year</b>	<b>2,324,515</b>	<b>2,328,060</b>	<b>2,328,060</b>	<b>1,846,045</b>	<b>2,328,060</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>2,324,515</b>	<b>1,990,823</b>	<b>1,846,045</b>	<b>2,051,870</b>	<b>2,051,870</b>	<b>61,047</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Investment Interest	0	0	0	7,642	7,642	7,642
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,642</b>	<b>7,642</b>	<b>7,642</b>
<b>Expenditures</b>						
Capital Outlay	12,000	12,000	8,100	5,400	13,500	(1,500)
<b>Total Expenditures</b>	<b>12,000</b>	<b>12,000</b>	<b>8,100</b>	<b>5,400</b>	<b>13,500</b>	<b>(1,500)</b>
<b>Excess of revenues over expenditures</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>(8,100)</b>	<b>2,242</b>	<b>(5,858)</b>	<b>6,142</b>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	129,600	129,600	24,777	26,644	51,421	(78,179)
Transfers Out	(63,123)	(63,123)	(32,093)	(31,030)	(63,123)	0
<b>Total Other Financing Sources (Uses)</b>	<b>66,477</b>	<b>66,477</b>	<b>(7,316)</b>	<b>(4,386)</b>	<b>(11,702)</b>	<b>(78,179)</b>
<b>Net Change in Fund Balance</b>	<b>54,477</b>	<b>54,477</b>	<b>(15,416)</b>	<b>(2,144)</b>	<b>(17,560)</b>	<b>(72,037)</b>
<b>Fund Balances Beginning of Year</b>	<b>468,928</b>	<b>456,974</b>	<b>456,974</b>	<b>441,558</b>	<b>456,974</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>523,405</b>	<b>511,451</b>	<b>441,558</b>	<b>439,414</b>	<b>439,414</b>	<b>(72,037)</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Charges for Services	4,750,318	2,916,818	583,399	347,968	931,367	(1,985,451)
Investment Interest	223,200	97,400	31,454	8,363	39,817	(57,583)
<b>Total Revenues</b>	<b>4,973,518</b>	<b>3,014,218</b>	<b>614,853</b>	<b>356,331</b>	<b>971,184</b>	<b>(2,043,034)</b>
<b>Excess of revenues over expenditures</b>	<b>4,973,518</b>	<b>3,014,218</b>	<b>614,853</b>	<b>356,331</b>	<b>971,184</b>	<b>(2,043,034)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers Out	(3,498,168)	(1,785,818)	(1,308,984)	(274,453)	(1,583,437)	202,381
<b>Total Other Financing Sources (Uses)</b>	<b>(3,498,168)</b>	<b>(1,785,818)</b>	<b>(1,308,984)</b>	<b>(274,453)</b>	<b>(1,583,437)</b>	<b>202,381</b>
<b>Net Change in Fund Balance</b>	<b>1,475,350</b>	<b>1,228,400</b>	<b>(694,131)</b>	<b>81,878</b>	<b>(612,253)</b>	<b>(1,840,653)</b>
<b>Fund Balances Beginning of Year</b>	<b>2,192,037</b>	<b>1,136,880</b>	<b>1,136,880</b>	<b>442,749</b>	<b>1,136,880</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>3,667,387</b>	<b>2,365,280</b>	<b>442,749</b>	<b>524,627</b>	<b>524,627</b>	<b>(1,840,653)</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Parking Meters	174,000	174,000	0	0	0	(174,000)
Miscellaneous Revenues	0	0	0	816	816	816
<b>Total Revenues</b>	<b>174,000</b>	<b>174,000</b>	<b>0</b>	<b>816</b>	<b>816</b>	<b>(173,184)</b>
<b>Expenditures</b>						
Current						
Transportation	13,200	13,200	0	33,650	33,650	(20,450)
<b>Total Expenditures</b>	<b>13,200</b>	<b>13,200</b>	<b>0</b>	<b>33,650</b>	<b>33,650</b>	<b>(20,450)</b>
<b>Excess of revenues over expenditures</b>	<b>160,800</b>	<b>160,800</b>	<b>0</b>	<b>(32,834)</b>	<b>(32,834)</b>	<b>(193,634)</b>
<b>Net Change in Fund Balance</b>	<b>160,800</b>	<b>160,800</b>	<b>0</b>	<b>(32,834)</b>	<b>(32,834)</b>	<b>(193,634)</b>
<b>Fund Balances Beginning of Year</b>	<b>43,610</b>	<b>43,610</b>	<b>43,610</b>	<b>43,610</b>	<b>43,610</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>204,410</b>	<b>204,410</b>	<b>43,610</b>	<b>10,776</b>	<b>10,776</b>	<b>(193,634)</b>

