

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

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THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2009

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Cover Design and Layout by



**City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2009**

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kirkland
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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



A stylized, handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Enos".

Executive Director

CITY OF KIRKLAND

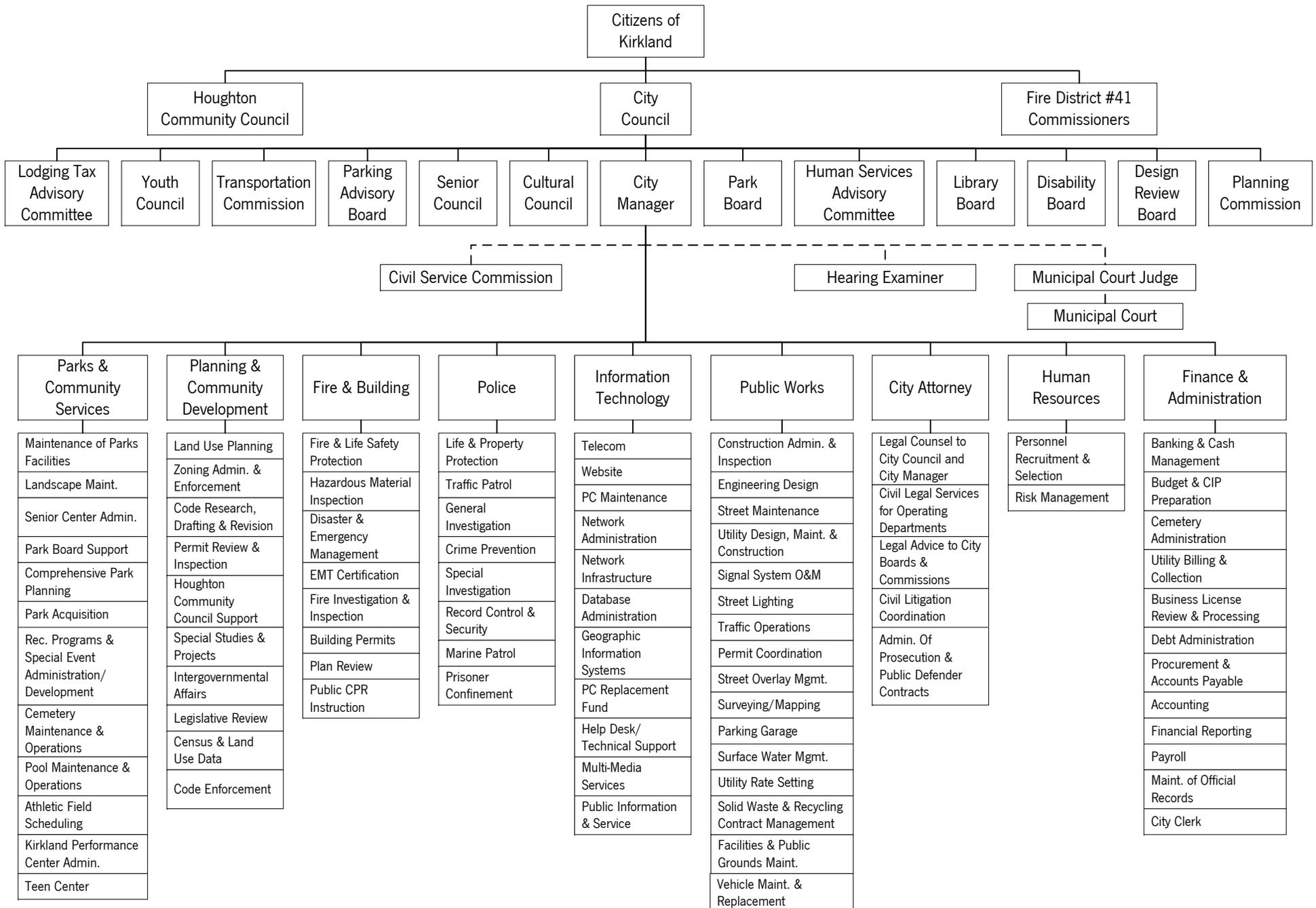
CITY COUNCIL

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

ADMINISTRATIVE STAFF

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

CITY OF KIRKLAND





June 8, 2010

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, 2009.

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

The State Auditor's Office has issued an unqualified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2009. The auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. On April 1, 2009, the estimated population was 49,010. Kirkland is the nineteenth largest city in the State of Washington and the ninth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eleven square miles – approximately twelve times its original size. This growth occurred primarily through the consolidation of the cities of Houghton and Kirkland in 1968 and the annexations of Rose Hill and Juanita in 1988.

Kirkland operates under a Council-Manager form of government. The City Council is the policy-making branch of Kirkland's government and consists of seven members elected at large to staggered, four-year terms. The Mayor is elected from within the Council. The City Council is supported by several advisory boards and commissions and the City Manager. The City Manager is appointed by the City Council and serves as the professional administrator of the organization, managing its day-to-day activities. The City's current City Manager of nearly twelve years retired in April 2010. This vacancy is expected to be filled by the middle of 2010.

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

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

Local Economy

The Puget Sound regional economy appears to be stabilizing, but job growth is still lagging. According to Conway & Pederson Economics' *Economic Forecaster*, job losses were greater than the rest of the nation because the strong housing market pushed up construction employment. When the housing market collapsed and jobs disappeared, the region had farther to fall. Optimism for the region's economic future remains because of the global recovery and the area's close ties to Asia. Boeing's successful first 787 Dreamliner flight and the success of Microsoft's Windows 7 are evidence that Washington State will outperform other states in economic recovery over the next three years according to Washington State's chief economist, Dr. Arun Raha. The rate of job loss has slowed and is expected to peak in the second quarter of 2010. Obstacles to recovery include small business credit availability, depressed construction activity, and low consumer confidence. These same factors will also hamper Kirkland's economic recovery, especially since small businesses comprise a substantial portion of retail activity and the resulting sales tax and business fees. Construction activity not only contributes development fee and sales tax revenues, but also increases the property tax base.

Other factors that represent a stabilizing environment are vacancy rates and the local purchasing index. The Region is still adding more office space than can be absorbed, but at a lower pace (263,000 square feet of space in the fourth quarter of 2009 compared to more than 2 million square feet in the prior three quarters, according to CB Richard Ellis Real Estate Services). The

Western Washington Purchasing Managers survey index fell in November of 2009 to 56.8, down by 2.3 points from October. However, this is still a positive indication since an index reading greater than 50 indicates a growing economy and this index has been above 50 for four consecutive months.

Long Term Financial Planning

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

On November 3, 2008, the residents of the City's Potential Annexation Area (PAA) voted to become part of the City of Kirkland. This annexation contains the Finn Hill, North Juanita, and Kingsgate areas and will extend the City to its Urban Growth Boundary. The annexation will be effective June 1, 2011 and will increase the population of the City by over 33,000, the geographic area by 7 square miles, and City staff by as many as 100 employees. Planning for the annexation is dominating the long-term financial planning, as discussed further under "Major Initiatives" below.

Continued negative sales tax performance in 2009 demonstrates the volatility inherent in this revenue source. The local economy experienced the impact of the national economic problems in 2009, but conditions in 2010 appear to be stabilizing. The City took a number of actions in 2009 to respond to the revenue decline, including using reserves set-aside for that purpose and reducing expenditures and service levels. The poor performance in the automotive and general merchandise retail sectors in 2009 seems to be recovering slowly, however, the level of development activity continues to be substantially below that experienced in recent years. There are some new large projects that are under construction, including the replacement of Lake Washington High School, the Bank of America project, and the McLeod redevelopment project. There will continue to be increased focus on financial performance throughout 2010.

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

Relevant Financial Policies

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

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

Major Initiatives

Much of the focus in 2009 was responding to the impacts of the economic downturn on the City's revenues. The City's conservative fiscal strategy provided tools for balancing the budget, including expenditure reductions, revenue increases, and use of reserves. In spite of these challenges, the City is continuing to pursue a number of major initiatives, including:

- As discussed under *Long Term Financial Planning*, the City of Kirkland will increase in population by about two-thirds on June 1, 2011. Planning for the annexation transition is one of the largest single initiatives undertaken by the City and dominates the work plans of most City departments. For example, the Police department has already begun the hiring process for new officers given the long lead-time to get new officers on the street. A preliminary 2011-2012 annexation area budget exercise is in progress to determine what resources and service level can be supported by annexation area revenues. The new regional dispatch agency, NORCOM, the Northeast King County Regional Public Safety Communications Center, became operational on July 1, 2009. The consolidated dispatch function is expected to improve fire response time and improve coordination of Police dispatch among several participating agencies.
- Fire Station consolidation continues to be pursued by Fire District #41, which contracts operations with the City. Once the annexation is complete, the District will dissolve and its assets will be assumed by the City. As part of the annexation transition, the District and City have been working with King County to secure a location for the consolidated station.
- Another major initiative involves the City's needs for additional space in City facilities, which takes on new urgency given the upcoming annexation. An existing structure in the City of Kirkland has been identified for renovation for a new Public Safety Facility (combining Police, Jail, and Municipal Court services) and the City is currently negotiating the purchase of that

site. With the completion of that facility, renovations will take place at City Hall to consolidate staff currently housed in off-site locations. In addition, modifications to the Maintenance Center will be required to serve annexation needs. A financing plan has been developed for these projects and the City expects to issue General Obligation bonds in the next year or so as part of that strategy.

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, 2008. This was the fifth consecutive year that the government has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its budget document for the 2009-2010 biennium, for the twelfth year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operating guide, and a communications device.

This report was prepared by the City's Department of Finance and Administration. The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the department. We wish to express appreciation to the staff and other personnel from various departments who assisted in its preparation. Credit also must be given to the City Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,



Marilynne Beard
Interim City Manager



Tracey Dunlap
Director of Finance and Administration

Financial Section



Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 8, 2010

Council
City of Kirkland
Kirkland, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Street Operating Special Revenue Fund, Park & Municipal Reserve Special Revenue Fund and Excise Tax Capital Improvement Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 8, 2010, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and



should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 29 and pension trust fund information and information on postemployment benefits other than pensions on page 96 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 100 through 134 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kirkland, we offer readers of the City of Kirkland's financial statements this narrative overview and analysis of the financial activities of the City of Kirkland for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the additional information provided in the preceding letter of transmittal.

Financial Highlights

- The City's net assets, the amount by which total assets exceed total liabilities, equaled \$387.7 million at the end of 2009. Of this amount, \$284 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$1.7 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, and debt service and \$102 million that is unrestricted and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6.2 million in 2009. Business-type activities increased by \$7.1 million while governmental activities decreased by \$0.9 million. Capital assets net of any related debt increased by \$14.3 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$57.2 million, a decrease of \$13.1 million compared to the prior year. Of this total amount, \$55.6 million, or 97 percent, is unreserved reported in the general fund, special revenue funds, and capital projects funds.
- Unreserved, undesignated fund balance in the general fund was \$7.7 million at the end of 2009, which represents about 13 percent of total general fund expenditures. An additional fund balance of \$2.9 million is available in the park and municipal reserve fund (in the general operating reserve and the revenue stabilization reserve combined) to cover unforeseen revenue losses during an economic downturn or to provide funding for unforeseen expenditure needs for general city programs. These reserve balances decreased by \$1 million in 2009 to backfill revenue declines in the general fund.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$19.6 million, which represents a decrease of \$3.5 million from the prior year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The City of Kirkland maintains nineteen individual governmental funds. The City's six major governmental funds—the general fund, the street operating fund, the park and municipal reserve fund, the excise tax capital improvement fund, the general capital projects fund, and the grant capital projects fund—are presented separately in the governmental fund *balance sheet* and the

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Roughly \$1.7 million of the City's total net assets are subject to legal restrictions. This amount includes \$0.2 million in Lodging Taxes reserved for tourism related activities, \$0.6 million in the Parks Maintenance fund for the maintenance of parks approved by voters in the 2003 park maintenance levy and \$0.5 million in debt service funds. Of the remaining balance, \$0.1 million is for park and recreation activities and \$0.3 million is for transportation, the majority of which is related to impact fees. Additionally, \$23.4 million has been earmarked by the City to provide a funding source for general government capital projects. These projects include a variety of public works projects, park improvements, internal technology system upgrades, and facility maintenance projects. The City attempts to fund a majority of its capital construction projects on a pay as you go basis, aggressively pursuing transportation grant funding and cost sharing with developers wishing to construct large projects in the City that impact the transportation system.

The remaining \$78.6 million balance of total net assets is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, almost \$33.3 million pertains to the City's business-type activities, which only may be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and wells), storm drain flushing, water meter reading, and utility capital construction projects. The \$45.3 million balance in unrestricted net assets relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

Changes in Net Assets

The changes in net assets table on the following page illustrates the increases or decreases in net assets of the city resulting from operating activities. Overall, the City of Kirkland's net assets increased about \$6.2 million in 2009. A breakdown of the 2009 increase in Net Assets by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues.

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

	Governmental Activities		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$15.68	\$15.37	\$32.11	\$31.68	\$47.79	\$47.05
Operating grants and contributions	2.13	1.48	0.36	0.39	2.49	1.87
Capital grants and contributions	1.08	1.70	3.07	4.28	4.15	5.98
General revenues:						
Sales taxes	13.47	15.78	-	-	13.47	15.78
Property taxes	14.80	14.44	-	-	14.80	14.44
Utility taxes	10.83	10.23	-	-	10.83	10.23
Excise taxes	2.00	3.16	-	-	2.00	3.16
Regulatory license fee	1.94	1.01	-	-	1.94	1.01
Other taxes	1.16	1.06	-	-	1.16	1.06
Investment earnings	1.44	4.22	0.72	1.42	2.16	5.64
Miscellaneous	0.33	0.16	-	-	0.33	0.16
Total revenues	64.86	68.61	36.26	37.77	101.12	106.38
Expenses:						
General government	4.57	6.82	-	-	4.57	6.82
Judicial	1.65	1.64	-	-	1.65	1.64
Security of Persons and Property	33.75	30.79	-	-	33.75	30.79
Physical environment	1.70	2.80	-	-	1.70	2.80
Transportation	9.64	11.89	-	-	9.64	11.89
Human services	1.26	1.05	-	-	1.26	1.05
Economic environment	5.03	5.71	-	-	5.03	5.71
Culture and recreation	7.55	7.22	-	-	7.55	7.22
Interest on long-term debt	0.71	0.80	-	-	0.71	0.80
Water/sewer	-	-	16.81	15.64	16.81	15.64
Surface water	-	-	4.12	3.35	4.12	3.35
Solid waste	-	-	8.11	8.17	8.11	8.17
Total expenses	65.86	68.72	29.04	27.16	94.90	95.88
Increase (decrease) in net assets transfers and special items	(1.00)	(0.12)	7.22	10.61	6.22	10.49
Transfers	0.15	0.66	(0.15)	(0.66)	-	-
Increase (decrease) in net assets	(0.85)	0.54	7.07	9.95	6.22	10.49
Net assets at beginning of year	240.35	239.81	141.12	131.17	381.47	370.98
Net assets at end of year	\$239.50	\$240.35	\$148.19	\$141.12	\$387.69	\$381.47

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

Governmental activities actually decreased in 2009 by \$850,000. This change was a combination of falling revenues of \$4.2 million and a decrease in governmental expenses of \$2.8 million.

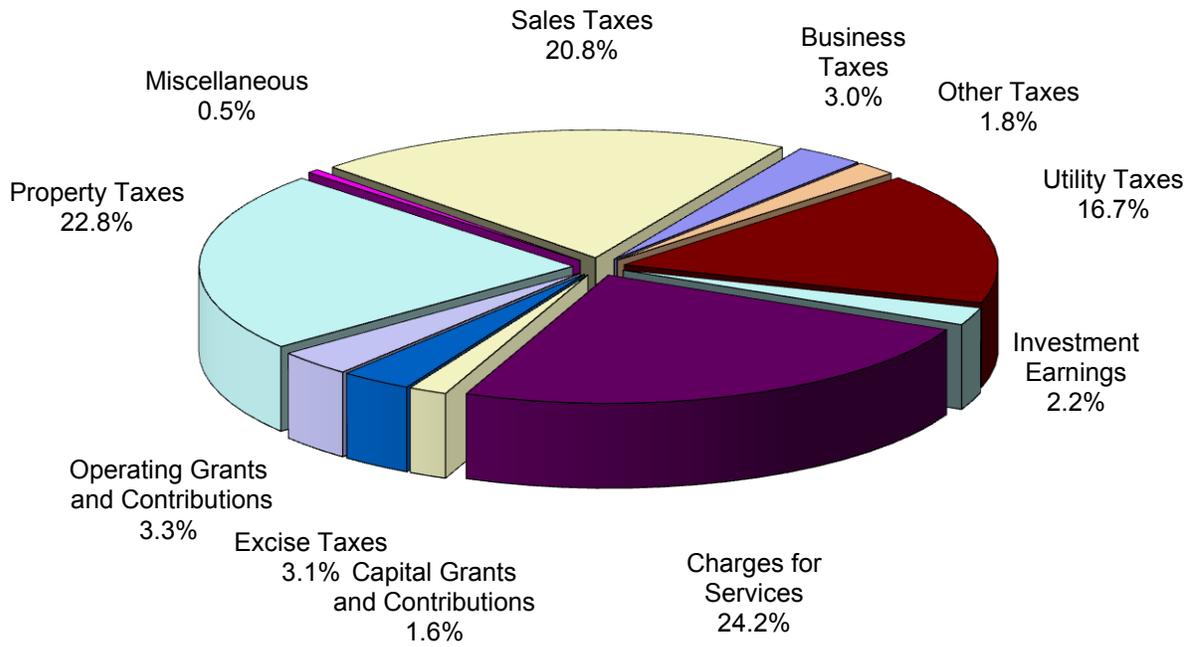
Expenses:

- In order to keep pace with declining revenues, expense reductions in some non-critical areas of the general government were utilized. Adjustments to spending included staff reductions and delayed recruitment of some positions, as well as limits on travel, training, and memberships. These reductions resulted in general government expense decreases of \$2.2 million and various other activity decreases of roughly \$2 million. Only Security of Persons and Property had a noticeable increase which is discussed below.
- Transportation expenses decreased by \$2.2 million when compared to 2008, however the 2009 amount of \$9.6 million is more typical. The 2008 amount was higher than normal due to a large number of one-time projects being expensed as they were not capitalizable projects.
- The Security of Persons and Property did see an increase in expenses of \$2.9 million or 10.0% in 2009. Since these functional areas are considered critical to the City, staff reductions and delayed recruitment were not pursued. The increase in expenses was due primarily to a bargained cost of living adjustment of 6.19%.

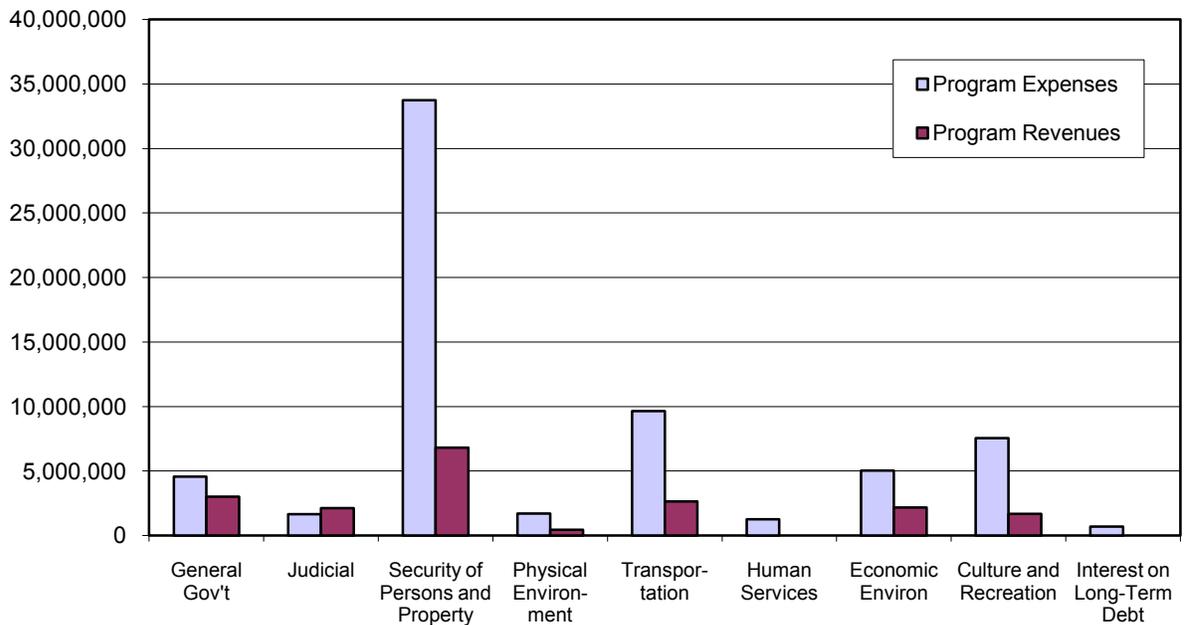
Revenues:

- Charges for services revenue had an overall modest increase of about \$313,000. The change was noticeable in several activities, some increasing and some decreasing.
 - Public safety related revenues had an increase of \$1.18 million due to increased reimbursements from the Fire District #41 contract for fire services and neighboring agencies contracts for police dispatch services.
 - Economic environment charges had a sharp decline of \$0.68 million in 2009 as development fees continued to decline. The combined two year decrease in this area has reached \$1.6 million, 43% of the 2007 amounts.
- Grants and Contributions increased modestly. In 2009, grant opportunities for funding existed for the purchase of the municipal court building, park property and emergency preparedness activities.
- The City's general revenues reflect a \$4.1 million decline in 2009.
 - Excise taxes related to real estate sales decreased significantly for the second year. The total drop was \$1.2 million in 2009, a 37% decrease compared to 2008. Excise taxes have decreased by \$4.8 million since 2007.
 - Sales taxes decreased again in 2009. Compared to 2008, which had already shown a sharp decline of 13%, they again were down by an additional \$2.3 million, a 14% decrease.
 - The notable increase in business taxes of almost \$0.9 million is reflective of a change in the program fee structure, although the additional revenues fell short of projections.
 - Property taxes remained stable in 2009. Utility taxes reflect stability, however, a decrease in usage was balanced by an increase in rates.
 - Investment interest revenues were down by \$2.8 million compared to 2008

Revenues by Source - Governmental Activities



Program Expenses vs. Program Revenues - Governmental Activities



Business-type activities, which relate to the City's utilities, had an increase in net assets of \$7.1 million. Key elements of this increase are as follows:

Water/sewer operating revenues increased by 1.3% compared to the prior year. A 2009 water rate increase of 6% and sewer rate increase of 8% was offset in part by a decrease in usage.

