

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,
2019



Rendering of future Totem Lake Park

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2019

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, 2019**

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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, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF KIRKLAND

CITY COUNCIL

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

ADMINISTRATIVE STAFF

CITY MANAGER'S OFFICE

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

MUNICIPAL COURT

Judge.....	John Olson
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CITY ATTORNEY'S OFFICE

City Attorney	Kevin Raymond
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FINANCE AND ADMINISTRATION

Director	Michael Olson
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FIRE

Fire Chief	Joe Sanford
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HUMAN RESOURCES AND PERFORMANCE MANAGEMENT

Director.....	Chris Thomas
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INFORMATION TECHNOLOGY

Chief Information Officer.....	Smitha Krishnan
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PARKS AND COMMUNITY SERVICES

Director.....	Lynn Zwaagstra
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PLANNING AND BUILDING

Director.....	Adam Weinstein
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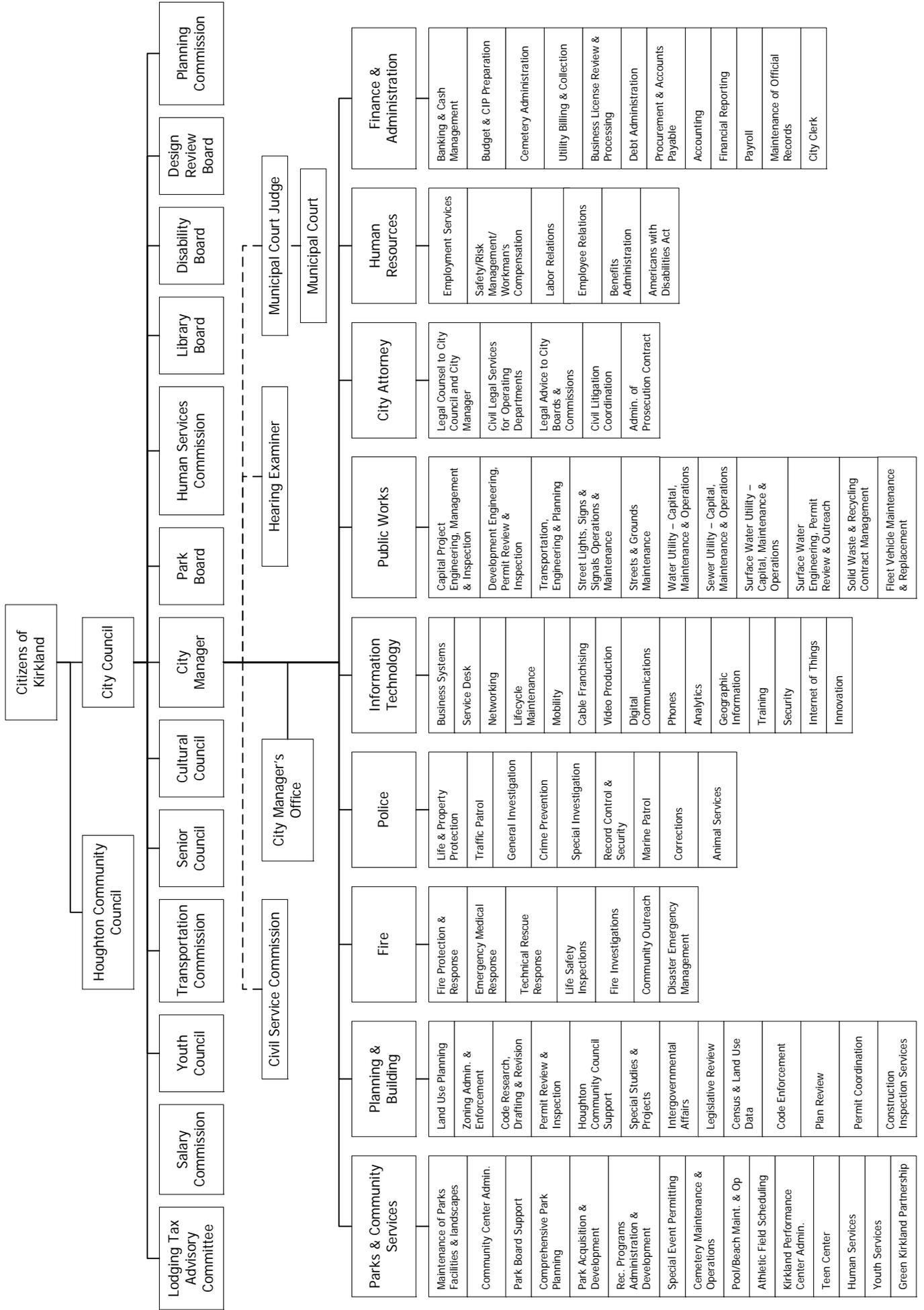
POLICE

Police Chief	Cherie Harris
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PUBLIC WORKS

Director.....	Kathy Brown
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CITY OF KIRKLAND





July 28, 2020

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, 2019.

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, 2019. 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 2019 estimated population is 88,940 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 2019, the City boasted over fifty developed 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 2019, adding jobs, growth in sales tax, and increases in permitting activity. Additionally, the office vacancy rate on the Eastside in the fourth quarter of 2019 was 3.9 percent, significantly lower than the Puget Sound Region vacancy rate of 7.0 percent.

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

Long Term Financial Planning

The Kirkland City Council adopted revisions to the Comprehensive Plan on December 8, 2015 as part of "Kirkland 2035", a conversation with the residents about the City's future. The Comprehensive Plan, a requirement of the Growth Management Act (GMA), helps define goals, objectives and policies to guide Kirkland over the next 20 years. As part of the process, the City developed new long-range plans for transportation, parks, recreation, and open spaces, the City's utilities, the Cross Kirkland Corridor, and other major capital projects. These efforts coupled with other strategic plans form the basis for long-term financial planning. With the adoption of the 2019-2024 Capital Improvement Program in December 2018, Kirkland continues to fund the needs identified through the Kirkland 2035 process.

Kirkland continues to take steps to bring the growth rate of the cost of doing business into line with revenue growth. Measures that the City has identified to help address this structural imbalance include a voter approved sales tax increase of 0.1% in 2018 for enhanced police services, 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 2019 over 2018 due to improved economic conditions. An important part of the financial plan for the annexation that occurred in 2011 is the ten-year State annexation sales tax credit which generates about \$4 million per year for the City through 2021. The City continues to plan for the financial impact of the expiration of the annexation sales tax credit and take actions to help anticipate how to fund the resulting gap. The current schedules for the redevelopment of The Village at Totem Lake and Kirkland Urban, anticipate that the new developments will be in operation before the expiration date, providing enhanced revenue streams to help absorb the impact. The City's focus on economic development is discussed further under "Major Initiatives" below.

Relevant Financial Policies

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

One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. To address this variability, the City's 2019-2020 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 2018. 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 2019-2020 biennium, which helps define the major initiatives related to the City's priority goals:

- Improve Fire and Emergency Medical Services by constructing a new Station 24, securing a site for a new Station 27, and exploring a potential ballot measure in 2020 to fund fire station modernization and enhanced operations.
- Implement "Enhanced Police Services and Community Safety" ballot measure funding to facilitate Community Policing, improve school safety, reduce gun violence, and foster a safe, inclusive and welcoming city.
- Construct the Totem Lake Connector and continue capital investments to support growth throughout the City, especially in the Totem Lake Urban Center and the 85th Street/I-405 Corridor, to ensure that Kirkland is a city where growth occurs by design.
- Continue to 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 and maximize the benefit of Sound Transit's NE 85th Street / I-405 Bus Rapid Transit interchange project by completing land use, zoning and economic development plans for areas adjacent to the interchange project.
- Support construction and operation of a permanent shelter in Kirkland for women and families with children experiencing homelessness.
- Implement strategies from the Housing Strategy Plan, prioritizing affordable housing and "missing middle" housing.
- Renovate the new Parks Maintenance Center building to meet the service needs of the larger city.
- Complete major park improvement projects to preserve and enhance quality of life in Kirkland, including Juanita Beach Park, Totem Lake Park, and 132nd Square Park.
- Develop and adopt a 'Kirkland Sustainability Master Plan'.
- In partnership with the Lake Washington School District and neighborhood associations, develop a 'Safer Routes to School Action Plan' for each elementary school, middle school, and high school in Kirkland.
- Prioritize Information Technology stabilization and migrate appropriate City applications and information to the Cloud to improve resiliency and disaster preparedness.

- Prepare for the 2021 Annexation Sales Tax Credit expiration by developing specific strategies to sustain prioritized ongoing and one-time funded programs during development of the 2021-2022 Biennial Budget.

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, 2018. This was the fifteenth 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 2019-2020 Budget** (the sixteenth time the City has received this award), the **Association of Public Treasurers of the United States and Canada Certification of Excellence** for its Debt Policy, and the **Certification of Excellence from the Washington Public Treasurer's Association** for its Investment Policy.

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

Respectfully submitted,



Kurt Triplett
City Manager



Michael Olson
Director of Finance and Administration



Financial Section



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 28, 2020

Council
City of Kirkland
Kirkland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, as of and for the year ended December 31, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Excise Tax Capital Improvement Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 19 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 19. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Introductory, Capital Assets Used in the Operation of Governmental Funds, and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 28, 2020, 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

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, 2019. 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 \$1.26 billion. Of this amount, \$1.02 billion is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$77.0 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$165.1 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 \$43.8 million in 2019. The increase in Business-type activities was \$10.3 million, while the Governmental activities increased by \$33.5 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$161.6 million, an increase of \$9.6 million compared to the prior year. Over \$65.4 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$6.7 million has been committed for specific purposes by the City Council, and another \$45.7 million has been designated by the City Manager for assigned activities. Around \$43 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$39 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. The difference between these is reported as *net position*. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position may serve as a useful indicator of the city's overall financial health.

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

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

Fund Financial Statements

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

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

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

The City of Kirkland maintains eleven individual governmental funds. The City's four major governmental funds—the general fund, the excise tax capital improvement fund, the general capital projects fund, and the transportation capital projects fund—are presented separately in the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures,*

and changes in fund balances in the Basic Financial Statements section of this report. The remaining governmental funds are combined into a single column labeled *non-major governmental funds*. Individual fund data for each of the other governmental funds can be found in the *combining statements*, which are presented in the Fund Financial Statements and Schedules section of this report.

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

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

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

Fiduciary funds are used to account for resources held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the City's own programs and they do not measure the results of operations.

Notes to the Financial Statements

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

Other Information

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

Government - Wide Financial Analysis

Statement of Net Position

The statement of net position can serve as a useful indicator of the city's financial position. The City of Kirkland's assets and deferred outflows of resources exceeded liabilities and inflows of resources by \$1,262,429,437 at December 31, 2019. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2019 to 2018.

City of Kirkland's Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$233.33	\$212.17	\$67.36	\$68.44	\$300.69	\$280.61
Capital assets, net of accumulated depreciation	878.72	860.69	186.41	176.43	1,065.13	1,037.12
Total assets	1,112.05	1,072.86	253.76	244.87	1,365.81	1,317.73
Total deferred outflows of resources	5.01	5.38	0.42	0.31	5.43	5.69
Long-term liabilities	66.19	66.21	5.03	5.72	71.22	71.93
Other liabilities	20.35	16.27	4.44	5.16	24.79	21.43
Total liabilities	86.54	82.48	9.47	10.88	96.01	93.36
Total deferred inflows of resources	11.94	10.65	0.88	0.76	12.81	11.41
Net position:						
Net investment in capital assets	837.63	824.99	182.70	172.21	1,020.33	997.20
Restricted	76.98	93.47	-	-	76.98	93.47
Unrestricted	103.97	66.65	61.14	61.33	165.11	127.98
Total net position	\$1,018.59	\$985.11	\$243.84	\$233.54	1,262.43	\$1,218.65

As of the end of 2019, the largest component of the City's total assets at \$1.02 billion, 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 \$76.98 million of the City's net position is subject to restrictions. The largest balances of restricted funds are for the capital and transportation improvements. The largest restricted balance or \$28.4 million are related to Transportation Impact Fees and restrictions in the Transportation Capital Fund for active projects. The \$12.8 million balance in Real Estate Excise Taxes is reserved for capital projects.

Culture and Recreation restricted funds of \$20.2 million include \$12.1 million for in progress capital projects including the new bathhouse at Juanita beach, 132nd park playfields and the Totem lake

park project. The rest are park impact fees and levy funds reserved for future acquisitions and maintenance of existing City parks.

A net pension asset of \$11.6 million is a result of GASB 68, Reporting for Pensions. The amount includes \$877 thousand related to the Firefighter's Pension.

The remaining \$165 million balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$61.1 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 \$104 million balance in unrestricted net position relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, health benefits and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

Changes in Net Position

The changes in net position table on the following page illustrates the increases or decreases in net position of the City resulting from operating activities. Overall, the City of Kirkland's net position increased by over \$43 million in 2019.

A breakdown of the 2019 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$35.96	\$39.97	\$58.71	\$57.96	\$94.66	\$97.93
Operating grants and contributions	3.04	3.66	0.52	0.38	3.56	4.04
Capital grants and contributions	7.30	6.39	6.18	5.84	13.48	12.23
General revenues:						
Sales taxes	35.89	31.70	-	-	35.89	31.70
Property taxes	31.60	30.12	-	-	31.60	30.12
Utility taxes	13.66	14.20	-	-	13.66	14.2
Excise taxes	15.20	12.19	-	-	15.20	12.19
Business Taxes	3.07	3.27	-	-	3.07	3.27
Other taxes	3.17	2.71	-	-	3.17	2.71
Investment earnings	6.10	2.72	1.92	0.95	8.02	3.67
Miscellaneous*	0.79	2.46	-	-	0.79	2.46
Total revenues	155.78	149.39	67.33	65.13	223.11	214.52
Expenses:						
General government	13.42	10.75	-	-	13.42	10.75
Judicial	2.47	2.33	-	-	2.47	2.33
Security of Persons and Property	55.19	50.45	-	-	55.19	50.45
Physical environment	1.14	0.89	-	-	1.14	0.89
Transportation	24.79	22.14	-	-	24.79	22.14
Human services	2.41	3.20	-	-	2.41	3.20
Economic environment	8.81	8.63	-	-	8.81	8.63
Culture and recreation	13.06	10.42	-	-	13.06	10.42
Interest on long-term debt	1.84	1.91	-	-	1.84	1.91
Water/sewer	-	-	28.13	27.68	28.13	27.68
Surface water	-	-	10.00	9.69	10.00	9.69
Solid waste	-	-	18.09	17.37	18.09	17.37
Total expenses	123.12	110.72	56.22	54.74	179.34	165.46
Increase (decrease) in net position						
before transfers	32.66	38.67	11.11	10.39	43.78	49.06
Transfers	0.81	1.94	(0.81)	(1.94)	0.00	0.00
Increase (decrease) in net position	33.48	40.61	10.30	8.45	43.78	49.06
Net position at beginning of year	985.11	953.39	233.54	225.09	1,218.65	1,178.48
Change in Accounting Principle (Note 19)	-	(8.89)	-	-	-	(8.89)
Net position at end of year	\$1,018.59	\$985.11	\$243.84	\$233.54	\$1,262.43	\$1,218.65

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

Governmental activities net position increased over \$33.5 million in 2019. The increase is related to capital grant funding and developer contributions to infrastructure, charges for services and general revenues.

Expenses:

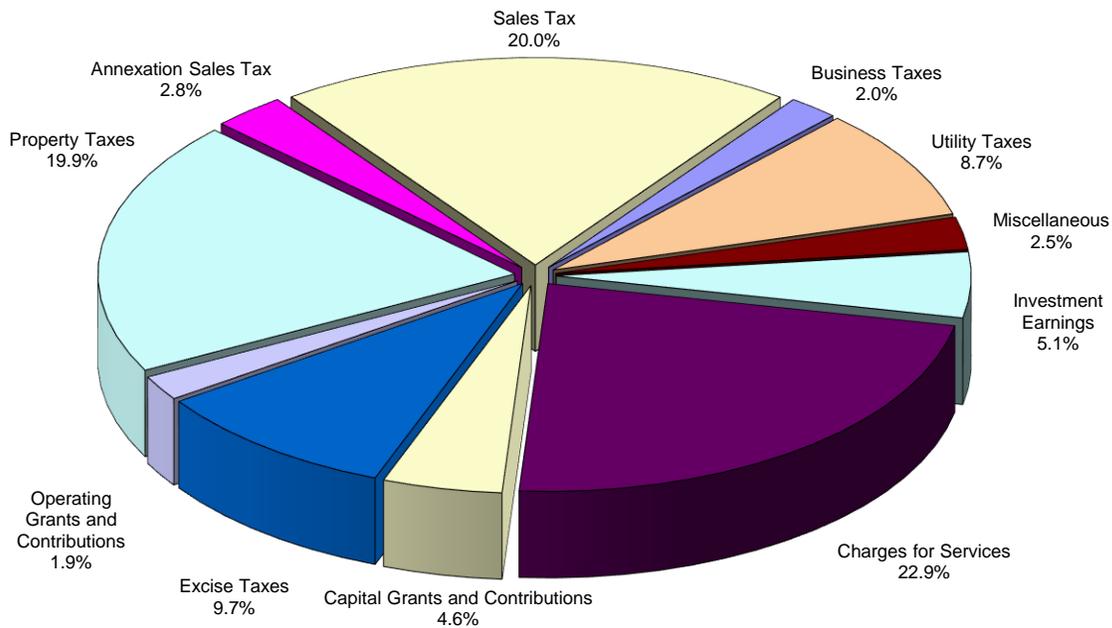
- Governmental expenses saw a 11 percent increase.
 - Most employees were given a 3 percent cost of living adjustment in 2019.
 - The department of retirement services actuarially determined the overall pension expense to be over \$1.9 million more in 2019 than in 2018.
 - The City of Kirkland provides post-retirement health care benefits to Leoff 1 retirees in accordance with RCW 41.26. The difference in accrued OPEB expenses compared to 2018 was more than a \$1 million increase.

Revenues:

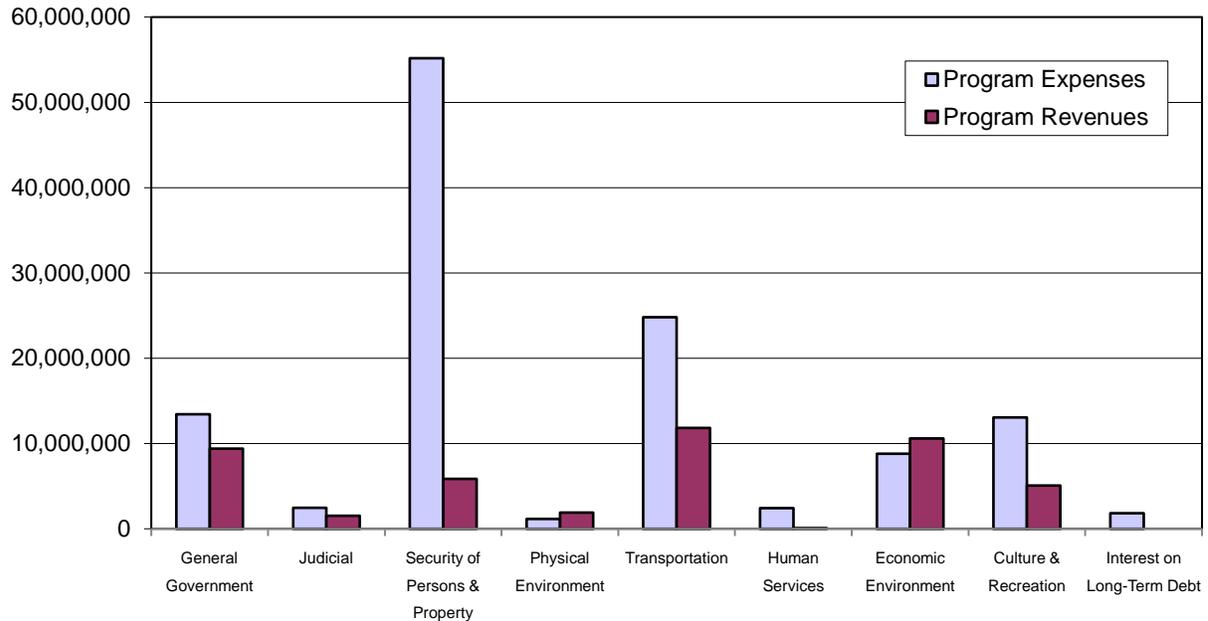
- Charges for services revenue decreased 10 percent from 2018 to 2019.
 - Impact fees reflect fees paid for development that creates additional demands on the City's parks and transportation systems. Impact fees decreased by over \$5.4 million compared to 2018. This is due to a 35 percent reduction in building permits comparing 2019 to 2018. Large construction projects such as The Village at Totem lake and Kirkland Urban were permitted in 2018.
 - This large decrease was partially offset by the \$2.3 million of GEMT funding that the city received in 2019. The Ground Emergency Medical Transportation (GEMT) program provides supplemental payments to qualified GEMT providers. Part of this funding was related to activities carried out in 2018.
- Operating Grants and Contributions decreased by 17 percent in 2019.
 - Federal, state, and local grants allow the City to consistently provide programs and services. In 2018 the City received reimbursements for firefighter deployment to assist with fire scenes in Eastern Washington and California from the Washington Department of Natural Resources and Military Department, no deployments were made in 2019 hence the reduction in operating grants.
 - Grants received include funds for community development and housing, traffic safety programs, emergency management operations, mental health response, and funding for the arts.
- Capital Grants and Contributions increased by 14 percent to over \$7.3 million in 2019.
 - Over \$1.4 million was received in Federal Highway Planning and Construction grants. These projects include pedestrian and bike improvement, roadway improvements, and transportation efficiency programs.

- Infrastructure development connected to new construction completed and contributed to the City totaled over \$3.5 million in 2019.
- The Culture and Recreation projects include funds for phase 1 of the Totem lake park improvements.
- The City's general revenues increased by 11 percent or \$10.7 million in 2019.
 - Sales tax is up 13 percent due to the continued strength of the contracting business sector. Contracting has the largest gains contributing over 45 percent of the total growth.
 - Real estate excise tax has increased by 25 percent equivalent to \$3 million more in 2019 than 2018.
 - Investment interest and unrealized gains are more than double in 2019 when compared to 2018. The increase was over \$4.3 million in 2019 due to a more positive investment market and portfolio.

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 \$10.3 million, primarily due to operating income of \$3.1 million and developer contributions, capital grants, and connection charges of \$6.2 million, and interest and investment revenue of \$1.9 million.

Water/sewer operating revenues increased by \$0.09 million compared to the prior year primarily the result of water and sewer rate increases of 2.5 percent and 3.0 percent respectively, offset by slightly lower consumption.

Surface Water operating revenues increased by \$0.22 million primarily due to a rate increase of 2.5 percent.

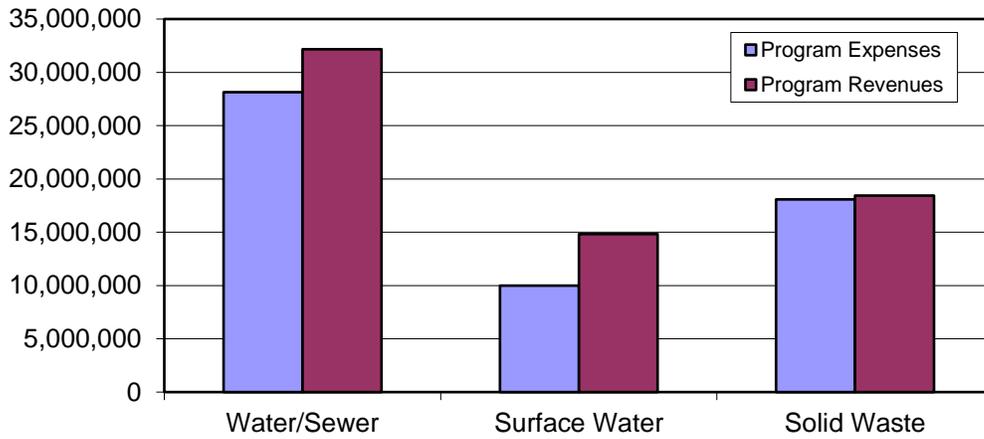
Solid Waste operating revenues increased by \$0.43 million primarily due to a 4.5 percent rate increase for residential and 1.8 percent increase for commercial and multifamily customers.

