

For the Fiscal Year Ended December 31

2004



# Comprehensive Annual Financial Report



sunset at juanita bay

photo by -m. saint claire

City of Kirkland, Washington

## **Comprehensive Annual Financial Report**



**For the Fiscal Year Ended December 31, 2004**

**Marilynne Beard**

Director of Finance and Administration

Prepared by

Gwen Chapman, Financial Operations Manager

Teresa Crauer, Senior Accountant

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Cover Design and Layout by



**City of Kirkland, Washington  
Comprehensive Annual Financial Report  
For the Year ended December 31, 2004**

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## **Introductory Section**

# CITY OF KIRKLAND

## CITY COUNCIL

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Mayor .....	Mary-Alyce Burleigh
Deputy Mayor .....	Joan McBride
Council Members.....	David Asher
	Nona Ganz
	Jessica Greenway
	Jim Lauinger
	Dave Russell

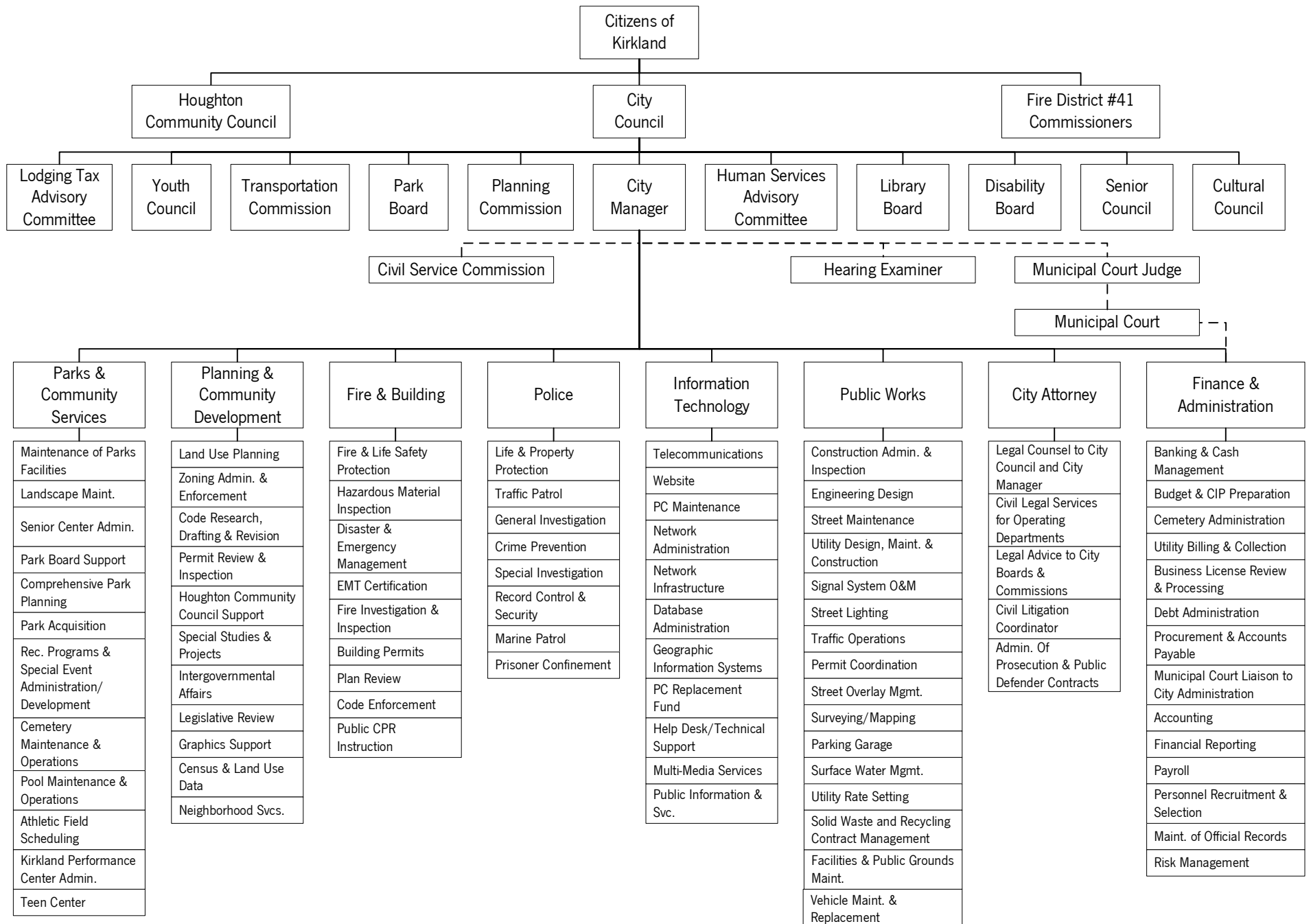
## ADMINISTRATIVE STAFF

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

\* as of May 2005

# CITY OF KIRKLAND







**June 10, 2005**

Citizens of Kirkland  
Honorable Mayor  
Members of the City Council

I am pleased to submit to you the 2004 Comprehensive Annual Financial Report of the City of Kirkland, Washington. The report was prepared by the City's Finance Department in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report is presented in conformity with Governmental Accounting Standards Board (GASB) Statements 34 through 46 and is presented in three sections:

- The Introductory Section is unaudited and includes the table of contents, the City's organizational chart, a list of principal officials and this transmittal letter.
- The Financial Section includes the State Auditor's opinion, the general purpose financial statements and combining and individual statements and schedules for the City's funds and account groups.
- The Statistical Section is unaudited and includes selected general and financial information presented on a multi-year, comparative basis.

Generally Accepted Accounting Principals (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

## **Profile of the Government**

The City of Kirkland was incorporated in 1905 and operates under a council/manager form of government. The council/manager form of government clearly separates the legislative policy function from the professional administrative function. The City Council consists of seven nonpartisan members elected at large every two years to staggered four-year terms. The Mayor is elected from within the City 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 City of Kirkland provides a full range of municipal services, including police and fire, parks and recreation, municipal court, planning and community development, public works and general administrative services.

The report includes all funds, account groups, agencies and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments.

## **Economic Outlook**

The City's conservative fiscal policies and financial management practices have helped it weather the most recent economic recession with minimal service impacts. Although the use of the recessionary reserve was budgeted in 2003 and 2004, the City ultimately didn't need to tap this reserve in either year due to a significant, one-time sales tax audit recovery in 2003 and to strong sales tax and development-related revenue performance during this period.

Looking into the 2005-2006 biennium, sales tax revenue is expected to grow 5-7 percent annually, with most of the growth coming from the contracting, business services, and retail sectors. Also, development activity is expected to remain strong, particularly with the second phase of Juanita Village (a mixed use development) and significant additions at Evergreen Hospital now underway.

From a longer term perspective, it is anticipated that the City's economic development and tourism efforts, which are becoming more focused, will bear economic fruit as well. Finally, a major redevelopment of Totem Lake Mall appears to be very likely, and could begin construction as early as 2006. The culmination of this effort should result in an ongoing net tax revenue increase to the City up to \$1.0 million once the project is completed.

## **Major Initiatives**

Major initiatives undertaken in 2004 and 2005 include the following:

- The Kirkland Municipal Court relocated to the Totem Lake area. The new facility includes space for police evidence storage.
- Technology improvements within the City include a new city-wide telephone system installed in November of 2004 and a police mobile system software implementation. Other technology implementations scheduled for 2005 and 2006 include electronic council packets, internet video

streaming of council meetings, implementation of a city-wide document management system, and wireless computer access for field workers.

- The City's 2005-2006 Budget is the City's first biennial budget. A full budget process will now take place every two years with a mid-biennium review and capital improvement program preparation taking place during the off-budget year.
- The Police Department Strategic Plan was adopted and calls for the addition of sixteen new positions to maintain and enhance protective services in Kirkland (though the funding still needs to be identified).
- City staff has been asked by Council to develop a plan to annex the City's Potential Annexation Area to the north. The area encompasses Finn Hill, Juanita and Kingsgate. The full annexation, which would add about 32,000 residents, is being analyzed with respect to the estimated financial impact to determine the balance between revenues available from the annexation area and the cost of providing Kirkland's level of service.
- The City has a new arrangement for purchasing water through the Cascade Water Alliance (CWA). The purchases were formerly made from the City of Seattle. CWA is a consortium of suburban cities that formed to garner greater control over future water sources and costs.
- The City of Kirkland will celebrate its Centennial Anniversary in 2005. A variety of activities are planned throughout 2005 to celebrate the City's 100<sup>th</sup> birthday.

## **Financial Management and Controls**

### Accounting Systems

Cities and counties of the State of Washington must comply with the Budgeting, Accounting and Reporting System prescribed by the Office of the State Auditor. State law also provides for an annual independent audit by the Office of the State Auditor and requires timely submission of annual financial reports to the State for review.

As a recipient of federal, state and local financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Budget Circular A-133, Audits of State and Local Governments. This audit, when applicable, is conducted by the State Auditor's Office in conjunction with the City's annual audit. The City was not required to undergo a single audit for the fiscal year ended December 31, 2004.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable,

but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of the control structure should not exceed the benefits likely to be derived therefrom, and that the evaluation of cost and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Budgets are prepared for all funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level. Budgetary control is internally administered at a more restrictive level. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances can be reappropriated as part of the following year's budget.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

#### Cash Management

The City invests only in securities authorized by State law and primarily invests in U.S. Treasury Securities, Federal Agency Obligations and the Washington State Investment Pool. The maturities of the investments generally range from 1 day to 3 years, with the average maturity being 1.05 year at the end of 2004. The 2004 return was 2.0 percent. The City's portfolio earned interest revenue of \$1,585,345 on investments for the year ended December 31, 2004.

As stated in the City's investment policy, the primary objectives of the City's investment activities are safety, liquidity and yield. Safety is ensured by purchasing securities that are explicitly or implicitly backed by the full faith and credit of the U.S. Government, or maintaining deposits guaranteed by the Washington State Public Deposit Commission. A further measure of safety is added through the delivery of securities purchased to our safekeeping agent prior to payment.

Liquidity is maintained by attempting to match investment maturities with cash flow requirements, limiting maturities to a maximum of five years and keeping a balance in the Washington State Investment Pool sufficient to meet short-term obligations. The Washington State Investment Pool is an Investment Account managed by the Washington State Treasurer that offers immediate liquidity. While investments are purchased with the intention of being held to maturity, consideration is given as to their future marketability and liquidity.

Yield is considered after safety and liquidity requirements have been met. The City's yield objective is to achieve at least a market rate of return.

## **Other Information**

### Independent Audit

State statute requires an annual audit by the Washington State Auditor's Office. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and related Office of Management and Budget Circular A-133. The auditor's opinion letter on the general purpose financial statements is included in the financial section of this report. The complete auditor's report is available at Kirkland City Hall.

### Awards and Acknowledgments

We believe that our current CAFR meets the Certificate of Achievement Program's requirements and for the first time are submitting it to the GFOA to determine its eligibility for a certificate. A Certificate of Achievement is valid for a period of one year only.

This report was prepared by the City's Finance Department. I would like to express my appreciation to my staff and other personnel from various departments who assisted in its preparation. I would also like to thank the Mayor, City Council, and the City Manager for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Marilynne Beard".

Marilynne Beard  
Director of Finance and Administration



## **Financial Section**



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

Legislative Building  
PO Box 40021  
Olympia, Washington 98504-0021

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FAX (360) 753-0646  
TDD Relay 1-800-833-6388  
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**INDEPENDENT AUDITOR'S REPORT**

June 17, 2005

Mayor and City 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, 2004, as listed on page i and ii. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirkland, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and Major Special Revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 25 and pension trust fund information on pages 50 and 51 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 inquires 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 financial statements and supplemental information on pages 86 through 142 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections 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, 2004. 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 \$305.2 million at the end of 2004. Of this amount, \$227.6 million is invested in capital assets such as streets, land, and buildings. The remainder consists of \$32.9 million that is restricted for capital projects, debt service, and other purposes and \$44.7 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 \$21.3 million in 2004. Business-type activities accounted for \$12.1 million of the increase with the remaining \$9.2 million coming from governmental activities. Across both types of activities, \$12.7 million, or 60 percent, of the increase was related to the addition of capital assets net of any related debt.
- At the end of the most recent fiscal year, the city's governmental funds reported combined ending fund balances of \$54.0 million, a decrease of \$3.6 million compared to the prior year. Of this total amount, \$31.4 million, or 58 percent, is legally restricted or reserved by city policy for capital projects.
- Unreserved, undesignated fund balance in the general fund was \$5.6 million at the end of 2004, which represents about 14 percent of total general fund expenditures. An additional fund balance of \$4.2 million is available in the park and municipal reserve fund (in the general operating reserve and the revenue stabilization reserve combined) to cover unforeseen revenue losses during an economic downturn or to provide funding for unforeseen expenditure needs for general city programs.
- Total outstanding debt, including Public Works Trust Fund loans, at year-end was \$36.8 million, which represents a decrease of \$.3 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 whether the city's overall financial health is improving or deteriorating.

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

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

### **Fund Financial Statements**

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

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

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

The City of Kirkland maintains twenty-four 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 an annual budget. Budgets are adopted at the fund level and according to state law. Budgetary comparison statements are presented for each of the city's six major governmental funds in the Basic Financial Statements section of this report. Budgetary comparison statements for each of the other governmental funds are included in the Fund Financial Statements and Schedules section of this report.

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

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

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

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

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

## **Other Information**

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

## **Government-wide Financial Analysis**

### **Statement of Net Assets**

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Kirkland's net assets at December 31, 2004 total almost \$305.2 million. Following is a condensed version of the government-wide statement of net assets (expressed in millions of dollars) comparing fiscal year 2004 to 2003.

### **City of Kirkland's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 66.83	\$ 68.27	\$ 20.71	\$ 19.68	\$ 87.54	\$ 87.95
Capital assets, net of accumulated depreciation	165.76	156.39	95.08	84.70	260.84	241.09
Total assets	232.59	224.66	115.79	104.38	348.38	329.04
Long-term liabilities	26.51	28.25	11.15	11.83	37.66	40.08
Other liabilities	3.26	2.81	2.29	2.28	5.55	5.09
Total liabilities	29.77	31.06	13.44	14.11	43.21	45.17
Net assets:						
Invested in capital assets, net of related debt	144.19	141.92	83.39	72.93	227.58	214.85
Restricted	32.71	39.96	.21	.30	32.92	40.26
Unrestricted	25.92	11.72	18.75	17.04	44.67	28.76
Total net assets	\$ 202.82	\$ 193.60	\$ 102.35	\$ 90.27	\$ 305.17	\$ 283.87

As of the end of 2004, the largest component of the city's total net assets at \$227.6 million, or 74.6 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 liquidate these liabilities.

A little more than \$32.9 million, or 10.8 percent, of the city's total net assets is subject to legal restrictions for general government capital projects (\$18.7 million), debt service payments (\$.8 million), and other special purposes (\$13.4 million). Examples of general government capital projects for which the \$18.7 million in net assets is earmarked include intersection improvements in Totem Lake and North Rose Hill, acquisition and

implementation of major information technology systems, and development of Waverly Park. The city attempts to fund 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 other special purposes for which the \$13.4 million in net assets is restricted primarily relate to capital construction funding transfers, park maintenance and operation (funded by a levy lid lift approved by voters in November 2002), and tourism activities.

The remaining \$44.7 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 \$18.8 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 \$25.9 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, construction of a public safety building, 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 its operating activities. Overall, the City of Kirkland's net assets increased about \$21.3 million in 2004. A breakdown of this increase 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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 13.22	\$ 12.55	\$ 23.49	\$ 25.33	\$ 36.71	\$ 37.88
Operating grants and contributions	1.58	1.96	.06	.41	1.64	2.37
Capital grants and contributions	.89	.90	10.25	7.05	11.14	7.95
General revenues:						
Property taxes	11.77	11.38	-	-	11.77	11.38
Sales taxes	14.25	13.62	-	-	14.25	13.62
Regulatory license fee	.90	.50	-	-	.90	.50
Utility taxes	7.39	7.20	-	-	7.39	7.20
Other taxes	5.26	3.62	-	-	5.26	3.62
Investment earnings	.95	1.08	.33	.32	1.28	1.40
Miscellaneous*	.35	.08	-	-	.35	.08
Total revenues	56.56	52.89	34.13	33.11	90.69	86.00
Expenses:						
General government	3.07	2.86	-	-	3.07	2.86
Judicial	1.24	1.13	-	-	1.24	1.13
Public safety	21.66	21.28	-	-	21.66	21.28
Physical environment	2.33	2.05	-	-	2.33	2.05
Transportation	6.72	8.38	-	-	6.72	8.38
Human services	1.12	1.14	-	-	1.12	1.14
Economic environment	4.38	4.65	-	-	4.38	4.65
Culture and recreation	5.62	5.65	-	-	5.62	5.65
Interest on long-term debt	1.34	1.47	-	-	1.34	1.47
Water/sewer	-	-	12.44	13.79	12.44	13.79
Surface water	-	-	2.47	2.27	2.47	2.27
Solid waste	-	-	7.00	7.54	7.00	7.54
Total expenses	47.48	48.61	21.91	23.60	69.39	72.21
Increase in net assets before transfers and special items	9.08	4.28	12.22	9.51	21.30	13.79
Transfers	.14	.04	(.14)	(.04)	-	-
Increase in net assets	9.22	4.32	12.08	9.47	21.30	13.79
Net assets at beginning of year	193.60	189.28	90.27	80.80	283.87	270.08
Net assets at end of year	\$ 202.82	\$ 193.60	\$ 102.35	\$ 90.27	\$ 305.17	\$ 283.87

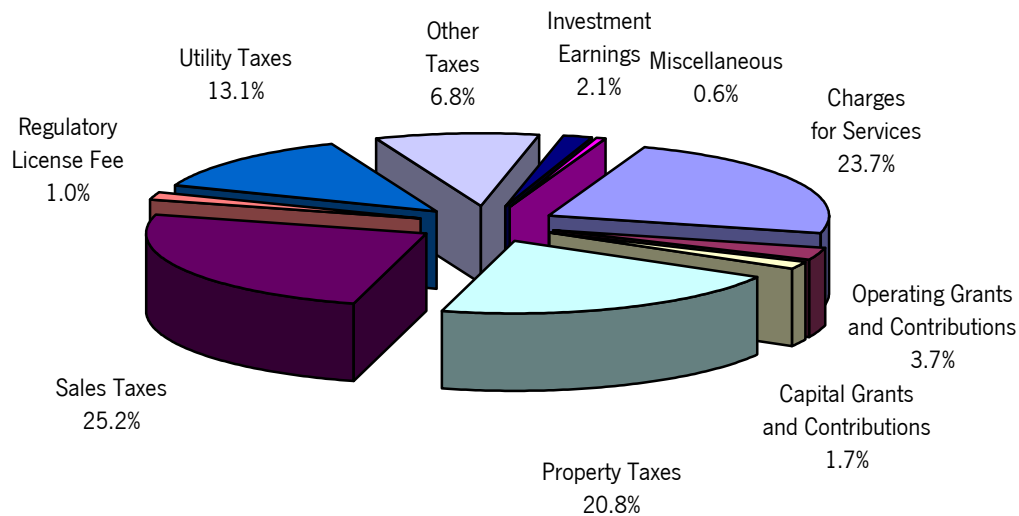
\* Miscellaneous includes unrestricted grants and contributions and loss on sale of capital assets.