The surface water utility charges for services in 2009 totaled \$5.3 million. Residential and commercial storm drainage fees in 2009 remained at \$14.15 per equivalent residential unit to address capital construction projects, surface water elements of transportation projects, GIS technology upgrades, and environmental impacts.

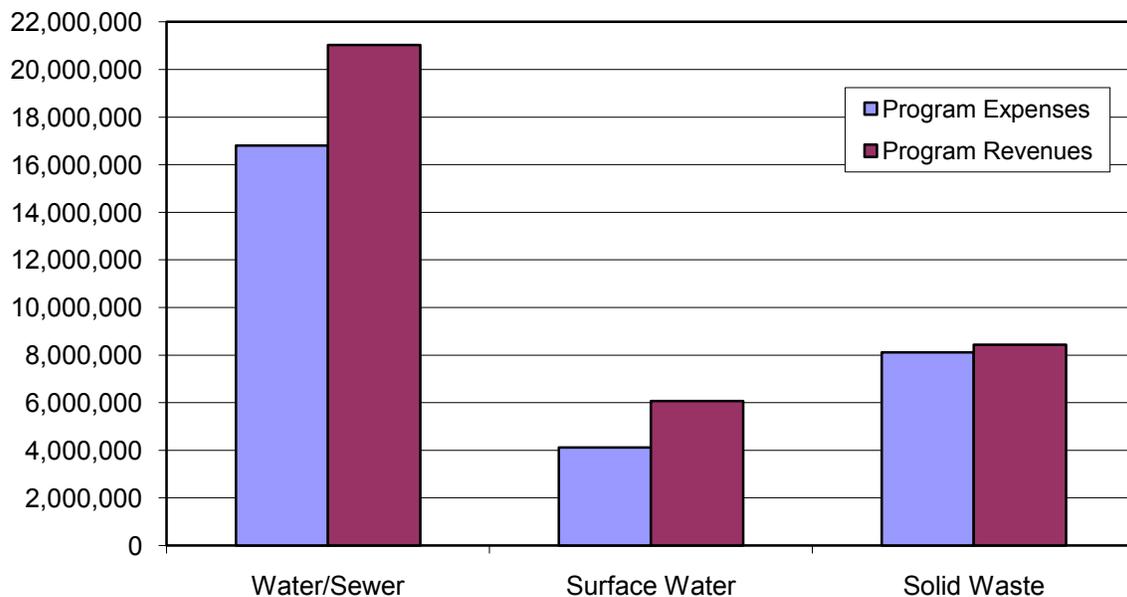
Capital contributions comprised of utility connection charges and developer infrastructure contributions totaled \$3.1 million for 2009. Details for these amounts are shown below:

	Water	Sewer	Surfacewater	Total
2009 Connection charges collected:	148,473	581,134	29,822	759,429
2009 Developer infrastructure contributions:	761,074	1,050,266	500,552	2,311,892
				\$3,071,321

The infrastructure contributions detailed above represent 43% of the excess in revenues over expenditures. These increases are actually reflected as additions to capital assets for the utility functions and are presented in Note 5 of this report.

Investment earnings for the business type activities dropped to \$722,000 compared to the 2008 amount of \$1.4 million.

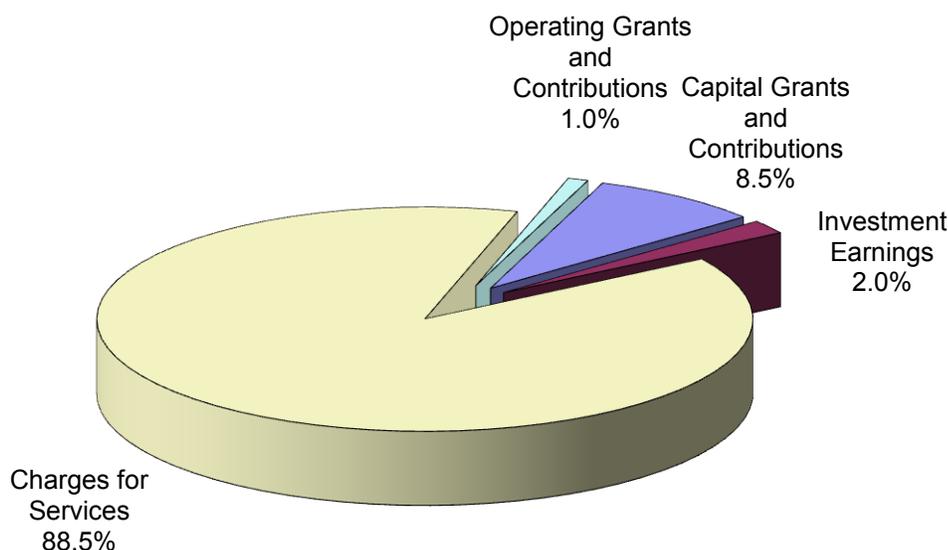
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's utility 2009 net income (before capital contributions and transfers) was about \$4.2 million. The components are as follows:

Water/Sewer	\$2.1 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 revenues/financial resources and expenditures. This information helps determine the City's financial requirements in the near future. In particular, fund balance is a good indicator of the City's resources available at the end of the year.

At the end of the current year the City's combined ending governmental fund balance was \$57.2 million, which represents a decrease of \$13.1 million, or 18.6 percent, from the prior year. Of the total ending fund balance, almost \$1.7 million is reserved and considered restricted because it is subject to an external legal constraint. Tourism activities have a designated balance of \$0.2 million, impact fees for parks and transportation have a combined balance of \$0.5 million, and bond covenants restrict the use of the parks maintenance funds of \$0.5 million and the \$0.5 million in the

debt service funds. The remaining balance of \$55.5 million is technically unreserved, which means it is available for spending at the City's discretion. In reality, most of it is earmarked for approved capital construction projects that are currently underway (\$23.4 million) or otherwise designated for some special purpose (\$24.5 million). Examples of such designated balances include funding for capital improvement projects (e.g., \$9.6 million in the excise tax capital improvement fund and \$1.9 million in the street operating fund) and funding for various contingencies (e.g., \$8.8 million in the park and municipal reserve fund and \$1.9 million in the contingency fund).

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

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2009, the fund balance of the general fund was \$7.7 million, which represents a slight increase from the prior year. The use of reserves to maintain ongoing operations resulted in the fund balance remaining constant.

Compared to 2008, revenues increased by \$2.8 million, or 5.4 percent, and expenditures increased by \$2.4 million, or 4.3 percent. A change to the City's regulatory business license fee increased general fund revenues by \$1 million. Other factors contributing to the revenue increase were service contracts with neighboring fire and police agencies. Expenditures exceeded revenues in the general fund by \$2.8 million in 2009, excluding other financing sources and uses. Costs associated with wages and benefits are the primary cause.

The street operating fund accounts for the administration, maintenance, and minor construction of the City's transportation infrastructure. The fund balance at the end of 2009 was \$1.9 million which was a slight decrease when compared to 2008. Weak gas tax revenues were offset by staff and other reductions to maintain a stable fund balance.

The park and municipal reserve fund includes the City's general operating reserve (i.e. "Rainy Day" reserve), revenue stabilization reserve, building and property reserve, council special projects reserve, public safety building reserve, LEOFF 1 police reserve, development reserve and a number of other smaller reserves dedicated for various municipal purposes. The 2009 ending fund balance of \$8.8 million reflects a \$1.2 million decrease over the prior year. Several reserve balances were utilized in order to maintain the City's operations as revenues failed to meet expectations for the second year, consistent with the City's adopted reserve policies.

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 2009 was \$9.6 million, which decreased by \$5.9 million from 2008 due to the continued weakening of the residential real estate market and use of the balance toward 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 general revenue sources excluding grants. The ending fund balance increased slightly by \$0.8 million from the prior year to a total of \$18.7 million.

The grant capital projects fund accounts for projects approved in the CIP that are funded partially or wholly by grants from other governments. The fund balance at the end of 2009 was \$4.8 million, which is a decrease of \$1.7 million from 2008. Balances in both capital project funds vary slightly from year to year dependent upon CIP activity and the size of projects in process.

Proprietary Funds

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

General Fund Budgetary Highlights

During 2009, there was a reduction of \$2.8 million in biennial appropriations between the original adopted budget and the final amended budget. These reductions were necessitated by changes to actual revenues and actual expenditures within the general fund. Note that the figures cited are biennial amounts for 2009/2010 and that the budget is recorded on a cash basis. Following are the major components of the decreases:

- Fund balance was increased by \$2.9 million to recognize actual fund balance compared to the original budget as a result of unspent expenditures from the previous budget period. Funds were used to offset reduced sales tax and interest revenues.
- Utility tax revenue was decreased by about \$4.4 million to recognize actual revenue collections and the failure of a November 2009 ballot measure to increase the utility tax on private utilities (gas, electric, telecommunications, and cable). The telecommunications and electric utility taxes saw the greatest decrease in revenue from the originally adopted biennium budget due to changes in usage patterns and other factors.
- Transfers from reserves and other funds of about \$2.4 million were made to reflect the use of reserves and fund balances to fund specific projects and offset declining revenues.
- Interfund Engineering Services revenue increased by about \$300,000 to recognize a revised allocation of engineering services and the full cost of services provided to the utilities.
- Property tax revenue was increased by \$360,000 to recognize new construction valuation in 2009 and to backfill General Fund revenue shortfalls by returning \$200,000 in property tax revenue from the Street Operating Fund.
- Budgeted sales tax was decreased by about \$3.9 million to recognize the drop in receipts in 2009. The revenue shortfall was offset by reducing expenditures and using reserves.
- Business License and Revenue Generating Regulatory License Fees decreased by about \$200,000 from budgeted levels.
- Development-related revenues (licenses and permits, engineering development revenues, and Plan Check fees) were reduced by \$1.2 million to recognize declining revenues resulting from the economic downturn and related declines in development activity. Expenditure reductions were implemented and reserves were used to offset the shortfalls.
- Fines and forfeits increased by \$73,000 due to an increase of \$10 per parking fine.
- Grants for police services, emergency preparedness and transportation engineering added about \$235,000 in revenue.

- Streamlined Sales Tax Mitigation revenue of \$227,300 received from the State of Washington related to the impact of the program was recognized.
- Other intergovernmental revenue increased by about \$400,000 largely due to reimbursements for the provision of a Criminal Justice Training Center Captain.

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, 2009 amounts to \$303.6 million (net of accumulated depreciation), which represents over a \$10 million increase over the prior year. This investment in and capitalization of capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission and distribution systems, roads, and bridges. Actual expenditures for capital items are generally larger than what the City is capitalizing in any given year. Some projects that only maintain infrastructure or are smaller in scope and do not meet the threshold for capitalization will be included in the amounts for capital expenditures but will ultimately not result in an increase to capital assets on the balance sheet. Amounts below represent capital expenditures in 2009 that may or may not become part of capital assets but were nonetheless expenditures during the year:

- \$6.4 million spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals traffic calming projects, and utility undergrounding. Most of these projects are still in progress.
- \$2.7 million spent on the purchase of a Municipal Court Building. The somewhat depressed real estate market provided the opportunity to purchase the property the City was currently leasing for the municipal court.
- \$1.4 million spent on a major renovation of the City Hall Annex Building to provide additional space for City staff.
- \$1.2 million spent on various park projects including Forbes Lake Park, South Rose Hill Park, Everest Park, and Juanita Beach Park. These park projects involve land acquisition and park enhancements. Additionally the City made over \$100,000 in renovations to the Marina Dock.
- \$0.6 million spent on technology system improvements for Records Management, Geographic Information Systems, local and wide area networks, and Disaster Recovery System Improvements.
- \$0.6 million spent on other general government improvements for various building upgrades and maintenance projects.
- \$4.1 million spent on water and sewer utility improvement projects, most of which are still in progress.
- \$0.8 million spent on surface water utility improvement projects, most of which are still in progress.

Following is a condensed version of the city's capital assets (expressed in millions of dollars), net of depreciation, related to governmental and business-type activities for fiscal years 2008 and 2009:

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$80.55	\$79.24	\$0.05	\$0.05	\$80.60	\$79.29
Buildings	20.98	20.22	0.01	0.02	20.99	20.24
Improvements other than buildings	10.74	12.35	114.61	110.05	125.35	122.40
Machinery and equipment	6.65	7.14	-	-	6.65	7.14
Infrastructure	35.40	36.64	-	-	35.40	36.64
Construction in progress	26.48	19.32	6.57	6.22	33.05	25.54
Art	1.61	1.61	-	-	1.61	1.61
Total	\$182.41	\$176.52	\$121.24	\$116.34	\$303.65	\$292.86

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 \$13.2 million and other long-term debt of \$6.4 million. The total outstanding debt (expressed in millions of dollars) at the end of 2008 and 2009 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$13.16	\$15.35	-	-	\$13.16	\$15.35
Revenue bonds	-	-	3.12	3.79	3.12	3.79
Public Works trust fund loans	-	-	3.29	3.91	3.29	3.91
Total	\$13.16	\$15.35	\$6.41	\$7.70	\$19.57	\$23.05

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

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

Moody's ratings for Kirkland are now as follows:

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

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 2009 was \$13.10 billion, and the total amount of unlimited tax and limited tax general obligation debt the city may issue is \$974.1 million.

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

Economic Factors and Next Year's Budgets and Rates

Like the Puget Sound regional economy, the City of Kirkland is affected by the global economic issues that have impacted employment, development activity and overall consumer confidence for the second year. The economy appears to be stabilizing but job growth is still lagging.

King County's unemployment rate was 8.5% in December of 2009 compared to 5.6% in December of 2008, which is still below the national and state rate of 9.4 and 9.7 percent respectively. The rate of job loss has slowed and is expected to peak in the second quarter of 2010. Unemployment rates by month for the County, Washington State and the United States are shown in the following table.

Month	King County	Washington	U.S.
December 2008	5.6%	6.9%	7.1%
January 2009	6.8%	8.3%	8.5%
February 2009	7.9%	9.0%	8.9%
March 2009	7.9%	9.2%	9.0%
April 2009	7.0%	8.6%	8.6%
May 2009	7.8%	8.9%	9.1%
June 2009	8.8%	9.2%	9.7%
July 2009	8.4%	8.8%	9.7%
August 2009	8.2%	8.9%	9.6%
September 2009	8.6%	8.7%	10.0%
October 2009	8.7%	8.7%	9.5%
November 2009	8.0%	8.9%	9.4%
December 2009	8.4%	9.4%	9.7%
2009 Average	8.0%	8.9%	9.3%
2008 Average	4.3%	5.4%	6.2%

Source: Washington Employment Security Department

Government - Wide Financial Analysis

Statement of Net Assets

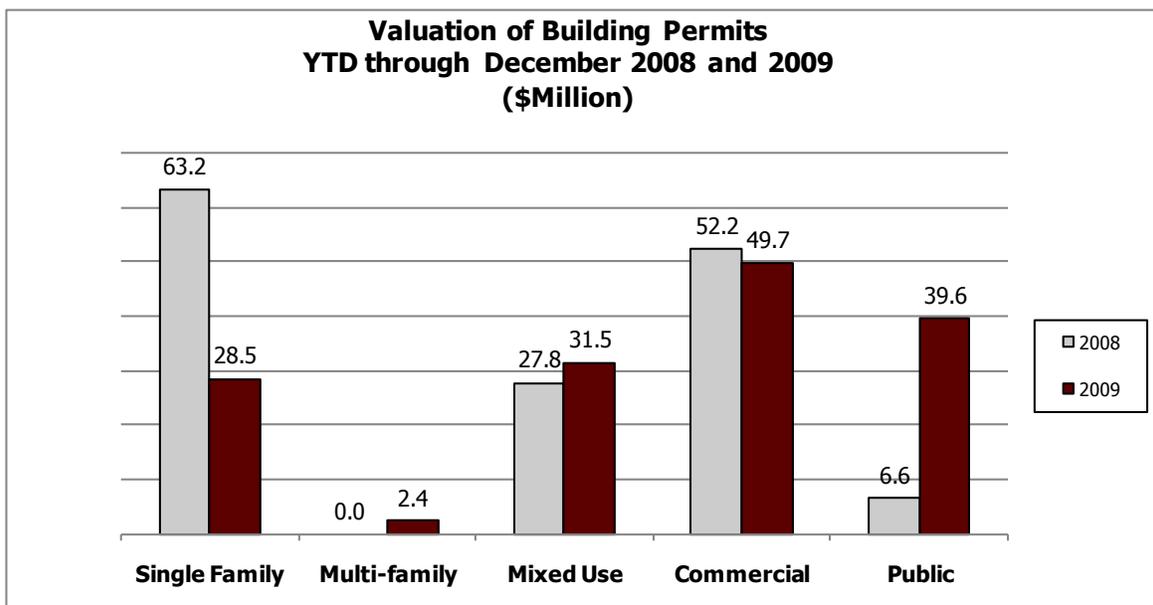
The statement of net assets can serve as a useful indicator of the city's financial position. The City of Kirkland's net assets at December 31, 2009 total \$387.7 million. Following is a condensed version of the government-wide statement of net assets (expressed in millions of dollars) comparing fiscal year 2009 to 2008.

City of Kirkland's Net Assets (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$78.91	\$87.01	\$36.53	\$35.98	\$115.44	\$122.99
Capital assets, net of accumulated depreciation	182.41	176.53	121.24	116.34	303.65	292.87
Total assets	261.32	263.54	157.77	152.32	419.09	415.86
Long-term liabilities	13.83	14.71	5.36	6.43	19.19	21.14
Other liabilities	7.99	8.48	4.22	4.77	12.21	13.25
Total liabilities	21.82	23.19	9.58	11.20	31.40	34.39
Net assets:						
Invested in capital assets, net of related debt	169.26	161.18	114.80	108.62	284.06	269.80
Restricted	1.53	2.42	0.12	0.15	1.65	2.57
Unrestricted	68.71	76.75	33.27	32.35	101.98	109.10
Total net assets	\$239.50	\$240.35	\$148.19	\$141.12	\$387.69	\$381.47

As of the end of 2009, the largest component of the City's total net assets at \$284.0 million, or 73 percent, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities.

Local development activity through December comparing 2009 to 2008, as measured by the valuation of City building permits, is illustrated by the chart below. Single family activity plummeted, which was offset in part by the significant increase from two large projects in the public sector as well as some multi-family activity. Commercial and mixed use activity collectively were flat. Overall 2009 permit valuation ended slightly ahead of 2008, although permit revenues fell well short of budgeted levels.



Pending sales of new and existing single family homes on the eastside of Lake Washington were up 78% in December 2009 compared to December 2008, the strongest performance in King County. However, the median price dropped 5.5%, to \$520,000 from \$550,000. Eastside condominium sales were up 39.8% and the median price declined 6.3% to \$281,200. Factors for improved sales are attributed to the federal sales tax credit, low interest rates, improving stock market, and more realistic pricing by sellers. While the housing market improved in 2009 compared to 2008, median prices have not returned to the peak reached in 2007. The median price countywide is down about 16.5% from 2007.