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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Moorage Rentals	71,000	71,000	31,205	37,765	68,970	(2,030)
<b>Total Revenues</b>	<b>71,000</b>	<b>71,000</b>	<b>31,205</b>	<b>37,765</b>	<b>68,970</b>	<b>(2,030)</b>
<b>Expenditures</b>						
Current						
Culture and Recreation	30,000	52,500	23,358	24,681	48,039	4,461
<b>Total Expenditures</b>	<b>30,000</b>	<b>52,500</b>	<b>23,358</b>	<b>24,681</b>	<b>48,039</b>	<b>4,461</b>
<b>Excess of revenues over expenditures</b>	<b>41,000</b>	<b>18,500</b>	<b>7,847</b>	<b>13,084</b>	<b>20,931</b>	<b>2,431</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	0	0	0	5,540	5,540	5,540
Transfers Out	(22,500)	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(22,500)</b>	<b>0</b>	<b>0</b>	<b>5,540</b>	<b>5,540</b>	<b>5,540</b>
<b>Net Change in Fund Balance</b>	<b>18,500</b>	<b>18,500</b>	<b>7,847</b>	<b>18,624</b>	<b>26,471</b>	<b>7,971</b>
<b>Fund Balances Beginning of Year</b>	<b>51,675</b>	<b>55,275</b>	<b>55,275</b>	<b>63,122</b>	<b>55,275</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>70,175</b>	<b>73,775</b>	<b>63,122</b>	<b>81,746</b>	<b>81,746</b>	<b>7,971</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	540,000	540,000	270,000	270,000	540,000	0
Intergovernmental	1,079,000	1,079,000	534,000	545,000	1,079,000	0
<b>Total Revenues</b>	<b>1,619,000</b>	<b>1,619,000</b>	<b>804,000</b>	<b>815,000</b>	<b>1,619,000</b>	<b>0</b>
<b>Excess of revenues over expenditures</b>	<b>1,619,000</b>	<b>1,619,000</b>	<b>804,000</b>	<b>815,000</b>	<b>1,619,000</b>	<b>0</b>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	0	0	0	165,385	165,385	165,385
Transfers Out	(1,619,000)	(1,708,567)	(1,016,728)	(889,902)	(1,906,630)	(198,063)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,619,000)</b>	<b>(1,708,567)</b>	<b>(1,016,728)</b>	<b>(724,517)</b>	<b>(1,741,245)</b>	<b>(32,678)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(89,567)</b>	<b>(212,728)</b>	<b>90,483</b>	<b>(122,245)</b>	<b>(32,678)</b>
<b>Fund Balances Beginning of Year</b>	<b>994,576</b>	<b>1,214,503</b>	<b>1,214,503</b>	<b>1,001,775</b>	<b>1,214,503</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>994,576</b>	<b>1,124,936</b>	<b>1,001,775</b>	<b>1,092,258</b>	<b>1,092,258</b>	<b>(32,678)</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	0	0	375	0	375	375
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>375</b>	<b>0</b>	<b>375</b>	<b>375</b>
<b>Expenditures</b>						
Current						
Transportation	0	0	1,871	0	1,871	(1,871)
Capital Outlay	0	0	18,536	0	18,536	(18,536)
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>20,407</b>	<b>0</b>	<b>20,407</b>	<b>(20,407)</b>
<b>Excess of revenues over expenditures</b>	<b>0</b>	<b>0</b>	<b>(20,032)</b>	<b>0</b>	<b>(20,032)</b>	<b>(20,032)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>(20,032)</b>	<b>0</b>	<b>(20,032)</b>	<b>(20,032)</b>
<b>Fund Balances Beginning of Year</b>	<b>216,458</b>	<b>222,924</b>	<b>222,924</b>	<b>202,892</b>	<b>222,924</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>216,458</b>	<b>222,924</b>	<b>202,892</b>	<b>202,892</b>	<b>202,892</b>	<b>(20,032)</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	350,000	350,000	150,000	200,000	350,000	0
Intergovernmental	786,470	2,406,027	516,645	692,891	1,209,536	(1,196,491)
Charges for Services	0	95,600	0	0	0	(95,600)
Investment Interest	37,500	37,500	13,503	14,255	27,758	(9,742)
Investment Interest - Dedicated	1,600,000	1,600,000	800,000	800,000	1,600,000	0
Contributions/Donations	0	45,071	3,288	1,000	4,288	(40,783)
Miscellaneous Revenues	0	0	1,694	0	1,694	1,694
<b>Total Revenues</b>	<b>2,773,970</b>	<b>4,534,198</b>	<b>1,485,130</b>	<b>1,708,146</b>	<b>3,193,276</b>	<b>(1,340,922)</b>
<b>Expenditures</b>						
Current						
General Government	71,744	790,962	32,261	149,509	181,770	609,192
Security of Persons and Property	0	184,266	534	418,031	418,565	(234,299)
Physical Environment	0	125,100	838	0	838	124,262
Transportation	0	11,150	2,279,571	2,519,651	4,799,222	(4,788,072)
Human Services	0	71,400	0	0	0	71,400
Culture and Recreation	0	202,418	5,452	0	5,452	196,966
Debt Service						
Principal	0	0	0	10,502,559	10,502,559	(10,502,559)
Interest	0	0	0	26,256	26,256	(26,256)
Debt Issue Cost	0	0	0	67,557	67,557	(67,557)
Capital Outlay	22,319,856	40,277,121	6,868,928	14,393,042	21,261,970	19,015,151
<b>Total Expenditures</b>	<b>22,391,600</b>	<b>41,662,417</b>	<b>9,187,584</b>	<b>28,076,605</b>	<b>37,264,189</b>	<b>4,398,228</b>
<b>Excess of revenues over expenditures</b>	<b>(19,617,630)</b>	<b>(37,128,219)</b>	<b>(7,702,454)</b>	<b>(26,368,459)</b>	<b>(34,070,913)</b>	<b>3,057,306</b>
<b>Other Financing Sources (Uses)</b>						
GO Bond Proceeds	0	0	0	35,345,000	35,345,000	35,345,000
Intergovernmental Loan Proceeds	0	0	0	10,502,559	10,502,559	10,502,559
Insurance Recovery	0	0	288,414	0	288,414	288,414
Transfers In	18,775,700	25,248,840	10,268,926	4,859,522	15,128,448	(10,120,392)
Transfers Out	0	(808,714)	(1,416,337)	(866,000)	(2,282,337)	(1,473,623)
<b>Total Other Financing Sources (Uses)</b>	<b>18,775,700</b>	<b>24,440,126</b>	<b>9,141,003</b>	<b>49,841,081</b>	<b>58,982,084</b>	<b>34,541,958</b>
<b>Net Change in Fund Balance</b>	<b>(841,930)</b>	<b>(12,688,093)</b>	<b>1,438,549</b>	<b>23,472,622</b>	<b>24,911,171</b>	<b>37,599,264</b>
<b>Fund Balances Beginning of Year</b>	<b>4,592,679</b>	<b>17,326,658</b>	<b>17,326,658</b>	<b>18,765,207</b>	<b>17,326,658</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>3,750,749</b>	<b>4,638,565</b>	<b>18,765,207</b>	<b>42,237,829</b>	<b>42,237,829</b>	<b>37,599,264</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	770,000	9,103,784	164,727	114,362	279,089	(8,824,695)
<b>Total Revenues</b>	<b>770,000</b>	<b>9,103,784</b>	<b>164,727</b>	<b>114,362</b>	<b>279,089</b>	<b>(8,824,695)</b>
<b>Expenditures</b>						
Current						
Transportation	0	0	0	102,121	102,121	(102,121)
Capital Outlay	4,226,750	18,142,610	3,628,188	2,653,671	6,281,859	11,860,751
<b>Total Expenditures</b>	<b>4,226,750</b>	<b>18,142,610</b>	<b>3,628,188</b>	<b>2,755,792</b>	<b>6,383,980</b>	<b>11,758,630</b>
<b>Excess of revenues over expenditures</b>	<b>(3,456,750)</b>	<b>(9,038,826)</b>	<b>(3,463,461)</b>	<b>(2,641,430)</b>	<b>(6,104,891)</b>	<b>2,933,935</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	3,456,750	2,582,650	1,781,884	1,003,000	2,784,884	202,234
Operating Transfers Out	0	0	(145,655)	(20,008)	(165,663)	(165,663)
<b>Total Other Financing Sources (Uses)</b>	<b>3,456,750</b>	<b>2,582,650</b>	<b>1,636,229</b>	<b>982,992</b>	<b>2,619,221</b>	<b>36,571</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(6,456,176)</b>	<b>(1,827,232)</b>	<b>(1,658,438)</b>	<b>(3,485,670)</b>	<b>2,970,506</b>
<b>Fund Balances Beginning of Year</b>	<b>1,080,363</b>	<b>6,643,968</b>	<b>6,643,968</b>	<b>4,816,736</b>	<b>6,643,968</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>1,080,363</b>	<b>187,792</b>	<b>4,816,736</b>	<b>3,158,298</b>	<b>3,158,298</b>	<b>2,970,506</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Expenditures</b>						
Debt Service						
Principal	1,915,000	1,915,000	1,105,000	810,000	1,915,000	0
Interest	648,359	648,359	350,348	298,010	648,358	1
<b>Total Expenditures</b>	<b>2,563,359</b>	<b>2,563,359</b>	<b>1,455,348</b>	<b>1,108,010</b>	<b>2,563,358</b>	<b>1</b>
<b>Excess of revenues over expenditures</b>	<b>(2,563,359)</b>	<b>(2,563,359)</b>	<b>(1,455,348)</b>	<b>(1,108,010)</b>	<b>(2,563,358)</b>	<b>1</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	2,563,359	2,413,359	1,455,349	958,010	2,413,359	0
<b>Total Other Financing Sources (Uses)</b>	<b>2,563,359</b>	<b>2,413,359</b>	<b>1,455,349</b>	<b>958,010</b>	<b>2,413,359</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(150,000)</b>	<b>1</b>	<b>(150,000)</b>	<b>(149,999)</b>	<b>1</b>
<b>Fund Balances Beginning of Year</b>	<b>172,364</b>	<b>172,370</b>	<b>172,370</b>	<b>172,371</b>	<b>172,370</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>172,364</b>	<b>22,370</b>	<b>172,371</b>	<b>22,371</b>	<b>22,371</b>	<b>1</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, 2010

