

COMPREHENSIVE ANNUAL
**FINANCIAL
REPORT**
FOR THE FISCAL YEAR ENDED DECEMBER 31,
2017



A night out at downtown Kirkland's Park Lane

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2017

Michael Olson

Director of Finance and Administration

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**City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2017**

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Introductory Section



Government Finance Officers Association

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

Presented to

**City of Kirkland
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF KIRKLAND

CITY COUNCIL

| | |
|-----------------------|------------------|
| Mayor | Amy Walen |
| Deputy Mayor | Jay Arnold |
| Council Members | Jon Pascal |
| | Penny Sweet |
| | Toby Nixon |
| | Dave Asher |
| | Doreen Marchione |

ADMINISTRATIVE STAFF

CITY MANAGER'S OFFICE

| | |
|---------------------------|-----------------|
| City Manager | Kurt Triplett |
| Deputy City Manager | Marilynne Beard |
| Deputy City Manager | Tracey Dunlap |

MUNICIPAL COURT

| | |
|-------------|---------------|
| Judge | Michael Lambo |
|-------------|---------------|

CITY ATTORNEY'S OFFICE

| | |
|---------------------|---------------|
| City Attorney | Kevin Raymond |
|---------------------|---------------|

FINANCE AND ADMINISTRATION

| | |
|----------------|---------------|
| Director | Michael Olson |
|----------------|---------------|

FIRE

| | |
|------------------|-------------|
| Fire Chief | Joe Sanford |
|------------------|-------------|

HUMAN RESOURCES AND PERFORMANCE MANAGEMENT

| | |
|----------------|-------------|
| Director | James Lopez |
|----------------|-------------|

INFORMATION TECHNOLOGY

| | |
|---------------------------------|---------------|
| Chief Information Officer | Brenda Cooper |
|---------------------------------|---------------|

PARKS AND COMMUNITY SERVICES

| | |
|----------------|----------------|
| Director | Lynn Zwaagstra |
|----------------|----------------|

PLANNING AND BUILDING

| | |
|----------------|--------------|
| Director | Eric Shields |
|----------------|--------------|

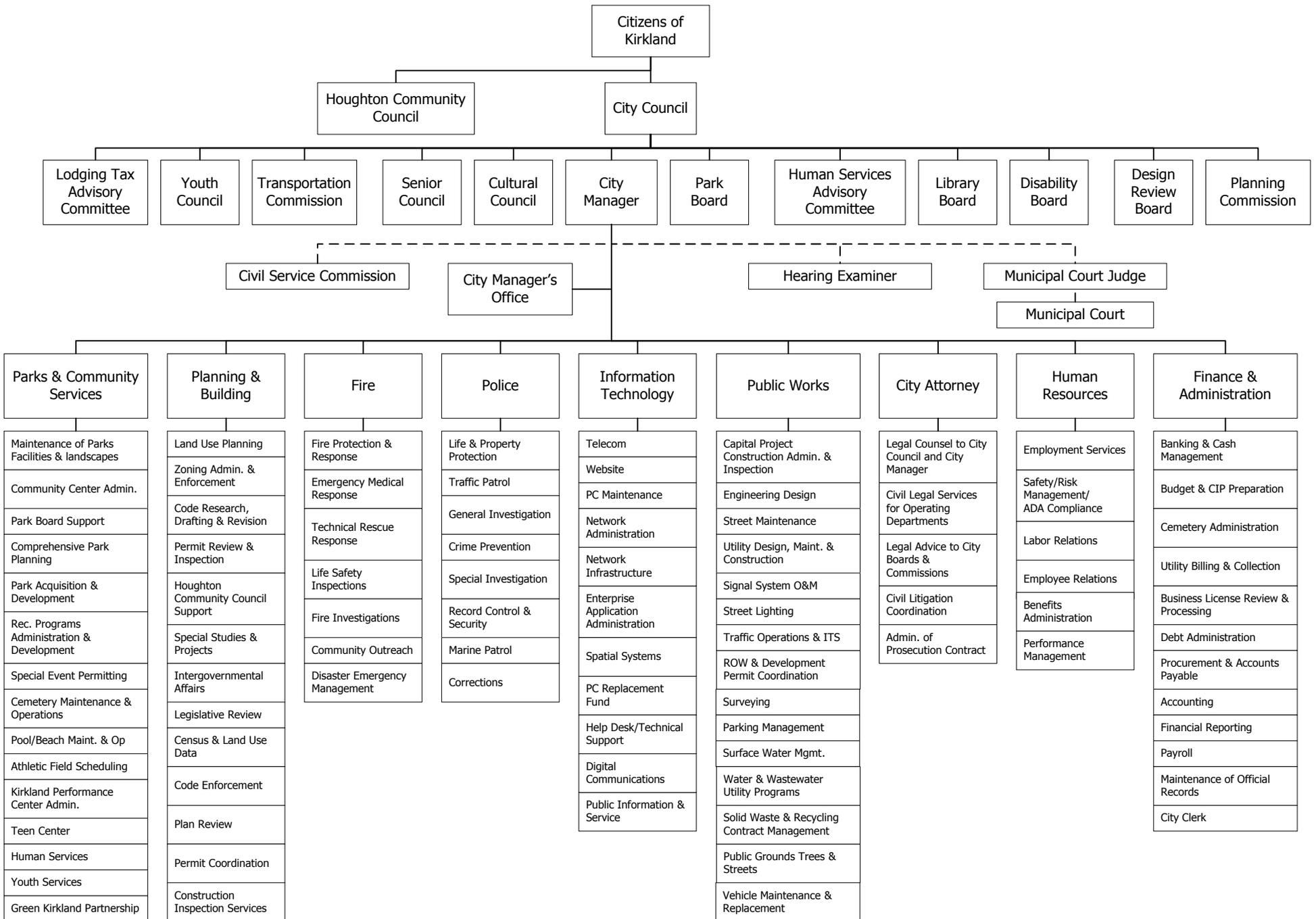
POLICE

| | |
|--------------------|---------------|
| Police Chief | Cherie Harris |
|--------------------|---------------|

PUBLIC WORKS

| | |
|----------------|-------------|
| Director | Kathy Brown |
|----------------|-------------|

CITY OF KIRKLAND





June 29, 2017

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, 2017.

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

The State Auditor's Office has issued an unmodified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2017. The auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. The 2016 estimated population is 84,680, making Kirkland the thirteenth largest city in the State of Washington and the sixth largest in King County.

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

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

The City government offers a full range of municipal services which are provided by ten operating departments. In 2017, the City boasted fifty parks, including eleven that are located on the waterfront, as well as two community centers, a swimming pool, and a teen center. The broad range of recreational facilities provides year-round services for citizens of all ages.

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

Local Economy

The Washington State economy continued to expand in 2017, adding jobs, growth in sales tax, and increases in permitting activity. Additionally, Kirkland's office vacancy rate in the fourth quarter of 2017 was 3.2 percent, significantly lower than the Puget Sound total vacancy rate of 11.8 percent.

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

Long Term Financial Planning

The Kirkland City Council adopted revisions to the Comprehensive Plan on December 8, 2015 as part of "Kirkland 2035", a conversation with the residents about the City's future. The Comprehensive Plan, a requirement of the Growth Management Act (GMA), helps define goals, objectives and policies to guide Kirkland over the next 20 years. As part of the process, the City has developed new long-range plans for transportation, parks, recreation, and open spaces, the City's utilities, the Cross Kirkland Corridor, and other major capital projects. These efforts coupled with other strategic plans form the basis for long-term financial planning. With the adoption of the 2017-2022 Capital Improvement Program in December 2016, Kirkland has begun to fund the needs identified through the Kirkland 2035 process.

Kirkland continues to take steps to bring the growth rate of the cost of doing business into line with revenue growth. Measures that the City has identified to help address this structural imbalance include voter approved property tax increases for transportation and parks (in 2012), implementation of the Healthy Kirkland Plan consisting of a consumer-driven healthcare model that includes a near-site employee health clinic which has been successful in limiting the growth of health care costs, and active pursuit of economic development opportunities. The economic development efforts in Kirkland of its two major opportunities for redevelopment, the Village at Totem Lake (formerly Totem Lake Mall) and Kirkland Urban (formerly Parkplace) are coming into fruition as construction which began in 2016, is making steady progress toward completion in 2020.

Sales tax performance improved in 2017 over 2016 due to improved economic conditions. An important part of the financial plan for the annexation that occurred in 2011 is the ten-year State annexation sales tax credit, generates \$3 - 4 million per year for the City through 2021. The City continues to plan for the financial impact of the expiration of the annexation sales tax credit and take actions to help anticipate how to fund the resulting gap. The current schedules for the redevelopment of the Village at Totem Lake and Kirkland Urban, anticipate that the new developments will be in operation before the expiration date, providing enhanced revenue streams to help absorb the impact. The City's focus on economic development is discussed further under "Major Initiatives" below.

Relevant Financial Policies

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

One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. To address this variability, the City's 2017-2018 budget reflects sales tax revenues on a modified two-year lag, with the revenues for those years assumed to be equal to the actual collections in 2016. As part of the budget process, significant one-time receipts can be set aside as a funding source for non-recurring expenditures, especially given the prospect of major redevelopment efforts described in the prior section. Reserve replenishment continues to be a high priority, with the objective of meeting reserve targets before the annexation sales tax credit expires in 2021. The City maintained its AAA credit rating as a result of its financial policies and practices, reserves, and the strength of the local economy and related demographics.

Major Initiatives

The City Council adopted its work program for the 2017-2018 biennium, which helps define the major initiatives related to the City's priority goals:

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence** in Financial Reporting to the City of Kirkland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. This was the thirteenth consecutive year that the government has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has received the **GFOA Distinguished Budget Presentation Award for the 2017-2018 Budget** (the fifteenth time the City has received this award), the **Association of Public Treasurers of the United States and Canada Certification of Excellence** for its Debt Policy, and the **Certification of Excellence from the Washington Public Treasurer's Association** for its Investment Policy.

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

Respectfully submitted,



Kurt Triplett
City Manager



Michael Olson
Director of Finance and Administration



Financial Section



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 29, 2018

Council
City of Kirkland
Kirkland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Excise Tax Capital Improvement Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory, Capital Assets Used in the Operation of Governmental Funds, and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kirkland, we offer readers of the City of Kirkland's financial statements this narrative overview and analysis of the financial activities of the City of Kirkland for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the additional information provided in the preceding letter of transmittal.

Financial Highlights

- The assets and deferred outflows of resources of the City of Kirkland exceeded its liabilities at the close of the most recent fiscal year by \$1.18 billion. Of this amount, \$980.3 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$75 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$123.3 million that is unrestricted net position and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$28.5 million in 2017. The increase in Business-type activities was \$7.9 million, while the Governmental activities increased by \$20.6 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$129 million, an increase of \$16.2 million compared to the prior year. Over \$63 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$5.2 million has been committed for specific purposes by the City Council, and another \$40.8 million has been designated by the City Manager for assigned activities. Around \$20 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$44.5 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government - Wide Financial Analysis

Statement of Net Position

The statement of net position can serve as a useful indicator of the city's financial position. The City of Kirkland's assets and deferred outflows of resources exceeded liabilities and inflows of resources by \$1,178,476,560 at December 31, 2017. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2017 to 2016.

City of Kirkland's Net Position (in millions)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|----------|---------------------------------|----------|--------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$183.06 | \$163.02 | \$66.06 | \$66.13 | \$249.12 | \$229.15 |
| Capital assets, net of accumulated depreciation | 854.14 | 851.80 | 171.34 | 162.62 | 1,025.48 | 1,014.42 |
| Total assets | 1,037.20 | 1,014.82 | 237.40 | 228.75 | 1,274.60 | 1,243.57 |
| Total deferred outflows of resources | 4.89 | 7.60 | 0.48 | 0.61 | 5.37 | 8.21 |
| Long-term liabilities | 64.55 | 75.34 | 6.85 | 7.31 | 71.40 | 82.65 |
| Other liabilities | 18.17 | 13.91 | 5.50 | 4.78 | 23.67 | 18.69 |
| Total liabilities | 82.72 | 89.25 | 12.35 | 12.09 | 95.07 | 101.34 |
| Total deferred inflows of resources | 5.98 | 0.43 | 0.44 | 0.06 | 6.42 | 0.48 |
| Net position: | | | | | | |
| Net investment in capital assets | 813.49 | 808.93 | 166.86 | 158.30 | 980.35 | 967.23 |
| Restricted | 74.85 | 65.00 | - | - | 74.85 | 65.00 |
| Unrestricted | 65.05 | 58.81 | 58.23 | 58.92 | 123.28 | 117.73 |
| Total net position | \$953.39 | \$932.75 | \$225.09 | \$217.22 | \$1,178.48 | \$1,149.97 |

As of the end of 2017, the largest component of the City's total assets at \$980.3 million, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer and surface water infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens.

Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities.

Over \$74 million of the City's net position is subject to restrictions. The largest balances of restricted funds are for capital and transportation improvements. The largest restricted balance is Real Estate Excise Taxes which now total over \$25 million. The transportation restrictions include balances in the Transportation Capital Fund for active projects and transportation impact fees.

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

A net pension asset of \$11.8 million is a result of GASB 68, Reporting for Pensions. The amount includes \$830 thousand related to the Firefighter's Pension.

The remaining \$123 million balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$58.2 million pertains to the City's business-type activities, which may only be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and reservoirs), storm drain flushing, water meter reading, and utility capital construction projects. The \$65 million balance in unrestricted net position relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, health benefits and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

Changes in Net Position

The changes in net position table on the following page illustrates the increases or decreases in net position of the City resulting from operating activities. Overall, the City of Kirkland's net position increased over \$28 million in 2017.

A breakdown of the 2017 increase in Net Position by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues on the next several pages.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-----------------|--------------------------|-----------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$28.40 | \$31.65 | \$56.28 | \$55.10 | \$84.68 | \$86.75 |
| Operating grants and contributions | 2.65 | 2.75 | 0.27 | 0.24 | 2.92 | 2.99 |
| Capital grants and contributions | 8.23 | 2.80 | 4.74 | 3.63 | 12.97 | 6.43 |
| General revenues: | | | | | | |
| Sales taxes | 29.10 | 26.97 | - | - | 29.10 | 26.97 |
| Property taxes | 29.34 | 28.58 | - | - | 29.34 | 28.58 |
| Utility taxes | 14.82 | 15.84 | - | - | 14.82 | 15.84 |
| Excise taxes | 10.58 | 10.34 | - | - | 10.58 | 10.34 |
| Business Taxes | 2.86 | 2.63 | - | - | 2.86 | 2.63 |
| Other taxes | 2.76 | 1.72 | - | - | 2.76 | 1.72 |
| Investment earnings | 1.09 | 0.90 | 0.39 | 0.36 | 1.48 | 1.26 |
| Miscellaneous* | 1.43 | 0.58 | - | - | 1.43 | 0.58 |
| Total revenues | 131.26 | 124.76 | 61.68 | 59.33 | 192.94 | 184.09 |
| Expenses: | | | | | | |
| General government | 12.23 | 8.92 | - | - | 12.23 | 8.92 |
| Judicial | 2.35 | 2.09 | - | - | 2.35 | 2.09 |
| Security of Persons and Property | 51.82 | 51.38 | - | - | 51.82 | 51.38 |
| Physical environment | 0.99 | 1.15 | - | - | 0.99 | 1.15 |
| Transportation | 21.19 | 20.55 | - | - | 21.19 | 20.55 |
| Human services | 1.37 | 1.60 | - | - | 1.37 | 1.60 |
| Economic environment | 9.00 | 7.70 | - | - | 9.00 | 7.70 |
| Culture and recreation | 10.46 | 10.69 | - | - | 10.46 | 10.69 |
| Interest on long-term debt | 1.97 | 2.04 | - | - | 1.97 | 2.04 |
| Water/sewer | - | - | 26.47 | 25.77 | 26.47 | 25.77 |
| Surface water | - | - | 9.42 | 9.95 | 9.42 | 9.95 |
| Solid waste | - | - | 17.16 | 16.23 | 17.16 | 16.23 |
| Total expenses | 111.38 | 106.12 | 53.05 | 51.95 | 164.43 | 158.07 |
| Increase (decrease) in net position before transfers | 19.88 | 18.64 | 8.63 | 7.38 | 28.51 | 26.02 |
| Transfers | 0.76 | 0.85 | (0.76) | (0.85) | 0.00 | 0.00 |
| Increase (decrease) in net position | 20.64 | 19.49 | 7.87 | 6.53 | 28.51 | 26.02 |
| Net position at beginning of year | 932.75 | 913.26 | 217.22 | 210.69 | 1149.97 | 1123.95 |
| Net position at end of year | \$953.39 | \$932.75 | \$225.09 | \$217.22 | \$1,178.48 | \$1,149.97 |

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

Governmental activities net position increased over \$20.6 million in 2017. The increase is related to capital grant funding and developer contributions to infrastructure, charges for services and general revenues.

Expenses:

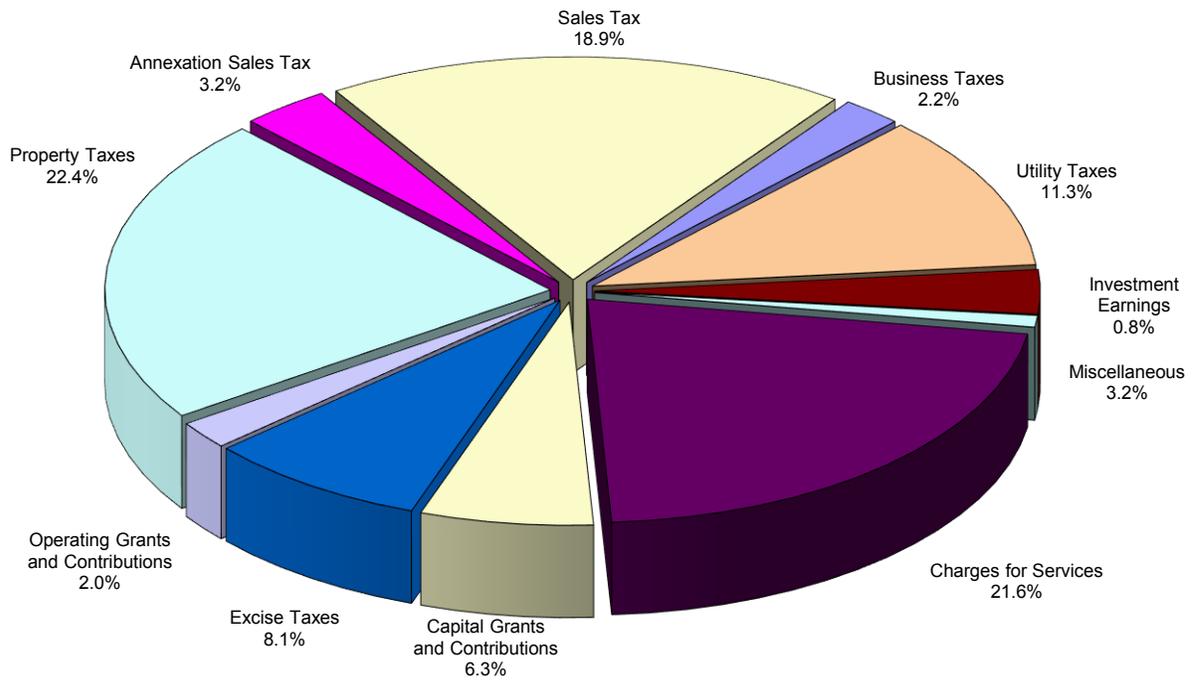
- Overall, governmental expenses increased by just under 5%.
 - Multiple labor contracts settled in 2017, producing retroactive salary payments and an average cost of living adjustment of 3%.
 - Additional Other Post Employment Benefit costs for 2017 were actuarially determined to have increased by \$724,537
 - Increases in General Government and Economic Environment Activities were due to pension expenses actuarially determined by the Department of Retirement Services.

Revenues:

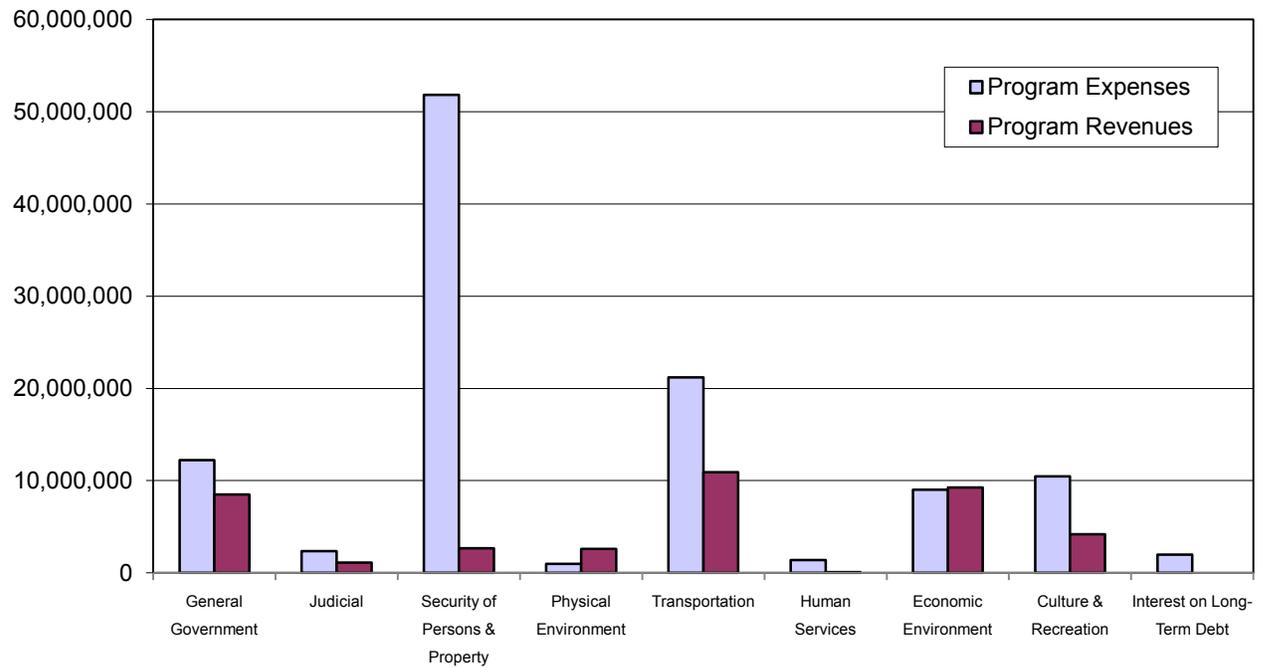
- Charges for services revenue decreased by \$3.2 million from 2016 to 2017.
 - Transportation impact fees decreased by \$2.7 million when compared to 2016. Increased development and permit fees resulted in a higher than normal transportation impact fee increase in 2016.
 - Continued police staffing shortages have resulted in a corresponding reduction in traffic infraction and other public safety/judicial fines.
 - Parks and Recreation amounts reflect a stable registration revenue base of about \$1.5 million in both years, however similar to transportation impact fees, park impact fees decreased by 21% due to a more average permitting year in 2017.
- Operating Grants and Contributions continue to be stable at just under \$3 million.
 - Federal, state, and local grants allow the City to consistently provide programs and services. In 2017 these grants include funds for energy efficiency implementations, emergency management operations, community safety programs, and funding for the arts.
- Capital Grants and Contributions were over \$8 million in 2017.
 - Over \$3.5 million was received in Federal Highway Planning and Construction grants. These projects include an Intelligent Transportation System Implementation, pedestrian enhancements, roadway extension, and street overlay.
 - Infrastructure development connected to new construction completed and contributed to the City totaled over \$2 million in 2017.
 - \$1.6 million for Culture and Recreation contributions includes property donated by Hazen Hills Neighborhood Association for a neighborhood park and property purchased by the City to further enhance the Cross Kirkland Corridor.

- The City's general revenues increased by almost 5% in 2017.
 - Construction collections were strong throughout 2017 and have led to an 8% increase in sales tax.
 - Following a \$5 per Full Time Equivalent fee increase in the Revenue Generating Regulatory License Fee, Business Taxes were up by \$230,000.
 - The Gain on Sale of Capital represents the sale of a building. A portion of the proceeds of the sale will help fund a new womens' shelter.

Revenues by Source - Governmental Activities



Program Expenses vs. Program Revenues - Governmental Activities



Business-type activities, which relate to the City’s utilities, had an increase in net position of \$7.87 million, primarily due to operating income of \$3.5 million and developer contributions and connection charges of \$4.7 million.

Water/sewer operating revenues increased by \$0.27 million compared to the prior year primarily the result of water and sewer rate increases offset by a decrease in Regional Capital Facilities Charges collected for and then remitted to Cascade Water Alliance.

Surface Water operating revenues increased by \$0.26 million primarily due to a rate increase of 2.0%.

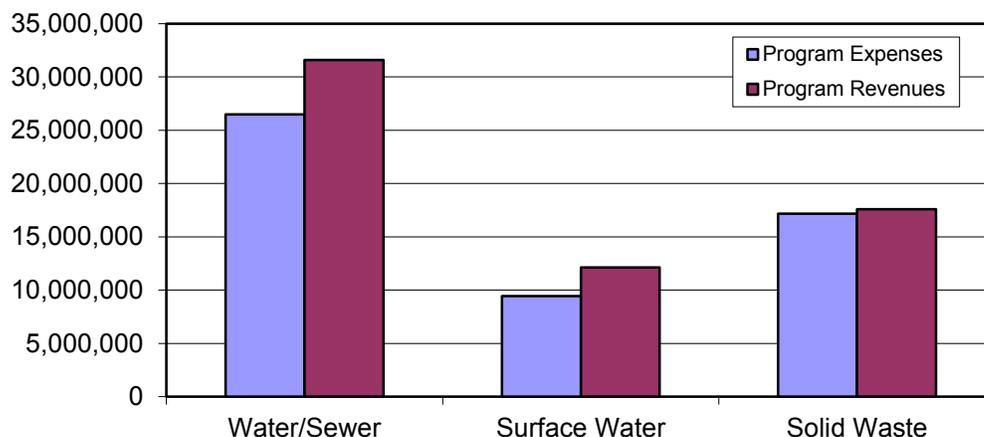
Solid Waste operating revenues increased by \$0.64 million primarily due to a 4.6% rate increase for residential and 0.7% increase for commercial and multifamily customers.

Capital contributions comprised of utility connection charges and developer infrastructure contributions totaled \$4.74 million for 2017. Details for these amounts are shown below:

| | <u>Water</u> | <u>Sewer</u> | <u>Surface Water</u> | <u>Total</u> |
|---|---------------------|---------------------|----------------------|---------------------|
| 2017 Connection Charges Collected | 406,910 | 804,980 | 284,277 | 1,496,167 |
| 2017 Developer Infrastructure Contributions | 845,919 | 947,100 | 1,453,800 | 3,246,819 |
| | <u>\$ 1,252,829</u> | <u>\$ 1,752,080</u> | <u>\$ 1,738,077</u> | <u>\$ 4,742,986</u> |

The infrastructure contributions detailed above represent 41 percent of the increase in net position. These increases are actually reflected as additions to capital assets for the utility functions and are presented in Note 5 of this report.

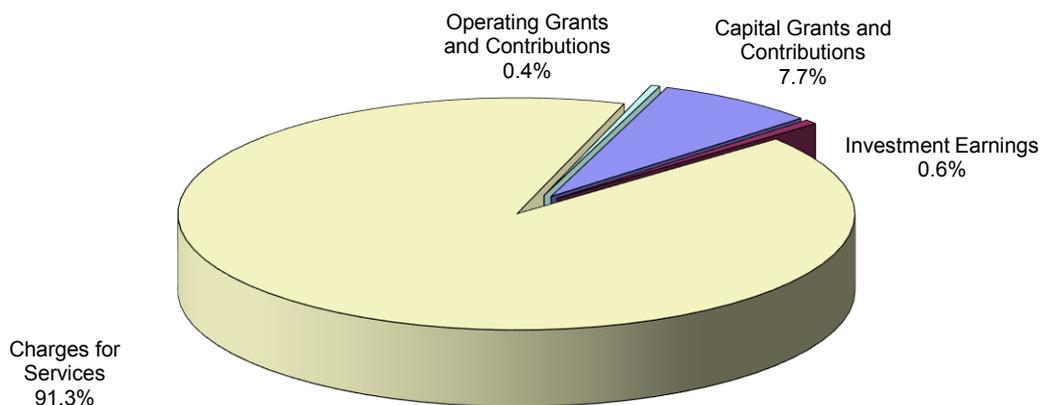
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2017 utility net income (before capital contributions and transfers) was about \$3.9 million. The components are as follows:

| | |
|---------------|---------------|
| Water/Sewer | \$2.3 million |
| Surface Water | \$1.1 million |
| Solid Waste | \$0.4 million |

Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of the current year, the City's combined ending governmental fund balance was \$129 million, which represents an increase of \$16.3 million from the prior year. Of the total ending fund balance, over \$63 million is restricted and subject to an external legal constraint.

Most of the \$5.4 million in Fire Interlocal and Public Safety Facilities reserves are funds dedicated to fire service needs and consist of Fire District 41 bonds and cash the Fire District held prior to their

assumption in the 2011 City annexation. This funding is to support fire station land acquisition, fire station improvements, or new fire station construction.

Another \$29.8 million is restricted for transportation and parks projects that are funded with real estate excise taxes, grants, and impact fees. The Excise Capital Improvement fund holds another \$25 million in excise taxes that have yet to be designated for specific projects but the funding is still restricted for that purpose.

The committed fund balance of \$4.9 million, is almost entirely the City's Contingency Fund. The State of Washington requires the City to have a Contingency Fund but the activity is reflected within the General Fund for reporting purposes.

The assigned balance of \$40.8 million is remaining amounts that have been determined by the City Manager, Finance Director, or City Council to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end was \$2.8 million. The City has funds assigned to meet operating obligations for activities such as labor negotiations, development services activities, overtime costs, litigation, property acquisition, park enhancements, and medical retiree benefits. The unassigned balance of \$20.2 million in the general fund consists of amounts not otherwise classified such as revenue stabilization, cost of living adjustment, and working capital. Technically, they are unrestricted, which means they are available for spending at the City's discretion. A significant portion of the unassigned balance is budgeted to fund reserve replenishments and additions, additions to equipment sinking funds, carryovers, and one-time service packages in the 2017-2018 biennium.

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

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2017, the fund balance of the general fund was \$49.4 million, which represents an increase from the prior year of \$3.2 million.

The overall General Fund revenues increased \$3.7 million over 2016 largely due to construction related sales tax.

General fund expenditures increased by 5% in 2017 as a result of multiple retroactive contract settlements and an average cost of living increase of 3% for most employees.

The excise tax capital improvement fund accounts for revenue from the first and second quarter percent real estate excise tax, which is reserved for the funding of capital projects related to streets, sidewalks, traffic improvements, parks, fire protection facilities, and other public facilities. The fund balance at the end of 2017 was \$25 million, an increase of almost \$3.3 million. Over \$9 million was transferred to fund scheduled capital projects.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital improvement program (CIP) and that are funded from other general revenue sources, grants, and restricted funds. The ending fund balance of \$29.5 million is supporting park renovations, shoreline improvements, public safety equipment, technology projects and facility enhancements.