The Seattle metro consumer price index has affected the City's economic environment. The CPI peaked at 6.19 percent in June and August 2008. Both the local and national indexes have remained negative or low throughout 2009. The June 2009 CPI (-0.7 percent) is normally used to calculate City employee cost of living adjustments for 2010. As discussed later in this section, most City employees agreed to a 3.4% reduction in compensation in 2010.

Investment earning opportunities continued at all time lows throughout 2009. The Fed Funds rate remained in the range of 0.00 percent to 0.25 percent throughout the year. It is the policy of the City to invest in public funds in a manner which provides the highest investment return with maximum security while meeting the City's daily cash flow requirements and conforming to all Washington state statutes governing the investment of public funds. The goal for 2010 will be to obtain benchmark yields while not investing too far out on the yield curve so that the City will not own a large number of low yield securities when interest rates begin to rise. Total investment income for 2010 is estimated to be half of 2009 investment income.

Total sales tax revenue is \$2.3 million lower than 2008. This is a continuation of the generally negative trend that was reflected in prior year performance. Comparative monthly revenue improved at the end of the year, as the comparisons are against months after the recession began at the end of 2008. All business sectors experienced negative performance as a result of overall limited consumer confidence. Automobile and gas retail ended 11.4% down compared to last year due to disappointing performance by key retailers. The last quarter of the year improved substantially, partially due to the “cash for clunkers” incentive program. Several retailers experienced positive sales performance at the end of the year.

Wholesale ended 38.2% down compared to last year due to decreased development related activity and changes to local coding sourcing rules from streamlined sales tax. Washington State implemented new local coding sales tax rules as of July 1, 2008, as a result of joining the National Streamlined Sales Tax Agreement. Some of the negative impact is mitigated by the State of Washington. Kirkland received about \$290,000 in mitigation payments over the last year.

General retail, services, eating, and drinking experienced between a 13-14% decline in sales tax revenues. Reduced consumer discretionary spending is evident from the generally negative performance by most businesses in these sectors as well as the closure of several businesses.

Sales tax revenue performance for the months of the last quarter of 2009 improved to an average of 12% decline compared to the average 20% decline experienced over the first three quarters. This helped end the year a little better than previously expected. The City is hopeful that this is a sign that the bottom has been reached and recovery may be in sight. However, December 2009 is still almost 25% behind December 2007.

Revenue declines continued during 2009 and, despite tax and fee increases implemented at the beginning of the year, it was necessary to reduce expenditures and use some reserves that had been set aside for that purpose. As the City enters 2010, the decline in revenues appears to be stabilizing. To respond to lower revenue expectations, most of the City’s labor unions and non-represented personnel agreed to implement a 3.4% reduction for 2010, either in the form of furloughs or other compensation reductions. Additional use of reserves remains an option in the event that revenue shortfalls continue. Expenditure controls continue to be in place for 2010.

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

In 2010, we will continue to closely monitor overall economic conditions and their impact on the City’s financial picture. The City will also be involved in transition planning to implement the annexation of the area to the north of the current City boundaries, an increase in population of over 30,000, which will be effective on June 1, 2011. The annexation will make Kirkland the twelfth largest city in Washington and sixth largest city in King County. The City continues to focus attention on economic development efforts to diversify the City’s business base, while working toward achieving a more sustainable revenue and expenditure budget.

Requests for Information

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



Basic Financial Statements



City of Kirkland
Statement of Net Assets
December 31, 2009

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	44,531,699	17,581,540	62,113,238
Investments (Note 3)	26,314,155	9,341,831	35,655,986
Receivables			
Accounts	6,790,599	7,710,155	14,500,754
Due From Other Governments	241,345	503,061	744,406
Internal Balances	(16,772)	16,772	0
Inventories	44,134	438,470	482,604
Restricted Assets			
Deposits	380,848	0	380,848
Sub-total Current Assets	78,286,008	35,591,828	113,877,836
Non-Current Assets and Deferred Charges			
Restricted Assets			
Revenue Bond Reserves	0	822,275	822,275
Total Restricted Assets	0	822,275	822,275
Deferred Charges	0	120,873	120,873
Negative Net Pension Obligation	626,312	0	626,312
Capital Assets: (Note 5)			
Land and Artwork	82,161,664	47,784	82,209,448
Depreciable Capital Assets (net)	38,375,833	114,617,260	152,993,093
Depreciable Infrastructure (net)	35,393,780	0	35,393,780
Construction in Progress	26,480,883	6,572,160	33,053,043
Total Capital Assets	182,412,160	121,237,203	303,649,363
Total Non-Current Assets	183,038,472	122,180,351	305,218,823
Total Assets	261,324,480	157,772,179	419,096,659

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

City of Kirkland
Statement of Net Assets
December 31, 2009

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts Payable	3,587,150	219,076	3,806,226
Other Current Liabilities	1,926,608	770,090	2,696,698
Accrued Interest Payable	0	11,230	11,230
Unearned Revenue	553,427	2,503,523	3,056,950
Total Current Liabilities	6,067,185	3,503,919	9,571,104
Current Liabilities Payable from Restricted Assets			
Accrued Interest Payable	51,649	11,556	63,205
Current Bond Principal Payable	1,410,000	690,000	2,100,000
Deposits Payable	464,321	13,987	478,308
Total Current Liabilities Payable from Restricted Assets	1,925,970	715,543	2,641,513
Total Current Liabilities	7,993,155	4,219,462	12,212,617
Noncurrent Liabilities			
Due in more than one year	13,831,007	5,358,455	19,189,462
Total Noncurrent Liabilities	13,831,007	5,358,455	19,189,462
Total Liabilities	21,824,162	9,577,917	31,402,079
Net Assets			
Invested in capital assets net of related debt	169,257,160	114,800,561	284,057,721
Restricted for:			
Tourism	162,163	0	162,163
Parks and Recreation	614,896	0	614,896
Transportation	340,035	0	340,035
Debt Service	420,807	118,288	539,095
Unrestricted	68,705,257	33,275,413	101,980,670
Total Net Assets	239,500,318	148,194,262	387,694,580



City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense/Revenue and Changes in Net Assets)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	4,568,923	2,960,276	49,797	0	(1,558,850)	0	(1,558,850)
Judicial	1,650,882	1,776,732	350,516	0	476,366	0	476,366
Security of Persons and Property	33,747,603	6,487,767	312,318	0	(26,947,518)	0	(26,947,518)
Physical Environment	1,705,151	443,828	0	0	(1,261,323)	0	(1,261,323)
Transportation	9,636,435	526,401	1,131,764	990,470	(6,987,800)	0	(6,987,800)
Human Services	1,262,160	0	0	0	(1,262,160)	0	(1,262,160)
Economic Environment	5,032,794	2,152,903	24,857	0	(2,855,034)	0	(2,855,034)
Culture and Recreation	7,547,669	1,334,207	264,437	86,028	(5,862,997)	0	(5,862,997)
Interest on Long Term Debt	706,000	0	0	0	(706,000)	0	(706,000)
Total Governmental Activities	65,857,617	15,682,114	2,133,689	1,076,498	(46,965,316)	0	(46,965,316)
Business Type Activities							
Water/Sewer	16,808,870	18,491,063	3,285	2,540,947	0	4,226,425	4,226,425
Surface Water	4,117,152	5,279,088	264,649	530,374	0	1,956,959	1,956,959
Solid Waste	8,112,106	8,336,846	96,317	0	0	321,057	321,057
Total Business Type Activities	29,038,128	32,106,997	364,251	3,071,321	0	6,504,441	6,504,441
Total Government	94,895,745	47,789,111	2,497,940	4,147,819	(46,965,316)	6,504,441	(40,460,875)
General Revenues							
Sales Taxes					13,473,254	0	13,473,254
Property Taxes					14,804,560	0	14,804,560
Utility Taxes					10,825,038	0	10,825,038
Excise Taxes					1,999,843	0	1,999,843
Business Taxes					1,936,971	0	1,936,971
Other Taxes					1,159,940	0	1,159,940
Unrestricted Grants & Contributions					215,697	0	215,697
Investment Earnings					1,442,357	722,648	2,165,005
Gain on sale of capital assets					106,852	0	106,852
Transfers, internal activities					150,000	(150,000)	0
Total General Revenues & Transfers					46,114,512	572,648	46,687,160
Change in Net Assets					(850,804)	7,077,089	6,226,285
Net assets at beginning of year					240,351,122	141,117,173	381,468,295
Net assets at end of year					239,500,318	148,194,262	387,694,580

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2009

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve	Excise Capital Improvement
Assets				
Current Assets:				
Cash and Cash Equivalents	3,619,461	1,138,467	5,650,749	5,915,678
Investments	2,639,887	757,389	3,185,865	3,466,234
Receivables				
Interest	5,016	0	0	0
Taxes	4,118,946	173,216	0	218,666
Accounts	192,770	26,734	427	0
Due From Other Governments	158,352	0	0	0
Restricted Assets				
Deposits	172,895	204,910	0	0
Total Assets	10,907,327	2,300,716	8,837,041	9,600,578
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	398,772	68,535	1,477	0
Wages Payable	1,752,463	61,109	0	0
Taxes Payable	2,180	0	0	0
Due to Other Funds	10,401	0	0	0
Due to Other Governments	432,080	2,649	33,738	0
Payable from Restricted Assets				
Deposits Payable	256,368	204,910	0	0
Deferred Revenue	390,544	91,575	0	0
Total Liabilities	3,242,808	428,778	35,215	0
Fund Balances				
Reserved For				
Tourism	0	0	0	0
Parks and Recreation	0	0	0	0
Transportation	0	0	0	0
Debt Service	0	0	0	0
Unreserved, reported in				
General Fund	7,664,519	0	0	0
Special Revenue Funds	0	1,871,938	8,801,826	9,600,578
Capital Projects Funds	0	0	0	0
Total Fund Balances	7,664,519	1,871,938	8,801,826	9,600,578
Total Liabilities and Fund Balance	10,907,327	2,300,716	8,837,041	9,600,578

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

- Capital assets used in governmental activities are not financial resources and are not reported in the funds
- Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds
- Long term liabilities are not due and payable in the current period and are not reported in the funds
- Internal service funds are used by management to charge the costs of certain activities to individual funds
- The assets and liabilities are included in governmental activities in the statement of net assets

Net Assets of governmental activities

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2009

Page 2 of 2

General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
11,999,785	3,080,159	3,595,758	35,000,057
7,014,612	1,736,578	2,040,586	20,841,151
0	0	0	5,016
33,333	0	225,591	4,769,752
13,914	0	61,611	295,456
10,567	47,101	5,007	221,027
0	0	3,043	380,848
19,072,212	4,863,838	5,931,597	61,513,309

375,574	89,420	17,497	951,275
0	0	26,380	1,839,952
0	0	0	2,180
0	0	0	10,401
31,838	0	0	500,305
0	0	3,043	464,321
0	0	71,308	553,427
407,412	89,420	118,228	4,321,861
0	0	162,163	162,163
0	0	614,896	614,896
0	0	340,035	340,035
0	0	472,456	472,456
0	0	0	7,664,519
0	0	4,223,819	24,498,161
18,664,800	4,774,418	0	23,439,218
18,664,800	4,774,418	5,813,369	57,191,448
19,072,212	4,863,838	5,931,597	61,513,309

176,064,938
 2,315,245
 (17,087,150)
 21,015,837

239,500,318

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the fiscal year ended December 31, 2009

Page 1 of 2

	General Fund	Street Operating	Park and Municipal Reserve
Revenues			
Taxes and Assessments	35,607,825	3,153,322	0
Licenses and Permits	3,269,039	0	0
Intergovernmental	6,677,986	567,753	425,486
Charges for Services	6,761,452	157,404	0
Fines and Forfeitures	1,505,082	0	1,000
Investment Interest	742,058	0	0
Miscellaneous Revenues	103,252	177,664	117,821
Total Revenues	54,666,694	4,056,143	544,307
Expenditures			
Current			
General Government	9,272,745	0	221,001
Security of Persons and Property	32,331,176	0	147,882
Physical Environment	3,458,456	0	0
Transportation	619,731	3,960,564	0
Economic Environment	5,987,158	0	7,499
Culture and Recreation	5,773,417	0	6,742
Debt Service			
Principal	0	0	0
Interest	0	0	0
Capital Outlay	17,108	171,032	149,506
Total Expenditures	57,459,791	4,131,596	532,630
Excess (Deficiency) of revenues			
Over (under) expenditures	(2,793,097)	(75,453)	11,677
Other Financing Sources (Uses)			
Sale of Capital Assets	0	0	0
Insurance Recovery	5,520	0	0
Transfers In	4,477,317	25,000	767,993
Transfers Out	(1,705,441)	(51,980)	(2,022,253)
Total Other Financing Sources (Uses)	2,777,396	(26,980)	(1,254,260)
Net Change in Fund Balance	(15,701)	(102,433)	(1,242,583)
Fund Balances Beginning of Year (Note 16)	7,585,824	1,974,372	10,044,409
Prior Period Adjustment (Note 16)	94,395	0	0
Fund Balances End of Year	7,664,519	1,871,938	8,801,826

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, 2009

Page 2 of 2

Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
1,999,843	158,333	0	2,707,999	43,627,322
0	0	0	8,755	3,277,794
0	527,213	211,828	555,404	8,965,670
0	0	0	1,835,124	8,753,980
0	0	0	0	1,506,082
262,591	632,276	0	17,167	1,654,092
0	5,556	0	412,126	816,419
2,262,434	1,323,378	211,828	5,536,575	68,601,359
0	30,754	0	26,136	9,550,636
0	53	0	0	32,479,111
0	2,561	0	27,634	3,488,651
0	2,377,199	0	0	6,957,494
0	0	0	314,638	6,309,295
0	79,391	0	905,172	6,764,722
0	0	0	2,190,000	2,190,000
0	0	0	722,333	722,333
0	6,898,136	3,599,760	46,555	10,882,097
0	9,388,094	3,599,760	4,232,468	79,344,339
2,262,434	(8,064,716)	(3,387,932)	1,304,107	(10,742,980)
0	0	0	33,036	33,036
0	0	0	0	5,520
627,414	10,268,926	1,781,884	1,505,349	19,453,883
(8,824,785)	(1,416,338)	(145,655)	(4,130,641)	(18,297,093)
(8,197,371)	8,852,588	1,636,229	(2,592,256)	1,195,346
(5,934,937)	787,872	(1,751,703)	(1,288,149)	(9,547,634)
15,535,515	17,876,928	6,526,121	7,101,313	66,644,482
0	0	0	205	94,600
9,600,578	18,664,800	4,774,418	5,813,369	57,191,448

City of Kirkland
**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Funds
To the Statement of Activities**
For the fiscal year ended December 31, 2009

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

Net change in fund balances for governmental funds (13,107,579)

Adjustment to beginning fund balance of governmental funds 3,559,945
See Note 16

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	10,882,097			
Depreciation	(5,220,276)			
CIP Closures	(39,839)			
Cost of Goods	(107,714)			
Capital Donations	<u>778,642</u>			
	6,292,910			6,292,910

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

Debt Retired	2,190,000			2,190,000
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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				176,139
Change in Pension Asset				(51,422)

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

Change in Compensated Absences				(271,689)
Accrued Interest				16,332
Other Post Employment Benefit Obligation				(501,272)

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.

845,832

Change in nets assets of governmental activities (850,804)

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 General Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	81,755,919	73,321,050	35,406,939	35,406,939	(37,914,111)
Licenses and Permits	7,134,352	6,913,784	3,292,508	3,292,508	(3,621,276)
Intergovernmental	11,569,475	12,471,099	6,706,039	6,706,039	(5,765,060)
Charges for Services	13,972,167	12,994,741	6,768,067	6,768,067	(6,226,674)
Fines and Forfeitures	2,867,000	2,939,595	1,504,982	1,504,982	(1,434,613)
Investment Interest - Dedicated	928,258	928,258	429,237	429,237	(499,021)
Miscellaneous Revenues	395,163	396,163	279,410	279,410	(116,753)
Total Revenues	118,622,334	109,964,690	54,387,182	54,387,182	(55,577,508)
Expenditures					
Current					
General Government	16,480,890	17,357,444	8,255,967	8,255,967	9,101,477
Security of Persons and Property	70,863,389	73,175,633	35,864,563	35,864,563	37,311,070
Physical Environment	6,009,618	5,705,190	2,853,402	2,853,402	2,851,788
Transportation	1,335,102	1,313,033	614,727	614,727	698,306
Economic Environment	5,533,929	5,590,458	2,733,663	2,733,663	2,856,795
Human Services	2,614,270	2,746,424	1,209,378	1,209,378	1,537,046
Culture and Recreation	11,730,214	11,624,879	5,750,552	5,750,552	5,874,327
Capital Outlay	16,500	161,035	17,108	17,108	143,927
Total Expenditures	114,583,912	117,674,096	57,299,360	57,299,360	60,374,736
Excess of revenues of expenditures	4,038,422	(7,709,406)	(2,912,178)	(2,912,178)	4,797,228
Other Financing Sources (Uses)					
Insurance Recovery	0	0	5,520	5,520	5,520
Transfers In	3,109,800	6,119,032	4,477,317	4,477,317	(1,641,715)
Transfers Out	(2,616,373)	(2,609,176)	(1,705,441)	(1,705,441)	903,735
Total Other Financing Sources (Uses)	493,427	3,509,856	2,777,396	2,777,396	(732,460)
Net Change in Fund Balance	4,531,849	(4,199,550)	(134,782)	(134,782)	4,064,768
Fund Balances Beginning of Year	2,955,209	5,907,718	5,907,718	5,907,718	0
Fund Balances End of Year	7,487,058	1,708,168	5,772,936	5,772,936	4,064,768

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Operating Special Revenue Fund
For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	6,336,659	5,951,673	3,153,993	3,153,993	(2,797,680)
Intergovernmental	1,201,368	1,222,742	552,514	552,514	(670,228)
Charges for Services	101,545	101,545	180,439	180,439	78,894
Miscellaneous Revenues	212,000	212,000	168,911	168,911	(43,089)
Total Revenues	7,851,572	7,487,960	4,055,857	4,055,857	(3,432,103)
Expenditures					
Current					
Transportation	8,084,309	8,012,409	3,922,854	3,922,854	4,089,555
Capital Outlay	100,808	237,190	171,032	171,032	66,158
Total Expenditures	8,185,117	8,249,599	4,093,886	4,093,886	4,155,713
Excess of revenues of expenditures	(333,545)	(761,639)	(38,029)	(38,029)	723,610
Other Financing Sources (Uses)					
Transfers In	0	25,000	25,000	25,000	0
Operating Transfers Out	0	(28,000)	(51,980)	(51,980)	(23,980)
Total Other Financing Sources (Uses)	0	(3,000)	(26,980)	(26,980)	(23,980)
Net Change in Fund Balance	(333,545)	(764,639)	(65,009)	(65,009)	699,630
Fund Balances Beginning of Year	1,235,496	1,958,420	1,958,420	1,958,420	0
Fund Balances End of Year	901,951	1,193,781	1,893,411	1,893,411	699,630

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Park and Municipal Reserve Special Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	0	425,486	425,486	425,486	0
Charges for Services	5,000	5,000	0	0	(5,000)
Fines and Forfeitures	4,000	4,000	1,000	1,000	(3,000)
Miscellaneous Revenues	89,400	89,400	123,283	123,283	33,883
Total Revenues	98,400	523,886	549,769	549,769	25,883
Expenditures					
Current					
General Government	510,000	407,687	124,916	124,916	282,771
Security of Persons and Property	9,941	9,941	27,705	27,705	(17,764)
Economic Environment	433,000	1,000	0	0	1,000
Human Services	0	0	16,271	16,271	(16,271)
Culture and Recreation	40,700	40,700	8,836	8,836	31,864
Capital Outlay	0	0	146,649	146,649	(146,649)
Total Expenditures	993,641	459,328	324,377	324,377	134,951
Excess of revenues of expenditures	(895,241)	64,558	225,392	225,392	160,834
Other Financing Sources (Uses)					
Transfers In	797,000	1,058,803	767,993	767,993	(290,810)
Transfers Out	(441,000)	(2,220,925)	(2,022,253)	(2,022,253)	198,672
Total Other Financing Sources (Uses)	356,000	(1,162,122)	(1,254,260)	(1,254,260)	(92,138)
Net Change in Fund Balance	(539,241)	(1,097,564)	(1,028,868)	(1,028,868)	68,696
Fund Balances Beginning of Year	9,155,152	9,865,483	9,865,483	9,865,483	0
Fund Balances End of Year	8,615,911	8,767,919	8,836,615	8,836,615	68,696