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	2,378,762	2,378,762	1,448,457	927,852	2,376,309	(2,453)
<b>Total Revenues</b>	<b>2,378,762</b>	<b>2,378,762</b>	<b>1,448,457</b>	<b>927,852</b>	<b>2,376,309</b>	<b>(2,453)</b>
<b>Expenditures</b>						
Debt Service						
Principal	1,685,000	1,685,000	1,085,000	600,000	1,685,000	0
Interest	693,762	693,762	371,985	321,775	693,760	2
<b>Total Expenditures</b>	<b>2,378,762</b>	<b>2,378,762</b>	<b>1,456,985</b>	<b>921,775</b>	<b>2,378,760</b>	<b>2</b>
<b>Excess of revenues over expenditures</b>	<b>0</b>	<b>0</b>	<b>(8,528)</b>	<b>6,077</b>	<b>(2,451)</b>	<b>(2,451)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>(8,528)</b>	<b>6,077</b>	<b>(2,451)</b>	<b>(2,451)</b>
<b>Fund Balances Beginning of Year</b>	<b>324,819</b>	<b>308,626</b>	<b>308,626</b>	<b>300,098</b>	<b>308,626</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>324,819</b>	<b>308,626</b>	<b>300,098</b>	<b>306,175</b>	<b>306,175</b>	<b>(2,451)</b>

## INTERNAL SERVICE FUNDS

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

- The ***Equipment Rental Fund*** accounts and assesses user charges for the cost of maintaining and replacing all City vehicles and heavy equipment.
- The ***Facilities Maintenance Fund*** accounts and assesses user charges for the operations and maintenance of the City's building facilities and public facilities ground maintenance and landscaping.
- The ***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, 2010

	Equipment Rental	Facilities Maintenance	Information Technology	2010
<b>Assets</b>				
Current Assets				
Cash and Cash Equivalents	5,165,539	2,594,473	1,547,698	9,307,710
Investments	3,585,143	1,789,557	1,067,536	6,442,236
Accounts Receivable	5,597	751	873	7,221
Due from Other Governments	0	0	5,996	5,996
Inventories	65,281	0	0	65,281
<b>Total Current Assets</b>	<b>8,821,560</b>	<b>4,384,781</b>	<b>2,622,104</b>	<b>15,828,445</b>
Noncurrent Assets				
Capital Assets				
Improvements	128,605	0	0	128,605
Equipment	13,060,085	0	70,384	13,130,469
Accumulated Depreciation	(6,793,139)	0	(44,054)	(6,837,193)
<b>Total Capital Assets Net</b>	<b>6,395,551</b>	<b>0</b>	<b>26,330</b>	<b>6,421,881</b>
<b>Total Noncurrent Assets</b>	<b>6,395,551</b>	<b>0</b>	<b>26,330</b>	<b>6,421,881</b>
<b>Total Assets</b>	<b>15,217,111</b>	<b>4,384,781</b>	<b>2,648,434</b>	<b>22,250,326</b>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	12,345	51,432	14,442	78,219
Due to Other Funds	0	6,349	0	6,349
Due to Other Governments	0	12,694	7,800	20,494
Wages Payable	23,897	25,054	93,990	142,941
Compensated Absences Payable	29,760	15,179	79,461	124,400
Deferred Revenue	0	0	3,961	3,961
<b>Total Current Liabilities</b>	<b>66,002</b>	<b>110,708</b>	<b>199,654</b>	<b>376,364</b>
Noncurrent Liabilities				
Compensated Absences Payable	7,440	3,794	19,865	31,099
<b>Total Noncurrent Liabilities</b>	<b>7,440</b>	<b>3,794</b>	<b>19,865</b>	<b>31,099</b>
<b>Total Liabilities</b>	<b>73,442</b>	<b>114,502</b>	<b>219,519</b>	<b>407,463</b>
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	6,395,551	0	26,330	6,421,881
Unrestricted	8,748,118	4,270,279	2,402,585	15,420,982
<b>Total Net Assets</b>	<b>15,143,669</b>	<b>4,270,279</b>	<b>2,428,915</b>	<b>21,842,863</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, 2010

	Equipment Rental	Facilities Maintenance	Information Technology	2010
<b>Operating Revenues</b>				
Intergovernmental	0	0	134,649	134,649
Charges for Services	3,037,180	2,728,481	3,368,215	9,133,876
Miscellaneous Revenues	13,775	166,338	700	180,813
<b>Total Operating Revenues</b>	<b>3,050,955</b>	<b>2,894,819</b>	<b>3,503,564</b>	<b>9,449,338</b>
<b>Operating Expenses</b>				
Administrative & General	426,799	320,714	1,488,220	2,235,733
Supplies	15,692	51,113	12,705	79,510
Maintenance & Operations	1,248,238	1,432,498	1,944,930	4,625,666
Depreciation	1,066,198	0	11,570	1,077,768
<b>Total Operating Expenses</b>	<b>2,756,927</b>	<b>1,804,325</b>	<b>3,457,425</b>	<b>8,018,677</b>
<b>Operating Income (Loss)</b>	<b>294,028</b>	<b>1,090,494</b>	<b>46,139</b>	<b>1,430,661</b>
Nonoperating Revenues (Expenses)				
Interest Revenue/(Investment Loss)	99,258	(30,632)	0	68,626
Gain (loss) on Disposal of Capital Assets	0	0	0	0
Other Nonoperating Revenues/(Expenses)	63,075	0	0	63,075
Total Nonoperating Revenues (Expenses)	162,333	(30,632)	0	131,701
<b>Income (Loss) before Contributions and Transfers</b>	<b>456,361</b>	<b>1,059,862</b>	<b>46,139</b>	<b>1,562,362</b>
Transfers In	147,486	0	5,050	152,536
Transfers Out	0	(456,000)	(431,874)	(887,874)
Change in Net Assets	603,847	603,862	(380,685)	827,024
Total Net Assets - Beginning	14,539,822	3,666,417	2,809,600	21,015,839
<b>Total Net Assets - Ending</b>	<b>15,143,669</b>	<b>4,270,279</b>	<b>2,428,915</b>	<b>21,842,863</b>