The transportation capital projects fund accounts for transportation projects approved in the CIP, including those that are funded partially or wholly by grants from other governments. The fund balance at the end of 2017 was \$17.7 million. Balances in both capital project funds vary from year to year dependent upon CIP activity and the size of projects in process.

Proprietary Funds

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

General Fund Budgetary Highlights

During 2017, there was a net increase of \$10.44 million in biennial appropriations between the original adopted budget and the final amended budget. These amendments were necessitated by changes to actual revenues and actual expenditures within the General Fund. Note that the figures cited are biennial amounts for 2017-2018 and that the budget is recorded on a cash basis.

Following are the major components of the changes:

- General Fund appropriation was increased by \$3,943,786 to recognize additional resources forward from the prior biennial budget. These resources included \$1,379,021 for activity in prior year projects carried forward, \$900,000 for activity related to the City Council work plan, and \$899,828 in revenue put into reserves for development related activity.
- An additional \$2,415,155 in new revenue was recognized for the sale of a city owned building at 505 Market Street, which was sold following the remodel of City Hall.
- Mid-biennial service packages increased the General Fund appropriation by \$1,610,549. Significant items included \$818,991 in additional sales tax revenue to fund a range of temporary programs including contract jail costs, code enforcement officer, emergency management upgrades, and an innovation internship program.
- An increase of \$1,068,529 for temporary additional staffing, including an internal transfer of \$383,345 for the staffing related to the Finance System Replacement, and \$437,752 in additional development revenue for development services staffing.
- Recognition of \$1,031,522 in additional revenue for work related to affordable housing provision.
- Reimbursements and grants increased fund balance by \$194,786. This change included \$130,000 in grant funding from the Port of Seattle, \$51,650 in reimbursements for Fire staff and equipment from Eastside Metro Training Group (EMTG), and \$13,136 in miscellaneous grant revenue.
- \$175,792 in other miscellaneous adjustments.

The actual General Fund 2017 results on a cash basis varied from the final amended budget as follows:

- Excluding resources forward, actual 2017 General Fund revenues ended the year \$3.9 million over the budgeted level (\$103.2 million versus budget of \$99.3 million).
- Development related fees made up the largest portion of this variance, as fees across all departments ended 2017 \$1.5m ahead of budget.

- Tax revenue was also approximately \$1.6m over budget amounts. Sales Tax receipts were the furthest above budget at \$980,000, with \$735,000 in additional revenue from Utility Tax receipts.
- Fines and Forfeits were approximately \$330,000 under budget, due to lower than budgeted Traffic and Parking infraction revenues.
- Other revenues ended the year approximately \$500,000 above budget.
- Actual 2017 General Fund expenditures ended the year about \$3.7 million under budget excluding reserves. The balance is a combination of funding for work in progress on projects and staffing vacancies.

Capital Asset and Debt Administration

Capital Assets

The City of Kirkland's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to over \$1 billion (net of accumulated depreciation), which represents a \$11 million increase from the prior year. This investment in and capitalization of capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission and distribution systems, roads, and bridges. More details about changes in capital assets are explained below.

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

- Over \$1.5 million funded information technology projects which are in various stages of replacing the current finance/human resource system, maintenance management system, and recreation software.
- A \$1.2 million conversion of an auto-oriented corridor to an improved shared bicycle and pedestrian walkway was completed in the Juanita area.
- The City spent just under \$1.5 million on the current Intelligent Transportation System.
- The City spent \$1.8 million on land acquisition to enhance McAuliffe Park and the Cross Kirkland Corridor.
- Grant funds of just under \$1 million made it possible for the City to explore plans to build a pedestrian bridge which will improve future access to the Totem Lake area.
- Over \$2 million was received by developers constructing new infrastructure along with their improvements in Kirkland. In addition, over \$3.2 million was received by developers for their construction of water, sewer, and surface water assets.
- The City's Water/Sewer utility capitalized \$2.2 million for replacement of water and sewer mains.
- The City's Surface Water utility capitalized \$0.9 million for constructing new or replacing failing infrastructure. Land was purchased for \$0.8 million to be used for future surface water mitigation.

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 2016 and 2017:

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|----------|--------------------------|----------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$604.58 | \$602.16 | \$3.42 | \$2.59 | \$608.00 | \$604.75 |
| Buildings | 21.61 | 23.95 | - | - | 21.61 | 23.95 |
| Improvements other than buildings | 56.69 | 58.90 | 159.97 | 157.94 | 216.66 | 216.84 |
| Machinery and equipment | 13.39 | 12.27 | - | - | 13.39 | 12.27 |
| Infrastructure | 138.36 | 141.18 | - | - | 138.36 | 141.18 |
| Construction in progress | 17.42 | 11.30 | 7.95 | 2.09 | 25.37 | 13.39 |
| Artwork | 2.09 | 2.04 | - | - | 2.09 | 2.04 |
| Total | \$854.14 | \$851.80 | \$171.34 | \$162.62 | \$1,025.48 | \$1,014.42 |

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 \$40.00 million and other long-term debt of \$4.48 million. The total outstanding debt (expressed in millions of dollars) at the end of 2016 and 2017 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|-------------------------|---------|--------------------------|--------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| General Obligation Bonds | \$40.00 | \$42.18 | - | - | \$40.00 | \$42.18 |
| Revenue Bonds | - | - | - | - | - | - |
| Public Works Trust Fund Loans | - | - | 4.48 | 4.32 | 4.48 | 4.32 |
| Total | \$40.00 | \$42.18 | \$4.48 | \$4.32 | \$44.48 | \$46.50 |

On December 5, 2014 Standard and Poor's affirmed the City of Kirkland's AAA rating. On February 15, 2017, Moody's Investors Service raised the rating of City of Kirkland, Washington's Limited Tax General Obligation Bonds. Moody's ratings for Kirkland are now Aa1 for both Unlimited Tax GO Bonds and Limited Tax GO Bonds.

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

The City's assessed valuation for 2017 was \$22.21 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$1,509.5 million.

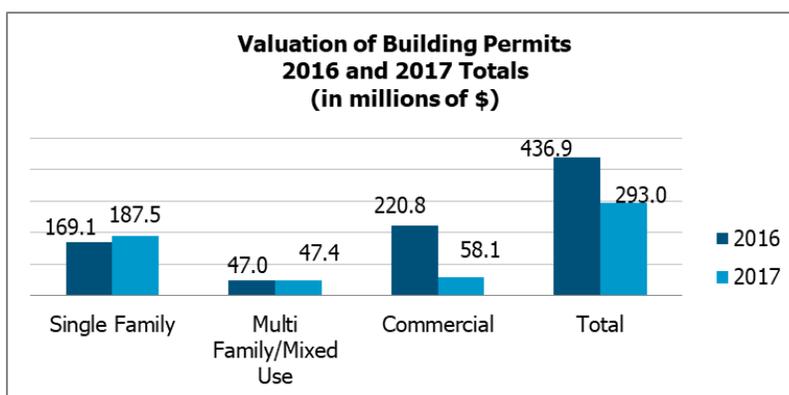
Additional information on the City of Kirkland’s long-term debt can be found in Note 12 of this report and in the Statistical Section of the report.

Economic Factors and Next Year’s Budgets and Rates

The Washington State Economic and Revenue Council monthly update reports continued job growth, adding 23,100 nonfarm jobs in the fourth quarter of 2017. The economic forecast for Washington projects that the annual job growth rate in 2017 was 2.8 percent. However, it also anticipates that growth will slow to 2.2 percent in 2018 and continue to decelerate in the years ahead, falling to 0.9 percent in 2023.

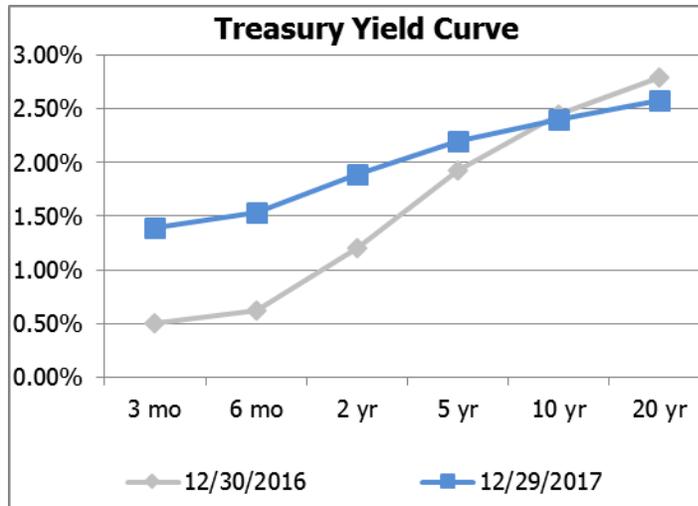
Unemployment rates in December 2017 held at 4.1 at the national level, but rose to 4.9 percent at the state level, an increase of 0.5 percent. The statewide trend does not hold at the local level as King County unemployment decreased from 3.9 to 3.6 percent and Kirkland unemployment decreased from 3.8 to 3.5 percent.

The valuation of local building permitting activity has decreased 32.9 percent compared to 2016. Single family and multi family/mixed use permitting activity are above 2016 levels by 10.9 percent and 0.9 percent, respectively. Commercial development is lagging last year’s numbers by 73.7 percent. The net effect is a decrease of 143.9 million in new development valuation.



Inflation in the Seattle area is high relative to the national rate. In December 2017, the Seattle core CPI increased 4.0 percent compared to the previous year, while the national CPI was at 2.2 percent year to year growth. While national year-to-year rate increases has slowed slightly since the beginning of the year, the December figure for the Seattle area represents the high point for the year.

The rate of economic growth continued positive in the fourth quarter of 2017. The Fed Funds rate is now at 1.25 to 1.50 percent from the increase on December 13, 2017 and is expected to be increased three times in 2018, a total of 0.75 percent increase for the next year. The yield curve flattened compared to the 2016 year end with short and mid-range rates rising and long term rates falling.



Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector. Nine business sector groupings are used to compare 2016 and 2017 sales tax receipts.

Sales tax revenues for each month of 2017 exceeded the same month in 2016, with March showing the largest increase. While the first three quarters increased 9.9 percent over 2016 levels, fourth quarter growth slowed to 5.8 percent over the last three months of the prior year. The tax receipts below reflect actuals on a budgetary (cash) basis.

City of Kirkland Actual Sales Tax Receipts

| Business Sector Group | YTD | | Dollar Change | Percent Change | Percent of Total | |
|------------------------|-------------------|-------------------|------------------|----------------|------------------|-------------|
| | 2016 | 2017 | | | 2016 | 2017 |
| Services | 2,688,805 | 2,855,163 | 166,358 | 6.2% | 13.4% | 13.1% |
| Contracting | 3,443,988 | 4,574,948 | 1,130,960 | 32.8% | 17.2% | 20.9% |
| Communications | 537,934 | 592,699 | 54,765 | 10.2% | 2.7% | 2.7% |
| Retail: | | | | | | |
| Auto/Gas Retail | 4,757,711 | 5,040,398 | 282,687 | 5.9% | 23.7% | 23.1% |
| Gen Merch/Misc Retail | 2,078,161 | 1,905,109 | (173,052) | -8.3% | 10.4% | 8.7% |
| Retail Eating/Drinking | 1,595,199 | 1,656,619 | 61,420 | 3.9% | 7.9% | 7.6% |
| Other Retail | 2,753,838 | 2,928,538 | 174,700 | 6.3% | 13.7% | 13.4% |
| Wholesale | 957,368 | 1,018,484 | 61,116 | 6.4% | 4.8% | 4.7% |
| Miscellaneous | 1,260,127 | 1,280,607 | 20,480 | 1.6% | 6.3% | 5.9% |
| Total | 20,073,131 | 21,852,565 | 1,779,434 | 8.9% | 100% | 100% |

Requests for Information

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



Basic Financial Statements



City of Kirkland
Statement of Net Position
December 31, 2017

Page 1 of 2

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | 43,535,157 | 15,544,780 | 59,079,937 |
| Investments (Note 3) | 110,136,923 | 36,407,785 | 146,544,708 |
| Accounts Receivable | 12,332,794 | 9,454,672 | 21,787,466 |
| Intergovernmental Receivable | 2,410,659 | 133,474 | 2,544,133 |
| Internal Balances | 811,800 | (811,800) | 0 |
| Inventories | 57,192 | 531,822 | 589,014 |
| Prepayments | 489,876 | 64,872 | 554,748 |
| Deposits | 1,440,000 | 12,305 | 1,452,305 |
| Pension Asset | 11,845,514 | 0 | 11,845,514 |
| Interfund Loan Receivable | 0 | 4,724,320 | 4,724,320 |
| Capital Assets (Note 5) | | | |
| Land and Artwork | 606,663,201 | 3,417,200 | 610,080,401 |
| Depreciable Capital Assets (net of accumulated depreciation) | 91,683,022 | 159,976,935 | 251,659,957 |
| Depreciable Infrastructure (net of accumulated depreciation) | 138,364,486 | 0 | 138,364,486 |
| Construction in Progress | 17,424,773 | 7,949,800 | 25,374,573 |
| Total Assets | 1,037,195,397 | 237,406,165 | 1,274,601,562 |
| Deferred Outflows of Resources | | | |
| Deferred Outflow Pension Related | 4,893,744 | 478,959 | 5,372,703 |
| Total Deferred Outflows of Resources | 4,893,744 | 478,959 | 5,372,703 |

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

City of Kirkland
Statement of Net Position
December 31, 2017

Page 2 of 2

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Liabilities | | | |
| Accounts Payable and Other Accrued Liabilities | 5,646,508 | 2,689,307 | 8,335,815 |
| Intergovernmental Payable | 515,739 | 1,392,352 | 1,908,091 |
| Unearned Revenue | 117,052 | 842,323 | 959,375 |
| Accrued Interest Payable | 184,737 | 12,200 | 196,937 |
| Deposits Payable | 1,510,078 | 12,305 | 1,522,383 |
| Noncurrent Liabilities | | | |
| Net Pension Liability | 20,146,416 | 2,744,805 | 22,891,221 |
| Due within one year | 10,191,218 | 560,222 | 10,751,440 |
| Due in more than one year | 44,405,670 | 4,104,483 | 48,510,153 |
| Total Liabilities | 82,717,417 | 12,357,997 | 95,075,414 |
| Deferred Inflows of Resources | | | |
| Deferred Inflow Pension Related | 5,982,634 | 439,657 | 6,422,291 |
| Total Deferred Inflows of Resources | 5,982,634 | 439,657 | 6,422,291 |
| Net Position | | | |
| Net Investment in Capital Assets | 813,489,653 | 166,859,626 | 980,349,279 |
| Restricted for | | | |
| Net Pension Asset | 11,845,514 | 0 | 11,845,514 |
| Tourism | 376,752 | 0 | 376,752 |
| Culture and Recreation | 10,412,780 | 0 | 10,412,780 |
| Public Safety | 5,529,354 | 0 | 5,529,354 |
| Capital Improvements | 25,062,775 | 0 | 25,062,775 |
| Transportation | 19,378,758 | 0 | 19,378,758 |
| Debt Service | 347,643 | 0 | 347,643 |
| General Government | 1,900,208 | 0 | 1,900,208 |
| Unrestricted | 65,045,653 | 58,227,844 | 123,273,497 |
| Total Net Position | 953,389,090 | 225,087,470 | 1,178,476,560 |



City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense/Revenue and Changes in Net Position) | | |
|---|--------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| General Government | 12,234,921 | 8,192,037 | 269,197 | 22,500 | (3,751,187) | 0 | (3,751,187) |
| Judicial | 2,345,334 | 1,099,027 | 22,277 | 0 | (1,224,030) | 0 | (1,224,030) |
| Security of Persons and Property | 51,820,913 | 2,594,190 | 80,936 | 0 | (49,145,787) | 0 | (49,145,787) |
| Physical Environment | 986,341 | 2,605,310 | 0 | 0 | 1,618,969 | 0 | 1,618,969 |
| Transportation | 21,191,932 | 2,210,112 | 2,069,310 | 6,620,771 | (10,291,739) | 0 | (10,291,739) |
| Human Services | 1,374,295 | 0 | 61,382 | 0 | (1,312,913) | 0 | (1,312,913) |
| Economic Environment | 8,997,772 | 9,245,932 | 0 | 0 | 248,160 | 0 | 248,160 |
| Culture and Recreation | 10,459,005 | 2,457,184 | 149,129 | 1,590,173 | (6,262,519) | 0 | (6,262,519) |
| Interest on Long Term Debt | 1,973,194 | 0 | 0 | 0 | (1,973,194) | 0 | (1,973,194) |
| Total Governmental Activities | 111,383,707 | 28,403,792 | 2,652,231 | 8,233,444 | (72,094,240) | 0 | (72,094,240) |
| Business Type Activities | | | | | | | |
| Water/Sewer | 26,468,702 | 28,575,144 | 0 | 3,004,909 | 0 | 5,111,351 | 5,111,351 |
| Surface Water | 9,425,985 | 10,211,308 | 164,674 | 1,738,077 | 0 | 2,688,074 | 2,688,074 |
| Solid Waste | 17,162,439 | 17,489,671 | 103,264 | 0 | 0 | 430,496 | 430,496 |
| Total Business Type Activities | 53,057,126 | 56,276,123 | 267,938 | 4,742,986 | 0 | 8,229,921 | 8,229,921 |
| Total Government | 164,440,833 | 84,679,915 | 2,920,169 | 12,976,430 | (72,094,240) | 8,229,921 | (63,864,319) |
| General Revenues | | | | | | | |
| Sales Taxes | | | | | 29,101,348 | 0 | 29,101,348 |
| Property Taxes | | | | | 29,340,885 | 0 | 29,340,885 |
| Utility Taxes | | | | | 14,816,653 | 0 | 14,816,653 |
| Excise Taxes | | | | | 10,579,790 | 0 | 10,579,790 |
| Business Taxes | | | | | 2,858,364 | 0 | 2,858,364 |
| Other Taxes | | | | | 2,761,796 | 0 | 2,761,796 |
| Unrestricted Grants & Contributions | | | | | 714,942 | 0 | 714,942 |
| Investment Earnings | | | | | 1,093,185 | 393,096 | 1,486,281 |
| Gain on Sale of Capital Assets | | | | | 713,732 | 0 | 713,732 |
| Transfers, Internal Activities | | | | | 755,600 | (755,600) | 0 |
| Total General Revenues & Transfers | | | | | 92,736,295 | (362,504) | 92,373,791 |
| Change in Net Position | | | | | 20,642,055 | 7,867,417 | 28,509,472 |
| Net Position at Beginning of Year | | | | | 932,747,035 | 217,220,053 | 1,149,967,088 |
| Net Position at End of Year | | | | | 953,389,090 | 225,087,470 | 1,178,476,560 |

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2017

Page 1 of 2

| | General Fund | Excise Capital Improvement | General Capital Projects | Transportation Capital Projects | Non Major Governmental Funds | Governmental Funds Total |
|--|-------------------|----------------------------------|--------------------------------|---------------------------------------|------------------------------------|--------------------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and Cash Equivalents | 10,656,094 | 7,087,967 | 10,300,212 | 4,754,389 | 2,288,734 | 35,087,396 |
| Investments | 32,784,738 | 16,588,326 | 24,309,233 | 11,233,118 | 5,390,808 | 90,306,223 |
| Receivables | | | | | | |
| Taxes | 7,445,202 | 1,386,482 | 0 | 0 | 93,345 | 8,925,029 |
| Accounts | 1,404,388 | 0 | | 133,303 | 0 | 1,537,691 |
| Due From Other Funds | 887,295 | 0 | 0 | 0 | 0 | 887,295 |
| Intergovernmental Receivable | 308,823 | 0 | 2,500 | 2,055,545 | 0 | 2,366,868 |
| Prepayments | 443,551 | 0 | 0 | 0 | 12,384 | 455,935 |
| Restricted Assets | | | | | | |
| Deposits | 1,440,000 | 0 | 0 | 0 | 0 | 1,440,000 |
| Total Assets | 55,370,091 | 25,062,775 | 34,611,945 | 18,176,355 | 7,785,271 | 141,006,437 |
| Liabilities | | | | | | |
| Accounts Payable | 1,077,487 | 0 | 442,459 | 488,713 | 30,581 | 2,039,240 |
| Wages Payable | 2,003,103 | 0 | 0 | 0 | 47,973 | 2,051,076 |
| Benefits Payable | 341,610 | 0 | 0 | 0 | 10,821 | 352,431 |
| Taxes Payable | 119,932 | 0 | 0 | 0 | 0 | 119,932 |
| Due to Other Funds | 64,686 | 0 | 0 | 0 | 773 | 65,459 |
| Intergovernmental Payable | 474,573 | 0 | 0 | 1,757 | 3,439 | 479,769 |
| Payable from Restricted Assets | | | | | | |
| Deposits Payable | 1,510,078 | 0 | 0 | 0 | 0 | 1,510,078 |
| Unearned Revenue | 117,052 | 0 | 0 | 0 | 0 | 117,052 |
| Interfund Loan Payable | 0 | 0 | 4,698,991 | 0 | 0 | 4,698,991 |
| Total Liabilities | 5,708,521 | 0 | 5,141,450 | 490,470 | 93,587 | 11,434,028 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable Revenue - Property Taxes | 298,190 | 0 | 0 | 0 | 54,842 | 353,032 |
| Total Deferred Inflows of Resources | 298,190 | 0 | 0 | 0 | 54,842 | 353,032 |
| Fund Balances | | | | | | |
| Nonspendable | 443,551 | 0 | 0 | 0 | 12,384 | 455,935 |
| Restricted for | | | | | | |
| Tourism | 0 | 0 | 0 | 0 | 376,122 | 376,122 |
| Debt Service | 0 | 0 | 0 | 0 | 347,643 | 347,643 |
| Drug Enforcement | 116,072 | 0 | 0 | 0 | 0 | 116,072 |
| Fire Interlocal | 130,753 | 0 | 1,225,681 | 0 | 0 | 1,356,434 |

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2017

Page 2 of 2

| | General Fund | Excise Capital Improvement | General Capital Projects | Transportation Capital Projects | Non Major Governmental Funds | Governmental Funds Total |
|---|-------------------|----------------------------------|--------------------------------|---------------------------------------|------------------------------------|--------------------------------|
| Public Safety Facilities | 0 | 0 | 4,056,848 | 0 | 0 | 4,056,848 |
| Transportation Projects | 0 | 0 | 0 | 16,973,768 | 2,404,990 | 19,378,758 |
| Cemetery Operations | 0 | 0 | 0 | 0 | 855,626 | 855,626 |
| Culture and Recreation Projects | 0 | 0 | 6,585,389 | 0 | 3,640,077 | 10,225,466 |
| Parks Interlocal | 0 | 0 | 175,815 | 0 | 0 | 175,815 |
| General Government Facilities | 0 | 0 | 1,044,327 | 0 | 0 | 1,044,327 |
| Capital Improvements | 0 | 25,062,775 | 0 | 0 | 0 | 25,062,775 |
| Committed for | | | | | | |
| Contingency Fund | 4,964,376 | 0 | 0 | 0 | 0 | 4,964,376 |
| General Government Activities | 184,676 | 0 | 0 | 0 | 0 | 184,676 |
| Capital Projects | 0 | 0 | 0 | 10,000 | 0 | 10,000 |
| Assigned for | | | | | | |
| Street Operating Fund | 2,766,116 | 0 | 0 | 0 | 0 | 2,766,116 |
| General Reserves | 12,682,709 | 0 | 0 | 0 | 0 | 12,682,709 |
| Public Safety Activities | 923,621 | 0 | 0 | 0 | 0 | 923,621 |
| Development Services | 6,891,442 | 0 | 0 | 0 | 0 | 6,891,442 |
| Parks and Recreation Activities | 421,702 | 0 | 0 | 0 | 0 | 421,702 |
| General Government Activities | 66,485 | 0 | 0 | 0 | 0 | 66,485 |
| Capital Projects | 0 | 0 | 16,382,435 | 702,117 | 0 | 17,084,552 |
| Unassigned | 19,771,877 | 0 | 0 | 0 | 0 | 19,771,877 |
| Total Fund Balances | 49,363,380 | 25,062,775 | 29,470,495 | 17,685,885 | 7,636,842 | 129,219,377 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | 55,370,091 | 25,062,775 | 34,611,945 | 18,176,355 | 7,785,271 | 141,006,437 |

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

| | |
|---|---------------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | 842,449,474 |
| Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds | 17,859,913 |
| Long term liabilities are not due and payable in the current period and are not reported in the funds | (72,044,641) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds | 35,904,967 |
| The assets and liabilities are included in governmental activities in the statement of net position | |
| Net Position of governmental activities | <u>953,389,090</u> |

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the fiscal year ended December 31, 2017

Page 1 of 2

| | General Fund | Excise Capital Improvement |
|---|---------------------|----------------------------------|
| Revenues | | |
| Taxes and Assessments | 72,757,623 | 10,418,855 |
| Licenses and Permits | 9,432,196 | 0 |
| Intergovernmental | 3,693,290 | 0 |
| Charges for Services | 18,714,317 | 0 |
| Fines and Forfeitures | 1,556,159 | 0 |
| Investment Interest | 699,507 | 156,219 |
| Miscellaneous Revenues | 1,284,542 | 0 |
| Total Revenues | 108,137,634 | 10,575,074 |
| Expenditures | | |
| Current | | |
| General Government | 13,212,889 | 0 |
| Security of Persons and Property | 50,606,338 | 0 |
| Physical Environment | 4,324,891 | 0 |
| Transportation | 8,093,360 | 0 |
| Economic Environment | 10,075,758 | 0 |
| Culture and Recreation | 6,512,537 | 0 |
| Debt Service | | |
| Principal | 0 | 0 |
| Interest | 0 | 0 |
| Capital Outlay | 306,020 | 0 |
| Total Expenditures | 93,131,793 | 0 |
| Excess (Deficiency) of revenues | | |
| Over (under) expenditures | 15,005,841 | 10,575,074 |
| Other Financing Sources (Uses) | | |
| Sale of Capital Assets | 2,415,226 | 0 |
| Insurance Recovery | 405,355 | 0 |
| Transfers In | 656,770 | 1,883,319 |
| Transfers Out | (15,258,704) | (9,181,196) |
| Total Other Financing Sources (Uses) | (11,781,353) | (7,297,877) |
| Net Change in Fund Balance | 3,224,488 | 3,277,197 |
| Fund Balances Beginning of Year | 46,138,892 | 21,785,577 |
| Fund Balances End of Year | 49,363,380 | 25,062,775 |

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, 2017

Page 2 of 2

| General Capital Projects | Transportation Capital Projects | Non Major Governmental Funds | Governmental Funds Total |
|--------------------------------|---------------------------------------|------------------------------------|--------------------------------|
| 0 | 0 | 5,244,588 | 88,421,066 |
| 0 | 0 | 0 | 9,432,196 |
| 271,149 | 4,600,312 | 535,862 | 9,100,613 |
| 0 | 266,000 | 2,265,790 | 21,246,107 |
| 258,000 | 0 | 0 | 1,814,159 |
| 35,899 | 0 | 65,379 | 957,004 |
| 21,008 | 133,207 | 54,926 | 1,493,683 |
| 586,056 | 4,999,519 | 8,166,545 | 132,464,828 |
| 1,128,767 | | 0 | 14,341,656 |
| 390,485 | 0 | 0 | 50,996,823 |
| 0 | 0 | 84,630 | 4,409,521 |
| 0 | 5,127,999 | 0 | 13,221,359 |
| 0 | 0 | 379,420 | 10,455,178 |
| 312,624 | 0 | 2,656,519 | 9,481,680 |
| 0 | 0 | 2,174,715 | 2,174,715 |
| 0 | 0 | 1,973,194 | 1,973,194 |
| 6,107,141 | 7,795,031 | 3,200 | 14,211,392 |
| 7,939,017 | 12,923,030 | 7,271,678 | 121,265,518 |
| (7,352,961) | (7,923,511) | 894,867 | 11,199,310 |
| 0 | 0 | 46,842 | 2,462,068 |
| 0 | 0 | 785 | 406,140 |
| 15,246,152 | 14,632,052 | 2,882,035 | 35,300,328 |
| (1,827,229) | (1,585,885) | (5,243,988) | (33,097,002) |
| 13,418,923 | 13,046,167 | (2,314,326) | 5,071,534 |
| 6,065,962 | 5,122,656 | (1,419,459) | 16,270,844 |
| 23,404,533 | 12,563,229 | 9,056,301 | 112,948,532 |
| 29,470,495 | 17,685,885 | 7,636,842 | 129,219,377 |

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

For the fiscal year ended December 31, 2017

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

Net change in fund balances for governmental funds 16,270,844

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 | 14,211,392 | |
| Depreciation | (14,257,884) | |
| Contributed Capital | 3,341,169 | |
| CIP Closures | (2,336,109) | |
| | 958,568 | 958,568 |

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

| | | |
|-------------------------|-----------|-----------|
| Debt Retired | 2,174,715 | |
| Bond (Premium) Discount | (12,455) | |
| | 2,162,260 | 2,162,260 |

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 | | (197,812) |
| Change in Pension Asset | | 6,071,005 |
| Change in Pension Outflow | | (2,563,696) |
| Bond Subsidy | | (601) |

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

| | | |
|--|--|-------------|
| Change in Net Pension Liability | | 3,983,311 |
| Change in Pension Inflow | | (5,147,594) |
| Change in Compensated Absences | | (159,929) |
| Accrued Interest | | (4,137) |
| Other Post Employment Benefit Obligation | | (724,537) |

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.