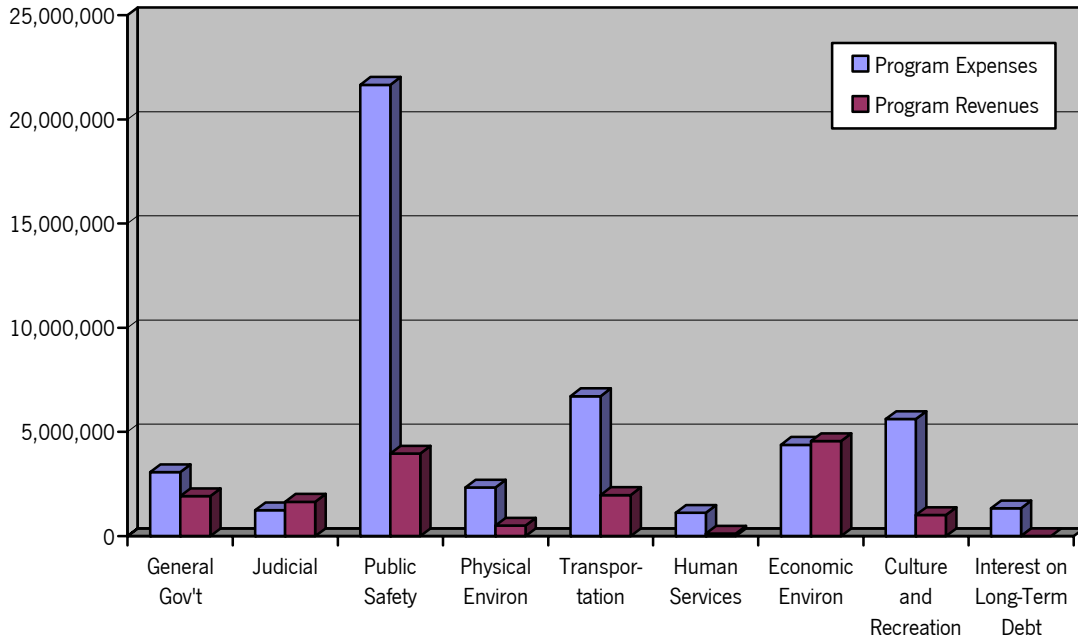
**Governmental activities** accounted for \$9.2 million of the \$21.3 million total increase in net assets. Key elements of this increase are as follows:

- Real estate excise tax revenue was up about \$1.5 million compared to 2003 due to the strong residential real estate market and to the sale of a major commercial property.
- Revenue from charges for services was up almost \$.7 million compared to 2003 primarily due to road and park impact fees generated from the strong development activity in the city and an increase in intergovernmental fire services revenue from Fire District #41.
- Sales tax revenue was up a little over \$.6 million, or 4.6 percent, compared to 2003 due to the improving economy. Factoring out the \$.8 million received in one-time audit recoveries in 2003 from the telecommunications business sector, sales tax revenue was up \$1.4 million, or 10.9 percent, compared to the prior year.
- Regulatory business license fee revenue was up \$.4 million compared to 2003 reflecting a full year's worth of revenue. This new fee became effective in May 2003 and is in addition to the base business license fee.
- Transportation expenses were down almost \$1.7 million compared to 2003 mostly because of a significant drop in depreciation expense. The city's principal and minor arterials were fully depreciated as of December 31, 2003.

**Revenues by Source—Governmental Activities**



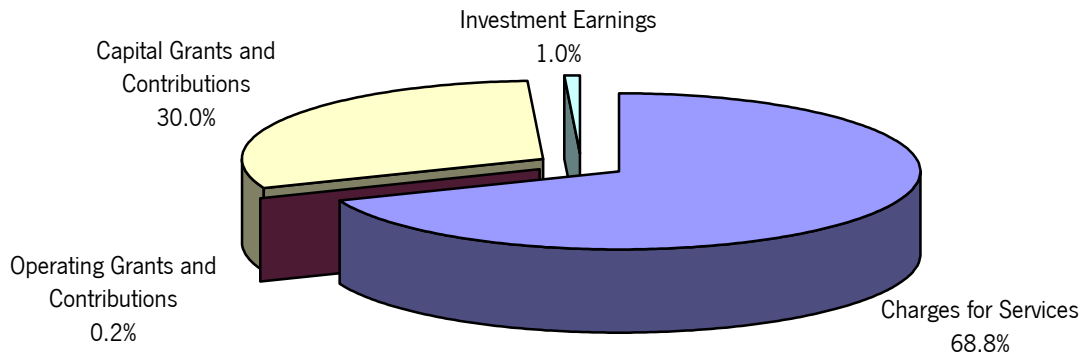
**Program Expenses vs. Program Revenues—Governmental Activities**



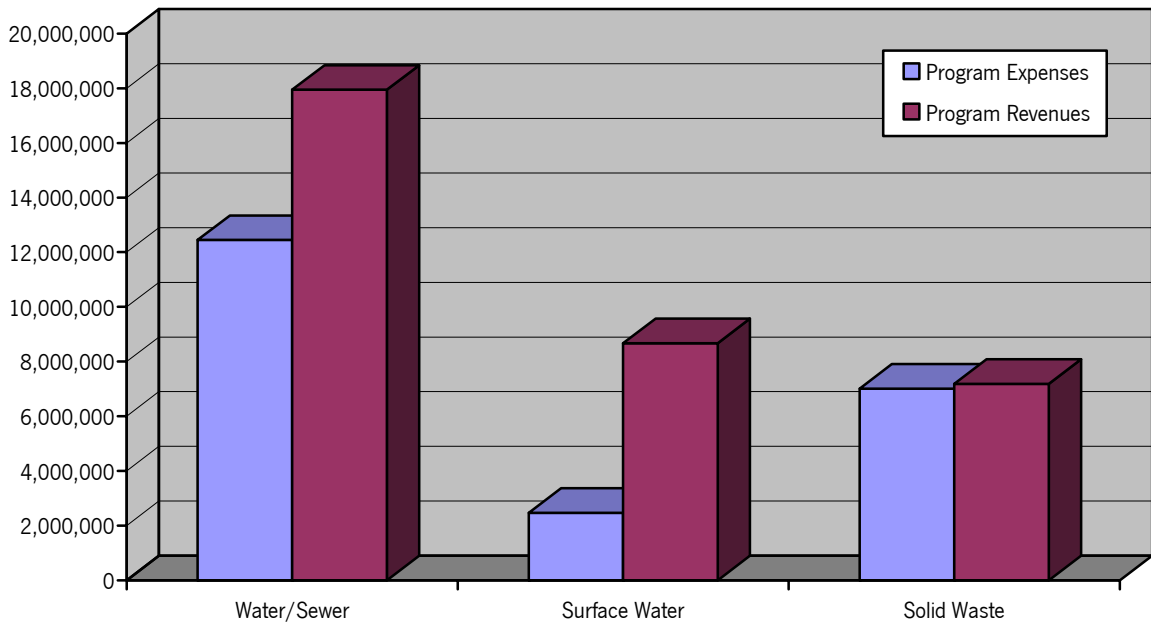
**Business-type activities**, which relate to the city's utilities, were responsible for \$12.1 million, or 56.7 percent, of the total increase in the city's net assets. Key elements of this increase are as follows:

- Capital contributions were up \$3.2 million compared to 2003. More specifically, developer contributions comprised \$1.9 million of the increase (\$1.1 million for the water/sewer utility and \$.8 million for the surface water utility), connection charges represented \$.7 million of the increase (all earmarked for the water/sewer utility), and governmental contributions from the city's street CIP projects to the surface water utility made up the remaining \$.6 million of the increase.
- The water/sewer utility's 2004 net income (before capital contributions and transfers) was about \$1.4 million.

**Revenues by Source—Business-type Activities**



**Program Expenses vs. Program Revenues—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 \$54.0 million, which represents a decrease of \$3.6 million, or 6.2 percent, over the prior year. Of the total ending fund balance, almost \$.6 million is reserved for debt service. The remaining balance of \$53.4 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 (\$18.7 million) or otherwise designated for some special purpose (\$29.1 million). Examples of such designated balances include funding for capital improvement projects (e.g., \$8.7 million in the excise tax capital improvement fund, \$2.1 million in the impact fee fund, and \$1.8 million in the street improvement fund) and funding for various contingencies (e.g., \$9.0 million in the park and municipal reserve fund and \$2.4 million in the contingency fund).

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

The general fund is the primary operating fund of the city through which all receipts and payments of ordinary city operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2004, the fund balance of the general fund was \$5.6 million, which represents an increase of almost \$1.5 million over the prior year. As a measure of the fund's liquidity, the ending fund balance was 14.1 percent of the fund's 2004 expenditures.

Compared to 2003, revenues increased by nearly \$2.4 million, or 5.9 percent, and expenditures increased by \$2.1 million, or 5.6 percent. Much of the revenue increase can be attributed to sales tax growth and to receiving the first full year's worth of the newly instituted regulatory business license fee. Revenues exceeded expenditures in the general fund by almost \$2.7 million in 2004, excluding other financing sources and uses. Also of note are net transfers out of the general fund, which decreased by \$.5 million in 2004. At the end of each year it is the city's practice to transfer out uncommitted, excess resources from the general fund to build up or replenish the city's various reserves.

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 2004 was \$1.3 million, which is up almost \$102,000 from 2003. Most of this increase relates to funding for the downtown parking management program that is being "carried over" to 2005.

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, and a number of other smaller reserves dedicated for various municipal purposes. The 2004 ending fund balance of \$9.0 million represents a decrease of about \$.4 million from the prior year, all of which can be attributed to the cost of relocating the city's municipal court.

The excise tax capital improvement fund accounts for revenue from the first and second quarter percent real estate excise tax, which is legally restricted 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 2004 was \$8.7 million, which is up by almost \$1.0 million from 2003 due to a strong residential real estate market and to the sale of a major commercial property.

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 decreased significantly by \$6.9 million from the prior year to a total of \$15.2 million. Most of the decrease relates to the expenditure of park bond proceeds received in 2003 (e.g., purchase of water district property in Houghton) and the transfer of \$1.0 million to the information technology fund to start building a major systems replacement reserve.

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 2004 was \$3.5 million, which is up by \$1.6 million from 2003. Most of this increase can be attributed to the transfer in of other CIP revenue sources to fully fund an overpass project and various intersection projects that are only partially funded by grants.

### **Proprietary Funds**

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

### **General Fund Budgetary Highlights**

During the year there was almost a \$2.0 million increase in appropriations between the original adopted budget and the final amended budget. Following are the major components of the increase:

- Beginning fund balance was increased by nearly \$1.5 million for two reasons. One, approximately \$828,000 in goods and services was budgeted but not received or completed in the prior year. These goods and services were finally received or completed in 2004 instead. The \$828,000 adjustment to the beginning fund balance represents a "carryover" of funding from 2003 to 2004. Two, the budgeted beginning balance was adjusted by \$643,000 to reflect the actual amount as of the beginning of 2004. This amount consists of excess revenues (i.e. actually received over what was budgeted) and expenditure savings (i.e. actually spent plus carryovers under what was budgeted) from the prior year that were intentionally left in the general fund to cover the projected deficit, which didn't materialize.
- Taxes were increased by about \$10,000 as a result of an unplanned receipt from King County to fund the purchase of police dispatch equipment and software.
- Licenses and permits were increased by \$82,000 due to strong development activity in order to fund temporary staffing that was needed to address workload issues in the Building Services Division.
- Intergovernmental revenue was increased by about \$186,000 to acknowledge various grants that were received for emergency preparedness, traffic safety, tree inventory, and tobacco prevention and to recognize contractual revenue from the City of Mercer Island for police dispatch services.

- Charges for services (mostly development-related revenues) were increased by about \$88,000 to fund a planning study and temporary staffing that was needed to address workload issues in the Building Services Division.
- Operating transfers in from the council special projects reserve (\$25,000) and from the contingency fund (\$112,000) were needed to fund additional costs for the city's centennial celebration, temporary Planning Department staff, a light industrial lands study, a LEOFF I actuarial study, and police equipment and overtime.

## **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, 2004 amounts to \$260.8 million (net of accumulated depreciation), which represents almost a \$19.8 million increase over the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission/distribution systems, roads, and bridges. Much of the \$19.8 million increase can be attributed to the following activity in 2004:

- \$1.9 million spent for information system projects that are still in progress.
- \$3.0 million spent on transportation improvements (i.e. roadways, intersections, sidewalks, crosswalks, signals, and two I-405 overpasses), most of which are still in progress.
- \$4.1 million spent to acquire the water district property in Houghton for eventual development as a park.
- \$1.2 million spent on the relocation of the Kirkland Municipal Court.
- \$3.4 million spent on water and sewer utility improvement projects, most of which are still in progress.
- \$0.6 million spent on surface water utility improvement projects, most of which are still in progress.

Following is a condensed version of the city's capital assets (expressed in millions of dollars), net of depreciation, related to governmental and business-type activities for fiscal years 2003 and 2004:

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 72.37	\$ 72.45	\$ .05	\$ .05	\$ 72.42	\$ 72.50
Buildings	22.54	23.18	.03	.04	22.57	23.22
Improvements other than buildings	5.07	5.49	85.91	77.26	90.98	82.75
Machinery and equipment	4.63	4.55	0	0	4.63	4.55
Infrastructure	35.45	29.49	0	0	35.45	29.49
Construction in progress	24.35	19.89	9.09	7.35	33.44	27.24
Art	1.35	1.34	0	0	1.35	1.34
Total	\$ 165.76	\$ 156.39	\$ 95.08	\$ 84.70	\$ 260.84	\$ 241.09

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

**Long-term Debt**

At the end of the current fiscal year, the City of Kirkland had total bonded debt outstanding of \$33.4 million and other long-term debt of \$5.8 million. The total outstanding debt (expressed in millions of dollars) at the end of 2003 and 2004 is broken down between governmental and business-type activities as follows:

**City of Kirkland's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 25.00	\$ 26.82	\$ 0	\$ 0	\$ 25.00	\$ 26.82
Special assessment debt without governmental commitment	.02	.03	0	0	.02	.03
Revenue bonds	0	0	6.21	6.58	6.21	6.58
Public Works trust fund loans	0	0	5.44	5.68	5.44	5.68
Other long-term debt (Port of Seattle)	.13	.13	0	0	.13	.13
Total	\$ 25.15	\$ 26.98	\$ 11.65	\$ 12.26	\$ 36.80	\$ 39.24

The City of Kirkland maintains a AA rating from Standard & Poors and a Aa2 rating from Moody's on its general obligation bonds. In addition, the city's revenue bonds for its water/sewer utility are rated A+ and A1 by Standard & Poor's and Moody's respectively. Special assessment bonds are unrated.

Washington State statutes limit 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 2004 was \$7.9 billion, and the total amount of unlimited tax and limited tax general obligation debt the city may issue is \$569.7 million. The remaining debt capacity can be broken down as follows:

General	\$ 185,876,484
Open Space, Park & Capital Facilities	187,058,567
Utilities	<u>196,812,151</u>
Total	<u>\$ 569,747,202</u>

Additional information on the City of Kirkland's long-term debt can be found in Note 8 of this report and in the Statistical Section of the report.

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

While the Puget Sound region's economic recovery in 2003 and 2004 has been marked by periodic fluctuations, significant progress has taken place overall and the outlook is positive. For example, the regional employment growth has been almost twice the national average over the last year, although the Seattle area is still about 25,000 jobs short of a complete recovery. The Washington State Economic and Revenue Forecast Council recently adopted a mostly upbeat revenue forecast in which it expects the state to outpace the national recovery.

As of December 2004, the consumer price index for wage earners and clerical workers (CPI-W) for the Seattle metropolitan area, which is the index to which the city's labor contracts are tied, measured inflation at 2.7 percent compared to 3.4 percent for the nation as a whole. Inflation in the Seattle metropolitan area has been consistently lower than the national average since October 2002.

In 2003, the average statewide unemployment rate of 7.6 percent was significantly higher than the average U.S. unemployment rate of 6.0 percent. This gap has significantly narrowed in 2004. Employment levels in King County have also improved considerably, paralleling the U.S. rate beginning in January and falling below it beginning in September. The year-to-year growth in employment is about what was predicted however. In the Seattle-Bellevue-Everett metropolitan area, jobs available actually decreased by 7,350 (0.6 percent) between December 2003 and December 2004.

As a sign of an improving economy, Eastside office vacancy rates have dropped significantly this year, down to 13.2 percent at the end of the fourth quarter compared to a high of 24 percent in the first quarter of 2003. Downtown Bellevue has led the way with two large companies leasing a combined total of over 342,000 square feet. The Kirkland market has also improved, down to 10.2 percent as of the fourth quarter of 2004 compared to 19.2 percent for the same period two years ago. For comparison purposes, office vacancy rates for Kirkland and the Eastside were 3.7 percent and 4.3 percent respectively four years ago.

Development-related revenues have remained strong since the second half of 2002. Through December 2004, building permit-related revenue is up 17.8 percent and other development-related fees are up 0.5 percent compared to the same period in 2003. After an especially strong year in 2003, single family activity dropped to a more typical level in 2004. Commercial activity was up dramatically in 2004 due to the construction of the second phase of Juanita Village and several tenant improvements. Multi-family activity



increased significantly in 2004 due to the construction at Juanita Village and major renovations at Villagio at Yarrow Bay. After a slow start, public sector activity picked up during the second half of 2004 due to major school remodeling/replacement projects and additions at Evergreen Hospital.

The upward trend in sales tax revenue that started in 2003 continued in 2004. Through December 2004, sales tax revenue is up 6.6 percent compared to the same period in 2003 (factoring out the significant one-time field audit recoveries received last year). Much of this gain relates to strong performance in the contracting and retail sectors.

In 2004, the city switched from an annual to a biennial budget process for the coming 2005-2006 biennium. The adopted 2005-2006 budget reflects an improving economic environment and the resumption of more normal revenue growth patterns. In addition, it maintains current service levels. Due to the relatively slow economic recovery, no new, ongoing tax-supported service levels are included in the adopted budget. If sales tax growth and development activity continues to be strong through the 2005-2006 biennium, it is unlikely that the city will need to tap its recessionary or revenue stabilization reserves.

### **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 the Director of Finance & Administration, City of Kirkland, 123 Fifth Avenue, Kirkland, WA 98033-6189.



## **Basic Financial Statements**



City of Kirkland  
**Statement of Net Assets**  
For the fiscal year ended December 31, 2004

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	27,362,738	7,178,829	34,541,567
Investments (Note 3)	34,276,019	9,781,505	44,057,524
Receivables			
Accounts	3,632,762	2,458,067	6,090,829
Inventories	35,734	273,413	309,147
Restricted Assets			
Customer Deposits	203,175	0	203,175
Revenue Bond Reserves	0	824,758	824,758
Total Current Assets	65,510,428	20,516,572	86,027,000
Non-Current Assets and Deferred Charges			
Deferred Charges	0	192,095	192,095
Non-current Receivables	1,318,385	0	1,318,385
Total Non-Current Assets and Deferred Charges	1,318,385	192,095	1,510,480
Capital Assets: (Note 5)			
Land & Artwork	73,718,644	47,784	73,766,428
Depreciable Capital Assets (net)	32,234,645	85,948,259	118,182,904
Depreciable Infrastructure (net)	35,449,657	0	35,449,657
Construction in Progress	24,354,136	9,087,492	33,441,628
Total Capital Assets	165,757,082	95,083,535	260,840,617
<b>Total Assets</b>	<b>232,585,895</b>	<b>115,792,202</b>	<b>348,378,097</b>

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

City of Kirkland  
**Statement of Net Assets**  
For the fiscal year ended December 31, 2004

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	2,732,654	326,427	3,059,081
Other Current Liabilities	395,845	0	395,845
Accrued Interest Payable	128,743	23,600	152,343
Unearned Revenue	0	1,314,070	1,314,070
Total Current Liabilities	3,257,242	1,664,097	4,921,339
Current Liabilities Payable from Restricted Assets			
Accrued Interest Payable	0	21,140	21,140
Current Bond Principal Payable	0	580,000	580,000
Deposits Payable	0	28,592	28,592
Total Current Liabilities Payable from Restricted Assets	0	629,732	629,732
Total Current Liabilities	3,257,242	2,293,829	5,551,071
Noncurrent Liabilities			
Due within one year	2,939,002	635,594	3,574,596
Due in more than one year	23,567,319	10,515,460	34,082,779
Total Noncurrent Liabilities	26,506,321	11,151,054	37,657,375
<b>Total Liabilities</b>	<b>29,763,563</b>	<b>13,444,883</b>	<b>43,208,446</b>
<b>Net Assets</b>			
Invested in capital assets net of related debt	144,192,014	83,386,001	227,578,015
Restricted for:			
Capital Projects	18,743,786	0	18,743,786
Debt Service	568,667	211,353	780,020
Special Revenue Funds	13,373,273	0	13,373,273
Petty Cash	23,175	0	23,175
Unrestricted	25,921,417	18,749,964	44,671,381
<b>Total Net Assets</b>	<b>202,822,332</b>	<b>102,347,318</b>	<b>305,169,650</b>



City of Kirkland  
**Statement of Activities**  
For the fiscal year ended December 31, 2004