City of Kirkland, Washington  
**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2010

	Equipment Rental	Facilities Maintenance	Information Technology	2010
<b>Cash Flows From Operating Activities</b>				
Cash Received From Interfund Charges	3,037,211	2,725,681	3,368,215	9,131,107
Cash From Other Sources	9,054	168,506	148,512	326,072
Cash Paid to Suppliers for Goods and Services	(770,792)	(1,017,556)	(1,148,554)	(2,936,902)
Cash Paid to Employees for Services	(586,716)	(571,482)	(2,300,530)	(3,458,728)
Cash Paid for Central Business Functions	(369,234)	(154,846)	(67,081)	(591,161)
<b>Net Cash Provided by Operating Activities</b>	<b>1,319,523</b>	<b>1,150,303</b>	<b>562</b>	<b>2,470,388</b>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers In	147,486	0	5,050	152,536
Transfers Out	0	(456,000)	(431,874)	(887,874)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>147,486</b>	<b>(456,000)</b>	<b>(426,824)</b>	<b>(735,338)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds From Sale of Assets and Insurance Recoveries	93,807	0	0	93,807
Acquisition and Construction of Capital Assets	(1,152,184)	0	0	(1,152,184)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,058,377)</b>	<b>0</b>	<b>0</b>	<b>(1,058,377)</b>
<b>Cash Flows From Investing Activities</b>				
Net (Increase) Decrease in Investments	(615,883)	(459,300)	29,015	(1,046,168)
Interest Revenue	145,563	0	0	145,563
<b>Net Cash Provided by Investing Activities</b>	<b>(470,320)</b>	<b>(459,300)</b>	<b>29,015</b>	<b>(900,605)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(61,688)	235,004	(397,247)	(223,931)
Cash and Cash Equivalents, January 1	5,227,227	2,359,469	1,944,945	9,531,641
<b>Cash and Cash Equivalents, December 31</b>	<b>5,165,539</b>	<b>2,594,473</b>	<b>1,547,698</b>	<b>9,307,710</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	294,028	1,090,494	46,139	1,430,661
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation	1,066,198	0	11,570	1,077,768
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	25,845	(751)	(873)	24,221
(Increase) Decrease in Capital Related Accounts Receivable	(27,991)	0	0	(27,991)
(Increase) Decrease in Inventories	(21,147)	0	0	(21,147)
(Increase) Decrease in Due From Other Governments	0	459	13,863	14,322
Increase (Decrease) in Accounts Payable	(9,604)	42,927	(2,700)	30,623
Increase (Decrease) in Due to Other Governments	(7,509)	11,018	(76,945)	(73,436)
Increase (Decrease) in Due to Other Sources	0	(22)	0	(22)
Increase (Decrease) in Wages Payable	(780)	2,809	(11,273)	(9,244)
Increase (Decrease) in Compensated Absences Payable	483	3,369	16,819	20,671
Increase (Decrease) in Deferred Revenue	0	0	3,961	3,961
<b>Net Cash Provided by Operating Activities</b>	<b>1,319,523</b>	<b>1,150,303</b>	<b>562</b>	<b>2,470,388</b>
<b>Noncash Investing, Capital and Finance Activities:</b>				
Change in Fair Value of Investments	0	0	0	0

## 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, 2010

	Intergovernmental Clearing	Customer Deposits	2010
<b>Assets</b>			
Cash and Cash Equivalents	44,627	0	44,627
Deposits	0	724,371	724,371
<b>Total Assets</b>	<b>44,627</b>	<b>724,371</b>	<b>768,998</b>
<b>Liabilities</b>			
Current Liabilities			
Due to Other Governments	2,506	0	2,506
Deposits	42,121	724,371	766,492
<b>Total Liabilities</b>	<b>44,627</b>	<b>724,371</b>	<b>768,998</b>

City of Kirkland  
**Statement of Changes in Assets and Liabilities**  
All Agency Funds  
For the fiscal year ended December 31, 2010

	01/01/10 Balance	Additions	Deletions	12/31/10 Balance
<b>Intergovernmental Custodial</b>				
Assets				
Cash and Cash Equivalents	10,832	211,809	178,014	44,627
<b>Total Assets</b>	<b>10,832</b>	<b>211,809</b>	<b>178,014</b>	<b>44,627</b>
Liabilities				
Due to Other Governments	2,581	50,435	50,510	2,506
Deposits	8,251	162,530	128,660	42,121
<b>Total Liabilities</b>	<b>10,832</b>	<b>212,965</b>	<b>179,170</b>	<b>44,627</b>
<b>Customer Deposits</b>				
Assets				
Deposits	694,879	275,871	246,379	724,371
<b>Total Assets</b>	<b>694,879</b>	<b>275,871</b>	<b>246,379</b>	<b>724,371</b>
Liabilities				
Deposits	694,879	296,755	267,263	724,371
<b>Total Liabilities</b>	<b>694,879</b>	<b>296,755</b>	<b>267,263</b>	<b>724,371</b>
<b>Totals - All Agency Funds</b>				
Assets				
Cash and Cash Equivalents	10,832	211,809	178,014	44,627
Deposits	694,879	275,871	246,379	724,371
<b>Total Assets</b>	<b>705,711</b>	<b>487,680</b>	<b>424,393</b>	<b>768,998</b>
Liabilities				
Due to Other Governments	2,581	50,435	50,510	2,506
Deposits	703,130	459,285	395,923	766,492
<b>Total Liabilities</b>	<b>705,711</b>	<b>509,720</b>	<b>446,433</b>	<b>768,998</b>



## Capital Assets

City of Kirkland  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
December 31, 2010  
Unaudited

	<u><b>2010</b></u>
<b>Governmental Funds Capital Assets:</b>	
Land	\$ 80,780,389
Buildings	30,508,827
Improvements other than Buildings	21,615,987
Machinery and Equipment	1,445,243
Artwork	1,612,966
Infrastructure	129,301,084
Construction in Progress	41,130,628
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 306,395,124</u></u></b>
<b>Investments in Governmental Funds Capital Assets by Source:</b>	
General Fund	\$ 242,788,761
Special Revenue Funds	1,983,630
Impact Fees	7,132,821
Federal Grants	1,840,359
General Obligation Bonds	43,278,002
Private Gifts	9,371,551
<b>Total Governmental Funds Capital Assets</b>	<b><u><u>\$ 306,395,124</u></u></b>