(5,627)

Change in net position of governmental activities 20,642,055

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



City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 General Fund
 For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 126,745,880 | 127,802,907 | 65,986,789 | 65,986,789 | (61,816,118) |
| Licenses and Permits | 16,779,573 | 17,012,020 | 9,215,919 | 9,215,919 | (7,796,101) |
| Intergovernmental | 2,948,518 | 3,091,654 | 1,730,825 | 1,730,825 | (1,360,829) |
| Charges for Services | 32,794,948 | 34,897,559 | 19,660,917 | 19,660,917 | (15,236,642) |
| Fines and Forfeitures | 3,773,570 | 3,773,570 | 1,555,936 | 1,555,936 | (2,217,634) |
| Interest on Sales Tax Contract | 160,000 | 160,000 | 75,051 | 75,051 | (84,949) |
| Investment Interest | 750,582 | 1,160,550 | 985,171 | 985,171 | (175,379) |
| Contributions/Donations | 81,000 | 135,747 | 158,457 | 158,457 | 22,710 |
| Miscellaneous Revenues | 1,444,567 | 1,461,666 | 836,117 | 836,117 | (625,549) |
| Total Revenues | 185,478,638 | 189,495,673 | 100,205,182 | 100,205,182 | (89,290,491) |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | 27,361,684 | 23,949,136 | 14,916,747 | 14,916,747 | 9,032,389 |
| Security of Persons and Property | 99,557,747 | 102,264,998 | 51,081,631 | 51,081,631 | 51,183,367 |
| Physical Environment | 11,752,118 | 12,350,274 | 5,474,120 | 5,474,120 | 6,876,154 |
| Transportation | 2,097,305 | 2,377,570 | 935,835 | 935,835 | 1,441,735 |
| Economic Environment | 18,030,487 | 20,156,388 | 9,749,212 | 9,749,212 | 10,407,176 |
| Human Services | 3,342,487 | 3,607,066 | 1,651,645 | 1,651,645 | 1,955,421 |
| Culture and Recreation | 13,041,304 | 13,595,753 | 6,554,595 | 6,554,595 | 7,041,158 |
| Capital Outlay | 60,381 | 272,083 | 253,213 | 253,213 | 18,870 |
| Total Expenditures | 175,243,513 | 178,573,268 | 90,616,998 | 90,616,998 | 87,956,270 |
| Excess of revenues over expenditures | 10,235,125 | 10,922,405 | 9,588,184 | 9,588,184 | (1,334,221) |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital Assets | 0 | 2,415,155 | 2,415,155 | 2,415,155 | 0 |
| Insurance Recovery | 100,000 | 100,000 | 293,154 | 293,154 | 193,154 |
| Transfers In | 631,393 | 695,536 | 240,859 | 240,859 | (454,677) |
| Transfers Out | (14,816,522) | (22,251,649) | (10,285,858) | (10,285,858) | 11,965,791 |
| Total Other Financing Sources (Uses) | (14,085,129) | (19,040,958) | (7,336,690) | (7,336,690) | 11,704,268 |
| Net Change in Fund Balance | (3,850,004) | (8,118,553) | 2,251,494 | 2,251,494 | 10,370,047 |
| Fund Balances Beginning of Year | 29,918,353 | 33,862,139 | 33,862,139 | 33,862,139 | 0 |
| Fund Balances End of Year | 26,068,349 | 25,743,586 | 36,113,633 | 36,113,633 | 10,370,047 |

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Excise Tax Capital Improvement Special Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 10,000,000 | 14,000,000 | 10,239,510 | 10,239,510 | (3,760,490) |
| Investment Interest | 291,145 | 291,145 | 254,644 | 254,644 | (36,501) |
| Total Revenues | 10,291,145 | 14,291,145 | 10,494,154 | 10,494,154 | (3,796,991) |
| Excess of revenues over expenditures | 10,291,145 | 14,291,145 | 10,494,154 | 10,494,154 | (3,796,991) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 0 | 1,560,087 | 1,883,319 | 1,883,319 | 323,232 |
| Transfers Out | (18,637,270) | (29,321,831) | (9,181,196) | (9,181,196) | 20,140,635 |
| Total Other Financing Sources (Uses) | (18,637,270) | (27,761,744) | (7,297,877) | (7,297,877) | 20,463,867 |
| Net Change in Fund Balance | (8,346,125) | (13,470,599) | 3,196,277 | 3,196,277 | 16,666,876 |
| Fund Balances Beginning of Year | 19,858,047 | 20,638,314 | 20,638,314 | 20,638,314 | 0 |
| Fund Balances End of Year | 11,511,922 | 7,167,715 | 23,834,591 | 23,834,591 | 16,666,876 |

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

City of Kirkland
Statement of Net Position
Proprietary Funds
December 31, 2017

Page 1 of 2

| | Business-type Activities Enterprise Funds | | | Total | Governmental Activities Internal Service Funds |
|---|---|-------------------|------------------|--------------------|--|
| | Water/Sewer | Surface Water | Solid Waste | | |
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | 9,569,517 | 5,476,575 | 498,688 | 15,544,780 | 8,447,761 |
| Investments (Note 3) | 22,423,682 | 12,817,871 | 1,166,232 | 36,407,785 | 19,830,700 |
| Receivables | | | | | |
| Interest | 131,061 | 0 | 0 | 131,061 | 0 |
| Contracts | 813,861 | 0 | 0 | 813,861 | 0 |
| Accounts | 5,078,613 | 172,935 | 3,240,647 | 8,492,195 | 273,294 |
| Assessments | 17,555 | 0 | 0 | 17,555 | 0 |
| Intergovernmental Receivable | 20,990 | 83,504 | 28,980 | 133,474 | 7,114 |
| Due From Other Funds | 76,067 | 0 | 0 | 76,067 | 0 |
| Inventories | 473,949 | 57,873 | 0 | 531,822 | 57,192 |
| Interfund Loan Receivable | | | | | |
| Loans | 4,698,991 | 0 | 0 | 4,698,991 | 0 |
| Interest | 25,329 | 0 | 0 | 25,329 | 0 |
| Total Interfund Receivable | 4,724,320 | 0 | 0 | 4,724,320 | 0 |
| Restricted Assets | | | | | |
| Cash | 12,305 | 0 | 0 | 12,305 | 0 |
| Prepayments | 19,028 | 43,253 | 2,591 | 64,872 | 33,941 |
| Total Current Assets | 43,360,948 | 18,652,011 | 4,937,138 | 66,950,097 | 28,650,002 |
| Noncurrent Assets | | | | | |
| Capital Assets (Note 5) | | | | | |
| Land | 47,784 | 3,369,416 | 0 | 3,417,200 | 0 |
| Depreciable Capital Assets (Net) | 93,907,182 | 66,069,753 | 0 | 159,976,935 | 11,686,009 |
| Construction in Progress | 5,534,506 | 2,415,294 | 0 | 7,949,800 | 0 |
| Total Capital Assets | 99,489,472 | 71,854,463 | 0 | 171,343,935 | 11,686,009 |
| Total Noncurrent Assets | 99,489,472 | 71,854,463 | 0 | 171,343,935 | 11,686,009 |
| Total Assets | 142,850,420 | 90,506,474 | 4,937,138 | 238,294,032 | 40,336,011 |
| Deferred Outflows of Resources | | | | | |
| Deferred Outflow Pension Related | 176,449 | 270,947 | 31,563 | 478,959 | 512,800 |
| Total Deferred Outflows of Resources | 176,449 | 270,947 | 31,563 | 478,959 | 512,800 |

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

City of Kirkland
Statement of Net Position
 Proprietary Funds
 December 31, 2017

Page 2 of 2

| | Business-type Activities Enterprise Funds | | | Total | Governmental Activities Internal Service Funds |
|--|---|-------------------|------------------|--------------------|--|
| | Water/Sewer | Surface Water | Solid Waste | | |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 929,608 | 435,579 | 1,117,702 | 2,482,889 | 512,639 |
| Claims Payable | 0 | 0 | 0 | 0 | 533,804 |
| Wages Payable | 59,312 | 98,431 | 10,641 | 168,384 | 181,111 |
| Benefits Payable | 13,872 | 22,097 | 2,065 | 38,034 | 36,603 |
| Compensated Absences Payable | 61,767 | 73,464 | 9,086 | 144,317 | 182,063 |
| Intergovernmental Payable | 1,015,483 | 67,766 | 309,103 | 1,392,352 | 32,166 |
| Due to Other Funds | 561,402 | 21,052 | 305,413 | 887,867 | 10,035 |
| Accrued Interest Payable | 12,200 | 0 | 0 | 12,200 | 0 |
| Unearned Revenue | 842,323 | 0 | 0 | 842,323 | 444 |
| Loans and Contracts Payable | 415,905 | 0 | 0 | 415,905 | 0 |
| Sub-total Current Liabilities | 3,911,872 | 718,389 | 1,754,010 | 6,384,271 | 1,488,865 |
| Current Liabilities Payable From Restricted Assets | | | | | |
| Deposits Payable | 12,305 | 0 | 0 | 12,305 | 0 |
| Sub-total Current Liabilities Payable From Restricted Assets | 12,305 | 0 | 0 | 12,305 | 0 |
| Total Current Liabilities | 3,924,177 | 718,389 | 1,754,010 | 6,396,576 | 1,488,865 |
| Noncurrent Liabilities | | | | | |
| Compensated Absences Payable | 15,442 | 18,366 | 2,271 | 36,079 | 45,516 |
| Loans and Contracts Payable | 4,068,404 | 0 | 0 | 4,068,404 | 0 |
| Net Pension Liability | 1,011,186 | 1,552,736 | 180,883 | 2,744,805 | 2,938,743 |
| Total Noncurrent Liabilities | 5,095,032 | 1,571,102 | 183,154 | 6,849,288 | 2,984,259 |
| Total Liabilities | 9,019,209 | 2,289,491 | 1,937,164 | 13,245,864 | 4,473,124 |
| Deferred Inflows of Resources | | | | | |
| Deferred Inflow Pension Related | 161,969 | 248,714 | 28,974 | 439,657 | 470,721 |
| Total Deferred Inflows of Resources | 161,969 | 248,714 | 28,974 | 439,657 | 470,721 |
| Net Position | | | | | |
| Net Investment in Capital Assets | 95,005,163 | 71,854,463 | 0 | 166,859,626 | 11,686,009 |
| Unrestricted | 38,840,528 | 16,384,753 | 3,002,563 | 58,227,844 | 24,218,958 |
| Total Net Position | 133,845,691 | 88,239,216 | 3,002,563 | 225,087,470 | 35,904,967 |

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended December 31, 2017

| | Business-type Activities | | | Enterprise Funds | Governmental Activities Internal Service Funds |
|--|--------------------------|-------------------|-------------------|--------------------|---|
| | Water/Sewer | Surface Water | Solid Waste | Total | |
| Operating Revenues | | | | | |
| Charges for Services | 28,181,269 | 10,112,432 | 17,482,230 | 55,775,931 | 21,935,817 |
| Miscellaneous Revenues | 393,875 | 98,876 | 7,441 | 500,192 | 549,603 |
| Total Operating Revenues | 28,575,144 | 10,211,308 | 17,489,671 | 56,276,123 | 22,485,420 |
| Operating Expenses | | | | | |
| Administrative and General | 2,868,050 | 4,467,618 | 1,317,895 | 8,653,563 | 12,515,152 |
| Supplies | 0 | 0 | 0 | 0 | 583,896 |
| Maintenance and Operations | 16,964,093 | 2,224,248 | 13,238,504 | 32,426,845 | 6,607,413 |
| Taxes | 3,752,518 | 875,819 | 2,495,405 | 7,123,742 | 0 |
| Depreciation | 2,851,512 | 1,693,244 | 0 | 4,544,756 | 1,864,245 |
| Total Operating expenses | 26,436,173 | 9,260,929 | 17,051,804 | 52,748,906 | 21,570,706 |
| Operating Income (Loss) | 2,138,971 | 950,379 | 437,867 | 3,527,217 | 914,714 |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest and Investment Revenue | 237,282 | 144,172 | 11,642 | 393,096 | 136,181 |
| Grant Income | 0 | 164,674 | 103,264 | 267,938 | 0 |
| Interest Expense | (19,851) | 0 | 0 | (19,851) | 0 |
| Gain (Loss) on Disposal of Capital Assets | (12,678) | (382) | 0 | (13,060) | 126,853 |
| Other Nonoperating Revenues/(Expenses) | 0 | (164,674) | (110,635) | (275,309) | 159,350 |
| Total Nonoperating revenues (expenses) | 204,753 | 143,790 | 4,271 | 352,814 | 422,384 |
| Income Before Contributions and Transfers | 2,343,724 | 1,094,169 | 442,138 | 3,880,031 | 1,337,098 |
| Capital Contributions | | | | | |
| Contributions | 3,004,909 | 1,738,077 | 0 | 4,742,986 | 0 |
| Transfers In | 0 | 0 | 0 | 0 | 1,429,246 |
| Transfers Out | (267,800) | (187,800) | (300,000) | (755,600) | (2,771,972) |
| Change in Net Position | 5,080,833 | 2,644,446 | 142,138 | 7,867,417 | (5,628) |
| Total Net Position - Beginning | 128,764,858 | 85,594,770 | 2,860,425 | 217,220,053 | 35,910,595 |
| Total Net Position - Ending | 133,845,691 | 88,239,216 | 3,002,563 | 225,087,470 | 35,904,967 |

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, 2017
 Increase in Cash and Cash Equivalents

Page 1 of 2

| | Business-type Activities Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|---|---|--------------------|------------------|--------------------|--|
| | Water/Sewer | Surfacewater | Solid Waste | Total | |
| Cash Flows From Operating Activities | | | | | |
| Cash Received From Customers | 28,205,098 | 10,113,874 | 16,932,263 | 55,251,235 | 0 |
| Cash Received From Interfund Charges | 0 | 0 | 0 | 0 | 14,377,946 |
| Contributions Received from Employees and Employer | 0 | 0 | 0 | 0 | 6,392,978 |
| Cash From Other Sources | 435,186 | 80,018 | 391,824 | 907,028 | 1,550,238 |
| Cash Paid to Suppliers for Goods and Services | (16,140,029) | (1,414,529) | (13,270,036) | (30,824,594) | (10,259,803) |
| Cash Paid to Employees for Services | (2,075,439) | (3,231,059) | (346,134) | (5,652,632) | (6,148,125) |
| Cash Paid in Lieu of Taxes | (3,747,999) | (879,005) | (2,471,643) | (7,098,647) | 0 |
| Cash Paid for Central Business Functions | (2,102,522) | (2,032,584) | (840,094) | (4,975,200) | (3,340,694) |
| Cash Provided by Operating Activities | 4,574,295 | 2,636,715 | 396,180 | 7,607,190 | 2,572,541 |
| Cash Flows From Noncapital Financing Activities | | | | | |
| Proceeds From Federal, State, Local Grants | 0 | 217,936 | 113,483 | 331,419 | 0 |
| Deposits | (26,818) | 0 | 0 | (26,818) | 0 |
| Grant Administration Expenditures | 0 | (171,800) | (110,824) | (282,624) | 0 |
| Transfers In | 0 | 0 | 0 | 0 | 1,429,246 |
| Transfers Out | (267,800) | (187,800) | (300,000) | (755,600) | (2,771,972) |
| Cash Provided by (Used for) Noncapital Financing Activities | (294,618) | (141,664) | (297,341) | (733,623) | (1,342,726) |
| Cash Flows From Capital and Related Financing Activities | | | | | |
| Capital Contributed | 1,275,356 | 166,070 | 0 | 1,441,426 | 0 |
| Proceeds From Sale of Assets and Insurance Recoveries | 0 | 0 | 0 | 0 | 428,857 |
| Proceeds From Capital Grants | 0 | 89,398 | 0 | 89,398 | 0 |
| Proceeds From Loans | 998,689 | 0 | 0 | 998,689 | 0 |
| Principal Payments on Notes | (379,615) | 0 | 0 | (379,615) | 0 |
| Interest Paid on Notes | (14,624) | 0 | 0 | (14,624) | 0 |
| Interest Received on Program Loans | 34,427 | 0 | 0 | 34,427 | 0 |
| Acquisition and Construction of Capital Assets | (6,236,301) | (2,611,467) | 0 | (8,847,768) | (3,266,356) |
| Cash Provided by (Used for) Capital and Related Financing Activities | (4,322,068) | (2,355,999) | 0 | (6,678,067) | (2,837,499) |
| Cash Flows From Investing Activities | | | | | |
| (Increase) Decrease in Investments | (3,200,583) | (1,942,622) | (227,569) | (5,370,774) | (1,926,829) |
| Interest Revenue | 216,343 | 144,256 | 11,642 | 372,241 | 207,012 |
| Cash Provided by Investing Activities | (2,984,240) | (1,798,366) | (215,927) | (4,998,533) | (1,719,817) |
| Increase (Decrease) in Cash and Cash Equivalents | (3,026,631) | (1,659,314) | (117,088) | (4,803,033) | (3,327,501) |
| Cash and Cash Equivalents, January 1 | 12,608,453 | 7,135,889 | 615,776 | 20,360,118 | 11,775,262 |
| Cash and Cash Equivalents, December 31 | 9,581,822 | 5,476,575 | 498,688 | 15,557,085 | 8,447,761 |

City of Kirkland
Statement of Cash Flows
 Proprietary Funds
 For the fiscal year ended December 31, 2017
 Increase in Cash and Cash Equivalents

Page 2 of 2

| | Business-type Activities Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|--|---|------------------|----------------|------------------|--|
| | Water/Sewer | Surfacewater | Solid Waste | Total | |
| Reconciliation of Operating Income (Loss) to | | | | | |
| Cash Provided by Operating Activities | | | | | |
| Operating Income (Loss) | 2,138,971 | 950,379 | 437,867 | 3,527,217 | 914,714 |
| Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities | | | | | |
| Depreciation | 2,851,512 | 1,693,244 | 0 | 4,544,756 | 1,864,245 |
| <u>Changes in Assets and Liabilities</u> | | | | | |
| (Increase) Decrease in Accounts Receivable | 16,857 | 1,439 | (165,274) | (146,978) | (135,517) |
| (Increase) Decrease in Operating Intergovernmental Receivable | (4) | 3 | 0 | (1) | 741 |
| (Increase) Decrease in Operating Due From Other Funds | (58,108) | 0 | 0 | (58,108) | 0 |
| (Increase) Decrease in Other Accounts Receivable | (3,521) | (18,858) | 0 | (22,379) | 0 |
| (Increase) Decrease in Capital Related Accounts Receivable | (129,120) | (3,353) | 0 | (132,473) | (29,926) |
| (Increase) Decrease in Operating Inventories | 0 | 0 | 0 | 0 | (1,950) |
| (Increase) Decrease in Assessments | 2,445 | 0 | 0 | 2,445 | 0 |
| (Increase) Decrease in Prepayments | (5,308) | 28,165 | (350) | 22,507 | (417) |
| (Increase) Decrease in Pension Deferred Outflows of Resources | 47,897 | 74,332 | 9,277 | 131,506 | 141,226 |
| Increase (Decrease) in Pension Deferred Inflows of Resources | 140,754 | 216,064 | 25,112 | 381,930 | 408,874 |
| Increase (Decrease) in Net Pension Liability | (213,236) | (331,708) | (42,012) | (586,956) | (630,758) |
| Increase (Decrease) in Operating Accounts Payable | 39,239 | 34,266 | 110,535 | 184,040 | 88,037 |
| Increase (Decrease) in Capital Accounts Payable | | | | 0 | (86,887) |
| Increase (Decrease) in Claims Payable | | | | 0 | (30,571) |
| Increase (Decrease) in Operating Intergovernmental Payable | (286,427) | (15,743) | 6,610 | (295,560) | 11,578 |
| Increase (Decrease) in Operating Due to Other Funds | 5,950 | (3,168) | 16,032 | 18,814 | (324) |
| Increase (Decrease) in Wages Payable | 5,495 | 1,898 | 187 | 7,580 | 9,095 |
| Increase (Decrease) in Benefits Payable | 1,935 | 1,930 | 191 | 4,056 | 3,510 |
| Increase (Decrease) in Compensated Absences Payable | 1,642 | 7,825 | (1,995) | 7,472 | 46,427 |
| Increase (Decrease) in Revenue Collected in Advance | 17,322 | 0 | 0 | 17,322 | 444 |
| Cash Provided by Operating Activities | 4,574,295 | 2,636,715 | 396,180 | 7,607,190 | 2,572,541 |
| <u>Noncash Investing, Capital and Finance Activities</u> | | | | | |
| Capital Contributions | 1,793,019 | 1,453,800 | 0 | 3,246,819 | 0 |
| Change in Fair Value of Investments | (215,135) | (121,546) | (12,010) | (348,691) | 0 |

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

City of Kirkland
Statement of Fiduciary Net Position
Trust and Agency Funds
December 31, 2017

| | Firefighter's Pension | Agency Funds |
|--|--------------------------|------------------|
| Assets | | |
| Cash and Cash Equivalents | 358,603 | 196,667 |
| Investments, at fair value: | | |
| Government Sponsored Enterprise Securities | 838,898 | 0 |
| Deposits | 0 | 3,716,004 |
| Total Assets | 1,197,501 | 3,912,671 |
| Liabilities | | |
| Current Liabilities | | |
| Due to Other Governments | 0 | 179,415 |
| Deposits | 0 | 3,733,256 |
| Total Liabilities | 0 | 3,912,671 |
| Net Position | | |
| Net Position Restricted for Pensions | 1,197,501 | 0 |
| Total Net Position | 1,197,501 | 0 |

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

City of Kirkland
Statement of Changes in Fiduciary Net Position
 Firefighter's Pension Fund
 For the Fiscal Year Ended December 31, 2017

| | Firefighter's Pension |
|---|--------------------------|
| Additions | |
| Contributions: | |
| Fire Insurance Premium Contributions | 107,227 |
| Investment Earnings: | |
| Net Increase in the Fair Value of Investments | 9,352 |
| Total Additions | 116,579 |
| Deductions | |
| Benefit Payments | 16,410 |
| OPEB Payments | 105,000 |
| Administrative Expenses | 3,000 |
| Total Deductions | 124,410 |
| Change in Net Position | (7,831) |
| Net Position Beginning of Year | 1,205,332 |
| Net Position End of Year | 1,197,501 |

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, 2017

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City of Kirkland

Notes to the Basic Financial Statements
For Year Ended December 31, 2017

NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The City's Comprehensive Annual Financial Report includes all funds and organizations that are controlled by or dependent on the City. Control by the City was determined on the basis of budget adoption, taxing authority, and resource allocation criteria. Dependence on the City was determined by the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. As required by the generally accepted accounting principles, the financial statements present City of Kirkland's primary government. The City of Kirkland Transportation Benefit District (TBD) was established in 2014 and qualifies as a component unit. The TBD has had no activity to date. See note 17 for additional information.

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

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

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

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

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

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

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

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

Budgetary Data

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

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

Procedures for Adopting the Original Budget

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

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

Amending the Budget

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

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

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

Assets, Liabilities, Fund Balance and Net Position

Cash and Investments

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

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

In accordance with GASB, City funds in the LGIP are stated at amortized cost and all other investments are stated at fair value. Additional information is available in Note 3.

Receivables

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

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

Amounts Due to and from Other Governmental Units

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

Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. All other outstanding balances between funds are reported as due to/from other funds. These balances are primarily utility taxes due from the utility funds to the general fund. Any residual balances outstanding between governmental activities

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

Inventories

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

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

Restricted Assets and Liabilities

These accounts contain resources reserved for customer deposits.

Capital Assets

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

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

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

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

Compensated Absences

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

Vacation leave is accumulated monthly at annual rates ranging from 104 hours to 312 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established limits and not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed probation except under special conditions listed in the Kirkland Municipal Code.

Sick leave is accrued at a rate of 8 hours for each month of the employee's service, or the equivalent number of shift hours for public safety employees. Unused sick leave may be accumulated from year to year to a maximum of 180 days.

In 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 that time, certain bargaining units were given the option to freeze their unused sick leave to be paid at 1984 wage rates upon resignation or retirement. There is one employee currently employed by the City who chose to freeze the unused sick leave for a total of \$407 benefits payable.

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$11,000 for 2017.

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

Pensions

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

Long-Term Debt

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

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

Unearned Revenues

Unearned revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes an unearned revenue as the offset. The unearned revenues include business license fees collected in 2017 for 2018.

Deferred Outflows/Inflows of Resources

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

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

Net Position

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

Fund Balance

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

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

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

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

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

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

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

| | |
|--------------------------|----------------------------|
| Municipal Court | 1,589,665 |
| Pension Asset | 11,845,514 |
| Deferred Pension Outflow | 4,380,943 |
| Bond Subsidy | 43,791 |
| Net Adjustment | <u><u>\$17,859,913</u></u> |

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

| | |
|--------------------------|----------------------------|
| Bonds Payable | 40,003,686 |
| Compensated Absences | 3,228,744 |
| Net Pension Liability | 17,207,674 |
| Net OPEB Obligation | 6,193,323 |
| Deferred Pension Inflow | 5,511,912 |
| Bond Premium/Discount | (285,435) |
| Accrued Interest Payable | 184,737 |
| Net Adjustment | <u><u>\$72,044,641</u></u> |

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

| | |
|-------------------------------|-----------------------------|
| Capital Assets | 1,030,745,167 |
| Depreciation | (188,295,693) |
| Net Capital Assets Adjustment | <u><u>\$842,449,474</u></u> |

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

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

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

| | |
|----------------------|------------------|
| Capital Outlays | 14,211,392 |
| Depreciation Expense | (14,257,884) |
| Contributed Capital | 3,341,169 |
| CIP Closures | (2,336,109) |
| Net Adjustment | <u>\$958,568</u> |

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

| | |
|-------------------------|--------------------|
| Debt Retired | 2,174,715 |
| Bond (Premium) Discount | (12,455) |
| Net Adjustment | <u>\$2,162,260</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 | (197,812) |
| Pension Asset | 6,071,005 |
| Pension Outflow | (2,563,696) |
| Bond Subsidy | (601) |
| Net Adjustment | <u>\$3,308,896</u> |

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

| | |
|--|----------------------|
| Net Pension Liability | 3,983,311 |
| Pension Inflow | (5,147,594) |
| Compensated Absence Payable | (159,929) |
| Accrued Interest Payable | (4,137) |
| Other Post Employment Benefit Obligation | (724,537) |
| Net Adjustment | <u>(\$2,052,886)</u> |

**NOTE 3:
DEPOSITS AND INVESTMENTS**

Deposits

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

| Cash and Deposits | |
|---|----------------------|
| Cash on Hand | \$ 9,800 |
| FDIC or PDPC Insured Bank Deposits | 38,292,374 |
| Fire District #41 Funds held by King County | 72,137 |
| Total | \$ 38,374,311 |

Investments

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

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee.

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

Investments Measured at Amortized Cost

As of December 31, 2017 the City of Kirkland held the following investments at amortized cost:

| Investments Measured at Amortized Cost | |
|---|----------------------|
| Washington State Local Government Investment Pool | 25,131,785 |
| Total | \$ 25,131,785 |

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 Washington State Local Government Investment Pool is a 2a7-like pool and is unrated. The credit ratings on securities held by the City of Kirkland on December 31, 2017, are listed below:

| Investment Type | Ratings | | Fair Value |
|--|---------|-----|-----------------------|
| | Moody's | S&P | |
| U.S. Treasury Notes | Aaa | AA+ | \$ 40,704,636 |
| Government Sponsored Enterprises | | | |
| Federal Home Loan Bank | Aaa | AA+ | 31,791,575 |
| Federal Home Loan Mortgage Corporation | Aaa | AA+ | 34,658,639 |
| Federal Farm Credit Bank | Aaa | AA+ | 9,850,510 |
| Federal National Mortgage Association | Aaa | AA+ | 31,675,668 |
| Total | | | \$ 148,681,028 |

Custodial Credit Risk

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

Concentration of Credit Risk

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

| Cash Deposits and Investments | Fair Value | Cost Based Measure | Percent of Total |
|---|-----------------------|-----------------------|------------------|
| U.S. Treasury Notes | \$ 40,704,636 | | 19.18% |
| Government Sponsored Enterprise | | | |
| Federal Home Loan Bank | 31,791,575 | | 14.98% |
| Federal Home Loan Mortgage Corporation | 34,658,639 | | 16.32% |
| Federal Farm Credit Bank | 9,850,510 | | 4.64% |
| Federal National Mortgage Association | 31,675,668 | | 14.93% |
| Cash on Hand | | 9,800 | 0.00% |
| FDIC or PDPC Insured Bank Deposits | | 38,292,374 | 18.04% |
| Fire District #41 Funds held by King County | | 72,137 | 0.03% |
| Washington State Local Government Investment Pool | | 25,131,785 | 11.84% |
| Total | \$ 148,681,028 | \$ 63,506,096 | |
| Total Cash, Deposits and Investments | | \$ 212,187,124 | |

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 1.47 years.

The Washington State Local Government Investment Pool is an unrated 2a-7 like pool as defined by GASB 31, accordingly participants balances are not subject to interest rate risk as the weighted average maturity of the portfolio will not exceed 90 days. The Average Days to Maturity on December 31, 2017, was 37 days.

The following schedule presents the investments and related maturities as of December 31, 2017.

| Investment Type | Fair Value | Maturity (in Years) | |
|---|--------------------|---------------------|--------------------|
| | | Less Than 1 | 1 - 5 |
| Government Sponsored Enterprise (GSE's) | 107,976,392 | 11,976,886 | 95,999,506 |
| US Treasury Notes | 40,704,636 | 19,885,317 | 20,819,319 |
| Total | 148,681,028 | 31,862,203 | 116,818,825 |

Fair Value Hierarchy

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

| Investments By Fair Value | 12/31/2017 | Fair Value Measurement Using | | |
|---|-----------------------|--|---|---|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Government Sponsored Enterprise (GSE's) | \$ 107,976,392 | \$ - | \$ 107,976,392 | \$ - |
| US Treasury Notes | 40,704,636 | 40,704,636 | - | - |
| Total By Fair Value Level | \$ 148,681,028 | \$ 40,704,636 | \$ 107,976,392 | \$ - |

**NOTE 4:
PROPERTY TAXES**

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

Property Tax Calendar:

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

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

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

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

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

The City's regular tax levy in 2017 was \$1.27609 per \$1,000 on an assessed valuation of \$22,212,373,381 for a total regular levy of \$28,344,900. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.03658 per \$1,000 for an excess levy of \$582,795. 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, 2017, was as follows:

| Governmental Activities | Balance <u>01/01/17</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>12/31/17</u> |
|---|----------------------------|--------------------|------------------|----------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | 602,163,420 | 3,256,540 | 842,623 | 604,577,337 |
| Construction in Progress | 11,297,798 | 13,902,172 | 7,775,197 | 17,424,773 |
| Artwork | 2,037,990 | 47,874 | 0 | 2,085,864 |
| Total Capital Assets, Not Being Depreciated | \$ 615,499,208 | 17,206,586 | 8,617,820 | \$ 624,087,974 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | 39,725,759 | 157,902 | 1,560,574 | 38,323,087 |
| Improvements | 83,270,077 | 2,141,474 | 80,988 | 85,330,563 |
| Machinery and Equipment | 25,171,337 | 3,570,525 | 1,314,665 | 27,427,197 |
| Infrastructure | 273,967,516 | 5,241,518 | 0 | 279,209,034 |
| Total Capital Assets, Being Depreciated | \$ 422,134,689 | 11,111,419 | 2,956,227 | \$ 430,289,881 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 15,771,777 | 1,393,552 | 448,597 | 16,716,732 |
| Improvements | 24,373,453 | 4,330,504 | 62,476 | 28,641,481 |
| Machinery and Equipment | 12,895,836 | 2,342,430 | 1,198,654 | 14,039,612 |
| Infrastructure | 132,788,904 | 8,055,644 | | 140,844,548 |
| Total Accumulated Depreciation | \$ 185,829,970 | 16,122,130 | 1,709,727 | \$ 200,242,373 |
| Total Capital Assets, Being Depreciated, Net | \$ 236,304,719 | (5,010,711) | 1,246,500 | \$ 230,047,508 |
| Governmental Activities Capital Assets, Net | \$ 851,803,927 | 12,195,875 | 9,864,320 | \$ 854,135,482 |
| Business-type Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | 2,592,606 | 824,594 | 0 | 3,417,200 |
| Construction in Progress | 2,092,936 | 10,362,018 | 4,505,154 | 7,949,800 |
| Total Capital Assets, Not Being Depreciated | \$ 4,685,542 | 11,186,612 | 4,505,154 | \$ 11,367,000 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | 47,591 | 0 | 0 | 47,591 |
| Improvements | 224,203,915 | 6,595,735 | 49,254 | 230,750,396 |
| Total Capital Assets, Being Depreciated | \$ 224,251,506 | 6,595,735 | 49,254 | \$ 230,797,987 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 47,591 | 0 | 0 | 47,591 |
| Improvements | 66,264,899 | 4,544,756 | 36,194 | 70,773,461 |
| Total Accumulated Depreciation | \$ 66,312,490 | 4,544,756 | 36,194 | \$ 70,821,052 |
| Total Capital Assets, Being Depreciated, Net | \$ 157,939,016 | 2,050,979 | 13,060 | \$ 159,976,935 |
| Business-type Activities Capital Assets, Net | \$ 162,624,558 | 13,237,591 | 4,518,214 | \$ 171,343,935 |

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

| | |
|---|----------------------|
| Governmental Activities | |
| General Government | 3,139,281 |
| Security of Persons and Property | 2,783,462 |
| Physical Environment | 865,006 |
| Transportation (includes depreciation of general infrastructure assets) | 8,085,818 |
| Economic Environment | 15,046 |
| Culture and Recreation | 1,233,517 |
| Governmental Activities Depreciation Expense | <u>\$ 16,122,130</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 | 2,851,512 |
| Surface Water Utility | 1,693,244 |
| Solid Waste Utility | 0 |
| Business-type Activities Depreciation Expense | <u>\$ 4,544,756</u> |

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2017. The projects include:

| <u>Project Function</u> | <u>Expenditures to Date</u> | <u>Remaining Commitment</u> |
|----------------------------------|-----------------------------|-----------------------------|
| General Government | 361,061 | 34,939 |
| Security of Persons and Property | 721,735 | 2,024,965 |
| Transportation | 6,585,730 | 223,674 |
| Water/Sewer Utility | 4,505,928 | 1,601,574 |
| Total | <u>\$ 12,174,454</u> | <u>\$ 3,885,152</u> |

**NOTE 6:
PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

| Aggregate Pension Amounts – All Plans | |
|---------------------------------------|-----------------|
| Pension liabilities | \$ (22,891,221) |
| Pension assets* | 11,845,514 |
| Deferred outflows of resources** | 5,372,703 |
| Deferred inflows of resources | (6,422,291) |
| Pension expense/expenditures*** | 3,166,290 |

*Includes \$830,311 pension asset for the Firefighters Pension Plan.