Functions/Programs	Program Revenues				Net (Expense/Revenue and Changes in Net Assets)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	3,072,412	1,871,874	33,931	9,606	(1,157,001)	0	(1,157,001)
Judicial	1,237,842	1,489,330	157,759	0	409,247	0	409,247
Public Safety	21,663,542	3,758,854	181,069	24,211	(17,699,408)	0	(17,699,408)
Physical Environment	2,335,038	489,291	10,381	0	(1,835,366)	0	(1,835,366)
Transportation	6,718,867	207,436	970,747	794,002	(4,746,682)	0	(4,746,682)
Human Services	1,115,196	0	119,505	0	(995,691)	0	(995,691)
Economic Environment	4,383,632	4,538,432	17,000	0	171,800	0	171,800
Culture and Recreation	5,617,903	861,459	89,070	64,565	(4,602,809)	0	(4,602,809)
Interest on Long Term Debt	1,335,805	0	0	0	(1,335,805)	0	(1,335,805)
<b>Total Governmental Activities</b>	<b>47,480,237</b>	<b>13,216,676</b>	<b>1,579,462</b>	<b>892,384</b>	<b>(31,791,715)</b>	<b>0</b>	<b>(31,791,715)</b>
<b>Business Type Activities</b>							
Water/Sewer	12,444,661	13,564,146	0	4,384,720	0	5,504,205	5,504,205
Surface Water	2,468,998	2,806,057	0	5,867,090	0	6,204,149	6,204,149
Solid Waste	7,006,972	7,118,725	64,698	0	0	176,451	176,451
<b>Total Business Type Activities</b>	<b>21,920,631</b>	<b>23,488,928</b>	<b>64,698</b>	<b>10,251,810</b>	<b>0</b>	<b>11,884,805</b>	<b>11,884,805</b>
<b>Total Government</b>	<b>69,400,868</b>	<b>36,705,604</b>	<b>1,644,160</b>	<b>11,144,194</b>	<b>(31,791,715)</b>	<b>11,884,805</b>	<b>(19,906,910)</b>
<b>General Revenues</b>							
Property Taxes					11,772,666	0	11,772,666
Sales Taxes					14,245,140	0	14,245,140
Regulatory License Fee					899,709	0	899,709
Utility Taxes					7,390,288	0	7,390,288
Other Taxes					5,262,954	0	5,262,954
Unrestricted Grants & Contributions					520,573	0	520,573
Investment Earnings					954,779	326,761	1,281,540
Gain (Loss) of sale of capital assets					(172,867)	0	(172,867)
Transfers, internal activities					138,000	(138,000)	0
<b>Total General Revenues &amp; Transfers</b>					<b>41,011,242</b>	<b>188,761</b>	<b>41,200,003</b>
Change in Net Assets					9,219,527	12,073,566	21,293,093
Net assets at beginning of year					193,602,805	90,273,753	283,876,558
<b>Net assets at end of year</b>					<b>202,822,332</b>	<b>102,347,318</b>	<b>305,169,650</b>

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



City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 For the fiscal year ended December 31, 2004

Page 1 of 2

	General Fund Street	Operating	Park and Municipal Reserve	Excise Capital Improvement
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	1,802,880	768,432	4,064,424	3,777,875
Investments	3,059,378	943,905	4,992,542	4,640,559
Receivables				
Taxes	2,637,293	83,126	0	310,850
Accounts	795	2,553	0	0
Assessments				
Deferred	0	0	0	0
Due From Other Sources	87,354	0	0	0
Restricted Assets				
Deposits	203,175	0	0	0
<b>Total Assets</b>	<b>7,790,875</b>	<b>1,798,016</b>	<b>9,056,966</b>	<b>8,729,285</b>
<b>Liabilities and Fund Balance</b>				
Liabilities				
Accounts Payable	329,470	15,329	7,665	0
Wages Payable	1,241,500	49,944	0	0
Due to Other Sources	129,811	1,758	1,417	0
Payable from Restricted Assets				
Deposits Payable	203,175	305,104	0	0
Deferred Revenue	260,228	84,007	0	0
Total Liabilities	2,164,184	456,142	9,082	0
Fund Balances				
Reserved For				
Debt Service	0	0	0	0
Petty Cash	13,175	0	0	0
Narcotics Task Force Imprest	10,000	0	0	0
Unreserved, reported in				
General Fund	5,603,516	0	0	0
Special Revenue Funds	0	1,341,874	9,047,884	8,729,285
Capital Projects Funds	0	0	0	0
Total Fund Balances	5,626,691	1,341,874	9,047,884	8,729,285
<b>Total Liabilities and Fund Balance</b>	<b>7,790,875</b>	<b>1,798,016</b>	<b>9,056,966</b>	<b>8,729,285</b>

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

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

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

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

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

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

**Net Assets of governmental activities**

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

City of Kirkland  
**Balance Sheet**  
 Governmental Funds  
 For the fiscal year ended December 31, 2004

Page 2 of 2

General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
7,057,614	1,477,276	4,830,871	23,779,372
8,581,380	1,814,614	5,842,005	29,874,382
0	0	76,163	3,107,432
157,759	0	0	161,107
0	0	16,509	16,509
0	232,038	25,586	344,978
0	0	0	203,175
<b>15,796,752</b>	<b>3,523,927</b>	<b>10,791,134</b>	<b>57,486,955</b>
553,279	11,191	112,066	1,029,000
0	0	41,015	1,332,459
0	12,423	13,569	158,978
0	0	1,150	509,429
0	0	117,179	461,414
553,279	23,614	284,979	3,491,280
0	0	568,667	568,667
0	0	0	13,175
0	0	0	10,000
0	0	0	5,603,516
0	0	9,937,488	29,056,531
15,243,473	3,500,313	0	18,743,786
15,243,473	3,500,313	10,506,155	53,995,675
<b>15,796,752</b>	<b>3,523,927</b>	<b>10,791,134</b>	<b>57,486,955</b>

161,609,587  
 1,779,799  
 (26,564,404)

12,001,678  
202,822,332

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Governmental Funds  
 For the fiscal year ended December 31, 2004

Page 1 of 2

	General	Fund	Street Operating	Park and Municipal Reserve
<b>Revenues</b>				
Taxes and Assessments	28,188,287		2,430,724	0
Licenses and Permits	3,076,018		0	0
Intergovernmental	4,154,232		640,310	0
Charges for Services	5,785,814		46,573	3,737
Fines and Forfeitures	1,233,761		0	0
Investment Interest	94,464		0	0
Miscellaneous Revenues	153,941		88,496	85,011
<b>Total Revenues</b>	<b>42,686,517</b>		<b>3,206,103</b>	<b>88,748</b>
<b>Expenditures</b>				
Current				
General Government	6,642,832		0	122,282
Security of Persons and Property	23,168,130		0	55,818
Physical Environment	2,908,914		0	0
Transportation	0		3,269,079	0
Economic Environment	3,611,366		0	0
Culture and Recreation	3,639,499		0	42,923
Debt Service				
Principal	0		0	0
Interest	0		0	0
Capital Outlay	35,398		0	12,727
<b>Total Expenditures</b>	<b>40,006,139</b>		<b>3,269,079</b>	<b>233,750</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	2,680,378		(62,976)	(145,002)
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0		0	0
Transfers In	184,523		189,020	204,490
Transfers Out	(1,394,125)		0	(657,507)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,209,602)</b>		<b>189,020</b>	<b>(453,017)</b>
<b>Net Change in Fund Balance</b>	<b>1,470,776</b>		<b>126,044</b>	<b>(598,019)</b>
<b>Fund Balances Beginning of Year</b>	<b>4,155,915</b>		<b>1,215,830</b>	<b>9,645,903</b>
<b>Fund Balances End of Year</b>	<b>5,626,691</b>		<b>1,341,874</b>	<b>9,047,884</b>

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Governmental Funds  
 For the fiscal year ended December 31, 2004

Page 2 of 2

Excise Capital Improvement	General Capital Projects	Grant Capital Projects	Other Governmental Funds	Governmental Funds Total
4,798,674	500,000	0	3,368,005	39,285,690
0	0	0	0	3,076,018
0	75,490	422,670	437,502	5,730,204
0	13,004	144,082	3,457,244	9,450,454
0	0	0	0	1,233,761
0	571,993	0	592,232	1,258,689
0	25,323	1,500	92,939	447,210
4,798,674	1,185,810	568,252	7,947,922	60,482,026
0	63,409	0	1,080,783	7,909,306
0	34,096	0	187,488	23,445,532
0	4,115	0	269,495	3,182,524
0	4,046	0	25,056	3,298,181
0	49,746	0	330,287	3,991,399
0	0	0	1,370,912	5,053,334
0	0	0	1,835,000	1,835,000
0	0	0	1,207,062	1,207,062
0	10,885,272	2,175,100	148,417	13,256,914
0	11,040,684	2,175,100	6,454,500	63,179,252
4,798,674	(9,854,874)	(1,606,848)	1,493,422	(2,697,226)
0	0	0	87,600	87,600
0	4,220,269	3,208,200	1,487,795	9,494,297
(3,805,779)	(1,233,330)	0	(3,389,025)	(10,479,766)
(3,805,779)	2,986,939	3,208,200	(1,813,630)	(897,869)
992,895	(6,867,935)	1,601,352	(320,208)	(3,595,095)
7,736,390	22,111,408	1,898,961	10,826,363	57,590,770
8,729,285	15,243,473	3,500,313	10,506,155	53,995,675

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, 2004

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

Net change in fund balances for governmental funds (3,595,095)

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	13,256,914	
Depreciation	(4,278,064)	
Cost of Assets Sold	(397,947)	
Capital Donations	<u>371,332</u>	
	8,952,235	8,952,235

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	<u>1,835,000</u>	
	1,835,000	1,835,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 429,108

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. (202,380)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities. 1,800,659

Change in nets assets of governmental activities 9,219,527

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 fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	26,256,406	26,265,738	27,707,583	480,704	28,188,287
Licenses and Permits	2,412,662	2,494,820	3,076,018	0	3,076,018
Intergovernmental	3,904,646	4,090,674	4,083,264	70,968	4,154,232
Charges for Services	5,253,855	5,342,850	5,783,119	2,695	5,785,814
Fines and Forfeitures	1,216,865	1,216,865	1,233,761	0	1,233,761
Investment Interest	105,700	105,700	94,464	0	94,464
Miscellaneous Revenues	166,585	166,585	166,937	(12,996)	153,941
<b>Total Revenues</b>	<b>39,316,719</b>	<b>39,683,232</b>	<b>42,145,146</b>	<b>541,371</b>	<b>42,686,517</b>
<b>Expenditures</b>					
Current					
General Government	6,815,479	6,739,938	5,983,859	658,973	6,642,832
Security of Persons and Property	23,657,918	24,284,453	24,134,438	(966,308)	23,168,130
Physical Environment	2,239,211	2,354,675	2,130,327	778,587	2,908,914
Transportation	426,425	445,176	420,745	(420,745)	0
Economic Environment	2,715,302	3,290,180	2,730,811	880,555	3,611,366
Culture and Recreation	4,681,630	4,872,516	4,566,705	(927,206)	3,639,499
Capital Outlay	157,972	157,972	35,398	0	35,398
<b>Total Expenditures</b>	<b>40,693,937</b>	<b>42,144,910</b>	<b>40,002,283</b>	<b>3,856</b>	<b>40,006,139</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(1,377,218)	(2,461,678)	2,142,863	537,515	2,680,378
<b>Other Financing Sources (Uses)</b>					
Transfers In	618,429	755,515	184,523	0	184,523
Transfers Out	(496,755)	(546,944)	(1,394,125)	0	(1,394,125)
<b>Total Other Financing Sources (Uses)</b>	<b>121,674</b>	<b>208,571</b>	<b>(1,209,602)</b>	<b>0</b>	<b>(1,209,602)</b>
<b>Net Change in Fund Balance</b>	<b>(1,255,544)</b>	<b>(2,253,107)</b>	<b>933,261</b>	<b>537,515</b>	<b>1,470,776</b>
<b>Fund Balances Beginning of Year</b>	<b>2,336,932</b>	<b>3,808,390</b>	<b>3,808,390</b>	<b>347,525</b>	<b>4,155,915</b>
<b>Fund Balances End of Year</b>	<b>1,081,388</b>	<b>1,555,283</b>	<b>4,741,651</b>	<b>885,040</b>	<b>5,626,691</b>

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
Street Operating Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	2,434,785	2,434,785	2,439,320	(8,596)	2,430,724
Intergovernmental	644,752	644,752	640,310	0	640,310
Charges for Services	15,100	15,100	46,573	0	46,573
Miscellaneous Revenues	98,000	98,000	85,943	2,553	88,496
<b>Total Revenues</b>	<b>3,192,637</b>	<b>3,192,637</b>	<b>3,212,146</b>	<b>(6,043)</b>	<b>3,206,103</b>
<b>Expenditures</b>					
Current					
Transportation	4,307,244	4,443,958	3,185,709	83,370	3,269,079
Capital Outlay	99,900	260,237	134,894	(134,894)	0
<b>Total Expenditures</b>	<b>4,407,144</b>	<b>4,704,195</b>	<b>3,320,603</b>	<b>(51,524)</b>	<b>3,269,079</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(1,214,507)	(1,511,558)	(108,457)	45,481	(62,976)
<b>Other Financing Sources (Uses)</b>					
Transfers In	172,520	189,020	189,020	0	189,020
<b>Total Other Financing Sources (Uses)</b>	<b>172,520</b>	<b>189,020</b>	<b>189,020</b>	<b>0</b>	<b>189,020</b>
<b>Net Change in Fund Balance</b>	<b>(1,041,987)</b>	<b>(1,322,538)</b>	<b>80,563</b>	<b>45,481</b>	<b>126,044</b>
<b>Fund Balances Beginning of Year</b>	<b>1,041,987</b>	<b>1,322,538</b>	<b>1,322,538</b>	<b>(106,708)</b>	<b>1,215,830</b>
<b>Fund Balances End of Year</b>	<b>0</b>	<b>0</b>	<b>1,403,101</b>	<b>(61,227)</b>	<b>1,341,874</b>

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

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

Parks and Municipal Reserve Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Charges for Services	0	0	3,737	0	3,737
Miscellaneous Revenues	91,300	91,300	85,011	0	85,011
<b>Total Revenues</b>	<b>91,300</b>	<b>91,300</b>	<b>88,748</b>	<b>0</b>	<b>88,748</b>
<b>Expenditures</b>					
Current					
General Government	66,800	50,815	135,700	(13,418)	122,282
Security of Persons and Property	24,796	24,793	62,027	(6,209)	55,818
Culture and Recreation	20,000	20,000	38,095	4,828	42,923
Capital Outlay	0	0	12,727	0	12,727
<b>Total Expenditures</b>	<b>111,596</b>	<b>95,608</b>	<b>248,549</b>	<b>(14,799)</b>	<b>233,750</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(20,296)	(4,308)	(159,801)	14,799	(145,002)
<b>Other Financing Sources (Uses)</b>					
Transfers In	48,906	79,376	204,490	0	204,490
Transfers Out	(775,354)	(1,223,849)	(657,507)	0	(657,507)
<b>Total Other Financing Sources (Uses)</b>	<b>(726,448)</b>	<b>(1,144,473)</b>	<b>(453,017)</b>	<b>0</b>	<b>(453,017)</b>
<b>Net Change in Fund Balance</b>	<b>(746,744)</b>	<b>(1,148,781)</b>	<b>(612,818)</b>	<b>14,799</b>	<b>(598,019)</b>
<b>Fund Balances Beginning of Year</b>	<b>8,842,636</b>	<b>9,669,785</b>	<b>9,669,785</b>	<b>(23,882)</b>	<b>9,645,903</b>
<b>Fund Balances End of Year</b>	<b>8,095,892</b>	<b>8,521,004</b>	<b>9,056,967</b>	<b>(9,083)</b>	<b>9,047,884</b>

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



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

Excise Tax Capital Improvement Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	2,800,000	2,800,000	4,694,650	104,024	4,798,674
<b>Total Revenues</b>	<b>2,800,000</b>	<b>2,800,000</b>	<b>4,694,650</b>	<b>104,024</b>	<b>4,798,674</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	2,800,000	2,800,000	4,694,650	104,024	4,798,674
<b>Other Financing Sources (Uses)</b>					
Transfers Out	3,707,309	3,820,779	3,805,779	(7,611,558)	(3,805,779)
<b>Total Other Financing Sources (Uses)</b>	<b>3,707,309</b>	<b>3,820,779</b>	<b>3,805,779</b>	<b>(7,611,558)</b>	<b>(3,805,779)</b>
<b>Net Change in Fund Balance</b>	<b>6,507,309</b>	<b>6,620,779</b>	<b>8,500,429</b>	<b>(7,507,534)</b>	<b>992,895</b>
<b>Fund Balances Beginning of Year</b>	<b>7,171,577</b>	<b>7,529,564</b>	<b>7,529,564</b>	<b>206,826</b>	<b>7,736,390</b>
<b>Fund Balances End of Year</b>	<b>13,678,886</b>	<b>14,150,343</b>	<b>16,029,993</b>	<b>(7,300,708)</b>	<b>8,729,285</b>

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 General Capital Projects Fund  
 For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	500,000	500,000	500,000	0	500,000
Intergovernmental	15,600	15,600	75,490	0	75,490
Charges for Services	165,000	165,000	13,004	0	13,004
Investment Interest	800,000	800,000	571,993	0	571,993
Miscellaneous Revenues	0	0	20,805	4,518	25,323
<b>Total Revenues</b>	<b>1,480,600</b>	<b>1,480,600</b>	<b>1,181,292</b>	<b>4,518</b>	<b>1,185,810</b>
<b>Expenditures</b>					
Current					
General Government	717,850	882,230	350,820	(287,411)	63,409
Security of Persons and Property	50,000	65,497	11,845	22,251	34,096
Physical Environment	149,700	337,167	223,044	(218,929)	4,115
Transportation	0	0	42	4,004	4,046
Economic Environment	0	0	0	49,746	49,746
Culture and Recreation	0	0	11,223	(11,223)	0
Capital Outlay	7,248,750	19,587,656	10,033,079	852,193	10,885,272
<b>Total Expenditures</b>	<b>8,166,300</b>	<b>20,872,550</b>	<b>10,630,053</b>	<b>410,631</b>	<b>11,040,684</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(6,685,700)	(19,391,950)	(9,448,761)	(406,113)	(9,854,874)
<b>Other Financing Sources (Uses)</b>					
Transfers In	3,797,200	3,850,670	4,220,269	0	4,220,269
Transfers Out	(48,134)	(1,289,604)	(1,233,330)	0	(1,233,330)
<b>Total Other Financing Sources (Uses)</b>	<b>3,749,066</b>	<b>2,561,066</b>	<b>2,986,939</b>	<b>0</b>	<b>2,986,939</b>
<b>Net Change in Fund Balance</b>	<b>(2,936,634)</b>	<b>(16,830,884)</b>	<b>(6,461,822)</b>	<b>(406,113)</b>	<b>(6,867,935)</b>
<b>Fund Balances Beginning of Year</b>	<b>7,120,205</b>	<b>22,188,666</b>	<b>22,188,666</b>	<b>(77,258)</b>	<b>22,111,408</b>
<b>Fund Balances End of Year</b>	<b>4,183,571</b>	<b>5,357,782</b>	<b>15,726,844</b>	<b>(483,371)</b>	<b>15,243,473</b>

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
Grant Capital Projects Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Intergovernmental	2,332,800	3,690,800	282,134	140,536	422,670
Charges for Services	0	0	144,082	0	144,082
Miscellaneous Revenues	0	0	1,500	0	1,500
<b>Total Revenues</b>	<b>2,332,800</b>	<b>3,690,800</b>	<b>427,716</b>	<b>140,536</b>	<b>568,252</b>
<b>Expenditures</b>					
Current					
Transportation	0	0	13,365	(13,365)	0
Capital Outlay	5,371,000	8,485,509	2,163,117	11,983	2,175,100
<b>Total Expenditures</b>	<b>5,371,000</b>	<b>8,485,509</b>	<b>2,176,482</b>	<b>(1,382)</b>	<b>2,175,100</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(3,038,200)	(4,794,709)	(1,748,766)	141,918	(1,606,848)
<b>Other Financing Sources (Uses)</b>					
Transfers In	3,038,200	3,208,200	3,208,200	0	3,208,200
<b>Total Other Financing Sources (Uses)</b>	<b>3,038,200</b>	<b>3,208,200</b>	<b>3,208,200</b>	<b>0</b>	<b>3,208,200</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(1,586,509)</b>	<b>1,459,434</b>	<b>141,918</b>	<b>1,601,352</b>
<b>Fund Balances Beginning of Year</b>	<b>424,438</b>	<b>2,010,947</b>	<b>2,010,947</b>	<b>(111,986)</b>	<b>1,898,961</b>
<b>Fund Balances End of Year</b>	<b>424,438</b>	<b>424,438</b>	<b>3,470,381</b>	<b>29,932</b>	<b>3,500,313</b>

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



City of Kirkland  
**Statement of Net Assets**  
Proprietary Funds  
For the fiscal year ended December 31, 2004