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



City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
December 31, 2010  
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 13,302,702	\$ 5,492,634	\$ 452,904	\$ -	\$ -	\$ 15,684,774	\$ 40,233,429
Judicial	1,298,000	1,399,615	1,274,148	-	-	-	-	\$ 3,971,763
Security								
Police	-	-	1,873,371	279,493	-	-	11,048,750	\$ 13,201,614
Fire	134,000	3,603,614	446,182	339,639	-	-	267,266	\$ 4,790,701
Total Security	<u>134,000</u>	<u>3,603,614</u>	<u>2,319,553</u>	<u>619,132</u>	<u>-</u>	<u>-</u>	<u>11,316,016</u>	<u>17,992,315</u>
Transportation	30,910,159	5,845,821	-	28,927	-	129,301,084	11,281,045	\$ 177,367,036
Physical Environment	55,578	-	1,053,377	107,556	-	-	504	\$ 1,217,015
Economic Environment	-	-	-	-	-	-	459,720	\$ 459,720
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	43,082,237	6,357,075	11,476,275	236,724	1,612,966	-	2,388,569	\$ 65,153,846
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 80,780,389</b>	<b>\$ 30,508,827</b>	<b>\$ 21,615,987</b>	<b>\$ 1,445,243</b>	<b>\$ 1,612,966</b>	<b>\$ 129,301,084</b>	<b>\$ 41,130,628</b>	<b>\$ 306,395,124</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, 2010  
Unaudited

<b>FUNCTION AND ACTIVITY</b>	<b>Governmental Funds Capital Assets</b>			<b>Governmental Funds Capital Assets</b>
	<b>Jan 1, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Dec 31, 2010</b>
General Govt	\$ 39,534,084	\$ 2,041,211	\$ 1,341,866	\$ 40,233,429
Judicial	3,971,763	-	-	3,971,763
Security				
Police	2,349,378	10,852,236	-	13,201,614
Fire	5,109,377	-	318,676	4,790,701
Total Security	<u>7,458,755</u>	<u>10,852,236</u>	<u>318,676</u>	<u>17,992,315</u>
Transportation	173,434,480	4,251,894	319,338	177,367,036
Physical Environment	1,216,511	504	-	1,217,015
Economic Environment	-	459,720	-	459,720
Human Services	-	-	-	-
Culture and Recreation	63,690,316	2,449,696	986,166	65,153,846
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$289,305,909</u></b>	<b><u>\$ 20,055,261</u></b>	<b><u>\$ 2,966,046</u></b>	<b><u>\$306,395,124</u></b>

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

## Statistical Section

## City of Kirkland STATISTICAL SECTION

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

<b><i>Statistical Section</i></b>	<b><i>Page</i></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	145
<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.	150
<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.	156
<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.	161
<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.	164

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 Eight Fiscal Years \* - Unaudited

(accrual basis of accounting)

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

\* Only eight 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 Eight Fiscal Years \* - Unaudited

(accrual basis of accounting)

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

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

\* Only eight 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.

Schedule 3

**City of Kirkland**

Fund Balances, Governmental Funds

Last Eight Fiscal Years \* - Unaudited

(modified accrual basis of accounting)

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 **</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<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	7,585,824	7,664,519	6,429,953
<b>Total General Fund</b>	<u>\$ 4,155,915</u>	<u>\$ 5,626,691</u>	<u>\$ 5,528,555</u>	<u>\$ 8,394,364</u>	<u>\$ 10,926,697</u>	<u>\$ 7,585,824</u>	<u>\$ 7,664,519</u>	<u>\$ 6,429,953</u>
<b>All Other Governmental Funds</b>								
Reserved	\$ 595,670	\$ 568,667	\$ 15,850,351	\$ 19,098,553	\$ 2,693,084	\$ 2,482,649	\$ 1,589,550	\$ 26,308,722
Unreserved, reported in:								
Special Revenue Funds	28,828,816	29,056,531	18,198,126	21,110,714	36,824,565	35,827,505	24,498,161	23,783,597
Capital Projects Funds	24,010,369	18,743,786	15,771,542	18,484,240	20,787,912	24,403,049	23,439,218	21,641,181
<b>Total all Other Governmental Funds</b>	<u>\$ 53,434,855</u>	<u>\$ 48,368,984</u>	<u>\$ 49,820,019</u>	<u>\$ 58,693,507</u>	<u>\$ 60,305,561</u>	<u>\$ 62,713,203</u>	<u>\$ 49,526,929</u>	<u>\$ 71,733,500</u>

\* Only eight 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 Eight Fiscal Years \* - Unaudited

(modified accrual basis of accounting)

149

	Fiscal Year							
	2003	2004	2005	2006 **	2007	2008	2009	2010
<b>Revenues</b>								
Taxes and Assessments	\$ 36,148,462	\$ 39,285,690	\$ 43,013,052	\$ 48,869,999	\$ 49,958,737	\$ 45,110,987	\$ 43,627,322	\$ 44,451,281
Licenses and Permits	2,622,783	3,076,018	3,979,870	3,708,339	3,829,844	3,246,893	3,277,794	3,262,940
Intergovernmental	5,894,441	5,730,204	6,871,563	6,240,952	6,760,999	7,664,200	8,965,670	9,608,276
Charges for Services	8,386,242	9,450,454	10,094,396	10,048,417	9,845,034	10,041,051	8,753,980	8,832,375
Fines and Forfeitures	1,173,958	1,233,761	1,117,030	1,165,921	1,363,234	1,422,321	1,506,082	1,652,358
Investment Interest	1,387,251	1,258,689	1,829,674	2,778,651	3,679,548	3,048,864	1,654,092	676,043
Miscellaneous Revenues	640,413	447,210	797,317	1,531,327	1,080,766	1,594,979	816,419	699,030
<b>Total Revenues</b>	<b>\$ 56,253,550</b>	<b>\$ 60,482,026</b>	<b>\$ 67,702,902</b>	<b>\$ 74,343,606</b>	<b>\$ 76,518,162</b>	<b>\$ 72,129,295</b>	<b>\$ 68,601,359</b>	<b>\$ 69,182,303</b>
<b>Expenditures</b>								
Current								
General Government	\$ 7,972,444	\$ 7,909,306	\$ 8,758,846	\$ 8,744,986	\$ 10,022,436	\$ 11,013,790	\$ 9,550,636	\$ 9,164,515
Security of Persons and Property	20,511,004	23,445,532	26,257,339	27,543,202	27,919,796	30,444,289	32,479,111	33,155,872
Physical Environment	3,132,268	3,182,524	3,409,688	3,547,034	3,698,987	3,689,425	3,488,651	3,211,041
Transportation	4,056,329	3,298,181	4,628,907	4,999,973	4,687,211	6,774,661	6,957,494	6,554,789
Economic Environment	5,231,261	3,991,399	4,360,324	4,115,011	6,757,692	6,898,759	6,309,295	6,532,329
Culture and Recreation	5,020,420	5,053,334	5,479,543	5,919,511	6,454,935	6,769,274	6,764,722	6,330,916
Debt Service								
Principal	1,970,000	1,835,000	2,012,000	1,920,000	3,805,000	2,090,000	2,190,000	1,410,000
Interest	1,374,996	1,207,062	1,132,012	1,054,664	972,694	817,048	722,333	646,041
Bond Issuance Costs	-	-	-	-	-	-	-	98,507
Capital Outlay	4,836,500	13,256,914	10,239,560	4,448,792	8,680,093	6,352,081	10,882,097	17,357,329
<b>Total Expenditures</b>	<b>\$ 54,105,222</b>	<b>\$ 63,179,252</b>	<b>\$ 66,278,219</b>	<b>\$ 62,293,173</b>	<b>\$ 72,998,844</b>	<b>\$ 74,849,327</b>	<b>\$ 79,344,339</b>	<b>\$ 84,461,339</b>
<b>Excess (Deficiency) of Revenues</b>	<b>\$ 2,148,328</b>	<b>\$ (2,697,226)</b>	<b>\$ 1,424,683</b>	<b>\$ 12,050,433</b>	<b>\$ 3,519,318</b>	<b>\$ (2,720,032)</b>	<b>\$ (10,742,980)</b>	<b>\$ (15,279,036)</b>
Over (Under) Expenditures								
<b>Other Financing Sources (Uses)</b>								
Issuance of Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,345,000
Bond Discount	-	-	-	-	-	-	-	(373,661)
Sale of Capital Assets	90,670	87,600	234,560	564,788	403,402	97,798	33,036	366,825
Insurance Recovery	-	-	-	-	-	390,669	5,520	5,540
Proceeds from Long Term Debt	8,560,351	-	-	-	-	-	-	-
Operating Transfers In	9,963,670	9,494,297	9,347,701	11,518,923	13,978,513	12,796,892	19,453,883	9,489,033
Operating Transfers Out	(9,923,072)	(10,479,766)	(9,654,045)	(12,394,848)	(13,756,846)	(12,320,003)	(18,297,093)	(8,581,696)
<b>Total Other Financing Sources (Uses)</b>	<b>8,691,619</b>	<b>(897,869)</b>	<b>(71,784)</b>	<b>(311,137)</b>	<b>625,069</b>	<b>965,356</b>	<b>1,195,346</b>	<b>36,251,041</b>
<b>Net Change in Fund Balance</b>	<b>\$ 10,839,947</b>	<b>\$ (3,595,095)</b>	<b>\$ 1,352,899</b>	<b>\$ 11,739,296</b>	<b>\$ 4,144,387</b>	<b>\$ (1,754,676)</b>	<b>\$ (9,547,634)</b>	<b>\$ 20,972,005</b>
Debt Service as a percentage of noncapital expenditures	6.11%	5.61%	5.13%	4.61%	7.07%	3.87%	3.99%	2.84%