**Includes \$64,795 deferred outflows of resources for the Firefighters Pension Plan.

***Includes \$27,578 pension expense for the Firefighters Pension Plan.

State Sponsored Pension Plans

Substantially all City full-time employees and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Contributions

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

Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| PERS Plan 1 | | |
|-----------------------------------|-----------------|------------------|
| Actual Contribution Rates: | Employer | Employee* |
| January- June 2017: | | |
| PERS Plan 1 | 6.23% | 6.00% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| Total | 11.18% | 6.00% |
| July – December 2017: | | |
| PERS Plan 1 | 7.49% | 6.00% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Total | 12.70% | 6.00% |

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include

a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| PERS Plan 2/3 | | |
|-----------------------------------|---------------------|--------------------|
| Actual Contribution Rates: | Employer 2/3 | Employee 2* |
| January-June 2017: | | |
| PERS Plan 2/3 | 6.23% | 6.12% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| Total | 11.18% | 6.12% |
| July - December 2017: | | |
| PERS Plan 2/3 | 7.49% | 7.38% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| Total | 12.7% | 7.38% |

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July – December 2017.

The City's actual PERS plan contributions were \$17,481 to PERS Plan 1 and \$3,571,537 to PERS Plan 2/3 for the year ended December 31, 2017.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

| PSERS Plan 2 | | |
|-----------------------------------|-----------------|-----------------|
| Actual Contribution Rates: | Employer | Employee |
| January – June 2017: | | |
| PSERS Plan 2 | 6.59% | 6.59% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| Total | 11.54% | 6.59% |
| July – August 2017: | | |
| PSERS Plan 2 | 6.73% | 6.73% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Total | 11.94% | 6.73% |
| September - December 2017: | | |
| PSERS Plan 2 | 6.74% | 6.74% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Total | 11.95% | 6.74% |

The City's actual plan contributions were \$164,671 to PSERS Plan 2 for the year ended December 31, 2017.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| LEOFF Plan 2 | | |
|-----------------------------------|-----------------|-----------------|
| Actual Contribution Rates: | Employer | Employee |
| January – June 2017: | | |
| State and local governments | 5.05% | 8.41% |
| Administrative Fee | 0.18% | |
| Total | 5.23% | 8.41% |
| Ports and Universities | 8.41% | 8.41% |
| Administrative Fee | 0.18% | |
| Total | 8.59% | 8.41% |
| July - December 2017: | | |
| State and local governments | 5.25% | 8.75% |
| Administrative Fee | 0.18% | |
| Total | 5.43% | 8.75% |
| Ports and Universities | 8.75% | 8.75% |
| Administrative Fee | 0.18% | |
| Total | 8.93% | 8.75% |

The City's actual contributions to the plan were \$1,211,124 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$9,852,694.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

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

There were minor changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.

- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1 and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington state Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long term estimate of broad economic inflation.

| Asset Class | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|-----------------|-------------------|---|
| Fixed Income | 20% | 1.70% |
| Tangible Assets | 5% | 4.90% |
| Real Estate | 15% | 5.80% |
| Global Equity | 37% | 6.30% |
| Private Equity | 23% | 9.30% |
| | 100% | |

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|----------|-----------------------|---------------------------------|-----------------------|
| PERS 1 | 14,768,086 | 12,122,963 | 9,831,719 |
| PERS 2/3 | 28,809,038 | 10,693,363 | (4,149,746) |
| PSERS 2 | 502,886 | 74,894 | (260,676) |
| LEOFF 1 | (862,309) | (1,162,509) | (1,420,313) |
| LEOFF 2 | 2,132,108 | (9,852,694) | (19,617,410) |

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the City reported a total pension liability of \$11,876,017 for its proportionate share of the net pension liabilities as follows:

| | Liability (or Asset) |
|-------------------------|----------------------|
| PERS 1 | 12,122,963 |
| PERS 2/3 | 10,693,363 |
| PSERS 2 | 74,894 |
| LEOFF 1 | (1,162,509) |
| LEOFF 2 | (9,852,694) |
| Total Pension Liability | 11,876,017 |

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

| | Liability (or Asset) |
|---|----------------------|
| LEOFF 2- Employer's proportionate share | (9,852,694) |
| LEOFF 2 – State's proportionate share of the net pension liability (asset) associated with the employer | (6,391,258) |
| TOTAL | (16,243,952) |

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

| | Proportionate Share 6/30/15 | Proportionate Share 6/30/16 | Change in Proportionate Share |
|----------|--------------------------------|--------------------------------|----------------------------------|
| PERS 1 | 13,269,467 | 12,122,963 | (1,146,504) |
| PERS 2/3 | 14,658,115 | 10,693,363 | (3,964,752) |
| PSERS 2 | 164,308 | 74,894 | (89,414) |
| LEOFF 1 | (784,511) | (1,162,509) | (377,998) |
| LEOFF 2 | (4,118,359) | (9,852,694) | (5,734,335) |

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City recognized pension expense as follows:

| | Pension Expense |
|--------------|------------------|
| PERS 1 | 1,178,918 |
| PERS 2/3 | 1,661,946 |
| PSERS 2 | 104,051 |
| LEOFF 1 | (190,229) |
| LEOFF 2 | 384,027 |
| TOTAL | 3,138,713 |

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | | |
| Net difference between projected and actual investment earnings on pension plan investments | | 452,395 |
| Changes of assumptions | | |
| Changes in proportion and differences between contributions and proportionate share of contributions | | |
| Contributions subsequent to the measurement date | 814,979 | |
| TOTAL | 814,979 | 452,395 |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | 1,083,490 | 351,686 |
| Net difference between projected and actual investment earnings on pension plan investments | | 2,850,593 |
| Changes of assumptions | 113,584 | |
| Changes in proportion and differences between contributions and proportionate share of contributions | 836,895 | |
| Contributions subsequent to the measurement date | 1,132,426 | |
| TOTAL | 3,166,395 | 3,202,279 |

| PSERS 2 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | 44,295 | 5,321 |
| Net difference between projected and actual investment earnings on pension plan investments | | 52,529 |
| Changes of assumptions | 635 | |
| Changes in proportion and differences between contributions and proportionate share of contributions | 977 | 768 |
| Contributions subsequent to the measurement date | 47,868 | |
| TOTAL | 93,775 | 58,618 |

| LEOFF 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | | |
| Net difference between projected and actual investment earnings on pension plan investments | | 108,024 |
| Changes of assumptions | | |
| Changes in proportion and differences between contributions and proportionate share of contributions | | |
| Contributions subsequent to the measurement date | | |
| TOTAL | 0 | 108,024 |

| LEOFF 2 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | 433,045 | 373,631 |
| Net difference between projected and actual investment earnings on pension plan investments | | 2,211,999 |
| Changes of assumptions | 11,864 | |
| Changes in proportion and differences between contributions and proportionate share of contributions | 194,954 | 15,346 |
| Contributions subsequent to the measurement date | 592,896 | |
| TOTAL | 1,232,759 | 2,600,976 |

| TOTAL ALL PLANS | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | 1,560,830 | 730,638 |
| Net difference between projected and actual investment earnings on pension plan investments | | 5,675,540 |
| Changes of assumptions | 126,083 | |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,032,826 | 16,114 |
| Contributions subsequent to the measurement date | 2,588,169 | |
| TOTAL | 5,307,908 | 6,422,292 |

Reported below are the deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

| | <u>PERS 1</u> | <u>PERS 2/3</u> | <u>PSERS 2</u> | <u>LEOFF 1</u> | <u>LEOFF 2</u> |
|-------------------|---------------|-----------------|----------------|----------------|----------------|
| 2018 | (305,790) | (929,409) | (10,949) | (67,794) | (974,485) |
| 2019 | 96,543 | 498,090 | 9,689 | 18,284 | 271,845 |
| 2020 | (22,416) | (132,791) | 2,858 | (7,301) | (110,114) |
| 2021 | (220,731) | (1,049,325) | (10,716) | (51,213) | (921,440) |
| 2022 | 0 | 193,532 | (212) | 0 | (40,521) |
| Thereafter | 0 | 251,591 | (3,381) | 0 | (186,397) |

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. It is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administrative costs of the VFFRPF are funded through legislative appropriation. Approximately 500 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. Retirement benefits are established in Chapter 41.24 RCW and may be amended only by the Legislature. Membership in the system requires volunteer service with a fire department of an electing municipality of Washington State. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. Members may elect to withdraw their contributions upon termination. The City has not recorded any liability for this plan.

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

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

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

Contributions

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf. The City does not have any Volunteer Firefighters, therefore no contributions were made in 2017.

The contribution rates for 2017 were as follows:

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

In accordance with Chapter 41.24 RCW, the state contributes 40 percent of the fire insurance premium tax to the plan. For fiscal year 2017, the fire insurance premium tax contribution was \$6.6 million.

Actuarial Assumptions

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

- **Inflation:** 3%
- **Salary increases:** N/A
- **Investment rate of return:** 7.0%

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2016 valuation report.

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

Discount Rate

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the VFFRPF pension plan investments of 7 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary

(OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington state Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

| Asset Class | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|-----------------|-------------------|---|
| Fixed Income | 20% | 1.70% |
| Tangible Assets | 5% | 4.90% |
| Real Estate | 15% | 5.80% |
| Global Equity | 37% | 6.30% |
| Private Equity | 23% | 9.30% |
| | 100% | |

Sensitivity of the Net Pension Asset

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

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

Pension Plan Fiduciary Net Position

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

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

Firefighters’ Pension

The City of Kirkland is the administrator of the Firefighters’ Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.18. This plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. Membership is limited to firefighters employed prior to March 1,

1970, when the LEOFF retirement system was established. The City's liability under the system is composed of all benefits for firefighters retired prior to March 1, 1970, and excess benefits over LEOFF for covered firefighters retired after March 1, 1970. No separate financial report is issued for the plan. Accordingly, the required supplemental information is included in this note.

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

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

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

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2017:

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

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

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

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

| <u>Fiscal Year Ending</u> <u>December 31</u> | <u>Net Money-Weighted</u> <u>Rate of Return</u> |
|---|--|
| 2008 | N/A |
| 2009 | N/A |
| 2010 | N/A |
| 2011 | N/A |
| 2012 | N/A |
| 2013 | N/A |
| 2014 | 0.87% |
| 2015 | 0.74% |
| 2016 | 0.68% |
| 2017 | 0.74% |

| | Net External Cash Flows | Periods Invested | Period Weight | Net External Cash Flows with Interest |
|-----------------------------------|-------------------------|------------------|---------------|---------------------------------------|
| Beginning Value - January 1, 2017 | \$1,205,332 | 12.00 | 1.00 | \$1,214,296 |
| Monthly Net External Cash Flows: | | | | |
| January | (1,307) | 12.00 | 1.00 | (1,317) |
| February | (2,239) | 11.00 | 0.92 | (2,254) |
| March | (1,307) | 10.00 | 0.83 | (1,315) |
| April | (1,307) | 9.00 | 0.75 | (1,314) |
| May | 102,966 | 8.00 | 0.67 | 103,478 |
| June | (1,284) | 7.00 | 0.58 | (1,290) |
| July | (1,284) | 6.00 | 0.50 | (1,289) |
| August | (1,284) | 5.00 | 0.42 | (1,288) |
| September | (1,284) | 4.00 | 0.33 | (1,287) |
| October | (1,284) | 3.00 | 0.25 | (1,286) |
| November | (1,284) | 2.00 | 0.17 | (1,286) |
| December | (106,284) | 1.00 | 0.08 | (106,347) |
| Ending Value – December 31, 2017 | 1,197,501 | | | 1,197,501 |
| Money-Weighted Rate of Return | 0.74% | | | |

Net Pension Liability

The components of the net pension liability at December 31, 2017, were as follows:

| | December 31, 2016 | December 31, 2017 |
|--|-------------------|-------------------|
| Total Pension Liability | \$333,693 | \$367,190 |
| Fiduciary Net Position | \$1,205,332 | \$1,197,501 |
| Net Pension Liability | \$(871,639) | \$(830,311) |
| Fiduciary Net Position as a % of total pension liability | 361.21% | 326.13% |
| Covered Payroll | 0 | 0 |
| Net Pension Liability as a % of covered payroll | N/A | N/A |

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

Rates

| | December 31, 2016 | December 31, 2017 |
|--|-------------------|-------------------|
| Discount Rate | 3.75% | 3.50% |
| Long term expected rate of return, net of investment expense | 3.75% | 3.50% |
| Municipal bond rate | 3.75% | 3.50% |

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

Other key actuarial assumptions

| | | |
|--------------------------------------|--|--|
| Valuation Date | January1, 2016 | January 1, 2018 |
| Measurement Date | December 31, 2016 | December 31, 2017 |
| Inflation | 2.25% | 2.25% |
| Salary increases including inflation | 3.25% | 3.25% |
| Mortality | RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members) | RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members) |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |

Schedule of Employer Contributions

| Year Ended December 31 | Actuarially Determined Contribution | Actual Employer Contribution* | Contribution Deficiency (Excess) | Covered Payroll | Contribution As a % of Covered Payroll |
|------------------------|-------------------------------------|-------------------------------|----------------------------------|-----------------|--|
| 2008 | 0 | 70,929 | (70,929) | 90,000 | 78.81% |
| 2009 | 0 | 67,634 | (67,634) | 90,000 | 75.15% |
| 2010 | 0 | 66,934 | (66,634) | 0 | N/A |
| 2011 | 0 | 77,880 | (77,880) | 0 | N/A |
| 2012 | 0 | 71,592 | (71,592) | 0 | N/A |
| 2013 | (105,331) | (105,331) | 0 | 0 | N/A |
| 2014 | (127,795) | (127,795) | 0 | 0 | N/A |
| 2015 | (133,148) | (133,148) | 0 | 0 | N/A |
| 2016 | (93,400) | (126,991) | 33,591 | 0 | N/A |
| 2017 | (102,000) | 2,227 | (104,227) | 0 | N/A |

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

Deferred Inflows / Outflows of Resources Related to Pensions

As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | | |
| Net difference between projected and actual investment earnings on pension plan investments | | 64,795 |
| Changes of assumptions | | |
| Changes in proportion and differences between contributions and proportionate share of contributions | | |
| Contributions subsequent to the measurement date | | |
| TOTAL | 0 | 64,795 |

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

| Year ended June 30 : | |
|----------------------|--------|
| 2018 | 21,779 |
| 2019 | 21,778 |
| 2020 | 14,133 |
| 2021 | 7,105 |
| 2022 | 0 |
| Thereafter | 0 |

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

| | Original Amount | Date Established | Original Recognition Period* | Amount recognized in 12/31/2017 Expense | Balance of Deferred Inflows 12/31/2017 | Balance of Deferred Outflows 12/31/2017 |
|----------------------|-----------------|------------------|------------------------------|---|--|---|
| Investment | 35,529 | 12/31/2017 | 5.0 | 7,106 | 0 | 28,423 |
| (gains) or losses | 35,139 | 12/31/2016 | 5.0 | 7,028 | 0 | 21,083 |
| | 38,224 | 12/31/2015 | 5.0 | <u>7,645</u> | <u>0</u> | <u>15,289</u> |
| | | Total | | 21,779 | 0 | 64,795 |
| Economic/Demographic | 28,212 | 12/31/2017 | 1.0 | <u>28,212</u> | <u>0</u> | <u>0</u> |
| (gains) or losses | | Total | | 28,212 | 0 | 0 |
| Assumption | 9,487 | 12/31/2017 | 1.0 | <u>9,487</u> | <u>0</u> | <u>0</u> |
| changes or inputs | | Total | | 9,487 | 0 | 0 |

*Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members; immediate recognition is used when the average remaining service life is less than one.

Actuarial Assumptions

The long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2017.

| Asset Class | Index | Long-Term Expected Real Rate of Return |
|--|----------------------------|--|
| Cash | BAML 90-Day T-Bills | 0.18% |
| Short-Term Bonds | Barclays 1-3 Year Gov/Cred | 1.34% |
| Long-Term Bonds | Barclays Long Gov/Cred | 2.78% |
| Assumed Inflation - Mean | | 2.25% |
| Long-Term Expected Rate of Return | | 3.50% |

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the Plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

We believe that the assumption of 3.50% as of December 31, 2017 is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 3.44% as of December 31, 2017. Rounding this to the nearest ¼% results in a discount rate of 3.50%. Using 3.50% for both the long-term expected rate of return and the bond index will mean that 3.50% could be used as the single discount rate. This will need to be re-evaluated as of later valuation dates.

Sensitivity Analysis

The following presents the net pension liability of the City, calculated using the discount rate of 3.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current rate.

| | 1% Decrease 2.50% | Current Discount Rate 3.50% | 1% Increase 4.50% |
|-------------------------|-------------------------|-----------------------------------|-------------------------|
| Total Pension Liability | \$ 409,172 | \$ 367,190 | \$ 331,364 |
| Fiduciary Net Position | 1,197,501 | 1,197,501 | 1,197,501 |
| Net Pension Liability | (788,329) | (830,311) | (866,137) |

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 858 employees who participated in the program during 2017, including seasonal employees. The City's contribution for 2017 was \$3,067,826; employee contributions were \$3,899,294 during the same period. The rate the City must pay and the employee may pay is equal to the Social Security rate of 6.2%.

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

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

**NOTE 7:
OTHER POST EMPLOYMENT BENEFITS**

The 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 2017 there were 33 retirees receiving these benefits.

For 2017, the City's cost of providing these benefits were as follows:

| | | |
|-------------------|-------------------------|-------------------|
| Medical premiums: | Insurance Premium Costs | \$ 528,845 |
| | Direct Medical Costs | <u>62,156</u> |
| | Total Costs | <u>\$ 591,001</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 2015, 2016 and 2017. 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 \$6,193,323 is included as a noncurrent liability on the Statement of Net Position.

| | 12/31/2015 | 12/31/2016 | 12/31/2017 |
|---|-------------|-------------|-------------|
| Determination of Annual Required Contribution | | | |
| Normal Cost at Year End | 0 | 0 | 0 |
| Amortization of UAAL | 1,653,796 | 1,664,173 | 1,588,656 |
| Annual Required Contribution (ARC) | \$1,653,796 | \$1,664,173 | \$1,588,656 |
| Determination of Net OPEB Obligation | | | |
| Annual Required Contribution | \$1,653,796 | \$1,664,173 | \$1,588,656 |
| Interest on Prior Year Net OPEB Obligation | 153,696 | 186,059 | 218,751 |
| Adjustments to ARC | (345,589) | (418,359) | (491,869) |
| Annual OPEB Cost | 1,461,902 | 1,431,874 | 1,315,538 |
| Contributions Made | 652,826 | 614,561 | 591,001 |
| Increase in Net OPEB Obligation | \$809,076 | \$817,313 | \$724,537 |
| Net OPEB Obligation - beginning of year | \$3,842,397 | \$4,651,473 | \$5,468,786 |
| Net OPEB Obligation – end of year | \$4,651,473 | \$5,468,786 | \$6,193,323 |

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2016 and 2017 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|------------------------|
| 12/31/2015 | \$1,461,902 | 44.7% | \$4,651,473 |
| 12/31/2016 | \$1,431,874 | 42.9% | \$5,468,786 |
| 12/31/2017 | \$1,315,538 | 44.9% | \$6,193,323 |

Funding Status and Funding Progress

As of December 31, 2017, the plan was 0% funded. The accrued liability for benefits was \$17,663,288 and actuarial value of assets was \$0 resulting in a UAAL of \$17,663,288.

The City pays medical costs associated with the benefits described above on a pay-as-you-go basis. The City has funded \$618,079 of the liability in a reserve account and continues to set aside funding as the opportunity arises. This amount is not reflected in the actuarial value due because the funds are not in a separate trust fund.

Actuarial Assumptions

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

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

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

Beginning in 2009, the City used the alternative measurement method permitted under GASB Statement 45. A single retirement age of 55.3 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, 2014, actuarial valuation report issued by the Office of the State Actuary. Healthcare costs and trends were determined by Milliman and used by the Office of the State Actuary in the state-wide LEOFF 1 medical study performed in 2013. The results are based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

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

**NOTE 8:
NONGOVERNMENTAL PENSION PLAN**

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

To be eligible to participate in the Plan, a person must be an employee and must be covered under a bona fide written labor contract between an employer and a local union of the International Brotherhood of Teamsters that requires the employer to make payments to the Trust Fund. The current collective-bargaining agreement between the City and the Teamsters Local 763 expires December 31, 2020 and requires the City to pay \$0.35 per hour to the Trust Fund for each member of the bargaining unit, up to the maximum of 184 hours per calendar month. In 2017 the City made contributions for 111 employees, totaling \$73,215.

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

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

Contributions payable at December 31, 2017 were \$5,487 representing contributions made for hours worked in December 2017. These contributions were paid in January 2018.

NOTE 9: RISK MANAGEMENT

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 161 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2017.

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

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

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

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

Medical Self Insurance

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

In order to mitigate its risk exposure the City holds individual and aggregate stop loss insurance. There were six claims in excess of the \$100,000 per person stop loss maximum in 2017. In accordance with GASB Statement 10, estimated liabilities are accrued for current outstanding claims and claims incurred but not reported (IBNR).

| | <u>Beginning Of Year Liability</u> | <u>Incurred Claims Including IBNRs</u> | <u>Claim Payments</u> | <u>Unpaid Claims</u> |
|------|--|--|---------------------------|--------------------------|
| 2012 | \$503,643 | \$6,316,315 | \$6,208,928 | \$611,030 |
| 2013 | \$611,030 | \$6,379,496 | \$6,388,631 | \$601,895 |
| 2014 | \$601,895 | \$7,159,200 | \$7,170,710 | \$590,385 |
| 2015 | \$590,385 | \$6,754,800 | \$6,715,140 | \$630,045 |
| 2016 | \$630,045 | \$6,225,297 | \$6,294,771 | \$560,571 |
| 2017 | \$560,571 | \$6,007,121 | \$6,037,692 | \$530,000 |

**NOTE 10:
LONG-TERM DEBT**

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has four loans with principal outstanding of \$4,484,309. This debt will be repaid from Water/Sewer Fund revenues.

On December 21, 2010, the City issued \$35,345,000 in Limited Tax General Obligation Bonds (Build America Bonds – Direct Payment) with a net interest cost of 3.53 percent and final payment on December 1, 2040. The federal subsidy rate on the bonds is 35 percent of the interest paid by the issuer (ie: the City). The proceeds from these bonds are being used to pay the costs of reimbursing previously incurred capital expenditures (designated for reimbursement) associated with the purchase of property, improvements and modifications for use as a public safety facility for the City and refurbishing and furnishing the public safety facility. On Friday, March 1, 2013, the sequestration provisions of the Budget Control Act of 2011 (“Sequestration”) went into effect. As a result, in 2015 the federal subsidy payments relating to Direct-Pay Tax Credit Bonds were reduced by 7.2 percent of the amount that would otherwise have been paid to the issuer. The sequestration reductions are scheduled to continue through 2023. As of October 1, 2017, the sequestration rate for direct pay bonds is 6.8%. This rate will be used for years through 2023.

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

| Year Ending December 31 | Principal | Gross Interest | Interest Subsidy | Net Totals |
|-------------------------|----------------------|----------------------|---------------------|----------------------|
| 2018 | 1,045,000 | 1,610,960 | 525,495 | 2,130,465 |
| 2019 | 1,070,000 | 1,575,430 | 513,906 | 2,131,524 |
| 2020 | 1,195,000 | 1,535,305 | 500,817 | 2,229,488 |
| 2021 | 805,000 | 1,487,505 | 485,224 | 1,807,281 |
| 2022 | 1,000,000 | 1,453,695 | 474,195 | 1,979,500 |
| 2023-2027 | 5,475,000 | 6,543,220 | 2,256,576 | 9,761,644 |
| 2028-2032 | 6,470,000 | 5,014,928 | 1,755,224 | 9,729,704 |
| 2033-2037 | 7,775,000 | 3,010,456 | 1,053,660 | 9,731,796 |
| 2038-2040 | 5,405,000 | 650,360 | 227,626 | 5,827,734 |
| Total | \$ 30,240,000 | \$ 22,881,859 | \$ 7,792,723 | \$ 45,329,137 |

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

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

On March 3, 2015 the City Council authorized an interfund loan in an amount up to \$4.7 million between the Capital Projects Fund and the Water Sewer Utility for the purchase of real property. The loan term is three years at a rate of 0.20%. The loan can be repaid at any time during the loan period. Interest is accruing over the life of the loan and will be paid at the point of repayment.

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

| Issue - Purpose | Issue Date | Maturity Date | Interest Rate | Amount Issued | Redemptions to Date | Outstanding 12/31/2017 | Due Within One Year |
|--|------------|---------------|---------------|---------------|---------------------|------------------------|---------------------|
| *2010 LTGO Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment) | 12/21/2010 | 12/1/2040 | 0.90 to 5.95 | 35,345,000 | 5,105,000 | 30,240,000 | 1,045,000 |
| *2011 Limited Tax General Obligation Bond | 5/26/2011 | 12/1/2021 | 3.2 | 4,000,000 | 2,246,314 | 1,753,686 | 417,770 |
| 2013 UTGO Refunding Bonds | 10/29/2013 | 12/1/2022 | 2.3 | 4,670,000 | 2,015,000 | 2,655,000 | 520,000 |
| *2015 LTGO Bonds - City Hall Remodel | 11/20/2015 | 12/1/2034 | 3.45 | 5,800,000 | 445,000 | 5,355,000 | 235,000 |
| Total | | | | \$49,815,000 | \$ 9,811,314 | \$ 40,003,686 | \$ 2,217,770 |

*Councilmanic

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

| Year Ending December 31 | Governmental Activities | |
|-------------------------|-------------------------|---------------|
| | Principal | Interest |
| 2018 | 2,217,770 | 1,871,234 |
| 2019 | 2,261,245 | 1,803,007 |
| 2020 | 2,425,156 | 1,729,629 |
| 2021 | 2,064,515 | 1,647,619 |
| 2022 | 1,820,000 | 1,582,167 |
| 2023-2027 | 6,975,000 | 7,115,144 |
| 2028-2032 | 8,255,000 | 5,342,506 |
| 2033-2037 | 8,580,000 | 3,052,373 |
| 2038-2040 | 5,405,000 | 650,360 |
| Total | \$ 40,003,686 | \$ 24,794,039 |

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 12/31/2017 | Due Within One Year |
|--|------------|---------------|---------------|---------------|---------------------|------------------------|---------------------|
| 1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design | 7/1/2000 | 7/1/2019 | 1.0 | 227,500 | 202,430 | 25,070 | 12,535 |
| 2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction | 11/14/2001 | 7/1/2021 | 0.5 | 1,848,000 | 1,436,126 | 411,874 | 102,969 |
| 2004 Public Works Trust Loan Central Way Sewer Replacement | 9/1/2004 | 7/1/2024 | 0.5 | 1,086,300 | 684,972 | 401,328 | 57,332 |
| 2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement | 10/8/2012 | 6/1/2032 | 0.5 | 3,887,600 | 241,563 | 3,646,037 | 243,069 |
| Total | | | | \$7,049,400 | \$2,565,091 | \$4,484,309 | \$415,905 |

The revenue debt service requirements to maturity are as follows:

| Year Ending December 31 | | |
|----------------------------|--------------|------------|
| | Principal | Interest |
| 2018 | 415,905 | 22,547 |
| 2019 | 415,905 | 20,405 |
| 2020 | 403,370 | 18,262 |
| 2021 | 403,370 | 16,245 |
| 2022 | 300,402 | 14,229 |
| 2023-2027 | 1,330,010 | 49,473 |
| 2028-2032 | 1,215,347 | 18,230 |
| Total | \$ 4,484,309 | \$ 159,391 |

City of Kirkland Credit Ratings

On December 5, 2014, Standard and Poor's affirmed the City of Kirkland's AAA rating. Moody's Investors Service raised the City of Kirkland's General Obligation Limited Tax bond rating from Aa2 to Aa1 on February 15, 2017.

**NOTE 11:
LEASES**

Operating Leases

Copier Leases

In December, 2016 the City entered into two 60 month leases for a Canon IR C 5560i and Canon IR C 700. Lease payments for 2017 totaled \$18,589. The future minimum payments for these agreements are summarized as follows:

| | |
|-------|-----------------|
| 2018 | 18,589 |
| 2019 | 18,589 |
| 2020 | 18,589 |
| 2021 | 18,589 |
| Total | <u>\$74,356</u> |

King County Housing Authority

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. On June 27, 2013 the lease was extended 3 additional years with a termination date of October 31, 2016. In October, 2016 the lease was converted to a six month lease, beginning on November 1, 2016. The lease automatically renews for six month periods unless terminated by either party upon not less than ninety days prior written notice. The base monthly rental amount will increase by 1.5% at the beginning of each six month renewal. Lease payments for 2017 totaled \$118,368. On April 17, 2018 the City purchased this facility from King County Housing Authority. Lease payments of \$35,460 were paid in 2018.