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Excise Tax Capital Improvement Special Revenue Fund
For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	6,457,000	6,457,000	2,026,824	2,026,824	(4,430,176)
Miscellaneous Revenues	945,400	945,400	427,669	427,669	(517,731)
Total Revenues	7,402,400	7,402,400	2,454,493	2,454,493	(4,947,907)
Excess of revenues of expenditures	7,402,400	7,402,400	2,454,493	2,454,493	(4,947,907)
Other Financing Sources (Uses)					
Operating Transfers In	0	0	627,414	627,414	627,414
Transfers Out	(7,534,580)	(12,352,794)	(8,824,785)	(8,824,785)	3,528,009
Total Other Financing Sources (Uses)	(7,534,580)	(12,352,794)	(8,197,371)	(8,197,371)	4,155,423
Net Change in Fund Balance	(132,180)	(4,950,394)	(5,742,878)	(5,742,878)	(792,484)
Fund Balances Beginning of Year	16,636,692	14,993,787	14,993,787	14,993,787	0
Fund Balances End of Year	16,504,512	10,043,393	9,250,909	9,250,909	(792,484)

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



City of Kirkland
Statement of Net Assets
 Proprietary Funds
 December 31, 2009

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	9,267,001	7,197,760	1,116,779	17,581,540	9,531,641
Investments (Note 3)	4,540,381	4,155,475	645,975	9,341,831	5,473,004
Receivables					
Interest	193,298	0	0	193,298	0
Contracts	2,377,696	0	0	2,377,696	0
Accounts	3,541,575	134,011	1,454,680	5,130,266	31,442
Assessments					
Deferred	8,895	0	0	8,895	0
Due From Other Governments	337,736	141,147	24,178	503,061	20,318
Due From Other Funds	16,772	0	0	16,772	0
Inventories	380,713	57,757	0	438,470	44,134
Total Current Assets	20,664,067	11,686,149	3,241,612	35,591,828	15,100,539
Noncurrent Assets and Deferred Charges					
Restricted Assets					
Revenue Bond Reserves	822,275	0	0	822,275	0
Total Restricted Assets	822,275	0	0	822,275	0
Deferred Charges and Other Assets					
Deferred Charges	118,837	2,036	0	120,873	0
Total Deferred Charges and Other Assets	118,837	2,036	0	120,873	0
Capital Assets (Note 5)					
Land	47,784	0	0	47,784	0
Depreciable Capital Assets (Net)	83,986,555	30,630,705	0	114,617,260	6,347,222
Construction in Progress	4,384,994	2,187,166	0	6,572,160	0
Total Capital Assets	88,419,333	32,817,870	0	121,237,203	6,347,222
Total Noncurrent Assets	89,360,445	32,819,906	0	122,180,351	6,347,222
Total Assets	110,024,512	44,506,055	3,241,612	157,772,179	21,447,761

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

City of Kirkland
Statement of Net Assets
 Proprietary Funds
 December 31, 2009

Page 2 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
Liabilities					
Current Liabilities					
Accounts Payable	156,121	44,898	18,057	219,076	47,323
Wages Payable	69,722	63,706	7,270	140,698	152,185
Compensated Absences Payable	54,090	31,668	1,350	87,108	105,691
Due to Other Funds	0	0	0	0	6,371
Due to Other Governments	36,955	55,846	59,503	152,304	93,930
Accrued Interest Payable	11,230	0	0	11,230	0
Refunds Payable	2,802	0	0	2,802	0
Deferred Revenue	2,377,696	125,827	0	2,503,523	0
Loans and Contracts Payable (current portion)	387,178	0	0	387,178	0
Sub-total Current Liabilities	3,095,794	321,945	86,180	3,503,919	405,500
Current Liabilities Payable From Restricted Assets					
Deposits Payable	13,987	0	0	13,987	0
Accrued Interest Payable	11,556	0	0	11,556	0
Current Bond Principle Payable	690,000	0	0	690,000	0
Sub-total Current Liabilities Payable From Restricted Assets	715,543	0	0	715,543	0
Total Current Liabilities	3,811,337	321,945	86,180	4,219,462	405,500
Noncurrent Liabilities					
Compensated Absences Payable	13,523	7,917	337	21,777	26,423
Loans and Contracts Payable	2,906,678	0	0	2,906,678	0
Bonds Payable	2,430,000	0	0	2,430,000	0
Total Noncurrent Liabilities	5,350,201	7,917	337	5,358,455	26,423
Total Liabilities	9,161,538	329,862	86,517	9,577,917	431,923
Net Assets					
Invested in capital assets net of related debt	81,982,690	32,817,871	0	114,800,561	6,347,222
Restricted for:					
Debt Service	118,288	0	0	118,288	0
Unrestricted	18,761,996	11,358,322	3,155,095	33,275,413	14,668,616
Total Net Assets	100,862,974	44,176,193	3,155,095	148,194,262	21,015,837

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended December 31, 2009

	Business-type Activities Enterprise Funds			Total	Governmental
	Water/Sewer	Surface Water	Solid Waste		Activities Internal Service Funds
Operating Revenues					
Intergovernmental	0	0	0	0	201,359
Charges for Services	18,116,758	5,072,638	8,444,140	31,633,536	9,504,911
Miscellaneous Revenues	374,305	206,450	11,548	592,303	87,430
Total Operating Revenues	18,491,063	5,279,088	8,455,688	32,225,839	9,793,700
Operating Expenses					
Administrative and General	2,593,394	2,192,806	627,947	5,414,147	1,833,180
Supplies	0	0	0	0	87,260
Maintenance and Operations	11,213,657	1,044,735	7,067,116	19,325,508	5,200,159
Taxes	511,541	76,264	417,043	1,004,848	0
Depreciation	2,254,737	776,005	0	3,030,742	1,037,286
Total Operating expenses	16,573,329	4,089,810	8,112,106	28,775,245	8,157,885
Operating Income (Loss)	1,917,734	1,189,278	343,582	3,450,594	1,635,815
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	408,529	270,158	43,961	722,648	62,609
Grant Income	3,285	264,649	96,317	364,251	0
Interest Expense	(174,973)	0	0	(174,973)	0
Amortization of Debt Issue Costs	(60,568)	(27,342)	0	(87,910)	0
Gain (Loss) on Disposal of Capital Assets	0	0	0	0	73,816
Miscellaneous	0	0	(118,842)	(118,842)	80,383
Total Nonoperating revenues (expenses)	176,273	507,465	21,436	705,174	216,808
Income Before Contributions and Transfers	2,094,007	1,696,743	365,018	4,155,768	1,852,622
Capital Contributions					
Contributions	2,540,947	530,374	0	3,071,321	0
Transfers In	0	0	0	0	385,273
Transfers Out	(100,000)	(50,000)	0	(150,000)	(1,392,064)
Change in Net Assets	4,534,954	2,177,117	365,018	7,077,089	845,831
Total Net Assets - Beginning (Note 16)	96,328,020	41,999,076	2,790,077	141,117,173	20,264,606
Prior Period Adjustment (Note 16)	0	0	0	0	(94,600)
Total Net Assets - Beginning (Restated)	96,328,020	41,999,076	2,790,077	141,117,173	20,170,006
Total Net Assets - Ending	100,862,974	44,176,193	3,155,095	148,194,262	21,015,837

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, 2009
 Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds			2009	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
Cash Flows From Operating Activities					
Cash Received From Customers	17,998,094	5,072,235	8,231,947	31,302,276	0
Cash Received From Interfund Charges	0	0	0	0	9,503,902
Cash From Other Sources	388,412	198,421	242,769	829,602	264,948
Cash Paid to Suppliers for Goods and Services	(11,290,535)	(1,218,895)	(7,094,830)	(19,604,260)	(1,845,009)
Cash Paid to Employees for Services	(1,808,770)	(1,474,686)	(162,638)	(3,446,094)	(3,584,631)
Cash Paid in Lieu of Taxes	(512,227)	(76,715)	(417,043)	(1,005,985)	0
Cash Paid for Central Business Functions	(937,376)	(488,793)	(419,890)	(1,846,059)	(1,735,806)
Net Cash Provided by Operating Activities	3,837,599	2,011,567	380,315	6,229,481	2,603,403
Cash Flows From Noncapital Financing Activities					
Proceeds From State and Local Grants	0	200,344	93,849	294,193	8,200
Grant Administration Expenditures	0	0	(121,102)	(121,102)	0
Taxes Paid	0	0	0	0	(8,711)
Transfers In	0	0	0	0	385,273
Transfers Out	(100,000)	(50,000)	0	(150,000)	(1,392,064)
Net Cash Provided by (Used for) Noncapital Financing Activities	(100,000)	150,344	(27,253)	23,091	(1,007,302)
Cash Flows From Capital and Related Financing Activities					
Proceeds From Project Cost Share	149,327	0	0	149,327	0
Capital Contributed by Developers	729,607	29,822	0	759,429	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	226,907
Proceeds From State/Local Grants	3,285	0	0	3,285	0
Principal Payments on Notes, Capital Leases and Bonds	(1,279,665)	0	0	(1,279,665)	0
Interest Paid on Notes, Capital Leases and Bonds	(179,878)	0	0	(179,878)	0
Interest Received on Program Loans	66,724	0	0	66,724	0
Acquisition and Construction of Capital Assets	(4,913,573)	(1,029,966)	0	(5,943,539)	(642,276)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(5,424,173)	(1,000,144)	0	(6,424,317)	(415,369)
Cash Flows From Investing Activities					
Net (Increase) Decrease in Investments	6,224,384	3,028,197	344,415	9,596,996	4,269,826
Interest Revenue	321,835	270,158	43,961	635,954	323,555
Net Cash Provided by Investing Activities	6,546,219	3,298,355	388,375	10,232,949	4,593,381
Net Increase (Decrease) in Cash and Cash Equivalents	4,859,645	4,460,121	741,437	10,061,204	5,774,114
Cash and Cash Equivalents, January 1	4,407,356	2,737,638	375,342	7,520,336	3,757,528
Cash and Cash Equivalents, December 31	9,267,001	7,197,760	1,116,779	17,581,540	9,531,641

City of Kirkland
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2009
Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds			2009	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	1,917,734	1,189,278	343,582	3,450,594	1,635,815
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	2,254,737	776,005	0	3,030,742	1,037,286
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(105,033)	5,629	19,029	(80,375)	140,570
(Increase) Decrease in Operating Due From Other Governments	(1,732)	0	0	(1,732)	(19,169)
(Increase) Decrease in Operating Due From Other Funds	(16,772)	156	0	(16,616)	0
(Increase) Decrease in Other Accounts Receivable	2,887	0	0	2,887	0
(Increase) Decrease in Capital Related Accounts Receivable	0	0	0	0	(45,619)
(Increase) Decrease in Operating Inventory	(55,088)	(5,352)	0	(60,440)	3,656
(Increase) Decrease in Loans Receivable	370,280	0	0	370,280	0
(Increase) Decrease in Interest Receivable	(19,969)	0	0	(19,969)	0
(Increase) Decrease in Deferred Assessments	1,005	0	0	1,005	0
Increase (Decrease) in Beginning Assets (Prior Period Adjustment)	0	0	0	0	(94,600)
Increase (Decrease) in Reclassification of Nonoperating Revenue	0	0	0	0	(6,390)
Increase (Decrease) in Capital Accounts Payable	0	0	0	0	(7,941)
Increase (Decrease) in Operating Accounts Payable	2,305	6,988	13,573	22,865	(78,537)
Increase (Decrease) in Interest Payable	(4,905)	0	0	(4,905)	0
Increase (Decrease) in Operating Due to Other Funds	(495)	0	0	(495)	0
Increase (Decrease) in Operating Due to Other Governments	(162,438)	10,656	2,443	(149,340)	10,630
Increase (Decrease) in Operating Due to Other Sources	0	0	0	0	221
Increase (Decrease) in Wages Payable	4,560	14,036	2,024	20,620	(1,770)
Increase (Decrease) in Compensated Absences Payable	12,433	19,800	(335)	31,898	29,252
Increase (Decrease) in Deposits Payable	8,371	0	0	8,371	0
Increase (Decrease) in Deferred Revenue	(370,280)	(5,629)	0	(375,909)	0
Net Cash Provided by Operating Activities	3,837,599	2,011,567	380,315	6,229,481	2,603,403
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	1,811,340	500,552	0	2,311,892	0
Change in Fair Value of Investments	137,966	97,413	16,340	251,719	99,111

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

City of Kirkland
Statement of Fiduciary Net Assets
Trust and Agency Funds
December 31, 2009

	Firefighter's Pension	Agency Funds
Assets		
Cash and Cash Equivalents	967,617	10,832
Investments, at fair value:		
Government Sponsored Enterprise Securities	559,169	0
Deposits	0	694,879
Total Assets	1,526,786	705,711
Liabilities		
Current Liabilities		
Accounts Payable	0	0
Due to Other Governments	0	2,581
Deposits	0	703,130
Total Liabilities	0	705,711
Net Assets		
Held in Trust for Pension Benefits	1,526,786	0
Total Net Assets	1,526,786	0

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

City of Kirkland
Statement of Changes in Net Plan Assets
 Firefighter's Pension Fund
 For the Fiscal Year Ended December 31, 2009

	2009
Additions	
Fire Insurance Premium Contributions	67,634
Net Investment Income	33,503
Total Additions	101,137
Deductions	
Benefit Payments	12,128
Total Deductions	12,128
Net Increase (Decrease)	89,009
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,437,777
End of Year	1,526,786

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, 2009

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City of Kirkland

Notes to the Basic Financial Statements

For Year Ended December 31, 2009

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

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

Surface Water Management Fund accounts for the maintenance, operation, and minor appurtenances, including drainage and public retention/detention systems, and related infrastructure activity of the Surface Water Management Utility.

Solid Waste Fund accounts for all monies collected for solid waste and recycling services, the majority of which are provided through a private contractor.

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

Internal Service Funds account for equipment rental, information technology, and facilities services provided to other departments of the City on a cost reimbursement basis.

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

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

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

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

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

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

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

Budgetary Data

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

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

Procedures for Adopting the Original Budget

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

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

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

Amending the Budget

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

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

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

Assets, Liabilities and Equities

Cash and Investments

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

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

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

Receivables

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

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

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

Amounts Due to and from Other Governmental Units

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

Interfund Transactions

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

Inventories

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

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

Restricted Assets and Liabilities

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

Deferred Charges

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

Capital Assets

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

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

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

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

Compensated Absences

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

Vacation leave is accumulated monthly at annual rates ranging from 104 hours to 288 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established limits and not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed one year of service except under special conditions listed in the Kirkland Municipal Code.

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

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

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$10,500 for 2009.

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

Long-Term Debt

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

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance

costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenues

Deferred revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes a deferred revenue as the offset. The deferred revenues include uncollected property taxes levied and business license fees collected in 2008 for 2009.

Fund Balance

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

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

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

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

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

Municipal Court	1,688,933
Negative Net Pension Obligation	<u>626,312</u>
Net Adjustment	<u>\$2,315,245</u>

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

Bonds Payable	13,155,000
Compensated Absences	2,274,927
Net OPEB Obligation	1,605,574
Accrued Interest Payable	<u>51,649</u>
Net Adjustment	<u>\$17,087,150</u>

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

Capital Assets	289,305,909
Depreciation	<u>(113,240,971)</u>
Net Capital Assets Adjustment	<u>\$176,064,938</u>

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

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

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

Capital Outlays	10,882,097
Depreciation Expense	(5,220,276)
CIP Closures	(39,839)
Cost of Goods Sold	(107,714)
Capital Donations	778,642
Net Adjustment	<u>\$6,292,910</u>

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

General Obligation Debt Payment	<u>2,190,000</u>
Net Adjustment	<u>\$2,190,000</u>

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

Municipal Court Receivable	176,139
Negative Pension Obligation	<u>(51,422)</u>
Net Adjustment	<u>\$124,717</u>

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

Net OPEB Obligation	(501,272)
Compensated Absence Payable	(271,689)
Accrued Interest Payable	16,332
Net Adjustment	<u>\$(756,629)</u>

**NOTE 3:
DEPOSITS AND INVESTMENTS**

Deposits

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

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

Investments

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

Credit Risk

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause the price of the investment to decline. The City’s investment policy applies the prudent person standard: Investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of Kirkland on December 31, 2009 are listed below:

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

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

Custodial Credit Risk

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

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

Concentration of Credit Risk

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

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 0.72 years.

Investment Type	Fair Value	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 48 Months
Federal Farm Credit Bank	10,228,125			5,132,813	5,095,312	
Federal Farm Credit Bank callable	5,018,750	5,018,750				
Federal Home Loan Bank	2,022,363		2,022,363			
Federal Home Loan Bank callable	8,195,625	3,076,875	5,118,750			
Federal Home Loan Mortgage Corp	1,007,989	1,007,989				
Federal National Mortgage Association	4,051,250	4,051,250				
Deschutes & Jefferson County's School District GO Bonds	1,315,134				1,315,134	
Grant County, WA Public Utility District #2	1,553,637					1,553,637
Oregon State General Obligation Pension Bonds	2,853,922				2,853,922	
Port of Vancouver WA General Obligation bonds	790,636				790,636	
FDIC or PDPC Insured Bank Deposits	11,426,186	11,426,186				
	\$ 48,463,617	24,581,050	7,141,113	5,132,813	10,055,004	1,553,637
Uncategorized Cash and Deposits						
Washington State Local Government Investment Pool	52,722,826					
Cash on Hand	18,400					
	\$ 52,741,226					
Total Cash, Deposits and Investments	\$ 101,204,843					

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

**NOTE 4:
PROPERTY TAXES**

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

Property Tax Calendar:

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

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

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

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

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

The City's regular tax levy in 2009 was \$1.02581 per \$1,000 on an assessed valuation of \$13,108,188,338 for a total regular levy of \$13,446,442. The excess tax levy was \$0.11115 per \$1,000 for an excess levy of \$1,456,986. 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, 2009 was as follows:

	Balance Jan. 1, 2009	Additions	Deletions	Balance Dec. 31, 2009
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	79,241,902	1,308,800	2,004	80,548,698
Construction in Progress	19,323,217	7,941,015	783,349	26,480,883
Artwork	1,612,966	0	0	1,612,966
Total Capital Assets, Not Being Depreciated:	\$100,178,085	9,249,815	785,353	\$108,642,547
Capital Assets, Being Depreciated:				
Buildings	29,237,817	1,399,615	0	30,637,432
Improvements	20,139,433	29,752	23,404	20,145,781
Machinery and Equipment	13,641,271	667,325	563,245	13,745,351
Infrastructure	126,965,732	1,609,270	0	128,575,002
Total Capital Assets, Being Depreciated:	\$189,984,253	3,705,962	586,649	\$193,103,566
Less Accumulated Depreciation for:				
Buildings	9,019,655	634,460	0	9,654,115
Improvements	7,787,969	1,631,622	16,383	9,403,208
Machinery and Equipment	6,502,020	1,135,037	541,649	7,095,408
Infrastructure	90,324,777	2,856,445	0	93,181,222
Total Accumulated Depreciation	\$113,634,421	6,257,564	558,032	\$119,333,953
Total Capital Assets, Being Depreciated, Net	\$76,349,832	(2,551,602)	28,617	\$73,769,613
Governmental Activities Capital Assets, Net	\$176,527,917	6,698,213	813,970	\$182,412,160
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	47,784	0	0	47,784
Construction In Progress	6,220,169	5,573,769	5,221,778	6,572,160
Total Capital Assets, Not Being Depreciated	\$6,267,953	5,573,769	5,221,778	\$6,619,944
Capital Assets, Being Depreciated:				
Buildings	198,381	0	0	198,381
Improvements	147,267,477	7,576,057	0	154,843,534
Total Capital Assets, Being Depreciated	\$147,465,858	7,576,057	0	\$155,041,915
Less Accumulated Depreciation for:				
Buildings	182,636	4,759	0	187,395
Improvements	37,211,277	3,025,983	0	40,237,260
Total Accumulated Depreciation	\$37,393,913	3,030,742	0	\$40,424,655
Total Capital Assets, Being Depreciated, Net	\$110,071,945	4,545,315	0	\$114,617,260
Business-Type Activities Capital Assets, Net	\$116,339,898	10,119,084	5,221,778	\$121,237,204

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

Governmental Activities:	
General Government	846,385
Judicial	90,950
Security of Persons and Property	948,852
Human Services	1,093
Physical Environment	599,871
Transportation (includes depreciation of general infrastructure assets)	2,860,683
Economic Environment	9,248
Culture and Recreation	900,482
Total Depreciation Expense – Governmental Activities	<u>\$6,257,564</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	2,254,737
Surface Water Utility	776,005
Solid Waste Utility	0
Total Depreciation Expense – Business-type Activities	<u>\$3,030,742</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2009. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Culture and Recreation	262,079	126,646
Transportation	2,082,401	302,569
Water Utility	1,262,954	61,150
Sewer Utility	623,182	29,817
General Government	1,330,644	64,919
Total	<u>\$5,561,260</u>	<u>\$ 585,101</u>

**NOTE 6:
PENSION PLANS**

State Systems

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

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

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

Plan Description

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

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

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

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to

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

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

Plan 3 has a dual benefit structure. Employer contributions to Plan 3 finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

Judicial Benefit Multiplier

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

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer

choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Nonvested	56,456
Total	262,057

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, are as follows:

Members Not Participating in JBM:

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

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

Members Participating in JBM:

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

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

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2009	\$48,851	\$1,195,404	\$230,002
2008	\$59,401	\$1,206,039	\$253,570
2007	\$42,055	\$914,716	\$189,769

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

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

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

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

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

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

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	9,268
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non-vested	<u>3,927</u>
Total	26,965

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, are as follows:

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

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

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2009	\$ 211	\$799,074
2008	\$ 331	\$766,564
2007	\$ 328	\$674,887

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

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

A "covered employer" is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and

Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

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

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

Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	1
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	<u>3,981</u>
Total	3,982

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, are as follows:

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

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

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

	<u>PSERS Plan 2</u>
2009	\$41,548
2008	\$21,486
2007	\$3,815

Volunteer Fire Fighters' Relief and Pension Fund

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

Fire Fighters' Pension

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

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

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

Membership of the Fire Fighters' Pension Plan consisted of the following on December 31, 2009:

Retirees and beneficiaries receiving benefits	5
Active plan members	<u>0</u>
Total	5

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

	2007	2008	2009
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	516	12,442	12,442
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(37,626)	(54,069)	(54,069)
Interest to End of Year	(1,856)	(1,665)	(1,665)
ARC at End of Year	(38,966)	(43,292)	(43,292)
Interest on Net Pension Obligation (NPO)	(16,237)	(17,030)	(21,177)
Adjustment to ARC	(22,414)	(27,554)	(35,227)
Annual Pension Cost (APC)	(32,789)	(32,768)	(29,242)
Employer Contributions	131,646	121,045	67,634
Change in NPO	(164,435)	(153,813)	(96,876)
NPO at Beginning of Year	(359,486)	(523,921)	(529,436)*
NPO at End of Year	(523,921)	(677,734)*	(626,312)

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

*the variance in NPO Ending 2008 and beginning 2009 is due to a new valuation completed 1/1/2010

Schedule of Contributions from the Employer and Other Contributing Entities:

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

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

** Amount updated following 1/1/2010 valuation.

Schedule of Funding Progress

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

Three Year Trend Information (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC) \$	Contributions as a Percentage of APC %	Net Pension Obligation (NPO) \$
12/31/07	(32,789)	NA	(523,921)
12/31/08	(32,768)	NA	(677,734)*
12/31/09	(29,242)	NA	(626,312)

*Amount updated with 1/1/2010 valuation.