Page 1 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	5,852,640	982,473	343,716	7,178,829	3,583,368
Investments (Note 3)	8,161,096	1,200,864	419,545	9,781,505	4,401,636
Receivables					
Interest	63,684	0	0	63,684	0
Contracts	1,259,101	0	0	1,259,101	0
Accounts	683,680	54,025	327,323	1,065,028	15,018
Assessments					
Deferred	4,066	0	23,126	27,192	0
Due From Other Governments	43,061	0	0	43,061	0
Inventories	231,363	42,050	0	273,413	35,735
Total Current Assets	16,298,691	2,279,412	1,113,710	19,691,813	8,035,757
Restricted Assets					
Revenue Bond Reserves	824,758	0	0	824,758	0
Total Restricted Assets	824,758	0	0	824,758	0
Deferred Charges and Other Assets					
Deferred Chages	102,883	89,212	0	192,095	0
Total Deferred Charges and Other Assets	102,883	89,212	0	192,095	0
Capital Assets (Note 5)					
Land	47,784	0	0	47,784	0
Depreciable Capital Assets (Net)	61,477,179	24,471,080	0	85,948,259	4,147,495
Construction in Progress	8,063,856	1,023,636	0	9,087,492	0
Total Capital Assets	69,588,819	25,494,716	0	95,083,535	4,147,495
<b>Total Assets</b>	<b>86,815,151</b>	<b>27,863,340</b>	<b>1,113,710</b>	<b>115,792,201</b>	<b>12,183,252</b>

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

City of Kirkland  
**Statement of Net Assets**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2004

Page 2 of 2

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	159,288	11,989	3,815	175,092	29,072
Wages Payable	42,636	26,571	165	69,372	92,758
Employee Benefits Payable	67,690	32,871	76	100,637	59,744
Due to Other Governments	0	16,504	43,083	59,587	0
Accrued Interest Payable	23,600	0	0	23,600	0
Unearned Revenue	603	0	0	603	0
Deferred Revenue	1,259,442	54,025	0	1,313,467	0
Loans and Contracts Payable (current portion)	557,333	0	0	557,333	0
<b>Total Current Liabilities</b>	<b>2,110,592</b>	<b>141,960</b>	<b>47,139</b>	<b>2,299,691</b>	<b>181,574</b>
Current Liabilities Payable From Restricted Assets					
Deposits Payable	12,265	16,327	0	28,592	0
Accrued Interest Payable	21,140	0	0	21,140	0
Current Bond Principle Payable	580,000	0	0	580,000	0
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>613,405</b>	<b>16,327</b>	<b>0</b>	<b>629,732</b>	<b>0</b>
Noncurrent Liabilities					
Loans and Contracts Payable	4,880,460	0	0	4,880,460	0
Bonds Payable	5,635,000	0	0	5,635,000	0
<b>Total Noncurrent Liabilities</b>	<b>10,515,460</b>	<b>0</b>	<b>0</b>	<b>10,515,460</b>	<b>0</b>
<b>Total Liabilities</b>	<b>13,239,457</b>	<b>158,287</b>	<b>47,139</b>	<b>13,444,883</b>	<b>181,574</b>
<b>Net Assets</b>					
Invested in capital assets net of related debt	57,891,286	25,494,715	0	83,386,001	4,295,116
Restricted for:					
Debt Service	211,353	0	0	211,353	0
Unrestricted	15,473,055	2,210,338	1,066,571	18,749,964	7,706,562
<b>Total Net Assets</b>	<b>73,575,694</b>	<b>27,705,053</b>	<b>1,066,571</b>	<b>102,347,318</b>	<b>12,001,678</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Net Assets**  
Proprietary Funds  
For the fiscal year ended December 31, 2004

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste		
<b>Operating Revenues</b>					
Charges for Services	13,556,896	2,777,019	7,186,307	23,520,222	4,539,132
Miscellaneous Revenues	104,751	58,598	3,000	166,349	8,654
<b>Total Operating Revenues</b>	<b>13,661,647</b>	<b>2,835,617</b>	<b>7,189,307</b>	<b>23,686,571</b>	<b>4,547,786</b>
<b>Operating Expenses</b>					
Administrative and General	1,961,018	941,993	412,822	3,315,833	819,702
Supplies	0	19,546	0	19,546	197,569
Maintenance and Operations	8,229,678	697,050	6,228,499	15,155,227	2,510,376
Taxes	313,764	227,260	365,652	906,676	0
Depreciation	1,617,643	581,241	0	2,198,884	602,860
<b>Total Operating expenses</b>	<b>12,122,103</b>	<b>2,467,090</b>	<b>7,006,973</b>	<b>21,596,166</b>	<b>4,130,507</b>
<b>Operating Income (Loss)</b>	<b>1,539,544</b>	<b>368,527</b>	<b>182,334</b>	<b>2,090,405</b>	<b>417,279</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	273,824	39,930	13,006	326,760	1,908
Grant Income	0	0	64,698	64,698	0
Interest Expense	(322,557)	(1,908)	0	(324,465)	0
Amortization of Debt Issue Costs	(15,536)	(29,560)	0	(45,096)	0
Gain (Loss) on Disposal of Fixed Assets	0	0	0	0	137,480
Gain (Loss) on Bond Refunding	(81,965)	0	0	(81,965)	0
Miscellaneous	0	0	(70,582)	(70,582)	44,025
<b>Total Nonoperating revenues (expenses)</b>	<b>(146,234)</b>	<b>8,462</b>	<b>7,122</b>	<b>(130,650)</b>	<b>183,413</b>
<b>Income Before Contributions and Transfers</b>	<b>1,393,310</b>	<b>376,989</b>	<b>189,456</b>	<b>1,959,755</b>	<b>600,692</b>
<b>Capital Contributions</b>					
Contributions	4,384,720	5,867,090	0	10,251,810	88,777
Transfers In	12,000	0	0	12,000	1,148,689
Transfers Out	(100,000)	(50,000)	0	(150,000)	(37,500)
Change in Net Assets	5,690,030	6,194,079	189,456	12,073,565	1,800,658
Total Net Assets - Beginning	67,885,664	21,510,974	877,115	90,273,753	10,201,020
<b>Total Net Assets - Ending</b>	<b>73,575,694</b>	<b>27,705,053</b>	<b>1,066,571</b>	<b>102,347,318</b>	<b>12,001,678</b>

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





City of Kirkland, Washington  
**Combined Statement of Cash Flows**  
Proprietary Funds  
For the fiscal year ended December 31, 2004  
Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds			2004	Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste		
<b>Cash Flows From Operating Activities</b>					
Cash Received From Customers	13,900,011	2,764,924	7,076,932	23,741,867	4,494,925
Cash From Other Sources	137,669	83,306	174,125	395,100	8,265
Cash Paid to Suppliers for Goods and Services	(8,412,752)	(654,384)	(6,230,647)	(15,297,784)	(1,590,329)
Cash Paid to Employees for Services	(1,298,373)	(866,632)	(1,139)	(2,166,144)	(1,727,512)
Cash Paid in Lieu of Taxes	(313,764)	(227,260)	(365,652)	(906,676)	0
Cash Paid for Central Business Functions	(816,455)	(207,380)	(409,309)	(1,433,144)	(184,545)
<b>Net Cash Provided by Operating Activities</b>	<b>3,196,336</b>	<b>892,573</b>	<b>244,310</b>	<b>4,333,220</b>	<b>1,000,804</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Proceeds From State and Local Grants	0	0	115,425	115,425	0
Grant Administration Expenditures	0	0	(72,129)	(72,129)	0
Transfers In	12,000	0	0	12,000	1,148,689
Transfers Out	(100,000)	(50,000)	0	(150,000)	(37,500)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(88,000)</b>	<b>(50,000)</b>	<b>43,296</b>	<b>(94,704)</b>	<b>1,111,189</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds From Public Works Trust Fund Loans	309,660	0	0	309,660	0
Capital Contributed by Developers	2,135,367	98,084	0	2,233,452	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	197,345
Proceeds From State/Local Grants	0	339,066	0	339,066	0
Proceeds From Bond Refunding	3,089,218	0	0	3,089,218	0
Principal Payments on Notes, Capital Leases and Bonds	(4,006,898)	(31,804)	0	(4,038,702)	0
Interest Paid on Notes, Capital Leases and Bonds	(334,243)	(1,908)	0	(336,151)	0
Bond Issuance Costs	(68,915)	0	0	(68,915)	0
Interest Received on Program Loans	26,840	0	0	26,840	0
Acquisition and Construction of Capital Assets	(4,138,610)	(785,492)	0	(4,924,102)	(862,412)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(2,987,581)</b>	<b>(382,053)</b>	<b>0</b>	<b>(3,369,634)</b>	<b>(665,067)</b>
<b>Cash Flows From Investing Activities</b>					
Net (Increase) Decrease in Investments	(1,208,803)	(389,445)	(196,193)	(1,794,441)	(1,255,770)
Interest Revenue	291,388	39,930	13,006	344,324	0
<b>Net Cash Provided by Investing Activities</b>	<b>(917,415)</b>	<b>(349,515)</b>	<b>(183,187)</b>	<b>(1,450,117)</b>	<b>(1,255,770)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(796,660)	111,004	104,419	(581,235)	191,155
Cash and Cash Equivalents, January 1	7,474,057	871,469	239,297	8,584,823	3,395,489
<b>Cash and Cash Equivalents, December 31</b>	<b>6,677,397</b>	<b>982,473</b>	<b>343,716</b>	<b>8,003,588</b>	<b>3,586,644</b>

City of Kirkland, Washington  
**Combined Statement of Cash Flows**  
 Proprietary Funds  
 For the fiscal year ended December 31, 2004  
 Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	2004	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	1,539,544	368,527	182,335	2,090,406	417,280
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	1,617,643	581,241	0	2,198,884	602,860
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	168,853	16,333	61,751	246,937	(6,246)
(Increase) Decrease in Operating Due From Other Governments	205,612	0	0	205,612	0
(Increase) Decrease in Other Accounts Receivable	279	0	0	279	0
(Increase) Decrease in Operating Inventories	(49,357)	(21,426)	0	(70,783)	(4,369)
(Increase) Decrease in Interest Receivable	(24,564)	0	0	(24,564)	0
(Increase) Decrease in Deferred Assessments	(91,572)	0	0	(91,572)	0
(Increase) Decrease in Loans Receivable	(754,726)	0	0	(754,726)	(31,804)
Increase (Decrease) in Operating Accounts Payable	12,232	(16,847)	(16)	(4,631)	1,355
Increase (Decrease) in Interest Payable	(14)	0	0	(14)	0
Increase (Decrease) in Operating Due to Other Funds	0	0	0	0	0
Increase (Decrease) in Operating Due to Other Governments	(178,456)	(6,861)	0	(185,317)	(9,285)
Increase (Decrease) in Interfund Notes Payable	0	(31,804)	0	(31,804)	0
Increase (Decrease) in Wages Payable	4,996	(355)	164	4,805	(15,807)
Increase (Decrease) in Employee Benefits Payable	8,058	3,772	76	11,906	46,819
Increase (Decrease) in Deposits Payable	0	16,327	0	16,327	0
Increase (Decrease) in Revenue Collected in Advance	(16,917)	0	0	(16,917)	0
Increase (Decrease) in Deferred Revenue	754,726	(16,334)	0	738,392	0
<b>Net Cash Provided by Operating Activities</b>	<b>3,196,337</b>	<b>892,573</b>	<b>244,310</b>	<b>4,333,220</b>	<b>1,000,803</b>
<u>Noncash Investing, Capital and Finance Activities</u>					
Contributed Capital	0	0	0	0	88,777

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

City of Kirkland, Washington  
**Statement of Fiduciary Net Assets**  
Trust and Agency Funds  
December 31, 2004

	Firefighter's Pension	Agency Funds
<b>Assets</b>		
Cash and Cash Equivalents	473,188	7,226
Investments	581,241	0
Deposits	0	613,287
<b>Total Assets</b>	<b>1,054,429</b>	<b>620,513</b>
<b>Liabilities</b>		
Current Liabilities		
Due to Other Governments	0	7,226
Deposits	0	613,287
Net Assets		
Held in Trust for Pension Benefits	1,054,429	0
<b>Total Net Assets</b>	<b>1,054,429</b>	<b>620,513</b>

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

City of Kirkland, Washington  
**Statement of Changes in Net Plan Assets**  
 Firefighter's Pension Fund  
 For the Fiscal Year Ended December 31, 2004

	2004
<hr/>	
<b>Additions</b>	
Taxes:	
Fire Insurance Premiums	46,833
<b>Total Additions</b>	<b>46,833</b>
<b>Deductions</b>	
Benefit Payments	7,246
<b>Total Deductions</b>	<b>7,246</b>
 Net Increase (Decrease)	 39,587
 Net Assets Held in Trust for Pension Benefits	
Beginning of Year	1,014,842
<b>End of Year</b>	<b>1,054,429</b>

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



**City of Kirkland, Washington**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year ended December 31, 2004**

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City of Kirkland, Washington

**Notes to the Financial Statements**

For Year Ended December 31, 2004

NOTE 1:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided 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, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of Kirkland.

The City of Kirkland reports the following major governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

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

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

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

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

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

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

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

Budgetary Data

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

The budget, as adopted, constitutes the legal authority for expenditures. 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 was amended three times during the fiscal year. The financial statements present the amended budgetary information as approved. All appropriations, except for capital projects, lapse at year end. Unexpended resources must be reappropriated in the subsequent period.

*Procedures for Adopting the Original Budget*

In accordance with State law, the City prepares its annual budget by a process that conforms to time limitations required under State law.

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 Finance Director. 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 Finance Director by early September.
4. Revenue estimates are developed and updated by the Finance Department throughout the budget process. Initial revenue estimates are prepared by late August.
5. During September, the Finance Director 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 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 November for a series of budget discussion/review sessions to determine if there are any alterations that they wish to make to the City Manager's recommended budget.
9. Prior to the beginning of the next calendar year, the City Council, by simple majority of members present, adopts the final budget by ordinance.
10. The final budget is published during the first quarter of the following year, distributed to staff, and made available to the public.

*Amending the Budget*

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

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

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

The financial statements contain the original and final budget information. 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 year.

Assets, Liabilities and Equities

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. Amounts are reported on the Combined Balance Sheet as either Cash and Cash Equivalents or Investments. Cash and Cash Equivalents include currency on hand, demand deposits, and investments in the State Treasurer's Investment Pool. By City Ordinance 5.24.010, the City has established an investment committee consisting of the City Manager and the Director of Finance. 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, and the State Investment Pool. City policy requires that all investments be purchased DVP (delivery vs. payment). Securities are held in safekeeping by a third-party custodian.

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

In accordance with GASB 31, investments are stated at market 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.

Special Assessments	Special Assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable consist of current assessments which are due within one year, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments which have been levied but are not due within one year.
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 constructed.

Land, construction in progress, and works of art are not depreciated. Property, plant, and equipment of the city is depreciated using the straight line method over the following estimated useful lives:

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

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

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

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

Outstanding sick leave at year end 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, unbilled special assessments which have not yet been earned and business license fees collected in 2004 for 2005.

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:

Taxes	\$	436,780
Grant Revenue		24,634
Municipal Court		<u>1,318,385</u>
Net Adjustment		<u><u>1,779,799</u></u>

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

Bonds Payable	\$	(25,000,000)
Compensated Absences		(1,290,593)
Loans Payable		(130,068)
Accrued Interest Payable		(128,743)
LID Payable		<u>(15,000)</u>
Net Adjustment		<u><u>(26,564,404)</u></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	\$	251,372,968
Depreciation		<u>(89,763,381)</u>
Net Capital Assets Adjustment		<u><u>161,609,587</u></u>

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

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances for governmental funds and changes in net 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	\$ 13,256,914
Depreciation Expense	(4,278,064)
Cost of Assets Sold	(397,947)
Capital Donations	<u>371,332</u>
Net Adjustment	<u><u>8,952,235</u></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	\$ 1,820,000
LID Assessment Debt Payment	<u>15,000</u>
Net Adjustment	<u><u>1,835,000</u></u>

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

Taxes	\$ 285,066
Grant Revenue	(4,771)
Municipal Court Receivable	<u>148,813</u>
Net Adjustment	<u><u>429,108</u></u>

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

Compensated Absence Payable	\$ (73,637)
Accrued Interest Payable	<u>(128,743)</u>
Net Adjustment	<u><u>(202,380)</u></u>



NOTE 3:  
CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and include investments whose original maturities are three months or less. The deposits with the Local Government State Investment Pool are the City's only cash equivalent.

Cash and Cash Equivalents are comprised of the following at December 31, 2004:

Cash on hand	\$13,175
Cash with Narcotics Task Force	10,000
Deposits with banks	419,586
Investment in State Investment Pool	<u>36,220,440</u>
Total Cash and Cash Equivalents	<u>\$36,663,201</u>

As required by state statute, all investments and deposits of the City's funds are obligations of the U.S. Government, or deposits with Washington State banks and savings and loan institutions participating in the Washington Public Deposit Protection Commission (WPDPC).

All deposit accounts are covered by Federal Deposit Insurance (FDIC) to the first \$100,000 of deposit, with any amount over \$100,000 covered by the WPDPC. The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed to member financial institutions, on a pro rata basis, should the collateral of the pool be insufficient to cover any losses. All deposits are in Risk Category 1.

Investments in the Washington State Treasurer's Investment Pool (Local Government Investment Pool, LGIP) are available on demand. The fair value of the city's pool investments is determined by the pool's share price. The city has no regulatory oversight for the State Investment Pool. The LGIP is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official.

Investments

The City of Kirkland's investments are categorized to give an indication of the risk assumed at year end. The following summary shows the City's investments at year end categorized by risk. Category 1 includes investments that are either insured, registered or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparts' trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent, but not in the City's name.

As of December 31, 2004, the City of Kirkland had the following investments:

Investment	Category			Total
	1	2	3	
U.S Government Securities	\$44,638,764	\$0	\$0	\$44,638,764
Total	\$44,638,764	\$0	\$0	\$44,638,764

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 installments tax payment is due.
May 31	Assessed value of property established for next year's levy.
October 31	Second installment is due.

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

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

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. Kirkland's maximum property tax levy rate has been reduced from \$3.60 to \$3.10 due to annexation to the King County Library District. 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 following the passage of Initiative 747 in November of 2001. The City can exceed the limitation with the approval of voters or by using levy capacity from prior years that was "banked" for future specified purposes. The City currently has 17.53% banked levy capacity.

The City's regular tax levy in 2004 was \$1.35 per \$1,000 on an assessed valuation of \$7,423,608,032 for a total regular levy of \$10,022,151. The excess tax levy was \$.202 per \$1,000 for an excess levy of \$1,499,514. 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, 2004 was as follows:

	Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2004</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	72,450,021	9,850	(89,500)	72,370,370
Construction in Progress	19,891,970	13,136,274	(8,674,108)	24,354,136
Artwork	1,339,084	9,190	0	1,348,274
Total Capital Assets, Not Being Depreciated:	93,681,075	13,155,314	(8,763,608)	98,072,780
Capital Assets, Being Depreciated:				
Buildings	29,065,506	0	0	29,065,506
Improvements	9,546,281	93,821	0	9,640,102
Machinery and Equipment	9,043,958	1,169,799	(947,322)	9,266,435
Infrastructure	104,645,649	8,951,619	0	113,597,268
Total Capital Assets, Being Depreciated:	152,301,394	10,215,239	(947,322)	161,569,311
Less Accumulated Depreciation for:				
Buildings	5,891,244	632,447	0	6,523,691
Improvements	4,052,034	521,562	0	4,573,597
Machinery and Equipment	4,493,975	733,411	(587,277)	4,640,109
Infrastructure	75,154,108	2,993,503	0	78,147,611
Total Accumulated Depreciation	89,591,363	4,880,923	(587,277)	93,885,009
Total Capital Assets, Being Depreciated, Net	62,710,031	5,334,316	(360,045)	67,684,301
Governmental Activities Capital Assets, Net	156,391,106	18,489,630	(9,123,653)	165,757,082
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	47,784	0	0	47,784
Construction In Progress	7,353,411	4,218,323	(2,484,242)	9,087,492
Total Capital Assets, Not Being Depreciated	7,401,195	4,218,323	(2,484,242)	9,135,276
Capital Assets, Being Depreciated:				
Buildings	198,381	0	0	198,381
Improvements	101,750,475	10,848,932	0	112,599,407
Total Capital Assets, Being Depreciated	101,948,856	10,848,932	0	112,797,788
Less Accumulated Depreciation for:				
Buildings	158,842	4,758	0	163,600
Improvements	24,491,803	2,194,126	0	26,685,929
Total Accumulated Depreciation	24,650,645	2,198,884	0	26,849,529
Total Capital Assets, Being Depreciated, Net	77,298,211	8,650,048	0	85,948,259
Business-Type Activities Capital Assets, Net	84,699,406	12,868,371	(2,484,242)	95,083,535

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

Governmental Activities:

General Government	388,381
Judicial	7,938
Security of Persons and Property	538,795
Human Services	5,907
Physical Environment	294,300
Transportation (includes depreciation of general infrastructure assets)	2,993,503
Economic Environment	18,125
Culture and Recreation	<u>633,974</u>
Total Depreciation Expense – Governmental Activities	<u><u>4,880,923</u></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	1,617,643
Surface Water Utility	581,241
Solid Waste Utility	<u>0</u>
Total Depreciation Expense – Business-type Activities	<u><u>2,198,884</u></u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2004. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Parks & Recreation	\$61,740	\$263,854
Transportation	818,882	703,630
Water Utility	382,055	2,747
Surfacewater Utility	416,677	25,092
General Government	1,163,290	87,373
Total	<u><u>\$2,842,644</u></u>	<u><u>\$1,082,696</u></u>

NOTE 6:  
PENSION PLANS

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

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

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

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

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

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

Plan III has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60 month period. Plan III members become eligible for retirement if they have at least ten years of service or five years including twelve months that were earned after age 54 or five service credit years earned in PERS Plan 2 prior to June

1, 2003. Plan III retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies, otherwise an actuarial reduction will apply. There is no cap on years of service credit and Plan III provides the same cost of living allowance as Plan II. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other authorized options authorized by the Employee Retirement Benefits Board.