Envelope Opener

In 2014, the City entered into a 60 month lease for an Envelope Opener from Neopost Northwest. Lease payments for the year ended December 31, 2017, was \$492. The future minimum payments for these agreements are summarized as follows:

| | |
|-------|--------------|
| 2018 | 492 |
| 2019 | 164 |
| Total | <u>\$656</u> |

City of Bellevue

Effective March 1, 2015, the City entered into a colocation agreement with the City of Bellevue to provide space in its premises for certain City equipment for a three year term. The contract automatically renews for two more years unless the City notifies Bellevue 30 days prior to the renewal date. There is a CPI increase each year with a maximum of 3%. The current renewal term ends February 29, 2020. Contract payments for the year ended December 31, 2017 was \$41,880. The future minimum payments for this agreement is summarized as follows:

| | |
|-------|-----------------|
| 2018 | 41,880 |
| 2019 | 41,880 |
| 2020 | <u>6,980</u> |
| Total | <u>\$90,740</u> |

Gas Monitoring Equipment

Effective July 15, 2017, the City entered into a four year lease for hazardous gas monitoring equipment. The initial term ends July 14, 2021. The lease automatically renews on a month-to-month basis for a period not to exceed twelve months unless either party gives 60 days' notice that they do not intend to renew. Lease payments for the year ended December 31, 2017 was \$6,437. Future minimum payments are summarized as follows:

| | |
|-------|-----------------|
| 2018 | 15,449 |
| 2019 | 15,449 |
| 2020 | 15,449 |
| 2021 | <u>9,012</u> |
| Total | <u>\$55,359</u> |

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

During the year ending December 31, 2017, the following changes occurred in long-term liabilities:

| | Beginning Balance 01/01/17 | Additions | Reductions | Ending Balance 12/31/17 | Due Within One Year |
|---|----------------------------------|-------------------|-------------------|-------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | |
| Bonds Payable: | | | | | |
| General Obligation Bonds | 42,178,401 | - | 2,174,715 | 40,003,686 | 2,217,770 |
| Less: | | | | | |
| Issuance Discount | (297,891) | - | (12,455) | (285,436) | (12,455) |
| Interfund Loan | 4,698,991 | - | - | 4,698,991 | 4,698,991 |
| Compensated Absences | 3,249,968 | 3,383,426 | 3,177,070 | 3,456,324 | 2,756,912 |
| Self Insurance Claims | 560,571 | 6,007,121 | 6,037,692 | 530,000 | 530,000 |
| Net Pension Liability | 24,760,485 | - | 4,614,069 | 20,146,416 | - |
| Other Post Employment Benefits | 5,468,786 | 1,315,538 | 591,001 | 6,193,323 | - |
| Governmental Activity Long-term Liabilities | <u>80,619,311</u> | <u>10,706,085</u> | <u>16,582,092</u> | <u>74,743,304</u> | <u>10,191,218</u> |
| <u>Business-Type Activities</u> | | | | | |
| PWTF Loans | 4,319,574 | 544,350 | 379,615 | 4,484,309 | 415,905 |
| Net Pension Liability | 3,331,761 | - | 586,957 | 2,744,804 | - |
| Compensated Absences | 172,924 | 442,920 | 435,448 | 180,396 | 144,317 |
| Business-Type Activity Long-term Liabilities | <u>7,824,259</u> | <u>987,270</u> | <u>1,402,020</u> | <u>7,409,509</u> | <u>560,222</u> |

Compensated Absences

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$227,580 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 and pension costs include the General Fund and Parks Maintenance Fund.

Other Post Employment Benefits

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

Beginning in 2014, the LEOFF 1 Pension Fund began liquidating some OPEB liability as deemed appropriate by the actuarial valuation of the fund. In 2017, the amount utilized to exhaust OPEB costs was \$105,000.

**NOTE 13:
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2017, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 14:
INTERFUND BALANCES AND TRANSFERS**

Interfund balances as reported in the financial statements at December 31, 2017, were as follows:

| <u>Interfund Balances Between Governmental and Business-Type Activities</u> | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--|------------------------------------|----------------------------------|
| Major Governmental Funds: | | |
| General | 887,295 | 64,686 |
| General Capital Projects | | |
| Non Major Governmental Funds: | | |
| Parks Levy | | 326 |
| Cemetery Operating | | 295 |
| Parks Maintenance | | 152 |
| Internal Service Funds | | 10,035 |
| Business-Type Funds: | | |
| Water/Sewer | 76,067 | 561,402 |
| Surface Water | | 21,052 |
| Solid Waste | | 305,413 |
| Total Transfers | <u>\$ 963,361</u> | <u>\$ 963,361</u> |

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, and subsidies. Interfund transfers at December 31, 2017, were as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------|----------------------|----------------------|
| Major Governmental Funds: | | |
| General | 656,770 | 15,258,704 |
| Excise Capital Improvement | 1,883,319 | 9,181,196 |
| General Capital | 15,246,152 | 1,827,229 |
| Transportation Capital Projects | 14,632,052 | 1,585,885 |
| Non Major Governmental Funds: | | |
| Parks Levy | 41,246 | 1,418,908 |
| Impact Fees | 281,822 | 3,825,080 |
| Debt Service Funds | 2,558,967 | |
| Internal Service Funds | 1,429,246 | 2,771,972 |
| Proprietary Funds: | | |
| Water/Sewer | | 267,800 |
| Surface Water | | 187,800 |
| Solid Waste | | 300,000 |
| Agency Funds | | 105,000 |
| Total Transfers In/Out | <u>\$ 36,729,574</u> | <u>\$ 36,729,574</u> |

NOTE 15: JOINT VENTURES

ARCH – Housing Coalition

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

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

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2017 the City contributed \$108,366 to ARCH for operations and \$415,000 to fund affordable housing projects.

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

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

Cascade Water Alliance

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

The City of Kirkland's share of membership dues for 2017 was \$377,698. Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. In 2017, the City of Kirkland remitted \$685,368 for this charge.

In April of 2006, the Cascade Water Alliance issued revenue bonds in the amount of \$55.2 million. The bonds were issued to cover the costs of carrying out a portion of the capital program described in the Cascade Watershed Management Plan. In October of 2009, the Cascade Water Alliance issued a series

of water system revenue bonds with net proceeds to Cascade of \$80 million. The majority of the bond proceeds funded the acquisition of Lake Tapps, tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. In December of 2012, the Cascade Water Alliance issued a series of water system revenue bonds for approximately \$48 million for the purposes of paying part of the cost of financing Capital Projects and providing for a Debt Service Reserve. In August of 2014, the Cascade Water Alliance issued a series of water system refunding revenue bonds for approximately \$29.2 million to pay a portion of the costs of refunding the callable portion of the outstanding 2006 bond issue. The 2006, 2009, 2012 and 2014 bonds do not pledge the full faith and credit of any of the seven current members, nor do the bonds pledge any revenues except as the members commit under the Interlocal Contract which established Cascade Water Alliance.

Financial statement information can be obtained from Cascade Water Alliance by contacting Chris Paulucci, Finance and Administration Manager, 520 112th Ave NE, Suite 400, Bellevue, WA 98004.

EPSCA

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

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

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

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

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services. In 2017 the City of Kirkland paid EPSCA \$89,855 for these services.

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2017, the weighted vote was as follows:

| | |
|---------------|---------|
| Bellevue | 47.292% |
| Redmond | 23.385% |
| Kirkland | 17.916% |
| Mercer Island | 5.990% |
| Issaquah | 5.417% |

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

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

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

eCityGov Alliance

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the eCityGov Alliance between the City of Bellevue and the cities of Bothell, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish and Snoqualmie. The Alliance was formed to provide for joint development, oversight and delivery of regionally coordinated on-line public sector services. In 2014 eCityGov Alliance became a non-profit corporation.

Expenditures consist of capital and operations costs as specified in the budget adopted by the eCityGov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the members of the eCityGov Alliance. The City of Kirkland paid membership dues of \$31,565 in 2017.

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

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

NORCOM

In November of 2007, the City of Kirkland, with the cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Beginning January of 2018, the City of Normandy Park will be joining as a principal. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. For 2017, the City of Kirkland's share of these fees was \$2,635,034.

Additional financial information can be obtained from NORCOM, c/o J.R. Lieuallen, P.O. Box 50911, Bellevue, WA 98015-0911.

Hazardous Materials Unit and Response Team

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

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

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

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

Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Kirkland's assessment was \$16,229 in 2017.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, 450 110th Ave NE, Bellevue, WA 98004.

Community Connectivity Consortium

The City of Kirkland is among several public agencies in the area that have established the Community Connectivity Consortium. The consortium started in 2003 with a joint fiber project between the Lake Washington School District and the City of Kirkland. It has now expanded to include the cities of Kirkland, Bellevue, Renton, Seattle, Algona, Auburn, Kent, Pacific, Tukwila, Redmond, Newcastle, Federal Way, Milton; the Lake Washington School District, Federal Way School District, University of Washington, Bellevue College, Bellevue School District, King County Public Hospital District No 2 (Evergreen Healthcare), Renton School District, Valley Communications Center, NORCOM, King County, Valley Medical Center, South Correctional Entity, the Northshore School District and South Sound 911. In 2011 the consortium was formally organized as a government agency.

The Consortium sets the terms and conditions for sharing fiber optic installation projects, outlines how the parties will work together on fiber projects and establishes the original backbone of the Fiber Consortium network through contributions of budget, fiber assets, conduit, right of way and staff expertise. It has built over 35 miles of fiber optic cable, creating strategic connection points along the way. The partners use the fiber network to connect schools and universities to enhance learning; to connect hospitals, medical facilities and clinics to improve health care; connect government facilities for public safety, transportation and other needs; and to provide an open access network to serve the public with wireless and broadband access. The City of Kirkland paid membership dues of \$5,355 in 2017.

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

For additional information please contact Chelo Picardal, Board Chair, CTO, City of Bellevue, cpicardal@bellevuewa.gov.

Sound Cities Association

In 1970 Sound Cities Association (SCA) was formed to help cities act locally and partner regionally to create vital, livable communities through advocacy, education, leadership, mutual support and networking. The City of Kirkland is among 38 cities represented by SCA having a population less than 150,000. The SCA Board of Directors oversees the general activities of the Association, and governs the organization by establishing broad policies and objectives for SCA.

Operating revenues are provided by membership dues based on population. The City of Kirkland's dues were \$49,408 in 2017. Upon dissolution of SCA, any funds or assets shall be distributed to member cities and towns pursuant to the same formula used to determine membership dues. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

For additional information contact Deanna Dawson, Executive Director, deanna@soundcities.org.

North Sound Metro SWAT

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

Operating revenues are provided by contributions from the participating cities based on population. The City of Kirkland's dues were \$7,060 for 2017. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

**NOTE 16:
BUDGET TO GAAP RECONCILIATION**

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

2017 Budget to GAAP Reconciliation

| | General Fund | Excise Tax Capital Improvement | Street Operating Special Revenue | Contingency Special Revenue |
|---|---------------------|---|---|--|
| Revenues on the Budgetary Basis | 100,205,182 | 10,494,154 | 9,111,310 | 0 |
| Increase (Decrease) due to accruals | (1,178,858) | 80,920 | 0 | 0 |
| Reclassification | 9,111,310 | 0 | (9,111,310) | 0 |
| Revenues on the GAAP Basis | <u>108,137,634</u> | <u>10,575,074</u> | <u>0</u> | <u>0</u> |
| Expenditures on the Budgetary Basis | 90,616,998 | 0 | 6,035,973 | 0 |
| Increase (Decrease) due to accruals | (3,521,178) | 0 | 0 | 0 |
| Reclassification | 6,035,973 | 0 | (6,035,973) | 0 |
| Expenditures on the GAAP Basis | <u>93,131,793</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Other Financing Sources (Uses) on the Budgetary Basis | (7,336,690) | (7,297,877) | (2,857,188) | 927,951 |
| Increase (Decrease) due to accruals | (2,515,426) | 0 | 0 | 0 |
| Reclassification | (1,929,237) | 0 | 2,857,188 | (927,951) |
| Other Financing Sources (Uses) on the GAAP Basis | <u>(11,781,353)</u> | <u>(7,297,877)</u> | <u>0</u> | <u>0</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures on the Budgetary Basis | 9,588,184 | 10,494,154 | 3,075,337 | 0 |
| Increase (Decrease) due to accruals | 2,342,320 | 80,920 | 0 | 0 |
| Reclassification | 3,075,337 | 0 | (3,075,337) | 0 |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures on the GAAP Basis | <u>15,005,841</u> | <u>10,575,074</u> | <u>0</u> | <u>0</u> |

**NOTE 17:
OTHER INFORMATION**

The City of Kirkland Transportation Benefit District (TBD) was legally established by ordinance on February 10, 2014. It will provide additional funding for the purposes of implementing and funding transportation improvements. There has been no formal action from the Kirkland City Council to establish a meeting of the governing body, no business has been conducted, and no economic activity has commenced for the TBD. Therefore there is no financial reporting activity for the Transportation Benefit District in 2017.

**NOTE 18:
TAX ABATEMENTS**

The City sales and use tax revenues were reduced by \$569,556 under an agreement entered into by the State of Washington. The City property tax revenues were reduced by \$126,318 under agreements entered into by the State of Washington. This information was provided by the Washington State Department of Revenue and is based on calendar year 2016. Calendar 2017 information is not available until September 2018.

The City property tax revenues were reduced by \$56,325 under agreements entered into by King County.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PERS 1
as of June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.255485% | 0.247082% | 0.237347% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | 12,122,963 | 13,269,467 | 12,415,455 |
| Employer's Covered Employee Payroll | 30,413,029 | 29,416,516 | 26,694,217 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer | n/a | n/a | n/a |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | 39.86% | 45.11% | 46.51% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 121.86% | 108.31% | 108.46% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PERS 2/3
as of June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.307765% | 0.291129% | 0.282083% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | 10,693,363 | 14,658,115 | 10,078,986 |
| Employer's Covered Employee Payroll | 30,114,668 | 29,032,093 | 26,203,665 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer | n/a | n/a | n/a |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | 35.51% | 50.49% | 38.46% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 103.62% | 72.83% | 109.50% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PSERS 2
as of June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.382251% | 0.386625% | 0.374208% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | 74,894 | 164,308 | 68,300 |
| Employer's Covered Employee Payroll | 1,400,916 | 1,300,952 | 1,187,373 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer | n/a | n/a | n/a |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | 5.35% | 12.63% | 5.75% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | -66.98% | -24.03% | -10.75% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
LEOFF 1
as of June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.076621% | 0.076145% | 0.075351% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | (1,162,509) | (784,511) | (908,146) |
| Employer's Covered Employee Payroll | n/a | n/a | n/a |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer | n/a | n/a | n/a |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | n/a | n/a | n/a |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 20.34% | 54.39% | 59.04% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
LEOFF 2
as of June 30, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.710014% | 0.708072% | 0.742445% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | (9,852,694) | (4,118,359) | (7,630,850) |
| Employer's Covered Employee Payroll | 22,938,095 | 20,928,017 | 22,232,350 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer | (2,684,350) | (2,684,350) | (5,045,524) |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | -42.95% | -19.68% | -34.32% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 47.94% | 134.04% | 67.99% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
PERS 1
as of December 31, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| Statutorily or Contractually Required Contributions | 35,093 | 42,286 | 49,596 |
| Contributions in Relation to the Statutorily or Contractually Required Contributions | 35,093 | 42,286 | 49,596 |
| Contribution Deficiency (excess) | - | - | - |
| Covered Employee Payroll | 30,413,029 | 29,416,516 | 26,694,217 |
| Contributions as a Percentage of Covered Employee Payroll | 0.12% | 0.14% | 0.19% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
PERS 2/3
as of December 31, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| Statutorily or Contractually Required Contributions | 3,541,870 | 3,192,966 | 2,650,616 |
| Contributions in Relation to the Statutorily or Contractually Required Contributions | 3,541,870 | 3,192,966 | 2,650,616 |
| Contribution Deficiency (excess) | - | - | - |
| Covered Employee Payroll | 30,114,668 | 29,032,093 | 26,203,665 |
| Contributions as a Percentage of Covered Employee Payroll | 11.76% | 11.00% | 10.12% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
PSERS 2
as of December 31, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| Statutorily or Contractually Required Contributions | 162,052 | 147,316 | 131,087 |
| Contributions in Relation to the Statutorily or Contractually Required Contributions | 162,052 | 147,316 | 131,087 |
| Contribution Deficiency (excess) | - | - | - |
| Covered Employee Payroll | 1,400,916 | 1,300,952 | 1,187,373 |
| Contributions as a Percentage of Covered Employee Payroll | 11.57% | 11.32% | 11.04% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
LEOFF 1
as of December 31, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| Statutorily or Contractually Required Contributions | - | - | - |
| Contributions in Relation to the Statutorily or Contractually Required Contributions | - | - | - |
| Contribution Deficiency (excess) | - | - | - |
| Covered Employee Payroll | - | - | - |
| Contributions as a Percentage of Covered Employee Payroll | n/a | n/a | n/a |

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
LEOFF 2
as of December 31, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| Statutorily or Contractually Required Contributions | 1,180,952 | 1,057,143 | 1,108,263 |
| Contributions in Relation to the Statutorily or Contractually Required Contributions | 1,180,952 | 1,057,143 | 1,108,263 |
| Contribution Deficiency (excess) | - | - | - |
| Covered Employee Payroll | 22,938,095 | 20,928,017 | 22,232,350 |
| Contributions as a Percentage of Covered Employee Payroll | 5.15% | 5.05% | 4.98% |

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

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Net Pension Liability and Related Ratios
(dollar amounts in thousands)

| | Fiscal Year Ending December 31 | | | |
|---|-----------------------------------|----------------|------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Total Pension Liability | | | | |
| Service Cost | \$0 | \$0 | \$0 | \$0 |
| Interest on total pension liability | 12 | 12 | 13 | 13 |
| Effect of plan changes | 0 | 0 | 0 | 0 |
| Effect of economic/demographic gains or (losses) | 28 | 0 | (67) | 0 |
| Effect of assumption changes or inputs | 9 | (9) | 43 | 10 |
| Benefit payments | (16) | (15) | (13) | (14) |
| Net change in total pension liability | \$33 | (\$13) | (\$25) | \$9 |
| Total pension liability, beginning | \$334 | \$347 | \$372 | \$363 |
| Total pension liability, ending (a) | \$367 | \$334 | \$347 | \$372 |
| Fiduciary Net Position | | | | |
| Employer contributions | \$0 | \$0 | \$0 | \$0 |
| Contributions from state fire insurance premium tax | 107 | 98 | 92 | 97 |
| Investment income net of investment expenses | 9 | 9 | 11 | 14 |
| Benefit payments | (16) | (15) | (13) | (14) |
| Medical payments from fund | (105) | (225) | (225) | (225) |
| Administrative expenses | (3) | (12) | (3) | (8) |
| Net change in plan fiduciary net position | (\$8) | (\$145) | (\$138) | (\$136) |
| Fiduciary net position, beginning | \$1,205 | \$1,350 | \$1,488 | \$1,624 |
| Fiduciary net position, ending (b) | \$1,197 | \$1,205 | \$1,350 | \$1,488 |
| Net pension liability, ending = (a) - (b) | (\$830) | (\$872) | (\$1,003) | (\$1,117) |
| Fiduciary net position as a % of total pension liability | 326.13% | 361.21% | 389.56% | 400.42% |
| Covered payroll | \$0 | \$0 | \$0 | \$0 |
| Net pension liability as a % of covered payroll | N/A | N/A | N/A | N/A |

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

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Schedule of Investment Returns

| Fiscal Year Ending <u>December 31</u> | Net Money-Weighted <u>Rate of Return</u> |
|--|---|
| 2008 | N/A |
| 2009 | N/A |
| 2010 | N/A |
| 2011 | N/A |
| 2012 | N/A |
| 2013 | N/A |
| 2014 | 0.87% |
| 2015 | 0.74% |
| 2016 | 0.68% |
| 2017 | 0.74% |

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Schedule of Employer contributions

| Year Ended December 31 | Actuarially Determined Contribution | Actual Employer Contribution* | Contribution Deficiency (Excess) | Covered Payroll | Contribution As a % of Covered Payroll |
|------------------------------|---|-------------------------------------|--|--------------------|---|
| 2008 | 0 | 70,929 | (70,929) | 90,000 | 78.81% |
| 2009 | 0 | 67,634 | (67,634) | 90,000 | 75.15% |
| 2010 | 0 | 66,934 | (66,634) | 0 | N/A |
| 2011 | 0 | 77,880 | (77,880) | 0 | N/A |
| 2012 | 0 | 71,592 | (71,592) | 0 | N/A |
| 2013 | (105,331) | (105,331) | 0 | 0 | N/A |
| 2014 | (127,795) | (127,795) | 0 | 0 | N/A |
| 2015 | (133,148) | (133,148) | 0 | 0 | N/A |
| 2016 | (93,400) | (126,991) | 33,591 | 0 | N/A |
| 2017 | (102,000) | 2,227 | (104,227) | 0 | N/A |

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

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF 1 Retiree Medical and Long Term Care Benefits
Schedule of Funding Progress
(dollar amounts in 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, 2008 | 0 | 12,505 | 12,505 | 0 | % N/A | % N/A |
| December 31, 2009 | 0 | 10,724 | 10,724 | 0 | % N/A | % N/A |
| December 31, 2010 | 0 | 10,070 | 10,070 | 0 | % N/A | % N/A |
| December 31, 2011 | 0 | 9,534 | 9,534 | 0 | % N/A | % N/A |
| December 31, 2012 | 0 | 10,211 | 10,211 | 0 | % N/A | % N/A |
| December 31, 2013 | 0 | 15,595 | 15,595 | 0 | % N/A | % N/A |
| December 31, 2014 | 0 | 14,913 | 14,913 | 0 | % N/A | % N/A |
| December 31, 2015 | 0 | 18,388 | 18,388 | 0 | % N/A | % N/A |
| December 31, 2016 | 0 | 18,503 | 18,503 | 0 | % N/A | % N/A |
| December 31, 2017 | 0 | 17,663 | 17,663 | 0 | % N/A | % N/A |

Source: 2008 actuarial valuation for the Firefighters' Pension Fund and Retiree Medical and Long Term Care Benefits for LEOFF 1 employees were prepared for City of Kirkland by Milliman.

2009 through 2017 valuation amounts for the Medical and Long Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of State Actuary.

**Required Supplementary Information
Western Conference of Teamsters' Pension Plan
Schedule of Employer Contributions
As of December 31, 2017**

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

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

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

| <u>Fiscal Year Ending December 31</u> | <u>Employer Contributions</u> |
|---|-----------------------------------|
| 2008 | 60,794 |
| 2009 | 54,917 |
| 2010 | 55,793 |
| 2011 | 54,627 |
| 2012 | 59,156 |
| 2013 | 66,552 |
| 2014 | 67,277 |
| 2015 | 72,159 |
| 2016 | 73,696 |
| 2017 | 73,215 |



Fund Financial Statements and Schedules

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Debt Service Funds

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

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

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2017

Page 1 of 2

Special Revenue

| | Lodging Tax | Cemetery Operating | Parks Maintenance | Parks Levy |
|--|----------------|-----------------------|----------------------|----------------|
| Assets | | | | |
| Cash and Cash Equivalents | 104,082 | 257,558 | 214,449 | 140,901 |
| Investments | 243,269 | 602,814 | 502,383 | 328,259 |
| Receivables, Net of Allowances | | | | |
| Taxes | 36,486 | 0 | 17,033 | 31,777 |
| Prepayments | 630 | 255 | 6,537 | 4,962 |
| Total Assets | 384,467 | 860,627 | 740,402 | 505,899 |
| Liabilities | | | | |
| Accounts Payable | 3,727 | 3,263 | 14,274 | 9,317 |
| Wages Payable | 3,338 | 1,000 | 22,337 | 21,298 |
| Benefits Payable | 650 | 188 | 5,340 | 4,643 |
| Due to Other Funds | 0 | 295 | 152 | 326 |
| Intergovernmental Payable | 0 | 0 | 2,263 | 1,176 |
| Total Liabilities | 7,715 | 4,746 | 44,366 | 36,760 |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenue - Property Taxes | 0 | 0 | 16,442 | 30,676 |
| Total Deferred Inflows of Resources | 0 | 0 | 16,442 | 30,676 |
| Fund Balances | | | | |
| Restricted for | | | | |
| Tourism | 376,752 | 0 | 0 | 0 |
| Cemetery Operations | 0 | 855,881 | 0 | 0 |
| Culture and Recreation | 0 | 0 | 679,594 | 438,463 |
| Transportation | 0 | 0 | 0 | 0 |
| Debt Service | 0 | 0 | 0 | 0 |
| Total Fund Balances | 376,752 | 855,881 | 679,594 | 438,463 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 384,467 | 860,627 | 740,402 | 505,899 |

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

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2017

Page 2 of 2

| Impact Fees | Total Special Revenue | Debt Service | | Total Debt Service | Non Major Governmental Funds Total |
|-------------|-----------------------|--------------|---------|--------------------|------------------------------------|
| | | LTGO | UTGO | | |
| 1,481,180 | 2,198,170 | 671 | 89,893 | 90,564 | 2,288,734 |
| 3,457,329 | 5,134,054 | 44,365 | 212,389 | 256,754 | 5,390,808 |
| 0 | 85,296 | 0 | 8,049 | 8,049 | 93,345 |
| 0 | 12,384 | 0 | 0 | 0 | 12,384 |
| 4,938,509 | 7,429,904 | 45,036 | 310,331 | 355,367 | 7,785,271 |
| 0 | 30,581 | 0 | 0 | 0 | 30,581 |
| 0 | 47,973 | 0 | 0 | 0 | 47,973 |
| 0 | 10,821 | 0 | 0 | 0 | 10,821 |
| 0 | 773 | 0 | 0 | 0 | 773 |
| 0 | 3,439 | 0 | 0 | 0 | 3,439 |
| 0 | 93,587 | 0 | 0 | 0 | 93,587 |
| 0 | 47,118 | 0 | 7,724 | 7,724 | 54,842 |
| 0 | 47,118 | 0 | 7,724 | 7,724 | 54,842 |
| 0 | 376,752 | 0 | 0 | 0 | 376,752 |
| 0 | 855,881 | 0 | 0 | 0 | 855,881 |
| 2,533,519 | 3,651,576 | 0 | 0 | 0 | 3,651,576 |
| 2,404,990 | 2,404,990 | 0 | 0 | 0 | 2,404,990 |
| 0 | 0 | 45,036 | 302,607 | 347,643 | 347,643 |
| 4,938,509 | 7,289,199 | 45,036 | 302,607 | 347,643 | 7,636,842 |
| 4,938,509 | 7,429,904 | 45,036 | 310,331 | 355,367 | 7,785,271 |

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 December 31, 2017

Page 1 of 2

Special Revenue

| | Lodging Tax | Cemetery Operating | Parks Maintenance | Parks Levy |
|---|-----------------|-----------------------|----------------------|--------------------|
| Revenues | | | | |
| Taxes and Assessments | 324,043 | 0 | 1,346,537 | 2,512,230 |
| Intergovernmental | 0 | 0 | 0 | |
| Charges for Services | 0 | 74,344 | 0 | 96,366 |
| Investment Interest | 2,787 | 5,954 | 4,472 | 5,649 |
| Miscellaneous Revenues | 0 | 0 | 19,272 | 29,480 |
| Total Revenues | 326,830 | 80,298 | 1,370,281 | 2,643,725 |
| Expenditures | | | | |
| Current | | | | |
| Physical Environment | 0 | 84,630 | 0 | 0 |
| Economic Environment | 379,420 | 0 | 0 | 0 |
| Culture and Recreation | 0 | 0 | 1,338,198 | 1,318,321 |
| Debt Service | | | | |
| Principal | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 |
| Capital Outlay | 0 | 3,200 | 0 | 0 |
| Total Expenditures | 379,420 | 87,830 | 1,338,198 | 1,318,321 |
| Excess (Deficiency) of revenues | | | | |
| Over (under) expenditures | (52,590) | (7,532) | 32,083 | 1,325,404 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 0 | 46,842 | 0 | 0 |
| Insurance Recovery | 0 | 0 | 0 | 785 |
| Transfers In | 0 | 0 | 0 | 41,246 |
| Transfers Out | 0 | 0 | 0 | (1,418,908) |
| Total Other Financing Sources (Uses) | 0 | 46,842 | 0 | (1,376,877) |
| Net Change in Fund Balance | (52,590) | 39,310 | 32,083 | (51,473) |
| Fund Balances Beginning of Year | 429,342 | 816,571 | 647,511 | 489,936 |
| Fund Balances End of Year | 376,752 | 855,881 | 679,594 | 438,463 |

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

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 December 31, 2017

Page 2 of 2

| Debt Service | | | | | |
|--------------|-----------------------|-------------|---------|--------------------|------------------------------------|
| Impact Fees | Total Special Revenue | LTGO | UTGO | Total Debt Service | Non Major Governmental Funds Total |
| 0 | 4,182,810 | 480,874 | 580,904 | 1,061,778 | 5,244,588 |
| 0 | 0 | 535,862 | 0 | 535,862 | 535,862 |
| 2,095,080 | 2,265,790 | 0 | 0 | 0 | 2,265,790 |
| 45,454 | 64,316 | 1,063 | 0 | 1,063 | 65,379 |
| 0 | 48,752 | 6,174 | 0 | 6,174 | 54,926 |
| 2,140,534 | 6,561,668 | 1,023,973 | 580,904 | 1,604,877 | 8,166,545 |
| 0 | 84,630 | 0 | 0 | 0 | 84,630 |
| 0 | 379,420 | 0 | 0 | 0 | 379,420 |
| 0 | 2,656,519 | 0 | 0 | 0 | 2,656,519 |
| 0 | 0 | 1,664,715 | 510,000 | 2,174,715 | 2,174,715 |
| 0 | 0 | 1,900,399 | 72,795 | 1,973,194 | 1,973,194 |
| 0 | 3,200 | 0 | 0 | 0 | 3,200 |
| 0 | 3,123,769 | 3,565,114 | 582,795 | 4,147,909 | 7,271,678 |
| 2,140,534 | 3,437,899 | (2,541,141) | (1,891) | (2,543,032) | 894,867 |
| 0 | 46,842 | 0 | 0 | 0 | 46,842 |
| 0 | 785 | 0 | 0 | 0 | 785 |
| 281,822 | 323,068 | 2,558,967 | 0 | 2,558,967 | 2,882,035 |
| (3,825,080) | (5,243,988) | 0 | 0 | 0 | (5,243,988) |
| (3,543,258) | (4,873,293) | 2,558,967 | 0 | 2,558,967 | (2,314,326) |
| (1,402,724) | (1,435,394) | 17,826 | (1,891) | 15,935 | (1,419,459) |
| 6,341,233 | 8,724,593 | 27,210 | 304,498 | 331,708 | 9,056,301 |
| 4,938,509 | 7,289,199 | 45,036 | 302,607 | 347,643 | 7,636,842 |