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

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

Actuarial economic assumptions:

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

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

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

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

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 435 employees who participated in the program during 2009. The City's contribution for 2009 was \$2,041,298; employee contributions were \$2,601,064 during the same period. The rate the City must pay and the employee may pay is equal to the current Social Security rate.

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

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

**NOTE 7:
OTHER POST EMPLOYMENT BENEFITS**

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2009 there were 35 retirees receiving these benefits with 1 active employee eligible for these benefits when he retires.

For 2009, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 405,352
	Direct Medical Costs	<u>49,611</u>
	Total Costs	<u>\$ 454,963</u>

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. The following table shows the City's annual OPEB cost for 2007, 2008 and 2009. The date of the last actuarial valuation done by Milliman was January 1, 2008. Beginning in 2009, the OPEB liability was calculated using the Alternative Measurement Method for GASB 45 by the Office of the State Actuary for the State of Washington. The net OPEB obligation of \$1,605,574 is included as a noncurrent liability on the Statement of Net Assets.

Determination of Annual Required Contribution	12/31/2007	12/31/2008	12/31/2009
Normal Cost at Year End	59,152	76,903	10,815
Amortization of UAAL	741,930	753,553	998,552
Annual Required Contribution (ARC)	\$801,082	\$830,456	\$1,009,367
 Determination of Net OPEB Obligation			
Annual Required Contribution	\$801,082	\$830,456	\$1,009,367
Interest on Prior Year Net OPEB Obligation	19,070	29,664	49,694
Adjustments to ARC	23,990	42,794	102,826
Annual OPEB Cost	796,162	817,326	956,235
Contributions Made	467,434	421,453	454,963
Increase in Net OPEB Obligation	\$328,728	\$395,873	\$501,272
 Net OPEB Obligation - beginning of year	 \$379,701	 \$708,429	 \$1,104,302
Net OPEB Obligation – end of year	\$708,429*	\$1,104,302	\$1,605,574

*Amount not known until 1/1/2008 valuation.

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

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

Funding Status and Funding Progress

As of December 31, 2009, the plan was 0% funded. The accrued liability for benefits was \$10,723,991 and actuarial value of assets was \$0 resulting in a UAAL of \$10,723,991.

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

Actuarial Assumptions

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

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

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

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

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

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

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

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

over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

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

**NOTE 8:
RISK MANAGEMENT**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 136 Members.

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

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

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

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2009.

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

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

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

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

**NOTE 9:
LONG-TERM DEBT**

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has seven loans with principal outstanding of \$3,293,856. This debt will be repaid from Water/Sewer Fund revenues.

Two General Obligation Bond issues, the 1993 Limited and 1993 Unlimited Refunding General Obligation Bonds were paid in full in 2009. The City of Kirkland had no special assessment debt in 2009.

General obligation bonds currently outstanding are as follows:

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/09	Due Within One Year
1995 Unltd G.O. Public Safety, Forbes Creek Fire Station	08/01/95	12/01/14	4.65 to 7.00	1,020,000	640,000	380,000	70,000
1999 Ltd. G.O. Teen Center Design and Construction	* 11/01/99	12/01/19	4.30 to 6.00	1,025,000	365,000	660,000	50,000
2001 Unltd. G.O. Refunding 1992 UTGO Public Safety Bonds	07/06/01	12/12/12	4.00 to 4.65	1,730,000	1,210,000	520,000	165,000
2001 Ltd. GO Refunding 1994 LTGO, McAuliffe, Library Parking Garage, City Hall, Cemetery Improvement	* 07/06/01	12/13/13	4.00 to 5.125	11,060,000	5,570,000	5,490,000	760,000
2003 Unltd. G.O. Park Acquisition and Improvements	01/30/03	12/01/22	4.408	8,400,000	2,295,000	6,105,000	365,000
Total				\$23,235,000	\$10,080,000	\$13,155,000	\$1,410,000

* Councilmanic

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

Year Ending	Governmental Activities	
	Principal	Interest
December 31		
2010	1,410,000	619,785
2011	1,465,000	560,880
2012	1,535,000	497,447
2013	1,405,000	428,530
2014	1,475,000	364,340
2015-2019	3,705,000	1,143,470
2020-2022	2,160,000	216,093
Total	\$13,155,000	\$3,830,545

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 12/31/09	Due Within One Year
1996 Refunding portion of 1992 Water/Sewer Revenue Bonds	03/04/96	06/01/12	3.9 to 5.2	3,725,000	2,165,000	1,560,000	375,000
1993 Public Works Trust Loan Lake Street Sewer Line Replacement	08/25/93	07/01/14	1.0	823,368	650,027	173,341	43,335
1994 Public Works Trust Loan(A) Lake Washington Blvd Water Line Replacement	07/26/94	07/01/14	1.0	1,231,700	907,692	324,008	64,802
1994 Public Works Trust Loan(B) Lake Washington Blvd Sewer Line Replacement	07/26/94	07/01/14	1.0	1,165,500	857,086	308,414	61,683
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	06/07/95	07/01/15	1.0	794,850	527,718	267,132	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	07/01/00	07/01/19	1.0	227,500	102,150	125,350	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/01	07/01/21	0.5	1,848,000	612,376	1,235,624	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	09/01/04	07/01/24	.5	1,086,300	226,313	859,987	57,332
2004 Water/Sewer Revenue Refunding Bonds	08/01/04	06/01/14	2.0 to 4.0	3,090,000	1,530,000	1,560,000	315,000
Total				\$13,992,218	\$7,578,362	\$6,413,856	\$1,077,178

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2010	1,077,178	146,645
2011	1,117,178	111,665
2012	1,152,178	72,450
2013	847,177	41,450
2014	818,843	19,679
2015-2019	908,702	26,663
2020-2024	492,600	5,844
Total	\$6,413,856	\$424,396

City of Kirkland Credit Ratings and Bond Insurance Ratings

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

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

Moody's ratings for Kirkland are now as follows:

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

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

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

Summary of Municipal Bond Insurance Company Rating Downgrades for the year January 1, 2008 through December 31, 2008.

MBIA rating downgrade history:

- February 18, 2009 MBIA split into MBIA Illinois (muni insurer) and MBIA Insurance
- April 4, 2008 Fitch Ratings ("Fitch") lowered its rating for MBIA Insurance Corporation ("MBIA") from "AAA" to "AA"
- June 25, 2008 Fitch withdrew its rating for MBIA
- June 5, 2008 Standard and Poor's ("S&P") lowered its rating for MBIA from "AAA" to "AA"
- February 18, 2009 S&P lowered its rating for MBIA ILL. From "AA" to "AA-"
- June 5, 2009 S&P lowered its rating for MBIA ILL. From "AA-" to "A"
- June 19, 2008 Moody's Investors Service ("Moody's") lowered its rating for MBIA from "Aaa" to "A2"
- November 7, 2008 Moody's lowered its rating for MBIA from "A2" to "Baa1"

AMBAC rating downgrade history:

- January 18, 2008 Fitch lowered its rating for AMBAC Assurance Corporation ("AMBAC") from "AAA" to "AA"
- June 25, 2008 Fitch withdrew its rating for AMBAC
- June 5, 2008 S&P lowered its rating for AMBAC from "AAA" to "AA"
- November 19, 2008 S&P lowered its rating for AMBAC from "AA" to "A"
- June 24, 2009 S&P lowered its rating for AMBAC from "A" to "BBB"
- July 28, 2009 S&P lowered its rating for AMBAC from "BBB" to "CC"
- June 19, 2008 Moody's lowered its rating for AMBAC from "Aaa" to "Aa3"
- November 5, 2008 Moody's lowered its rating for AMBAC from "Aa3" to "Baa1"
- April 13, 2009 Moody's lowered its rating for AMBAC from "Baa1" to "Ba3"
- July 29, 2009 Moody's lowered its rating for AMBAC from "Ba3" to "Caa2"

FSA rating downgrade history:

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

May 5, 2009 Fitch lowered its rating for FSA from "AAA" to "AA+"

October 12, 2009 Fitch lowered its rating for FSA from "AA+" to "AA"

February 24, 2010 Fitch withdrew its rating for FSA

Compensated Absences

The City's liability for accrued compensated absences is recorded in the table of Changes in long-Term Liabilities, NOTE 11. The governmental activities category includes a liability of \$132,115 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General, Street Operating, and Parks Maintenance.

**NOTE 10:
LEASES**

Operating Leases

Copier Leases

In 2006, the City leased 3 copiers with four year non-cancellable agreements. The total cost for leased copiers for the year ended December 31, 2009 was \$33,816. The future minimum payments for these agreements are summarized as follows:

2010	31,662
Total	<u>\$ 31,662</u>

In 2009, the City entered into a 36 month lease for a Cannon IR 3225. The copier was delivered at the end of 2009 delaying the start of payments until January 2010. The future minimum payments for this agreement are summarized as follows:

2010	1,872
2011	1,872
2012	1,872
Total	<u>\$ 5,616</u>

Multi-Employer Property Trust

Effective January 27, 2004 and commencing August 1, 2004, the City entered into a seven year lease with Multi-Employer Property Trust to provide for the operations of the Kirkland Municipal Court. The property was subsequently purchased in June 2009. Lease payments for 2009 totaled \$91,540. There will be no future lease payments.

King County Housing Authority

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. Lease payments for 2009 totaled \$82,181. Future minimum payments are summarized as follows:

2010	90,116
2011	95,220
2012	96,160
2013	84,050
Total	<u>\$ 365,546</u>

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

During the year ending December 31, 2009, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2009	Additions	Reductions	Ending Balance 12/31/2009	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable:					
General Obligation Bonds	15,345,000	0	2,190,000	13,155,000	1,410,000
Compensated Absences	2,106,100	1,934,800	1,633,859	2,407,041	1,926,608
Other post employment benefits	1,104,302	956,235	454,963	1,605,574	0
Governmental Activity long-term liabilities	<u>\$ 18,555,402</u>	<u>2,891,035</u>	<u>4,278,822</u>	<u>\$ 17,167,615</u>	<u>\$ 3,336,608</u>
<u>Business-Type Activities</u>					
Revenue Bonds	3,785,000	0	665,000	3,120,000	690,000
PWTF Loans	3,908,521	0	614,665	3,293,856	387,178
Compensated Absences	76,987	825,651	793,752	108,886	87,108
Business-type Activity long-term liabilities	<u>\$ 7,770,508</u>	<u>825,651</u>	<u>2,073,417</u>	<u>\$ 6,522,742</u>	<u>\$ 1,164,286</u>

**NOTE 12:
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2009, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 13:
INTERFUND TRANSFERS**

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, indirect overhead and subsidies. Interfund transfers at December 31, 2009 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General	4,477,317	1,705,441
Street Operating	25,000	51,980
Park and Municipal Reserve	767,993	2,022,253
Excise Capital Improvement	627,414	8,824,785
General Capital	10,268,926	1,416,338
Grant Capital	1,781,884	145,655
Non Major Governmental Funds:		
Parks Maintenance	50,000	0
Recreation Revolving	0	1,290,821
Contingency	0	482,015
Cemetery Improvement	0	32,093
Impact Fees	0	1,308,983
Street Improvement Reserve	0	1,016,728
Debt Service Funds	1,455,349	0
Internal Service Funds	385,273	1,392,064
Proprietary Funds:		
Water/Sewer	0	100,000
Surface Water	0	50,000
<u>Total Transfers In/Out</u>	<u>\$19,839,156</u>	<u>\$19,839,156</u>

Transfers In to the General Fund and Transfers Out of Park and Municipal Reserve increased due to the use of reserves.

**NOTE 14:
JOINT VENTURES**

Eastside Narcotics Task Force

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

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

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

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

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

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

ARCH – Housing Coalition

In November 1992, the City of Kirkland joined the cities of Bellevue, Redmond and King County to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 and November 1999 to add clarifying language regarding responsibility and dissolution. Subsequently, the cities of Bothell, Issaquah, Mercer Island and Woodinville joined ARCH. Additional cities have joined since that time.

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

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

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

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the agreement

paid by each member. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statement.

On July 1, 2010 an Amended and Restated Interlocal Agreement will be effective and will change how member cities contribute to ARCH.

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

Cascade Water Alliance

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

Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. During 2009, this amount was \$149,862 for the City of Kirkland.

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

Financial statement information can be obtained by contacting Scott Hardin, Director of Finance and Administration, 11400 SE 8th Street, Suite 440, Bellevue, WA 98004.

Eastside Public Safety Communications Agency

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

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

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

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

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

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2009, the weighted vote was as follows:

Bellevue	50.33%
Redmond	19.12%
Kirkland	18.39%
Mercer Island	6.47%
Issaquah	<u>5.69%</u>
	100.00%

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

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

E-Gov Alliance

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

Expenditures consist of capital and operations costs as specified in the budget adopted by the E-Gov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the member jurisdictions of the E-Gov Alliance.

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

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

NORCOM

In November of 2007, the City of Kirkland, with the cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish

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

Operating revenues are provided by user fees charged to each member based on average call volume. For 2009, the City of Kirkland's share of these fees was \$1,492,819.

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

Hazardous Materials Unit and Response Team

In January 1984, the City of Kirkland joined the cities of Bellevue, Redmond, Bothell, and King County Fire Protection Districts #16 and #36 to form a Hazardous Materials Unit and Response Team (HazMat). In December 1991, the agreement was modified to designate the City of Bellevue as the lead agency. The agreement was modified again in June 1994 removing King County Fire Protection District #16, which withdrew from participation, and adding the City of Issaquah and King County Fire Protection District #45 as members.

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

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

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

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

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

**NOTE 15:
BUDGET TO GAAP RECONCILIATION**

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – for the General Fund, Street Operating Special Revenue Fund, Parks and Municipal Reserve Special Revenue Fund and Excise Tax Capital Improvement Special Revenue Fund report revenues when received and expenditures when paid, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting. The following schedule reconciles revenues and expenditures on the budgetary basis to revenues and expenditures on the modified accrual basis as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances.

	General Fund	Street Operating	Parks and Municipal Reserve	Excise Tax Capital Improvement
Revenues on the Budgetary Basis	54,387,182	4,055,857	549,769	2,454,493
Increase (Decrease) due to accruals	279,512	286	(5,462)	(192,059)
Revenues on the GAAP Basis	54,666,694	4,056,143	544,307	2,262,434
Expenditures on the Budgetary Basis	57,299,360	4,093,886	324,377	0
Increase (Decrease) due to accruals	160,431	37,710	208,253	0
Expenditures on the GAAP Basis	57,459,791	4,131,596	532,630	0
Other Financing Sources (Uses) on the Budgetary Basis	2,777,396	(26,980)	(1,254,260)	(8,197,371)
Increase (Decrease) due to accruals	0	0	0	0
Other Financing Sources (Uses) on the GAAP Basis	2,777,396	(26,980)	(1,254,260)	(8,197,371)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	(2,912,178)	(38,029)	225,392	2,454,493
Increase (Decrease) due to accruals	119,081	(37,424)	(213,715)	(192,059)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	(2,793,097)	(75,453)	11,677	2,262,434
Fund Balances Beginning of Year on the Budgetary Basis	5,907,718	1,958,420	9,865,483	14,993,787
Increase (Decrease) due to accruals	1,678,106	15,952	178,926	541,728
Fund Balances Beginning of year on the GAAP Basis	7,585,824	1,974,372	10,044,409	15,535,515
Fund Balances End of Year on the Budgetary Basis	5,772,936	1,893,411	8,836,615	9,250,909
Increase (Decrease) due to Accruals	1,797,188	(21,473)	(34,789)	349,669
Prior Period Adjustment	94,395	0	0	0
Fund Balances End of Year on the GAAP Basis	7,664,519	1,871,938	8,801,826	9,600,578

**NOTE 16:
PRIOR PERIOD ADJUSTMENTS**

In 2009 the City restructured the Facilities Special Revenue Fund and created the Facilities Internal Service Fund. As a result the following changes were made in the funds noted below:

- Facilities Special Revenue 2008 ending fund balance of \$3,654,545 was reallocated to the Facilities Internal Service Fund beginning balance of \$3,559,945.
- The ending balance of Total Net Assets in the Governmental Funds has been restated from \$70,299,027 to \$66,644,482; and the beginning balance of the Internal Service Funds combined has been restated from \$16,610,061 to \$20,264,606 to reflect the Facilities Fund change.
- An accounts receivable amount of \$94,600 related to admissions taxes due were reallocated to the General Fund to match actual receipts now captured in that fund beginning in 2009.
- Additionally, a minor adjustment to the Recreation Programs Revolving fund balance of \$205 was a result of matching actual receipts in the General Fund to changes in revenue capturing for those funds.

The adjustment for the Facilities Fund is reflected in the restatement of beginning fund balance of the governmental funds as noted on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

No adjustments were necessary for the Statement of Net Assets or Statement of Activities. The adjustments involved governmental funds which are combined on these statements.