Capital contributions comprised of utility connection charges, capital grants, and developer infrastructure contributions totaled \$6.18 million for 2019. Details for these amounts are shown below:

	Water	Sewer	Surface Water	Total
2019 Connection Charges Collected	669,573	1,265,465	134,112	2,069,150
2019 Developer Infrastructure Contributions	395,016	112,110	3,084,486	3,591,612
2019 Capital Grants			521,811	521,811
	<u>\$1,064,589</u>	<u>\$1,377,575</u>	<u>\$ 3,740,409</u>	<u>\$ 6,182,573</u>

The infrastructure contributions detailed above represent 35 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.

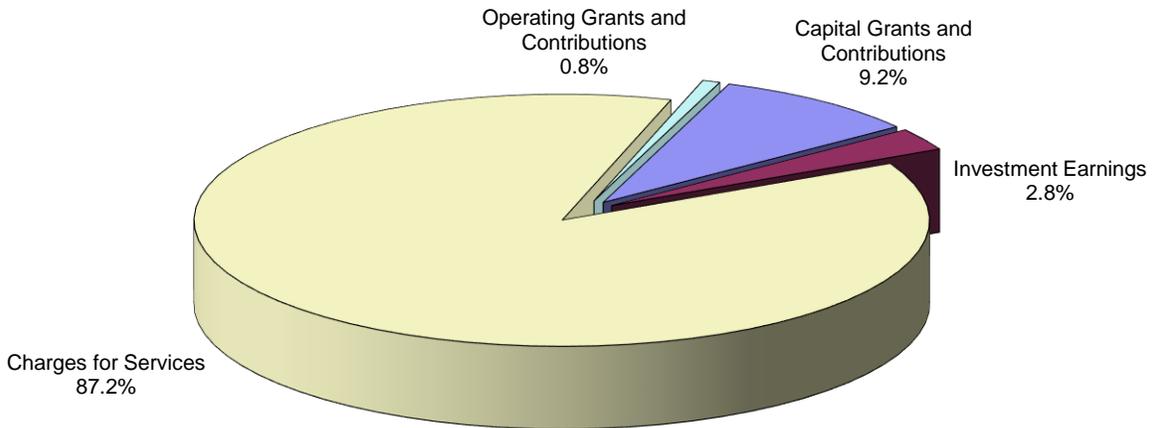
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2019 utility net income (before capital contributions and transfers) was about \$4.9 million. The components are as follows:

Water/Sewer	\$2.8 million
Surface Water	\$1.7 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 \$161.6 million, which represents an increase of \$9.6 million from the prior year. Of the total ending fund balance, over \$65.4 million is restricted and subject to an external legal constraint.

The \$28.4 million in Transportation Projects are primarily excise taxes and impact fees for projects in process that include Totem Lake improvements, school walk routes, and a pedestrian bridge. The \$20.2 million in Culture and Recreation Projects are impact fees and park levy funds associated with future projects and current projects such as the Juanita Beach bathhouse and the Totem Lake park master plan.

The \$12.8 million in Capital Improvement funds are excise taxes for future projects.

The \$1.3 million is reserved for the Firefighter Pension funds.

The committed fund balance of \$6.7 million, is mostly the City's Contingency Fund. The State of Washington requires the City to have a Contingency Fund but the activity is reflected within the General Fund for reporting purposes.

The assigned balance of just over \$45.7 million are remaining amounts that have been determined by the City Manager, Finance Director, or City Council to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end was \$2.45 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 \$42.96 million in the general fund consists of amounts not otherwise classified such as revenue stabilization, cost of living adjustment, and working capital. Technically, they are unrestricted, which means they are available for spending at the City's discretion. A significant portion of the unassigned balance is budgeted to fund reserve replenishments and additions to equipment sinking funds, carryovers, and one-time costs.

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

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2019, the fund balance of the general fund was \$71.7 million, which represents an increase from the prior year of \$10.6 million.

The overall General Fund revenues increased \$8.1 million over 2018 due to sales tax and investment interest increases.

General fund expenditures increased by 3.5 percent or \$3.5 million in 2019 primarily due to an average cost of living increase of 3 percent.

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 2019 was \$12.8 million, a decrease of 47 percent when compared to 2018. Over \$28.5 million was transferred to fund scheduled capital projects.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital improvement program (CIP) and that are funded from other general revenue sources, grants, and restricted funds. The ending fund balance of \$36.1 million is supporting park improvements, shoreline improvements, fire station renovations, public safety equipment, technology projects and facility enhancements.

The transportation capital projects fund accounts for transportation projects approved in the CIP, including those that are funded partially or wholly by grants from other governments. The fund balance at the end of 2019 was \$30.8 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 2019, there was a net increase of \$6.29 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 2019-2020 and that the budget is recorded on a cash basis.

Following are the major components of the changes:

- Ground Emergency Medical Transportation Program Funds to help cover the uncovered cost of emergency transports \$1,741,225.
- Transfers to capital project funds for public safety and park projects \$792,153.
- Annexation sales tax credit reserve contribution \$500,000.
- 1.75 additional full-time equivalent positions and related costs related to school zone safety cameras \$551,494.
- 1 additional full-time equivalent position for a parking enforcement officer \$188,852.
- Funds to perform a technical update of Kirkland's transportation and park impact fees and to study a fire impact fee \$150,000.
- I-405/NE 85th Station Area Plan Grant \$150,000.
- Cedar Creek Retrofit Study Grant match \$123,000.

The actual General Fund 2019 results on a cash basis varied from the final amended budget as follows:

- Excluding resources forward, actual 2019 General Fund revenues ended the year \$9.1 million over the budgeted level (\$116.4 million versus budget of \$107.3 million).
- Development fees exceeded the budget by \$1.2 million reflecting the significant amount of building activity in the City.
- Sales and use tax revenues exceeded the budget by \$2.9 million due to the City's practice of budgeting sales tax on a modified two-year lag, with the base budget reflecting the 2018 actual receipts.
- In November of 2018, the Citizens of Kirkland adopted Proposition 1, an additional 0.1 percent sales and use tax for enhanced police services and community safety. Funds became available starting in the spring of 2019. Unlike the base sales and use taxes, this revenue source was not budgeted on a modified two-year lag; however, due to the strong economy, they exceeded budget by almost \$400,000 or 29 percent.
- As a result of State action, the Ground Emergency Medical Transportation (GEMT) program was funded which provides supplemental payments to publicly owned and operated qualified GEMT providers. We received two tranches of payments in 2019, one related to 2018 and prior years in the amount of \$1.35 million and one related to 2019 in the amount of \$1.31 million. While neither amount was known at the time when the budget was developed, we amended the budget to account for the 2018 and prior years amount during mid-year 2019.
- Interest earnings exceeded budget by \$1.4 million due to increasing interest rates, higher fund balances, and more active portfolio management.
- Actual 2019 General Fund expenditures ended at 95.7 percent of budget, excluding reserves, primarily due to vacant positions, projects that were delayed and debt service funding that was not needed as the approved debt issuance did not occur in 2019.

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, 2019 amounts to \$1.1 billion (net of accumulated depreciation), which represents a \$28 million increase from the prior year. This investment in and capitalization of capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission and distribution systems, roads, and bridges. More details about changes in capital assets are explained below.

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

- Multiple properties were purchased during 2019. Building and land purchases of over \$10 million include the purchase of two properties for future fire stations, Evergreen place medical building for the future fire station #27 and the former rite aid property for fire station # 24.
- Non-motorized projects of over \$4.6 million provided crosswalk upgrades, sidewalk improvements, additional school walk routes, pedestrian safety enhancements, and funds for the Neighborhood Safety Program.

- The \$2.8 million parks maintenance center project was completed and capitalized in 2019.
- Improvements to Edith Moulton Park completed in 2019 resulted in a \$2 million capital addition. Further work was carried out on Juanita Bay Park and the dock shoreline. A further \$1 million was spent on the Totem Lake phase one project including land at Totem Lake south from King County Conservation District.
- The City spent \$4.7 million on street preservation, striping and traffic signal enhancements.
- Phase 2 of a new financial system which was the payroll and HR modules went live in April of 2019. The capitalized asset value for the project is \$2.4 million. A further \$0.4 million was spent on hardware storage capacity to move the City to cloud computing.
- Over \$2.8 million was received by developers constructing new infrastructure along with their improvements in Kirkland. In addition, over \$3.5 million was received by developers for their construction of water, sewer, and surface water assets.
- The City's Water/Sewer utility capitalized \$9.6 million for replacement of water and sewer mains.
- The City's Surface Water utility capitalized \$5.8 million for constructing new or replacing failing infrastructure.

Following is a condensed version of the City's capital assets (expressed in millions of dollars), net of depreciation, related to governmental and business-type activities for fiscal years 2018 and 2019:

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$613.51	\$605.73	\$3.42	\$3.42	\$616.93	\$609.15
Buildings	28.29	25.66	-	-	28.29	25.66
Improvements other than buildings	63.18	59.04	179.29	165.17	242.47	224.21
Machinery and equipment	13.66	12.09	-	-	13.66	12.09
Infrastructure	146.82	138.20	-	-	146.82	138.20
Construction in progress	11.11	17.82	3.70	7.84	14.81	25.66
Artwork	2.15	2.15	-	-	2.15	2.15
Total	\$878.72	\$860.69	\$186.41	\$176.43	\$1,065.13	\$1,037.12

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 \$35.5 million and other long-term debt of \$3.79 million. The total outstanding debt (expressed in millions of dollars) at the end of 2018 and 2019 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$35.52	\$37.78	-	-	\$35.52	\$37.78
Revenue Bonds	-	-	-	-	-	-
Public Works Trust Fund Loans	-	-	3.79	4.22	3.79	4.22
Total	\$35.52	\$37.78	\$3.79	\$4.22	\$39.31	\$42.00

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

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

The City's assessed valuation for 2019 was \$29.52 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$2,334 million.

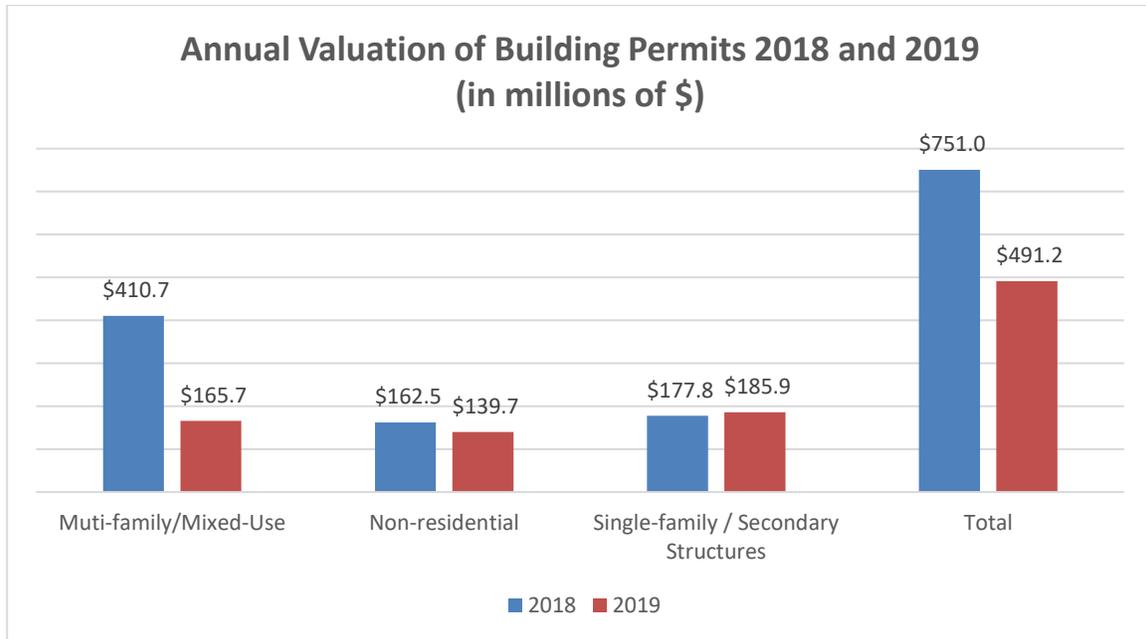
Additional information on the City of Kirkland's long-term debt can be found in Note 10 of this report and in the Statistical Section of the report.

Economic Factors and Next Year's Budgets and Rates

The Washington State Economic and Revenue Council monthly update reports total nonfarm payroll employment rose 17,900 for the fourth quarter of 2019. On an annual basis, 2019 is expected to grow 1.9 percent and 2020 is expected to grow 1.8 percent.

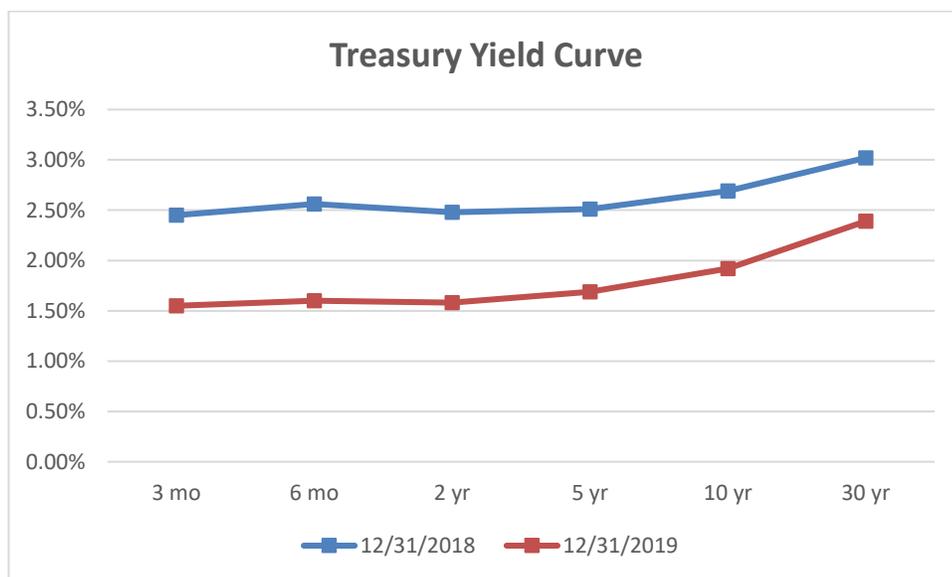
Unemployment rates edged lower to 3.7 percent in December when compared to December 2018 when they were at 4.1 percent at the national level. The state level was also down slightly to 4.3 percent from 4.5. At the local level, the King County unemployment rate decreased from 3.1 to 2.5.

\$491.2 million of local building permitting activity has been performed in 2019, which is down from \$751.0 million in 2018. The valuation of multi-family, non-residential, and mixed-use permits decreased from \$573.1 million in 2018 to \$305.4 in 2019 as the bulk of Kirkland Urban and The Village at Totem Lake permits were processed in 2018. On the other hand, single-family residential and secondary structures increased from \$177.8 million to \$185.9 million.



Inflation in the Seattle area is slightly higher relative to the national rate. In December 2019, the Seattle core CPI is at 2.4 percent compared to 2.8 the previous year. For December, the national CPI increased 2.3 percent, compared to 2.2 percent a year ago.

Economic growth continued to improve in the fourth quarter of 2019 as evidenced by the record stock market highs. The Federal Funds rate is now at 1.50 percent due to the 0.25 percent decrease on October 31, 2019 for a total of three rate decreases in 2019. Given news reports of a potential pandemic-level novel virus spreading overseas, there is the possibility of serious deleterious effects to the economy during 2020. The rate on the benchmark 10-year treasury note started the year at 2.66 percent and ended the year at 1.92 percent after reaching a low of 1.47 percent on September 3, 2019.



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 2018 and 2019 sales tax receipts.

General sales tax revenue through 2019 was more than 12 percent higher than in 2018. Looking at total dollar amount change, like last year, contracting continued to lead the growth, followed by General Merchandise/Miscellaneous Retail at a \$352,146, as stores continued to open in Kirkland Urban and The Village at Totem Lake. Excluding the impact of revenue growth in the Contracting sector, the 2019 year to date total would have been up 8.6 percent through 2019. 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	
	2018	2019			2018	2019
Services	3,132,452	3,468,535	336,083	10.7%	13.2%	13.0%
Contracting	5,517,103	6,800,785	1,283,682	23.3%	23.2%	25.6%
Communications	550,076	705,508	155,432	28.3%	2.3%	2.7%
Retail:						
Auto/Gas Retail	4,933,656	5,046,411	112,755	2.3%	20.8%	19.0%
Gen Merch/Misc Retail	2,356,237	2,708,383	352,146	14.9%	9.9%	10.2%
Retail Eating/Drinking	1,719,136	1,871,460	152,324	8.9%	7.2%	7.0%
Other Retail	3,043,092	3,129,479	86,387	2.8%	12.8%	11.8%
Wholesale	1,062,516	1,158,423	95,907	9.0%	4.5%	4.4%
Miscellaneous	1,438,524	1,713,384	274,860	19.1%	6.1%	6.4%
Total	23,752,792	26,602,368	2,849,576	12.0%	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, 2019

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	54,381,791	15,663,512	70,045,303
Investments (Note 3)	140,903,766	36,394,888	177,298,654
Accounts Receivable	14,517,123	9,296,986	23,814,109
Intergovernmental Receivable	1,637,250	597,907	2,235,157
Internal Balances	844,696	(844,696)	0
Inventories	90,584	534,805	625,389
Prepayments	1,054,266	92,280	1,146,546
Deposits	1,689,975	0	1,689,975
Pension Asset	18,212,422	0	18,212,422
Interfund Loan Receivable	0	5,619,616	5,619,616
Capital Assets (Note 5)			
Land and Artwork	615,659,685	3,417,200	619,076,885
Depreciable Capital Assets (net of accumulated depreciation)	105,135,369	179,285,785	284,421,154
Depreciable Infrastructure (net of accumulated depreciation)	146,816,912	0	146,816,912
Construction in Progress	11,105,887	3,704,991	14,810,878
Total Assets	1,112,049,726	253,763,274	1,365,813,000
Deferred Outflows of Resources			
Deferred Outflow Pension Related	4,763,412	422,278	5,185,690
Deferred Outflow OPEB Related	243,712	0	243,712
Total Deferred Outflows of Resources	5,007,124	422,278	5,429,402

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

City of Kirkland
Statement of Net Position
December 31, 2019

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts Payable and Other Accrued Liabilities	11,013,821	2,357,753	13,371,574
Intergovernmental Payable	1,025,284	987,136	2,012,420
Unearned Revenue	680,799	489,263	1,170,062
Accrued Interest Payable	145,810	11,060	156,870
Deposits Payable	1,705,611	0	1,705,611
Noncurrent Liabilities			
Due within one year			
Bonds Payable	2,412,701	0	2,412,701
Loans and Contracts Payable	0	414,113	414,113
Claims Payable	420,600	0	420,600
Compensated Absences	2,930,407	177,360	3,107,767
Due in more than one year			
Bonds Payable	32,851,444		32,851,444
Loans and Contracts Payable	0	3,378,043	3,378,043
Compensated Absences	762,913	44,341	807,254
Net Pension Liability	10,918,059	1,609,259	12,527,318
OPEB Liability	16,035,203	0	16,035,203
Interfund Loan Payable	5,619,616	0	5,619,616
Total Liabilities	86,522,268	9,468,328	95,990,596
Deferred Inflows of Resources			
Deferred Inflow Pension Related	11,353,518	875,635	12,229,153
Deferred lease Receipt	593,215	0	593,215
Total Deferred Inflows of Resources	11,946,733	875,635	12,822,368
Net Position			
Net Investment in Capital Assets	837,630,564	182,702,985	1,020,333,549
Restricted for			
Net Pension Asset	11,622,316	0	11,622,316
Tourism	510,537	0	510,537
Culture and Recreation	20,170,759	0	20,170,759
Public Safety	1,889,838	0	1,889,838
Capital Improvements	12,833,492	0	12,833,492
Transportation	28,383,990	0	28,383,990
Debt Service	373,074	0	373,074
General Government	1,200,121	0	1,200,121
Unrestricted	103,973,158	61,138,604	165,111,762
Total Net Position	1,018,587,848	243,841,589	1,262,429,437



City of Kirkland
Statement of Activities

For the fiscal year ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense/Revenue and Changes in Net Position)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	13,416,838	9,193,286	205,911	0	(4,017,641)	0	(4,017,641)
Judicial	2,474,047	1,506,851	38,616	0	(928,580)	0	(928,580)
Security of Persons and Property	55,185,379	5,417,910	427,857	0	(49,339,613)	0	(49,339,613)
Physical Environment	1,137,480	1,900,618	0	7,000	770,138	0	770,138
Transportation	24,788,739	3,298,016	2,200,562	6,325,379	(12,964,782)	0	(12,964,782)
Human Services	2,405,937	0	73,328	0	(2,332,609)	0	(2,332,609)
Economic Environment	8,810,475	10,579,216	24,900	0	1,793,641	0	1,793,641
Culture and Recreation	13,055,673	4,059,458	65,373	964,519	(7,966,322)	0	(7,966,322)
Interest on Long Term Debt	1,840,502	0	0	0	(1,840,502)	0	(1,840,502)
Total Governmental Activities	123,115,070	35,955,355	3,036,547	7,296,898	(76,826,270)	0	(76,826,270)
Business Type Activities							
Water/Sewer	28,125,236	29,716,217	0	2,442,164	0	4,033,145	4,033,145
Surface Water	9,999,620	10,685,214	402,775	3,740,409	0	4,828,778	4,828,778
Solid Waste	18,092,173	18,306,879	118,561	0	0	333,267	333,267
Total Business Type Activities	56,217,029	58,708,310	521,336	6,182,573	0	9,195,190	9,195,190
Total Government	179,332,099	94,663,665	3,557,883	13,479,471	(76,826,270)	9,195,190	(67,631,080)
General Revenues							
Sales Taxes					35,892,386	0	35,892,386
Property Taxes					31,599,262	0	31,599,262
Utility Taxes					13,664,169	0	13,664,169
Real estate excise Taxes					15,198,846	0	15,198,846
Business Taxes					3,070,706	0	3,070,706
Other Taxes					3,170,902	0	3,170,902
Unrestricted Grants & Contributions					711,158	0	711,158
Investment Earnings					6,099,596	1,916,468	8,016,064
Gain on Sale of Capital Assets					82,381	0	82,381
Transfers					814,182	(814,182)	(0)
Total General Revenues & Transfers					110,303,587	1,102,286	111,405,874
Change in Net Position					33,477,317	10,297,476	43,774,793
Net Position at Beginning of Year					985,110,531	233,544,113	1,218,654,644
Net Position at End of Year					1,018,587,848	243,841,589	1,262,429,437