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
General Capital Projects Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Intergovernmental | 462,000 | 1,056,400 | 262,684 | 262,684 | (793,716) |
| Charges for Services | 0 | 95,811 | 95,811 | 95,811 | 0 |
| Fines and Forfeitures | 0 | 15,589 | 258,000 | 258,000 | 242,411 |
| Investment Interest | 62,710 | 62,710 | 43,292 | 43,292 | (19,418) |
| Contributions/Donations | 0 | 55,253 | 20,815 | 20,815 | (34,438) |
| Miscellaneous Revenues | 0 | 0 | 5,732 | 5,732 | 5,732 |
| Total Revenues | 524,710 | 1,285,763 | 686,334 | 686,334 | (599,429) |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | 1,509,600 | 4,628,012 | 1,013,928 | 1,013,928 | 3,614,084 |
| Security of Persons and Property | 318,700 | 469,786 | 133,857 | 133,857 | 335,929 |
| Physical Environment | 0 | 121,900 | 99,453 | 99,453 | 22,447 |
| Transportation | 0 | 4,600 | 0 | 0 | 4,600 |
| Culture and Recreation | 0 | 30,300 | 10,239 | 10,239 | 20,061 |
| Capital Outlay | 27,025,800 | 47,334,921 | 7,633,244 | 7,633,244 | 39,701,677 |
| Total Expenditures | 28,854,100 | 52,589,519 | 8,890,721 | 8,890,721 | 43,698,798 |
| Excess of revenues over expenditures | (28,329,390) | (51,303,756) | (8,204,387) | (8,204,387) | 43,099,369 |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital Assets | 470,300 | 470,300 | 0 | 0 | (470,300) |
| Transfers In | 25,856,517 | 31,710,373 | 15,246,152 | 15,246,152 | (16,464,221) |
| Transfers Out | (600,000) | (1,036,071) | (1,776,530) | (1,776,530) | (740,459) |
| Total Other Financing Sources (Uses) | 25,726,817 | 31,144,602 | 13,469,622 | 13,469,622 | (17,674,980) |
| Net Change in Fund Balance | (2,602,573) | (20,159,154) | 5,265,235 | 5,265,235 | 25,424,389 |
| Fund Balances Beginning of Year | 30,716,852 | 29,371,124 | 29,371,124 | 29,371,124 | 0 |
| Fund Balances End of Year | 28,114,279 | 9,211,970 | 34,636,359 | 34,636,359 | 25,424,389 |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 Transportation Capital Projects Revenue Fund
 For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Intergovernmental | 21,791,255 | 25,287,319 | 3,849,102 | 3,849,102 | (21,438,217) |
| Charges for Services | 13,997,123 | 14,188,155 | 266,000 | 266,000 | (13,922,155) |
| Planning/Development Contributions | 0 | 4,200,000 | 0 | 0 | (4,200,000) |
| Contributions/Donations | 961,032 | 965,367 | 0 | 0 | (965,367) |
| Total Revenues | 36,749,410 | 44,640,841 | 4,115,102 | 4,115,102 | (40,525,739) |
| Expenditures | | | | | |
| Current | | | | | |
| Transportation | 114,000 | 127,111 | 4,023,917 | 4,023,917 | (3,896,806) |
| Capital Outlay | 42,336,980 | 88,591,440 | 9,233,796 | 9,233,796 | 79,357,644 |
| Total Expenditures | 42,450,980 | 88,718,551 | 13,257,713 | 13,257,713 | 75,460,838 |
| Excess of revenues over expenditures | (5,701,570) | (44,077,710) | (9,142,611) | (9,142,611) | 34,935,099 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 24,611,980 | 32,978,341 | 14,632,052 | 14,632,052 | (18,346,289) |
| Transfers Out | 0 | (908,686) | (1,585,885) | (1,585,885) | (677,199) |
| Total Other Financing Sources (Uses) | 24,611,980 | 32,069,655 | 13,046,167 | 13,046,167 | (19,023,488) |
| Net Change in Fund Balance | 18,910,410 | (12,008,055) | 3,903,556 | 3,903,556 | 15,911,611 |
| Fund Balances Beginning of Year | 10,857,723 | 12,083,950 | 12,083,950 | 12,083,950 | 0 |
| Fund Balances End of Year | 29,768,133 | 75,895 | 15,987,506 | 15,987,506 | 15,911,611 |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Street Operating Special Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 12,843,267 | 12,843,267 | 6,346,431 | 6,346,431 | (6,496,836) |
| Licenses and Permits | 462,000 | 462,000 | 359,663 | 359,663 | (102,337) |
| Intergovernmental | 3,942,286 | 3,942,286 | 1,922,952 | 1,922,952 | (2,019,334) |
| Charges for Services | 164,788 | 164,788 | 98,755 | 98,755 | (66,033) |
| Contributions/Donations | 0 | 0 | 7,840 | 7,840 | 7,840 |
| Miscellaneous Revenues | 483,615 | 617,973 | 375,669 | 375,669 | (242,304) |
| Total Revenues | 17,895,956 | 18,030,314 | 9,111,310 | 9,111,310 | (8,919,004) |
| Expenditures | | | | | |
| Current | | | | | |
| Transportation | 12,141,205 | 12,381,746 | 5,973,748 | 5,973,748 | 6,407,998 |
| Capital Outlay | 211,200 | 220,621 | 62,225 | 62,225 | 158,396 |
| Total Expenditures | 12,352,405 | 12,602,367 | 6,035,973 | 6,035,973 | 6,566,394 |
| Excess of revenues over expenditures | 5,543,551 | 5,427,947 | 3,075,337 | 3,075,337 | (2,352,610) |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital Assets | 0 | 0 | 71 | 71 | 71 |
| Insurance Recovery | 10,000 | 10,000 | 68,660 | 68,660 | 58,660 |
| Transfers In | 1,156,076 | 1,264,076 | 905,081 | 905,081 | (358,995) |
| Transfers Out | (7,359,775) | (7,454,775) | (3,831,000) | (3,831,000) | 3,623,775 |
| Total Other Financing Sources (Uses) | (6,193,699) | (6,180,699) | (2,857,188) | (2,857,188) | 3,323,511 |
| Net Change in Fund Balance | (650,148) | (752,752) | 218,149 | 218,149 | 970,901 |
| Fund Balances Beginning of Year | 2,083,842 | 2,448,092 | 2,448,092 | 2,448,092 | 0 |
| Fund Balances End of Year | 1,433,694 | 1,695,340 | 2,666,241 | 2,666,241 | 970,901 |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 Contingency Special Revenue Fund
 For the year ended December 31, 2017

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

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Lodging Tax Special Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 585,818 | 585,818 | 326,919 | 326,919 | (258,899) |
| Investment Interest | 6,039 | 6,039 | 4,251 | 4,251 | (1,788) |
| Total Revenues | 591,857 | 591,857 | 331,170 | 331,170 | (260,687) |
| Expenditures | | | | | |
| Current | | | | | |
| Economic Environment | 631,692 | 733,230 | 379,146 | 379,146 | 354,084 |
| Total Expenditures | 631,692 | 733,230 | 379,146 | 379,146 | 354,084 |
| Excess of revenues over expenditures | (39,835) | (141,373) | (47,976) | (47,976) | 93,397 |
| Net Change in Fund Balance | (39,835) | (141,373) | (47,976) | (47,976) | 93,397 |
| Fund Balances Beginning of Year | 294,093 | 397,890 | 397,890 | 397,890 | 0 |
| Fund Balances End of Year | 254,258 | 256,517 | 349,914 | 349,914 | 93,397 |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Cemetery Operating Special Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Charges for Services | 80,000 | 80,000 | 74,345 | 74,345 | (5,655) |
| Investment Interest | 12,849 | 12,849 | 9,194 | 9,194 | (3,655) |
| Total Revenues | 92,849 | 92,849 | 83,539 | 83,539 | (9,310) |
| Expenditures | | | | | |
| Current | | | | | |
| Physical Environment | 170,981 | 170,588 | 87,907 | 87,907 | 82,681 |
| Capital Outlay | 17,200 | 17,200 | 3,200 | 3,200 | 14,000 |
| Total Expenditures | 188,181 | 187,788 | 91,107 | 91,107 | 96,681 |
| Excess of revenues over expenditures | (95,332) | (94,939) | (7,568) | (7,568) | 87,371 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds Sale of Fixed Assets | 50,000 | 50,000 | 46,842 | 46,842 | (3,158) |
| Total Other Financing Sources (Uses) | 50,000 | 50,000 | 46,842 | 46,842 | (3,158) |
| Net Change in Fund Balance | (45,332) | (44,939) | 39,274 | 39,274 | 84,213 |
| Fund Balances Beginning of Year | 796,767 | 826,766 | 826,766 | 826,766 | 0 |
| Fund Balances End of Year | 751,435 | 781,827 | 866,040 | 866,040 | 84,213 |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Parks Maintenance Special Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 2,726,189 | 2,726,189 | 1,346,416 | 1,346,416 | (1,379,773) |
| Contributions/Donations | 0 | 0 | 10,000 | 10,000 | 10,000 |
| Investment Interest | 10,001 | 10,001 | 6,903 | 6,903 | (3,098) |
| Miscellaneous Revenues | 25,200 | 25,200 | 9,272 | 9,272 | (15,928) |
| Total Revenues | 2,761,390 | 2,761,390 | 1,372,591 | 1,372,591 | (1,388,799) |
| Expenditures | | | | | |
| Current | | | | | |
| Culture and Recreation | 2,771,199 | 2,807,151 | 1,333,105 | 1,333,105 | 1,474,046 |
| Total Expenditures | 2,771,199 | 2,807,151 | 1,333,105 | 1,333,105 | 1,474,046 |
| Excess of revenues over expenditures | (9,809) | (45,761) | 39,486 | 39,486 | 85,247 |
| Net Change in Fund Balance | (9,809) | (45,761) | 39,486 | 39,486 | 85,247 |
| Fund Balances Beginning of Year | 571,711 | 677,076 | 677,076 | 677,076 | 0 |
| Fund Balances End of Year | 561,902 | 631,315 | 716,562 | 716,562 | 85,247 |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Parks Levy Special Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 5,086,174 | 5,086,174 | 2,512,003 | 2,512,003 | (2,574,171) |
| Charges for Services | 150,000 | 178,048 | 96,366 | 96,366 | (81,682) |
| Contributions/Donations | 0 | 10,250 | 17,238 | 17,238 | 6,988 |
| Investment Interest | 17,011 | 17,011 | 7,471 | 7,471 | (9,540) |
| Miscellaneous Revenues | 13,000 | 13,000 | 12,242 | 12,242 | (758) |
| Total Revenues | 5,266,185 | 5,304,483 | 2,645,320 | 2,645,320 | (2,659,163) |
| Expenditures | | | | | |
| Current | | | | | |
| Culture and Recreation | 2,794,000 | 2,874,439 | 1,312,954 | 1,312,954 | 1,561,485 |
| Capital Outlay | 16,000 | 16,000 | 0 | 0 | 16,000 |
| Total Expenditures | 2,810,000 | 2,890,439 | 1,312,954 | 1,312,954 | 1,577,485 |
| Excess of revenues over expenditures | 2,456,185 | 2,414,044 | 1,332,366 | 1,332,366 | (1,081,678) |
| Other Financing Sources (Uses) | | | | | |
| Insurance Recovery | 0 | 0 | 785 | 785 | 785 |
| Transfers In | 122,140 | 128,140 | 41,246 | 41,246 | (86,894) |
| Transfers Out | (2,700,000) | (2,688,600) | (1,418,908) | (1,418,908) | 1,269,692 |
| Total Other Financing Sources (Uses) | (2,577,860) | (2,560,460) | (1,376,877) | (1,376,877) | 1,183,583 |
| Net Change in Fund Balance | (121,675) | (146,416) | (44,511) | (44,511) | 101,905 |
| Fund Balances Beginning of Year | 479,779 | 526,786 | 526,786 | 526,786 | 0 |
| Fund Balances End of Year | 358,104 | 380,370 | 482,275 | 482,275 | 101,905 |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Impact Fees Special Revenue Fund
For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Charges for Services | 8,240,080 | 8,240,080 | 2,095,080 | 2,095,080 | (6,145,000) |
| Investment Interest | 109,330 | 109,330 | 67,934 | 67,934 | (41,396) |
| Total Revenues | 8,349,410 | 8,349,410 | 2,163,014 | 2,163,014 | (6,186,396) |
| Excess of revenues over expenditures | 8,349,410 | 8,349,410 | 2,163,014 | 2,163,014 | (6,186,396) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 0 | 206,822 | 281,822 | 281,822 | 75,000 |
| Transfers Out | (7,959,080) | (8,159,080) | (3,825,080) | (3,825,080) | 4,334,000 |
| Total Other Financing Sources (Uses) | (7,959,080) | (7,952,258) | (3,543,258) | (3,543,258) | 4,409,000 |
| Net Change in Fund Balance | 390,330 | 397,152 | (1,380,244) | (1,380,244) | (1,777,396) |
| Fund Balances Beginning of Year | 3,303,971 | 6,360,984 | 6,360,984 | 6,360,984 | 0 |
| Fund Balances End of Year | 3,694,301 | 6,758,136 | 4,980,740 | 4,980,740 | (1,777,396) |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 Limited GO Debt Service Fund
 For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 960,352 | 960,352 | 480,875 | 480,875 | (479,477) |
| Intergovernmental | 1,061,070 | 1,061,070 | 535,862 | 535,862 | (525,208) |
| Investment Interest | 500 | 500 | 1,063 | 1,063 | 563 |
| Miscellaneous Revenues | 0 | 0 | 6,174 | 6,174 | 6,174 |
| Total Revenues | 2,021,922 | 2,021,922 | 1,023,974 | 1,023,974 | (997,948) |
| Expenditures | | | | | |
| Debt Service | | | | | |
| Principal | 3,274,915 | 3,274,915 | 1,664,715 | 1,664,715 | 1,610,200 |
| Interest | 3,836,479 | 3,836,479 | 1,900,399 | 1,900,399 | 1,936,080 |
| Total Expenditures | 7,111,394 | 7,111,394 | 3,565,114 | 3,565,114 | 3,546,280 |
| Excess of revenues over expenditures | (5,089,472) | (5,089,472) | (2,541,140) | (2,541,140) | 2,548,332 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 5,109,180 | 5,109,180 | 2,558,967 | 2,558,967 | (2,550,213) |
| Total Other Financing Sources (Uses) | 5,109,180 | 5,109,180 | 2,558,967 | 2,558,967 | (2,550,213) |
| Net Change in Fund Balance | 19,708 | 19,708 | 17,827 | 17,827 | (1,881) |
| Fund Balances Beginning of Year | 45,813 | 74,191 | 74,191 | 74,191 | 0 |
| Fund Balances End of Year | 65,521 | 93,899 | 92,018 | 92,018 | (1,881) |

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 Unlimited GO Debt Service Fund
 For the year ended December 31, 2017

| | Original Budget 2017-2018 | Final Budget 2017-2018 | 2017 Actual Amounts Budgetary Basis | Actual 2017-2018 Biennium | Variance with Final Budget |
|---|---------------------------------|------------------------------|---|---------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes and Assessments | 1,163,860 | 1,163,860 | 580,840 | 580,840 | (583,020) |
| Total Revenues | 1,163,860 | 1,163,860 | 580,840 | 580,840 | (583,020) |
| Expenditures | | | | | |
| Debt Service | | | | | |
| Principal | 1,030,000 | 1,030,000 | 510,000 | 510,000 | 520,000 |
| Interest | 133,860 | 133,860 | 72,795 | 72,795 | 61,065 |
| Total Expenditures | 1,163,860 | 1,163,860 | 582,795 | 582,795 | 581,065 |
| Excess of revenues over expenditures | 0 | 0 | (1,955) | (1,955) | (1,955) |
| Net Change in Fund Balance | 0 | 0 | (1,955) | (1,955) | (1,955) |
| Fund Balances Beginning of Year | 342,716 | 304,237 | 304,237 | 304,237 | 0 |
| Fund Balances End of Year | 342,716 | 304,237 | 302,282 | 302,282 | (1,955) |

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

INTERNAL SERVICE FUNDS

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

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

City of Kirkland, Washington
Combining Statement of Net Position
Internal Service Funds
December 31, 2017

| | Equipment Rental | Facilities Maintenance | Health Benefits | Information Technology | Total |
|---|---------------------|---------------------------|--------------------|---------------------------|-------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and Cash Equivalents | 3,878,724 | 2,300,992 | 1,538,105 | 729,940 | 8,447,761 |
| Investments | 9,077,564 | 5,436,516 | 3,592,002 | 1,724,618 | 19,830,700 |
| Accounts Receivable | 6,581 | 6,011 | 246,557 | 14,145 | 273,294 |
| Intergovernmental Receivable | 7,114 | 0 | 0 | 0 | 7,114 |
| Prepayments | 5,805 | 5,274 | 0 | 22,862 | 33,941 |
| Inventories | 57,192 | 0 | 0 | 0 | 57,192 |
| Total Current Assets | 13,032,980 | 7,748,793 | 5,376,664 | 2,491,565 | 28,650,002 |
| Noncurrent Assets | | | | | |
| Capital Assets | | | | | |
| Improvements | 141,252 | 14,235 | 0 | 0 | 155,487 |
| Equipment | 23,420,668 | 12,773 | 0 | 43,760 | 23,477,201 |
| Accumulated Depreciation | (11,908,247) | (3,858) | 0 | (34,574) | (11,946,679) |
| Total Capital Assets Net | 11,653,673 | 23,150 | 0 | 9,186 | 11,686,009 |
| Total Noncurrent Assets | 11,653,673 | 23,150 | 0 | 9,186 | 11,686,009 |
| Total Assets | 24,686,653 | 7,771,943 | 5,376,664 | 2,500,751 | 40,336,011 |
| Deferred Outflows of Resources | | | | | |
| Deferred Outflow Pension Contribution | 77,638 | 76,971 | 0 | 358,191 | 512,800 |
| Total Deferred Outflows of Resources | 77,638 | 76,971 | 0 | 358,191 | 512,800 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 130,224 | 119,284 | 167,427 | 95,704 | 512,639 |
| Claims Payable | 3,804 | 0 | 530,000 | 0 | 533,804 |
| Wages Payable | 25,852 | 23,007 | 0 | 132,252 | 181,111 |
| Benefits Payable | 5,812 | 5,338 | 0 | 25,453 | 36,603 |
| Compensated Absences Payable | 39,655 | 25,660 | 0 | 116,748 | 182,063 |
| Intergovernmental Payable | 0 | 7,471 | 0 | 24,695 | 32,166 |
| Due to Other Funds | 0 | 10,035 | 0 | 0 | 10,035 |
| Advance Pay Facility Leases | 0 | 0 | 0 | 444 | 444 |
| Total Current Liabilities | 205,347 | 190,795 | 697,427 | 395,296 | 1,488,865 |
| Noncurrent Liabilities | | | | | |
| Compensated Absences Payable | 9,914 | 6,415 | 0 | 29,187 | 45,516 |
| Net Pension Liability | 444,926 | 441,105 | 0 | 2,052,712 | 2,938,743 |
| Total Noncurrent Liabilities | 454,840 | 447,520 | 0 | 2,081,899 | 2,984,259 |
| Total Liabilities | 660,187 | 638,315 | 697,427 | 2,477,195 | 4,473,124 |
| Deferred Inflows of Resources | | | | | |
| Deferred Inflow Pension Related | 71,267 | 70,655 | 0 | 328,799 | 470,721 |
| Total Deferred Inflows of Resources | 71,267 | 70,655 | 0 | 328,799 | 470,721 |
| Net Position | | | | | |
| Investment in Capital Assets | 11,653,673 | 23,150 | 0 | 9,186 | 11,686,009 |
| Unrestricted | 12,379,164 | 7,116,794 | 4,679,238 | 43,762 | 24,218,958 |
| Total Net Position | 24,032,837 | 7,139,944 | 4,679,238 | 52,948 | 35,904,967 |

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

City of Kirkland, Washington
**Combining Statement of Revenues, Expenses
and Changes in Net Position**
Internal Service Funds
For the Fiscal Year Ended December 31, 2017

| | Equipment Rental | Facilities Maintenance | Health Benefits | Information Technology | Total |
|---|---------------------|---------------------------|--------------------|---------------------------|-------------------|
| Operating Revenues | | | | | |
| Charges for Services | 4,545,627 | 3,827,635 | 7,489,466 | 6,073,089 | 21,935,817 |
| Miscellaneous Revenues | 24,528 | 222,844 | 239,669 | 62,562 | 549,603 |
| Total Operating Revenues | 4,570,155 | 4,050,479 | 7,729,135 | 6,135,651 | 22,485,420 |
| Operating Expenses | | | | | |
| Administrative & General | 1,005,504 | 368,738 | 8,566,748 | 2,574,162 | 12,515,152 |
| Supplies | 20,266 | 146,278 | 0 | 417,352 | 583,896 |
| Maintenance & Operations | 1,173,611 | 2,150,757 | 0 | 3,283,045 | 6,607,413 |
| Depreciation | 1,857,325 | 3,858 | 0 | 3,062 | 1,864,245 |
| Total Operating Expenses | 4,056,706 | 2,669,631 | 8,566,748 | 6,277,621 | 21,570,706 |
| Operating Income (Loss) | 513,449 | 1,380,848 | (837,613) | (141,970) | 914,714 |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest Revenue/(Investment Loss) | 88,070 | 0 | 48,111 | 0 | 136,181 |
| Gain (loss) on Disposal of Capital Assets | 126,853 | 0 | 0 | 0 | 126,853 |
| Other Nonoperating Revenues/(Expenses) | 153,770 | 5,580 | 0 | 0 | 159,350 |
| Total Nonoperating Revenues (Expenses) | 368,693 | 5,580 | 48,111 | 0 | 422,384 |
| Income (Loss) before Contributions and Transfers | 882,142 | 1,386,428 | (789,502) | (141,970) | 1,337,098 |
| Transfers In | 598,379 | 55,157 | 0 | 775,710 | 1,429,246 |
| Transfers Out | 0 | (471,683) | (1,000,000) | (1,300,289) | (2,771,972) |
| Change in Net Position | 1,480,521 | 969,902 | (1,789,502) | (666,549) | (5,628) |
| Total Net Position - Beginning | 22,552,316 | 6,170,042 | 6,468,740 | 719,497 | 35,910,595 |
| Total Net Position - Ending | 24,032,837 | 7,139,944 | 4,679,238 | 52,948 | 35,904,967 |

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

City of Kirkland, Washington
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended December 31, 2017

| | Equipment Rental | Facilities Maintenance | Health Benefits | Information Technology | Total |
|---|---------------------|---------------------------|--------------------|---------------------------|--------------------|
| Cash Flows From Operating Activities | | | | | |
| Cash Received From Interfund Charges | 4,538,645 | 3,824,834 | 139,669 | 5,874,798 | 14,377,946 |
| Contributions Received from Employees and Employer | 0 | 0 | 6,392,978 | 0 | 6,392,978 |
| Cash From Other Sources | 32,292 | 225,672 | 1,027,815 | 264,459 | 1,550,238 |
| Cash Paid to Suppliers for Goods and Services | (638,827) | (1,584,823) | (6,068,720) | (1,967,433) | (10,259,803) |
| Cash Paid to Employees for Services | (927,337) | (900,370) | (139,669) | (4,180,749) | (6,148,125) |
| Cash Paid for Central Business Functions | (598,321) | (145,127) | (2,377,988) | (219,258) | (3,340,694) |
| Cash Provided by Operating Activities | 2,406,452 | 1,420,186 | (1,025,915) | (228,182) | 2,572,541 |
| Cash Flows From Noncapital Financing Activities | | | | | |
| Transfers In | 598,379 | 55,157 | 0 | 775,710 | 1,429,246 |
| Transfers Out | 0 | (471,683) | (1,000,000) | (1,300,289) | (2,771,972) |
| Cash Provided by (Used for) Noncapital Financing Activities | 598,379 | (416,526) | (1,000,000) | (524,579) | (1,342,726) |
| Cash Flows From Capital and Related Financing Activities | | | | | |
| Proceeds From Sale of Assets and Insurance Recoveries | 426,562 | 2,295 | 0 | 0 | 428,857 |
| Acquisition and Construction of Capital Assets | (3,266,356) | 0 | 0 | 0 | (3,266,356) |
| Cash Provided by (Used for) Capital and Related Financing Activities | (2,839,794) | 2,295 | 0 | 0 | (2,837,499) |
| Cash Flows From Investing Activities | | | | | |
| (Increase) Decrease in Investments | (1,457,894) | (1,364,191) | 679,572 | 215,684 | (1,926,829) |
| Interest Revenue | 139,364 | 0 | 67,648 | 0 | 207,012 |
| Cash Provided by Investing Activities | (1,318,530) | (1,364,191) | 747,220 | 215,684 | (1,719,817) |
| Increase (Decrease) in Cash and Cash Equivalents | (1,153,493) | (358,236) | (1,278,695) | (537,077) | (3,327,501) |
| Cash and Cash Equivalents, January 1 | 5,032,217 | 2,659,228 | 2,816,800 | 1,267,017 | 11,775,262 |
| Cash and Cash Equivalents, December 31 | 3,878,724 | 2,300,992 | 1,538,105 | 729,940 | 8,447,761 |
| Reconciliation of Operating Income (Loss) to | | | | | |
| Cash Provided by Operating Activities | | | | | |
| Operating Income (Loss) | 513,449 | 1,380,848 | (837,613) | (141,970) | 914,714 |
| Adjustments to Reconcile Operating Income (Loss) to | | | | | |
| Cash Provided by Operating Activities | | | | | |
| Depreciation | 1,857,325 | 3,858 | 0 | 3,062 | 1,864,245 |
| Changes in Assets and Liabilities | | | | | |
| (Increase) Decrease in Accounts Receivable | 29,966 | 28 | (168,673) | 3,162 | (135,517) |
| (Increase) Decrease in Capital Related Accounts Receivable | (29,926) | 0 | 0 | 0 | (29,926) |
| (Increase) Decrease in Inventories | (1,950) | 0 | 0 | 0 | (1,950) |
| (Increase) Decrease in Intergovernmental Receivable | 741 | 0 | 0 | 0 | 741 |
| (Increase) Decrease in Prepayments | (427) | 320 | 0 | (310) | (417) |
| (Increase) Decrease in Pension Deferred Outflows of Resources | 18,233 | 23,085 | 0 | 99,908 | 141,226 |
| Increase (Decrease) in Pension Deferred Inflows of Resources | 62,201 | 61,193 | 0 | 285,480 | 408,874 |
| Increase (Decrease) in Net Pension Liability | (78,310) | (104,974) | 0 | (447,474) | (630,758) |
| Increase (Decrease) in Accounts Payable | 112,773 | 49,607 | 10,942 | (85,285) | 88,037 |
| Increase (Decrease) in Capital Accounts Payable | (86,887) | 0 | 0 | 0 | (86,887) |
| Increase (Decrease) in Claims Payable | 0 | 0 | (30,571) | 0 | (30,571) |
| Increase (Decrease) in Intergovernmental Payable | 3,804 | 6,237 | 0 | 1,537 | 11,578 |
| Increase (Decrease) in Due to Other Funds | 0 | (324) | 0 | 0 | (324) |
| Increase (Decrease) in Wages Payable | 1,220 | (2,392) | 0 | 10,267 | 9,095 |
| Increase (Decrease) in Benefits Payable | 597 | (119) | 0 | 3,032 | 3,510 |
| Increase (Decrease) in Compensated Absences Payable | 3,643 | 2,819 | 0 | 39,965 | 46,427 |
| Increase (Decrease) in Advance Pay Facility Leases | 0 | 0 | 0 | 444 | 444 |
| Cash Provided by Operating Activities | 2,406,452 | 1,420,186 | (1,025,915) | (228,182) | 2,572,541 |
| Noncash Investing, Capital and Finance Activities: | | | | | |
| Change in Fair Value of Investments | 0 | 0 | 0 | 0 | 0 |

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

AGENCY FUNDS

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

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

City of Kirkland
Statement of Agency Fund Net Position
 December 31, 2017
 For the fiscal year ended December 31, 2017

| | Intergovernmental Clearing | Customer Deposits | 2017 |
|---------------------------|-------------------------------|----------------------|------------------|
| Assets | | | |
| Cash and Cash Equivalents | 196,667 | 0 | 196,667 |
| Deposits | 0 | 3,716,004 | 3,716,004 |
| Total Assets | 196,667 | 3,716,004 | 3,912,671 |
| Liabilities | | | |
| Current Liabilities | | | |
| Due to Other Governments | 179,415 | 0 | 179,415 |
| Deposits | 17,252 | 3,716,004 | 3,733,256 |
| Total Liabilities | 196,667 | 3,716,004 | 3,912,671 |

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

City of Kirkland
Statement of Changes in Assets and Liabilities
All Agency Funds
For the fiscal year ended December 31, 2017

| | 01/01/17 Balance | Additions | Deletions | 12/31/17 Balance |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|
| Intergovernmental Custodial | | | | |
| Assets | | | | |
| Cash and Cash Equivalents | 162,994 | 11,988,741 | 11,955,068 | 196,667 |
| Total Assets | 162,994 | 11,988,741 | 11,955,068 | 196,667 |
| | | | | |
| Liabilities | | | | |
| Due to Other Governments | 85,037 | 1,937,950 | 1,843,572 | 179,415 |
| Deposits | 77,957 | 10,055,007 | 10,115,712 | 17,252 |
| Total Liabilities | 162,994 | 11,992,957 | 11,959,284 | 196,667 |
| | | | | |
| Customer Deposits | | | | |
| Assets | | | | |
| Deposits | 2,627,597 | 2,591,148 | 1,502,741 | 3,716,004 |
| Total Assets | 2,627,597 | 2,591,148 | 1,502,741 | 3,716,004 |
| | | | | |
| Liabilities | | | | |
| Deposits | 2,627,597 | 2,591,348 | 1,502,941 | 3,716,004 |
| Total Liabilities | 2,627,597 | 2,591,348 | 1,502,941 | 3,716,004 |
| | | | | |
| Totals - All Agency Funds | | | | |
| Assets | | | | |
| Cash and Cash Equivalents | 162,994 | 11,988,741 | 11,955,069 | 196,667 |
| Deposits | 2,627,597 | 2,591,148 | 1,502,741 | 3,716,004 |
| Total Assets | 2,790,591 | 14,579,889 | 13,457,810 | 3,912,671 |
| | | | | |
| Liabilities | | | | |
| Due to Other Governments | 85,037 | 1,937,950 | 1,843,572 | 179,415 |
| Deposits | 2,705,554 | 12,646,355 | 11,618,653 | 3,733,256 |
| Total Liabilities | 2,790,591 | 14,584,305 | 13,462,225 | 3,912,671 |