\* Only eight 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 5

**City of Kirkland**

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

150

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
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
2008	\$ 12,770,499,212	\$386,893,391	\$ 13,157,392,603	1.27
2009	\$ 10,948,249,594	\$363,953,154	\$ 11,312,202,748	1.13
2010	\$ 10,339,449,107	\$371,383,209	\$ 10,710,832,316	1.29

Schedule 6

**City of Kirkland**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years - Unaudited

151

Fiscal Year	City Direct Rates			Overlapping Rates							Total Direct and Overlapping Rate
	Regular Levy	General Obligation Debt Service	Total Direct Rate	School District	County	State	Emergency Medical Services	Hospital	King County Library	Port of Seattle	
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
2008	1.14	0.13	1.27	2.34	1.21	2.28	0.30	0.45	0.42	0.22	8.49
2009	1.02	0.11	1.13	2.23	1.10	2.11	0.27	0.40	0.39	0.20	7.83
2010	1.21	0.08	1.29	2.80	1.28	2.33	0.30	0.46	0.46	0.22	9.14

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

Schedule 7

**City of Kirkland**

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

152

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Carillon Properties	\$ 116,703,247	1	1.09%	\$ 114,534,408	1	1.91%
Villaggio (Yarrow Bay Club Apartments)	75,206,000	2	0.70%	16,790,384	10	0.28%
Park at Forbes Creek LLC	74,400,000	3	0.69%	29,383,173	4	0.49%
Plaza at Yarrow Bay, Inc.	59,444,100	4	0.55%	46,773,214	3	0.78%
Essex Property Trust	38,827,000	5	0.36%			
PPC Montebello LLC	36,240,000	6	0.34%	26,384,890	5	0.44%
Puget Sound Energy Electricity/Gas	33,494,300	7	0.31%	25,185,600	8	0.42%
Touchstone KPP Development (Parkplace)	32,758,500	8	0.31%	25,185,600	6	0.42%
EQR - Heronfield LLC	31,815,000	9	0.30%			
Verizon Northwest	31,248,432	10	0.29%	25,185,600	7	0.42%
McElroy George & Associates				68,960,507	2	1.15%
Paccar, Inc.				18,589,355	9	0.31%
<b>Totals</b>	<u>\$ 530,136,579</u>		<u>4.94%</u>	<u>\$ 396,972,731</u>		<u>6.62%</u>

Schedule 8

**City of Kirkland**

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

153

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 9,706,445	\$ 9,479,204	97.66%	\$ 203,145	\$ 9,682,349	99.75%
2002	\$ 9,672,026	\$ 9,419,039	97.38%	\$ 230,360	\$ 9,649,399	99.77%
2003	\$ 11,289,849	\$ 10,955,151	97.04%	\$ 265,089	\$ 11,220,240	99.38%
2004	\$ 11,528,775	\$ 11,264,874	97.71%	\$ 224,251	\$ 11,489,125	99.66%
2005	\$ 11,724,737	\$ 11,393,400	97.17%	\$ 242,185	\$ 11,635,585	99.24%
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 223,898	\$ 13,014,983	99.70%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ 260,899	\$ 13,800,319	99.76%
2008	\$ 14,576,390	\$ 14,222,941	97.58%	\$ 303,106	\$ 14,526,047	99.65%
2009	\$ 14,908,508	\$ 14,520,417	97.40%	\$ 308,558	\$ 14,828,975	99.47%
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ -	\$ 14,428,454	97.84%

Schedule 9

**City of Kirkland**

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

154

	<u>2001</u> *	<u>2002</u> *	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Services	\$ 1,418,678	\$ 1,342,157	\$ 1,277,213	\$ 1,347,480	\$ 1,516,943	\$ 1,722,501	\$ 1,779,742	\$ 1,696,462	\$ 1,450,142	\$ 1,628,449
Contracting	1,739,136	1,463,962	1,497,052	1,777,419	2,315,820	3,279,243	3,007,168	2,685,516	1,727,379	1,735,361
Communications	644,333	551,003	936,836	576,840	689,152	793,243	657,923	564,808	481,053	435,142
Automotive/Gas Retail	2,325,651	2,283,057	2,532,728	2,721,983	2,791,766	2,973,380	3,276,488	2,990,763	2,650,594	3,031,778
Gen Merch/ Misc Retail	-	-	2,377,572	2,220,194	2,384,674	2,524,268	2,562,537	2,230,501	1,929,745	1,746,268
Retail Eating/Drinking	-	-	1,031,527	1,109,576	1,183,017	1,228,127	1,294,444	1,295,765	1,126,930	1,063,668
Other Retail	4,131,602	4,276,413	1,259,370	1,577,589	1,774,957	1,800,744	1,738,458	1,761,238	1,546,911	1,610,387
Wholesale	929,125	759,878	1,112,417	652,515	984,807	1,320,124	1,111,079	881,824	546,513	728,195
Miscellaneous	648,901	544,290	647,736	720,378	668,662	786,514	1,098,629	924,213	785,660	827,608
<b>Total</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>	<b>\$ 15,031,090</b>	<b>\$ 12,244,927</b>	<b>\$ 12,806,856</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%

\* 2001 and 2002 Other Retail included General Merchandise/Miscellaneous Retail and Retail Eating/Drinking.