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2019

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	General		Excise Capital Improvement	General Capital Projects		Transportation Capital Projects		Non Major Governmental Funds		Governmental Funds Total
	Fund	Improvement		Projects	Projects	Projects	Funds	Funds		
Assets										
Current Assets										
Cash and Cash Equivalents	15,128,800	3,076,243	12,868,735	10,414,947	3,121,000	44,609,725				
Investments	50,567,846	7,236,619	29,511,130	23,878,424	7,124,984	118,319,003				
Receivables										
Taxes	8,838,288	2,520,630	0	0	102,320	11,461,238				
Accounts	1,417,169	0	0	0	0	1,417,169				
Due From Other Funds	872,798	0	0	0	0	872,798				
Intergovernmental Receivable	256,039	0	417,810	917,622	339	1,591,810				
Prepayments	839,775	0	0	963	30,729	871,467				
Restricted Assets										
Deposits	1,689,974	0	0	0	0	1,689,974				
Total Assets	79,610,689	12,833,492	42,797,675	35,211,956	10,379,372	180,833,184				
Liabilities										
Accounts Payable	1,091,967	0	1,110,470	4,420,460	63,763	6,686,660				
Wages Payable	2,196,007	0	0	0	61,392	2,257,399				
Benefits Payable	724,947	0	0	0	23,736	748,683				
Taxes Payable	136,395	0	0	0	0	136,395				
Due to Other Funds	13,073	0	0	0	8,734	21,807				
Intergovernmental Payable	992,263	0	0	1,872	14,947	1,009,082				
Payable from Restricted Assets										
Deposits Payable	356,422	0	0	0	0	356,422				
Unearned Revenue	2,072,188	0	0	0	0	2,072,188				
Interfund Loan Payable	0	0	5,562,619	0	0	5,562,619				
Total Liabilities	7,583,262	0	6,673,089	4,422,332	172,572	18,851,255				
Deferred Inflows of Resources										
Unavailable Revenue - Property Taxes	299,267	0	0	0	56,067	355,334				
Total Deferred Inflows of Resources	299,267	0	0	0	56,067	355,334				
Fund Balances										
Nonspendable	839,775	0	0	0	0	839,775				
Restricted for										
Tourism	0	0	0	0	510,537	510,537				
Debt Service	0	0	0	0	373,074	373,074				
Drug Enforcement	148,975	0	0	0	0	148,975				

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2019

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	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Fire Interlocal	130,702	0	0	0	0	130,702
Proposition One	345,943	0	0	0	0	345,943
Firefighter Pension	1,264,218	0	0	0	0	1,264,218
Transportation Projects	0	0	0	28,211,403	172,587	28,383,990
Cemetery Operations	0	0	0	0	1,029,647	1,029,647
Culture and Recreation Projects	0	0	12,134,670	0	8,064,887	20,199,557
Parks Interlocal	0	0	815	0	0	815
General Government Facilities	0	0	171,000	0	0	171,000
Capital Improvements	0	12,833,492	0	0	0	12,833,492
Committed for						
Contingency Fund (RCW 35A.33.145)	5,675,121	0	0	0	0	5,675,121
General Government Activities	872,626	0	0	0	0	872,626
Capital Projects	0	0	0	151,999	0	151,999
Assigned for						
Street Operating Fund	2,450,971	0	0	0	0	2,450,971
General Reserves	8,822,829	0	0	0	0	8,822,829
Public Safety Activities	1,016,549	0	0	0	0	1,016,549
Development Services	6,757,790	0	0	0	0	6,757,790
Parks and Recreation Activities	440,852	0	0	0	0	440,852
Capital Projects	0	0	23,818,101	2,426,222	0	26,244,323
Unassigned	42,961,808	0	0	0	(0)	42,961,808
	71,728,159	12,833,492	36,124,586	30,789,624	10,150,732	161,626,593
Total Fund Balances						
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	79,610,688	12,833,492	42,797,675	35,211,956	10,379,371	180,833,181

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	866,231,952
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	24,245,010
Long term liabilities are not due and payable in the current period and are not reported in the funds	(74,724,617)
Internal services funds are used by management to charge the costs of certain activities to individual funds	40,853,582
Unavailable tax revenue is susceptible to full accrual in the government-wide statements but reported as deferred inflows in government funds.	355,328
Net Position of governmental activities	1,018,587,848

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, 2019

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	General Fund	Excise Capital Improvement
Revenues		
Taxes and Assessments	80,520,377	15,198,847
Licenses and Permits	11,808,201	0
Intergovernmental	4,130,751	0
Charges for Services	22,189,138	0
Fines and Forfeitures	1,622,029	0
Investment Interest	4,114,994	783,854
Miscellaneous Revenues	1,318,149	0
Total Revenues	125,703,639	15,982,701
Expenditures		
Current		
General Government	14,343,873	0
Security of Persons and Property	54,626,442	0
Physical Environment	5,257,994	0
Transportation	10,525,033	0
Economic Environment	11,380,698	0
Culture and Recreation	6,998,177	0
Debt Service		
Principal	0	0
Interest	0	0
Capital Outlay	58,097	0
Total Expenditures	103,190,314	0
Excess (Deficiency) of revenues		
Over (under) expenditures	22,513,325	15,982,701
Other Financing Sources (Uses)		
Interfund Loan Proceeds	0	0
Issuance of Debt	0	0
Sale of Capital Assets		0
Insurance Recovery	107,365	0
Transfers In	451,053	1,009,090
Transfers Out	(12,435,095)	(28,555,854)
Total Other Financing Sources (Uses)	(11,876,677)	(27,546,764)
Net Change in Fund Balance	10,636,647	(11,564,063)
Fund Balances Beginning of Year	61,091,511	24,397,555
Fund Balances End of Year	71,728,158	12,833,492

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, 2019

Page 2 of 2

General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
0	0	5,504,136	101,223,360
0	0	0	11,808,201
898,848	2,856,776	525,040	8,411,416
197,676	78,549	5,402,933	27,868,296
0	0	0	1,622,029
33,220	0	477,125	5,409,193
268,884	0	14,112	1,601,145
1,398,628	2,935,325	11,923,346	157,943,639
1,768,523	0	0	16,112,396
563,594	0	0	55,190,036
	0	78,639	5,336,633
0	6,194,806	0	16,719,839
0	0	272,049	11,652,747
1,153,699	0	3,305,534	11,457,410
0	0	2,261,245	2,261,245
0	0	1,840,502	1,840,502
16,771,385	12,454,000	2,900	29,286,382
20,257,201	18,648,806	7,760,869	149,857,191
(18,858,573)	(15,713,481)	4,162,477	8,086,449
0	0	0	0
0	0	0	0
0	0	68,550	68,550
0	0		107,365
32,001,661	19,857,055	2,993,817	56,312,676
(1,691,732)	(571,091)	(11,706,437)	(54,960,209)
30,309,929	19,285,964	(8,644,070)	1,528,382
11,451,356	3,572,483	(4,481,593)	9,614,831
24,673,230	27,217,141	14,632,325	152,011,762
36,124,586	30,789,624	10,150,732	161,626,593

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, 2019

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

Net change in fund balances for governmental funds 9,614,831

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	29,286,382	
Depreciation	(14,604,266)	
Contributed Capital	3,650,769	
Capital Sales	<u>(1,928,509)</u>	
	16,404,377	16,404,377

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	2,261,245	
Bond (Premium) Discount	<u>(12,455)</u>	
	2,248,790	2,248,790

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		27,029
Change in Pension Asset		1,920,812
Change in Pension Outflow		(377,200)
Change in OPEB Outflow		(103,869)
Change in tax revenue inflow		355,328

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		2,919,695
Change in Pension Inflow		(577,212)
Change in Compensated Absences		(223,640)
Accrued Interest		(49,145)
Other Post Employment Benefit Obligation		(350,648)

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

1,668,165

Change in net position of governmental activities 33,477,317

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	139,709,641	140,776,473	73,139,932	73,139,932	(67,636,541)
Licenses and Permits	20,707,226	20,852,470	11,439,761	11,439,761	(9,412,709)
Intergovernmental	3,077,951	4,617,454	4,588,162	4,588,162	(29,292)
Charges for Services	36,991,411	38,421,275	19,456,103	19,456,103	(18,965,172)
Fines and Forfeitures	2,771,498	3,511,844	1,621,751	1,621,751	(1,890,093)
Interest on Sales Tax Contract	160,000	160,000	97,113	97,113	(62,887)
Investment Interest-Dedicated	1,773,410	1,773,410	2,385,359	2,385,359	611,949
Contributions/Donations	96,500	96,500	92,334	92,334	(4,166)
Miscellaneous Revenues	1,266,648	1,292,990	890,811	890,811	(402,179)
Total Revenues	206,554,285	211,502,416	113,711,326	113,711,326	(97,791,090)
Expenditures					
Current					
General Government	33,522,860	32,964,089	15,812,860	15,812,860	17,151,229
Security of Persons and Property	111,134,797	113,522,167	55,191,436	55,191,436	58,330,731
Physical Environment	14,249,755	15,144,611	6,649,149	6,649,149	8,495,462
Transportation	2,829,331	3,192,028	1,404,568	1,404,568	1,787,460
Economic Environment	20,685,337	22,857,948	9,909,259	9,909,259	12,948,689
Human Services	4,270,699	4,672,848	1,569,221	1,569,221	3,103,627
Culture and Recreation	15,285,851	15,770,266	7,447,594	7,447,594	8,322,672
Total Expenditures	201,978,630	208,123,957	97,984,087	97,984,087	110,139,870
Excess of revenues over expenditures	4,575,655	3,378,459	15,727,239	15,727,239	12,348,780
Other Financing Sources (Uses)					
Insurance Recovery	100,000	100,000	78,573	78,573	(21,427)
Transfers In	535,061	675,114	166,252	166,252	(508,862)
Transfers Out	(6,108,568)	(11,272,386)	(6,179,235)	(6,179,235)	5,093,151
Total Other Financing Sources (Uses)	(5,473,507)	(10,497,272)	(5,934,410)	(5,934,410)	4,562,862
Net Change in Fund Balance	(897,852)	(7,118,813)	9,792,829	9,792,829	16,911,642
Fund Balances Beginning of Year	38,462,453	45,718,202	45,718,202	45,718,202	0
Fund Balances End of Year	37,564,601	38,599,389	55,511,032	55,511,032	16,911,642

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	7,500,000	12,100,000	13,367,199	13,367,199	1,267,199
Investment Interest	968,972	968,972	410,469	410,469	(558,503)
Total Revenues	8,468,972	13,068,972	13,777,668	13,777,668	708,696
Excess of revenues over expenditures	8,468,972	13,068,972	13,777,668	13,777,668	708,696
Other Financing Sources (Uses)					
Transfers In	0	910,725	1,009,090	1,009,090	98,365
Transfers Out	(15,009,668)	(33,602,221)	(28,555,853)	(28,555,853)	5,046,368
Total Other Financing Sources (Uses)	(15,009,668)	(32,691,496)	(27,546,763)	(27,546,763)	5,144,733
Net Change in Fund Balance	(6,540,696)	(19,622,524)	(13,769,095)	(13,769,095)	5,853,429
Fund Balances Beginning of Year	12,495,729	23,898,263	23,898,263	23,898,263	0
Fund Balances End of Year	5,955,033	4,275,739	10,129,168	10,129,168	5,853,429

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

City of Kirkland
Statement of Net Position
 Proprietary Funds
 December 31, 2019

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	9,729,778	5,314,860	618,874	15,663,512	9,772,066
Investments (Note 3)	22,567,889	12,330,193	1,496,806	36,394,888	22,584,763
Receivables					
Interest	116,628	0	0	116,628	0
Contracts	458,681	0	0	458,681	0
Accounts	5,245,809	277,757	3,182,083	8,705,649	233,269
Assessments	16,028	0	0	16,028	
Intergovernmental Receivable	52,969	540,044	4,894	597,907	660
Due From Other Funds	27,757	0	754	28,511	
Inventories	454,394	80,411	0	534,805	90,583
Interfund Loan Receivable				0	
Loans	5,562,619	0	0	5,562,619	
Interest	56,997	0	0	56,997	
Total Interfund Receivable	5,619,616	0	0	5,619,616	
Restricted Assets				0	
Prepayments	29,611	57,066	5,603	92,280	182,801
Total Current Assets	44,319,160	18,600,331	5,309,014	68,228,505	32,864,142
Capital Assets (Note 5)					
Land	47,784	3,369,416	0	3,417,200	0
Depreciable Capital Assets (Net)	104,514,956	74,770,829	0	179,285,785	12,485,902
Construction in Progress	1,185,847	2,519,144	0	3,704,991	0
Total Capital Assets	105,748,587	80,659,389	0	186,407,976	12,485,902
Total Noncurrent Assets	105,748,587	80,659,389	0	186,407,976	12,485,902
Total Assets	150,067,747	99,259,720	5,309,014	254,636,481	45,350,044
Deferred Outflows of Resources					
Deferred Outflow Pension Related	138,254	259,110	24,914	422,278	424,908
Total Deferred Outflows of Resources	138,254	259,110	24,914	422,278	424,908

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

City of Kirkland
Statement of Net Position
 Proprietary Funds
 December 31, 2019

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
Liabilities					
Current Liabilities					
Accounts Payable	297,440	590,847	1,187,085	2,075,372	906,307
Claims Payable	0	0	0	0	420,600
Wages Payable	63,341	131,912	11,990	207,243	203,572
Benefits Payable	24,814	47,444	2,880	75,138	57,254
Compensated Absences Payable	76,582	91,578	9,200	177,360	193,654
Intergovernmental Payable	583,251	84,942	318,943	987,136	16,374
Due to Other Funds	549,109	27,234	296,864	873,207	6,294
Accrued Interest Payable	11,060	0	0	11,060	0
Unearned Revenue	489,263	0	0	489,263	568,541
Loans and Contracts Payable	414,113	0	0	414,113	0
Sub-total Current Liabilities	2,508,973	973,957	1,826,962	5,309,892	2,372,596
Current Liabilities Payable From Restricted Assets					
Deposits Payable	0	0	0	0	0
Sub-total Current Liabilities Payable From Restricted Assets	0	0	0	0	0
Total Current Liabilities	2,508,973	973,957	1,826,962	5,309,892	2,372,596
Noncurrent Liabilities					
Compensated Absences Payable	19,146	22,895	2,300	44,341	48,413
Loans and Contracts Payable	3,378,043	0	0	3,378,043	0
Net Pension Liability	526,871	987,442	94,946	1,609,259	1,619,281
Total Noncurrent Liabilities	3,924,060	1,010,337	97,246	5,031,643	1,667,694
Total Liabilities	6,433,033	1,984,294	1,924,208	10,341,535	4,040,290
Deferred Inflows of Resources					
Deferred Inflow Pension Related	286,683	537,290	51,662	875,635	881,087
Total Deferred Inflows of Resources	286,683	537,290	51,662	875,635	881,087
Net Position					
Net Investment in Capital Assets	101,956,431	80,659,389	0	182,615,820	12,485,902
Unrestricted	41,529,854	16,337,857	3,358,058	61,225,769	28,367,673
Total Net Position	143,486,285	96,997,246	3,358,058	243,841,589	40,853,575

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended December 31, 2019

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
Operating Revenues					
Charges for Services	29,264,297	10,532,176	18,291,178	58,087,651	22,772,753
Miscellaneous Revenues	451,920	153,038	15,701	620,659	273,619
Total Operating Revenues	29,716,217	10,685,214	18,306,879	58,708,310	23,046,372
Operating Expenses					
Administrative and General	3,158,321	4,933,110	1,169,874	9,261,305	12,203,127
Supplies	0	0	0	0	635,525
Maintenance and Operations	18,056,535	1,934,758	14,179,957	34,171,250	7,137,672
Taxes	3,840,779	947,614	2,612,432	7,400,825	0
Depreciation	2,996,498	1,775,673	0	4,772,171	1,766,702
Total Operating expenses	28,052,133	9,591,155	17,962,263	55,605,551	21,743,026
Operating Income (Loss)	1,664,084	1,094,059	344,616	3,102,759	1,303,346
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	1,202,600	636,760	77,108	1,916,468	690,403
Grant Income	0	402,775	118,561	521,336	0
Insurance Recovery	0	0	0	0	39,014
Interest Expense	(19,755)	0	0	(19,755)	0
Gain (Loss) on Disposal of Capital Assets	(53,348)	(5,690)	0	(59,038)	173,694
Other Nonoperating Revenues/(Expenses)	0	(402,775)	(129,910)	(532,685)	0
Total Nonoperating revenues (expenses)	1,129,497	631,070	65,759	1,826,326	903,111
Income Before Contributions and Transfers	2,793,581	1,725,129	410,375	4,929,085	2,206,457
Capital Contributions					
Contributions	2,442,164	3,740,409	0	6,182,573	0
Transfers In	0	0	0	0	809,173
Transfers Out	(349,682)	(99,500)	(365,000)	(814,182)	(1,347,463)
Change in Net Position	4,886,063	5,366,038	45,375	10,297,476	1,668,167
Total Net Position - Beginning	138,600,222	91,631,208	3,312,683	233,544,113	39,185,408
Total Net Position - Ending	143,486,285	96,997,246	3,358,058	243,841,589	40,853,575

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, 2019
 Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities				Total	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Enterprise Funds		
Cash Flows From Operating Activities						
Cash Received From Customers	29,279,664	10,468,364	18,018,252		57,766,280	0
Cash Received From Interfund Charges	0	0	0	0	0	15,182,933
Contributions Received from Employees and Employer	0	0	0	0	0	6,972,006
Cash From Other Sources	439,764	157,987	423,635		1,021,386	1,253,771
Cash Paid to Suppliers for Goods and Services	(17,139,784)	(1,106,374)	(14,184,161)		(32,430,319)	(9,746,024)
Cash Paid to Employees for Services	(2,386,139)	(3,647,280)	(406,651)		(6,440,070)	(6,710,177)
Cash Paid in Lieu of Taxes	(3,860,656)	(943,289)	(2,634,103)		(7,438,048)	0
Cash Paid for Central Business Functions	(2,511,331)	(2,172,439)	(717,671)		(5,401,441)	(3,991,033)
Cash Provided by Operating Activities	3,821,518	2,756,969	499,301		7,077,788	2,961,477
Cash Flows From Noncapital Financing Activities						
Proceeds From Federal, State, Local Grants	0	487,543	135,953		623,496	0
Deposits	(12,305)	0	0		(12,305)	0
Grant Administration Expenditures	0	(514,070)	(125,484)		(639,554)	0
Transfers In	0	0	0		0	809,173
Transfers Out	(349,682)	(99,500)	(365,000)		(814,182)	(1,347,463)
Cash Provided by (Used for) Noncapital Financing Activities	(361,987)	(126,027)	(354,531)		(842,545)	(538,290)
Cash Flows From Capital and Related Financing Activities						
Capital Contributed	1,917,643	134,112	0		2,051,755	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0		0	360,020
Proceeds From Capital Grants	0	175,358	0		175,358	0
Principal Payments on Notes	(426,648)	0	0		(426,648)	0
Interest Paid on Notes	(20,758)	0	0		(20,758)	0
Interest Received on Program Loans	14,282	0	0		14,282	0
Acquisition and Construction of Capital Assets	(6,288,301)	(4,799,193)	0		(11,087,494)	(2,998,631)
Cash Provided by (Used for) Capital and Related Financing Activities	(4,803,782)	(4,489,723)	0		(9,293,505)	(2,638,611)
Cash Flows From Investing Activities						
(Increase) Decrease in Investments	604,715	(846,766)	(344,443)		(586,494)	(2,950,345)
Interest Revenue	1,130,695	635,115	77,108		1,842,918	402,835
Interfund Loan	(5,562,619)	0	0		(5,562,619)	0
Cash Provided by Investing Activities	(3,827,209)	(211,651)	(267,335)		(4,306,195)	(2,547,510)
Increase (Decrease) in Cash and Cash Equivalents	(5,171,460)	(2,070,432)	(122,565)		(7,364,457)	(2,762,934)
Cash and Cash Equivalents, January 1	14,901,238	7,385,292	741,439		23,027,969	12,535,001
Cash and Cash Equivalents, December 31	9,729,778	5,314,860	618,874		15,663,512	9,772,068

City of Kirkland
Statement of Cash Flows
Proprietary Funds

For the fiscal year ended December 31, 2019
Increase in Cash and Cash Equivalents

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities					
Operating Income (Loss)	1,664,084	1,094,059	344,616	3,102,759	1,303,346
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	2,996,498	1,775,673	0	4,772,171	1,766,702
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	45,095	(34,492)	135,659	146,262	(11,508)
(Increase) Decrease in Operating Intergovernmental Receivable	(18,396)	0	0	(18,396)	85,023
(Increase) Decrease in Operating Due From Other Funds	(12,678)	0	(754)	(13,432)	
(Increase) Decrease in Other Accounts Receivable	4,139	5,300	0	9,439	
(Increase) Decrease in Operating Inventories	44,754	(5,967)	0	38,787	(41,448)
(Increase) Decrease in Assessments	(1,600)	0	0	(1,600)	
(Increase) Decrease in Prepayments	434	11,501	(911)	11,024	(111,289)
(Increase) Decrease in Pension Deferred Outflows of Resources	(26,464)	(77,290)	(4,771)	(108,525)	(111,155)
Increase (Decrease) in Pension Deferred Inflows of Resources	17,375	99,277	3,136	119,788	125,240
Increase (Decrease) in Net Pension Liability	(146,265)	(107,373)	(26,343)	(279,981)	(269,960)
Increase (Decrease) in Operating Accounts Payable	6,168	(17,055)	61,419	50,532	(85,875)
Increase (Decrease) in Claims Payable	0	0	0	0	23,600
Increase (Decrease) in Operating Intergovernmental Payable	(748,835)	(23,545)	3,060	(769,320)	(16,357)
Increase (Decrease) in Operating Due to Other Funds	(15,557)	2,181	(14,932)	(28,308)	
Increase (Decrease) in Wages Payable	(127)	9,242	(3,469)	5,646	(42,666)
Increase (Decrease) in Benefits Payable	10,256	20,139	110	30,505	6,817
Increase (Decrease) in Compensated Absences Payable	1,540	5,319	2,481	9,340	21,459
Increase (Decrease) in Revenue Collected in Advance	1,097	0	0	1,097	319,548
Cash Provided by Operating Activities	3,821,518	2,756,969	499,301	7,077,788	2,961,477
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	609,636	3,225,970	0	3,835,606	0
Change in Fair Value of Investments	287,413	160,658	20,550	468,621	0

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

City of Kirkland
Statement of Fiduciary Net Position
 Fiduciary Funds
 December 31, 2019

	Fiduciary Funds
Assets	
Cash and Cash Equivalents	334,488
Deposits	4,620,456
Total Assets	4,954,944
Liabilities	
Current Liabilities	
Accounts Payable	25,858
Due to Other Governments	1,384
Deposits	4,927,702
Total Liabilities	4,954,944
Net Position	0
Total Net Position	0

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

City of Kirkland
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year ended December 31, 2019

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City of Kirkland

Notes to the Basic Financial Statements
For Year Ended December 31, 2019

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 City is classified as a noncharter code city as set forth in RCW 35A. 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 18 for additional information.

Basis of Presentation - 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.

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.
Fiduciary 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.

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

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 are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of cash flows.

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 budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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). At December 31, 2019, the City was holding \$76,570,162 in short-term residual investments of surplus cash. 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. Additional information is available in Note 4.
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."

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. Additional information is available in Note 14.

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 – See Note 5, 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. Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

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

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

Compensated Absences

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

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

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

In 2005, contracts with public safety 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 2019.

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 – See Note 10, 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 2019 for 2020.

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	1,405,592
Pension Asset	18,212,422
Deferred Pension Outflow	4,338,504
Deferred OPEB Outflow	243,712
Bond Subsidy	<u>44,780</u>
Net Adjustment	<u>24,245,010</u>

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

Bonds Payable	35,524,670
Compensated Absences	3,451,252
Net Pension Liability	9,298,778
Net OPEB Obligation	16,035,203
Deferred Pension Inflow	10,472,431
Bond Premium/Discount	(260,523)
Accrued Interest Payable	<u>202,807</u>
Net Adjustment	<u>74,724,617</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	1,081,923,290
Depreciation	<u>(215,691,337)</u>
Net Capital Assets Adjustment	<u>866,231,952</u>

Unavailable tax revenue is susceptible to full accrual in the government-wide statements but reported as deferred inflows in government funds.