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



Capital Assets

City of Kirkland
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
December 31, 2017
Unaudited

| | <u>2017</u> |
|--|--------------------------------|
| Governmental Funds Capital Assets: | |
| Land | \$ 604,577,337 |
| Buildings | 38,194,482 |
| Improvements other than Buildings | 85,303,681 |
| Machinery and Equipment | 3,949,996 |
| Artwork | 2,085,864 |
| Infrastructure | 279,209,034 |
| Construction in Progress | 17,424,773 |
| Total Governmental Funds Capital Assets | <u>\$ 1,030,745,167</u> |

| | |
|--|--------------------------------|
| Investments in Governmental Funds Capital Assets by Source: | |
| General Fund | \$ 326,924,092 |
| Special Revenue Funds | 2,015,548 |
| Impact Fees | 20,599,281 |
| Federal Grants | 19,507,893 |
| General Obligation Bonds | 59,603,306 |
| Private Gifts | 13,990,869 |
| Annexation | 588,104,178 |
| Total Governmental Funds Capital Assets | <u>\$ 1,030,745,167</u> |

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



City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2017
Unaudited

| FUNCTION AND ACTIVITY | Land | Buildings | Improvements | Machinery and Equip | Artwork | Infrastructure | CIP | TOTAL |
|--|------------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|--------------------------------|
| General Govt | \$ 8,257,444 | \$ 14,423,575 | \$ 28,888,663 | \$ 2,359,362 | \$ 98,413 | \$ - | \$ 922,098 | \$ 54,949,555 |
| Judicial | - | - | - | - | - | - | - | \$ - |
| Security | | | | | | | | |
| Police | 5,367,905 | 5,157,399 | 33,913,599 | 235,969 | 91,133 | - | - | \$ 44,766,005 |
| Fire | 1,531,188 | 5,698,796 | 617,425 | 836,942 | - | - | 1,363,350 | \$ 10,047,701 |
| Total Security | <u>6,899,093</u> | <u>10,856,195</u> | <u>34,531,024</u> | <u>1,072,911</u> | <u>91,133</u> | <u>-</u> | <u>1,363,350</u> | <u>54,813,706</u> |
| Transportation | 524,212,228 | 5,845,821 | 392,794 | 205,741 | - | 279,209,034 | 11,859,356 | \$ 821,724,974 |
| Physical Environment | 67,958 | - | 1,053,377 | 62,785 | - | - | - | \$ 1,184,120 |
| Economic Environment | 53,800 | 157,902 | - | - | - | - | - | \$ 211,702 |
| Human Services | - | - | - | - | - | - | - | \$ - |
| Culture and Recreation | 65,086,814 | 6,910,989 | 20,437,823 | 249,197 | 1,896,318 | - | 3,279,969 | \$ 97,861,110 |
| Total Governmental Funds Capital Assets | <u>\$ 604,577,337</u> | <u>\$ 38,194,482</u> | <u>\$ 85,303,681</u> | <u>\$ 3,949,996</u> | <u>\$ 2,085,864</u> | <u>\$ 279,209,034</u> | <u>\$ 17,424,773</u> | <u>\$ 1,030,745,167</u> |

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

City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended December 31, 2017
Unaudited

| FUNCTION AND ACTIVITY | Governmental Funds Capital Assets Jan 1, 2017 | Additions | Deductions | Governmental Funds Capital Assets Dec 31, 2017 |
|--|--|-----------------------------|----------------------------|---|
| General Govt | \$ 55,396,761 | \$ 4,530,809 | \$ 4,978,015 | \$ 54,949,555 |
| Judicial | - | - | | - |
| Security | | | | |
| Police | 44,749,840 | 32,331 | 16,166 | 44,766,005 |
| Fire | 8,793,808 | 1,253,893 | - | 10,047,701 |
| Total Security | <u>53,543,648</u> | <u>1,286,224</u> | <u>16,166</u> | <u>54,813,706</u> |
| Transportation | 812,007,055 | 13,108,402 | 3,390,483 | 821,724,974 |
| Physical Environment | 1,183,324 | 796 | - | 1,184,120 |
| Economic Environment | - | 211,702 | - | 211,702 |
| Human Services | - | - | - | - |
| Culture and Recreation | 93,938,038 | 5,826,828 | 1,903,756 | 97,861,110 |
| Total Governmental Funds Capital Assets | <u>\$1,016,068,826</u> | <u>\$ 24,964,761</u> | <u>\$10,288,420</u> | <u>\$1,030,745,167</u> |

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

Statistical Section

City of Kirkland STATISTICAL SECTION

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

| <i>Statistical Section</i> | <i>Page</i> |
|--|--------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 157 |
| Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax. | 162 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 168 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 173 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 176 |

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



Schedule 1
City of Kirkland
 Net Position by Component
 Last Ten Fiscal Years - Unaudited
 (accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 161,182,917 | \$ 169,257,160 | \$ 171,816,615 | \$ 765,633,941 | \$ 776,309,902 | \$ 777,116,200 | \$ 792,032,185 | \$ 808,553,668 | \$ 808,933,913 | \$ 813,489,653 |
| Restricted | 2,414,668 | 1,537,901 | 25,655,616 | 56,174,364 | 51,718,526 | 33,724,447 | 39,548,651 | 51,630,241 | 65,000,390 | 74,853,784 |
| Unrestricted | 76,753,537 | 68,705,257 | 41,958,087 | 20,984,369 | 31,820,341 | 63,270,315 | 68,438,296 | 53,070,324 | 58,812,732 | 65,045,653 |
| Total Governmental Activities Net Position | \$ 240,351,122 | \$ 239,500,318 | \$ 239,430,318 | \$ 842,792,674 | \$ 859,848,769 | \$ 874,110,962 | \$ 900,019,132 | \$ 913,254,233 | \$ 932,747,035 | \$ 953,389,090 |
| Business-type Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 108,618,685 | \$ 114,800,561 | \$ 116,940,418 | \$ 135,167,834 | \$ 138,359,034 | \$ 142,458,066 | \$ 151,092,784 | \$ 158,155,675 | \$ 158,304,984 | \$ 166,859,626 |
| Restricted | 151,659 | 118,288 | 822,275 | 821,130 | 488,200 | 484,500 | - | - | - | - |
| Unrestricted | 32,346,829 | 33,275,413 | 35,285,938 | 39,518,104 | 42,401,172 | 45,271,055 | 50,717,355 | 52,534,113 | 58,915,069 | 58,227,844 |
| Total Business-type Net Position | \$ 141,117,173 | \$ 148,194,262 | \$ 153,048,631 | \$ 175,507,068 | \$ 181,248,406 | \$ 188,213,621 | \$ 201,810,139 | \$ 210,689,788 | \$ 217,220,053 | \$ 225,087,470 |
| Primary Government | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 269,801,602 | \$ 284,057,721 | \$ 288,757,033 | \$ 900,801,775 | \$ 914,668,936 | \$ 919,574,266 | \$ 943,124,969 | \$ 966,709,343 | \$ 967,238,897 | \$ 980,349,279 |
| Restricted | 2,566,327 | 1,656,189 | 26,477,891 | 56,995,494 | 52,206,726 | 34,208,947 | 39,548,651 | 51,630,241 | 65,000,390 | 74,853,784 |
| Unrestricted | 109,100,366 | 101,980,670 | 77,244,025 | 60,502,473 | 74,221,513 | 108,541,370 | 119,155,651 | 105,604,437 | 117,727,801 | 123,273,497 |
| Total Primary Government Net Position | \$ 381,468,295 | \$ 387,694,580 | \$ 392,478,949 | \$ 1,018,299,742 | \$ 1,041,097,175 | \$ 1,062,324,583 | \$ 1,101,829,271 | \$ 1,123,944,021 | \$ 1,149,967,088 | \$ 1,178,476,560 |

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

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 ¹ | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| General Government | \$ 6,820,650 | \$ 4,568,923 | \$ 4,573,285 | \$ 4,985,746 | \$ 4,996,539 | \$ 5,598,429 | \$ 5,918,750 | \$ 9,401,861 | \$ 8,918,548 | \$ 12,234,921 |
| Judicial | 1,642,299 | 1,650,882 | 1,655,987 | 1,961,880 | 2,152,625 | 2,254,173 | 2,331,733 | 2,320,454 | 2,090,988 | 2,345,334 |
| Security of Persons and Property | 30,785,015 | 33,747,603 | 34,218,384 | 38,342,580 | 41,376,492 | 44,501,316 | 46,493,793 | 49,707,323 | 51,377,094 | 51,820,913 |
| Physical Environment | 2,797,484 | 1,705,151 | 1,266,318 | 1,983,567 | 2,088,842 | 1,320,358 | 1,533,702 | 1,136,320 | 1,154,543 | 986,341 |
| Transportation | 11,884,663 | 9,636,435 | 9,547,626 | 8,874,943 | 14,556,590 | 17,060,710 | 16,790,922 | 18,780,143 | 20,547,650 | 21,191,932 |
| Human Services | 1,050,624 | 1,262,160 | 1,254,029 | 1,168,688 | 1,247,531 | 1,328,171 | 1,402,936 | 1,462,975 | 1,598,994 | 1,374,295 |
| Economic Environment | 5,713,660 | 5,032,794 | 5,208,705 | 4,581,729 | 5,477,609 | 6,351,765 | 7,424,372 | 7,486,355 | 7,697,645 | 8,997,772 |
| Culture and Recreation | 7,223,809 | 7,547,669 | 7,162,320 | 7,360,003 | 7,842,007 | 9,145,795 | 9,897,398 | 10,881,414 | 10,691,708 | 10,459,005 |
| Interest on Long Term Debt | 801,792 | 706,000 | 776,642 | 2,110,842 | 2,238,879 | 2,129,096 | 1,980,886 | 1,978,302 | 2,044,592 | 1,973,194 |
| Total Governmental Activities | \$ 68,719,996 | \$ 65,857,617 | \$ 65,663,296 | \$ 71,369,978 | \$ 81,977,114 | \$ 89,689,813 | \$ 93,774,492 | \$ 103,155,147 | \$ 106,121,762 | \$ 111,383,707 |
| Business Type Activities | | | | | | | | | | |
| Water/Sewer | \$ 15,644,082 | \$ 16,808,870 | \$ 17,102,179 | \$ 18,820,946 | \$ 19,448,287 | \$ 23,680,956 | \$ 23,533,587 | \$ 24,970,363 | \$ 25,774,579 | \$ 26,468,702 |
| Surface Water | 3,356,904 | 4,117,152 | 3,987,932 | 4,695,287 | 5,798,425 | 6,827,829 | 7,064,149 | 7,970,934 | 9,953,616 | 9,425,985 |
| Solid Waste | 8,168,316 | 8,112,106 | 8,057,897 | 10,655,055 | 13,191,812 | 16,005,799 | 15,727,658 | 16,040,939 | 16,225,830 | 17,162,439 |
| Total Business Type Activities | \$ 27,169,302 | \$ 29,038,128 | \$ 29,148,008 | \$ 34,171,288 | \$ 38,438,524 | \$ 46,514,584 | \$ 46,325,394 | \$ 48,982,236 | \$ 51,954,025 | \$ 53,057,126 |
| Total Primary Government Expenses | \$ 95,889,298 | \$ 94,895,745 | \$ 94,811,304 | \$ 105,541,266 | \$ 120,415,638 | \$ 136,204,397 | \$ 140,099,886 | \$ 152,137,383 | \$ 158,075,787 | \$ 164,440,833 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| General Government | \$ 3,096,779 | \$ 2,960,276 | \$ 3,226,434 | \$ 5,329,054 | \$ 6,193,191 | \$ 6,426,151 | \$ 7,092,815 | \$ 7,284,611 | \$ 7,553,305 | \$ 8,192,037 |
| Judicial | 1,534,567 | 1,776,732 | 1,813,501 | 2,011,693 | 1,884,924 | 2,077,796 | 1,905,705 | 1,829,225 | 1,296,178 | 1,099,027 |
| Security of Persons and Property | 5,306,512 | 6,487,767 | 5,404,357 | 3,899,269 | 2,517,728 | 3,122,082 | 3,095,773 | 3,890,200 | 3,611,717 | 2,594,190 |
| Physical Environment | 573,298 | 443,828 | 332,774 | 841,679 | 1,245,290 | 1,565,435 | 1,377,746 | 1,842,902 | 2,137,154 | 2,605,310 |
| Transportation | 782,638 | 526,401 | 335,034 | 778,133 | 1,287,801 | 2,066,637 | 3,179,516 | 1,963,695 | 4,574,502 | 2,210,112 |
| Economic Environment | 2,884,005 | 2,152,903 | 2,181,134 | 2,793,946 | 4,579,991 | 5,278,298 | 5,665,855 | 7,639,110 | 9,785,849 | 9,245,932 |
| Culture and Recreation | 1,191,477 | 1,334,207 | 1,245,180 | 1,338,704 | 1,834,283 | 1,925,556 | 2,405,184 | 3,538,719 | 2,697,053 | 2,457,184 |
| Operating Grants and Contributions | 1,478,355 | 2,133,689 | 1,730,706 | 2,014,483 | 5,027,871 | 2,009,909 | 2,103,718 | 2,548,835 | 2,748,851 | 2,652,231 |
| Capital Grants and Contributions | 1,702,710 | 1,076,498 | 2,804,824 | 591,553,694 | 1,958,280 | 6,520,630 | 12,793,588 | 17,103,275 | 2,799,250 | 8,233,444 |
| Total Governmental Activities | \$ 18,550,341 | \$ 18,892,301 | \$ 19,073,944 | \$ 610,560,655 | \$ 26,529,359 | \$ 30,992,494 | \$ 39,619,900 | \$ 47,640,572 | \$ 37,203,859 | \$ 39,289,467 |

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 ¹ | 2013 | 2014 | 2015 | 2016 | 2017 |
| Business Type Activities | | | | | | | | | | |
| Charges for Service | | | | | | | | | | |
| Water/Sewer | \$ 18,169,666 | \$ 18,491,063 | \$ 18,387,062 | \$ 19,736,206 | \$ 21,066,391 | \$ 25,091,105 | \$ 26,145,803 | \$ 27,796,967 | \$ 28,308,302 | \$ 28,575,144 |
| Surface Water | 5,220,765 | 5,279,088 | 5,122,063 | 6,777,735 | 8,502,468 | 8,952,552 | 9,067,528 | 9,622,071 | 9,948,240 | 10,211,308 |
| Solid Waste | 8,291,955 | 8,336,846 | 8,007,631 | 10,063,072 | 12,746,781 | 16,391,610 | 16,147,436 | 16,463,224 | 16,847,535 | 17,489,671 |
| Operating Grants and Contributions | 388,360 | 364,251 | 313,490 | 529,923 | 284,721 | 277,666 | 423,061 | 252,351 | 244,933 | 267,938 |
| Capital Grants and Contributions | 4,281,929 | 3,071,321 | 1,950,653 | 20,029,622 | 2,194,949 | 3,292,523 | 8,288,574 | 6,794,503 | 3,629,064 | 4,742,986 |
| Total Business Type Activities | \$ 36,352,675 | \$ 35,542,569 | \$ 33,780,899 | \$ 57,136,558 | \$ 44,795,310 | \$ 54,005,456 | \$ 60,072,402 | \$ 60,929,116 | \$ 58,978,074 | \$ 61,287,047 |
| Total Program Revenues | \$ 54,903,016 | \$ 54,434,870 | \$ 52,854,843 | \$ 667,697,213 | \$ 71,324,669 | \$ 84,997,950 | \$ 99,692,302 | \$ 108,569,688 | \$ 96,181,933 | \$ 100,576,514 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (50,169,655) | \$ (46,965,316) | \$ (46,589,352) | \$ 539,190,677 | \$ (55,447,755) | \$ (58,697,319) | \$ (54,154,592) | \$ (55,514,575) | \$ (68,917,903) | \$ (72,094,240) |
| Business Type Activities | 9,183,373 | 6,504,441 | 4,632,891 | 22,965,270 | 6,356,786 | 7,490,872 | 13,747,008 | 11,946,880 | 7,024,049 | 8,229,921 |
| Total Net Expense | \$ (40,986,282) | \$ (40,460,875) | \$ (41,956,461) | \$ 562,155,947 | \$ (49,090,969) | \$ (51,206,447) | \$ (40,407,584) | \$ (43,567,695) | \$ (61,893,854) | \$ (63,864,319) |
| General Revenues | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property Taxes | \$ 14,436,254 | \$ 14,804,560 | \$ 14,699,191 | \$ 21,815,979 | \$ 21,435,319 | \$ 26,617,501 | \$ 27,178,110 | \$ 27,890,261 | \$ 28,585,488 | \$ 29,340,885 |
| Sales Taxes | 15,777,179 | 13,473,254 | 14,083,506 | 16,600,753 | 20,813,009 | 22,774,745 | 23,974,307 | 25,694,212 | 26,966,254 | 29,101,348 |
| Excise Taxes | 3,158,532 | 1,999,843 | 2,974,586 | 3,544,099 | 5,434,137 | 6,896,100 | 7,270,619 | 9,349,674 | 10,338,111 | 10,579,790 |
| Business Taxes | 1,007,998 | 1,936,971 | 2,023,534 | 2,346,885 | 2,371,259 | 2,476,984 | 2,489,060 | 2,311,279 | 2,631,939 | 2,858,364 |
| Utility Taxes | 10,225,600 | 10,825,038 | 10,339,384 | 12,302,205 | 14,141,722 | 15,062,187 | 14,892,606 | 14,643,852 | 15,838,161 | 14,816,653 |
| Other Taxes | 1,062,001 | 1,159,940 | 968,004 | 2,151,532 | 2,773,320 | 2,195,147 | 2,324,241 | 2,513,546 | 1,722,548 | 2,761,796 |
| Unrestricted Grants/Contributions | 74,548 | 215,697 | 115,815 | 105,458 | 99,929 | 204,330 | 229,671 | 723,679 | 396,024 | 714,942 |
| Investment Earnings | 4,218,724 | 1,442,357 | 744,667 | 893,905 | 588,839 | 48,505 | 1,078,754 | 915,706 | 901,531 | 1,093,185 |
| Gain (Loss) Sale of Capital Assets | 87,053 | 106,852 | 397,866 | 38,694 | 46,215 | 32,395 | - | 63,123 | 179,129 | 713,732 |
| Transfers, Internal Activities | 659,801 | 150,000 | 172,799 | 840,362 | 865,313 | 586,406 | 537,149 | 1,183,245 | 851,520 | 755,600 |
| Total Governmental Activities | \$ 50,707,690 | \$ 46,114,512 | \$ 46,519,352 | \$ 60,639,872 | \$ 68,569,062 | \$ 76,894,300 | \$ 79,974,517 | \$ 85,288,577 | \$ 88,410,705 | \$ 92,736,295 |
| Business Type Activities | | | | | | | | | | |
| Investment Earnings | \$ 1,423,279 | \$ 722,648 | \$ 394,277 | \$ 333,529 | \$ 249,865 | \$ 64,334 | \$ 386,690 | \$ 349,280 | \$ 357,736 | \$ 393,096 |
| Gain (Loss) Sale of Capital Assets | - | - | - | - | - | (3,585) | (31) | (28,013) | - | - |
| Transfers, Internal Activities | (659,801) | (150,000) | (172,799) | (840,362) | (865,313) | (586,406) | (537,149) | (1,183,245) | (851,520) | (755,600) |
| Total Business Type Activities | \$ 763,478 | \$ 572,648 | \$ 221,478 | \$ (506,834) | \$ (615,448) | \$ (525,657) | \$ (150,490) | \$ (861,978) | \$ (493,784) | \$ (362,504) |
| Total Primary Government | \$ 51,471,168 | \$ 46,687,160 | \$ 46,740,830 | \$ 60,133,038 | \$ 67,953,614 | \$ 76,368,643 | \$ 79,824,027 | \$ 84,426,599 | \$ 87,916,921 | \$ 92,373,791 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ 538,035 | \$ (850,804) | \$ (70,000) | \$ 599,830,549 | \$ 13,121,307 | \$ 18,196,981 | \$ 25,819,925 | \$ 29,774,002 | \$ 19,492,802 | \$ 20,642,055 |
| Business Type Activities | 9,946,851 | 7,077,089 | 4,854,369 | 22,458,437 | 5,741,338 | 6,965,215 | 13,596,518 | 11,084,902 | 6,530,265 | 7,867,417 |
| Total Change in Net Position | \$ 10,484,886 | \$ 6,226,285 | \$ 4,784,369 | \$ 622,288,986 | \$ 18,862,645 | \$ 25,162,196 | \$ 39,416,443 | \$ 40,858,904 | \$ 26,023,067 | \$ 28,509,472 |

¹ 2012 presentation was modified in 2013 to reflect a prior period adjustment.

Schedule 3

City of Kirkland

Fund Balances of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Fund (Per GASB 54)¹ | | | | | | | | | | |
| Nonspendable | | | | \$ 260,094 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 443,551 |
| Restricted | | | | 462,762 | 587,434 | 601,933 | 1,315,449 | 147,514 | 162,587 | 246,825 |
| Committed | | | | 6,187,802 | 2,569,900 | 2,808,391 | 2,322,236 | 2,271,414 | 4,144,197 | 5,149,052 |
| Assigned | | | | 13,869,876 | 12,467,508 | 14,821,433 | 16,178,706 | 15,145,089 | 15,907,714 | 23,752,075 |
| Unassigned | | | | 7,844,233 | 16,971,158 | 16,647,490 | 17,725,868 | 21,275,640 | 25,924,394 | 19,771,877 |
| General Fund (Prior GASB 54)¹ | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | | | | | | | |
| Unreserved | 7,585,824 | 7,664,519 | 6,429,953 | | | | | | | |
| Total General Fund | \$ 7,585,824 | \$ 7,664,519 | \$ 6,429,953 | \$28,624,767 | \$32,596,000 | \$34,879,247 | \$37,542,259 | \$38,839,657 | \$46,138,892 | \$49,363,380 |
| All Other Governmental Funds (Per GASB 54)¹ | | | | | | | | | | |
| Nonspendable | | | | \$ 2,746 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 12,384 |
| Restricted | | | | 48,877,848 | 47,009,318 | 28,768,370 | 34,074,711 | 49,211,313 | 56,452,562 | 62,749,061 |
| Committed | | | | 383,112 | 1,522,838 | 1,545,753 | 1,836,255 | - | - | 10,000 |
| Assigned | | | | 10,332,233 | 10,432,282 | 16,944,228 | 13,475,518 | 15,251,585 | 10,357,078 | 17,084,552 |
| Unassigned | | | | - | - | - | - | - | - | - |
| All Other Governmental Funds (Prior GASB 54)¹ | | | | | | | | | | |
| Reserved | \$ 2,482,649 | \$ 1,589,550 | \$26,308,722 | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue Funds | 35,827,505 | 24,498,161 | 23,783,597 | | | | | | | |
| Capital Projects Funds | 24,403,049 | 23,439,218 | 21,641,181 | | | | | | | |
| Total all Other Governmental Funds | \$62,713,203 | \$49,526,929 | \$71,733,500 | \$59,595,938 | \$58,964,437 | \$47,258,351 | \$49,386,484 | \$64,462,898 | \$66,809,640 | \$79,855,997 |

¹ Prior to 2011 and the implementation of GASB statement 54, fund balances were classified as Reserved or Unreserved. Under GASB statement 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.

Schedule 4

City of Kirkland

Changes in Fund Balance of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | | | | | | |
| Taxes and Assessments | \$ 45,110,987 | \$ 43,627,322 | \$ 44,451,281 | \$ 57,482,839 | \$ 65,360,731 | \$ 74,738,398 | \$ 76,849,838 | \$ 81,488,933 | \$ 84,708,112 | \$ 88,421,066 |
| Licenses and Permits | 3,246,893 | 3,277,794 | 3,262,940 | 5,279,547 | 7,068,382 | 8,004,902 | 8,337,352 | 8,562,661 | 9,960,579 | 9,432,196 |
| Intergovernmental | 7,664,200 | 8,965,670 | 9,608,276 | 9,123,231 | 8,243,496 | 7,297,780 | 9,142,240 | 11,361,368 | 6,477,564 | 9,100,613 |
| Charges for Services | 10,041,051 | 8,753,980 | 8,832,375 | 9,848,611 | 13,501,666 | 15,279,129 | 17,019,957 | 18,291,286 | 23,313,222 | 21,246,107 |
| Fines and Forfeitures | 1,422,321 | 1,506,082 | 1,652,358 | 1,943,538 | 1,889,569 | 2,171,989 | 2,143,143 | 1,890,032 | 1,684,718 | 1,814,159 |
| Investment Interest | 3,048,864 | 1,654,092 | 676,043 | 803,086 | 527,466 | 53,779 | 865,129 | 787,521 | 775,507 | 957,004 |
| Miscellaneous Revenues | 1,594,979 | 816,419 | 699,030 | 1,019,273 | 1,088,652 | 1,051,682 | 1,507,007 | 2,244,804 | 1,516,895 | 1,493,683 |
| Total Revenues | \$ 72,129,295 | \$ 68,601,359 | \$ 69,182,303 | \$ 85,500,125 | \$ 97,679,962 | \$ 108,597,659 | \$ 115,864,666 | \$ 124,626,605 | \$ 128,436,597 | \$ 132,464,828 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General Government | \$ 11,013,790 | \$ 9,550,636 | \$ 9,164,515 | \$ 10,067,748 | \$ 11,089,878 | \$ 11,610,891 | \$ 11,491,334 | \$ 13,913,401 | \$ 14,467,522 | \$ 14,341,656 |
| Security of Persons and Property | 30,444,289 | 32,479,111 | 33,155,872 | 37,665,018 | 40,515,907 | 42,734,394 | 44,860,397 | 47,717,141 | 47,070,679 | 50,996,823 |
| Physical Environment | 3,689,425 | 3,488,651 | 3,211,041 | 3,635,642 | 3,981,111 | 3,249,605 | 3,468,559 | 3,346,318 | 4,002,024 | 4,409,521 |
| Transportation | 6,774,661 | 6,957,494 | 6,554,789 | 6,087,389 | 8,384,173 | 10,165,878 | 10,482,081 | 11,653,620 | 12,493,646 | 13,221,359 |
| Economic Environment | 6,898,759 | 6,309,295 | 6,532,329 | 6,121,483 | 6,799,931 | 7,902,345 | 8,845,262 | 9,031,130 | 10,304,531 | 10,455,178 |
| Culture and Recreation | 6,769,274 | 6,764,722 | 6,330,916 | 6,517,613 | 6,869,066 | 7,901,305 | 8,841,426 | 9,922,640 | 9,170,244 | 9,481,680 |
| Debt Service | | | | | | | | | | |
| Principal | 2,090,000 | 2,190,000 | 1,410,000 | 1,705,000 | 2,545,313 | 2,431,451 | 2,537,949 | 3,269,817 | 2,107,068 | 2,174,715 |
| Interest | 817,048 | 722,333 | 646,041 | 2,247,480 | 2,238,879 | 2,129,096 | 1,980,886 | 1,899,676 | 2,044,592 | 1,973,194 |
| Bond Issuance Costs | - | - | 98,507 | 48,679 | - | - | - | 78,625 | - | - |
| Capital Outlay | 6,352,081 | 10,882,097 | 17,357,329 | 9,008,550 | 12,212,995 | 30,701,746 | 22,545,900 | 18,359,423 | 17,592,097 | 14,211,392 |
| Total Expenditures | \$ 74,849,327 | \$ 79,344,339 | \$ 84,461,339 | \$ 83,104,602 | \$ 94,637,253 | \$ 118,826,711 | \$ 115,053,794 | \$ 119,191,791 | \$ 119,252,403 | \$ 121,265,518 |
| Excess (Deficiency) of Revenues | | | | | | | | | | |
| Over (Under) Expenditures | \$ (2,720,032) | \$ (10,742,980) | \$ (15,279,036) | \$ 2,395,523 | \$ 3,042,709 | \$ (10,229,052) | \$ 810,872 | \$ 5,434,814 | \$ 9,184,193 | \$ 11,199,310 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of Debt | \$ - | \$ - | \$ 35,345,000 | \$ 4,255,000 | \$ - | \$ 4,670,000 | \$ - | \$ 5,800,000 | \$ - | \$ - |
| Refunded Amount to Escrow | - | - | - | (4,385,000) | - | (4,655,000) | - | - | - | - |
| Bond Discount | - | - | (373,661) | 185,317 | - | - | - | - | - | - |
| Debt Issue Cost | - | - | - | - | - | (32,500) | - | - | - | - |
| Sale of Capital Assets | 97,798 | 33,036 | 366,825 | 38,694 | 43,206 | 615,963 | 3,216,797 | 36,992 | 51,542 | 2,462,068 |
| Insurance Recovery | 390,669 | 5,520 | 5,540 | 818 | - | 148,353 | 41,690 | 341,639 | 239,979 | 406,140 |
| Transfers In | 12,796,892 | 19,453,883 | 9,489,033 | 9,032,665 | 16,243,715 | 18,172,493 | 18,176,032 | 25,231,417 | 22,523,986 | 35,300,328 |
| Transfers Out | (12,320,003) | (18,297,093) | (8,581,696) | (8,997,572) | (15,989,897) | (18,113,096) | (17,454,246) | (20,471,050) | (22,353,723) | (33,097,002) |
| Total Other Financing Sources (Uses) | 965,356 | 1,195,346 | 36,251,041 | 129,922 | 297,024 | 806,213 | 3,980,273 | 10,938,998 | 461,784 | 5,071,534 |
| Net Change in Fund Balance | \$ (1,754,676) | \$ (9,547,634) | \$ 20,972,005 | \$ 2,525,445 | \$ 3,339,733 | \$ (9,422,839) | \$ 4,791,145 | \$ 16,373,812 | \$ 9,645,977 | \$ 16,270,844 |
| Debt Service as a percentage of noncapital expenditures | 4.24% | 4.25% | 3.06% | 5.33% | 5.80% | 5.18% | 4.88% | 5.13% | 4.08% | 3.87% |

Schedule 5

City of Kirkland

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

| <u>Fiscal Year</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Total Taxable Assessed Valuation</u> | <u>Total Direct Tax Rate</u> |
|--------------------|----------------------|--------------------------|---|------------------------------|
| 2008 | \$ 12,770,499,212 | \$386,893,391 | \$ 13,157,392,603 | 1.27 |
| 2009 | \$ 10,948,249,594 | \$363,953,154 | \$ 11,312,202,748 | 1.13 |
| 2010 | \$ 10,339,449,107 | \$371,383,209 | \$ 10,710,832,316 | 1.29 |
| 2011 | \$ 9,875,673,406 | \$422,921,112 | \$ 10,298,594,518 | 1.39 |
| 2012 | \$ 13,917,848,447 | \$410,053,788 | \$ 14,327,902,235 | 1.46 |
| 2013 | \$ 15,358,916,929 | \$415,443,078 | \$ 15,774,360,007 | 1.85 |
| 2014 | \$ 18,050,018,215 | \$407,273,440 | \$ 18,457,291,655 | 1.72 |
| 2015 | \$ 19,818,344,668 | \$435,282,325 | \$ 20,253,626,993 | 1.55 |
| 2016 | \$ 21,783,054,865 | \$429,318,516 | \$ 22,212,373,381 | 1.41 |
| 2017 | \$ 24,756,207,744 | \$478,434,919 | \$ 25,234,642,663 | 1.31 |