There are 1,168 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2003:

Retirees and Beneficiaries Receiving Benefits	65,362
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	20,001
Active Plan Members Vested	100,469
Active Plan Members Nonvested	<u>54,081</u>
Total	<u>239,913</u>

*Funding Policy*

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

The required contribution rates are expressed as a percentage of covered payroll, as of December 31, 2004 were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
Employer	1.38%*	1.38%*	1.38%**
Employee	6.00%	1.18%	***

\* The employer rates include the employer administrative expense fee currently set at 0.19%.

\*\* Plan III defined benefit portion only.

\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the member.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31<sup>st</sup> were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2004	\$14,757	\$170,089	\$39,500
2003	\$13,812	\$171,868	\$22,607
2002	\$15,619	\$197,944	\$0

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

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

Participants who joined the system by September 30, 1977, are Plan I members. Those joining thereafter are enrolled in Plan II. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer Public Employees' Retirement System (PERS) Plan I or Plan II service credit to LEOFF Plan II if while employed for a city, town, county or district, the EMT's job was relocated to a fire department from another city, town, county or district. Effective July 1, 2003, the LEOFF Plan II Retirement Board was established to provide governance of LEOFF Plan II. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan II retirement plan. LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

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

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

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

There are 368 participating employers in LEOFF. Membership in LEOFF consisted of the following at September 30, 2003:

Retirees and Beneficiaries Receiving Benefits	8,370
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	453
Active Plan Members Vested	11,548
Active Plan Members Nonvested	<u>4,003</u>
Total	<u>24,374</u>

*Funding Policy*

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

The required contribution rates expressed as a percentage of covered payroll, as of December 31, 2004 were:

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
Employer	0.19%*	3.25%*
Employee	0.00%	5.09%
State	n/a	2.03%

\* The employer rates include the employer administrative expense fee currently set at 0.19%.

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

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
2004	\$ 595	\$335,348
2003	\$ 628	\$296,009
2002	\$ 666	\$262,332

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.

*Funding Policy*

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. 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.

*Funding Policy*

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

Membership of the Fire Fighters' Pension Plan consisted of the following at December 31, 2004:



Retirees and beneficiaries receiving benefits	4
Active plan members	<u>1</u>
Total	<u>5</u>

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

	2002	2003	2004
Annual Required Contribution (ARC)	0	0	0
Annual Normal Cost – Beginning of Year	1,293	1,293	1,054
Amortization of Unfunded Actuarial Liability (UAL) – Beginning of Year	(38,895)	(38,895)	(30,432)
Interest to End of Year	(2,632)	(4,283)	(1,469)
ARC at End of Year, not less than zero	0	0	(30,847)
Interest on Net Pension Obligation (NPO)	(2,088)	(3,893)	(4,714)
Adjustment to ARC	(2,270)	(4,283)	(6,132)
Annual Pension Cost (APC)	182	390	(29,429)
Employer Contributions	25,977	39,054	46,833
Change in NPO	(25,795)	(38,664)	(76,262)
NPO at Beginning of Year	(29,825)	(55,620)	(94,284)
NPO at End of Year	(55,620)	(94,284)	(170,546)

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended 12/31	Fire Insurance Premium Taxes	Interest Earned on Net Fund Balance	Annual Required Contribution*	Percentage Contributed
1992	25,292	14,828	-	-
1993	35,281	21,455	-	-
1994	40,532	15,273	-	-
1995	37,771	19,729	-	-
1996	47,671	19,565	-	-
1997	40,011	16,212	-	-
1998	40,759	18,159	-	-
1999	48,218	12,018	-	-
2000	27,006	23,174	-	-
2001	29,825	33,899	-	-
2002	33,969	0	-	-
2003	39,054	0	-	-
2004	46,833	0	-	-

\* Actuarial valuations have recommended the City make no contributions to the Plan.

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 Percent of Covered Payroll
2/90	\$276	N/A (1)	N/A (1)	0%	Not Avail	0.0%
1/96	\$662	N/A (1)	N/A (1)	0%	\$56	0.0%
1/01	\$901	\$385	(\$516)	234.03%	\$73	(706.85)%
1/04	\$1,015	\$547	(\$468)	186%	\$79	(592)%

Three Year Trend Information (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a Percentage of APC	Net Pension Obligation (NPO)
12/31/02	\$182	14,273%	\$(55,620)
12/31/03	\$390	10,014%	\$(94,284)
12/31/04	\$(29,429)		\$(170,546)

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

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

	<u>2/90</u>	<u>1/96</u>	<u>1/01</u>	<u>1/04</u>
Actuarial economic assumptions:				
Investment rate of return	6.50%	7.00%	7.00%	5.00%
Projected salary increases <sup>(2)</sup>	5.25%	5.00%	5.00%	4.50%
Consumer Price Index	4.50%	4.00%	4.00%	3.50%
Projected annual growth in fire insurance premium tax revenue	5.25%	4.00%	4.00%	3.5%

Noneconomic assumptions:

Mortality rates based on:				
1971 Individual Mortality Tables	X			
1983 Group Annuity Mortality Table		X		
1994 Group Annuity Mortality Table			X	X
Turnover rates per year	0.50%	0.30%	0.30%	0.7%

(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

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 428 employees who participated in the program during 2004. The City's contribution for 2004 was \$1,445,186; employee contributions were \$1,987,850 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 and maintained by a private consulting firm.

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.

Other Post-employment Benefits

The City of Kirkland provides post-retirement health care benefits to LEOFF I retirees in accordance with state statutes. The City furnishes medical insurance and covers all validated claims for medical, dental and ophthalmologist costs incurred by these retirees. At the end of 2004 there were 35 retirees receiving these benefits with 3 active employees eligible for these benefits when they retire.

Expenditures for these benefits are recognized when claims are submitted. During 2004 the City incurred expenditures of \$379,556 in relation to post-retirement health care coverage for LEOFF I employees.

NOTE 7:  
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 110 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$11 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine 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.

The City purchases coverage for boiler and machinery property damage and bodily injury liability from The Hartford Steam Boiler Inspection and Insurance Company. There is a deductible of \$1,500 with a limit of \$500,000 per location.

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 and 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 8:  
LONG-TERM DEBT AND LEASES

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

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

Special Assessment Bonds are not a direct responsibility of the City. These bonds are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the LID Debt Service Fund. As a guarantee to bond holders, a guaranty is maintained at approximately 10% of the total outstanding bonds. The LID guaranty is funded from interest income, foreclosure amounts, and surplus from the LID Debt Service Fund.

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has eight loans with principal outstanding of \$5,437,793. Of this amount \$1,137,438 is assumed debt from the Rose Hill Water District. This debt will be repaid from Water/Sewer Fund revenues.

In 1987, the City entered into an interlocal agreement with the Port of Seattle to build a tour boat dock in the City harbor. The Port contribution amount is \$130,068 and is scheduled to be repaid in 2007.

Call Provisions

The City has optional redemption call provisions in relation to its Special Assessment bond issues. Subsequent to year-end, the City exercised optional redemption call provisions for Special Assessment Issue 126 in the amount of \$15,000.

General obligation bonds currently outstanding are as follows:

Issue - Purpose		Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/04	Due Within One Year
1993 Refunding of 1989 Ltd GO Maintenance Center	*	03/02/93	07/01/09	4.45 to 5.75	\$2,665,000	\$1,200,000	\$1,465,000	\$265,000
1993 Refunding of 1989 & 1990 Unltd GO Parks		03/02/93	12/01/09	2.75 to 5.75	4,380,000	2,060,000	2,320,000	420,000
1995 Unltd G.O. Public Safety, Forbes Creek Fire Station		08/01/95	12/01/14	4.65 to 7.00	1,020,000	350,000	670,000	50,000
1999 Ltd. G.O. Teen Center Design and Construction	*	11/01/99	12/01/19	4.30 to 6.00	1,025,000	145,000	880,000	40,000
2001 Unltd. G.O. Refunding 1992 UTGO Public Safety Bonds		07/06/01	12/12/12	4.00 to 4.65	1,730,000	485,000	1,245,000	130,000
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	2,185,000	8,875,000	630,000

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/04	Due Within One Year
2001B Ltd. G.O. Purchase 505 Market Property	* 10/30/01	12/01/07	3.7	1,785,000	0	1,785,000	0
2003 Unltd. G.O. Park Acquisition and Improvements	01/30/03	12/01/22	4.408	8,400,000	640,000	7,760,000	315,000
<b>Total</b>				<b>\$32,065,000</b>	<b>\$7,065,000</b>	<b>\$25,000,000</b>	<b>\$1,850,000</b>

\* Councilmanic

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

Year Ending	Governmental Activities	
	Principal	Interest
2005	1,850,000	1,131,231
2006	1,915,000	1,054,143
2007	3,800,000	972,434
2008	2,090,000	817,048
2009	2,190,000	722,332
2010-2014	7,290,000	2,470,983
2015-2019	3,705,000	1,143,470
2020-2022	2,160,000	216,092
<b>Total</b>	<b>\$25,000,000</b>	<b>\$8,527,733</b>

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

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/04	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	600,000	3,125,000	250,000
1993 Public Works Trust Loan Lake Street Sewer Line Replacement	08/25/93	07/01/14	1.0	823,368	433,352	390,016	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	583,683	648,017	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	548,671	616,829	61,683
1994 Public Works Trust Fund Loan Consolidated Rose Hill Assumption	01/01/94	07/01/09	1.0	3,184,824	2,047,387	1,137,437	227,487
1995 Public Works Trust Loan Lake Shore Plaza Lift Station	06/07/95	07/01/15	1.0	794,850	305,108	489,742	44,522
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	07/01/00	07/01/19	1.0	227,500	39,476	188,024	12,535

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/04	Due Within One Year
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/01	07/01/21	0.5	1,848,000	97,533	1,750,467	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	09/01/04	07/01/04	.5	217,260	0	217,260	0
2004 Water/Sewer Revenue Refunding Bonds	08/01/04	06/01/14	2.0 to 4.0	3,090,000	0	3,090,000	330,000
Total				\$16,308,002	\$4,655,210	\$11,652,792	\$1,137,333

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2005	1,137,333	289,877
2006	1,163,767	264,866
2007	1,183,767	237,273
2008	1,208,767	207,422
2009	1,233,768	176,207
2010-2014	4,783,065	376,972
2015-2019	679,214	17,473
2020-2024	263,111	2,402
Total	\$11,652,792	1,572,492

Special Assessment Bonds, Issuances, Redemption, and Balances Outstanding

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/04	Due Within One Year
LID 126	12/01/97	12/01/07	4.2 to 5.2	\$140,592	\$125,592	\$15,000	\$0

Special Assessment Bond Debt Service Requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2005	-	780
2006	-	780
2007	15,000	780
Total	\$15,000	\$2,340

Changes in Long-Term Liabilities

	Beginning Balance 01/01/2004	Additions	Reductions	Ending Balance 12/31/2004	Due Within One Year
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 26,820,000	\$ -	\$ 1,820,000	\$ 25,000,000	\$ 1,850,000
LID Assessment with governmental commitment	30,000	-	15,000	15,000	-
Capital Leases	1,304	-	1,304	0	-
Compensated Absences	1,271,406	1,610,264	1,520,417	1,361,253	1,089,002
Other long-term debt	130,068	-	-	130,068	-
Governmental Activity long-term liabilities	<u>\$ 28,252,778</u>	<u>\$ 1,610,264</u>	<u>\$ 3,356,721</u>	<u>\$ 26,506,321</u>	<u>\$ 2,939,002</u>
<u>Business-Type Activities</u>					
Revenue Bonds	\$ 6,580,000	\$ 3,090,000	\$ 3,455,000	\$ 6,215,000	\$ 580,000
PWTF Loans	5,680,030	309,660	551,898	5,437,792	557,333
Compensated Absences	68,199	112,458	102,396	78,261	62,809
Business-type Activity long-term liabilities	<u>\$ 12,328,229</u>	<u>\$ 3,512,118</u>	<u>\$ 4,109,294</u>	<u>\$ 11,731,053</u>	<u>\$ 1,200,142</u>

Refunded Debt

In prior years the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Additionally, in 2004 the 1995 Water/Sewer Revenue Bonds were defeased with a portion of the proceeds from the 2004 Water/Sewer Revenue Refunding Bonds which were placed in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2004, \$2,750,000 of general obligation bonds and \$2,015,000 of revenue bonds outstanding are considered defeased. The 2004 advance refunding was undertaken to reduce total debt service payments over the next 9 years by \$248,045 and resulted in an economic loss of \$81,964.

Leases

*Operating Leases*

The City entered into a three year non-cancelable rental agreement for two copiers in 2004. The total cost for this agreement was \$16,338 for the year ended December 31, 2004. The future minimum payments for this agreement are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2005	21,785
2006	21,785
2007	5,446
Total	<u>\$49,016</u>



*Capital Leases*

In January of 2004 the final payment of \$1,424 was made on a three year lease/purchase agreement with GE Capital for two photocopiers entered into in 2001. The City has no other capital leases. The assets acquired through capital leases are detailed below:

Governmental Activities Asset:	
Machinery and Equipment	\$45,061
Less: Accumulated Depreciation	<u>(16,108)</u>
Total	<u>\$28,953</u>

NOTE 9:  
INTERFUND ASSETS/LIABILITIES

Interfund Loans Receivable/Payable represents loans from one fund to another. During 1999, the Equipment Rental Fund loaned the newly formed Surfacewater Utility funds to purchase needed equipment. The original seven year, 6% interest loan for \$222,630 was repaid in full during 2004. The final payment was \$31,804.

NOTE 10:  
CONTINGENCIES AND LITIGATIONS

As of December 31, 2004, 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 11:  
INTERFUND BALANCES AND 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 are classified as "Other Financing Sources or Uses" on the financial statements.

<u>Fund</u>	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Internal Service</u>	<u>Water/Sewer Utility</u>	<u>Total Transfers Out</u>
General			310,086	1,033,850	50,189		1,394,125
Facilities Maintenance		581,600	691,016				1,272,616
Street Improve Reserve		1,379,955		16,500			1,396,455
Excise Cap Improve		3,571,670	234,109				3,805,779
Capital Projects		110,000		71,330	1,040,000	12,000	1,233,330
Other Governmental	184,523	890,889	224,749	6,520	70,780		1,377,461
Internal Service		37,500					37,500
Water/Sewer					100,000		100,000
Surface Water					50,000		50,000
Total Transfers In \$	<u>184,523</u>	<u>6,571,614</u>	<u>1,459,960</u>	<u>1,128,200</u>	<u>1,310,969</u>	<u>12,000</u>	<u>10,667,266</u>

NOTE 12:  
SUBSEQUENT EVENTS

An outstanding claim with a contractor for the City's Slater Avenue roadway improvement project was settled in February of 2005, following mediation. The City made final payment in the amount of \$863,536.

In March of 2005 the City and the Port of Seattle agreed to an early payoff of the 1987 Interlocal Agreement. The payoff consists of the principal amount due to the Port plus a discounted amount due for the remaining three annual installments. The parties agree that upon payment of \$157,000 the agreement between the City and the Port will be terminated.



**Fund Financial Statements & 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 **Facilities Maintenance Fund** accounts for the operations and maintenance of the City's building facilities and public facilities ground maintenance and landscaping. The primary sources of revenue are taxes and charges for service.
- The **Contingency Fund** is provided for by state law and allows for the accumulation of resources up to \$.375 per \$1,000 of assessed valuation for emergency uses.
- The **Cemetery Improvement Fund** receives a percentage of the revenue from the sale of plots at the City cemetery which is set aside for minor capital improvements and the maintenance of the cemetery after all plots are sold.
- The **Impact Fees Fund** accounts for road and park impact fees initiated in 1999. Impact fees, and the interest earned on them, are deposited in this fund and transferred out to the capital projects funds to pay for road and park capacity projects approved in the Capital Improvement Program (CIP).
- The **Off Street Parking Fund** was created to receive payments made by downtown businesses in lieu of providing on-site parking. Accumulated funds must be used for the acquisition, design, construction, development, financing, maintenance, and operation of off-site parking facilities in the Central Business District.
- The **Tour Dock Fund** was created to receive rental fees associated with use of the tour dock in Marina Park. Fees must be used for maintenance and repair of the dock and for repaying a Port District Loan used to finance construction of the dock.

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

## **Debt Service Funds**

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

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



City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

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	Special Revenue			Recreation
	Lodging Tax	Cemetery Operating	Parks Maintenance	Program Revolving
<b>Assets</b>				
Cash and Cash Equivalents	81,994	59,114	141,896	46,120
Investments	100,718	72,613	174,298	56,652
Receivables, Net of Allowances:				
Taxes	0	0	25,998	0
Special Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
<b>Total Assets</b>	<b>182,713</b>	<b>131,728</b>	<b>342,191</b>	<b>102,772</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts Payable	4,392	3,550	2,438	9,010
Wages Payable	0	0	14,587	8,764
Due to Other	0	0	12,280	
Deposits	0	0	0	1,150
Deferred Revenue	0	0	26,274	0
<b>Total Liabilities</b>	<b>4,392</b>	<b>3,550</b>	<b>55,579</b>	<b>18,924</b>
<b>Fund Balances</b>				
Unreserved	178,321	128,178	286,612	83,848
<b>Total Liabilities and Fund Balances</b>	<b>182,713</b>	<b>131,728</b>	<b>342,191</b>	<b>102,772</b>

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



City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

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Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking	Tour Dock
1,044,257	1,057,877	162,090	948,240	37,949	68,622
1,205,889	1,299,444	199,104	1,159,739	46,615	84,292
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>2,250,146</b>	<b>2,357,321</b>	<b>361,195</b>	<b>2,107,979</b>	<b>84,564</b>	<b>152,913</b>
49,602	0	0	0	0	0
17,664	0	0	0	0	0
1,289	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>68,555</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2,181,591	2,357,321	361,195	2,107,979	84,564	152,913
<b>2,250,146</b>	<b>2,357,321</b>	<b>361,195</b>	<b>2,107,979</b>	<b>84,564</b>	<b>152,913</b>

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

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	Street Improvement Reserve	Grant Control	Total Special Revenue
<b>Assets</b>			
Cash and Cash Equivalents	829,064	94,079	4,571,303
Investments	1,018,383	115,562	5,533,308
Receivables, Net of Allowances:			
Taxes	0	0	25,998
Special Assessments	0	0	0
Due From Other Governments	0	25,586	25,586
<b>Total Assets</b>	<b>1,847,447</b>	<b>235,227</b>	<b>10,156,196</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts Payable	0	43,074	112,066
Wages Payable	0	0	41,015
Due to Other	0	0	13,569
Deposits	0	0	1,150
Deferred Revenue	0	24,634	50,908
<b>Total Liabilities</b>	<b>0</b>	<b>67,708</b>	<b>218,708</b>
<b>Fund Balances</b>			
Unreserved	1,847,447	167,519	9,937,488
<b>Total Liabilities and Fund Balances</b>	<b>1,847,447</b>	<b>235,227</b>	<b>10,156,196</b>

City of Kirkland  
**Combining Balance Sheet**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

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Debt Service			Total Debt Service	Governmental Funds Total
LTGO	UTGO	LID		
105,756	151,800	2,011	259,567	4,830,871
119,762	186,464	2,470	308,696	5,842,005
0	50,165	0	50,165	76,163
0	0	16,509	16,509	16,509
0	0	0	0	25,586
225,518	388,429	20,991	634,938	10,791,134
0	0	0	0	112,066
0	0	0	0	41,015
0	0	0	0	13,569
0	0	0	0	1,150
0	50,703	15,568	66,271	117,179
0	50,703	15,568	66,271	284,979
225,518	337,726	5,423	568,667	10,506,155
225,518	388,429	20,991	634,938	10,791,134