Unavailable tax revenue	<u>355,328</u>
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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	29,286,382
Depreciation	(14,604,266)
Contributed Capital	3,650,769
Capital Sales	<u>(1,928,509)</u>
	16,404,377

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 affects the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Position.

Debt Retired	2,261,245
Bond (Premium) Discount	<u>(12,455)</u>
	2,248,790

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	27,029
Change in Pension Asset	1,920,812
Change in Pension Outflow	(377,200)
Change in OPEB Outflow	(103,869)
Change in tax revenue inflow	<u>355,328</u>
	1,822,102

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

Change in Net Pension Liability	2,919,695
Change in Pension Inflow	(577,212)
Change in Compensated Absences	(223,640)
Accrued Interest	(49,145)
Other Post Employment Benefit Obligation	<u>(350,648)</u>
	1,719,051

**NOTE 3:
CASH, 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	\$ 14,700
FDIC or PDPC Insured Bank Deposits	37,188,057
Fire District #41 Funds held by King County	91,121
Total	\$ 37,293,877

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 pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 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, 2019, the City of Kirkland held the following investments at amortized cost:

Investments Measured at Amortized Cost	
Washington State Local Government Investment Pool	39,382,106
Total	\$ 39,382,106

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. At December 31, 2019, the City's investments had the following credit ratings for securities with credit exposure:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
Federal Home Loan Bank	Aaa	AA+	70,097,347
Federal Home Loan Mortgage Corporation	Aaa	AA+	20,013,560
Federal Farm Credit Bank	Aaa	AA+	35,685,231
Federal National Mortgage Association	Aaa	AA+	30,370,899
Total			\$ 156,167,036

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 percent 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	\$ 21,145,857		8.33%
Government Sponsored Enterprise			
Federal Home Loan Bank	70,097,347		27.60%
Federal Home Loan Mortgage Corporation	20,013,560		7.87%
Federal Farm Credit Bank	35,685,231		14.05%
Federal National Mortgage Association	30,370,899		11.96%
Cash on Hand		14,700	0.01%
FDIC or PDPC Insured Bank Deposits		37,188,057	14.63%
Fire District #41 Funds held by King County		91,121	0.04%
Washington State Local Government Investment Pool		39,382,106	15.51%
Total	\$ 177,312,893	\$ 76,675,983	
Total Cash, Deposits and Investments		\$ 253,988,877	

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 1.7 years.

The following schedule presents the investments and related maturities as of December 31, 2019.

Investment Type	Fair Value	Maturity (in Years)	
		Less Than 1	1 - 5
Government Sponsored Enterprise (GSE's)	156,167,036	34,881,052	121,285,984
US Treasury Notes	21,145,857	4,977,590	16,168,267
Total	177,312,893	39,858,642	137,454,251

Investments Measured at Fair Value

The City of Kirkland measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

- Level 1 securities are valued using prices quoted in active markets for identical assets or liabilities;
- Level 2 securities are valued using quoted market prices for similar assets or liabilities that are not active, or other than quoted prices that are not observable;
- 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	12/31/2019	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)	156,167,036	-	156,167,036	-
US Treasury Notes	21,145,857	21,145,857	-	-
Total By Fair Value Level	\$ 177,312,893	\$ 21,145,857	\$ 156,167,036	\$ -

**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 2019 was \$1.02587 per \$1,000 on an assessed valuation of \$29,434,853,187 for a total regular levy of \$30,197,612. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.02651 per \$1,000 for an excess levy of \$564,105. 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, 2019, was as follows:

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	605,728,609	8,355,958	578,331	613,506,236
Construction in Progress	17,818,883	29,225,385	35,938,381	11,105,887
Artwork	2,153,449	0	0	2,153,449
Total Capital Assets, Not Being Depreciated	\$ 625,700,941	37,581,343	36,516,712	\$ 626,765,572
Capital Assets, Being Depreciated:				
Buildings	42,435,186	3,608,449	0	46,043,635
Improvements	92,015,796	8,681,768	0	100,697,564
Machinery and Equipment	27,576,383	3,875,147	1,878,948	29,572,582
Infrastructure	287,426,478	18,294,402	1,602,457	304,118,423
Total Capital Assets, Being Depreciated	\$ 449,453,843	34,459,766	3,481,405	\$ 480,432,204
Less Accumulated Depreciation for:				
Buildings	16,777,079	976,153	0	17,753,232
Improvements	32,978,667	4,539,717	0	37,518,384
Machinery and Equipment	15,481,873	2,224,104	1,799,181	15,906,796
Infrastructure	149,229,361	8,630,995	558,845	157,301,511
Total Accumulated Depreciation	\$ 214,466,980	16,370,969	2,358,026	\$ 228,479,923
Total Capital Assets, Being Depreciated, Net	\$ 234,986,863	18,088,797	1,123,379	\$ 251,952,281
Governmental Activities Capital Assets, Net	\$ 860,687,803	55,670,140	37,640,091	\$ 878,717,853
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	3,417,200	0	0	3,417,200
Construction in Progress	7,843,422	11,625,206	15,763,637	3,704,991
Total Capital Assets, Not Being Depreciated	\$ 11,260,622	11,625,206	15,763,637	\$ 7,122,191
Capital Assets, Being Depreciated:				
Buildings	47,591	0	0	47,591
Improvements	240,533,090	19,188,232	333,566	259,387,756
Total Capital Assets, Being Depreciated	\$ 240,580,681	19,188,232	333,566	\$ 259,435,347
Less Accumulated Depreciation for:				
Buildings	47,591	0	0	47,591
Improvements	75,360,334	4,772,171	30,534	80,101,971
Total Accumulated Depreciation	\$ 75,407,925	4,772,171	30,534	\$ 80,149,562
Total Capital Assets, Being Depreciated, Net	\$ 165,172,756	14,416,061	303,032	\$ 179,285,785
Business-type Activities Capital Assets, Net	\$ 176,433,378	26,041,267	16,066,669	\$ 186,407,976

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

Governmental Activities	
General Government	2,827,216
Security of Persons and Property	2,659,188
Physical Environment	729,621
Transportation (includes depreciation of general infrastructure assets)	8,812,994
Economic Environment	21,352
Culture and Recreation	1,320,598
Governmental Activities Depreciation Expense	<u>\$ 16,370,969</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	2,996,498
Surface Water Utility	1,775,673
Solid Waste Utility	0
Business-type Activities Depreciation Expense	<u>\$ 4,772,171</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2019. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Transportation	8,668,987	7,077,394
Surface Water Utility	2,494,311	592,035
Water/Sewer Utility	3,297,377	2,860,414
Total	<u>\$ 14,460,675</u>	<u>\$ 10,529,843</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 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (12,568,585)
Pension assets	18,253,690
Deferred outflows of resources	5,185,690
Deferred inflows of resources	(12,229,153)
Pension expense/expenditures	1,753,816

Includes \$876,927 Pension assets for the Firefighters' Pension Plan

Includes \$38,128 Deferred outflows of resources for the Firefighters' Pension Plan

Includes \$17,389 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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January-June 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July-December 2019:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January-June 2019:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.83%	7.41%
July-December 2019:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The City's actual PERS plan contributions were \$38,224 to PERS Plan 1 and \$4,292,793 to PERS Plan 2/3 for the year ended December 31, 2019.

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 and Cannabis 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 2019 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January–June 2019:		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.38%	7.07%
July–December 2019:		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.14%	7.20%

The City's actual plan contributions were \$190,036 to PSERS Plan 2 for the year ended December 31, 2019.

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 percent of FAS
- 10-19 years of service – 1.5 percent of FAS
- 5-9 years of service – 1 percent of FAS

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44 percent as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1 and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would

be if it were calculated using a discount rate that is 1 percentage point lower (6.4%) or 1 percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	12,057,514	9,628,154	7,520,364
PERS 2/3	22,551,936	2,940,431	(13,152,105)
PSERS 2	426,029	(41,266)	(408,366)
LEOFF 1	(1,204,904)	(1,472,891)	(1,704,273)
LEOFF 2	(2,949,528)	(15,862,605)	(26,402,632)

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, 2019, the City reported a total pension asset of \$4,808,179 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	9,628,154
PERS 2/3	2,940,431
PSERS 2	(41,266)
LEOFF 1	(1,472,891)
LEOFF 2	(15,862,606)
Total Pension Asset	(4,808,179)

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	(15,862,606)
LEOFF 2 – State's proportionate share of the net pension liability (asset) associated with the employer	(10,387,881)
TOTAL	(26,250,487)

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportionate Share
PERS 1	.245488%	.250384%	.004896%
PERS 2/3	.294538%	.302719%	.008181%
PSERS 2	.355180%	.317335%	(.037845%)
LEOFF 1	(.077052%)	(.074516%)	.002536%
LEOFF 2	(.690550%)	(.684709%)	.005841%

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 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, 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 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City recognized pension expense as follows:

	Pension Expense
PERS 1	671,894
PERS 2/3	780,220
PSERS 2	67,357
LEOFF 1	(34,885)
LEOFF 2	251,841
TOTAL	1,736,427

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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		(643,242)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	875,916	
TOTAL	875,916	(643,242)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	842,440	(632,176)
Net difference between projected and actual investment earnings on pension plan investments		(4,280,070)
Changes of assumptions	75,295	(1,157,908)
Changes in proportion and differences between contributions and proportionate share of contributions	37,979	
Contributions subsequent to the measurement date	1,360,863	
TOTAL	2,316,577	(6,070,154)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	34,848	(3,650)
Net difference between projected and actual investment earnings on pension plan investments		(71,661)
Changes of assumptions	44	(21,040)
Changes in proportion and differences between contributions and proportionate share of contributions		(6,646)
Contributions subsequent to the measurement date	59,847	
TOTAL	94,739	(102,997)

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		(152,695)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL	0	(152,695)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,141,456	(285,252)
Net difference between projected and actual investment earnings on pension plan investments		(3,252,330)
Changes of assumptions	26,132	(1,722,484)
Changes in proportion and differences between contributions and proportionate share of contributions	53,548	
Contributions subsequent to the measurement date	639,194	
TOTAL	1,860,330	(5,260,066)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	2,018,744	(921,078)
Net difference between projected and actual investment earnings on pension plan investments		(8,399,997)
Changes of assumptions	101,471	(2,901,432)
Changes in proportion and differences between contributions and proportionate share of contributions	91,527	(6,646)
Contributions subsequent to the measurement date	2,935,820	
TOTAL	5,147,562	(12,229,153)

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, 2020.

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>
2020	(141,999)	(1,235,554)	(12,756)	(35,467)	(888,210)
2021	(336,355)	(2,137,357)	(24,025)	(78,172)	(1,666,691)
2022	(120,031)	(914,878)	(15,496)	(28,366)	(739,272)
2023	(44,856)	(462,061)	(8,798)	(10,690)	(394,360)
2024	0	(250,679)	(2,176)	0	(133,763)
Thereafter	0	46,626	(10,523)	0	(390,672)

Firefighters' Pension

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 for the year 2019:

Pension Amounts – Fire Fighter Pension	
Pension Liability	\$
Pension Assets	\$ 876,927
Deferred Outflows of Resources	\$ 38,128
Deferred Inflows of Resources	\$ 0
Pension Expense	\$ 17,389

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 percent of all monies received by the State from taxes on fire insurance premiums. Other funding sources include interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pension obligations. The City's fire insurance premium and interest earnings were

sufficient to pay the expenses in 2019. The financial activity of the Firefighters' Pension Plan is reported within the City's General Fund.

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2019:

Retirees and beneficiaries receiving benefits	3
Active plan members	<u>0</u>

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

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

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

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2018	346,579	1,219,638	(873,059)
Changes for the year:			
Service Cost	0		0
interest on total pension liability	13,538		13,538
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	0		0
Effect of assumptions changes or inputs	43,597		43,597
Benefit payments	(16,423)	(16,423)	0
Medical payments from fund		(87,000)	87,000
Employer contributions		0	0
Contributions from state fire insurance premium tax		108,253	(108,253)
Net investment income		43,050	(43,050)
Administrative expenses		(3,300)	3,300
Balances as of December 31, 2019	387,291	1,264,218	(876,927)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There were no significant changes during this period.

Discount Rates and Investment Earnings

	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Discount Rate	4.00%	2.75%
Long term expected rate of return, net of investment expense	4.00%	2.75%
Municipal bond rate	4.00%	2.75%

The following presents the total pension liability of the City, calculated using the discount rate of 2.75 percent, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate.

	<u>1% Decrease 1.75%</u>	<u>Current Discount Rate 2.75%</u>	<u>1% Increase 3.75%</u>
Total Pension Liability	428,620	387,291	351,783
Fiduciary Net Position	1,264,218	1,264,218	1,264,218
Net Pension Liability	(835,598)	(876,927)	(912,435)

Actuarial Assumptions

Valuation Date	January 1, 2018	January 1, 2018
Measurement Date	December 31, 2018	December 31, 2019
Inflation	2.25%	2.25%
Salary increases including inflation	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry Age Normal	Entry Age Normal

Deferred Inflows / Outflows of Resources Related to Pensions

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings	38,128	
Contributions subsequent to the measurement date		
TOTAL	38,128	0

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

Year ended December 31:	
2020	19,378
2021	12,350
2022	5,246
2023	1,154
2023	0
Thereafter	0

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

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

Municipal Employees Benefit Trust

The Municipal Employees’ Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City’s withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 675 employees who participated in the program during 2019, including seasonal employees. The City’s contribution for 2019 was \$3,192,563; employee contributions were \$4,328,695 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 percent.

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

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

**NOTE 7:
OTHER POST EMPLOYMENT BENEFITS**

The Governmental Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions" in June 2015. GASB 75's effective date is for an employer's fiscal year beginning after June 15, 2017.

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. The plan is a single-employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2018 there were 33 retirees receiving these benefits. All members of the closed group are retired and no new members are eligible for benefits. The benefits cover only the retiree, spouses and dependents are not covered by the plan.

For 2019, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 455,232
	Direct Medical Costs	<u>63,932</u>
	Total Costs	<u>\$ 519,164</u>

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

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2019.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$ (16,035,203)
OPEB Assets	\$
Deferred Outflows of Resources	\$ 243,712
Deferred Inflows of Resources	\$
OPEB Expenses	\$ 106,937

The total OPEB liability was determined using Washington State's Actuary Alternative Measurement Method Online Tool. The liability was determined using a June 30, 2019, measurement date using the following assumptions and inputs.

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate of 6 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5%) or 1- percentage point higher (7%) than the current rate.

	1% Decrease 5%	Current Healthcare Cost Trend Rate 6%	1% Increase 7%
Total OPEB Liability	\$14,218,168	\$16,035,203	\$18,190,034

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

	1% Decrease 2.5%	Current Discount Rate 3.5%	1% Increase 4.5%
Total OPEB Liability	\$18,320,333	\$16,035,203	\$14,153,687

Changes in the Total OPEB Liability (Asset)	
Total OPEB Liability at 01/01/2019	\$ 15,684,554
Interest	\$ 595,432
Differences between expected and actual experience	\$ 358,389
Benefit Payments	\$ (603,172)
Net Change	\$ 350,649
Total OPEB Liability at 12/31/2019	\$ 16,035,203

The total OPEB liability was determined using the Alternative Measurement Method as of June 30, 2019. The following actuarial assumptions applied to all measurements.

Methodology

Actuarial Valuation Date	6/30/2019
Actuarial Measurement Date	6/30/2019
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	No Assets

Assumptions

Discount Rate	
Beginning of Measurement Year	3.87%
End of Measurement Year	3.50%
Healthcare Trend Rates	
Medical Costs	Initial rate is approximately 6%, trends down to about 5% in 2020's.
Long term care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	RP-2000 Mortality Table +1 year Healthy/-2 years Disabled
Age Setback	Blended 50%/50% Healthy/Disabled
Mortality Improvements	100% Scale BB
Projection Period	Generational
Medicare Participation Rate	100%

The discount rate used to measure is based on the Bond Buyer General Obligation 20-Bond Municipal Index. For additional detail on the healthcare trend rates, please see the Office of State Actuary's 2018 LEOFF 1 Medical Benefits Actuarial Valuation Report.

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

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

For the year ended December 31, 2019, the City recognized an offset to OPEB expense of 106,937.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions	\$	\$
Payments subsequent to the measurement date	\$ 243,712	\$
TOTAL	\$ 243,712	\$

Deferred outflows of resources of \$243,712 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2019	\$ 243,712
2020	\$
2021	\$
2022	\$
2023	\$
Thereafter	\$

**NOTE 8:
NONGOVERNMENTAL PENSION PLAN**

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

To be eligible to participate in the Plan, a person must be an employee and must be covered under a bona fide written labor contract between an employer and a local union of the International Brotherhood of Teamsters that requires the employer to make payments to the Trust Fund. The current collective-bargaining agreement between the City and the Teamsters Local 763 expires December 31, 2020 and requires the City to pay \$0.35 per hour to the Trust Fund for each member of the bargaining unit, up to the maximum of 184 hours per calendar month. In 2019 the City made contributions for 127 employees, totaling \$73,492.

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 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, 2019 were \$5,839 representing contributions made for hours worked in December 2019. These contributions were paid in January 2020.

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 163 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 \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 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 2019.

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 was one claim in excess of the \$125,000 per person stop loss maximum for 2019. In accordance with GASB Statement 10, estimated liabilities are accrued for current outstanding claims and claims incurred but not reported (IBNR).

	<u>Beginning Of Year Liability</u>	<u>Incurred Claims Including IBNRs</u>	<u>Claim Payments</u>	<u>Unpaid Claims</u>
2012	\$503,643	\$6,316,315	\$6,208,928	\$611,030
2013	\$611,030	\$6,379,496	\$6,388,631	\$601,895
2014	\$601,895	\$7,159,200	\$7,170,710	\$590,385
2015	\$590,385	\$6,754,800	\$6,715,140	\$630,045
2016	\$630,045	\$6,225,297	\$6,294,771	\$560,571
2017	\$560,571	\$6,007,121	\$6,037,692	\$530,000
2018	\$530,000	\$3,372,869	\$4,299,869	\$397,000
2019	\$397,000	\$4,964,695	\$4,941,095	\$420,600

**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 three loans with principal outstanding of \$3,792,156. 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 (i.e.: 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 percent. 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
2020	1,195,000	1,535,305	500,817	2,229,488
2021	805,000	1,487,505	485,224	1,807,281
2022	1,000,000	1,453,695	474,195	1,979,500
2023	1,030,000	1,409,695	459,842	1,979,853
2024	1,060,000	1,362,315	476,810	1,945,505
2025-2029	5,835,000	5,985,685	2,094,990	9,725,695
2030-2034	6,955,000	4,271,712	1,495,099	9,731,613
2035-2039	8,375,000	2,078,291	727,402	9,725,889
2040	1,870,000	111,265	38,943	1,942,322
Total	\$ 28,125,000	\$ 19,695,468	\$ 6,753,322	\$ 41,067,146

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 percent 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 April 16, 2019 the City Council authorized an interfund loan in the amount of \$5,562,619 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 2.00 percent. 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 12/31/2019	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	7,220,000	28,125,000	1,195,000
2011 Limited Tax General Obligation Bond	5/26/2011	12/1/2021	3.2	4,000,000	3,095,330	904,670	445,156
2013 UTGO Refunding Bonds	10/29/2013	12/1/2022	2.3	4,670,000	3,050,000	1,620,000	530,000
*2015 LTGO Bonds - City Hall Remodel	11/20/2015	12/1/2034	3.45	5,800,000	925,000	4,875,000	255,000
Total				\$ 49,815,000	\$ 14,290,330	\$ 35,524,670	\$ 2,425,156

*Councilmanic

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2020	2,425,156	1,766,169
2021	2,064,514	1,683,023
2022	1,820,000	1,616,765
2023	1,310,000	1,550,800
2024	1,350,000	1,493,760
2025-2029	7,445,000	6,485,763
2030-2034	8,865,000	4,474,055
2035-2039	8,375,000	2,078,291
2040	1,870,000	111,265
Total	\$ 35,524,670	\$ 21,259,891

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 12/31/2019	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	227,500	-	-
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/2001	7/1/2021	0.5	1,848,000	1,642,063	205,937	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	799,637	286,663	57,332
2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement	10/8/2012	6/1/2032	0.5	4,038,000	738,444	3,299,556	253,812
Total				\$7,199,800	\$3,407,644	\$3,792,156	\$414,113

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2020	414,113	18,961
2021	414,113	16,890
2022	311,145	14,820
2023	311,145	13,264
2024	311,145	11,708
2025-2029	1,269,060	38,072
2030-2032	761,435	7,614
Total	\$ 3,792,156	\$ 121,329

City of Kirkland Credit Ratings

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

**NOTE 11:
LEASES**

Operating Leases

Copier Leases

In December 2016, the City entered into two 60-month leases for a Canon IR C 5560i and Canon IR C 700. Lease payments for the year ended December 31, 2019 totaled \$18,589. The future minimum payments for these agreements are summarized as follows:

2020	18,589
2021	<u>18,589</u>
Total	\$37,178

Envelope Opener

In 2019 the City entered into a 60-month lease for an Envelope Opener with Quadient Leasing. Lease payments for the year ended December 31, 2019 were \$638. The future minimum payments for this agreement are summarized as follows:

2020	711
2021	711
2022	711
2023	711
2024	<u>237</u>
Total	\$3,081

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 percent. Notice was given to the City of Bellevue that the agreement will terminate on 7/31/20. Contract payments for the year ended December 31, 2019 were \$42,480. The future minimum payments for this agreement are summarized as follows:

2020	<u>20,412</u>
Total	\$20,412

Gas Monitoring Equipment

Effective July 1, 2014, the City entered into a four-year lease for hazardous gas monitoring equipment. The initial term ended June 30, 2018. The lease automatically renewed on a month-to-month basis for a period not to exceed twelve months. Effective July 1, 2019 the terms of the lease were extended for a period of 48 months. Lease payments for the year ended December 31, 2019 were \$8,800. Future minimum payments are summarized as follows:

2020	13,824
2021	13,824
2022	13,824
2023	<u>6,912</u>
Total	\$48,384

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, 2019 were \$15,449. Future minimum payments are summarized as follows:

2020	15,449
2021	<u>9,012</u>
Total	\$24,461

Ground Lease Agreement

Effective June 10, 2019, the City entered into a 51 year and 7 month non-refundable ground lease with Catholic Community Services of Western Washington. Catholic Community Services intends to construct and operate a homeless shelter and day center. The entire amount of the lease was prepaid prior to the effective date of the lease and totaled \$600,000. The City purchased the property in 2018 for \$600,000. Lease revenue for the year ended December 31, 2019 was \$6,785. The remaining balance is reported as a deferred lease receipt.

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

During the year ending December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/19	Additions	Reductions	Ending Balance 12/31/19	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable:					
General Obligation Bonds	37,785,916	-	2,261,246	35,524,670	2,425,156
Less:					
Issuance Discount	(272,981)	-	(12,455)	(260,526)	(12,455)
Interfund Loan	-	5,562,619	-	5,562,619	-
Compensated Absences	3,447,999	4,100,964	3,855,643	3,693,320	2,930,406
Self Insurance Claims	397,000	4,964,695	4,941,095	420,600	420,600
Net Pension Liability	14,107,713	-	3,189,654	10,918,059	-
Other Post Employment Benefits	15,684,554	350,649	-	16,035,203	-
Governmental Activity Long-term Liabilities	<u>71,150,201</u>	<u>14,978,927</u>	<u>14,235,183</u>	<u>71,893,945</u>	<u>5,763,707</u>
<u>Business-Type Activities</u>					
PWTF Loans	4,218,804	-	426,648	3,792,156	414,113
Net Pension Liability	1,889,240	-	279,981	1,609,259	-
Compensated Absences	212,062	277,363	267,724	221,701	177,360
Business-Type Activity Long-term Liabilities	<u>6,320,106</u>	<u>277,363</u>	<u>974,353</u>	<u>5,623,116</u>	<u>591,473</u>

Compensated Absences

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$242,067 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General Fund and Parks Maintenance Fund.