Schedule 10

**City of Kirkland**

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

155

Fiscal Year	General Sales						Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington	King County			Regional Transit Authority	City of Kirkland *	Total General Sales Tax	State of Washington	Total Automobile Sales/Leases	King County	Total Restaurant Food and Beverage
	General Sales	Metro	Criminal Justice	Mental Health	Automobile Sales/Leases			Restaurant Food and Beverage			
2001	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2002	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2003	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2004	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2005	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2006	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2007	6.50%	0.90%	0.10%	0%	0.40%	1.00%	8.90%	0.30%	9.20%	0.50%	9.40%
2008	6.50%	0.90%	0.10%	0.10%	0.40%	1.00%	9.00%	0.30%	9.30%	0.50%	9.50%
2009	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%
2010	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%

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

Schedule 11

**City of Kirkland**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

156

<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>			<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Tourdock Interlocal Agreement</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Public Works Trust Fund Loans</u>	<u>Total Government</u>		
2001	\$ 21,930,000	\$ 50,000	\$130,068	\$ -	\$7,510,000	\$4,769,176	\$ 34,389,244	1.72%	751
2002	\$ 20,380,000	\$ 40,000	\$130,068	\$ -	\$7,060,000	\$4,318,367	\$ 31,928,435	1.58%	697
2003	\$ 26,820,000	\$ 30,000	\$130,068	\$ -	\$6,580,000	\$5,680,030	\$ 39,240,098	1.92%	860
2004	\$ 25,000,000	\$ 15,000	\$130,068	\$ -	\$6,215,000	\$5,437,794	\$ 36,797,862	1.62%	803
2005	\$ 23,150,000	\$ 10,000	\$ -	\$ -	\$5,635,000	\$5,423,610	\$ 34,218,610	1.53%	748
2006	\$ 21,235,000	\$ 5,000	\$ -	\$ -	\$5,040,000	\$5,137,851	\$ 31,417,851	1.26%	666
2007	\$ 17,435,000	\$ -	\$ -	\$ -	\$4,425,000	\$4,523,186	\$ 26,383,186	0.96%	551
2008	\$ 15,345,000	\$ -	\$ -	\$ -	\$3,785,000	\$3,908,523	\$ 23,038,523	0.82%	476
2009	\$ 13,155,000	\$ -	\$ -	\$ -	\$3,120,000	\$3,293,856	\$ 19,568,856	0.71%	399
2010	\$ 47,090,000	\$ -	\$ -	\$ -	\$2,430,000	\$2,906,678	\$ 52,426,678	1.89%	1075

Schedule 12

**City of Kirkland**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

157

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
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
2008	\$ 15,345,000	0.12%	\$ 316.98
2009	\$ 13,155,000	0.12%	\$ 268.41
2010	\$ 47,090,000	0.44%	\$ 965.22

Schedule 13

**City of Kirkland**

Direct and Overlapping Governmental Activities Debt

As of December 31, 2010 - Unaudited

158

<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	\$ 1,140,426,000	3.26%	\$ 37,126,109
Lake Washington School District	462,443,155	30.82%	142,504,726
Port of Seattle	335,500,000	3.26%	10,922,067
Bellevue School District	280,255,858	0.05%	140,075
Hospital District #2	224,573,187	21.00%	47,155,924
Library	131,901,411	0.04%	<u>54,110</u>
Total Overlapping Debt			\$ 237,903,011
Direct Debt			
City of Kirkland **	\$ 46,761,187	100.00%	<u>\$ 46,761,187</u>
Total Direct and Overlapping Debt			<u><u>\$ 284,664,198</u></u>

\* Estimated percentage applicable determined by the ratio of taxable property assessed valuation in overlapping unit to property valuation subject to taxation in the City of Kirkland.

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

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 449,742,438	\$ 504,490,472	\$ 534,988,614	\$ 558,485,774	\$ 592,229,543	\$ 660,219,656	\$ 739,893,011	\$ 986,804,445	\$ 848,415,206	\$ 803,312,424
Total Net Debt Applicable to Limit	<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>	<u>14,863,464</u>	<u>12,682,544</u>	<u>46,761,187</u>
Legal Debt Margin	<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>	<u>\$ 971,940,981</u>	<u>\$ 835,732,662</u>	<u>\$ 756,551,237</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	4.77%	3.93%	4.90%	4.38%	3.82%	3.13%	2.29%	1.51%	1.49%	5.82%

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<b>Legal Debt Margin Calculation for Fiscal Year 2010</b>	
Total Assessed Value	<u>10,710,832,316</u>
Debt Limit (7.5% of Total Assessed Value)	<u>803,312,424</u>
Debt Applicable to Limit:	
General Obligation Bonds	47,090,000
Less Cash on Hand for Debt Redemption	<u>(328,813)</u>
Total Net Debt Applicable to Limit	46,761,187
Legal Debt Margin	<u>\$ 756,551,237</u>

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

Schedule 15

**City of Kirkland**

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

160

Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
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	\$ -	\$ -	-
2008	\$ 17,559,865	\$ 13,220,756	\$ 4,339,109	\$ 665,000	\$ 152,073	5.31	\$ -	\$ -	\$ -	-
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	\$ 690,000	\$ 124,185	5.00	\$ -	\$ -	\$ -	-
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	\$ 730,000	\$ 92,275	4.49	\$ -	\$ -	\$ -	-

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

Schedule 16

**City of Kirkland**

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

161

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
2001	45,770	\$ 2,001,705	\$ 43,734	5.10%
2002	45,790	\$ 2,021,766	\$ 44,153	6.10%
2003	45,630	\$ 2,039,844	\$ 44,704	6.20%
2004	45,800	\$ 2,268,611	\$ 49,533	5.10%
2005	45,740	\$ 2,231,609	\$ 48,789	4.60%
2006	47,180	\$ 2,484,263	\$ 52,655	4.10%
2007	47,890	\$ 2,749,317	\$ 57,409	3.70%
2008	48,410	\$ 2,813,362	\$ 58,115	4.33%
2009	49,010	\$ 2,751,372	\$ 56,139	8.50%
2010	48,787	\$ 2,773,424	\$ 56,848	8.80%

Schedule 17

**City of Kirkland**

Property Values and Construction

Last Ten Fiscal Years - Unaudited

162

<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction</u>		<u>Mixed Use Construction *</u>		<u>Total Assessed Property Valuation</u>
	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	
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
2008	4	\$ 8,115,000	128	\$ 44,004,859	241	\$ -	2	\$ 27,792,550	\$ 13,157,392,603
2009	3	\$ 17,740,116	44	\$ 17,683,428	81	\$ 2,384,000	3	\$ 31,521,957	\$ 11,312,202,748
2010	2	\$ 101,000	71	\$ 25,993,732	61	\$ 9,200,000	0	\$ -	\$ 10,710,832,316

\* Prior to 2007, Mixed Use Construction included with Multi-Family Construction. In 2008, Multi-Family Construction valuation included with Mixed Use Construction valuation.