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

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

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2006	\$ 0	\$ 11,360	\$ 11,360	0	% NA	% NA
1/1/2008	\$ 0	\$ 12,505	\$ 12,505	0	% NA	% NA
12/31/2009	\$ 0	\$ 10,724	\$ 10,724	0	% NA	% NA

Source: 2006 and 2008 - City of Kirkland, Actuarial Valuation of Firefighters' Pension Fund and Retiree Medical and Long-Term Care Benefits for LEOFF 1 Employees

2009 – Alternative Measurement Method for GASB 45 as directed by the Office of State Actuary

Fund Financial Statements and Schedules

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Debt Service Funds

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

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



City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2009

Page 1 of 4

	Special Revenue			Recreation
	Lodging Tax	Cemetery Operating	Parks Maintenance	Program Revolving
Assets				
Cash and Cash Equivalents	95,420	96,960	336,819	179,851
Investments	55,762	54,665	189,897	103,115
Receivables, Net of Allowances:				
Taxes	23,718	0	23,499	0
Accounts	0	0	0	564
Due From Other Governments	0	0	5,007	0
Restricted Assets				
Deposits	0	0	0	3,043
Total Assets	174,900	151,625	555,223	286,573
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	12,080	545	4,295	578
Wages Payable	658	0	25,722	0
Deposits	0	0	0	3,043
Deferred Revenue	0	0	23,496	4,420
Total Liabilities	12,737	545	53,513	8,041
Fund Balances				
Reserved for:				
Tourism	162,163	0	0	0
Parks and Recreation	0	0	501,710	0
Transportation	0	0	0	0
Debt Service	0	0	0	0
Unreserved	0	151,080	0	278,532
Total Liabilities and Fund Balances	174,900	151,625	555,223	286,573

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2009

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Contingency	Cemetery Improvement	Impact Fees	Off Street Parking	Tour Dock
1,180,490	282,363	283,125	27,887	40,364
665,555	159,195	169,259	15,723	22,757
0	0	0	0	0
61,047	0	0	0	0
0	0	0	0	0
0	0	0	0	0
1,907,092	441,558	452,384	43,610	63,121
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	113,186	0	0
0	0	339,198	0	0
0	0	0	0	0
1,907,092	441,558	0	43,610	63,121
1,907,092	441,558	452,384	43,610	63,121

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2009

Page 3 of 4

	Street Improvement Reserve	Grant Control	Total Special Revenue
Assets			
Cash and Cash Equivalents	640,605	129,743	3,293,627
Investments	361,170	73,149	1,870,247
Receivables, Net of Allowances:			
Taxes	135,833	0	183,050
Accounts	0	0	61,611
Due From Other Governments	0	0	5,007
Restricted Assets			
Deposits	0	0	3,043
Total Assets	1,137,608	202,892	5,416,586
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	17,498
Wages Payable	0	0	26,380
Deposits	0	0	3,043
Deferred Revenue	0	837	28,753
Total Liabilities	0	837	75,673
Fund Balances			
Reserved			
Tourism	0	0	162,163
Parks and Recreation	0	0	614,896
Transportation	0	837	340,035
Debt Service	0	0	0
Unreserved	1,137,608	201,218	4,223,819
Total Liabilities and Fund Balances	1,137,608	202,892	5,416,586

City of Kirkland
Combining Balance Sheet
 Non Major Governmental Funds
 December 31, 2009

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Debt Service		Total Debt Service	Governmental Funds Total
LTGO	UTGO		
110,227	191,904	302,131	3,595,758
62,145	108,194	170,339	2,040,586
0	42,541	42,541	225,591
0	0	0	61,611
0	0	0	5,007
0	0	0	3,043
172,372	342,639	515,011	5,931,597
0	0	0	17,498
0	0	0	26,380
0	0	0	3,043
0	42,555	42,555	71,308
0	42,555	42,555	118,228
0	0	0	162,163
0	0	0	614,896
0	0	0	340,035
172,372	300,084	472,456	472,456
0	0	0	4,223,819
172,372	342,639	515,011	5,931,597

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2009

Page 1 of 4

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Recreation Program Revolving
Revenues				
Taxes and Assessments	181,104	0	808,990	0
Licenses and Permits	0	0		8,755
Intergovernmental	0	0	0	0
Charges for Services	0	68,368	0	1,133,357
Investment Interest	3,352	0	0	115
Miscellaneous Revenues	257	1,150	15,229	353,238
Total Revenues	184,713	69,518	824,219	1,495,465
Expenditures				
Current				
General Government	0	0	0	0
Physical Environment	0	25,763	0	0
Economic Environment	314,638	0	0	0
Culture and Recreation	0	0	896,859	2,173
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	2,700	0	0
Total Expenditures	314,638	28,463	896,859	2,173
Excess (Deficiency) of revenues				
Over (under) expenditures	(129,925)	41,055	(72,640)	1,493,292
Other Financing Sources (Uses)				
Sale of Capital Assets	0	8,259	0	0
Transfers In	0	0	50,000	0
Transfers Out	0	0	0	(1,290,821)
Total Other Financing Sources (Uses)	0	8,259	50,000	(1,290,821)
Net Change in Fund Balance	(129,925)	49,314	(22,640)	202,471
Fund Balances Beginning of Year (Note 16)	292,088	101,766	524,350	75,856
Prior Period Adjustment (Note 16)	0	0	0	205
Fund Balances End of Year	162,163	151,080	501,710	278,532

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2009

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Contingency	Cemetery Improvement	Impact Fees	Off Street Parking
0	0	0	0
0	0	0	0
0	0	0	0
50,000	0	583,399	0
0	0	13,700	0
11,047	0	0	0
61,047	0	597,099	0
26,136	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	8,100	0	0
26,136	8,100	0	0
34,911	(8,100)	597,099	0
0	24,777	0	0
0	0	0	0
(482,015)	(32,093)	(1,308,984)	0
(482,015)	(7,316)	(1,308,984)	0
(447,104)	(15,416)	(711,884)	0
2,354,196	456,974	1,164,268	43,610
0	0	0	0
1,907,092	441,558	452,384	43,610

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2009

Page 3 of 4

	Tour Dock	Street Improvement Reserve	Grant Control	Total Special Revenue
Revenues				
Taxes and Assessments	0	270,000	0	1,260,094
Licenses and Permits	0	0	0	8,755
Intergovernmental	0	535,833	19,570	555,404
Charges for Services	0	0	0	1,835,124
Investment Interest	0	0	0	17,167
Miscellaneous Revenues	31,205	0	0	412,126
Total Revenues	31,205	805,833	19,570	4,088,670
Expenditures				
Current				
General Government	0	0	0	26,136
Physical Environment	0	0	1,871	27,634
Economic Environment	0	0	0	314,638
Culture and Recreation	6,140	0	0	905,172
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	17,219	0	18,536	46,555
Total Expenditures	23,359	0	20,407	1,320,135
Excess (Deficiency) of revenues				
Over (under) expenditures	7,846	805,833	(837)	2,768,535
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	0	33,036
Transfers In	0	0	0	50,000
Transfers Out	0	(1,016,728)	0	(4,130,641)
Total Other Financing Sources (Uses)	0	(1,016,728)	0	(4,047,605)
Net Change in Fund Balance	7,846	(210,895)	(837)	(1,279,070)
Fund Balances Beginning of Year (Note 16)	55,275	1,348,503	202,892	6,619,778
Prior Period Adjustment (Note 16)	0	0	0	205
Fund Balances End of Year	63,121	1,137,608	202,055	5,340,913

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non Major Governmental Funds
 For the fiscal year ended December 31, 2009

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Debt Service

LTGO	UTGO	Total Debt Service	Governmental Funds Total
0	1,447,905	1,447,905	2,707,999
0	0	0	8,755
0	0	0	555,404
0	0	0	1,835,124
0	0	0	17,167
0	0	0	412,126
0	1,447,905	1,447,905	5,536,575
0	0	0	26,136
0	0	0	27,634
0	0	0	314,638
0	0	0	905,172
1,105,000	1,085,000	2,190,000	2,190,000
350,348	371,985	722,333	722,333
0	0	0	46,555
1,455,348	1,456,985	2,912,333	4,232,468
(1,455,348)	(9,080)	(1,464,428)	1,304,107
0	0	0	33,036
1,455,349	0	1,455,349	1,505,349
0	0	0	(4,130,641)
1,455,349	0	1,455,349	(2,592,256)
2	(9,080)	(9,079)	(1,288,149)
172,370	309,165	481,535	7,101,313
0	0	0	205
172,372	300,084	472,456	5,813,369

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

Lodging Tax Special Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	500,000	500,000	183,896	183,896	(316,104)
Miscellaneous Revenues	17,940	17,940	6,670	6,670	(11,270)
Total Revenues	517,940	517,940	190,566	190,566	(327,374)
Expenditures					
Current					
Economic Environment	557,644	620,724	315,079	315,079	305,645
Total Expenditures	557,644	620,724	315,079	315,079	305,645
Excess of revenues of expenditures	(39,704)	(102,784)	(124,513)	(124,513)	(21,729)
Net Change in Fund Balance	(39,704)	(102,784)	(124,513)	(124,513)	(21,729)
Fund Balances Beginning of Year	276,484	273,708	273,708	273,708	0
Fund Balances End of Year	236,780	170,924	149,195	149,195	(21,729)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Cemetery Operating Special Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Charges for Services	65,000	65,000	68,368	68,368	3,368
Miscellaneous Revenues	0	0	1,150	1,150	1,150
Total Revenues	65,000	65,000	69,518	69,518	4,518
Expenditures					
Current					
Physical Environment	66,853	65,694	25,613	25,613	40,081
Capital Outlay	4,000	4,000	2,700	2,700	1,300
Total Expenditures	70,853	69,694	28,313	28,313	41,381
Excess of revenues of expenditures	(5,853)	(4,694)	41,205	41,205	45,899
Other Financing Sources (Uses)					
Sale of capital assets	43,200	43,200	8,259	8,259	(34,941)
Total Other Financing Sources (Uses)	43,200	43,200	8,259	8,259	(34,941)
Net Change in Fund Balance	37,347	38,506	49,464	49,464	10,958
Fund Balances Beginning of Year	91,298	102,162	102,162	102,162	0
Fund Balances End of Year	128,645	140,668	151,626	151,626	10,958

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Parks Maintenance Special Revenue Fund
For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	1,625,863	1,625,863	809,171	809,171	(816,692)
Miscellaneous Revenues	2,400	2,400	15,229	15,229	12,829
Total Revenues	1,628,263	1,628,263	824,400	824,400	(803,863)
Expenditures					
Culture and Recreation	1,848,390	1,902,071	899,860	899,860	1,002,211
Total Expenditures	1,848,390	1,902,071	899,860	899,860	1,002,211
Excess of revenues of expenditures	(220,127)	(273,808)	(75,460)	(75,460)	198,348
Other Financing Sources (Uses)					
Operating Transfers In	100,000	50,000	50,000	50,000	0
Total Other Financing Sources (Uses)	100,000	50,000	50,000	50,000	0
Net Change in Fund Balance	(120,127)	(223,808)	(25,460)	(25,460)	198,348
Fund Balances Beginning of Year	475,024	548,861	548,861	548,861	0
Fund Balances End of Year	354,897	325,053	523,401	523,401	198,348

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Recreation Revolving Special Revenue Fund
For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Licenses and Permits	9,920	9,920	8,755	8,755	(1,165)
Intergovernmental	0	2,000	3,750	3,750	1,750
Charges for Services	2,127,730	2,180,566	1,133,497	1,133,497	(1,047,069)
Miscellaneous Revenues	626,500	626,000	357,259	357,259	(268,741)
Total Revenues	2,764,150	2,818,486	1,503,261	1,503,261	(1,315,225)
Expenditures					
Current					
Culture and Recreation	0	20,050	2,173	2,173	17,877
Total Expenditures	0	20,050	2,173	2,173	17,877
Excess of revenues of expenditures	2,764,150	2,798,436	1,501,088	1,501,088	(1,297,348)
Other Financing Sources (Uses)					
Operating Transfers Out	(2,527,020)	(2,561,306)	(1,290,821)	(1,290,821)	1,270,485
Total Other Financing Sources (Uses)	(2,527,020)	(2,561,306)	(1,290,821)	(1,290,821)	1,270,485
Net Change in Fund Balance	237,130	237,130	210,267	210,267	(26,863)
Fund Balances Beginning of Year	60,940	72,311	72,311	72,311	0
Fund Balances End of Year	298,070	309,441	282,578	282,578	(26,863)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Contingency Special Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Other Financing Sources (Uses)					
Transfers Out	0	(607,837)	(482,015)	(482,015)	125,822
Total Other Financing Sources (Uses)	0	(607,837)	(482,015)	(482,015)	125,822
Net Change in Fund Balance	0	(607,837)	(482,015)	(482,015)	125,822
Fund Balances Beginning of Year	2,324,515	2,328,060	2,328,060	2,328,060	0
Fund Balances End of Year	2,324,515	1,720,223	1,846,045	1,846,045	125,822

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Cemetery Improvement Special Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Expenditures					
Capital Outlay	12,000	12,000	8,100	8,100	3,900
Total Expenditures	12,000	12,000	8,100	8,100	3,900
Excess of revenues of expenditures	(12,000)	(12,000)	(8,100)	(8,100)	3,900
Other Financing Sources (Uses)					
Sale of capital assets	129,600	129,600	24,777	24,777	(104,823)
Transfers Out	(63,123)	(63,123)	(32,093)	(32,093)	31,030
Total Other Financing Sources (Uses)	66,477	66,477	(7,316)	(7,316)	(73,793)
Net Change in Fund Balance	54,477	54,477	(15,416)	(15,416)	(69,893)
Fund Balances Beginning of Year	468,928	456,974	456,974	456,974	0
Fund Balances End of Year	523,405	511,451	441,558	441,558	(69,893)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Impact Fees Special Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Charges for Services	4,750,318	2,916,818	583,399	583,399	(2,333,419)
Investment Interest	223,200	97,400	31,454	31,454	(65,946)
Total Revenues	4,973,518	3,014,218	614,853	614,853	(2,399,365)
Excess of revenues of expenditures	4,973,518	3,014,218	614,853	614,853	(2,399,365)
Other Financing Sources (Uses)					
Transfers Out	(3,498,168)	(1,785,818)	(1,308,984)	(1,308,984)	476,834
Total Other Financing Sources (Uses)	(3,498,168)	(1,785,818)	(1,308,984)	(1,308,984)	476,834
Net Change in Fund Balance	1,475,350	1,228,400	(694,131)	(694,131)	(1,922,531)
Fund Balances Beginning of Year	2,192,037	1,136,880	1,136,880	1,136,880	0
Fund Balances End of Year	3,667,387	2,365,280	442,749	442,749	(1,922,531)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Off Street Parking Reserve Special Revenue Fund
For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Miscellaneous Revenues	174,000	174,000	0	0	(174,000)
Total Revenues	174,000	174,000	0	0	(174,000)
Expenditures					
Current					
Transportation	13,200	13,200	0	0	13,200
Total Expenditures	13,200	13,200	0	0	13,200
Excess of revenues of expenditures	160,800	160,800	0	0	(160,800)
Net Change in Fund Balance	160,800	160,800	0	0	(160,800)
Fund Balances Beginning of Year	43,610	43,610	43,610	43,610	0
Fund Balances End of Year	204,410	204,410	43,610	43,610	(160,800)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Tour Dock Special Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Miscellaneous Revenues	71,000	71,000	31,205	31,205	(39,795)
Total Revenues	71,000	71,000	31,205	31,205	(39,795)
Expenditures					
Culture and Recreation	30,000	52,500	23,358	23,358	29,142
Total Expenditures	30,000	52,500	23,358	23,358	29,142
Excess of revenues of expenditures	41,000	18,500	7,847	7,847	(10,653)
Other Financing Sources (Uses)					
Transfers Out	(22,500)	0	0	0	0
Total Other Financing Sources (Uses)	(22,500)	0	0	0	0
Net Change in Fund Balance	18,500	18,500	7,847	7,847	(10,653)
Fund Balances Beginning of Year	51,675	55,275	55,275	55,275	0
Fund Balances End of Year	70,175	73,775	63,122	63,122	(10,653)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Improvement Reserve Special Revenue Fund
For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	540,000	540,000	270,000	270,000	(270,000)
Intergovernmental	1,079,000	1,079,000	534,000	534,000	(545,000)
Total Revenues	1,619,000	1,619,000	804,000	804,000	(815,000)
Excess of revenues of expenditures	1,619,000	1,619,000	804,000	804,000	(815,000)
Other Financing Sources (Uses)					
Transfers Out	(1,619,000)	(1,676,000)	(1,016,728)	(1,016,728)	659,272
Total Other Financing Sources (Uses)	(1,619,000)	(1,676,000)	(1,016,728)	(1,016,728)	659,272
Net Change in Fund Balance	0	(57,000)	(212,728)	(212,728)	(155,728)
Fund Balances Beginning of Year	994,576	1,214,503	1,214,503	1,214,503	0
Fund Balances End of Year	994,576	1,157,503	1,001,775	1,001,775	(155,728)

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Grant Control Special Revenue Fund
For the year ended December 31, 2009

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 General Capital Projects Revenue Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	350,000	350,000	150,000	150,000	(200,000)
Intergovernmental	786,470	2,406,027	516,645	516,645	(1,889,382)
Charges for Services	0	95,600	0	0	(95,600)
Investment Interest	37,500	37,500	13,503	13,503	(23,997)
Investment Interest - Dedicated	1,600,000	1,600,000	800,000	800,000	(800,000)
Contributions/Donations Private	0	45,071	3,288	3,288	(41,783)
Miscellaneous Revenues	0	0	1,694	1,694	1,694
Total Revenues	2,773,970	4,534,198	1,485,130	1,485,130	(3,049,068)
Expenditures					
Current					
General Government	71,744	949,676	155,805	155,805	793,871
Security of Persons and Property	0	184,266	534	534	183,732
Physical Environment	0	125,100	838	838	124,262
Transportation	0	11,150	2,479,571	2,479,571	(2,468,421)
Human Services	0	71,400	0	0	71,400
Culture and Recreation	0	202,418	5,452	5,452	196,966
Capital Outlay	22,319,856	36,156,995	6,868,928	6,868,928	29,288,067
Total Expenditures	22,391,600	37,701,005	9,511,128	9,511,128	28,189,877
Excess of revenues of expenditures	(19,617,630)	(33,166,807)	(8,025,998)	(8,025,998)	25,140,809
Other Financing Sources (Uses)					
Insurance Recovery	0	0	288,414	288,414	288,414
Transfers In	18,775,700	21,128,714	10,268,926	10,268,926	(10,859,788)
Operating Transfers Out	0	0	(1,092,793)	(1,092,793)	(1,092,793)
Total Other Financing Sources (Uses)	18,775,700	21,128,714	9,464,547	9,464,547	(11,664,167)
Net Change in Fund Balance	(841,930)	(12,038,093)	1,438,549	1,438,549	13,476,642
Fund Balances Beginning of Year	4,592,679	17,326,658	17,326,658	17,326,658	0
Fund Balances End of Year	3,750,749	5,288,565	18,765,207	18,765,207	13,476,642

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Grant Capital Projects Revenue Fund
For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	770,000	9,103,784	164,727	164,727	(8,939,057)
Total Revenues	770,000	9,103,784	164,727	164,727	(8,939,057)
Expenditures					
Current					
Capital Outlay	4,226,750	18,119,610	3,628,188	3,628,188	14,491,422
Total Expenditures	4,226,750	18,119,610	3,628,188	3,628,188	14,491,422
Excess of revenues of expenditures	(3,456,750)	(9,015,826)	(3,463,461)	(3,463,461)	5,552,365
Other Financing Sources (Uses)					
Transfers In	3,456,750	2,559,650	1,781,884	1,781,884	(777,766)
Operating Transfers Out	0	0	(145,655)	(145,655)	(145,655)
Total Other Financing Sources (Uses)	3,456,750	2,559,650	1,636,229	1,636,229	(923,421)
Net Change in Fund Balance	0	(6,456,176)	(1,827,232)	(1,827,232)	4,628,944
Fund Balances Beginning of Year	1,080,363	6,643,968	6,643,968	6,643,968	0
Fund Balances End of Year	1,080,363	187,792	4,816,736	4,816,736	4,628,944

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Limited GO Debt Service Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Expenditures					
Debt Service					
Principal	1,915,000	1,915,000	1,105,000	1,105,000	810,000
Interest	648,359	648,359	350,348	350,348	298,011
Total Expenditures	2,563,359	2,563,359	1,455,348	1,455,348	1,108,011
Excess of revenues of expenditures	(2,563,359)	(2,563,359)	(1,455,348)	(1,455,348)	1,108,011
Other Financing Sources (Uses)					
Operating Transfers In	2,563,359	2,413,359	1,455,349	1,455,349	(958,010)
Total Other Financing Sources (Uses)	2,563,359	2,413,359	1,455,349	1,455,349	(958,010)
Net Change in Fund Balance	0	(150,000)	1	1	150,001
Fund Balances Beginning of Year	172,364	172,370	172,370	172,370	0
Fund Balances End of Year	172,364	22,370	172,371	172,371	150,001

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
 Unlimited GO Debt Service Fund
 For the year ended December 31, 2009

	Original Budget 2009-2010	Final Budget 2009-2010	2009 Actual Amounts Budgetary Basis	Actual 2009-2010 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	2,378,762	2,378,762	1,448,457	1,448,457	(930,305)
Total Revenues	2,378,762	2,378,762	1,448,457	1,448,457	(930,305)
Expenditures					
Debt Service					
Principal	1,685,000	1,685,000	1,085,000	1,085,000	600,000
Interest	693,762	693,762	371,985	371,985	321,777
Total Expenditures	2,378,762	2,378,762	1,456,985	1,456,985	921,777
Excess of revenues of expenditures	0	0	(8,528)	(8,528)	(8,528)
Net Change in Fund Balance	0	0	(8,528)	(8,528)	(8,528)
Fund Balances Beginning of Year	324,819	308,626	308,626	308,626	0
Fund Balances End of Year	324,819	308,626	300,098	300,098	(8,528)

INTERNAL SERVICE FUNDS

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

- The ***Equipment Rental Fund*** accounts and assesses user charges for the cost of maintaining and replacing all City vehicles and heavy equipment.
- The ***Facilities Maintenance Fund*** accounts and assesses user charges for the operations and maintenance of the City's building facilities and public facilities ground maintenance and landscaping.
- The ***Information Technology Fund*** accounts and assesses user charges for the cost of supporting the City's information processing and telecommunications functions and replacing all City computers.