Other Post Employment Benefits

The liability for the Other Post Employment Benefits and pension obligation are liquidated by the general fund.

Beginning in 2014, the LEOFF 1 Pension Fund began liquidating some OPEB liability as deemed appropriate by the actuarial valuation of the fund. In 2019, the amount utilized to exhaust OPEB costs was \$87,000.

**NOTE 13:
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2019, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 14:
INTERFUND BALANCES AND TRANSFERS**

All transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. All transfers occur for capital and operating reserves, capital purchases (General capital project \$32m, Transportation capital projects \$19.86m in 2019), debt service (\$2.55m in 2019), and subsidies.

Interfund balances as reported in the financial statements at December 31, 2019, were as follows:

		Due From				
		General Fund	Other Governmental Funds	Internal Service Funds	Proprietary Funds	Total
Due To	General				\$ 872,798	\$ 872,798
	Parks Maintenance					\$ -
	Parks Levy					\$ -
	Internal Service Funds					\$ -
	Water/Sewer	12,965	8,734	5,648	410	\$ 27,757
	Surface Water					\$ -
	Solid Waste	108		646		\$ 754
	Total	\$ 13,073	\$ 8,734	\$ 6,294	\$ 873,208	\$ 901,309

Interfund transfers at December 31, 2019, were as follows:

		Transfer From						
		General Fund	Excise Capital Improvement Fund	Capital Projects Funds	Other Governmental Funds	Internal Service Funds	Proprietary Funds	Total
Transfer To	General	\$ -	\$ 63,500	\$ 222,555	\$ 100,000	\$ -	\$ 65,000	\$ 451,054
	Excise Capital Improvement	-	-	1,009,090	-	-	-	\$ 1,009,090
	General Capital Projects	5,102,219	18,876,953	815,826	5,603,200	1,347,463	256,000	\$ 32,001,661
	Transportation Capital Projects	3,825,304	9,580,401	187,650	5,963,700	-	300,000	\$ 19,857,055
	Parks Levy	377,953	35,000	-	-	-	-	\$ 412,953
	Impact Fees	-	-	27,699	-	-	-	\$ 27,699
	Debt Service Funds	2,553,165	-	-	-	-	-	\$ 2,553,165
	Internal Service Funds	576,454	-	-	39,537	-	193,182	\$ 809,173
	Total	\$ 12,435,095	\$ 28,555,854	\$ 2,262,822	\$ 11,706,437	\$ 1,347,463	\$ 814,182	\$ 57,121,852

NOTE 15: JOINT VENTURES

ARCH – Housing Coalition

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

ARCH's purpose is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritizes projects which are funded with member cities contributions.

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2019 the City contributed \$115,019 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 Klaas Nijhuis, 16225 NE 87th Street, A-3, Redmond, WA 98052.

Cascade Water Alliance

In 1999, eight cities and districts joined together to provide water supply for current and future demands through the Cascade Water Alliance. The members entered into an interlocal agreement to enhance their ability to supply water to their respective service areas and the region by developing, owning, and operating regional water supply assets. The current members include five cities and two water and sewer districts. Collectively, the membership of the Alliance serves over 380,000 residents and 20,000 businesses in the Puget Sound Region.

The City of Kirkland's share of membership dues for 2019 was \$378,404. 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 2019, the City of Kirkland remitted \$1,260,744 for this charge. Members do not hold legal ownership rights in any assets owned by the Alliance.

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

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

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

EPSCA

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

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

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

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

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services. In 2019 the City of Kirkland paid EPSCA \$120,809 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, 2019, the weighted vote was as follows:

Bellevue	47.03%
Redmond	22.96%
Kirkland	17.98%
Mercer Island	5.99%
Issaquah	6.04%

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

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

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

eCityGov Alliance

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

The Executive Board is comprised of one Board member from each of the principal cities. Expenditures consist of capital and operations costs as specified in the budget adopted by the eCityGov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the members of the eCityGov Alliance. The City of Kirkland paid membership dues of \$23,544 in 2019.

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

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

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

NORCOM

In November of 2007, the City of Kirkland, with the cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. Beginning January of 2018, the City of Normandy Park joined 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.

A Principal agent may withdraw its membership by providing written notice on or before December 31 in any year. Operating revenues are provided by user fees charged to each member based on average call volume. For 2019, the City of Kirkland's share of these fees was \$2,574,950.

Additional financial information can be obtained from NORCOM, c/o Marianne Ryerson, 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 \$15,919 in 2019.

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. 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 2019.

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 \$52,417 in 2019. 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 \$9,382 for 2019. 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 Chief Jim Lawless, City of Edmonds, 250 5th Ave North, Edmonds, WA 98020.

EnviroStars Green Business Program

The City of Kirkland is among several public agencies in the area that established the EnviroStars Regional Green Business Program. The program started in 2016 through a Memorandum of Agreement (MOA) with 11 initial members. EnviroStars links businesses to local environmental programs and incentives that can help them take green actions and get recognized for it. An eight-member executive committee adopts rules and procedures for its operations. The executive committee, which is a subset of the members, is made up of the seven highest financial contributors and the remaining members will have one place on the executive committee. Operating revenues are provided by membership dues. The City of Kirkland's dues in 2019 were \$6,781.

A member may withdraw from the MOA by providing written notice a minimum of sixty days prior to the due date of its payment of annual dues. Upon termination of the MOA each member will receive its pro-rata share of remaining funds.

The City of Kirkland is the fiscal agent of EnviroStars and reports the activity in the City's Statement of Fiduciary Net Position and Statement of Changes in Assets and Liabilities. For additional information contact John MacGillivray, City of Kirkland, JMacGillivray@kirklandwa.gov.

**NOTE 16:
BUDGET TO GAAP RECONCILIATION**

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – for the General Fund, Excise Tax Capital Improvement Fund, Street Operating Special Revenue Fund, and Contingency Special Revenue Fund report revenues when received and expenditures when paid, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting. The following schedule reconciles revenues and expenditures on the budgetary basis to revenues and expenditures on the modified accrual basis as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances. With the implementation of GASB 54 and GASB 73, the Street Operating Fund, Contingency Fund and Firefighter Pension Fund will continue to be budgeted and operational but will be consolidated with the General Fund for reporting purposes and reclassified on this reconciliation.

2019 Budget to GAAP Reconciliation	General Fund	Excise Tax Capital Improvement	Street Operating Special Revenue	Contingency Special Revenue	Firefighter Pension
Revenues on the Budgetary Basis	113,711,326	13,777,669	9,464,770	0	151,303
Increase (Decrease) due to accruals	2,376,240	2,205,031	0	0	0
Reclassification	9,616,073	0	(9,464,770)	0	(151,303)
Revenues on the GAAP Basis	<u>125,703,639</u>	<u>15,982,700</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	97,984,086	0	6,440,813	0	27,234
Increase (Decrease) due to accruals	(1,261,819)	0	0	0	0
Reclassification	6,468,047	0	(6,440,813)	0	(27,234)
Expenditures on the GAAP Basis	<u>103,190,314</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(5,934,410)	(27,546,764)	(3,086,177)	0	(87,000)
Increase (Decrease) due to accruals	(2,769,090)	0	0	0	0
Reclassification	(3,173,177)	0	3,086,177	0	87,000
Other Financing Sources (Uses) on the GAAP Basis	<u>(11,876,677)</u>	<u>(27,546,764)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the Budgetary Basis	15,727,240	13,777,669	3,023,957	0	124,069
Increase (Decrease) due to accruals	3,638,059	2,205,031	0	0	0
Reclassification	3,148,026	0	(3,023,957)	0	(124,069)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the GAAP Basis	<u>22,513,325</u>	<u>15,982,700</u>	<u>0</u>	<u>0</u>	<u>0</u>

NOTE 17: TAX ABATEMENTS

The State of Washington enters into tax abatement agreements that reduce the amount of tax revenue that local jurisdictions receive. The information reported was provided by the Washington State Department of Revenue and is based on the State's fiscal year ended 6/30/19. The City used these estimates for its calendar year reporting. There were two state tax abatement programs that reduced the 2019 tax revenues of the City of Kirkland.

High-Technology Sales and Use Tax Deferral

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

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

The City sales and use tax revenues were reduced by \$693,410 as a result of this agreement.

Multi-Unit Urban Housing Exemption

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

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

The City property tax revenues were reduced by \$132,008 as a result of this exemption.

King County provides tax abatements through three programs – Current Use Programs, Historic Preservation Program and the Single-family Dwelling Improvement Program. These programs are property tax abatements. The property tax system in the State of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. As a result, tax abatement programs related to property taxes shift the tax burden to individual taxpayers rather than to the municipality. The City had tax abatements from two of the programs for 2019 – Current Use Programs and Single-family Dwelling Improvement Program.

Current Use Programs

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

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

Taxes abated for the Current Use Programs was \$1,695.

Single-family Dwelling Improvement Program

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

Taxes abated for the Single-family Dwelling Improvement Program was \$4,478.

**NOTE 18:
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 2019.

NOTE 19: SUBSEQUENT EVENT

COVID-19

The COVID-19 pandemic currently is affecting many parts of the world, including the State, the County, and the City. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 a national emergency. On February 29, 2020, Washington's Governor declared a state of emergency due to the number of confirmed cases of COVID-19 in the State, directing State agencies to use all resources necessary to prepare for and respond to the outbreak. On March 1, 2020, the King County Executive also declared a State of Emergency due to COVID-19. On March 3, 2020, the City Council adopted R-5411 ratifying the City Manager's declaration of emergency related to the COVID-19 virus dated February 29, 2020. The State Governor has issued a series of proclamations designed to limit social interactions, including orders requiring or encouraging individuals, governments and businesses to take certain precautionary measures designed to prevent the spread of COVID-19. On March 23, 2020, the State Governor issued a statewide "Stay Home, Stay Healthy" proclamation, requiring individuals to stay home except for essential activities, banning social and other gatherings, and closing all businesses with certain exceptions for essential businesses. Washington State currently is following a phased re-opening approach. The City has and continues to coordinate its response to the pandemic with King County Public Health, as well as the Washington State Department of Health.

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City has experienced an increase in public health emergency response and other costs associated with mitigating the impacts of the COVID-19 pandemic on the residents of the City, including emergency response, support to homeless and vulnerable populations, small businesses, food assistance, and expanded childcare services, among others. The City has taken a number of actions in response to the COVID-19 outbreak, including instituting a moratorium on commercial evictions, instituting measures to protect residential tenants, cancelling recreational programming and facility rentals, providing funding flexibility and additional grants so that human services agencies could meet the community's needs during the pandemic, and instituting a teleworking policy for all employees who can do so, among other measures. The City has implemented and will continue to explore several avenues in response to projected revenue impacts.

The City has and will continue to review the range of financial impacts of COVID-19 on the City and its finances. The City's preliminary estimates project a potential decrease in the City's calendar year 2020 revenue of \$10.8 million compared to the 2020 budget, and a potential decrease in the City's calendar year 2021 revenue of \$5.2 million compared to the 2021 budget. These projections are unaudited, preliminary and subject to change.

The City has implemented and will continue to explore several avenues in response to projected revenue impacts. For 2020, the City has implemented a temporary hiring freeze for certain positions, and a voluntary separation/retirement incentive for certain personnel. The City expects to use, as necessary, its available (unallocated) fund balance to supplement revenues, to delay or eliminate transfers from the General Fund to other funds (such as sinking funds for facilities, fire and police, and equipment replacement funds), and to defer contributions to General Fund reserves. Furthermore, the City has received and expects to continue to receive Federal and State support, including Federal CARES Act assistance. The City has also received an allocation of financial assistance from the Federal Emergency Management Agency to reimburse the City for COVID-19 response expenses. The City will also apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic as such relief becomes available. For the projected budget shortfall in 2021, the City expects to continue the budget balancing strategies used in 2020, plus the potential application of revenue stabilization reserves as needed.

In addition to impacts on the City's governmental funds, there may be COVID-19-related revenue impacts for the City's utility systems. For instance, the City has received an unprecedented number of deferrals and

payment plan applications for its utilities, and it may consider reducing or delaying revenue increases currently planned for 2021.

While the full impact of the COVID-19 pandemic on the City and the regional economy is currently uncertain, the City currently believes that these measures will help mitigate its anticipated revenue shortfall. The City, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses of the City. The City will continue to monitor the evolving situation and respond as needed.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 State Sponsored Plans
 PERS 1
 as of June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.250384%	0.245488%	0.255485%	0.247082%	0.237347%
Employer's Proportionate Share of the Net Pension Liability (Asset)	9,628,154	10,963,578	12,122,963	13,269,467	12,415,455
Covered Payroll	35,296,754	32,165,028	31,875,429	29,040,840	26,675,074
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	27.28%	34.09%	38.03%	45.69%	46.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.12%	63.22%	61.24%	57.03%	59.10%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 State Sponsored Plans
 PERS 2/3
 as of June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.302719%	0.294538%	0.307765%	0.291129%	0.282083%
Employer's Proportionate Share of the Net Pension Liability (Asset)	2,940,431	5,028,974	10,693,363	14,658,115	10,078,986
Covered Payroll	33,427,562	30,613,959	30,222,970	27,302,787	25,094,088
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	8.80%	16.43%	35.38%	53.69%	40.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.77%	95.77%	90.97%	85.82%	89.20%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 State Sponsored Plans
 PSERS 2
 as of June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.317335%	0.355180%	0.382251%	0.386625%	0.374208%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(41,266)	4,401	74,894	164,308	68,300
Covered Payroll	1,555,289	1,401,490	1,351,671	1,257,462	1,100,860
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-2.65%	0.31%	5.54%	13.07%	6.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.85%	99.79%	96.26%	90.41%	95.08%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 State Sponsored Plans
 LEOFF 1
 as of June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.074516%	0.077052%	0.076621%	0.076145%	0.075351%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(1,472,891)	(1,398,881)	(1,162,509)	(784,511)	(908,146)
Covered Payroll	n/a	n/a	n/a	n/a	n/a
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a	n/a
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	n/a	n/a	n/a	n/a	n/a
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	148.78%	144.42%	135.96%	123.74%	127.36%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 State Sponsored Plans
 LEOFF 2
 as of June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.684709%	0.690550%	0.710014%	0.708072%	0.742445%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(15,862,605)	(14,019,670)	(9,852,694)	(4,118,359)	(7,630,850)
Covered Payroll	23,904,775	22,866,548	22,289,760	21,439,475	21,573,273
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	(9,077,472)	(9,077,472)	(6,391,258)	(2,684,871)	(5,045,524)
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-66.36%	-61.31%	-44.20%	-19.21%	-35.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	119.43%	118.50%	113.36%	106.04%	111.67%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer Contributions
 State Sponsored Plans
 PERS 1
 as of December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	1,791,095	1,717,449	1,579,243	1,488,736	1,253,566
Contributions in Relation to the Statutorily or Contractually Required Contributions	1,791,095	1,717,449	1,579,243	1,488,736	1,253,566
Contribution Deficiency (excess)	-	-	-	-	-
Covered Payroll	35,770,372	33,459,445	31,813,945	30,717,467	27,881,590
Contributions as a Percentage of Covered Employee Payroll	5.01%	5.13%	4.96%	4.85%	4.50%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer Contributions
 State Sponsored Plans
 PERS 2/3
 as of December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	2,617,594	2,380,486	2,066,402	1,808,373	1,480,054
Contributions in Relation to the Statutorily or Contractually Required Contributions	2,617,594	2,380,486	2,066,402	1,808,373	1,480,054
Contribution Deficiency (excess)	-	-	-	-	-
Covered Payroll	33,894,528	31,738,800	30,114,668	29,032,093	26,203,665
Contributions as a Percentage of Covered Employee Payroll	7.72%	7.50%	6.86%	6.23%	5.65%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer Contributions
 State Sponsored Plans
 PSERS 2
 as of December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	112,364	96,954	93,370	85,459	76,937
Contributions in Relation to the Statutorily or Contractually Required Contributions	112,364	96,954	93,370	85,459	76,937
Contribution Deficiency (excess)	-	-	-	-	-
Covered Payroll	1,574,022	1,415,115	1,400,916	1,300,951	1,187,373
Contributions as a Percentage of Covered Employee Payroll	7.14%	6.85%	6.66%	6.57%	6.48%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer Contributions
 State Sponsored Plans
 LEOFF 2
 as of December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	1,257,933	1,250,298	1,180,952	1,057,143	1,122,507
Contributions in Relation to the Statutorily or Contractually Required Contributions	1,257,933	1,250,298	1,180,952	1,057,143	1,122,507
Contribution Deficiency (excess)	-	-	-	-	-
Covered Payroll	24,196,983	23,692,467	22,938,095	20,928,017	22,232,350
Contributions as a Percentage of Covered Employee Payroll	5.20%	5.28%	5.15%	5.05%	5.05%

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters' Pension Plan
(dollar amounts in thousands)
as of December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service Cost	\$0	\$0	\$0	\$0	\$0	\$0
Interest on total pension liability	14	13	12	12	13	13
Effect of plan changes	0	0	0	0	0	0
Effect of economic/demographic gains or (losses)	0	0	28	0	(67)	0
Effect of assumption changes or inputs	44	(18)	9	(9)	43	10
Benefit payments	(18)	(16)	(16)	(15)	(13)	(14)
Net change in total pension liability	\$41	(\$21)	\$33	(\$13)	(\$25)	\$9
Total pension liability, beginning	\$347	\$367	\$334	\$347	\$372	\$363
Total pension liability, ending (a)	\$387	\$347	\$367	\$334	\$347	\$372
Fiduciary Net Position						
Employer contributions	\$0	\$0	\$0	\$0	\$0	\$0
Contributions from state fire insurance premium tax	108	115	107	98	92	97
Investment income net of investment expenses	43	21	9	9	11	14
Benefit payments	(16)	(16)	(16)	(15)	(13)	(14)
Medical payments from fund	(87)	(87)	(105)	(225)	(225)	(225)
Administrative expenses	(3)	(12)	(3)	(12)	(3)	(8)
Net change in plan fiduciary net position	\$45	\$22	(\$8)	(\$145)	(\$138)	(\$136)
Fiduciary net position, beginning	\$1,220	\$1,198	\$1,205	\$1,350	\$1,488	\$1,624
Fiduciary net position, ending (b)	\$1,264	\$1,220	\$1,198	\$1,205	\$1,350	\$1,488
Net pension liability, ending = (a) - (b)	(\$877)	(\$873)	(\$831)	(\$872)	(\$1,003)	(\$1,117)
Fiduciary net position as a % of total pension liability	326.43%	351.91%	326.13%	361.21%	389.56%	400.42%
Covered payroll	\$0	\$0	\$0	\$0	\$0	\$0
Net pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Investment Returns
Firefighters' Pension Plan
as of December 31, 2019

Fiscal Year Ending <u>December 31</u>	Net Money-Weighted <u>Rate of Return</u>
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	0.87%
2015	0.74%
2016	0.68%
2017	0.74%
2018	1.72%
2019	3.38%

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Employer Contributions
 Firefighters' Pension Plan
 as of December 31, 2019

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution As a % of Covered Payroll
2010	0	66,934	(66,934)	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
2018	(75,400)	27,909	(103,309)	0	N/A
2019	(83,700)	21,253	(104,953)	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.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
as of December 31, 2019

	2019	2018
Total OPEB liability - beginning	\$ 15,684,554	\$ 16,276,239
Service cost	0	0
Interest	595,432	571,289
Changes in benefit terms	0	0
Changes in Experience Data and Assumptions	358,389	(520,441)
Benefit payments	(603,172)	(642,533)
Other changes	0	0
Total OPEB liability - ending	<u>16,035,203</u>	<u>15,684,554</u>
Covered payroll	0	0
Total OPEB liability as a % of covered payroll	0.00%	0.00%

Schedule should present information for 10 years. Until a full 10 year trend is compiled, City of Kirkland will present years as they become available. No assets are accumulated in a trust that meets the criteria of GASB 75, paragraph 4.