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

Page 1 of 4

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Recreation Program Revolving
<b>Revenues</b>				
Taxes and Assessments	124,953	0	759,146	0
Intergovernmental	0	0	0	5,000
Charges for Services	0	65,764	0	783,504
Investment Interest	0	0	0	0
Miscellaneous Revenues	0	0	10,260	47,846
<b>Total Revenues</b>	<b>124,953</b>	<b>65,764</b>	<b>769,406</b>	<b>836,350</b>
<b>Expenditures</b>				
Current				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Physical Environment	0	92,403	0	0
Transportation	0	0	0	0
Economic Environment	66,442	0	0	77,520
Culture and Recreation	0	0	489,844	760,482
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	1,988	64,565	0
<b>Total Expenditures</b>	<b>66,442</b>	<b>94,391</b>	<b>554,409</b>	<b>838,002</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	58,511	(28,627)	214,997	(1,652)
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	21,900	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	(12,280)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>21,900</b>	<b>(12,280)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>58,511</b>	<b>(6,727)</b>	<b>202,717</b>	<b>(1,652)</b>
<b>Fund Balances Beginning of Year</b>	<b>119,810</b>	<b>134,905</b>	<b>83,895</b>	<b>85,500</b>
<b>Fund Balances End of Year</b>	<b>178,321</b>	<b>128,178</b>	<b>286,612</b>	<b>83,848</b>

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

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

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Facilities Maintenance	Contingency	Cemetery Improvement	Impact Fees	Off Street Parking
718,391	0	0	0	0
0	0	0	0	0
1,652,354	0	0	908,975	0
500,206	0	0	25,981	0
0	0	0	0	0
<b>2,870,951</b>	<b>0</b>	<b>0</b>	<b>934,956</b>	<b>0</b>
1,055,529	0	0	1,024	8,220
187,488	0	0	0	0
173,097	0	0	0	0
0	0	0	0	0
92,600	0	0	0	0
103,797	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	5,962	0	0
<b>1,612,511</b>	<b>0</b>	<b>5,962</b>	<b>1,024</b>	<b>8,220</b>
1,258,440	0	(5,962)	933,932	(8,220)
0	0	65,700	0	0
0	0	0	0	0
(1,272,616)	(165,936)	(36,749)	(315,989)	(188,000)
<b>(1,272,616)</b>	<b>(165,936)</b>	<b>28,951</b>	<b>(315,989)</b>	<b>(188,000)</b>
(14,176)	(165,936)	22,989	617,943	(196,220)
2,195,767	2,523,257	338,206	1,490,036	280,784
<b>2,181,591</b>	<b>2,357,321</b>	<b>361,195</b>	<b>2,107,979</b>	<b>84,564</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

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	Tour Dock	Street Improvement Reserve	Grant Control	Total Special Revenue
<b>Revenues</b>				
Taxes and Assessments	0	270,000	0	1,872,490
Intergovernmental	0	299,388	133,114	437,502
Charges for Services	0	46,647	0	3,457,244
Investment Interest	0	0	0	526,187
Miscellaneous Revenues	24,284	0	0	82,390
<b>Total Revenues</b>	<b>24,284</b>	<b>616,035</b>	<b>133,114</b>	<b>6,375,813</b>
<b>Expenditures</b>				
Current				
General Government	0	0	0	1,064,773
Security of Persons and Property	0	0	0	187,488
Physical Environment	0	0	3,995	269,495
Transportation	0	0	25,056	25,056
Economic Environment	0	0	93,725	330,287
Culture and Recreation	16,789	0	0	1,370,912
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	0	75,902	148,417
<b>Total Expenditures</b>	<b>16,789</b>	<b>0</b>	<b>198,678</b>	<b>3,396,428</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	7,495	616,035	(65,564)	2,979,385
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	0	87,600
Transfers In	0	0	27,835	27,835
Transfers Out	0	(1,396,455)	0	(3,388,025)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(1,396,455)</b>	<b>27,835</b>	<b>(3,272,590)</b>
<b>Net Change in Fund Balance</b>	<b>7,495</b>	<b>(780,420)</b>	<b>(37,729)</b>	<b>(293,205)</b>
<b>Fund Balances Beginning of Year</b>	<b>145,418</b>	<b>2,627,867</b>	<b>205,248</b>	<b>10,230,693</b>
<b>Fund Balances End of Year</b>	<b>152,913</b>	<b>1,847,447</b>	<b>167,519</b>	<b>9,937,488</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Non Major Governmental Funds  
 For the fiscal year ended December 31, 2004

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Debt Service

LTGO	UTGO	LID	Total Debt Service	Governmental Funds Total
0	1,495,516	0	1,495,516	3,368,006
0	0	0	0	437,502
0	0	0	0	3,457,244
66,045	0	0	66,045	592,232
0	0	10,548	10,548	92,938
66,045	1,495,516	10,548	1,572,109	7,947,921
16,010	0	0	16,010	1,080,783
0	0	0	0	187,488
0	0	0	0	269,495
0	0	0	0	25,056
0	0	0	0	330,287
0	0	0	0	1,370,912
890,000	930,000	15,000	1,835,000	1,835,000
636,004	569,513	1,545	1,207,062	1,207,062
0	0	0	0	148,417
1,542,014	1,499,513	16,545	3,058,072	6,454,500
(1,475,969)	(3,997)	(5,997)	(1,485,963)	1,493,422
0	0	0	0	87,600
1,459,960	0	0	1,459,960	1,487,795
0	0	(1,000)	(1,000)	(3,389,025)
1,459,960	0	(1,000)	1,458,960	(1,813,630)
(16,009)	(3,997)	(6,997)	(27,003)	(320,208)
241,527	341,723	12,420	595,670	10,826,363
225,518	337,726	5,423	568,667	10,506,155

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

Lodging Tax Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	100,000	100,000	124,953	0	124,953
<b>Total Revenues</b>	100,000	100,000	124,953	0	124,953
<b>Expenditures</b>					
Current					
Economic Environment	175,283	221,310	63,550	2,892	66,442
<b>Total Expenditures</b>	175,283	221,310	63,550	2,892	66,442
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(75,283)	(121,310)	61,403	(2,892)	58,511
<b>Net Change in Fund Balance</b>	(75,283)	(121,310)	61,403	(2,892)	58,511
<b>Fund Balances Beginning of Year</b>	75,283	121,310	121,310	(1,500)	119,810
<b>Fund Balances End of Year</b>	0	0	182,713	(4,392)	178,321



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

Cemetery Operating Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Charges for Services	75,500	75,500	65,764	0	65,764
<b>Total Revenues</b>	<b>75,500</b>	<b>75,500</b>	<b>65,764</b>		<b>65,764</b>
<b>Expenditures</b>					
Current					
Physical Environment	233,340	233,936	92,372	31	92,403
Capital Outlay	0	0	0	1,988	1,988
<b>Total Expenditures</b>	<b>233,340</b>	<b>233,936</b>	<b>92,372</b>	<b>2,019</b>	<b>94,391</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(157,840)	(158,436)	(26,608)	(2,019)	(28,627)
<b>Other Financing Sources (Uses)</b>					
Sale of fixed assets	22,000	22,000	21,900	0	21,900
<b>Total Other Financing Sources (Uses)</b>	<b>22,000</b>	<b>22,000</b>	<b>21,900</b>	<b>0</b>	<b>21,900</b>
<b>Net Change in Fund Balance</b>	<b>(135,840)</b>	<b>(136,436)</b>	<b>(4,708)</b>	<b>(2,019)</b>	<b>(6,727)</b>
<b>Fund Balances Beginning of Year</b>	<b>135,840</b>	<b>136,436</b>	<b>136,436</b>	<b>(1,531)</b>	<b>134,905</b>
<b>Fund Balances End of Year</b>	<b>0</b>	<b>0</b>	<b>131,728</b>	<b>(3,550)</b>	<b>128,178</b>

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

Parks Maintenance Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	676,700	758,764	760,177	(1,031)	759,146
Miscellaneous Revenues	0	0	10,260	0	10,260
<b>Total Revenues</b>	<b>676,700</b>	<b>758,764</b>	<b>770,437</b>		<b>769,406</b>
<b>Expenditures</b>					
Current					
Culture and Recreation	615,250	760,379	487,518	2,326	489,844
Capital Outlay	94,000	94,000	64,565	0	64,565
<b>Total Expenditures</b>	<b>709,250</b>	<b>854,379</b>	<b>552,083</b>		<b>554,409</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(32,550)	(95,615)	218,354	(3,357)	214,997
<b>Other Financing Sources (Uses)</b>					
Transfers Out	0	0	0	(12,280)	(12,280)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,280)</b>	<b>(12,280)</b>
<b>Net Change in Fund Balance</b>	<b>(32,550)</b>	<b>(95,615)</b>	<b>218,354</b>	<b>(15,637)</b>	<b>202,717</b>
<b>Fund Balances Beginning of Year</b>	<b>32,550</b>	<b>95,615</b>	<b>95,615</b>	<b>(11,720)</b>	<b>83,895</b>
<b>Fund Balances End of Year</b>	<b>0</b>	<b>0</b>	<b>313,969</b>	<b>(27,357)</b>	<b>286,612</b>

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

Recreation Revolving Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Intergovernmental	0	5,000	5,000	0	5,000
Charges for Services	772,345	772,345	783,504	0	783,504
Miscellaneous Revenues	32,225	32,225	47,846	0	47,846
<b>Total Revenues</b>	<b>804,570</b>	<b>809,570</b>	<b>836,350</b>		<b>836,350</b>
<b>Expenditures</b>					
Current					
Human Services	95,920	96,346	78,878	(1,358)	77,520
Culture and Recreation	799,429	818,539	761,670	(1,188)	760,482
<b>Total Expenditures</b>	<b>895,349</b>	<b>914,885</b>	<b>840,548</b>	<b>(2,546)</b>	<b>838,002</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(90,779)	(105,315)	(4,198)	2,546	(1,652)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(90,779)</b>	<b>(105,315)</b>	<b>(4,198)</b>	<b>2,546</b>	<b>(1,652)</b>
<b>Fund Balances Beginning of Year</b>	<b>90,779</b>	<b>105,315</b>	<b>105,315</b>	<b>(19,815)</b>	<b>85,500</b>
<b>Fund Balances End of Year</b>	<b>0</b>	<b>0</b>	<b>101,117</b>	<b>(17,269)</b>	<b>83,848</b>

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

Facilities Maintenance Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	575,000	575,000	718,391	0	718,391
Intergovernmental	0	0	0	0	0
Charges for Services	1,625,421	1,625,421	1,652,354	0	1,652,354
Investment Interest	500,206	500,206	500,206	0	500,206
Miscellaneous Revenues	100,000	100,000	105,750	(105,750)	0
<b>Total Revenues</b>	<b>2,800,627</b>	<b>2,800,627</b>	<b>2,976,701</b>	<b>(105,750)</b>	<b>2,870,951</b>
<b>Expenditures</b>					
Current					
General Government	3,883,986	4,144,775	2,195,216	(1,139,687)	1,055,529
Security of Persons and Property	329,714	503,249	367,779	(180,291)	187,488
Physical Environment	120,709	121,489	102,851	70,246	173,097
Economic Environment	109,465	109,465	89,057	3,543	92,600
Culture and Recreation	136,802	136,802	111,490	(7,693)	103,797
Capital Outlay	50,000	64,688	0	0	0
<b>Total Expenditures</b>	<b>4,630,676</b>	<b>5,080,468</b>	<b>2,866,393</b>	<b>(1,253,882)</b>	<b>1,612,511</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(1,830,049)	(2,279,841)	110,308	1,148,132	1,258,440
<b>Other Financing Sources (Uses)</b>					
Transfers Out	0	0	0	(1,272,616)	(1,272,616)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,272,616)</b>	<b>(1,272,616)</b>
<b>Net Change in Fund Balance</b>	<b>(1,830,049)</b>	<b>(2,279,841)</b>	<b>110,308</b>	<b>(124,484)</b>	<b>(14,176)</b>
<b>Fund Balances Beginning of Year</b>	<b>1,780,049</b>	<b>2,215,153</b>	<b>2,215,153</b>	<b>(19,386)</b>	<b>2,195,767</b>
<b>Fund Balances End of Year</b>	<b>(50,000)</b>	<b>(64,688)</b>	<b>2,325,461</b>	<b>(143,870)</b>	<b>2,181,591</b>

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

Contingency Special Revenue Fund  
 For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Other Financing Sources (Uses)</b>					
Transfers Out	0	(170,586)	(165,936)	0	(165,936)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(170,586)</b>	<b>(165,936)</b>	<b>0</b>	<b>(165,936)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(170,586)</b>	<b>(165,936)</b>	<b>0</b>	<b>(165,936)</b>
<b>Fund Balances Beginning of Year</b>	<b>2,523,257</b>	<b>2,523,257</b>	<b>2,523,257</b>	<b>0</b>	<b>2,523,257</b>
<b>Fund Balances End of Year</b>	<b>2,523,257</b>	<b>2,352,671</b>	<b>2,357,321</b>	<b>0</b>	<b>2,357,321</b>

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

Cemetery Improvement Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Expenditures</b>					
Capital Outlay	6,000	6,000	5,962	0	5,962
<b>Total Expenditures</b>	<b>6,000</b>	<b>6,000</b>	<b>5,962</b>	<b>0</b>	<b>5,962</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(6,000)	(6,000)	(5,962)	0	(5,962)
<b>Other Financing Sources (Uses)</b>					
Sale of fixed assets	66,000	66,000	65,700	0	65,700
Transfers Out	(36,748)	(36,748)	(36,749)	0	(36,749)
<b>Total Other Financing Sources (Uses)</b>	<b>29,252</b>	<b>29,252</b>	<b>28,951</b>	<b>0</b>	<b>28,951</b>
<b>Net Change in Fund Balance</b>	<b>23,252</b>	<b>23,252</b>	<b>22,989</b>	<b>0</b>	<b>22,989</b>
<b>Fund Balances Beginning of Year</b>	<b>325,480</b>	<b>338,206</b>	<b>338,206</b>		<b>338,206</b>
<b>Fund Balances End of Year</b>	<b>348,732</b>	<b>361,458</b>	<b>361,195</b>	<b>0</b>	<b>361,195</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Impact Fees Special Revenue Fund  
 For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Charges for Services	640,000	640,000	908,975	0	908,975
Investment Interest	31,500	31,500	32,771	(6,790)	25,981
<b>Total Revenues</b>	<b>671,500</b>	<b>671,500</b>	<b>941,746</b>	<b>(6,790)</b>	<b>934,956</b>
<b>Expenditures</b>					
Current					
General Government	0	0	0	1,024	1,024
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,024</b>	<b>1,024</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	671,500	671,500	941,746	(7,814)	933,932
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(600,000)	(600,000)	(315,989)	0	(315,989)
<b>Total Other Financing Sources (Uses)</b>	<b>(600,000)</b>	<b>(600,000)</b>	<b>(315,989)</b>	<b>0</b>	<b>(315,989)</b>
<b>Net Change in Fund Balance</b>	<b>71,500</b>	<b>71,500</b>	<b>625,757</b>	<b>(7,814)</b>	<b>617,943</b>
<b>Fund Balances Beginning of Year</b>	<b>1,505,179</b>	<b>1,487,255</b>	<b>1,487,255</b>	<b>2,781</b>	<b>1,490,036</b>
<b>Fund Balances End of Year</b>	<b>1,576,679</b>	<b>1,558,755</b>	<b>2,113,012</b>	<b>(5,033)</b>	<b>2,107,979</b>

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

Off Street Parking Reserve Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Charges for Services	0	0	(8,220)	8,220	0
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>(8,220)</b>	<b>8,220</b>	<b>0</b>
<b>Expenditures</b>					
Current					
General Government	0	0	0	8,220	8,220
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,220</b>	<b>8,220</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	0	0	(8,220)	0	(8,220)
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(188,000)	(188,000)	(188,000)	0	(188,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(188,000)</b>	<b>(188,000)</b>	<b>(188,000)</b>	<b>0</b>	<b>(188,000)</b>
<b>Net Change in Fund Balance</b>	<b>(188,000)</b>	<b>(188,000)</b>	<b>(196,220)</b>	<b>0</b>	<b>(196,220)</b>
<b>Fund Balances Beginning of Year</b>	<b>280,784</b>	<b>280,784</b>	<b>280,784</b>	<b>0</b>	<b>280,784</b>
<b>Fund Balances End of Year</b>	<b>92,784</b>	<b>92,784</b>	<b>84,564</b>	<b>0</b>	<b>84,564</b>



City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Tour Dock Special Revenue Fund  
 For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Miscellaneous Revenues	29,000	29,000	24,284	0	24,284
<b>Total Revenues</b>	<b>29,000</b>	<b>29,000</b>	<b>24,284</b>	<b>0</b>	<b>24,284</b>
<b>Expenditures</b>					
Current					
Culture and Recreation	26,480	26,480	16,789	0	16,789
<b>Total Expenditures</b>	<b>26,480</b>	<b>26,480</b>	<b>16,789</b>	<b>0</b>	<b>16,789</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	2,520	2,520	7,495	0	7,495
<b>Net Change in Fund Balance</b>	<b>2,520</b>	<b>2,520</b>	<b>7,495</b>	<b>0</b>	<b>7,495</b>
<b>Fund Balances Beginning of Year</b>	<b>146,892</b>	<b>145,418</b>	<b>145,418</b>	<b>0</b>	<b>145,418</b>
<b>Fund Balances End of Year</b>	<b>149,412</b>	<b>147,938</b>	<b>152,913</b>	<b>0</b>	<b>152,913</b>

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

Street Improvement Reserve Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	270,000	270,000	270,000	0	270,000
Intergovernmental	701,614	301,614	299,388	0	299,388
Charges for Services	200,000	0	46,647	0	46,647
<b>Total Revenues</b>	<b>1,171,614</b>	<b>571,614</b>	<b>616,035</b>	<b>0</b>	<b>616,035</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	1,171,614	571,614	616,035	0	616,035
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(1,485,000)	(1,501,500)	(1,396,455)	0	(1,396,455)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,485,000)</b>	<b>(1,501,500)</b>	<b>(1,396,455)</b>	<b>0</b>	<b>(1,396,455)</b>
<b>Net Change in Fund Balance</b>	<b>(313,386)</b>	<b>(929,886)</b>	<b>(780,420)</b>	<b>0</b>	<b>(780,420)</b>
<b>Fund Balances Beginning of Year</b>	<b>2,870,258</b>	<b>2,627,867</b>	<b>2,627,867</b>	<b>0</b>	<b>2,627,867</b>
<b>Fund Balances End of Year</b>	<b>2,556,872</b>	<b>1,697,981</b>	<b>1,847,447</b>	<b>0</b>	<b>1,847,447</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
Grant Control Special Revenue Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Intergovernmental	138,626	172,898	203,942	(70,828)	133,114
<b>Total Revenues</b>	<b>138,626</b>	<b>172,898</b>	<b>203,942</b>	<b>(70,828)</b>	<b>133,114</b>
<b>Expenditures</b>					
Current					
Physical Environment	4,570	4,570	3,995	0	3,995
Transportation	11,000	35,000	23,375	1,681	25,056
Economic Environment	61,725	71,997	72,115	21,610	93,725
Capital Outlay	82,000	91,000	69,391	6,511	75,902
<b>Total Expenditures</b>	<b>159,295</b>	<b>202,567</b>	<b>168,876</b>	<b>29,802</b>	<b>198,678</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(20,669)	(29,669)	35,066	(100,630)	(65,564)
<b>Other Financing Sources (Uses)</b>					
Transfers In	20,669	29,669	27,835	0	27,835
<b>Total Other Financing Sources (Uses)</b>	<b>20,669</b>	<b>29,669</b>	<b>27,835</b>	<b>0</b>	<b>27,835</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>62,901</b>	<b>(100,630)</b>	<b>(37,729)</b>
<b>Fund Balances Beginning of Year</b>	<b>176,524</b>	<b>176,524</b>	<b>176,524</b>	<b>28,724</b>	<b>205,248</b>
<b>Fund Balances End of Year</b>	<b>176,524</b>	<b>176,524</b>	<b>239,425</b>	<b>(71,906)</b>	<b>167,519</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Limited GO Debt Service Fund  
 For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Investment Interest	66,045	66,045	66,045	0	66,045
<b>Total Revenues</b>	<b>66,045</b>	<b>66,045</b>	<b>66,045</b>	<b>0</b>	<b>66,045</b>
<b>Expenditures</b>					
Current					
General Government	0	0	0	16,010	16,010
Debt Service					
Principal	890,000	890,000	890,000	0	890,000
Interest	636,005	636,005	636,005	(1)	636,004
<b>Total Expenditures</b>	<b>1,526,005</b>	<b>1,526,005</b>	<b>1,526,005</b>	<b>16,009</b>	<b>1,542,014</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(1,459,960)	(1,459,960)	(1,459,960)	(16,009)	(1,475,969)
<b>Other Financing Sources (Uses)</b>					
Transfers In	1,459,960	1,459,960	1,459,959	1	1,459,960
<b>Total Other Financing Sources (Uses)</b>	<b>1,459,960</b>	<b>1,459,960</b>	<b>1,459,959</b>	<b>1</b>	<b>1,459,960</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(16,008)</b>	<b>(16,009)</b>
<b>Fund Balances Beginning of Year</b>	<b>235,658</b>	<b>235,658</b>		<b>241,527</b>	<b>241,527</b>
<b>Fund Balances End of Year</b>	<b>235,658</b>	<b>235,658</b>	<b>(1)</b>	<b>225,519</b>	<b>225,518</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
 Unlimited GO Debt Service Fund  
 For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Taxes and Assessments	1,489,514	1,499,514	1,501,909	(6,393)	1,495,516
<b>Total Revenues</b>	<b>1,489,514</b>	<b>1,499,514</b>	<b>1,501,909</b>	<b>(6,393)</b>	<b>1,495,516</b>
<b>Expenditures</b>					
Debt Service					
Principal	920,000	930,000	930,000	0	930,000
Interest	569,514	569,514	569,513	0	569,513
<b>Total Expenditures</b>	<b>1,489,514</b>	<b>1,499,514</b>	<b>1,499,513</b>	<b>0</b>	<b>1,499,513</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	0	0	2,396	(6,393)	(3,997)
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>2,396</b>	<b>(6,393)</b>	<b>(3,997)</b>
<b>Fund Balances Beginning of Year</b>	<b>347,326</b>	<b>335,868</b>	<b>335,868</b>	<b>5,855</b>	<b>341,723</b>
<b>Fund Balances End of Year</b>	<b>347,326</b>	<b>335,868</b>	<b>338,264</b>	<b>(538)</b>	<b>337,726</b>