Schedule 18

**City of Kirkland**

Principal Employers

Current Year and Nine Years Ago - Unaudited

163

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	2,603	1	9.82%	2,400	1	9.23%
Clearwire Corporation	593	2	2.24%			
City of Kirkland	581	3	2.19%	394	5	1.52%
Google, Inc.	468	4	1.77%			
Lake Washington School District	428	5	1.62%			
Kenworth Truck Co.	394	6	1.49%	450	2	1.73%
WB Games, Inc.	305	7	1.15%			
Evergreen Pharmaceutical	269	8	1.02%	269	9	1.03%
IBM Corporation	258	9	0.97%			
Wireless Data Services of N America, Inc.	208	10	0.78%			
Captaris Customer Management Group				425	3	1.63%
Convergys				400	4	1.54%
Larry's Market				350	6	1.35%
Costco Wholesale				304	7	1.17%
Fred Meyer				280	8	1.08%
Vopak USA, Inc.				269	10	1.03%
<b>Total</b>	<u>6,107</u>		<u>23.05%</u>	<u>5,541</u>		<u>21.31%</u>

Schedule 19

**City of Kirkland**

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

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

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager's Office	6.50	6.50	6.50	6.89	6.89	19.48	21.24	21.54	21.54	21.90
City Attorney's Office	3.50	3.50	3.50	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Human Resources	-	-	-	5.56	6.68	7.10	7.10	7.10	7.10	8.10
Parks and Community Services	30.15	32.15	32.15	31.15	32.28	32.28	32.78	36.53	36.53	33.03
Public Works	24.39	24.39	26.39	26.39	25.65	26.65	26.95	27.55	27.55	23.30
Finance and Administration	46.41	47.47	48.47	41.41	41.29	28.45	29.50	28.80	29.05	30.40
Planning and Community Development	21.50	21.62	21.62	21.62	21.62	22.56	23.56	22.06	21.06	19.95
Police	92.50	96.50	96.00	96.50	99.50	105.50	110.50	109.00	95.50	121.50
Fire and Building	90.61	93.53	96.53	96.53	96.53	100.53	109.53	113.28	112.28	107.73
Other General Gov't Operating Funds										
Lodging Tax Fund	-	-	-	0.11	0.11	0.11	0.25	0.90	0.90	0.60
Street Operating	14.97	14.97	14.67	15.45	15.40	15.40	15.40	16.90	16.10	15.50
Parks Maintenance	-	-	4.50	6.50	7.50	7.50	7.50	7.50	7.50	7.50
Recreation Revolving	2.10	3.25	3.25	3.25	3.25	3.25	3.25	-	-	-
Facilities Maintenance	6.50	6.50	6.50	5.90	5.90	5.90	5.90	5.90	5.95	5.85
Equipment Rental	5.00	5.00	5.50	5.50	5.50	5.50	6.00	6.00	6.40	6.30
Information Technology	7.00	7.50	14.00	14.00	15.00	18.25	18.75	19.50	20.00	19.25
Utility Funds										
Water/Sewer Operating	18.45	18.95	19.15	20.10	20.31	20.31	20.71	21.21	21.06	21.21
Surface Water Management	12.44	12.32	12.42	13.16	13.69	15.19	15.39	17.24	17.74	18.49
Solid Waste	-	-	-	-	1.05	1.05	1.65	1.70	1.70	2.00
<b>Total</b>	<u>389.02</u>	<u>401.15</u>	<u>418.15</u>	<u>420.02</u>	<u>429.15</u>	<u>446.01</u>	<u>466.96</u>	<u>473.71</u>	<u>458.96</u>	<u>473.61</u>

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Schedule 20

**City of Kirkland**

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Security of Persons and Property - Police										
Calls for Service	54,706	54,735	57,026	53,238	43,120	53,215	56,986	58,499	58,245	62,677
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	7,000	7,151	7,175	7,335	7,195	8,109	7,255	7,256	7,320	7,098
Average EMS Reponse (minutes)	5:45	5:28	5:09	5:11	5:17	5:21	5:30	5:27	5:20	5:17
Average Fire Response (minutes)	6:40	5:56	5:53	5:58	5:53	6:02	5:59	5:47	5:46	5:41
Culture and Recreation										
Adult Program Registrations	3,367	4,466	4,546	3,868	4,621	4,484	4,675	3,894	3,234	2,877
Preschool Program Registrations	2,562	2,488	2,654	3,131	3,436	3,520	3,467	3,516	3,773	4,005
Youth Program Registrations	4,141	4,045	3,924	4,180	4,553	4,639	4,526	4,610	4,505	4,477
Teen Program Registrations	54	56	155	210	134	140	93	130	88	144
Parent/Child Program Registrations	182	224	167	180	348	484	392	372	222	199
Senior Program Registrations	2,449	4,114	4,090	3,777	5,010	4,858	4,833	4,065	4,104	3,441
Physical Environment										
Street Hot Patching (hours)	5,377	5,283	4,632	4,924	5,261	4,127	4,469	4,650	3,819	3,354
Street Signal Maintenance (hours)	2,927	2,874	2,356	2,645	2,976	2,685	2,546	2,723	2,712	2,700
Street Sweeping (hours)	2,008	1,703	1,931	1,824	2,016	2,177	2,001	1,959	1,971	1,518
Number of Sewer Customers	8,843	8,971	9,103	9,276	9,420	9,580	9,771	9,923	10,004	10,080
Number of Water Customers	11,197	11,265	11,376	11,452	11,534	11,648	11,849	11,955	12,056	12,104
Average Daily Water Consumption (million gallons)	5.80	5.80	5.21	6.20	5.72	6.60	5.80	6.30	5.90	5.46

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Schedule 21

**City of Kirkland**

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	6.2	6.4	6.4	7.1	6.5	6.6	6.8	6.5	6.4	7.0
Security of Persons and Property - Fire										
Stations (full-time staffed)	5	5	5	5	5	5	6	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks Acreage	403	450	480	512	525	510	515	517	517	518
Parks (developed)	30	30	32	32	32	33	33	33	32	32
Parks (undeveloped)	2	2	5	5	5	7	7	7	8	8
Waterfront Footage	12,000	12,000	13,200	13,200	13,200	13,200	13,200	13,270	13,270	13,270
Miles of Improved Park Trails	4.6	4.6	4.6	5.0	5.0	5.5	5.5	5.5	5.8	5.8
Miles of Unimproved Park Trails	4.2	4.2	4.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Community Centers	1	1	1	1	1	2	2	2	2	2
Physical Environment										
Water Mains (miles)	162	162	162	163	166	166	166	167	169	169
Sanitary Sewers (miles)	100	100	100	115	116	116	117	119	119	120
Streets (miles)	146	146	146	148	149	149	149	148	147	147
Sidewalks (miles)	118	118	118	134	134	136	138	139	140	141

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