City of Kirkland
Required Supplementary Information
 Schedule of Employer Contributions
 Western Conference of Teamsters' Pension Plan
 As of December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily or Contractually Required Contributions	73,492	71,025	73,215	73,696
Contributions in Relation to the Statutorily or Contractually Required Contributions	73,492	71,025	73,215	73,696
Contribution Deficiency (excess)	-	-	-	-
Covered Payroll	6,680,376	5,872,671	5,604,106	5,585,341
Contributions as a Percentage of Covered Employee Payroll	1.10%	1.21%	1.31%	1.32%

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

City of Kirkland
Required Supplementary Information
Schedule of Employer's Required Contributions
Western Conference of Teamsters' Pension Plan
as of December 31, 2019

Fiscal Year Ending December 31	Employer Contributions
2010	55,793
2011	54,627
2012	59,156
2013	66,552
2014	67,277
2015	72,159
2016	73,696
2017	73,215
2018	71,025
2019	73,492

City of Kirkland

Notes to the Required Supplementary Information

Other Post Employment Benefits (OPEB)

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



Fund Financial Statements and Schedules

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Debt Service Funds

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

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

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2019

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Assets				
Cash and Cash Equivalents	143,373	311,318	268,511	486,260
Investments	332,457	722,276	622,165	1,126,984
Receivables, Net of Allowances				
Taxes	41,366	0	18,125	33,815
Prepayments	589	526	10,496	19,117
Due From Other Governments	0	0	0	339
Total Assets	517,785	1,034,120	919,297	1,666,515
Liabilities				
Accounts Payable	4,331	3,595	25,795	30,042
Wages Payable	2,343	700	23,634	34,715
Benefits Payable	574	178	9,625	13,359
Due to Other Funds	0	0	3,909	4,825
Intergovernmental Payable	0	0	0	14,947
Total Liabilities	7,248	4,473	62,963	97,888
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	0	0	16,500	30,783
Total Deferred Inflows of Resources	0	0	16,500	30,783
Fund Balances				
Restricted for				
Tourism	510,537	0	0	0
Cemetery Operations	0	1,029,647	0	0
Culture and Recreation	0	0	839,834	1,537,844
Transportation	0	0	0	0
Debt Service	0	0	0	0
Total Fund Balances	510,537	1,029,647	839,834	1,537,844
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	517,785	1,034,120	919,297	1,666,515

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2019

Page 2 of 2

Impact Fees	Total Special Revenue	Debt Service		Total Debt Service	Non Major Governmental Funds Total
		LTGO	UTGO		
1,752,640	2,962,102	67,726	91,171	158,897	3,120,999
4,107,156	6,911,038	4,918	209,028	213,946	7,124,984
0	93,306	0	9,014	9,014	102,320
0	30,728	0	0	0	30,728
0	339	0	0	0	339
5,859,796	9,997,513	72,644	309,213	381,857	10,379,370
0	63,763	0	0	0	63,763
0	61,392	0	0	0	61,392
0	23,736	0	0	0	23,736
0	8,734	0	0	0	8,734
0	14,947	0	0	0	14,947
0	172,572	0	0	0	172,572
0	47,283	0	8,783	8,783	56,066
0	47,283	0	8,783	8,783	56,066
0	510,537	0	0	0	510,537
0	1,029,647	0	0	0	1,029,647
5,687,209	8,064,887	0	0	0	8,064,887
172,587	172,587	0	0	0	172,587
0	0	72,644	300,430	373,074	373,074
5,859,796	9,777,658	72,644	300,430	373,074	10,150,732
5,859,796	9,997,513	72,644	309,213	381,857	10,379,370

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2019

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Revenues				
Taxes and Assessments	334,391	0	1,439,575	2,685,726
Intergovernmental	7,000	0	0	0
Charges for Services	0	68,297	13,017	249,083
Investment Interest	14,298	32,639	25,229	45,384
Contributions/Donations	0	0	0	14,112
Total Revenues	355,689	100,936	1,477,821	2,994,305
Expenditures				
Current				
Physical Environment	0	78,639	0	0
Economic Environment	272,049	0	0	0
Culture and Recreation	0	0	1,363,400	1,942,134
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	2,900	0	0
Total Expenditures	272,049	81,539	1,363,400	1,942,134
Excess (Deficiency) of revenues				
Over (under) expenditures	83,640	19,397	114,421	1,052,171
Other Financing Sources (Uses)				
Sale of Capital Assets	0	68,550	0	0
Insurance Recovery	0	0	0	0
Transfers In	0	0	0	412,953
Transfers Out	0	0	(5,695)	(1,133,842)
Total Other Financing Sources (Uses)	0	68,550	(5,695)	(720,889)
Net Change in Fund Balance	83,640	87,947	108,726	331,282
Fund Balances Beginning of Year	426,897	941,700	731,108	1,206,562
Fund Balances End of Year	510,537	1,029,647	839,834	1,537,844

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2019

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
0	4,459,692	479,916	564,528	1,044,444	5,504,136
0	7,000	518,040	0	518,040	525,040
5,072,536	5,402,933	0	0	0	5,402,933
356,928	474,478	2,647	0	2,647	477,125
0	14,112	0	0	0	14,112
5,429,464	10,358,215	1,000,603	564,528	1,565,131	11,923,346
0	78,639	0	0	0	78,639
0	272,049	0	0	0	272,049
0	3,305,534	0	0	0	3,305,534
0	0	1,746,245	515,000	2,261,245	2,261,245
0	0	1,791,397	49,105	1,840,502	1,840,502
0	2,900	0	0	0	2,900
0	3,659,122	3,537,642	564,105	4,101,747	7,760,869
5,429,464	6,699,093	(2,537,039)	423	(2,536,616)	4,162,477
0	68,550	0	0	0	68,550
0	0	0	0	0	0
27,699	440,652	2,553,165	0	2,553,165	2,993,817
(10,566,900)	(11,706,437)	0	0	0	(11,706,437)
(10,539,201)	(11,197,235)	2,553,165	0	2,553,165	(8,644,070)
(5,109,737)	(4,498,142)	16,126	423	16,549	(4,481,592)
10,969,533	14,275,800	56,518	300,007	356,525	14,632,325
5,859,796	9,777,658	72,644	300,430	373,074	10,150,732

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	1,531,580	1,531,580	672,830	672,830	(858,750)
Charges for Services	0	147,676	147,676	147,676	(0)
Investment Interest	0	0	15,394	15,394	15,394
Contributions/Donations	325,000	325,000	12,500	12,500	(312,500)
Miscellaneous Revenues	0	0	5,732	5,732	5,732
Total Revenues	1,856,580	2,004,256	854,132	854,132	(1,150,124)
Expenditures					
Current					
General Government	5,000	1,065,000	57,696	57,696	1,007,304
Security of Persons and Property	1,400,354	1,552,119	1,584,696	1,584,696	(32,578)
Culture and Recreation	0	0	358,790	358,790	(358,790)
Capital Outlay	49,351,590	75,274,806	18,696,833	18,696,833	56,577,973
Total Expenditures	50,756,944	77,891,925	20,698,016	20,698,016	57,193,909
Excess of revenues over expenditures	(48,900,364)	(75,887,669)	(19,843,884)	(19,843,884)	56,043,785
Other Financing Sources (Uses)					
Transfers In	19,049,154	40,697,312	15,246,152	15,246,152	(25,451,160)
Transfers Out	0	(2,571,666)	(1,691,731)	(1,691,731)	879,935
Total Other Financing Sources (Uses)	19,049,154	38,125,646	13,554,421	13,554,421	(24,571,225)
Net Change in Fund Balance	(29,851,210)	(37,762,023)	(6,289,463)	(6,289,463)	31,472,560
Fund Balances Beginning of Year	35,587,956	24,263,777	24,263,777	24,263,777	0
Fund Balances End of Year	5,736,746	(13,498,246)	17,974,314	17,974,314	31,472,560

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	41,222,163	39,599,263	3,194,661	3,194,661	(36,404,602)
Charges for Services	0	0	78,548	78,548	78,548
Miscellaneous Revenues	0	404,000	0	0	(404,000)
Total Revenues	41,222,163	40,003,263	3,273,209	3,273,209	(36,730,054)
Expenditures					
Current					
Transportation	226,000	411,410	685,269	685,269	(273,859)
Capital Outlay	113,871,120	116,331,809	13,621,146	13,621,146	102,710,663
Total Expenditures	114,097,120	116,743,219	14,306,415	14,306,415	102,436,804
Excess of revenues over expenditures	(72,874,957)	(76,739,956)	(11,033,205)	(11,033,205)	65,706,750
Other Financing Sources (Uses)					
Transfers In	19,318,000	24,136,700	19,679,900	19,679,900	(4,456,800)
Transfers Out	0	(243,801)	(543,935)	(543,935)	(300,133)
Refunding bonds issued	27,167,100	27,167,100	0	0	(27,167,100)
Total Other Financing Sources (Uses)	46,485,100	51,059,999	19,135,965	19,135,965	(31,924,033)
Net Change in Fund Balance	(26,389,857)	(25,679,957)	8,102,760	8,102,760	33,782,717
Fund Balances Beginning of Year	26,418,893	25,902,615	25,902,615	25,902,615	0
Fund Balances End of Year	29,036	222,658	34,005,375	34,005,375	33,782,717

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	13,658,520	13,658,520	6,754,882	6,754,882	(6,903,638)
Licenses and Permits	705,800	705,800	254,186	254,186	(451,614)
Intergovernmental	4,089,423	4,089,423	1,960,023	1,960,023	(2,129,400)
Charges for Services	138,000	138,000	69,497	69,497	(68,503)
Contributions/Donations	0	0	1,650	1,650	1,650
Miscellaneous Revenues	850,593	850,593	424,531	424,531	(426,062)
Total Revenues	19,442,336	19,442,336	9,464,770	9,464,770	(9,977,566)
Expenditures					
Current					
Transportation	12,756,398	12,917,265	6,418,217	6,418,217	6,499,048
Capital Outlay	40,000	190,000	22,597	22,597	167,403
Total Expenditures	12,796,398	13,107,265	6,440,813	6,440,813	6,666,452
Excess of revenues over expenditures	6,645,938	6,335,071	3,023,957	3,023,957	(3,311,114)
Other Financing Sources (Uses)					
Insurance Recovery	0	0	20,164	20,164	20,164
Transfers In	1,040,000	1,313,251	658,086	658,086	(655,165)
Transfers Out	(8,367,593)	(8,591,093)	(3,767,426)	(3,767,426)	4,823,667
Total Other Financing Sources (Uses)	(7,327,593)	(7,277,842)	(3,089,177)	(3,089,177)	4,188,666
Net Change in Fund Balance	(681,655)	(942,771)	(65,219)	(65,219)	877,552
Fund Balances Beginning of Year	2,283,427	2,317,122	2,317,122	2,317,122	0
Fund Balances End of Year	1,601,772	1,374,351	2,251,903	2,251,903	877,552

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Other Financing Sources (Uses)					
Transfers In	617,356	617,356	0	0	(617,356)
Total Other Financing Sources (Uses)	617,356	617,356	0	0	(617,356)
Net Change in Fund Balance	617,356	617,356	0	0	(617,356)
Fund Balances Beginning of Year	5,675,121	5,675,121	5,675,121	5,675,121	0
Fund Balances End of Year	6,292,477	6,292,477	5,675,121	5,675,121	(617,356)

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	612,737	612,737	334,444	334,444	(278,293)
Investment Interest	13,938	13,938	8,370	8,370	(5,568)
Total Revenues	626,675	626,675	342,814	342,814	(283,861)
Expenditures					
Current					
Economic Environment	702,456	734,403	269,980	269,980	464,423
Total Expenditures	702,456	734,403	269,980	269,980	464,423
Excess of revenues over expenditures	(75,781)	(107,728)	72,834	72,834	180,562
Net Change in Fund Balance	(75,781)	(107,728)	72,834	72,834	180,562
Fund Balances Beginning of Year	305,306	392,187	392,187	392,187	0
Fund Balances End of Year	229,525	284,459	465,021	465,021	180,562

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Charges for Services	80,000	80,000	68,298	68,298	(11,702)
Investment Interest	34,723	34,723	19,029	19,029	(15,694)
Total Revenues	114,723	114,723	87,327	87,327	(27,396)
Expenditures					
Current					
Physical Environment	171,608	206,608	74,708	74,708	131,900
Capital Outlay	14,400	14,400	2,900	2,900	11,500
Total Expenditures	186,008	221,008	77,608	77,608	143,400
Excess of revenues over expenditures	(71,285)	(106,285)	9,719	9,719	116,004
Other Financing Sources (Uses)					
Proceeds Sale of Fixed Assets	90,742	90,742	68,550	68,550	(22,192)
Total Other Financing Sources (Uses)	90,742	90,742	68,550	68,550	(22,192)
Net Change in Fund Balance	19,457	(15,543)	78,269	78,269	93,812
Fund Balances Beginning of Year	958,405	946,793	946,793	946,793	0
Fund Balances End of Year	977,862	931,250	1,025,062	1,025,062	93,812

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	2,906,880	2,906,880	1,436,955	1,436,955	(1,469,925)
Investment Interest	28,254	28,254	14,630	14,630	(13,624)
Miscellaneous Revenues	24,000	24,000	13,017	13,017	(10,983)
Total Revenues	2,959,134	2,959,134	1,464,602	1,464,602	(1,494,532)
Expenditures					
Current					
Culture and Recreation	3,107,591	3,125,580	1,333,217	1,333,217	1,792,363
Total Expenditures	3,107,591	3,125,580	1,333,217	1,333,217	1,792,363
Excess of revenues over expenditures	(148,457)	(166,446)	131,384	131,384	297,830
Net Change in Fund Balance	(148,457)	(166,446)	131,384	131,384	297,830
Fund Balances Beginning of Year	711,878	746,309	746,309	746,309	0
Fund Balances End of Year	563,421	579,863	877,693	877,693	297,830

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	5,423,195	5,423,195	2,680,835	2,680,835	(2,742,360)
Charges for Services	461,467	461,467	232,285	232,285	(229,182)
Contributions/Donations	0	0	14,112	14,112	14,112
Investment Interest	30,471	30,471	27,108	27,108	(3,363)
Miscellaneous Revenues	25,650	25,650	16,799	16,799	(8,852)
Total Revenues	5,940,783	5,940,783	2,971,139	2,971,139	(2,969,644)
Expenditures					
Current					
Culture and Recreation	4,172,875	4,225,849	1,887,309	1,887,309	2,338,539
Total Expenditures	4,172,875	4,225,849	1,887,309	1,887,309	2,338,539
Excess of revenues over expenditures	1,767,908	1,714,934	1,083,830	1,083,830	(631,105)
Other Financing Sources (Uses)					
Transfers In	447,953	447,953	412,953	412,953	(35,000)
Transfers Out	(2,243,651)	(2,889,343)	(1,133,842)	(1,133,842)	1,755,501
Total Other Financing Sources (Uses)	(1,795,698)	(2,441,390)	(720,889)	(720,889)	1,720,501
Net Change in Fund Balance	(27,790)	(726,456)	362,940	362,940	1,089,396
Fund Balances Beginning of Year	488,533	1,329,912	1,329,912	1,329,912	0
Fund Balances End of Year	460,743	603,456	1,692,852	1,692,852	1,089,396

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Charges for Services	4,000,000	5,000,000	5,072,536	5,072,536	72,536
Investment Interest	245,515	245,515	198,571	198,571	(46,944)
Total Revenues	4,245,515	5,245,515	5,271,108	5,271,108	25,593
Excess of revenues over expenditures	4,245,515	5,245,515	5,271,108	5,271,108	25,593
Other Financing Sources (Uses)					
Transfers In	0	0	27,699	27,699	27,699
Transfers Out	(7,761,000)	(16,166,900)	(10,566,900)	(10,566,900)	5,600,000
Total Other Financing Sources (Uses)	(7,761,000)	(16,166,900)	(10,539,201)	(10,539,201)	5,627,699
Net Change in Fund Balance	(3,515,485)	(10,921,385)	(5,268,094)	(5,268,094)	5,653,291
Fund Balances Beginning of Year	10,149,103	11,039,024	11,039,024	11,039,024	0
Fund Balances End of Year	6,633,618	117,639	5,770,930	5,770,930	5,653,291

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	960,352	960,352	479,916	479,916	(480,436)
Intergovernmental	1,014,721	1,014,721	518,041	518,041	(496,680)
Investment Interest	500	500	0	0	(500)
Total Revenues	1,975,573	1,975,573	997,957	997,957	(977,617)
Expenditures					
Debt Service					
Principal	6,529,288	5,880,176	1,746,245	1,746,245	4,133,931
Interest	3,520,306	3,520,306	1,791,397	1,791,397	1,728,909
Total Expenditures	10,049,594	9,400,482	3,537,642	3,537,642	5,862,840
Excess of revenues over expenditures	(8,074,021)	(7,424,909)	(2,539,686)	(2,539,686)	4,885,223
Other Financing Sources (Uses)					
Transfers In	8,093,728	7,444,616	2,553,165	2,553,165	(4,891,451)
Total Other Financing Sources (Uses)	8,093,728	7,444,616	2,553,165	2,553,165	(4,891,451)
Net Change in Fund Balance	19,707	19,707	13,479	13,479	(6,228)
Fund Balances Beginning of Year	95,448	574,071	574,071	574,071	0
Fund Balances End of Year	115,155	593,778	587,550	587,550	(6,228)

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, 2019

	Original Budget 2019-2020	Final Budget 2019-2020	2019 Actual Amounts Budgetary Basis	Actual 2019-2020 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	1,131,365	1,131,365	563,709	563,709	(567,656)
Total Revenues	1,131,365	1,131,365	563,709	563,709	(567,656)
Expenditures					
Debt Service					
Principal	1,045,000	1,045,000	515,000	515,000	530,000
Interest	86,365	86,365	49,105	49,105	37,260
Total Expenditures	1,131,365	1,131,365	564,105	564,105	567,260
Excess of revenues over expenditures	0	0	(396)	(396)	(396)
Net Change in Fund Balance	0	0	(396)	(396)	(396)
Fund Balances Beginning of Year	302,729	300,595	300,595	300,595	0
Fund Balances End of Year	302,729	300,595	300,199	300,199	(396)

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, 2019

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Assets					
Current Assets					
Cash and Cash Equivalents	4,881,285	2,543,803	1,663,206	683,772	9,772,066
Investments	11,321,453	5,832,196	3,863,424	1,567,690	22,584,763
Accounts Receivable	32,771	506	127,983	72,009	233,269
Intergovernmental Receivable	660	0	0	0	660
Prepayments	12,443	17,349	104,974	48,035	182,801
Inventories	90,583	0	0	0	90,583
Total Current Assets	16,339,195	8,393,854	5,759,587	2,371,506	32,864,142
Noncurrent Assets					
Capital Assets					
Improvements	12,647	14,235	0	0	26,882
Equipment	25,191,071	12,773	0	43,760	25,247,604
Accumulated Depreciation	(12,736,312)	(11,574)	0	(40,698)	(12,788,584)
Total Capital Assets Net	12,467,406	15,434	0	3,062	12,485,902
Total Noncurrent Assets	12,467,406	15,434	0	3,062	12,485,902
Total Assets	28,806,601	8,409,288	5,759,587	2,374,568	45,350,044
Deferred Outflows of Resources					
Deferred Outflow Pension Contribution	62,207	59,572	0	303,129	424,908
Total Deferred Outflows of Resources	62,207	59,572	0	303,129	424,908
Liabilities					
Current Liabilities					
Accounts Payable	482,558	122,346	275,535	25,868	906,307
Claims Payable	0	0	420,600	0	420,600
Wages Payable	29,076	29,083	0	145,413	203,572
Benefits Payable	10,735	11,738	0	34,781	57,254
Compensated Absences Payable	34,582	31,630	0	127,442	193,654
Intergovernmental Payable	884	1,536	0	13,954	16,374
Due to Other Funds	0	6,294	0	0	6,294
Unearned Revenue	0	0	568,097	444	568,541
Total Current Liabilities	557,835	202,627	1,264,232	347,902	2,372,596
Noncurrent Liabilities					
Compensated Absences Payable	8,646	7,907	0	31,860	48,413
Net Pension Liability	237,063	227,023	0	1,155,195	1,619,281
Total Noncurrent Liabilities	245,709	234,930	0	1,187,055	1,667,694
Total Liabilities	803,544	437,557	1,264,232	1,534,957	4,040,290
Deferred Inflows of Resources					
Deferred Inflow Pension Related	128,991	123,528	0	628,568	881,087
Total Deferred Inflows of Resources	128,991	123,528	0	628,568	881,087
Net Position					
Investment in Capital Assets	12,467,406	15,434	0	3,062	12,485,902
Unrestricted	15,468,867	7,892,341	4,495,355	511,110	28,367,673
Total Net Position	27,936,273	7,907,775	4,495,355	514,172	40,853,575

City of Kirkland, Washington
**Combining Statement of Revenues, Expenses
and Changes in Net Position**
Internal Service Funds
For the Fiscal Year Ended December 31, 2019

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Operating Revenues					
Charges for Services	4,977,179	3,543,756	7,266,374	6,985,443	22,772,752
Miscellaneous Revenues	11,755	202,077	0	59,787	273,619
Total Operating Revenues	4,988,934	3,745,833	7,266,374	7,045,230	23,046,371
Operating Expenses					
Administrative & General	1,007,610	382,681	7,821,980	2,990,856	12,203,127
Supplies	19,566	204,701	0	411,258	635,525
Maintenance & Operations	1,370,438	2,261,836	0	3,505,398	7,137,672
Depreciation	1,759,782	3,858	0	3,062	1,766,702
Total Operating Expenses	4,157,396	2,853,076	7,821,980	6,910,574	21,743,026
Operating Income (Loss)	831,538	892,757	(555,606)	134,656	1,303,345
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	498,605	0	191,798	0	690,403
Insurance Recovery	39,014	0	0	0	39,014
Gain (loss) on Disposal of Capital Assets	173,694	0	0	0	173,694
Other Nonoperating Revenues/(Expenses)	0	0	0	0	0
Total Nonoperating Revenues (Expenses)	711,313	0	191,798	0	903,111
Income (Loss) before Contributions and Transfers	1,542,851	892,757	(363,808)	134,656	2,206,456
Transfers In	809,173	0	0		809,173
Transfers Out	0	(1,097,463)	0	(250,000)	(1,347,463)
Change in Net Position	2,352,024	(204,706)	(363,808)	(115,344)	1,668,166
Total Net Position - Beginning	25,584,248	8,112,481	4,859,163	629,516	39,185,408
Total Net Position - Ending	27,936,272	7,907,775	4,495,355	514,172	40,853,574

City of Kirkland, Washington
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended December 31, 2019

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Cash Flows From Operating Activities					
Cash Received From Interfund Charges	4,967,426	3,541,356	160,995	6,513,156	15,182,933
Contributions Received from Employees and Employer	0	0	6,972,006	0	6,972,006
Cash From Other Sources	22,733	204,477	494,487	532,074	1,253,771
Cash Paid to Suppliers for Goods and Services	(777,605)	(1,736,677)	(4,942,060)	(2,289,682)	(9,746,024)
Cash Paid to Employees for Services	(976,135)	(945,299)	(160,995)	(4,627,748)	(6,710,177)
Cash Paid for Central Business Functions	(679,033)	(171,685)	(2,933,046)	(207,269)	(3,991,033)
Cash Provided by Operating Activities	2,557,387	892,172	(408,613)	(79,469)	2,961,477
Cash Flows From Noncapital Financing Activities					
Transfers In	809,173	0	0	0	809,173
Transfers Out	0	(1,097,463)	0	(250,000)	(1,347,463)
Cash Provided by (Used for) Noncapital Financing Activities	809,173	(1,097,463)	0	(250,000)	(538,290)
Cash Flows From Capital and Related Financing Activities					
Proceeds From Sale of Assets and Insurance Recoveries	360,020	0	0	0	360,020
Acquisition and Construction of Capital Assets	(2,998,631)	0	0	0	(2,998,631)
Cash Provided by (Used for) Capital and Related Financing Activities	(2,638,611)	0	0	0	(2,638,611)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	(2,079,149)	(591,787)	(287,838)	8,429	(2,950,345)
Interest Revenue	290,705	0	112,130		402,835
Cash Provided by Investing Activities	(1,788,444)	(591,787)	(175,708)	8,429	(2,547,510)
Increase (Decrease) in Cash and Cash Equivalents	(1,060,496)	(797,078)	(584,321)	(321,040)	(2,762,935)
Cash and Cash Equivalents, January 1	5,941,781	3,340,881	2,247,527	1,004,812	12,535,001
Cash and Cash Equivalents, December 31	4,881,285	2,543,803	1,663,206	683,772	9,772,066
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities					
Operating Income (Loss)	831,539	892,757	(555,606)	134,656	1,303,346
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	1,759,782	3,858	0	3,062	1,766,702
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	(96)	(74)	42,009	(53,347)	(11,508)
(Increase) Decrease in Inventories	(41,448)	0	0	0	(41,448)
(Increase) Decrease in Intergovernmental Receivable	5,815	0	0	79,208	85,023
(Increase) Decrease in Prepayments	(23)	(4,257)	(104,974)	(2,035)	(111,289)
(Increase) Decrease in Pension Deferred Outflows of Resources	(12,446)	(15,113)	0	(83,596)	(111,155)
Increase (Decrease) in Pension Deferred Inflows of Resources	9,114	16,424	0	99,702	125,240
Increase (Decrease) in Net Pension Liability	(62,571)	(40,683)	0	(166,706)	(269,960)
Increase (Decrease) in Accounts Payable	64,797	31,958	(132,746)	(49,884)	(85,875)
Increase (Decrease) in Claims Payable	0	0	23,600	0	23,600
Increase (Decrease) in Intergovernmental Payable	(6,037)	0	0	(10,320)	(16,357)
Increase (Decrease) in Unearned Revenue	0	0	319,104	0	319,104
Increase (Decrease) in Wages Payable	3,142	2,826	0	(48,634)	(42,666)
Increase (Decrease) in Benefits Payable	4,931	5,533	0	(3,647)	6,817
Increase (Decrease) in Compensated Absences Payable	888	(1,057)	0	21,628	21,459
Increase (Decrease) in Advance Pay Facility Leases	0	0	0	444	444
Cash Provided by Operating Activities	2,557,387	892,172	(408,613)	(79,469)	2,961,477
Noncash Investing, Capital and Finance Activities:					
Change in Fair Value of Investments	0	0	0	0	0

FIDUCIARY FUNDS

Fiduciary 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.
- **EnviroStars Fund** accounts for contributions from members of an MOA created to link businesses to local environmental programs.