City of Kirkland  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
LID Debt Service Fund  
For the fiscal year ended December 31, 2004

	Budget		Actual		
	Original	Final	Budget Basis	Adjustment	GAAP Basis
<b>Revenues</b>					
Miscellaneous Revenues	10,023	10,023	11,134	(586)	10,548
<b>Total Revenues</b>	<b>10,023</b>	<b>10,023</b>	<b>11,134</b>	<b>(586)</b>	<b>10,548</b>
<b>Expenditures</b>					
Debt Service					
Principal	10,000	10,000	15,000	0	15,000
Interest	1,795	1,795	1,545	0	1,545
<b>Total Expenditures</b>	<b>11,795</b>	<b>11,795</b>	<b>16,545</b>	<b>0</b>	<b>16,545</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (under) expenditures	(1,772)	(1,772)	(5,411)	(586)	(5,997)
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(1,000)	(1,000)	(1,000)	0	(1,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>0</b>	<b>(1,000)</b>
<b>Net Change in Fund Balance</b>	<b>(2,772)</b>	<b>(2,772)</b>	<b>(6,411)</b>	<b>(586)</b>	<b>(6,997)</b>
<b>Fund Balances Beginning of Year</b>	<b>8,073</b>	<b>10,893</b>	<b>10,893</b>	<b>1,527</b>	<b>12,420</b>
<b>Fund Balances End of Year</b>	<b>5,301</b>	<b>8,121</b>	<b>4,482</b>	<b>941</b>	<b>5,423</b>

## INTERNAL SERVICE FUNDS

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

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

City of Kirkland, Washington  
**Combining Statement of Net Assets**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2004

	Equipment Rental	Information Technology	2004
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	2,540,323	1,043,045	3,583,368
Investments	3,120,410	1,281,226	4,401,636
Accounts Receivable	15,018	0	15,018
Inventories	35,734	0	35,734
<b>Total Current Assets</b>	<b>5,711,486</b>	<b>2,324,271</b>	<b>8,035,757</b>
Noncurrent Assets			
Capital Assets:			
Improvements	128,605	0	128,605
Equipment	8,140,518	0	8,140,518
Accumulated Depreciation	(4,121,628)	0	(4,121,628)
<b>Total Capital Assets Net</b>	<b>4,147,495</b>	<b>0</b>	<b>4,147,495</b>
<b>Total Noncurrent Assets</b>	<b>4,147,495</b>	<b>0</b>	<b>4,147,495</b>
<b>Total Assets</b>	<b>9,858,981</b>	<b>2,324,271</b>	<b>12,183,252</b>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	23,357	5,714	29,071
Wages Payable	30,214	62,544	92,758
Employee Benefits Payable	1,494	58,250	59,744
<b>Total Liabilities</b>	<b>55,066</b>	<b>126,508</b>	<b>181,574</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	4,295,116	0	4,295,116
Unrestricted	5,508,799	2,197,763	7,706,562
<b>Total Fund Equity</b>	<b>9,803,915</b>	<b>2,197,763</b>	<b>12,001,678</b>
<b>Total Net Assets</b>	<b>9,858,981</b>	<b>2,324,271</b>	<b>12,183,252</b>

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



City of Kirkland, Washington  
**Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2004

	Equipment Rental	Information Technology	2004
<b>Operating Revenues</b>			
Charges for Services	2,398,286	2,140,846	4,539,132
Miscellaneous Revenues	5,302	3,352	8,654
<b>Total Operating Revenues</b>	<b>2,403,588</b>	<b>2,144,198</b>	<b>4,547,786</b>
<b>Operating Expenses</b>			
Administrative & General	444,936	374,766	819,702
Supplies	39,618	157,951	197,569
Maintenance & Operations	923,271	1,587,105	2,510,376
Depreciation	602,860	0	602,860
<b>Total Operating Expenses</b>	<b>2,010,685</b>	<b>2,119,822</b>	<b>4,130,507</b>
<b>Operating Income (Loss)</b>	<b>392,903</b>	<b>24,376</b>	<b>417,279</b>
Nonoperating Revenues (Expenses)			
Interest Revenue	1,908	0	1,908
Gain (loss) on Disposal of Fixed Assets	137,480	0	137,480
Other Nonoperating Revenue	31,745	0	31,745
Total Nonoperating Revenues (Expenses)	171,133	0	171,133
<b>Income (Loss) before Contributions and Transfers</b>	<b>564,036</b>	<b>24,376</b>	<b>588,412</b>
Capital Contributed from External Sources	88,777	0	88,777
Transfers In	12,280	1,148,689	1,160,969
Transfers Out	0	(37,500)	(37,500)
Change in Net Assets	665,093	1,135,565	1,800,658
Total Net Assets - Beginning	9,138,822	1,062,198	10,201,020
<b>Total Net Assets - Ending</b>	<b>9,803,915</b>	<b>2,197,763</b>	<b>12,001,678</b>

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

City of Kirkland, Washington  
**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2004

	Equipment Rental	Information Technology	2004
<b>Cash Flows From Operating Activities</b>			
Cash Received From Interfund Charges	2,354,079	2,140,846	4,494,925
Cash From Other Sources	4,913	3,352	8,265
Cash Paid to Suppliers for Goods and Services	(849,272)	(741,057)	(1,590,329)
Cash Paid to Employees for Services	(373,924)	(1,353,588)	(1,727,512)
Cash Paid for Central Business Functions	(184,545)	0	(184,545)
<b>Net Cash Provided by Operating Activities</b>	<b>951,250</b>	<b>49,553</b>	<b>1,000,803</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers In	0	1,148,689	1,148,689
Transfers Out	0	(37,500)	(37,500)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>0</b>	<b>1,111,189</b>	<b>1,111,189</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds From Sale of Assets and Insurance Recoveries	197,345	0	197,345
Acquisition and Construction of Capital Assets	(862,412)	0	(862,412)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(665,067)</b>	<b>0</b>	<b>(665,067)</b>
<b>Cash Flows From Investing Activities</b>			
Net (Increase) Decrease in Investments	(534,142)	(721,628)	(1,255,770)
<b>Net Cash Provided by Investing Activities</b>	<b>(534,142)</b>	<b>(721,628)</b>	<b>(1,255,770)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(247,959)	439,114	191,155
Cash and Cash Equivalents, January 1	2,791,558	603,931	3,395,489
<b>Cash and Cash Equivalents, December 31</b>	<b>2,543,599</b>	<b>1,043,045</b>	<b>3,586,644</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	392,904	24,376	417,280
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	602,860	0	602,860
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(6,246)	0	(6,246)
(Increase) Decrease in Inventories	(4,369)	0	(4,369)
Decrease in Interfund Loan	(31,804)	0	(31,804)
Increase (Decrease) in Accounts Payable	(777)	2,132	1,355
Increase (Decrease) in Due to Other Governments	0	(9,285)	(9,285)
Increase (Decrease) in Wages Payable	(1,394)	(14,413)	(15,807)
Increase (Decrease) in Employee Benefits Payable	76	46,743	46,819
<b>Net Cash Provided by Operating Activities</b>	<b>951,250</b>	<b>49,553</b>	<b>1,000,803</b>
<b>Noncash Investing, Capital and Finance Activities:</b>			
Contributed Capital	88,777	0	88,777



City of Kirkland, Washington  
**Statement of Agency Fund Net Assets**  
December 31, 2004

	Intergovernmental Clearing	Customer Deposits	2004
<b>Assets</b>			
Cash and Cash Equivalents	7,226	0	7,226
Deposits	0	613,287	613,287
<b>Total Assets</b>	<b>7,226</b>	<b>613,287</b>	<b>620,513</b>
<b>Liabilities</b>			
Current Liabilities			
Due to Other Governments	7,226	0	7,226
Deposits	0	613,287	613,287
<b>Total Net Assets</b>	<b>7,226</b>	<b>613,287</b>	<b>620,513</b>

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

City of Kirkland  
**Statement of Changes in Assets and Liabilities**  
All Agency Funds  
For the fiscal year ended December 31, 2004

	1-1-04 Balance	Additions	Deletions	12-31-04 Balance
<b>Intergovernmental Custodial</b>				
Assets				
Cash and Cash Equivalents	7,354	3,341,798	3,341,927	7,226
Total Assets	<u>7,354</u>	<u>3,341,798</u>	<u>3,341,927</u>	<u>7,226</u>
Liabilities				
Due to Other Governments	7,354	3,431,038	3,445,618	7,226
Total Liabilities	<u>7,354</u>	<u>3,431,038</u>	<u>3,445,618</u>	<u>7,226</u>
<b>Customer Deposits</b>				
Assets				
Deposits	513,174	371,289	271,177	613,287
Total Assets	<u>513,174</u>	<u>371,289</u>	<u>271,177</u>	<u>613,287</u>
Liabilities				
Deposits	513,174	542,515	1,668,975	613,287
Total Liabilities	<u>513,174</u>	<u>542,515</u>	<u>1,668,975</u>	<u>613,287</u>

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



## **Capital Assets**

City of Kirkland  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
December 31, 2004  
Unaudited

2004

**Governmental Funds Capital Assets:**

Land	\$	72,370,370
Buildings		28,936,900
Improvements other than Buildings		9,640,102
Machinery and Equipment		1,125,916
Artwork		1,348,274
Infrastructure		113,597,270
Construction in Progress		24,354,136
<b>Total Governmental Funds Capital Assets</b>	<b>\$</b>	<b><u>251,372,968</u></b>

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

General Fund	\$	198,227,348
Special Revenue Funds		1,078,503
Impact Fees		956,789
Federal Grants		88,902
General Obligation Bonds		42,264,221
Private Gifts		8,757,205
<b>Total Governmental Funds Capital Assets</b>	<b>\$</b>	<b><u>251,372,968</u></b>

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





City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
December 31, 2004  
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 5,300,415	\$ 13,589,390	\$ 530,796	\$ 417,088	\$ -	\$ -	\$ 6,139,635	\$ 25,977,324
Judicial	-	-	47,460	-	-	-	-	\$ 47,460
Security								
Police	-	-	23,404	290,824	-	-	190,178	\$ 504,406
Fire	134,000	3,603,614	350,806	114,253	-	-	336,362	\$ 4,539,035
Total Security	<u>134,000</u>	<u>3,603,614</u>	<u>374,210</u>	<u>405,077</u>	<u>-</u>	<u>-</u>	<u>526,540</u>	<u>5,043,441</u>
Transportation	31,754,896	5,845,821	-	-	-	113,597,270	11,234,267	\$ 162,432,254
Physical Environment	66,701	-	1,053,377	107,556	-	-	-	\$ 1,227,634
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	-	-	-	-	-	-	100,395	\$ 100,395
Culture and Recreation	35,114,358	5,898,075	7,634,259	196,195	1,348,274	-	6,353,299	\$ 56,544,460
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 72,370,370</b>	<b>\$ 28,936,900</b>	<b>\$ 9,640,102</b>	<b>\$ 1,125,916</b>	<b>\$ 1,348,274</b>	<b>\$ 113,597,270</b>	<b>\$ 24,354,136</b>	<b>\$ 251,372,968</b>

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

City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
For the Year Ended December 31, 2004  
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets
	Jan 1, 2004			Dec 31, 2004
General Govt	\$ 22,811,147	\$ 3,228,846	\$ 62,669	\$ 25,977,324
Judicial	31,752	15,708	-	47,460
Security				
Police	545,719	49,760	91,073	504,406
Fire	4,169,866	369,169	-	4,539,035
Total Security	<u>4,715,585</u>	<u>418,929</u>	<u>91,073</u>	<u>5,043,441</u>
Transportation	157,674,384	13,338,155	8,580,287	162,432,254
Physical Environment	1,307,284	7,950	87,600	1,227,634
Economic Environment	-	-	-	-
Human Services	-	106,360	5,965	100,395
Culture and Recreation	51,601,379	5,197,496	254,415	56,544,460
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 238,141,531</u></b>	<b><u>\$ 22,313,444</u></b>	<b><u>\$ 9,082,009</u></b>	<b><u>\$ 251,372,968</u></b>

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

## **Statistical Section**

Schedule 1

**City of Kirkland**

Net Assets by Component

Last Two Fiscal Years\* - Unaudited

(accrual basis of accounting)

	Fiscal Year	
	2003	2004
Governmental Activities		
Invested in Capital Assets, Net of Related Debt	\$ 141,921,038	\$ 144,192,014
Restricted	39,956,320	32,708,901
Unrestricted	11,725,447	25,921,417
Total Governmental Activities Net Assets	<u>\$ 193,602,805</u>	<u>\$ 202,822,332</u>
Business-type Activities		
Invested In Capital Assets, Net of Related Debt	\$ 72,934,376	\$ 83,386,001
Restricted	297,987	211,353
Unrestricted	17,041,390	18,749,964
Total Business-type Net Assets	<u>\$ 90,273,753</u>	<u>\$ 102,347,318</u>
Primary Government		
Invested in Capital Assets, Net of Related Debt	\$ 214,855,414	\$ 227,578,015
Restricted	40,254,307	32,920,254
Unrestricted	28,766,837	44,671,381
Total Primary Government Net Assets	<u>\$ 283,876,558</u>	<u>\$ 305,169,650</u>

\*Only two years of data available due to implementation of GASB 34

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 2

**City of Kirkland**

Changes in Net Assets

Last Two Fiscal Years\* - Unaudited

(accrual basis of accounting)

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	Fiscal Year	
	2003	2004
<b>Expenses</b>		
Governmental Activities		
General Government	\$ 2,856,768	\$ 3,072,412
Judicial	1,132,956	1,237,842
Public Safety	21,283,552	21,663,542
Physical Environment	2,051,401	2,335,038
Transportation	8,376,404	6,718,867
Human Services	1,138,226	1,115,196
Economic Environment	4,655,743	4,383,632
Culture and Recreation	5,647,716	5,617,903
Interest on Long Term Debt	1,467,601	1,335,805
Total Governmental Activities Expenses	<u>\$ 48,610,367</u>	<u>\$ 47,480,237</u>
Business Type Activities		
Water/Sewer	\$ 13,783,135	\$ 12,444,661
Surface Water	2,270,481	2,468,998
Solid Waste	7,542,788	7,006,972
Total Business Type Activities Expenses	<u>\$ 23,596,404</u>	<u>\$ 21,920,631</u>
Total Primary Government Expenses	<u>\$ 72,206,771</u>	<u>\$ 69,400,868</u>
<b>Program Revenues</b>		
Governmental Activities		
Charges for Services		
General Government	\$ 1,892,009	\$ 1,871,874
Judicial	2,491,794	1,489,330
Public Safety	3,372,591	3,758,854
Physical Environment	334,062	489,291
Transportation	70,526	207,436
Economic Environment	3,542,188	4,538,432
Culture and Recreation	843,363	861,459
Operating Grants and Contributions	1,962,167	1,579,462
Capital Grants and Contributions	901,588	892,384
Total Governmental Activities Program Revenues	<u>\$ 15,410,288</u>	<u>\$ 15,688,522</u>

	Fiscal Year	
	2003	2004
Business Type Activities		
Charges for Service		
Water/Sewer	\$ 15,147,095	\$ 13,564,146
Surface Water	2,563,696	2,806,057
Solid Waste	7,622,436	7,118,725
Operating Grants and Contributions	406,482	64,698
Capital Grants and Contributions	7,052,440	10,251,810
Total Business Type Activities Program Revenues	<u>\$ 32,792,149</u>	<u>\$ 33,805,436</u>
Total Primary Government Program Revenues	<u>\$ 48,202,437</u>	<u>\$ 49,493,958</u>
<b>Net (Expense)/Revenue</b>		
Governmental Activities	\$ (33,200,079)	\$ (31,791,715)
Business Type Activities	9,195,745	11,884,805
Total Primary Government Net Expense	<u>\$ (24,004,334)</u>	<u>\$ (19,906,910)</u>
<b>General Revenue and Other Changes in Net Assets</b>		
Governmental Activities		
Taxes		
Property Taxes	\$ 11,379,010	\$ 11,772,666
Sales Taxes	13,614,210	14,245,140
Regulatory License Fee	500,194	899,709
Utility Taxes	7,200,791	7,390,288
Other Taxes	3,618,383	5,262,954
Unrestricted Grants and Contributions	46,856	520,573
Investment Earnings	1,083,545	954,779
Gain (Loss) of Sale of Capital Assets	36,611	(172,867)
Transfers, Internal Activities	40,598	138,000
Total Governmental Activities	<u>\$ 37,520,198</u>	<u>\$ 41,011,242</u>
Business Type Activities		
Investment Earnings	\$ 316,405	\$ 326,761
Transfers, Internal Activities	(40,598)	(138,000)
Total Business Type Activities	<u>\$ 275,807</u>	<u>\$ 188,761</u>
Total Primary Government	<u>\$ 37,796,005</u>	<u>\$ 41,200,003</u>
<b>Change in Net Assets</b>		
Governmental Activities	\$ 4,320,117	\$ 9,219,527
Business Type Activities	9,471,554	12,073,566
Total Primary Government	<u>\$ 13,791,671</u>	<u>\$ 21,293,093</u>

\*Only two years of data available due to implementation of GASB 34

Source: City of Kirkland Finance and Administration Financial Operations

Schedule 3

**City of Kirkland**

Fund Balances, Governmental Funds

Last Two Fiscal Years\* - Unaudited

(modified accrual basis of accounting)

	Fiscal Year	
	2003	2004
General Fund		
Reserved	\$ 23,175	\$ 23,175
Unreserved	4,132,740	5,603,516
Total General Fund	<u>\$ 4,155,915</u>	<u>\$ 5,626,691</u>
All Other Governmental Funds		
Reserved	\$ 595,670	\$ 568,667
Unreserved, reported in:		
Special Revenue Funds	28,828,816	29,056,531
Capital Projects Funds	24,010,369	18,743,786
Total all Other Governmental Funds	<u>\$ 53,434,855</u>	<u>\$ 48,368,984</u>

\*Only two years of data available due to implementation of GASB 34

Source: City of Kirkland Finance and Administration Financial Operations



Schedule 4

**City of Kirkland**

Changes in Fund Balance, Governmental Funds

Last Two Fiscal Years\* - Unaudited

(modified accrual basis of accounting)

	Fiscal Year	
	2003	2004
<b>Revenues</b>		
Taxes and Assessments	\$ 36,148,462	\$ 39,285,690
Licenses and Permits	2,622,783	3,076,018
Intergovernmental	5,894,441	5,730,204
Charges for Services	8,386,242	9,450,454
Fines and Forfeitures	1,173,958	1,233,761
Investment Interest	1,387,251	1,258,689
Miscellaneous Revenues	640,413	447,210
<b>Total Revenues</b>	<b>\$ 56,253,550</b>	<b>\$ 60,482,026</b>
<b>Expenditures</b>		
<b>Current</b>		
General Government	\$ 7,972,444	\$ 7,909,306
Security of Persons and Property	20,511,004	23,445,532
Physical Environment	3,132,268	3,182,524
Transportation	4,056,329	3,298,181
Economic Environment	5,231,261	3,991,399
Culture and Recreation	5,020,420	5,053,334
<b>Debt Service</b>		
Principal	1,970,000	1,835,000
Interest	1,374,996	1,207,062
Capital Outlay	4,836,500	13,256,914
<b>Total Expenditures</b>	<b>\$ 54,105,222</b>	<b>\$ 63,179,252</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 2,148,328</b>	<b>\$ (2,697,226)</b>
<b>Other Financing Sources (Uses)</b>		
Sale of Fixed Assets	\$ 90,670	\$ 87,600
Proceeds from Long Term Debt	8,560,351	-
Operating Transfers In	9,963,670	9,494,297
Operating Transfers Out	(9,923,072)	(10,479,766)
<b>Total Other Financing Sources (Uses)</b>	<b>8,691,619</b>	<b>(897,869)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 10,839,947</b>	<b>\$ (3,595,095)</b>
Debt Service as a percentage of noncapital expenditures	6.79%	6.09%