City of Kirkland, Washington
Combining Statement of Net Assets
Internal Service Funds
December 31, 2009

	Equipment Rental	Facilities Maintenance	Information Technology	2009
Assets				
Current Assets				
Cash and Cash Equivalents	5,227,227	2,359,469	1,944,945	9,531,641
Investments	3,015,564	1,360,889	1,096,551	5,473,004
Accounts Receivable	31,442	0	0	31,442
Due from Other Governments	0	459	19,859	20,318
Inventories	44,134	0	0	44,134
Total Current Assets	8,318,367	3,720,817	3,061,355	15,100,539
Noncurrent Assets				
Capital Assets:				
Improvements	128,605	0	0	128,605
Equipment	12,241,214	0	70,384	12,311,598
Accumulated Depreciation	(6,060,498)	0	(32,483)	(6,092,981)
Total Capital Assets Net	6,309,321	0	37,901	6,347,222
Total Noncurrent Assets	6,309,321	0	37,901	6,347,222
Total Assets	14,627,688	3,720,817	3,099,256	21,447,761
Liabilities				
Current Liabilities				
Accounts Payable	21,676	8,505	17,142	47,323
Due to Other Funds	0	6,371	0	6,371
Due to Other Governments	7,509	1,676	84,745	93,930
Wages Payable	24,677	22,245	105,263	152,185
Compensated Absences Payable	27,203	12,483	66,005	105,691
Total Current Liabilities	81,065	51,280	273,155	405,500
Noncurrent Liabilities				
Compensated Absences Payable	6,801	3,121	16,501	26,423
Total Noncurrent Liabilities	6,801	3,121	16,501	26,423
Total Liabilities	87,866	54,401	289,656	431,923
Net Assets				
Invested in Capital Assets, net of related debt	6,309,321	0	37,901	6,347,222
Unrestricted	8,230,501	3,666,416	2,771,699	14,668,616
Total Net Assets	14,539,822	3,666,416	2,809,599	21,015,837

City of Kirkland, Washington
**Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets**
Internal Service Funds
For the Fiscal Year Ended December 31, 2009

	Equipment Rental	Facilities Maintenance	Information Technology	2009
Operating Revenues				
Intergovernmental	0	0	201,359	201,359
Charges for Services	2,958,473	2,987,394	3,559,044	9,504,911
Miscellaneous Revenues	15,044	61,920	10,466	87,430
Total Operating Revenues	2,973,517	3,049,314	3,770,869	9,793,700
Operating Expenses				
Administrative & General	533,985	239,443	1,059,752	1,833,180
Supplies	13,717	61,730	11,813	87,260
Maintenance & Operations	1,189,688	1,579,581	2,430,890	5,200,159
Depreciation	1,028,747	0	8,539	1,037,286
Total Operating Expenses	2,766,137	1,880,754	3,510,994	8,157,885
Operating Income (Loss)	207,380	1,168,559	259,875	1,635,815
Nonoperating Revenues (Expenses)				
Interest Revenue/(Investment Loss)	180,427	(77,328)	(40,490)	62,609
Gain (loss) on Disposal of Capital Assets	73,816	0	0	73,816
Other Nonoperating Revenues/(Expenses)	86,979	(6,596)	0	80,383
Total Nonoperating Revenues (Expenses)	341,222	(83,924)	(40,490)	216,808
Income (Loss) before Contributions and Transfers	548,602	1,084,635	219,385	1,852,622
Transfers In	56,867	26,000	302,406	385,273
Transfers Out	0	(1,004,164)	(387,900)	(1,392,064)
Change in Net Assets	605,469	106,471	133,891	845,831
Total Net Assets - Beginning	13,934,353	3,654,545	2,675,708	20,264,606
Prior Period Adjustment (Note 16)	0	(94,600)	0	(94,600)
Total Net Assets - Ending	14,539,822	3,666,416	2,809,599	21,015,837

City of Kirkland, Washington
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended December 31, 2009

	Equipment Rental	Facilities Maintenance	Information Technology	2009
Cash Flows From Operating Activities				
Cash Received From Interfund Charges	2,958,473	2,986,385	3,559,044	9,503,902
Cash From Other Sources	8,904	62,929	193,115	264,948
Cash Paid to Suppliers for Goods and Services	(677,803)	(92,279)	(1,074,927)	(1,845,009)
Cash Paid to Employees for Services	(594,327)	(553,157)	(2,437,147)	(3,584,631)
Cash Paid for Central Business Functions	(454,392)	(1,281,414)	0	(1,735,806)
Net Cash Provided by Operating Activities	1,240,855	1,122,463	240,085	2,603,403
Cash Flows From Noncapital Financing Activities				
Proceeds from Federal, State, Local Grants	8,200	0	0	8,200
Taxes Paid	0	(8,711)	0	(8,711)
Transfers In	56,867	26,000	302,406	385,273
Transfers Out	0	(1,004,164)	(387,900)	(1,392,064)
Net Cash Provided by (Used for) Noncapital Financing Activities	65,067	(986,875)	(85,494)	(1,007,302)
Cash Flows From Capital and Related Financing Activities				
Proceeds From Sale of Assets and Insurance Recoveries	226,200	707	0	226,907
Acquisition and Construction of Capital Assets	(642,276)	0	0	(642,276)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(416,076)	707	0	(415,369)
Cash Flows From Investing Activities				
Net (Increase) Decrease in Investments	2,134,042	1,154,879	980,905	4,269,826
Interest Revenue	223,555	100,000	0	323,555
Net Cash Provided by Investing Activities	2,357,597	1,254,879	980,905	4,593,381
Net Increase (Decrease) in Cash and Cash Equivalents	3,247,443	1,391,175	1,135,496	5,774,114
Cash and Cash Equivalents, January 1	1,979,784	968,295	809,449	3,757,528
Cash and Cash Equivalents, December 31	5,227,227	2,359,470	1,944,945	9,531,641
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	207,380	1,168,559	259,875	1,635,815
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation	1,028,747	0	8,539	1,037,286
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	45,970	94,600	0	140,570
(Increase) Decrease in Capital Related Accounts Receivable	(45,619)	0	0	(45,619)
(Increase) Decrease in Inventories	3,656	0	0	3,656
(Increase) Decrease in Due From Other Governments	0	(459)	(18,710)	(19,169)
Increase (Decrease) in Beginning Assets (Prior Period Adjustment, Note 16)	0	(94,600)	0	(94,600)
Increase (Decrease) in Reclassification of Nonoperating Revenue	(6,390)	0	0	(6,390)
Increase (Decrease) in Capital Accounts Payable	(7,941)	0	0	(7,941)
Increase (Decrease) in Accounts Payable	(2,670)	(62,743)	(13,124)	(78,537)
Increase (Decrease) in Due to Other Governments	7,509	(1,278)	4,399	10,630
Increase (Decrease) in Due to Other Sources	0	221	0	221
Increase (Decrease) in Wages Payable	2,929	2,559	(7,258)	(1,770)
Increase (Decrease) in Compensated Absences Payable	7,284	15,604	6,364	29,252
Net Cash Provided by Operating Activities	1,240,855	1,122,463	240,085	2,603,403
Noncash Investing, Capital and Finance Activities:				
Change in Fair Value of Investments	68,479	30,632	0	99,111

AGENCY FUNDS

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

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

City of Kirkland
Statement of Agency Fund Net Assets
 December 31, 2009

	Intergovernmental Clearing	Customer Deposits	2009
Assets			
Cash and Cash Equivalents	10,832	0	10,832
Deposits	0	694,879	694,879
Total Assets	10,832	694,879	705,711
Liabilities			
Current Liabilities			
Due to Other Governments	2,581	0	2,581
Deposits	8,251	694,879	703,130
Total Liabilities	10,832	694,879	705,711

City of Kirkland
Statement of Changes in Assets and Liabilities
All Agency Funds
For the fiscal year ended December 31, 2009

	01/01/09 Balance	Additions	Deletions	12/31/09 Balance
Intergovernmental Custodial				
Assets				
Cash and Cash Equivalents	56,021	38,997	84,186	10,832
Total Assets	56,021	38,997	84,186	10,832
Liabilities				
Due to Other Governments	5,874	40,213	43,506	2,581
Deposits	50,147	0	41,896	8,251
Total Liabilities	56,021	40,213	85,402	10,832
Customer Deposits				
Assets				
Deposits	894,055	171,561	370,737	694,879
Total Assets	894,055	171,561	370,737	694,879
Liabilities				
Deposits	894,055	203,270	402,446	694,879
Total Liabilities	894,055	203,270	402,446	694,879
Totals - All Agency Funds				
Assets				
Cash and Cash Equivalents	56,021	38,997	84,186	10,832
Deposits	894,055	171,561	370,737	694,879
Total Assets	950,076	210,558	454,923	705,711
Liabilities				
Due to Other Governments	5,874	40,213	43,506	2,581
Deposits	944,202	203,270	444,342	703,130
Total Liabilities	950,076	243,483	487,848	705,711



Capital Assets

City of Kirkland
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
December 31, 2009
Unaudited

	<u>2009</u>
Governmental Funds Capital Assets:	
Land	\$ 80,548,698
Buildings	30,508,827
Improvements other than Buildings	20,145,781
Machinery and Equipment	1,433,752
Artwork	1,612,966
Infrastructure	128,575,002
Construction in Progress	26,480,883
Total Governmental Funds Capital Assets	<u><u>\$ 289,305,909</u></u>
Investments in Governmental Funds Capital Assets by Source:	
General Fund	\$ 226,686,547
Special Revenue Funds	1,890,033
Impact Fees	6,858,368
Federal Grants	1,221,408
General Obligation Bonds	43,278,002
Private Gifts	9,371,551
Total Governmental Funds Capital Assets	<u><u>\$ 289,305,909</u></u>

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



City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2009
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 13,302,702	\$ 4,365,822	\$ 452,904	\$ -	\$ -	\$ 16,112,241	\$ 39,534,084
Judicial	1,298,000	1,399,615	1,274,148	-	-	-	-	\$ 3,971,763
Security								
Police	-	-	1,862,430	279,493	-	-	207,455	\$ 2,349,378
Fire	134,000	3,603,614	724,567	339,639	-	-	307,557	\$ 5,109,377
Total Security	134,000	3,603,614	2,586,997	619,132	-	-	515,012	7,458,755
Transportation	30,913,426	5,845,821	-	28,927	-	128,575,002	8,071,304	\$ 173,434,480
Physical Environment	55,578	-	1,053,377	107,556	-	-	-	\$ 1,216,511
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	42,847,279	6,357,075	10,865,437	225,233	1,612,966	-	1,782,326	\$ 63,690,316
Total Governmental Funds Capital Assets	\$ 80,548,698	\$ 30,508,827	\$ 20,145,781	\$ 1,433,752	\$ 1,612,966	\$ 128,575,002	\$ 26,480,883	\$ 289,305,909

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

City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule by Function and Activity
For the Year Ended December 31, 2009
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets Jan 1, 2009	Additions	Deductions	Governmental Funds Capital Assets Dec 31, 2009
General Govt	\$ 36,982,507	\$ 2,551,577		\$ 39,534,084
Judicial	1,297,552	2,697,615	23,404	3,971,763
Security				
Police	2,448,067	-	98,689	2,349,378
Fire	5,052,421	56,956	-	5,109,377
Total Security	<u>7,500,488</u>	<u>56,956</u>	<u>98,689</u>	<u>7,458,755</u>
Transportation	168,417,382	5,663,224	646,126	173,434,480
Physical Environment	1,206,535	10,800	824	1,216,511
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	62,404,642	1,325,388	39,714	63,690,316
Total Governmental Funds Capital Assets	<u>\$277,809,106</u>	<u>\$ 12,305,560</u>	<u>\$ 808,757</u>	<u>\$289,305,909</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 Assets.

Statistical Section

City of Kirkland STATISTICAL SECTION

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

Statistical Section	Page
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.	137
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	142
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.	148
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.	153
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.	156

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



Schedule 1
City of Kirkland
 Net Assets by Component
 Last Seven Fiscal Years* - Unaudited
 (accrual basis of accounting)

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

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

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 2
City of Kirkland
 Changes in Net Assets
 Last Seven Fiscal Years* - Unaudited
 (accrual basis of accounting)

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

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

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

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

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 3

City of Kirkland

Fund Balances, Governmental Funds

Last Seven Fiscal Years* - Unaudited

(modified accrual basis of accounting)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006**</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund							
Reserved	\$ 23,175	\$ 23,175	\$ 23,175	\$ -	\$ -	\$ -	\$ -
Unreserved	4,132,740	5,603,516	5,505,380	8,394,364	10,926,697	7,585,824	7,664,519
Total General Fund	<u>\$ 4,155,915</u>	<u>\$ 5,626,691</u>	<u>\$ 5,528,555</u>	<u>\$ 8,394,364</u>	<u>\$10,926,697</u>	<u>\$ 7,585,824</u>	<u>\$ 7,664,519</u>
All Other Governmental Funds							
Reserved	\$ 595,670	\$ 568,667	\$15,850,351	\$19,098,553	\$ 2,693,084	\$ 2,482,649	\$ 1,589,550
Unreserved, reported in:							
Special Revenue Funds	28,828,816	29,056,531	18,198,126	21,110,714	36,824,565	35,827,505	24,498,161
Capital Projects Funds	24,010,369	18,743,786	15,771,542	18,484,240	20,787,912	24,403,049	23,439,218
Total all Other Governmental Funds	<u>\$53,434,855</u>	<u>\$48,368,984</u>	<u>\$49,820,019</u>	<u>\$58,693,507</u>	<u>\$60,305,561</u>	<u>\$62,713,203</u>	<u>\$49,526,929</u>

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

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 4

City of Kirkland

Changes in Fund Balance, Governmental Funds

Last Seven Fiscal Years* - Unaudited

(modified accrual basis of accounting)

141

	Fiscal Year						
	2003	2004	2005	2006**	2007	2,008	2,009
Revenues							
Taxes and Assessments	\$ 36,148,462	\$ 39,285,690	\$ 43,013,052	\$ 48,869,999	\$ 49,958,737	\$ 45,110,987	\$ 43,627,322
Licenses and Permits	2,622,783	3,076,018	3,979,870	3,708,339	3,829,844	3,246,893	3,277,794
Intergovernmental	5,894,441	5,730,204	6,871,563	6,240,952	6,760,999	7,664,200	8,965,670
Charges for Services	8,386,242	9,450,454	10,094,396	10,048,417	9,845,034	10,041,051	8,753,980
Fines and Forfeitures	1,173,958	1,233,761	1,117,030	1,165,921	1,363,234	1,422,321	1,506,082
Investment Interest	1,387,251	1,258,689	1,829,674	2,778,651	3,679,548	3,048,864	1,654,092
Miscellaneous Revenues	640,413	447,210	797,317	1,531,327	1,080,766	1,594,979	816,419
Total Revenues	\$ 56,253,550	\$ 60,482,026	\$ 67,702,902	\$ 74,343,606	\$ 76,518,162	\$ 72,129,295	\$ 68,601,359
Expenditures							
Current							
General Government	\$ 7,972,444	\$ 7,909,306	\$ 8,758,846	\$ 8,744,986	\$ 10,022,436	\$ 11,013,790	\$ 9,550,636
Security of Persons and Property	20,511,004	23,445,532	26,257,339	27,543,202	27,919,796	30,444,289	32,479,111
Physical Environment	3,132,268	3,182,524	3,409,688	3,547,034	3,698,987	3,689,425	3,488,651
Transportation	4,056,329	3,298,181	4,628,907	4,999,973	4,687,211	6,774,661	6,957,494
Economic Environment	5,231,261	3,991,399	4,360,324	4,115,011	6,757,692	6,898,759	6,309,295
Culture and Recreation	5,020,420	5,053,334	5,479,543	5,919,511	6,454,935	6,769,274	6,764,722
Debt Service							
Principal	1,970,000	1,835,000	2,012,000	1,920,000	3,805,000	2,090,000	2,190,000
Interest	1,374,996	1,207,062	1,132,012	1,054,664	972,694	817,048	722,333
Capital Outlay	4,836,500	13,256,914	10,239,560	4,448,792	8,680,093	6,352,081	10,882,097
Total Expenditures	\$ 54,105,222	\$ 63,179,252	\$ 66,278,219	\$ 62,293,173	\$ 72,998,844	\$ 74,849,327	\$ 79,344,339
Excess (Deficiency) of Revenues	\$ 2,148,328	\$ (2,697,226)	\$ 1,424,683	\$ 12,050,433	\$ 3,519,318	\$ (2,720,032)	\$ (10,742,980)
Over (Under) Expenditures							
Other Financing Sources (Uses)							
Sale of Capital Assets	\$ 90,670	\$ 87,600	\$ 234,560	\$ 564,788	\$ 403,402	\$ 97,798	\$ 33,036
Insurance Recovery	-	-	-	-	-	\$ 390,669	\$ 5,520
Proceeds from Long Term Debt	8,560,351	-	-	-	-	-	-
Operating Transfers In	9,963,670	9,494,297	9,347,701	11,518,923	13,978,513	12,796,892	19,453,883
Operating Transfers Out	(9,923,072)	(10,479,766)	(9,654,045)	(12,394,848)	(13,756,846)	(12,320,003)	(18,297,093)
Total Other Financing Sources (Uses)	8,691,619	(897,869)	(71,784)	(311,137)	625,069	965,356	1,195,346
Net Change in Fund Balance	\$ 10,839,947	\$ (3,595,095)	\$ 1,352,899	\$ 11,739,296	\$ 4,144,387	\$ (1,754,676)	\$ (9,547,634)
Debt Service as a percentage of noncapital expenditures	6.79%	6.09%	5.61%	5.14%	7.43%	4.24%	4.25%

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

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 5

City of Kirkland

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

142

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
2000	\$ 4,916,387,558	\$296,624,693	\$ 5,213,012,251	1.84
2001	\$ 5,628,415,398	\$368,150,440	\$ 5,996,565,838	1.64
2002	\$ 6,311,766,096	\$414,773,536	\$ 6,726,539,632	1.44
2003	\$ 6,788,777,356	\$344,404,165	\$ 7,133,181,521	1.59
2004	\$ 7,151,120,913	\$295,356,068	\$ 7,446,476,981	1.55
2005	\$ 7,605,630,655	\$290,763,254	\$ 7,896,393,909	1.49
2006	\$ 8,489,201,834	\$313,726,919	\$ 8,802,928,753	1.49
2007	\$ 9,536,541,460	\$328,698,684	\$ 9,865,240,144	1.40
2008	\$ 12,770,499,212	\$386,893,391	\$ 13,157,392,603	1.27
2009	\$ 10,948,249,594	\$363,953,154	\$ 11,312,202,748	1.13

Source: King County Assessor's Office

Schedule 6

City of Kirkland

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years - Unaudited

143

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	
2000	1.59	0.25	1.84	4.02	1.69	3.30	0.27	0.41	0.50	0.22	12.25
2001	1.43	0.22	1.64	3.53	1.55	3.15	0.25	0.39	0.48	0.19	11.18
2002	1.31	0.13	1.44	3.17	1.45	2.99	0.25	0.36	0.46	0.19	10.31
2003	1.37	0.22	1.59	3.06	1.35	2.90	0.25	0.34	0.50	0.26	10.25
2004	1.35	0.20	1.55	2.96	1.43	2.76	0.25	0.34	0.49	0.25	10.03
2005	1.31	0.18	1.49	2.83	1.38	2.69	0.23	0.59	0.49	0.25	9.95
2006	1.32	0.17	1.49	2.64	1.33	2.49	0.22	0.54	0.49	0.24	9.44
2007	1.25	0.15	1.40	2.57	1.29	2.33	0.21	0.50	0.46	0.23	8.99
2008	1.14	0.13	1.27	2.34	1.21	2.28	0.30	0.45	0.42	0.22	8.49
2009	1.02	0.11	1.13	2.23	1.10	2.11	0.27	0.40	0.39	0.20	7.83