City of Kirkland
Statement of Fiduciary Fund Net Position
For the fiscal year ended December 31, 2019

	Intergovernmental Clearing	Customer Deposits	EnviroStars Fiscal Agent	2019
Assets				
Cash and Cash Equivalents	308,630	0	25,858	334,488
Deposits	0	4,620,456	0	4,620,456
Total Assets	308,630	4,620,456	25,858	4,954,944
Liabilities				
Current Liabilities				
Accounts Payable	0	0	25,858	25,858
Due to Other Governments	1,384	0	0	1,384
Deposits	307,246	4,620,456	0	4,927,702
Total Liabilities	308,630	4,620,456	25,858	4,954,944

City of Kirkland
Statement of Changes in Assets and Liabilities
All Fiduciary Funds
For the fiscal year ended December 31, 2019

	01/01/19 Balance	Additions	Deletions	12/31/19 Balance
Intergovernmental Custodial				
Assets				
Cash and Cash Equivalents	252,487	17,456,037	17,399,894	308,630
Total Assets	252,487	17,456,037	17,399,894	308,630
Liabilities				
Due to Other Governments	2,776	1,890,452	1,891,844	1,384
Deposits	249,711	30,547,085	30,489,550	307,246
Total Liabilities	252,487	32,437,537	32,381,394	308,630
Customer Deposits				
Assets				
Deposits	4,624,302	1,392,173	1,396,019	4,620,456
Total Assets	4,624,302	1,392,173	1,396,019	4,620,456
Liabilities				
Deposits	4,624,302	2,726,742	2,730,588	4,620,456
Total Liabilities	4,624,302	2,726,742	2,730,588	4,620,456
EnviroStars Fiscal Agent				
Assets				
Cash and Cash Equivalents	0	306,944	281,086	25,858
Total Assets	0	306,944	281,086	25,858
Liabilities				
Accounts Payable	0	25,858	0	25,858
Total Liabilities	0	25,858	0	25,858
Totals - All Fiduciary Funds				
Assets				
Cash and Cash Equivalents	252,487	17,762,981	17,680,980	334,488
Deposits	4,624,302	1,392,173	1,396,019	4,620,456
Total Assets	4,876,789	19,155,154	19,076,999	4,954,944
Liabilities				
Accounts Payable	0	25,858	0	25,858
Due to Other Governments	2,776	1,890,452	1,891,844	1,384
Deposits	4,874,013	33,273,827	33,220,138	4,927,702
Total Liabilities	4,876,789	35,190,137	35,111,982	4,954,944



Capital Assets

City of Kirkland
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
December 31, 2019
Unaudited

	<u>2019</u>
Governmental Funds Capital Assets:	
Land	\$ 613,506,236
Buildings	46,043,635
Improvements other than Buildings	100,670,682
Machinery and Equipment	4,324,978
Artwork	2,153,449
Infrastructure	304,118,423
Construction in Progress	11,105,887
Total Governmental Funds Capital Assets	<u>\$ 1,081,923,290</u>
 Investments in Governmental Funds Capital Assets by Source:	
General Fund	\$ 359,514,999
Special Revenue Funds	2,019,648
Impact Fees	35,736,535
Federal Grants	22,875,584
General Obligation Bonds	59,603,306
Private Gifts	14,069,040
Annexation	588,104,178
Total Governmental Funds Capital Assets	<u>\$ 1,081,923,290</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, 2019
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 9,015,907	\$ 14,601,301	\$ 31,267,438	\$ 2,790,717	\$ 120,998	\$ -	\$ 55,362	\$ 57,851,723
Judicial	-	-	-	-	-	-	-	-
Security								
Police	5,367,905	5,157,399	34,314,154	235,969	99,383	-	-	\$ 45,174,810
Fire	8,312,482	8,841,845	4,343,211	808,921	36,750	-	625,716	\$ 22,968,925
Total Security	13,680,387	13,999,244	38,657,365	1,044,890	136,133	-	625,716	68,143,735
Transportation	525,336,454	5,845,821	392,794	177,389	-	304,118,423	8,851,890	\$ 844,722,771
Physical Environment	70,836	-	1,053,377	62,785	-	-	-	\$ 1,186,998
Economic Environment	-	-	-	-	-	-	-	-
Human Services	601,467	-	-	-	-	-	-	\$ 601,467
Culture and Recreation	64,801,185	11,597,269	29,299,708	249,197	1,896,318	-	1,572,919	\$ 109,416,596
Total Governmental Funds Capital Assets	\$ 613,506,236	\$ 46,043,635	\$ 100,670,682	\$ 4,324,978	\$ 2,153,449	\$ 304,118,423	\$ 11,105,887	\$ 1,081,923,290

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, 2019
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets Jan 1, 2019	Additions	Deductions	Governmental Funds Capital Assets Dec 31, 2019
General Govt	\$ 56,844,649	\$ 3,788,851	\$ 2,781,777	\$ 57,851,723
Judicial	-	-	-	-
Security				
Police	44,816,597	758,767	400,554	45,174,810
Fire	12,080,713	21,591,190	10,702,978	22,968,925
Total Security	<u>56,897,310</u>	<u>22,349,957</u>	<u>11,103,532</u>	<u>68,143,735</u>
Transportation	831,291,213	31,378,100	17,946,542	844,722,771
Physical Environment	1,192,246	2,900	8,148	1,186,998
Economic Environment	-	-	-	-
Human Services	601,467	-	-	601,467
Culture and Recreation	104,646,610	11,049,156	6,279,170	109,416,596
Total Governmental Funds Capital Assets	<u>\$ 1,051,473,495</u>	<u>\$ 68,568,964</u>	<u>\$ 38,119,169</u>	<u>\$ 1,081,923,290</u>

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

Statistical Section

City of Kirkland STATISTICAL SECTION

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

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

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



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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 171,816,615	\$ 765,633,941	\$ 776,309,902	\$ 777,116,200	\$ 792,032,185	\$ 808,553,668	\$ 808,933,913	\$ 813,489,653	\$ 824,986,759	\$ 837,630,564
Restricted	25,655,616	56,174,364	51,718,526	33,724,447	39,548,651	51,630,241	65,000,390	74,853,784	93,471,783	76,984,127
Unrestricted	41,958,087	20,984,369	31,820,341	63,270,315	68,438,296	53,070,324	58,812,732	65,045,653	66,651,989	103,973,158
Total Governmental Activities Net Position	\$ 239,430,318	\$ 842,792,674	\$ 859,848,769	\$ 874,110,962	\$ 900,019,132	\$ 913,254,233	\$ 932,747,035	\$ 953,389,090	\$ 985,110,531	\$ 1,018,587,848
Business-type Activities										
Net Investment in Capital Assets	\$ 116,940,418	\$ 135,167,834	\$ 138,359,034	\$ 142,458,066	\$ 151,092,784	\$ 158,155,675	\$ 158,304,984	\$ 166,859,626	\$ 172,214,574	\$ 182,702,985
Restricted	822,275	821,130	488,200	484,500	-	-	-	-	-	-
Unrestricted	35,285,938	39,518,104	42,401,172	45,271,055	50,717,355	52,534,113	58,915,069	58,227,844	61,329,539	61,138,604
Total Business-type Net Position	\$ 153,048,631	\$ 175,507,068	\$ 181,248,406	\$ 188,213,621	\$ 201,810,139	\$ 210,689,788	\$ 217,220,053	\$ 225,087,470	\$ 233,544,113	\$ 243,841,589
Primary Government										
Net Investment in Capital Assets	\$ 288,757,033	\$ 900,801,775	\$ 914,668,936	\$ 919,574,266	\$ 943,124,969	\$ 966,709,343	\$ 967,238,897	\$ 980,349,279	\$ 997,201,333	\$ 1,020,333,549
Restricted	26,477,891	56,995,494	52,206,726	34,208,947	39,548,651	51,630,241	65,000,390	74,853,784	93,471,783	76,984,127
Unrestricted	77,244,025	60,502,473	74,221,513	108,541,370	119,155,651	105,604,437	117,727,801	123,273,497	127,981,528	165,111,762
Total Primary Government Net Position	\$ 392,478,949	\$ 1,018,299,742	\$ 1,041,097,175	\$ 1,062,324,563	\$ 1,101,829,271	\$ 1,123,944,021	\$ 1,149,967,088	\$ 1,178,476,560	\$ 1,218,654,644	\$ 1,262,429,437

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

	Fiscal Year									
	2010	2011	2012 ¹	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
General Government	\$ 4,573,285	\$ 4,985,746	\$ 4,996,539	\$ 5,598,429	\$ 5,918,750	\$ 9,401,861	\$ 8,918,548	\$ 12,234,921	\$ 10,755,283	\$ 13,416,838
Judicial	1,655,987	1,961,880	2,152,625	2,254,173	2,331,733	2,320,454	2,090,988	2,345,334	2,326,681	2,474,047
Security of Persons and Property	34,218,384	38,342,580	41,376,492	44,501,316	46,493,793	49,707,323	51,377,094	51,820,913	50,448,353	55,185,379
Physical Environment	1,266,318	1,983,567	2,088,842	1,320,358	1,533,702	1,136,320	1,154,543	986,341	890,022	1,137,480
Transportation	9,547,626	8,874,943	14,556,590	17,060,710	16,790,922	18,780,143	20,547,650	21,191,932	22,143,199	24,788,739
Human Services	1,254,029	1,168,688	1,247,531	1,328,171	1,402,936	1,462,975	1,598,994	1,374,295	3,201,640	2,405,937
Economic Environment	5,208,705	4,581,729	5,477,609	6,351,765	7,424,372	7,486,355	7,697,645	8,997,772	8,626,173	8,810,475
Culture and Recreation	7,162,320	7,360,003	7,842,007	9,145,795	9,897,398	10,881,414	10,691,708	10,459,005	10,421,768	13,055,673
Interest on Long Term Debt	776,642	2,110,842	2,238,879	2,129,096	1,980,886	1,978,302	2,044,592	1,973,194	1,909,573	1,840,502
Total Governmental Activities	\$ 65,663,296	\$ 71,369,978	\$ 81,977,114	\$ 89,689,813	\$ 93,774,492	\$ 103,155,147	\$ 106,121,762	\$ 111,383,707	\$ 110,722,692	\$ 123,115,070
Business Type Activities										
Water/Sewer	\$ 17,102,179	\$ 18,820,946	\$ 19,448,287	\$ 23,680,956	\$ 23,533,587	\$ 24,970,363	\$ 25,774,579	\$ 26,468,702	\$ 27,677,666	\$ 28,125,236
Surface Water	3,987,932	4,695,287	5,798,425	6,827,829	7,064,149	7,970,934	9,953,616	9,425,985	9,689,409	9,999,620
Solid Waste	8,057,897	10,655,055	13,191,812	16,005,799	15,727,658	16,040,939	16,225,830	17,162,439	17,373,591	18,092,173
Total Business Type Activities	\$ 29,148,008	\$ 34,171,288	\$ 38,438,524	\$ 46,514,584	\$ 46,325,394	\$ 48,982,236	\$ 51,954,025	\$ 53,057,126	\$ 54,740,666	\$ 56,217,029
Total Primary Government Expenses	\$ 94,811,304	\$ 105,541,266	\$ 120,415,638	\$ 136,204,397	\$ 140,099,886	\$ 152,137,383	\$ 158,075,787	\$ 164,440,833	\$ 165,463,358	\$ 179,332,099
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 3,226,434	\$ 5,329,054	\$ 6,193,191	\$ 6,426,151	\$ 7,092,815	\$ 7,284,611	\$ 7,553,305	\$ 8,192,037	\$ 9,387,518	\$ 9,193,286
Judicial	1,813,501	2,011,693	1,884,924	2,077,796	1,905,705	1,829,225	1,296,178	1,099,027	888,804	1,506,851
Security of Persons and Property	5,404,357	3,899,269	2,517,728	3,122,082	3,095,773	3,890,200	3,611,717	2,594,190	2,442,239	5,417,910
Physical Environment	332,774	841,679	1,245,290	1,565,435	1,377,746	1,842,902	2,137,154	2,605,310	2,510,609	1,900,618
Transportation	335,034	778,133	1,287,801	2,066,637	3,179,516	1,963,695	4,574,502	2,210,112	4,638,195	3,298,016
Economic Environment	2,181,134	2,793,946	4,579,991	5,278,298	5,665,855	7,639,110	9,785,849	9,245,932	12,134,989	10,579,216
Culture and Recreation	1,245,180	1,338,704	1,834,283	1,925,556	2,405,184	3,538,719	2,697,053	2,457,184	7,965,572	4,059,458
Operating Grants and Contributions	1,730,706	2,014,483	5,027,871	2,009,909	2,103,718	2,548,835	2,748,851	2,652,231	3,664,172	3,036,547
Capital Grants and Contributions	2,804,824	591,553,694	1,958,280	6,520,630	12,793,588	17,103,275	2,799,250	8,233,444	6,387,341	7,296,898
Total Governmental Activities	\$ 19,073,944	\$ 610,560,655	\$ 26,529,359	\$ 30,992,494	\$ 39,619,900	\$ 47,640,572	\$ 37,203,859	\$ 39,289,467	\$ 50,019,439	\$ 46,288,800

	Fiscal Year											
	2010	2011	2012 ¹	2013	2014	2015	2016	2017	2018	2019		
Business Type Activities												
Charges for Service												
Water/Sewer	\$ 18,387,062	\$ 19,736,206	\$ 21,066,391	\$ 25,091,105	\$ 26,145,803	\$ 27,796,967	\$ 28,308,302	\$ 28,575,144	\$ 29,625,918	\$ 29,716,217		
Surface Water	5,122,063	6,777,735	8,502,468	8,962,552	9,067,528	9,622,071	9,948,240	10,211,308	10,462,546	10,685,214		
Solid Waste	8,007,631	10,063,072	12,746,781	16,391,610	16,147,436	16,463,224	16,847,535	17,489,671	17,876,644	18,306,879		
Operating Grants and Contributions	313,490	529,923	284,721	277,666	423,061	252,351	244,933	267,938	380,800	521,336		
Capital Grants and Contributions	1,950,653	20,029,622	2,194,949	3,292,523	8,288,574	6,794,503	3,629,064	4,742,986	5,843,416	6,182,573		
Total Business Type Activities	\$ 33,780,899	\$ 57,136,558	\$ 44,795,310	\$ 54,005,456	\$ 60,072,402	\$ 60,929,116	\$ 58,978,074	\$ 61,287,047	\$ 64,189,324	\$ 65,412,219		
Total Program Revenues	\$ 52,854,843	\$ 667,697,213	\$ 71,324,669	\$ 84,997,950	\$ 99,692,302	\$ 108,569,688	\$ 96,181,933	\$ 100,576,514	\$ 114,208,763	\$ 111,701,019		
Net (Expense)/Revenue												
Governmental Activities	\$ (46,589,352)	\$ 539,190,677	\$ (55,447,755)	\$ (58,697,319)	\$ (54,154,592)	\$ (55,514,575)	\$ (68,917,903)	\$ (72,094,240)	\$ (60,703,253)	\$ (76,826,270)		
Business Type Activities	4,632,891	22,965,270	6,356,786	7,490,872	13,747,008	11,946,880	7,024,049	8,229,921	9,448,658	9,195,190		
Total Net Expense	\$ (41,956,461)	\$ 562,155,947	\$ (49,090,969)	\$ (51,206,447)	\$ (40,407,584)	\$ (43,567,695)	\$ (61,893,854)	\$ (63,864,319)	\$ (51,254,595)	\$ (67,631,080)		
General Revenues												
Governmental Activities												
Taxes												
Property Taxes	\$ 14,699,191	\$ 21,815,979	\$ 21,435,319	\$ 26,617,501	\$ 27,178,110	\$ 27,890,261	\$ 28,585,488	\$ 29,340,885	\$ 31,695,703	\$ 31,599,262		
Sales Taxes	14,083,506	16,600,753	20,813,009	22,774,745	23,974,307	25,694,212	26,966,254	29,101,348	30,116,512	35,892,386		
Excise Taxes	2,974,586	3,544,099	5,434,137	6,896,100	7,270,619	9,349,674	10,338,111	10,579,790	12,195,884	15,198,846		
Business Taxes	2,023,534	2,346,885	2,371,259	2,476,984	2,489,060	2,311,279	2,631,939	2,858,364	3,273,007	3,070,706		
Utility Taxes	10,339,384	12,302,205	14,141,722	15,062,187	14,892,606	14,643,852	15,838,161	14,816,653	14,200,416	13,664,169		
Other Taxes	968,004	2,151,532	2,773,320	2,195,147	2,324,241	2,513,546	1,722,548	2,761,796	2,707,132	3,170,902		
Unrestricted Grants/Contributions	115,815	105,458	99,929	204,330	229,671	723,679	396,024	714,942	713,252	711,158		
Investment Earnings	744,667	893,905	588,839	48,505	1,078,754	915,706	901,531	1,093,185	2,718,370	6,099,596		
Gain (Loss) Sale of Capital Assets	397,866	38,694	46,215	32,395	-	63,123	179,129	713,732	1,749,629	82,381		
Transfers, Internal Activities	172,799	840,362	865,313	586,406	537,149	1,183,245	851,520	755,600	1,940,203	814,182		
Total Governmental Activities	\$ 46,519,352	\$ 60,639,872	\$ 68,569,062	\$ 76,894,300	\$ 79,974,517	\$ 85,288,577	\$ 88,410,705	\$ 92,736,295	\$ 101,310,108	\$ 110,303,587		
Business Type Activities												
Investment Earnings	\$ 394,277	\$ 333,529	\$ 249,865	\$ 64,334	\$ 386,690	\$ 349,280	\$ 357,736	\$ 393,096	\$ 948,188	\$ 1,916,468		
Gain (Loss) Sale of Capital Assets	(172,799)	(840,362)	(865,313)	(3,585)	(31)	(28,013)	-	-	-	-		
Transfers, Internal Activities	221,478	(506,834)	(615,448)	(525,657)	(537,149)	(1,183,245)	(851,520)	(755,600)	(1,940,203)	(814,182)		
Total Business Type Activities	\$ 46,740,830	\$ 60,133,038	\$ 67,953,614	\$ 76,368,643	\$ 79,824,027	\$ 84,426,599	\$ 87,916,921	\$ 92,373,791	\$ 100,318,093	\$ 111,405,874		
Total Primary Government	\$ (70,000)	\$ 599,830,549	\$ 13,121,307	\$ 18,196,981	\$ 25,819,925	\$ 29,774,002	\$ 19,492,802	\$ 20,642,055	\$ 40,606,855	\$ 33,477,317		
Governmental Activities	4,854,369	22,458,437	5,741,338	6,965,215	13,596,518	11,084,902	6,530,265	7,867,417	8,456,643	10,297,476		
Total Change in Net Position	\$ 4,784,369	\$ 622,288,986	\$ 18,862,645	\$ 25,162,196	\$ 39,416,443	\$ 40,858,904	\$ 26,023,067	\$ 28,509,472	\$ 49,063,498	\$ 43,774,793		

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund (Per GASB 54)¹										
Nonspendable		\$ 260,094	\$ 587,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443,551	\$ 839,775
Restricted		462,762	601,933	1,315,449	147,514	162,587	246,825	1,953,095	1,889,838	1,889,838
Committed		6,187,802	2,569,900	2,322,236	2,271,414	4,144,197	5,149,052	4,041,544	6,547,747	6,547,747
Assigned		13,869,876	12,467,508	14,821,433	16,178,706	15,145,089	15,907,714	23,752,075	31,606,211	19,488,992
Unassigned		7,844,233	16,971,158	16,647,490	17,725,868	21,275,640	25,924,394	19,771,877	22,747,242	42,961,808
General Fund (Prior GASB 54)¹										
Reserved	\$ -									
Unreserved	6,429,953									
Total General Fund	\$ 6,429,953	\$ 28,624,767	\$ 32,596,000	\$ 34,879,247	\$ 37,542,259	\$ 38,839,657	\$ 46,138,892	\$ 49,363,380	\$ 61,091,511	\$ 71,728,159

All Other Governmental Funds (Per GASB 54)¹

Nonspendable	\$ 2,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,384	\$ 26,557	\$ -
Restricted	48,877,848	47,009,318	28,768,370	34,074,711	49,211,313	56,452,562	62,749,061	75,227,078	63,502,112	63,502,112
Committed	383,112	1,522,838	1,545,753	1,836,255	-	-	10,000	241,759	151,999	151,999
Assigned	10,332,233	10,432,282	16,944,228	13,475,518	15,251,585	10,357,078	17,084,552	15,424,857	26,244,323	26,244,323
Unassigned	-	-	-	-	-	-	-	-	-	-

All Other Governmental Funds (Prior GASB 54)¹

Reserved	\$ 26,308,722									
Unreserved, reported in:										
Special Revenue Funds	23,783,597									
Capital Projects Funds	21,641,181									
Total all Other Governmental Funds	\$ 71,733,500	\$ 59,595,938	\$ 58,964,437	\$ 47,258,351	\$ 49,386,484	\$ 64,462,898	\$ 66,809,640	\$ 79,855,997	\$ 90,920,251	\$ 89,898,434

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes and Assessments	\$ 44,451,281	\$ 57,482,839	\$ 65,360,731	\$ 74,738,398	\$ 76,849,838	\$ 81,488,933	\$ 84,708,112	\$ 88,421,066	\$ 93,218,047	\$ 101,223,360
Licenses and Permits	3,262,940	5,279,547	7,088,382	8,004,902	8,337,352	8,562,661	9,960,579	9,432,196	13,513,898	11,808,201
Intergovernmental	9,608,276	9,123,231	8,243,496	7,297,780	9,142,240	11,361,368	6,477,564	9,100,613	8,817,609	8,411,416
Charges for Services	8,832,375	9,848,611	13,501,666	15,279,129	17,019,957	18,291,286	23,313,222	21,246,107	29,868,343	27,868,296
Fines and Forfeitures	1,652,358	1,943,538	1,889,569	2,171,989	2,143,143	1,890,032	1,684,718	1,814,159	1,526,762	1,622,029
Investment Interest	676,043	803,066	527,466	53,779	865,129	787,521	775,507	957,004	2,393,908	5,409,193
Miscellaneous Revenues	699,030	1,019,273	1,088,652	1,051,682	1,507,007	2,244,804	1,516,895	1,493,683	1,787,305	1,601,145
Total Revenues	\$ 69,182,303	\$ 85,500,125	\$ 97,679,982	\$ 108,597,659	\$ 115,864,666	\$ 124,626,805	\$ 128,438,597	\$ 132,464,828	\$ 151,125,872	\$ 157,943,639
Expenditures										
Current										
General Government	\$ 9,164,515	\$ 10,067,748	\$ 11,089,878	\$ 11,610,891	\$ 11,491,334	\$ 13,913,401	\$ 14,467,522	\$ 14,341,656	\$ 16,775,220	\$ 16,112,396
Security of Persons and Property	33,155,872	37,665,018	40,515,907	42,734,394	44,860,397	47,717,141	47,070,679	50,996,823	52,297,905	55,190,036
Physical Environment	3,211,041	3,635,642	3,981,111	3,249,605	3,468,559	3,346,318	4,002,024	4,409,521	4,919,989	5,336,633
Transportation	6,564,789	6,087,389	8,384,173	10,165,878	10,482,081	11,653,620	12,493,646	13,221,359	13,941,430	16,779,839
Economic Environment	6,532,329	6,121,483	6,799,931	7,902,345	8,845,262	9,031,130	10,304,531	10,455,178	12,515,008	11,652,747
Culture and Recreation	6,330,916	6,517,613	6,869,066	7,901,305	8,841,426	9,922,640	9,170,244	9,481,680	10,038,459	11,457,410
Debt Service	1,410,000	1,705,000	2,545,313	2,431,451	2,537,949	3,269,817	2,107,068	2,174,715	2,217,770	2,261,245
Principal	646,041	2,247,460	2,238,879	2,129,096	1,960,886	1,899,676	2,044,592	1,973,194	1,909,573	1,840,502
Interest	98,507	48,679	-	-	-	78,625	-	-	-	-
Bond Issuance Costs	17,357,329	9,008,550	12,212,995	30,701,746	22,545,900	18,359,423	17,592,097	14,211,392	23,726,075	29,286,382
Capital Outlay	\$ 84,461,339	\$ 83,104,602	\$ 94,637,253	\$ 118,826,711	\$ 115,053,794	\$ 119,191,791	\$ 119,252,403	\$ 121,265,518	\$ 138,341,429	\$ 149,857,191
Total Expenditures	\$ (15,279,036)	\$ 2,395,523	\$ 3,042,709	\$ (10,229,052)	\$ 810,872	\$ 5,434,814	\$ 9,184,193	\$ 11,199,310	\$ 12,784,443	\$ 8,086,449
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 35,345,000	\$ 4,255,000	\$ -	\$ 4,670,000	\$ -	\$ 5,800,000	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses)										
Issuance of Debt	-	(4,385,000)	-	(4,655,000)	-	-	-	-	-	-
Refunded Amount to Escrow	(373,661)	185,317	-	-	-	-	-	-	-	-
Bond Discount	366,825	38,694	43,206	(32,500)	3,216,797	36,992	51,542	2,462,068	6,562,498	68,550
Debt Issue Cost	5,540	818	-	148,353	41,690	341,639	239,979	406,140	252,869	107,365
Sale of Capital Assets	9,489,033	9,032,665	16,243,715	18,172,493	18,176,032	25,231,417	22,523,986	35,300,328	32,908,505	56,312,676
Insurance Recovery	(8,581,696)	(8,997,572)	(15,989,897)	(18,113,096)	(17,454,246)	(20,471,050)	(22,353,723)	(33,097,002)	(30,913,431)	(54,960,209)
Transfers In	36,251,041	129,922	297,024	806,213	3,980,273	10,938,998	461,784	5,071,534	8,810,441	1,528,382
Transfers Out	20,972,005	2,525,445	3,339,733	(9,422,839)	4,791,145	16,373,812	9,645,977	16,270,844	21,584,884	9,614,831
Total Other Financing Sources (Uses)	3,06%	5.33%	5.80%	5.18%	4.88%	5.13%	4.08%	3.87%	3.60%	3.40%
Net Change in Fund Balance	\$ 20,972,005	\$ 2,525,445	\$ 3,339,733	\$ (9,422,839)	\$ 4,791,145	\$ 16,373,812	\$ 9,645,977	\$ 16,270,844	\$ 21,584,884	\$ 9,614,831
Debt Service as a percentage of noncapital expenditures										