\*Only two years of data available due to implementation of GASB 34

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)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
1995	3,333,983,517	205,129,430	3,539,112,947	2.32
1996	3,395,759,867	238,791,783	3,634,551,650	2.42
1997	3,865,098,825	298,244,390	4,163,343,215	2.26
1998	4,490,682,018	330,285,204	4,820,967,222	2.16
1999	4,916,387,558	296,624,693	5,213,012,251	1.95
2000	5,628,415,398	368,150,440	5,996,565,838	1.84
2001	6,311,766,096	414,773,536	6,726,539,632	1.64
2002	6,788,777,356	344,404,165	7,133,181,521	1.44
2003	7,151,120,913	295,356,068	7,446,476,981	1.59
2004	7,605,630,655	290,763,254	7,896,393,909	1.55

Schedule 6

**City of Kirkland**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years - Unaudited

	City Direct Rates			Overlapping Rates								Total
	Regular Levy	General Obligation Debt Service	Total Direct Rate	School District	County	State	Emergency Medical Services	Hospital	King County Library	Port of Seattle		
1995	1.88	0.43	2.32	3.98	2.25	3.42	0.25	0.43	0.49	0.30	13.44	
1996	1.98	0.44	2.42	3.98	2.21	3.50	0.25	0.45	0.50	0.29	13.60	
1997	1.87	0.40	2.26	3.95	2.13	3.52	0.25	0.44	0.50	0.28	13.33	
1998	1.83	0.34	2.16	3.52	1.85	3.51	0.00	0.43	0.50	0.27	12.24	
1999	1.66	0.29	1.95	4.06	1.77	3.36	0.29	0.41	0.50	0.24	12.58	
2000	1.59	0.25	1.84	4.02	1.69	3.30	0.27	0.41	0.50	0.22	12.25	
2001	1.43	0.22	1.64	3.53	1.55	3.15	0.25	0.39	0.48	0.19	11.18	
2002	1.31	0.13	1.44	3.17	1.45	2.99	0.25	0.36	0.46	0.19	10.31	
2003	1.37	0.22	1.59	3.06	1.35	2.90	0.25	0.34	0.50	0.26	10.25	
2004	1.35	0.20	1.55	2.96	1.43	2.76	0.25	0.34	0.49	0.25	10.03	

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 Operations

Schedule 7

**City of Kirkland**

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

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Taxpayer	2004			1995		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Carillon Properties	\$128,331,674	1	1.63%	\$84,300,000	1	2.38%
Property Tax Advisors, LLC	63,319,500	2	0.80%	-	-	-
Plaza at Yarrow Bay, Inc.	39,277,500	3	0.50%	13,300,000	8	0.38%
Park at Forbes Creek LLC	36,295,800	4	0.46%	25,800,000	2	0.73%
Puget Sound Energy Elec/Gas	34,216,699	5	0.43%	-	-	-
BRE Properties	31,601,000	6	0.40%	-	-	-
Sylvan S. Shulman Co. (Parkplace)	30,555,600	7	0.39%	21,300,000	4	0.60%
Eproperty Tax, Inc.	29,383,600	8	0.37%	12,900,000	9	0.36%
Verizon Northwest	27,195,663	9	0.34%	-	-	-
Essex Property Trust	25,315,000	10	0.32%	-	-	-
Riggs National Bank of WA DC (Kirkland 405 Corp Center)	-	-	-	23,700,000	3	0.67%
HSC Management Inc. (Carillon Heights Apartments)	-	-	-	16,700,000	5	0.47%
PACCAR, Inc.	-	-	-	15,400,000	6	0.44%
Jackie Associates (Yarrow Bay Club Apartments)	-	-	-	13,400,000	7	0.38%
Totem Shopping Center Assoc. (Totem Lake Mall)	-	-	-	11,800,000	10	0.33%
Totals	<u>\$445,492,036</u>		<u>5.64%</u>	<u>\$238,600,000</u>		<u>6.74%</u>

Source: King County Assessor's Office

Schedule 8

**City of Kirkland**

Property Tax Levies and Collections

Last Five Fiscal Years - Unaudited

	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%	182,998	9,427,959	99.82%
2001	9,706,445	9,479,204	97.66%	201,246	9,680,450	99.73%
2002	9,672,026	9,419,039	97.38%	199,406	9,618,445	99.45%
2003	11,289,849	10,955,151	97.04%	220,017	11,175,168	98.98%
2004	11,528,775	11,264,874	97.71%	-	11,264,874	97.71%

Schedule 9

**City of Kirkland**

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

	1995	1996	1997*	1998	1999	2000	2001	2002	2003	2004
Services	1,144,841	1,152,692	1,179,121	1,198,905	1,313,285	1,424,590	1,418,678	1,342,157	1,277,213	1,404,937
Contracting	871,618	885,488	1,130,274	1,392,912	1,470,683	1,788,687	1,739,136	1,463,962	1,497,052	1,770,262
Manufacturing	220,922	215,496	-	-	-	-	-	-	-	-
Communications	-	-	477,946	551,033	654,747	706,919	644,333	551,003	936,836	579,081
Automotive/Gas Retail	1,257,639	1,497,751	1,746,999	2,092,993	2,286,476	2,417,073	2,325,651	2,283,057	2,532,728	2,632,937
Other Retail & Wholesale	4,903,805	4,950,776	5,123,798	5,176,731	5,371,209	5,756,164	5,060,727	5,036,291	5,780,886	5,748,821
Miscellaneous	714,774	722,201	559,116	607,119	654,198	652,062	648,901	544,290	647,736	567,937
<b>Total</b>	<b>9,113,599</b>	<b>9,424,404</b>	<b>10,217,254</b>	<b>11,019,693</b>	<b>11,750,598</b>	<b>12,745,495</b>	<b>11,837,426</b>	<b>11,220,760</b>	<b>12,672,451</b>	<b>12,703,975</b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

\*Reorganized reporting categories

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

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Fiscal Year	State of Washington	King County		Regional Transit Authority	City of Kirkland *	Total General Sales Tax	State of Washington	Total Automobile Sales/Leases	King County	Total Restaurant Food and Beverage
	General Sales	Metro	Criminal Justice Levy				Automobile Sales/Leases		Food and Beverage	
1995	6.50%	0.60%	0.10%	-	1.00%	8.20%	-	8.20%	0.50%	8.70%
1996	6.50%	0.60%	0.10%	-	1.00%	8.20%	-	8.20%	0.50%	8.70%
1997	6.50%	0.60%	0.10%	-	1.00%	8.20%	-	8.20%	0.50%	8.70%
1998	6.50%	0.60%	0.10%	0.40%	1.00%	8.60%	-	8.60%	0.50%	9.10%
1999	6.50%	0.60%	0.10%	0.40%	1.00%	8.60%	-	8.60%	0.50%	9.10%
2000	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2001	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2002	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2003	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	-	8.80%	0.50%	9.30%
2004	6.50%	0.80%	0.10%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%

\* 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

Fiscal Year	Governmental Activities				Business-Type Activities		Total Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Tourdock Interlocal Agreement	Capital Leases	Revenue Bonds	Public Works Trust Fund Loans			
1995	24,645,000	72,000	130,068	-	9,195,000	6,380,435	40,422,503	3.25%	954
1996	23,150,000	62,000	130,068	-	9,340,000	6,331,523	39,013,591	3.66%	904
1997	21,720,000	180,592	130,068	-	9,040,000	5,915,228	36,985,888	4.14%	846
1998	20,340,000	156,000	130,068	-	8,700,000	5,498,933	34,825,001	4.99%	788
1999	19,905,000	99,000	130,068	-	8,325,000	5,491,189	33,950,257	5.75%	757
2000	18,425,000	60,000	130,068	-	7,930,000	5,219,983	31,765,051	6.31%	704
2001	21,930,000	50,000	130,068	29,670	7,510,000	4,769,176	34,418,914	5.82%	752
2002	20,380,000	40,000	130,068	16,150	7,060,000	4,318,367	31,944,585	6.26%	698
2003	26,820,000	30,000	130,068	1,424	6,580,000	5,680,030	39,241,522	5.17%	860
2004	25,000,000	15,000	130,068	-	6,215,000	5,437,794	36,797,862	5.72%	806

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
1995	24,645,000	0.70%	581.94
1996	23,150,000	0.64%	536.38
1997	21,720,000	0.52%	496.80
1998	20,340,000	0.42%	459.97
1999	19,905,000	0.38%	443.71
2000	18,425,000	0.31%	408.63
2001	21,930,000	0.33%	479.13
2002	20,380,000	0.29%	445.08
2003	26,820,000	0.36%	587.77
2004	25,000,000	0.32%	547.89

Schedule 13

**City of Kirkland**

Direct and Overlapping Governmental Activities Debt

As of December 31, 2004 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	955,761,119	3.17%	30,320,245
Lake Washington School District	192,350,000	30.00%	57,713,897
Port of Seattle	397,285,000	3.17%	12,603,336
Bellevue School District	125,625,000	0.08%	98,056
Hospital District #2	227,475,000	20.30%	46,184,663
Library	26,820,000	0.03%	<u>9,004</u>
Total Overlapping Debt			146,929,201
Direct Debt			
City of Kirkland**	25,000,000	100.00%	<u>25,000,000</u>
			<u><u>171,929,201</u></u>

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

Source: King County Assessment and Finance Offices

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

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debt Limit	530,866,942	545,182,748	624,501,482	723,145,083	781,951,838	899,484,876	1,008,980,945	1,069,977,228	1,116,971,547	1,184,459,086
Total net debt applicable to limit	<u>24,005,097</u>	<u>22,658,783</u>	<u>21,246,411</u>	<u>19,900,534</u>	<u>19,463,045</u>	<u>17,983,159</u>	<u>21,437,081</u>	<u>19,849,153</u>	<u>26,236,750</u>	<u>24,436,756</u>
Legal Debt Margin	<u><u>506,861,845</u></u>	<u><u>522,523,965</u></u>	<u><u>603,255,071</u></u>	<u><u>703,244,549</u></u>	<u><u>762,488,793</u></u>	<u><u>881,501,717</u></u>	<u><u>987,543,864</u></u>	<u><u>1,050,128,075</u></u>	<u><u>1,090,734,797</u></u>	<u><u>1,160,022,330</u></u>
Total net debt applicable to the limit as a percentage of debt limit	4.74%	4.34%	3.52%	2.83%	2.55%	2.04%	2.17%	1.89%	2.41%	2.11%

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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	Water Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
1995	9,189,133	7,644,386	1,544,747	225,000	486,522	2.17	-	-	-	-
1996	9,718,182	6,919,267	2,798,915	285,000	457,667	3.77	-	-	-	-
1997	10,164,467	7,409,541	2,754,926	300,000	564,717	3.19	-	-	-	-
1998	10,783,126	8,004,297	2,778,829	340,000	552,682	3.11	61,193	24,592	9,200	1.81
1999	11,721,980	8,654,290	3,067,690	375,000	464,335	3.65	54,852	57,000	7,982	0.84
2000	12,575,674	9,406,929	3,168,745	395,000	442,480	3.78	37,681	39,000	5,102	0.85
2001	13,031,759	9,570,486	3,461,273	770,000	75,961	4.09	13,446	10,000	3,030	1.03
2002	14,639,664	10,559,037	4,080,627	770,000	75,961	4.82	15,800	10,000	2,540	1.26
2003	15,375,176	11,814,586	3,560,590	770,000	75,961	4.21	19,963	10,000	2,045	1.66
2004	14,920,597	10,540,865	4,379,732	580,000	244,757	5.31	11,134	15,000	1,545	0.67

Source: City of Kirkland Finance and Administration Treasury; Public Works Accounting

Schedule 16

**City of Kirkland**

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
1995	42,350	1,311,791	30,975	5.2
1996	43,160	1,429,330	33,117	4.9
1997	43,720	1,532,605	35,055	3.3
1998	44,220	1,738,377	39,312	3.1
1999	44,860	1,952,666	43,528	3.2
2000	45,090	2,005,829	44,485	3.6
2001	45,770	2,003,765	43,779	4.8
2002	45,790	2,000,702	43,693	6.3
2003	45,630	2,027,843	44,441	6.8
2004	45,630	2,106,418	46,163	5.7

Sources: City of Kirkland Finance and Administration Financial Planning  
Used King County personal Income and population to project City of  
Kirkland personal income.

Schedule 17

**City of Kirkland**

Property Values, Construction and Bank Deposits

Last Ten Fiscal Years - Unaudited

Fiscal Year	Commercial Construction		Residential Construction		Multi-Family Construction *		Bank Deposits	Total Assessed Property Valuation
	Number of Units	Valuation	Number of Units	Valuation	Number of Units	Valuation	King County in thousands	
1995	6	9,909,568	349	46,816,226	-	-	22,251,415	3,539,112,947
1996	3	3,228,550	534	78,598,591	-	-	23,297,313	3,634,551,650
1997	19	24,533,988	630	95,917,528	-	-	25,390,527	4,163,343,215
1998	7	3,737,731	429	69,423,245	-	-	27,581,709	4,820,967,222
1999	18	23,760,782	416	74,980,467	-	-	27,035,907	5,213,012,251
2000	8	11,098,790	246	52,369,011	-	-	27,381,328	5,996,565,838
2001	12	10,823,390	150	44,718,844	262	25,917,299	30,345,530	6,726,539,632
2002	6	6,091,081	137	44,598,760	155	14,095,460	32,573,686	7,133,181,521
2003	3	6,725,700	165	53,479,192	27	4,239,774	40,179,371	7,446,476,981
2004	11	63,297,850	192	59,285,927	75	9,774,296	43,839,240	7,896,393,909

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

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

Schedule 18

**City of Kirkland**

Principal Employers

Current Year and Nine Years Ago - Unaudited

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Employer	2004			1995		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Evergreen Hospital	2,188	1	7.54%	1100	1	4.78%
Lake Washington School District	641	2	2.21%	746	4	3.24%
City of Kirkland	420	3	1.45%	313	6	1.36%
Kenworth Truck Co.	397	4	1.37%	300	7	1.30%
Costco Wholesale	380	5	1.31%	853	2	3.71%
Univar	301	6	1.04%	-	-	-
Fred Meyer	203	7	0.70%	299	10	1.30%
Lake Washington Technical College	200	8	0.69%	300	8	1.30%
Lake View Gardens Convalescent Center	170	9	0.59%	-	-	-
Eagle Home Mortgage	167	10	0.58%	-	-	-
McCaw Communication	-	-	-	811	3	3.53%
Larry's Market	-	-	-	350	5	1.52%
Paccar, Inc.	-	-	-	300	9	1.30%
<b>Total</b>	<b>5,067</b>		<b>17.47%</b>	<b>5,372</b>		<b>23.36%</b>

Source: City of Kirkland Finance and Administration Treasury

Schedule 19

**City of Kirkland**

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

Function/Program	Full-time Equivalent Employees as of December 31									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>General Government</b>										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager	4.50	4.50	5.06	5.50	6.00	6.00	6.50	6.50	6.50	6.89
City Attorney	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.00
Parks and Community Services	26.90	28.40	28.40	29.15	30.15	31.40	30.15	32.15	32.15	31.15
Public Works Engineering	19.25	19.25	20.25	21.33	22.32	23.39	24.39	24.39	26.39	26.39
Finance and Administration	34.60	36.80	37.80	41.47	42.67	44.73	46.41	47.47	48.47	46.97
Planning and Community Development	16.50	16.50	16.50	17.50	20.00	20.50	21.50	21.62	21.62	21.62
Police	80.50	81.50	82.50	85.50	89.50	90.50	92.50	96.50	96.00	96.50
Fire & Building	73.16	80.66	83.16	83.16	85.61	86.61	90.61	93.53	96.53	96.53
<b>Other General Gov't Operating Funds</b>										
Lodging Tax Fund	-	-	-	-	-	-	-	-	-	0.11
Street Operating	17.25	17.25	17.25	14.60	15.23	14.97	14.97	14.97	14.67	15.45
Parks Maintenance	-	-	-	-	-	-	-	-	4.50	6.50
Recreation Programs	1.85	1.85	1.85	1.85	2.10	2.10	2.10	3.25	3.25	3.25
Facilities Maintenance	1.00	2.00	3.00	3.00	4.00	4.50	6.50	6.50	6.50	5.90
Equipment Rental	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.50	5.50
Information Technology	3.00	3.00	4.00	5.00	5.00	6.00	7.00	7.50	14.00	14.00
<b>Utility Funds</b>										
Water/Sewer Operation	19.12	19.12	19.60	18.08	18.45	18.45	18.45	18.95	19.15	20.10
Surface Water Management	-	-	-	8.13	8.25	9.44	12.44	12.32	12.42	13.16
Solid Waste	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>313.13</b>	<b>326.33</b>	<b>334.87</b>	<b>349.77</b>	<b>364.78</b>	<b>374.09</b>	<b>389.02</b>	<b>401.15</b>	<b>418.15</b>	<b>420.02</b>

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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

Function/Program	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Public Safety - Police</b>										
Calls Dispatched	24,127	*	27,000	*	29,000	29,795	23,205	27,629	33,622	34,061
Traffic Citations	*	*	7,739	*	7,939	7,082	8,773	*	8,670	10,056
Parking infractions	8,849	*	11,716	*	16,294	17,797	17,344	13,980	14,386	16,458
<b>Public Safety - Fire</b>										
Calls for Service (aid and fire)	*	*	*	6,373	6,373	6,568	7,000	7,151	7,175	7,335
Average EMS Reponse (minutes)	*	*	*	4.62	4.47	4.40	5.73	5.47	5.15	5.18
Average Fire Response (minutes)	*	*	*	5.15	5.12	5.09	6.66	5.93	5.88	5.97
<b>Culture and Recreation</b>										
Adult Program Registrations	*	*	*	*	*	1,887	3,367	4,466	4,546	3,868
Preschool Program Registrations	*	*	*	*	*	2,250	2,562	2,488	2,654	3,131
Youth Program Registrations	*	*	*	*	*	3,619	4,141	4,045	3,924	4,180
Teen Program Registrations	*	*	*	*	*	113	54	56	155	210
Parent/Child Program Registrations	*	*	*	*	*	176	182	224	167	180
Senior Program Registrations	*	*	*	*	*	*	2,449	4,114	4,090	3,777
<b>Physical Environment</b>										
Street Hot Patching (hours)	4,599	6,169	8,545	6,768	5,616	6,336	5,377	5,283	4,632	2,924
Street Signal Maintenance (hours)	2,334	2,487	2,436	2,796	2,140	2,932	2,927	2,874	2,356	2,645
Street Sweeping (hours)	1,662	1,475	1,536	1,443	2,285	1,520	2,008	1,703	1,931	1,824
Number of Sewer Customers	7,862	8,151	8,337	8,445	8,567	8,723	8,843	8,971	9,103	9,276
Number of Water Customers	10,284	10,535	10,660	10,862	10,962	11,090	11,197	11,265	11,376	11,452
Average Daily Water Consumption (million gallons)	*	*	*	6.00	6.00	6.00	5.80	5.80	5.21	6.20

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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

Function/Program	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Public Safety - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	*	*	*	*	8	8	9	9	9	9
Public Safety - Fire										
Stations (full-time staffed)	4	4	5	5	5	5	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks Acreage	403	*	403	403	403	403	403	450	480	512
Parks (developed)	28	*	30	30	30	30	30	30	32	32
Parks (undeveloped)	4	*	2	2	2	2	2	2	5	5
Waterfront Footage	10,910	*	12,000	12,000	12,000	12,000	12,000	12,000	13,200	13,200
Miles of Improved Park Trails	5.2	*	4.6	4.6	4.6	4.6	4.6	4.6	4.6	5.0
Miles of Unimproved Park Trails	4.3	*	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.0
Community Centers	1	1	1	1	1	1	1	1	1	1
Physical Environment										
Water Mains (miles)	150	*	162	162	162	162	162	162	162	163
Sanitary Sewers (miles)	93	*	95	95	*	*	100	100	100	115
Streets (miles)	145	*	146	146	146	146	146	146	146	148
Sidewalks (miles)	116	*	118	118	118	118	118	118	118	137

\* Data not available

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