Schedule 6

City of Kirkland

Direct and Overlapping Governments

Last Ten Fiscal Years - Unaudited

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | | | | | | Total Direct and Overlapping Rate |
|-------------|-------------------|---------------------------------|-------------------|-------------------|--------|-------|----------------------------|----------|---------------------|-----------------|-----------------------------------|
| | Regular Levy | General Obligation Debt Service | Total Direct Rate | School District | County | State | Emergency Medical Services | Hospital | King County Library | Port of Seattle | |
| 2008 | 1.14 | 0.13 | 1.27 | 2.34 | 1.21 | 2.28 | 0.30 | 0.45 | 0.42 | 0.22 | 8.49 |
| 2009 | 1.02 | 0.11 | 1.13 | 2.23 | 1.10 | 2.11 | 0.27 | 0.40 | 0.39 | 0.20 | 7.83 |
| 2010 | 1.21 | 0.08 | 1.29 | 2.80 | 1.28 | 2.33 | 0.30 | 0.46 | 0.46 | 0.22 | 9.14 |
| 2011 | 1.30 | 0.09 | 1.39 | 2.98 | 1.35 | 2.39 | 0.30 | 0.48 | 0.55 | 0.22 | 9.66 |
| 2012 | 1.37 | 0.09 | 1.46 | 3.53 | 1.42 | 2.54 | 0.30 | 0.49 | 0.57 | 0.23 | 10.54 |
| 2013 | 1.78 | 0.07 | 1.85 | 3.75 | 1.54 | 2.70 | 0.30 | 0.52 | 0.57 | 0.23 | 11.46 |
| 2014 | 1.66 | 0.06 | 1.72 | 3.51 | 1.52 | 2.62 | 0.33 | 0.47 | 0.56 | 0.22 | 10.95 |
| 2015 | 1.50 | 0.04 | 1.55 | 3.30 | 1.35 | 2.42 | 0.30 | 0.40 | 0.50 | 0.19 | 10.01 |
| 2016 | 1.37 | 0.04 | 1.41 | 3.11 | 1.61 | 2.17 | 0.28 | 0.37 | 0.48 | 0.17 | 9.60 |
| 2017 | 1.28 | 0.04 | 1.31 | 3.16 | 1.75 | 2.03 | 0.26 | 0.36 | 0.45 | 0.15 | 9.48 |

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

161

| <u>Taxpayer</u> | 2017 | | | 2008 | | |
|---|--------------------------------|------|---|------------------------------|------|---|
| | Taxable Assessed | Rank | Percentage of Total City Taxable Assessed | Taxable Assessed | Rank | Percentage of Total City Taxable Assessed |
| | <u>Value</u> | | <u>Value</u> | <u>Value</u> | | <u>Value</u> |
| Essex Portfolio LP | \$ 239,586,200 | 1 | 0.95% | 47,200,000 | 7 | 0.36% |
| Carillon Properties | 193,514,764 | 2 | 0.77% | \$ 167,576,046 | 1 | 1.27% |
| GSIC Forbes Creek Reit, Inc. | 131,060,000 | 3 | 0.52% | 79,360,000 | 3 | 0.60% |
| Thrive Communities (Prometheus Real Estate Group) | 103,946,000 | 4 | 0.41% | 94,900,000 | 2 | 0.72% |
| Puget Sound Energy Electricity/Gas | 85,702,280 | 5 | 0.34% | 37,708,598 | 9 | 0.29% |
| Yeung Angel | 80,615,000 | 6 | 0.32% | | | |
| Balaclava Holdings, Inc. | 79,975,500 | 7 | 0.32% | | | |
| Waterscape Village LLC | 79,077,000 | 8 | 0.31% | | | |
| Kilroy Realty (Plaza at Yarrow Bay, Inc.) | 72,506,719 | 9 | 0.29% | 72,208,300 | 4 | 0.55% |
| SRMKII LLC | 70,431,000 | 10 | 0.28% | | | |
| Property Tax Advisors LLC | | | | 61,280,300 | 5 | 0.47% |
| BRE Properties | | | | 55,800,000 | 6 | 0.42% |
| Touchstone KPP Development | | | | 37,924,700 | 8 | 0.29% |
| EQR-Heronfield LLC | | | | 35,350,000 | 10 | 0.27% |
| Totals | <u><u>\$ 1,136,414,463</u></u> | | <u><u>4.51%</u></u> | <u><u>\$ 689,307,944</u></u> | | <u><u>4.97%</u></u> |

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

165

| 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 |
| 2008 | \$ 14,576,390 | \$ 14,222,940 | 97.58% | \$ 333,152 | \$ 14,556,092 | 99.86% |
| 2009 | \$ 14,958,836 | \$ 14,520,416 | 97.07% | \$ 407,071 | \$ 14,927,487 | 99.79% |
| 2010 | \$ 14,746,683 | \$ 14,428,454 | 97.84% | \$ 303,082 | \$ 14,731,536 | 99.90% |
| 2011 | \$ 21,792,076 | \$ 21,498,711 | 98.65% | \$ 289,455 | \$ 21,788,166 | 99.98% |
| 2012 | \$ 20,926,668 | \$ 20,663,153 | 98.74% | \$ 263,236 | \$ 20,926,389 | 99.99% |
| 2013 | \$ 26,328,493 | \$ 25,909,705 | 98.41% | \$ 335,715 | \$ 26,245,420 | 99.68% |
| 2014 | \$ 26,826,311 | \$ 26,427,503 | 98.51% | \$ 332,774 | \$ 26,760,277 | 99.75% |
| 2015 | \$ 27,500,146 | \$ 27,113,476 | 98.59% | \$ 309,949 | \$ 27,423,425 | 99.72% |
| 2016 | \$ 28,201,752 | \$ 27,785,359 | 98.52% | \$ 307,991 | \$ 28,093,350 | 99.62% |
| 2017 | \$ 28,928,378 | \$ 28,543,348 | 98.67% | \$ - | \$ 28,543,348 | 98.67% |

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

166

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Services | \$ 1,696,462 | \$ 1,450,142 | \$ 1,609,846 | \$ 1,692,708 | \$ 1,635,896 | \$ 2,096,563 | \$ 2,357,782 | \$ 2,553,773 | \$ 2,688,805 | \$ 2,855,163 |
| Contracting | 2,685,516 | 1,727,379 | 1,739,823 | 1,748,813 | 2,544,008 | 2,739,984 | 2,866,557 | 2,980,957 | 3,443,988 | 4,574,948 |
| Communications | 564,808 | 481,053 | 439,692 | 476,189 | 442,779 | 472,092 | 505,170 | 521,689 | 537,934 | 592,699 |
| Automotive/Gas Retail | 2,990,763 | 2,650,594 | 3,038,615 | 3,161,851 | 3,655,104 | 4,147,690 | 4,383,760 | 4,735,672 | 4,757,711 | 5,040,398 |
| Gen Merch/ Misc Retail | 2,230,501 | 1,929,745 | 1,745,038 | 1,802,876 | 1,876,502 | 2,004,660 | 2,000,157 | 2,086,086 | 2,078,161 | 1,905,109 |
| Retail Eating/Drinking | 1,295,765 | 1,126,930 | 1,063,913 | 1,145,123 | 1,273,290 | 1,371,105 | 1,480,720 | 1,571,340 | 1,595,199 | 1,656,619 |
| Other Retail | 1,761,238 | 1,546,911 | 1,614,016 | 1,694,262 | 1,988,615 | 2,125,084 | 2,452,917 | 2,513,329 | 2,753,838 | 2,928,538 |
| Wholesale | 881,824 | 546,513 | 725,093 | 709,686 | 564,302 | 759,399 | 829,962 | 903,425 | 957,368 | 1,018,484 |
| Miscellaneous | 924,213 | 785,660 | 830,820 | 956,682 | 829,768 | 888,736 | 1,086,724 | 1,077,541 | 1,260,127 | 1,280,607 |
| Total | \$ 15,031,090 | \$ 12,244,927 | \$ 12,806,856 | \$ 13,388,190 | \$ 14,810,264 | \$ 16,605,313 | \$ 17,963,749 | \$ 18,943,812 | \$ 20,073,131 | \$ 21,852,565 |
| City direct sales tax rate | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

Schedule 10

City of Kirkland

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

| Fiscal Year | General Sales | | | | | | Automobile Sales/Leases | | Restaurant Food/Beverage | | |
|-------------|---------------------|-------------|------------------|---------------|----------------------------|-------------------------------|-------------------------|------------------------------|-------------------------------|-------------|------------------------------------|
| | State of Washington | King County | | | Regional Transit Authority | City of Kirkland ¹ | 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 | | | |
| 2008 | 6.50% | 0.90% | 0.10% | 0.10% | 0.40% | 1.00% | 9.00% | 0.30% | 9.30% | 0.50% | 9.50% |
| 2009 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.50% | 10.00% |
| 2010 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.50% | 10.00% |
| 2011 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.00% | 9.50% |
| 2012 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.00% | 9.50% |
| 2013 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.00% | 9.50% |
| 2014 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.00% | 9.50% |
| 2015 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.00% | 9.50% |
| 2016 | 6.50% | 0.90% | 0.10% | 0.10% | 0.90% | 1.00% | 9.50% | 0.30% | 9.80% | 0.00% | 9.50% |
| 2017 | 6.50% | 0.90% | 0.10% | 0.10% | 1.40% | 1.00% | 10.00% | 0.30% | 10.30% | 0.00% | 10.00% |

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

Schedule 11

City of Kirkland

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

168

| <u>Fiscal Year</u> | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Government</u> | <u>Percentage of Personal Income</u> | <u>Per Capita</u> |
|--------------------|---------------------------------|-----------------------|---------------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------|
| | <u>General Obligation Bonds</u> | <u>Interfund Loan</u> | <u>Revenue Bonds</u> | <u>Public Works Trust Fund Loans</u> | | | |
| 2008 | \$ 15,345,000 | \$ - | \$ 3,785,000 | \$ 3,908,523 | \$ 23,038,523 | 0.82% | 476 |
| 2009 | \$ 13,155,000 | \$ - | \$ 3,120,000 | \$ 3,293,856 | \$ 19,568,856 | 0.70% | 399 |
| 2010 | \$ 46,717,377 | \$ - | \$ 2,430,000 | \$ 2,906,678 | \$ 52,054,055 | 2.11% | 1067 |
| 2011 | \$ 49,078,605 | \$ - | \$ 1,700,000 | \$ 2,519,500 | \$ 53,298,105 | 1.23% | 662 |
| 2012 | \$ 46,527,219 | \$ - | \$ 935,000 | \$ 2,132,322 | \$ 49,594,541 | 1.19% | 609 |
| 2013 | \$ 44,119,994 | \$ - | \$ 475,000 | \$ 1,771,987 | \$ 46,366,981 | 1.18% | 567 |
| 2014 | \$ 41,574,040 | \$ - | \$ - | \$ 1,573,313 | \$ 43,147,353 | 1.06% | 522 |
| 2015 | \$ 43,975,124 | \$ 4,698,991 | \$ - | \$ 1,519,124 | \$ 50,193,239 | 1.19% | 601 |
| 2016 | \$ 41,880,510 | \$ 4,698,991 | \$ - | \$ 4,319,574 | \$ 50,899,075 | 1.09% | 601 |
| 2017 | \$ 39,718,250 | \$ 4,698,991 | \$ - | \$ 4,484,309 | \$ 48,901,550 | 1.00% | 568 |

Schedule 12

City of Kirkland

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

169

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Less: Amounts Available in Debt Service Fund</u> | <u>Total</u> | <u>Percentage of Actual Taxable Value of Property</u> | <u>Per Capita</u> |
|--------------------|---------------------------------|---|---------------|---|-------------------|
| 2008 | \$ 15,345,000 | \$ 481,535 | \$ 14,863,465 | 0.12% | \$ 316.98 |
| 2009 | \$ 13,155,000 | \$ 472,456 | \$ 12,682,544 | 0.12% | \$ 268.41 |
| 2010 | \$ 46,717,377 | \$ 328,813 | \$ 46,388,564 | 0.44% | \$ 957.58 |
| 2011 | \$ 49,078,605 | \$ 315,270 | \$ 48,763,335 | 0.48% | \$ 609.63 |
| 2012 | \$ 46,527,219 | \$ 314,857 | \$ 46,212,362 | 0.32% | \$ 571.03 |
| 2013 | \$ 44,119,994 | \$ 324,473 | \$ 43,795,521 | 0.28% | \$ 539.83 |
| 2014 | \$ 41,574,040 | \$ 329,296 | \$ 41,244,744 | 0.23% | \$ 503.38 |
| 2015 | \$ 43,975,124 | \$ 327,463 | \$ 43,647,661 | 0.22% | \$ 526.90 |
| 2016 | \$ 41,880,510 | \$ 331,708 | \$ 41,548,802 | 0.19% | \$ 494.57 |
| 2017 | \$ 39,718,250 | \$ 347,643 | \$ 39,370,607 | 0.16% | \$ 461.41 |

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2017 - Unaudited

| <u>Governmental Unit</u> | <u>Net Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> ¹ | <u>Estimated Share of Overlapping Debt</u> |
|--------------------------------------|-----------------------------|---|--|
| Overlapping Debt | | | |
| King County | \$ 724,994,000 | 4.73% | \$ 34,292,216 |
| Bellevue School District #405 | 710,675,421 | 0.18% | 1,279,216 |
| Lake Washington School District #414 | 630,671,790 | 39.52% | 249,241,491 |
| Port of Seattle | 408,350,000 | 4.73% | 19,314,955 |
| Northshore School District #417 | 357,626,361 | 1.29% | 4,613,380 |
| Hospital District #2 | 196,421,141 | 30.85% | 60,595,922 |
| Library | 87,869,746 | 8.27% | 7,266,828 |
| Northshore Parks and Rec | 927,803 | 1.31% | <u>12,154</u> |
| Total Overlapping Debt | | | \$ 376,616,162 |
| Direct Debt | | | |
| City of Kirkland ² | \$ 39,718,250 | 100.00% | <u>\$ 39,718,250</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 416,334,412</u> |

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

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

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

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Debt Limit | \$ 986,804,445 | \$ 848,415,206 | \$ 803,312,424 | \$ 772,394,589 | \$ 1,074,592,668 | \$ 1,183,077,001 | \$ 1,384,296,874 | \$ 1,519,022,024 | \$ 1,665,928,004 | \$ 1,892,598,200 |
| Total Net Debt Applicable to Limit | 14,863,464 | 12,682,544 | 46,761,187 | 48,939,730 | 46,394,830 | 43,955,443 | 41,425,991 | 43,958,007 | 41,846,693 | 39,370,607 |
| Legal Debt Margin | <u>\$ 971,940,981</u> | <u>\$ 835,732,662</u> | <u>\$ 756,551,237</u> | <u>\$ 723,454,859</u> | <u>\$ 1,028,197,838</u> | <u>\$ 1,139,121,558</u> | <u>\$ 1,342,870,883</u> | <u>\$ 1,475,064,017</u> | <u>\$ 1,624,081,311</u> | <u>\$ 1,853,227,593</u> |
| Total Net Debt Applicable to Limit as a Percentage of Debt Limit | 1.51% | 1.49% | 5.82% | 6.34% | 4.32% | 3.72% | 2.99% | 2.89% | 2.51% | 2.08% |

| Legal Debt Margin Calculation for Fiscal Year 2017 | |
|---|-------------------------|
| Total Assessed Value | <u>25,234,642,663</u> |
| Debt Limit (7.5% of Total Assessed Value) | <u>1,892,598,200</u> |
| Debt Applicable to Limit: | |
| General Obligation Bonds | 39,718,250 |
| Less Cash on Hand for Debt Redemption | <u>(347,643)</u> |
| Total Net Debt Applicable to Limit | 39,370,607 |
| Legal Debt Margin | <u>\$ 1,853,227,593</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

172

| Water/Sewer Revenue Bonds | | | | | | |
|----------------------------------|--------------------------------|---------------------------------|------------------------------|---------------------|-----------------|-----------------|
| Fiscal Year | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2008 | \$ 17,559,865 | \$ 13,220,756 | \$ 4,339,109 | \$ 665,000 | \$ 152,073 | 5.31 |
| 2009 | \$ 18,391,063 | \$ 14,318,592 | \$ 4,072,471 | \$ 690,000 | \$ 124,185 | 5.00 |
| 2010 | \$ 18,271,596 | \$ 14,579,329 | \$ 3,692,267 | \$ 730,000 | \$ 92,275 | 4.49 |
| 2011 | \$ 19,593,206 | \$ 16,287,970 | \$ 3,305,236 | \$ 765,000 | \$ 56,130 | 4.03 |
| 2012 | \$ 20,966,391 | \$ 16,940,958 | \$ 4,025,433 | \$ 460,000 | \$ 28,200 | 8.25 |
| 2013 | \$ 24,733,565 | \$ 21,179,766 | \$ 3,553,799 | \$ 475,000 | \$ 9,500 | 7.33 |
| 2014 | \$ 25,798,960 | \$ 20,981,503 | \$ 4,817,457 | \$ - | \$ - | - |
| 2015 | \$ 27,451,520 | \$ 22,320,775 | \$ 5,130,745 | \$ - | \$ - | - |
| 2016 | \$ 27,947,299 | \$ 22,991,364 | \$ 4,955,935 | \$ - | \$ - | - |
| 2017 | \$ 28,181,269 | \$ 23,584,661 | \$ 4,596,608 | \$ - | \$ - | - |

Source: City of Kirkland Finance and Administration

Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

| <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> |
|--------------------|-------------------|---|---|--|
| 2008 | 48,410 | \$ 2,813,347 | \$ 58,115 | 4.40% |
| 2009 | 49,010 | \$ 2,788,865 | \$ 56,904 | 8.60% |
| 2010 | 48,787 | \$ 2,483,502 | \$ 50,905 | 9.10% |
| 2011 | 80,505 | \$ 4,330,525 | \$ 53,792 | 8.10% |
| 2012 | 81,480 | \$ 4,174,139 | \$ 51,229 | 6.60% |
| 2013 | 81,730 | \$ 3,941,266 | \$ 48,223 | 5.23% |
| 2014 | 82,590 | \$ 4,070,358 | \$ 49,284 | 4.70% |
| 2015 | 83,460 | \$ 4,203,726 | \$ 50,368 | 4.10% |
| 2016 | 84,680 | \$ 4,684,667 | \$ 55,322 | 3.93% |
| 2017 | 86,080 | \$ 4,866,884 | \$ 56,539 | 3.70% |

Schedule 17

City of Kirkland

Property Values and Construction

Last Ten Fiscal Years - Unaudited

| Fiscal Year | <u>Commercial Construction</u> | | <u>Residential Construction</u> | | <u>Multi-Family Construction</u> | | <u>Mixed Use Construction¹</u> | | | Total Assessed Property Valuation |
|-------------|--------------------------------|------------------|---------------------------------|------------------|----------------------------------|------------------|---|------------------------|------------------|-----------------------------------|
| | <u>Number of Permits</u> | <u>Valuation</u> | <u>Number of Dwellings</u> | <u>Valuation</u> | <u>Number of Units</u> | <u>Valuation</u> | <u>Number of Permits</u> | <u>Number of Units</u> | <u>Valuation</u> | |
| 2008 | 4 | \$ 8,115,000 | 128 | \$ 44,004,859 | 241 | \$ 27,792,550 | n/a | n/a | n/a | \$ 13,157,392,603 |
| 2009 | 3 | \$ 17,740,116 | 44 | \$ 17,683,428 | 81 | \$ 33,905,957 | n/a | n/a | n/a | \$ 11,312,202,748 |
| 2010 | 2 | \$ 101,000 | 71 | \$ 25,993,732 | 61 | \$ 9,200,000 | - | - | \$ - | \$ 10,710,832,316 |
| 2011 | 4 | \$ 3,093,000 | 94 | \$ 34,502,303 | 9 | \$ 1,737,948 | - | - | \$ - | \$ 10,298,594,518 |
| 2012 | 4 | \$ 43,098,113 | 92 | \$ 52,742,439 | 124 | \$ 2,200,000 | 1 | 108 | \$ 10,500,000 | \$ 14,327,902,235 |
| 2013 | 4 | \$ 75,393,629 | 268 | \$ 117,783,022 | 61 | \$ 11,504,320 | 2 | 187 | \$ 25,163,600 | \$ 15,774,360,007 |
| 2014 | 20 | \$ 83,037,794 | 253 | \$ 133,592,300 | n/a ² | \$ 8,263,498 | 3 | 135 | \$ 32,156,303 | \$ 18,457,291,655 |
| 2015 | 6 | \$ 57,174,918 | 309 | \$ 175,251,380 | n/a ² | \$ 10,261,283 | 1 | 0 | \$ 758,000 | \$ 20,253,626,993 |
| 2016 | 15 | \$ 228,630,789 | 316 | \$ 161,292,444 | 91 | \$ 17,025,380 | 5 | 132 | \$ 30,263,720 | \$ 22,212,373,381 |
| 2017 | 7 | \$ 63,859,741 | 329 | \$ 181,679,397 | 24 | \$ 14,587,048 | 4 | 261 | \$ 32,854,123 | \$ 25,234,642,663 |

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

² Valuation for updated existing units. No additional new units

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Ago - Unaudited

175

| <u>Employer</u> | <u>2017</u> | | | <u>2008</u> | | |
|---------------------------------------|------------------|-------------|--|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Evergreen Healthcare | 4,281 | 1 | 9.51% | 2,850 | 1 | 8.91% |
| Lake Washington School District | 1,115 | 2 | 2.48% | 428 | 4 | 1.34% |
| Google, Inc. | 1,779 | 3 | 3.95% | 200 | 10 | 0.63% |
| City of Kirkland | 591 | 4 | 1.31% | 581 | 2 | 1.82% |
| Astronics Advanced Electronic Systems | 483 | 5 | 1.07% | | | 0.00% |
| Wave Broadband | 447 | 6 | 0.99% | | | 0.00% |
| The Mine | 404 | 7 | 0.90% | | | 0.00% |
| Kenworth Truck Co. | 402 | 8 | 0.89% | 427 | 5 | 1.33% |
| Fairfax Hospital | 376 | 9 | 0.84% | | | 0.00% |
| Greenpoint Technologies | 330 | 10 | 0.73% | | | 0.00% |
| Nintendo of America, Inc. | | | | 515 | 3 | 1.61% |
| Clearwire Corporation | | | | 400 | 6 | 1.25% |
| Wireless Data Services | | | | 390 | 7 | 1.22% |
| Evergreen Pharmaceutical | | | | 269 | 8 | 0.84% |
| Ciber, Inc. | | | | 200 | 9 | 0.63% |
| Total | <u>10,208</u> | | <u>22.68%</u> | <u>6,260</u> | | <u>19.57%</u> |

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

| <u>Function/Program</u> | <u>Full-time Equivalent Employees as of December 31</u> | | | | | | | | | |
|--|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| General Government | | | | | | | | | | |
| City Council | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| City Manager's Office ¹ | 21.54 | 21.54 | 21.90 | 30.40 | 8.65 | 8.25 | 8.54 | 9.94 | 10.94 | 10.44 |
| City Attorney's Office | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Municipal Court ¹ | - | - | - | - | 22.25 | 18.75 | 18.75 | 18.75 | 18.75 | 18.75 |
| Human Resources | 7.10 | 7.10 | 8.10 | 8.80 | 8.70 | 8.70 | 8.70 | 8.90 | 9.20 | 9.20 |
| Parks and Community Services | 36.53 | 36.53 | 33.03 | 32.25 | 31.00 | 30.00 | 30.00 | 31.00 | 31.00 | 33.00 |
| Public Works | 27.55 | 27.55 | 23.30 | 26.15 | 25.35 | 28.95 | 31.20 | 31.20 | 37.25 | 37.55 |
| Finance and Administration | 28.80 | 29.05 | 30.40 | 32.65 | 32.80 | 32.80 | 33.80 | 35.30 | 35.30 | 35.30 |
| Planning and Community Development | 22.06 | 21.06 | 19.95 | 24.25 | 24.25 | 23.45 | 23.45 | 24.45 | - | - |
| Planning and Building ² | - | - | - | - | - | - | - | - | 52.85 | 53.35 |
| Police | 109.00 | 95.50 | 121.50 | 135.25 | 137.50 | 135.50 | 135.50 | 136.00 | 136.00 | 140.00 |
| Fire and Building ² | 113.28 | 112.28 | 107.73 | 120.78 | 122.28 | 123.28 | 128.28 | 129.28 | - | - |
| Fire ² | - | - | - | - | - | - | - | - | 111.50 | 114.50 |
| Other General Government Operating Funds | | | | | | | | | | |
| Lodging Tax Fund | 0.90 | 0.90 | 0.60 | 0.60 | 0.60 | 0.60 | 0.66 | 0.66 | 0.66 | 0.66 |
| Street Operating | 16.90 | 16.10 | 15.50 | 22.50 | 20.65 | 20.75 | 20.90 | 20.90 | 21.79 | 22.04 |
| Parks Maintenance | 7.50 | 7.50 | 7.50 | 10.25 | 10.25 | 9.25 | 9.25 | 8.50 | 8.50 | 8.50 |
| 2012 Parks Levy | - | - | - | - | - | 7.25 | 7.25 | 7.75 | 7.00 | 7.00 |
| Facilities Maintenance | 5.90 | 5.95 | 5.85 | 6.35 | 6.35 | 7.35 | 7.95 | 7.95 | 7.95 | 7.95 |
| Equipment Rental | 6.00 | 6.40 | 6.30 | 7.30 | 7.30 | 7.30 | 7.40 | 7.40 | 7.45 | 7.45 |
| Information Technology | 19.50 | 20.00 | 19.25 | 23.75 | 24.50 | 24.70 | 24.70 | 26.70 | 26.70 | 27.20 |
| Proprietary Funds | | | | | | | | | | |
| Water/Sewer Operating | 21.21 | 21.06 | 21.21 | 20.31 | 19.81 | 19.81 | 19.76 | 21.26 | 21.51 | 21.51 |
| Surface Water Management | 17.24 | 17.74 | 18.49 | 26.04 | 27.59 | 27.59 | 27.79 | 34.19 | 33.95 | 36.70 |
| Solid Waste | 1.70 | 1.70 | 2.00 | 3.30 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 |
| Total | <u>473.71</u> | <u>458.96</u> | <u>473.61</u> | <u>541.93</u> | <u>543.63</u> | <u>548.08</u> | <u>557.68</u> | <u>573.93</u> | <u>592.10</u> | <u>604.90</u> |

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

Schedule 20

City of Kirkland

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

| <u>Function/Program</u> | <u>Fiscal Year</u> | | | | | | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Security of Persons and Property - Police Calls for Service | 58,499 | 58,245 | 62,677 | 71,729 | 74,317 | 69,568 | 69,876 | 63,104 | 60,732 | 60,099 |
| Security of Persons and Property - Fire Calls for Service (aid and fire) | 7,256 | 7,320 | 7,098 | 7,286 | 7,982 | 8,033 | 8,228 | 8,674 | 8,743 | 9,306 |
| Average EMS Reponse (minutes) | 5:27 | 5:20 | 5:17 | 5:32 | 5:25 | 5:18 | 5:24 | 7:40 | 7:48 | 5:09 |
| Average Fire Response (minutes) | 5:47 | 5:46 | 5:41 | 5:42 | 5:44 | 5:55 | 5:45 | 7:49 | 8:12 | 6:20 |
| Culture and Recreation | | | | | | | | | | |
| Adult Program Registrations | 3,894 | 3,234 | 2,877 | 3,508 | 3,675 | 3,259 | 3,443 | 3,246 | 2,859 | 3,574 |
| Preschool Program Registrations | 3,516 | 3,773 | 4,005 | 4,339 | 3,973 | 4,435 | 4,041 | 4,194 | 4,209 | 5,046 |
| Youth Program Registrations | 4,610 | 4,505 | 4,477 | 4,272 | 5,047 | 5,466 | 4,949 | 5,248 | 5,276 | 5,764 |
| Teen Program Registrations | 130 | 88 | 144 | 113 | 134 | 103 | 186 | 256 | 202 | 84 |
| Parent/Child Program Registrations | 372 | 222 | 199 | 199 | 1,608 | 1,752 | 1,773 | 1,937 | 1,974 | 2,055 |
| Senior Program Registrations | 4,065 | 4,104 | 3,441 | 3,509 | 4,120 | 4,196 | 3,568 | 3,444 | 4,047 | 4,123 |
| Physical Environment | | | | | | | | | | |
| Street Hot Patching (hours) | 4,650 | 3,819 | 3,354 | 3,422 | 3,856 | 5,246 | 6,533 | 5,300 | 3,664 | 3,387 |
| Street Signal Maintenance (hours) | 2,723 | 2,712 | 2,700 | 3,717 | 4,376 | 3,871 | 3,064 | 2,973 | 1,006 | 1,584 |
| Street Sweeping (hours) | 1,959 | 1,971 | 1,518 | 2,340 | 2,883 | 3,389 | 2,770 | 2,763 | 2,765 | 3,188 |
| Number of Sewer Customers | 9,923 | 10,004 | 10,080 | 10,154 | 10,238 | 10,309 | 10,434 | 10,597 | 10,722 | 10,851 |
| Number of Water Customers | 11,955 | 12,056 | 12,104 | 12,153 | 12,224 | 12,318 | 12,431 | 12,571 | 12,652 | 12,762 |
| Average Daily Water Consumption (million gallons) | 6.30 | 5.90 | 5.46 | 5.40 | 5.60 | 5.31 | 5.60 | 6.01 | 5.50 | 5.67 |

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>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Security of Persons and Property - Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Officers per 12 hr shift | 6.5 | 6.4 | 7.0 | 10.1 | 10.5 | 10.5 | 10.3 | 9.8 | - | - |
| Patrol Officers per 10 hr shift ¹ | - | - | - | - | - | - | - | - | 8.0 | 10.0 |
| Security of Persons and Property - Fire | | | | | | | | | | |
| Stations (full-time staffed) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Stations (part-time reserve staffed) | 1 | 1 | 1 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Culture and Recreation | | | | | | | | | | |
| Parks Acreage | 517 | 517 | 518 | 544 | 554 | 556 | 558 | 559 | 559 | 572 |
| Parks (developed) | 33 | 32 | 32 | 34 | 35 | 35 | 35 | 36 | 36 | 40 |
| Parks (undeveloped) | 7 | 8 | 8 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Waterfront Footage | 13,270 | 13,270 | 13,270 | 13,270 | 13,270 | 13,270 | 13,270 | 13,270 | 13,270 | 13,270 |
| Miles of Improved Park Trails | 5.5 | 5.8 | 5.8 | 6.3 | 6.5 | 6.5 | 7.0 | 13.0 | 13.0 | 13.0 |
| Miles of Unimproved Park Trails | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 11.0 | 5.0 | 5.0 | 5.0 |
| Community Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Physical Environment | | | | | | | | | | |
| Water Mains (miles) | 167 | 169 | 169 | 170 | 170 | 175 | 175 | 175 | 175 | 176 |
| Sanitary Sewers (miles) | 119 | 119 | 120 | 121 | 122 | 122 | 123 | 123 | 123 | 123 |
| Streets (miles) | 148 | 147 | 147 | 249 | 250 | 250 | 250 | 250 | 250 | 251 |
| Sidewalks (miles) | 139 | 140 | 141 | 237 | 237 | 238 | 242 | 242 | 243 | 243 |

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