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>
2010	\$ 10,339,449,107	\$371,383,209	\$ 10,710,832,316	1.29
2011	\$ 9,875,673,406	\$422,921,112	\$ 10,298,594,518	1.39
2012	\$ 13,917,848,447	\$410,053,788	\$ 14,327,902,235	1.46
2013	\$ 15,358,916,929	\$415,443,078	\$ 15,774,360,007	1.85
2014	\$ 18,050,018,215	\$407,273,440	\$ 18,457,291,655	1.72
2015	\$ 19,818,344,668	\$435,282,325	\$ 20,253,626,993	1.55
2016	\$ 21,783,054,865	\$429,318,516	\$ 22,212,373,381	1.41
2017	\$ 24,756,207,744	\$478,434,919	\$ 25,234,642,663	1.31
2018	\$ 29,078,518,418	\$439,947,838	\$ 29,518,466,256	1.18
2019	\$ 31,140,274,418	\$512,398,307	\$ 31,652,672,725	1.05

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		
2010	1.21	0.08	1.29	2.80	1.28	2.33	0.30	0.46	0.46	0.22	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	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	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	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	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	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	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	0.15	9.48
2018	1.14	0.04	1.18	3.03	1.66	2.92	0.24	0.33	0.41	0.14	0.14	9.90
2019	1.02	0.03	1.05	2.57	1.52	2.63	0.22	0.29	0.37	0.12	0.12	8.78

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

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Essex Portfolio LP	\$ 288,402,105	1	0.91%	43,423,000	7	0.41%
Carillon Properties	281,202,818	2	0.89%	\$ 167,576,046	1	1.56%
PR II Kirkland Urban LLC	182,298,000	3	0.58%			
GSIC Forbes Creek Reit, Inc.	141,730,560	4	0.45%	71,424,000	3	0.67%
SCG Atlas (Woodlake & Heronfield Apts)	135,642,000	5	0.43%	31,815,000	10	0.30%
Thrive Communities (Prometheus Real Estate Group)	129,217,000	6	0.41%			
Balacava Holdings, Inc.	93,219,700	7	0.29%			
Puget Sound Energy Electricity/Gas	87,277,978	8	0.28%			
Waterscape Village LLC	87,220,000	9	0.28%			
Yeung Angel	85,860,000	10	0.27%			
Villaggio				85,410,000	2	0.80%
Plaza at Yarrow Bay Inc				69,375,600	4	0.65%
Property Tax Advisors LLC				50,535,900	5	0.47%
BRE Properties				50,220,000	6	0.47%
Touchstone KPP Development				35,251,100	8	0.33%
Paccar Inc				32,113,468	9	0.30%
Totals	\$ 1,512,070,161		4.79%	\$ 637,144,114		5.96%

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ 303,263	\$ 14,731,717	99.90%
2011	\$ 21,792,076	\$ 21,498,711	98.65%	\$ 289,828	\$ 21,788,539	99.98%
2012	\$ 20,926,668	\$ 20,663,153	98.74%	\$ 263,660	\$ 20,926,813	99.99%
2013	\$ 26,328,493	\$ 25,909,705	98.41%	\$ 336,815	\$ 26,246,520	99.69%
2014	\$ 26,826,311	\$ 26,427,503	98.51%	\$ 335,158	\$ 26,762,661	99.76%
2015	\$ 27,500,146	\$ 27,113,476	98.59%	\$ 333,091	\$ 27,446,567	99.81%
2016	\$ 28,201,752	\$ 27,785,359	98.52%	\$ 344,852	\$ 28,130,211	99.75%
2017	\$ 28,928,378	\$ 28,543,348	98.67%	\$ 287,430	\$ 28,830,778	99.66%
2018	\$ 29,776,936	\$ 29,347,051	98.56%	\$ 305,517	\$ 29,652,568	99.58%
2019	\$ 30,761,546	\$ 30,417,373	98.88%	\$ -	\$ 30,417,373	98.88%

Schedule 9

City of Kirkland

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Services	\$ 1,609,846	\$ 1,692,708	\$ 1,635,896	\$ 2,096,563	\$ 2,357,782	\$ 2,553,773	\$ 2,688,805	\$ 2,842,908	\$ 3,136,670	\$ 3,468,535
Contracting	1,739,823	1,748,813	2,544,008	2,739,984	2,866,557	2,980,957	3,443,988	4,573,497	5,514,739	6,800,785
Communications	439,692	476,189	442,779	472,092	505,170	521,689	537,934	592,699	549,191	705,508
Automotive/Gas Retail	3,038,615	3,161,851	3,655,104	4,147,690	4,383,760	4,735,672	4,757,711	5,042,218	4,951,935	5,046,411
Gen Merch/ Misc Retail	1,745,038	1,802,876	1,876,502	2,004,660	2,000,157	2,086,086	2,078,161	1,965,613	2,348,637	2,708,383
Retail Eating/Drinking	1,063,913	1,145,123	1,273,290	1,371,105	1,480,720	1,571,340	1,595,199	1,683,847	1,719,164	1,871,460
Other Retail	1,614,016	1,694,262	1,988,615	2,125,084	2,452,917	2,513,329	2,753,838	2,858,068	3,034,390	3,129,479
Wholesale	725,093	709,686	564,302	759,399	829,962	903,425	957,368	1,009,745	1,063,075	1,158,423
Miscellaneous	830,820	956,682	829,768	888,736	1,086,724	1,077,541	1,260,127	1,283,970	1,434,982	1,713,384
Total	\$ 12,806,856	\$ 13,388,190	\$ 14,810,264	\$ 16,605,313	\$ 17,963,749	\$ 18,943,812	\$ 20,073,131	\$ 21,852,565	\$ 23,752,783	\$ 26,602,368

City direct sales tax rate 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.025%

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		City of Kirkland ¹	Total General Sales Tax	State of Washington		King County	Total
	General Sales	Metro	Justice	Criminal	Mental Health	Transit Authority	Automobile Sales/Leases	Automobile Sales/Leases			Restaurant Food and Beverage	Restaurant Food and Beverage		
2010	6.50%	0.90%	0.10%	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%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%		
2012	6.50%	0.90%	0.10%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%		
2013	6.50%	0.90%	0.10%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%		
2014	6.50%	0.90%	0.10%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%		
2015	6.50%	0.90%	0.10%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%		
2016	6.50%	0.90%	0.10%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%		
2017	6.50%	0.90%	0.10%	0.10%	0.10%	1.40%	1.00%	10.00%	0.30%	10.30%	0.00%	10.00%		
2018	6.50%	0.90%	0.10%	0.10%	0.10%	1.40%	1.00%	10.00%	0.30%	10.30%	0.00%	10.00%		
2019	6.50%	0.90%	0.175%	0.10%	0.10%	1.40%	1.025%	10.10%	0.20%	10.30%	0.00%	10.10%		

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Interfund Loan	Revenue Bonds	Public Works Trust Fund Loans	Revenue Bonds	Total Government			
2010	\$ 46,717,377	\$ -	\$ 2,430,000	\$ 2,906,678	\$ 2,430,000	\$ 52,054,055	2.11%	1067	
2011	\$ 49,078,605	\$ -	\$ 1,700,000	\$ 2,519,500	\$ 1,700,000	\$ 53,298,105	1.23%	662	
2012	\$ 46,527,219	\$ -	\$ 935,000	\$ 2,132,322	\$ 935,000	\$ 49,594,541	1.19%	609	
2013	\$ 44,119,994	\$ -	\$ 475,000	\$ 1,771,987	\$ 475,000	\$ 46,366,981	1.18%	567	
2014	\$ 41,574,040	\$ -	\$ -	\$ 1,573,313	\$ -	\$ 43,147,353	1.06%	522	
2015	\$ 43,975,124	\$ 4,698,991	\$ -	\$ 1,519,124	\$ -	\$ 50,193,239	1.19%	601	
2016	\$ 41,880,510	\$ 4,698,991	\$ -	\$ 4,319,574	\$ -	\$ 50,899,075	1.09%	601	
2017	\$ 39,718,250	\$ 4,698,991	\$ -	\$ 4,484,309	\$ -	\$ 48,901,550	1.01%	568	
2018	\$ 37,512,935	\$ -	\$ -	\$ 4,218,804	\$ -	\$ 41,731,739	0.83%	478	
2019	\$ 35,264,144	\$ 5,562,619	\$ -	\$ 3,792,156	\$ -	\$ 44,618,919	0.85%	502	

Schedule 12

City of Kirkland

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2010	\$ 46,717,377	\$ 328,813	\$ 46,388,564	0.44%	\$ 957.58
2011	\$ 49,078,605	\$ 315,270	\$ 48,763,335	0.48%	\$ 609.63
2012	\$ 46,527,219	\$ 314,857	\$ 46,212,362	0.32%	\$ 571.03
2013	\$ 44,119,994	\$ 324,473	\$ 43,795,521	0.28%	\$ 539.83
2014	\$ 41,574,040	\$ 329,296	\$ 41,244,744	0.23%	\$ 503.38
2015	\$ 43,975,124	\$ 327,463	\$ 43,647,661	0.22%	\$ 526.90
2016	\$ 41,880,510	\$ 331,708	\$ 41,548,802	0.19%	\$ 494.57
2017	\$ 39,718,250	\$ 347,643	\$ 39,370,607	0.16%	\$ 461.41
2018	\$ 37,512,935	\$ 356,525	\$ 37,156,410	0.13%	\$ 430.00
2019	\$ 35,264,144	\$ 373,074	\$ 34,891,070	0.11%	\$ 396.49

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2019 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
Lake Washington School District #414	606,646,406	44.02%	\$ 267,041,946
Hospital District #2	171,543,495	31.64%	54,274,521
Library	66,743,220	8.29%	5,534,969
King County	\$ 661,448,694	4.93%	32,586,660
Port of Seattle	335,470,000	4.93%	16,527,127
Northshore School District #417	543,319,567	1.34%	7,299,466
Northshore Park and Rec	404,810	0.67%	2,722
Bellevue School District #405	797,868,507	0.05%	375,033
Total Overlapping Debt			\$ 383,642,444
Direct Debt			
City of Kirkland ²	\$ 35,264,144	100.00%	\$ 35,264,144
Total Direct and Overlapping Debt			\$ 418,906,588

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 803,312,424	\$ 772,394,589	\$ 1,074,592,668	\$ 1,183,077,001	\$ 1,384,296,874	\$ 1,519,022,024	\$ 1,665,928,004	\$ 1,892,598,200	\$ 2,213,884,969	\$ 2,373,950,454
Total Net Debt Applicable to Limit	46,761,187	48,939,730	46,394,830	43,955,443	41,425,991	43,958,007	41,846,693	39,370,607	37,156,410	34,891,070
Legal Debt Margin	\$ 756,551,237	\$ 723,454,859	\$ 1,028,197,838	\$ 1,139,121,558	\$ 1,342,870,883	\$ 1,475,064,017	\$ 1,624,081,311	\$ 1,853,227,593	\$ 2,176,728,559	\$ 2,339,059,384

Total Net Debt Applicable to Limit as a Percentage of Debt Limit	5.82%	6.34%	4.32%	3.72%	2.99%	2.89%	2.51%	2.08%	1.68%	1.47%
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Legal Debt Margin Calculation for Fiscal Year 2019

Total Assessed Value	31,652,672,725
Debt Limit (7.5% of Total Assessed Value)	2,373,950,454
Debt Applicable to Limit:	
General Obligation Bonds	35,264,144
Less Cash on Hand for Debt Redemption	(373,074)
Total Net Debt Applicable to Limit	34,891,070
Legal Debt Margin	\$ 2,339,059,384

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

Schedule 15

City of Kirkland

Pledged-Revenue Coverage
Last Ten Fiscal Years - Unaudited

Fiscal Year	Water/Sewer Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Principal	Debt Service Interest	Coverage	
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	\$ 730,000	\$ 92,275	4.49	
2011	\$ 19,593,206	\$ 16,287,970	\$ 3,305,236	\$ 765,000	\$ 56,130	4.03	
2012	\$ 20,966,391	\$ 16,940,958	\$ 4,025,433	\$ 460,000	\$ 28,200	8.25	
2013	\$ 24,733,565	\$ 21,179,766	\$ 3,553,799	\$ 475,000	\$ 9,500	7.33	
2014	\$ 25,798,960	\$ 20,981,503	\$ 4,817,457	\$ -	\$ -	-	
2015	\$ 27,451,520	\$ 22,320,775	\$ 5,130,745	\$ -	\$ -	-	
2016	\$ 27,947,299	\$ 22,991,364	\$ 4,955,935	\$ -	\$ -	-	
2017	\$ 28,181,269	\$ 23,584,661	\$ 4,596,608	\$ -	\$ -	-	
2018	\$ 29,194,640	\$ 24,773,489	\$ 4,421,151	\$ -	\$ -	-	
2019	\$ 29,264,297	\$ 25,055,635	\$ 4,208,662	\$ -	\$ -	-	

Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	King County Unemployment Rate
2010	48,787	\$ 2,483,502	\$ 50,905	9.10%
2011	80,505	\$ 4,330,525	\$ 53,792	8.10%
2012	81,480	\$ 4,174,139	\$ 51,229	6.60%
2013	81,730	\$ 3,941,266	\$ 48,223	5.23%
2014	82,590	\$ 4,070,358	\$ 49,284	4.70%
2015	83,460	\$ 4,203,726	\$ 50,368	4.10%
2016	84,680	\$ 4,684,667	\$ 55,322	3.93%
2017	86,080	\$ 4,853,621	\$ 56,385	3.50%
2018	87,240	\$ 5,027,205	\$ 57,625	3.30%
2019	88,940	\$ 5,267,383	\$ 59,224	2.50%

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 Construction</u>		Total Assessed Property Valuation
	Number of Permits	Valuation	Number of Dwellings	Valuation	Number of Units	Valuation	Number of Permits	Number of Units	
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	\$ 14,327,902,235
2013	4	\$ 75,393,629	268	\$ 117,783,022	61	\$ 11,504,320	2	187	\$ 15,774,360,007
2014	20	\$ 83,037,794	253	\$ 133,592,300	n/a ¹	\$ 8,263,498	3	135	\$ 18,457,291,655
2015	6	\$ 57,174,918	309	\$ 175,251,380	n/a ¹	\$ 10,261,283	1	-	\$ 20,253,626,993
2016	15	\$ 228,630,789	316	\$ 161,292,444	91	\$ 17,025,380	5	132	\$ 22,212,373,381
2017	7	\$ 63,859,741	329	\$ 181,679,397	24	\$ 14,587,048	4	261	\$ 25,234,642,663
2018	12	\$ 158,688,280	262	\$ 160,374,341	646	\$ 100,731,253	8	1,487	\$ 29,518,466,256
2019	9	\$ 139,699,169	268	\$ 164,548,798	65	\$ 28,724,674	6	482	\$ 31,652,672,725

¹Valuation for updated existing units. No additional new units

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Ago - Unaudited

<u>Employer</u>	2019			2010		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	3,618	1	7.81%	2,603	1	9.82%
Lake Washington School District	1,157	2	2.50%	428	5	1.62%
Google, Inc.	2,206	3	4.76%	468	4	1.77%
City of Kirkland	605	4	1.31%	581	3	2.19%
Tableau Software, LLC	484	5	1.05%			
Kenworth Truck Co.	475	6	1.03%	394	6	1.49%
Astronics Advanced Electronic Systems	464	7	1.00%			
GoDaddy.Com	388	8	0.84%			
Lake Washington Institute of Technology	367	9	0.79%			
Friend of Youth	316	10	0.68%			
IBM Corporation				258	9	0.97%
Clearwire Corporation				593	2	2.24%
Wireless Data Services				208	10	0.78%
Evergreen Pharmaceutical				269	8	1.02%
WB Games				305	7	1.15%
Total	<u>10,080</u>		<u>21.77%</u>	<u>6,107</u>		<u>23.05%</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</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	21.90	30.40	8.65	8.25	8.54	9.94	10.94	10.44	10.44	9.59
City Attorney's Office	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Municipal Court ¹	-	-	22.25	18.75	18.75	18.75	18.75	18.75	18.50	18.50
Human Resources	8.10	8.80	8.70	8.70	8.70	8.90	9.20	9.20	9.20	9.20
Parks and Community Services	33.03	32.25	31.00	30.00	30.00	31.00	31.00	33.00	34.00	34.50
Public Works	23.30	26.15	25.35	28.95	31.20	31.20	37.25	37.55	37.55	41.55
Finance and Administration	30.40	32.65	32.80	32.80	33.80	35.30	35.30	35.30	35.30	36.80
Planning and Community Development	19.95	24.25	24.25	23.45	23.45	24.45	-	-	-	-
Planning and Building ²	-	-	-	-	-	-	52.85	53.35	53.35	53.35
Police	121.50	135.25	137.50	135.50	135.50	136.00	136.00	140.00	140.00	150.00
Fire and Building ²	107.73	120.78	122.28	123.28	128.28	129.28	-	-	-	-
Fire ²	-	-	-	-	-	-	111.50	114.50	115.50	116.00
Other General Government Operating Funds										
Lodging Tax Fund	0.60	0.60	0.60	0.60	0.66	0.66	0.66	0.66	0.66	0.51
Street Operating	15.50	22.50	20.65	20.75	20.90	20.90	21.79	22.04	22.04	24.24
Parks Maintenance	7.50	10.25	10.25	9.25	9.25	8.50	8.50	8.50	8.50	8.50
2012 Parks Levy	-	-	-	7.25	7.25	7.75	7.00	7.00	7.00	11.25
Facilities Maintenance	5.85	6.35	6.35	7.35	7.95	7.95	7.95	7.95	7.95	7.95
Equipment Rental	6.30	7.30	7.30	7.30	7.40	7.40	7.45	7.45	7.45	7.45
Information Technology	19.25	23.75	24.50	24.70	24.70	26.70	26.70	27.20	27.20	27.20
Proprietary Funds										
Water/Sewer Operating	21.21	20.31	19.81	19.81	19.76	21.26	21.51	21.51	21.76	22.76
Surface Water Management	18.49	26.04	27.59	27.59	27.79	34.19	33.95	36.70	36.45	38.25
Solid Waste	2.00	3.30	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80
Total	<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>	<u>606.65</u>	<u>631.40</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Security of Persons and Property - Police										
Calls for Service	62,677	71,729	74,317	69,568	69,876	63,104	60,732	60,099	57,484	48,030
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	7,098	7,286	7,982	8,033	8,228	8,674	8,743	9,306	9,461	9,034
Average EMS Response (minutes)	5:17	5:32	5:25	5:18	5:24	7:40	7:48	5:09	5:19	6:00
Average Fire Response (minutes)	5:41	5:42	5:44	5:55	5:45	7:49	8:12	6:20	6:45	6:20
Culture and Recreation										
Adult Program Registrations	2,877	3,508	3,675	3,259	3,443	3,246	2,859	3,574	2,406	2,733
Preschool Program Registrations	4,005	4,339	3,973	4,435	4,041	4,194	4,209	5,046	6,328	5,859
Youth Program Registrations	4,477	4,272	5,047	5,466	4,949	5,248	5,276	5,764	5,681	5,566
Teen Program Registrations	144	113	134	103	186	256	202	84	81	83
Parent/Child Program Registrations	199	199	1,608	1,752	1,773	1,937	1,974	2,055	1,954	2,020
Senior Program Registrations	3,441	3,509	4,120	4,196	3,568	3,444	4,047	4,123	3,522	3,627
Physical Environment										
Street Hot Patching (hours)	3,354	3,422	3,856	5,246	6,533	5,300	3,664	3,387	5,247	4,055
Street Signal Maintenance (hours)	2,700	3,717	4,376	3,871	3,064	2,973	1,006	1,584	3,577	2,759
Street Sweeping (hours)	1,518	2,340	2,883	3,389	2,770	2,763	2,765	3,188	3,376	3,550
Number of Sewer Customers	10,080	10,154	10,238	10,309	10,434	10,597	10,722	10,851	10,996	11,111
Number of Water Customers	12,104	12,153	12,224	12,318	12,431	12,571	12,652	12,762	12,872	12,961
Average Daily Water Consumption (million gallons)	5.46	5.40	5.60	5.31	5.60	6.01	5.50	5.67	5.54	5.43

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

Schedule 21

City of Kirkland

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	7.0	10.1	10.5	10.5	10.3	9.8	-	-	-	-
Patrol Officers per 10 hr shift ¹	-	-	-	-	-	-	8.0	10.0	10.0	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	-	-	-	-	-	-
Culture and Recreation										
Parks Acreage	518	544	554	556	558	559	559	572	590	590
Parks (developed)	32	34	35	35	35	36	36	40	42	41
Parks (undeveloped)	8	10	10	10	10	10	10	10	9	9
Waterfront Footage	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270
Miles of Improved Park Trails	5.8	6.3	6.5	6.5	7.0	13.0	13.0	13.0	15.0	15.0
Miles of Unimproved Park Trails	4.0	5.0	5.0	5.0	11.0	5.0	5.0	5.0	19.0	19.0
Community Centers	2	2	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	169	170	170	175	175	175	175	176	176	176
Sanitary Sewers (miles)	120	121	122	122	123	123	123	123	123	124
Streets (miles)	147	249	250	250	250	250	250	251	251	252
Sidewalks (miles)	141	237	237	238	242	242	243	243	248	248

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