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

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 7

City of Kirkland

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

144

<u>Taxpayer</u>	<u>2009</u>			<u>2000</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Carillon Properties	\$ 150,048,249	1	1.33%	\$ 128,326,509	1	2.14%
Villaggio (Yarrow Bay Club Apartments)	85,410,000	2	0.76%	18,589,354	10	0.31%
Park at Forbes Creek LLC	71,424,000	3	0.63%	32,981,112	4	0.55%
Plaza at Yarrow Bay, Inc.	69,375,600	4	0.61%	52,170,123	3	0.87%
Mept Kirkland Flex LLC (formerly Prop Tax Advisors)	50,535,900	5	0.45%			
BRE Properties	50,220,000	6	0.44%	29,982,829	5	0.50%
Essex Property Trust	43,423,000	7	0.38%			
Touchstone KPP Development (Parkplace)	35,251,100	8	0.31%	28,183,859	6	0.47%
Paccar, Inc.	32,113,468	9	0.28%	20,987,980	9	0.35%
EQR - Heronfield LLC	31,815,000	10	0.28%			
McElroy George & Associates (405 Corp Center)				77,355,699	2	1.29%
GTE Northwest				28,183,859	7	0.47%
Puget Sound Energy Electricity/Gas				28,183,859	8	0.47%
Totals	\$ 619,616,317		5.47%	\$ 444,945,183		7.42%

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

145

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 9,444,624	\$ 9,244,961	97.89%	\$ 183,110	\$ 9,428,071	99.82%
2001	\$ 9,706,445	\$ 9,479,204	97.66%	\$ 203,145	\$ 9,682,349	99.75%
2002	\$ 9,672,026	\$ 9,419,039	97.38%	\$ 230,360	\$ 9,649,399	99.77%
2003	\$ 11,289,849	\$ 10,955,151	97.04%	\$ 265,089	\$ 11,220,240	99.38%
2004	\$ 11,528,775	\$ 11,264,874	97.71%	\$ 224,251	\$ 11,489,125	99.66%
2005	\$ 11,724,737	\$ 11,393,400	97.17%	\$ 241,835	\$ 11,635,235	99.24%
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 222,196	\$ 13,013,281	99.69%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ 248,467	\$ 13,787,887	99.67%
2008	\$ 14,576,390	\$ 14,222,941	97.58%	\$ 249,620	\$ 14,472,561	99.29%
2009	\$ 14,908,508	\$ 14,520,417	97.40%	\$ -	\$ 14,520,417	97.40%

Source: King County Finance Offices

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

146

	Fiscal Year									
	<u>2000 **</u>	<u>2001 **</u>	<u>2002 **</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Services	\$ 1,424,590	\$ 1,418,678	\$ 1,342,157	\$ 1,277,213	\$ 1,347,480	\$ 1,516,943	\$ 1,722,501	\$ 1,779,742	\$ 1,696,462	\$ 1,459,736
Contracting	1,788,687	1,739,136	1,463,962	1,497,052	1,777,419	2,315,820	3,279,243	3,007,168	2,685,516	1,722,657
Communications	706,919	644,333	551,003	936,836	576,840	689,152	793,243	657,923	564,808	480,575
Automotive/Gas Retail	2,417,073	2,325,651	2,283,057	2,532,728	2,721,983	2,791,766	2,973,380	3,276,488	2,990,763	2,650,663
Gen Merch/ Misc Retail	-	-	-	2,377,572	2,220,194	2,384,674	2,524,268	2,562,537	2,230,501	1,930,424
Retail Eating/Drinking	-	-	-	1,031,527	1,109,576	1,183,017	1,228,127	1,294,444	1,295,765	1,125,423
Other Retail	4,328,082	4,131,602	4,276,413	1,259,370	1,577,589	1,774,957	1,800,744	1,738,458	1,761,238	1,545,962
Wholesale	1,428,082	929,125	759,878	1,112,417	652,515	984,807	1,320,124	1,111,079	881,824	544,895
Miscellaneous	652,062	648,901	544,290	647,736	720,378	668,662	786,514	1,098,629	924,213	784,591
Total	\$ 12,745,495	\$ 11,837,426	\$ 11,220,760	\$ 12,672,451	\$ 12,703,974	\$ 14,309,798	\$ 16,428,144	\$ 16,526,468	\$ 15,031,090	\$ 12,244,926
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

** 2000 through 2002 Other Retail included General Merchandise/Miscellaneous Retail and Retail Eating/Drinking.

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 10

City of Kirkland

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

147

Fiscal Year	General Sales						Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington	King County			Regional Transit Authority	City of Kirkland *	Total General Sales Tax	State of Washington	Total	King County	Total
	General Sales	Metro	Criminal Justice	Mental Health	Automobile Sales/Leases		Automobile Sales/Leases	Restaurant Food and Beverage	Restaurant Food and Beverage		
2000	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2001	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2002	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2003	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0%	8.80%	0.50%	9.30%
2004	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2005	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2006	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%
2007	6.50%	0.90%	0.10%	0%	0.40%	1.00%	8.90%	0.30%	9.20%	0.50%	9.40%
2008	6.50%	0.90%	0.10%	0.10%	0.40%	1.00%	9.00%	0.30%	9.30%	0.50%	9.50%
2009	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%

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

Schedule 11

City of Kirkland

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

148

<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>			<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Tourdock Interlocal Agreement</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Public Works Trust Fund Loans</u>	<u>Total Government</u>		
2000	\$ 18,425,000	\$ 60,000	\$130,068	\$ -	\$7,930,000	\$5,219,983	\$ 31,765,051	1.59%	704
2001	\$ 21,930,000	\$ 50,000	\$130,068	\$ -	\$7,510,000	\$4,769,176	\$ 34,389,244	1.72%	751
2002	\$ 20,380,000	\$ 40,000	\$130,068	\$ -	\$7,060,000	\$4,318,367	\$ 31,928,435	1.58%	697
2003	\$ 26,820,000	\$ 30,000	\$130,068	\$ -	\$6,580,000	\$5,680,030	\$ 39,240,098	1.92%	860
2004	\$ 25,000,000	\$ 15,000	\$130,068	\$ -	\$6,215,000	\$5,437,794	\$ 36,797,862	1.62%	803
2005	\$ 23,150,000	\$ 10,000	\$ -	\$ -	\$5,635,000	\$5,423,610	\$ 34,218,610	1.53%	748
2006	\$ 21,235,000	\$ 5,000	\$ -	\$ -	\$5,040,000	\$5,137,851	\$ 31,417,851	1.26%	666
2007	\$ 17,435,000	\$ -	\$ -	\$ -	\$4,425,000	\$4,523,186	\$ 26,383,186	0.95%	551
2008	\$ 15,345,000	\$ -	\$ -	\$ -	\$3,785,000	\$3,908,523	\$ 23,038,523	0.81%	476
2009	\$ 13,155,000	\$ -	\$ -	\$ -	\$3,120,000	\$3,293,856	\$ 19,568,856	0.67%	399

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

Schedule 12

City of Kirkland

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

149

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2000	\$ 18,425,000	0.35%	\$ 408.63
2001	\$ 21,930,000	0.37%	\$ 479.13
2002	\$ 20,380,000	0.30%	\$ 445.08
2003	\$ 26,820,000	0.38%	\$ 587.77
2004	\$ 25,000,000	0.34%	\$ 545.85
2005	\$ 23,150,000	0.29%	\$ 506.12
2006	\$ 21,235,000	0.24%	\$ 450.08
2007	\$ 17,435,000	0.18%	\$ 364.06
2008	\$ 15,345,000	0.12%	\$ 316.98
2009	\$ 13,155,000	0.12%	\$ 268.41

Sources: City of Kirkland Finance and Administration Financial Operations; King County Assessor's Office

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2009 - Unaudited

150

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	\$ 1,018,882,000	3.31%	\$ 33,742,193
Lake Washington School District	371,015,000	31.30%	116,121,704
Port of Seattle	357,315,000	3.31%	11,833,158
Bellevue School District	309,620,000	0.05%	167,925
Hospital District #2	235,860,000	21.39%	50,459,606
Library	129,925,000	0.03%	<u>33,893</u>
Total Overlapping Debt			\$ 212,358,479
Direct Debt			
City of Kirkland*	\$ 13,155,000	100.00%	<u>\$ 13,155,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 225,513,479</u></u>

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

Source: Davidson Fixed Income Capital Markets

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 390,975,919	\$ 449,742,438	\$ 504,490,472	\$ 534,988,614	\$ 558,485,774	\$ 592,229,543	\$ 660,219,656	\$ 739,893,011	\$ 986,804,445	\$ 848,415,206
Total Net Debt Applicable to Limit	<u>17,983,159</u>	<u>21,437,081</u>	<u>19,849,153</u>	<u>26,236,750</u>	<u>24,436,756</u>	<u>22,615,509</u>	<u>20,678,180</u>	<u>16,937,097</u>	<u>14,863,464</u>	<u>12,682,544</u>
Legal Debt Margin	<u>\$ 372,992,760</u>	<u>\$ 428,305,357</u>	<u>\$ 484,641,319</u>	<u>\$ 508,751,864</u>	<u>\$ 534,049,018</u>	<u>\$ 569,614,034</u>	<u>\$ 639,541,476</u>	<u>\$ 722,955,914</u>	<u>\$ 971,940,981</u>	<u>\$ 835,732,662</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	4.60%	4.77%	3.93%	4.90%	4.38%	3.82%	3.13%	2.29%	1.51%	1.49%

Legal Debt Margin Calculation for Fiscal Year 2009

Total Assessed Value	<u>11,312,202,748</u>
Debt Limit (7.5% of Total Assessed Value)	<u>848,415,206</u>
Debt Applicable to Limit:	
General Obligation Bonds	13,155,000
Less Cash on Hand for Debt Redemption	<u>(472,456)</u>
Total Net Debt Applicable to Limit	<u>12,682,544</u>
Legal Debt Margin	<u>\$ 835,732,662</u>

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

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 15

City of Kirkland

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

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Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2000	\$ 12,575,674	\$ 9,406,929	\$ 3,168,745	\$ 395,000	\$ 415,409	3.91	\$ 37,681	\$ 39,000	\$ 5,102	0.85
2001	\$ 13,031,759	\$ 9,570,486	\$ 3,461,273	\$ 770,000	\$ 390,865	2.98	\$ 13,446	\$ 10,000	\$ 3,030	1.03
2002	\$ 14,639,664	\$ 10,559,037	\$ 4,080,627	\$ 770,000	\$ 365,925	3.59	\$ 15,800	\$ 10,000	\$ 2,540	1.26
2003	\$ 15,112,520	\$ 11,814,586	\$ 3,297,934	\$ 495,000	\$ 274,610	4.29	\$ 19,963	\$ 10,000	\$ 2,045	1.66
2004	\$ 13,573,647	\$ 10,504,460	\$ 3,069,187	\$ 580,000	\$ 244,756	3.72	\$ 11,134	\$ 15,000	\$ 1,545	0.67
2005	\$ 13,276,138	\$ 11,397,440	\$ 1,878,698	\$ 595,000	\$ 225,385	2.29	\$ 5,064	\$ 10,000	\$ 780	0.47
2006 *	\$ 17,509,308	\$ 12,168,914	\$ 5,340,394	\$ 615,000	\$ 202,908	6.53	\$ 7,881	\$ 5,000	\$ 520	1.43
2007	\$ 16,578,496	\$ 12,741,287	\$ 3,837,209	\$ 640,000	\$ 178,173	4.69	\$ 4,544	\$ -	\$ -	-
2008	\$ 17,559,865	\$ 13,220,756	\$ 4,339,109	\$ 665,000	\$ 152,073	5.31	\$ -	\$ -	\$ -	-
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	\$ 690,000	\$ 124,185	5.00	\$ -	\$ -	\$ -	-

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

Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

153

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
2000	45,090	\$ 2,002,808	\$ 44,418	4.00%
2001	45,770	\$ 2,001,705	\$ 43,734	5.10%
2002	45,790	\$ 2,021,766	\$ 44,153	6.10%
2003	45,630	\$ 2,039,844	\$ 44,704	6.20%
2004	45,800	\$ 2,268,611	\$ 49,533	5.10%
2005	45,740	\$ 2,231,609	\$ 48,789	4.60%
2006	47,180	\$ 2,484,263	\$ 52,655	4.10%
2007	47,890	\$ 2,763,732	\$ 57,710	3.70%
2008	48,410	\$ 2,828,113	\$ 58,420	4.33%
2009	49,010	\$ 2,901,306	\$ 59,198	8.04%

Sources: US Department of Commerce; Washington State Employment Security Department

Schedule 17

City of Kirkland

Property Values and Construction

Last Ten Fiscal Years - Unaudited

154

<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction *</u>		<u>Mixed Use Construction **</u>		<u>Total Assessed Property Valuation</u>
	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	
2000	8	\$ 11,098,790	246	\$ 52,369,011	0	\$ -	0	\$ -	\$ 5,213,012,251
2001	12	\$ 10,823,390	150	\$ 44,718,844	262	\$ 25,917,299	0	\$ -	\$ 5,996,565,838
2002	6	\$ 6,091,081	137	\$ 44,598,760	155	\$ 14,095,460	0	\$ -	\$ 6,726,539,632
2003	3	\$ 6,725,700	165	\$ 53,479,192	27	\$ 4,239,774	0	\$ -	\$ 7,133,181,521
2004	11	\$ 46,413,334	192	\$ 59,285,927	263	\$ 26,658,812	0	\$ -	\$ 7,446,476,981
2005	10	\$ 36,336,205	229	\$ 77,808,567	277	\$ 31,070,574	0	\$ -	\$ 7,896,393,909
2006	4	\$ 6,440,429	237	\$ 86,466,535	160	\$ 22,000,720	0	\$ -	\$ 8,802,928,753
2007	8	\$ 36,632,094	229	\$ 85,599,108	129	\$ 7,229,000	2	\$ 16,710,654	\$ 9,865,240,144
2008	4	\$ 8,115,000	128	\$ 44,004,859	241	\$ -	2	\$ 27,792,550	\$ 13,157,392,603
2009	3	\$ 17,740,116	44	\$ 17,683,428	81	\$ 2,384,000	3	\$ 31,521,957	\$ 11,312,202,748

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

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

Source: King County Assessor's Office; City of Kirkland Building Department

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Ago - Unaudited

155

<u>Employer</u>	<u>2009</u>			<u>2000</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	2,603	1	9.82%	1,400	1	3.59%
City of Kirkland	581	2	2.19%	396	4	1.02%
Wireless Data Services of N America, Inc.	529	3	2.00%			
Lake Washington School District	428	4	1.62%			
Kenworth Truck Co.	426	5	1.61%			
Google, Inc.	367	6	1.38%			
Evergreen Pharmaceutical	269	7	1.02%			
IBM Corporation	250	8	0.94%			
Clearwire Corporation	248	9	0.94%	269	8	0.69%
WB Games, Inc.	207	10	0.78%			
Keane, Inc.				600	2	1.54%
AVT Corporation				425	3	1.09%
Larry's Market				350	5	0.90%
Costco Wholesale				304	6	0.78%
Fred Meyer				280	7	0.72%
Van Water and Rogers, Inc.				268	9	0.69%
NetManage, Inc.				260	10	0.67%
Total	<u>5,908</u>		<u>22.29%</u>	<u>4,552</u>		<u>11.67%</u>

Source: City of Kirkland Finance and Administration Financial Planning

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

Full-time Equivalent Employees as of December 31

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager's Office	6.00	6.50	6.50	6.50	6.89	6.89	19.48	21.24	21.54	21.54
City Attorney's Office	3.50	3.50	3.50	3.50	3.00	4.00	4.00	4.00	4.00	4.00
Human Resources	-	-	-	-	5.56	6.68	7.10	7.10	7.10	7.10
Parks and Community Services	31.40	30.15	32.15	32.15	31.15	32.28	32.28	32.78	36.53	36.53
Public Works	23.39	24.39	24.39	26.39	26.39	25.65	26.65	26.95	27.55	27.55
Finance and Administration	44.73	46.41	47.47	48.47	41.41	41.29	28.45	29.50	28.80	29.05
Planning and Community Development	20.50	21.50	21.62	21.62	21.62	21.62	22.56	23.56	22.06	21.06
Police	90.50	92.50	96.50	96.00	96.50	99.50	105.50	110.50	109.00	95.50
Fire and Building	86.61	90.61	93.53	96.53	96.53	96.53	100.53	109.53	113.28	112.28
Other General Gov't Operating Funds										
Lodging Tax Fund	-	-	-	-	0.11	0.11	0.11	0.25	0.90	0.90
Street Operating	14.97	14.97	14.97	14.67	15.45	15.40	15.40	15.40	16.90	16.10
Parks Maintenance	-	-	-	4.50	6.50	7.50	7.50	7.50	7.50	7.50
Recreation Revolving	2.10	2.10	3.25	3.25	3.25	3.25	3.25	3.25	-	-
Facilities Maintenance	4.50	6.50	6.50	6.50	5.90	5.90	5.90	5.90	5.90	5.95
Equipment Rental	5.00	5.00	5.00	5.50	5.50	5.50	5.50	6.00	6.00	6.40
Information Technology	6.00	7.00	7.50	14.00	14.00	15.00	18.25	18.75	19.50	20.00
Utility Funds										
Water/Sewer Operating	18.45	18.45	18.95	19.15	20.10	20.31	20.31	20.71	21.21	21.06
Surface Water Management	9.44	12.44	12.32	12.42	13.16	13.69	15.19	15.39	17.24	17.74
Solid Waste	-	-	-	-	-	1.05	1.05	1.65	1.70	1.70
Total	374.09	389.02	401.15	418.15	420.02	429.15	446.01	466.96	473.71	458.96

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Source: City of Kirkland Finance and Administration Financial Planning

Schedule 20

City of Kirkland

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Security of Persons and Property - Police										
Calls for Service	50,915	54,706	54,735	57,026	53,238	43,120	53,215	56,986	58,499	58,245
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	6,568	7,000	7,151	7,175	7,335	7,195	8,109	7,255	7,256	7,320
Average EMS Reponse (minutes)	4:24	5:45	5:28	5:09	5:11	5:17	5:21	5:30	5:27	5:20
Average Fire Response (minutes)	5:05	6:40	5:56	5:53	5:58	5:53	6:02	5:59	5:47	5:46
Culture and Recreation										
Adult Program Registrations	1,887	3,367	4,466	4,546	3,868	4,621	4,484	4,675	3,894	3,234
Preschool Program Registrations	2,250	2,562	2,488	2,654	3,131	3,436	3,520	3,467	3,516	3,773
Youth Program Registrations	3,619	4,141	4,045	3,924	4,180	4,553	4,639	4,526	4,610	4,505
Teen Program Registrations	113	54	56	155	210	134	140	93	130	88
Parent/Child Program Registrations	176	182	224	167	180	348	484	392	372	222
Senior Program Registrations	*	2,449	4,114	4,090	3,777	5,010	4,858	4,833	4,065	4,104
Physical Environment										
Street Hot Patching (hours)	6,336	5,377	5,283	4,632	4,924	5,261	4,127	4,469	4,650	3,819
Street Signal Maintenance (hours)	2,932	2,927	2,874	2,356	2,645	2,976	2,685	2,546	2,723	2,712
Street Sweeping (hours)	1,520	2,008	1,703	1,931	1,824	2,016	2,177	2,001	1,959	1,971
Number of Sewer Customers	8,723	8,843	8,971	9,103	9,276	9,420	9,580	9,771	9,923	10,004
Number of Water Customers	11,090	11,197	11,265	11,376	11,452	11,534	11,648	11,849	11,955	12,056
Average Daily Water Consumption (million gallons)	6.00	5.80	5.80	5.21	6.20	5.72	6.60	5.80	6.30	5.90

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* Data not available

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

Schedule 21

City of Kirkland

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	5.1	6.2	6.4	6.4	7.1	6.5	6.6	6.8	6.5	6.4
Security of Persons and Property - Fire										
Stations (full-time staffed)	5	5	5	5	5	5	5	6	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks Acreage	403	403	450	480	512	525	510	515	517	517
Parks (developed)	30	30	30	32	32	32	33	33	33	32
Parks (undeveloped)	2	2	2	5	5	5	7	7	7	8
Waterfront Footage	12,000	12,000	12,000	13,200	13,200	13,200	13,200	13,200	13,270	13,270
Miles of Improved Park Trails	4.6	4.6	4.6	4.6	5.0	5.0	5.5	5.5	5.5	5.8
Miles of Unimproved Park Trails	4.2	4.2	4.2	4.2	4.0	4.0	4.0	4.0	4.0	4.0
Community Centers	1	1	1	1	1	1	2	2	2	2
Physical Environment										
Water Mains (miles)	162	162	162	162	163	166	166	166	167	169
Sanitary Sewers (miles)	*	100	100	100	115	116	116	117	119	119
Streets (miles)	146	146	146	146	148	149	149	149	148	147
Sidewalks (miles)	118	118	118	118	134	134	136	138	139	140

* Data not available

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