

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,

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THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2015

Michael Olson
Director of Finance and Administration

Prepared by

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Cover Design and Layout by



City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2015

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Introductory Section



Government Finance Officers Association

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

Presented to

**City of Kirkland
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

CITY OF KIRKLAND

CITY COUNCIL

Mayor.....	Amy Walen
Deputy Mayor	Penny Sweet
Council Members	Jay Arnold
	Shelley Kloba
	Toby Nixon
	Dave Asher
	Doreen Marchione

ADMINISTRATIVE STAFF

CITY MANAGER'S OFFICE

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

MUNICIPAL COURT

Judge.....	Michael Lambo
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CITY ATTORNEY'S OFFICE

City Attorney	Robin Jenkinson
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FINANCE AND ADMINISTRATION

Director	Michael Olson
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FIRE AND BUILDING

Interim Fire Chief	Joe Sanford
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HUMAN RESOURCES & PERFORMANCE MANAGEMENT

Director	James Lopez
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INFORMATION TECHNOLOGY

Chief Information Officer.....	Brenda Cooper
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PARKS & COMMUNITY SERVICES

Director	Jennifer Schroder
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PLANNING & COMMUNITY DEVELOPMENT

Director	Eric Shields
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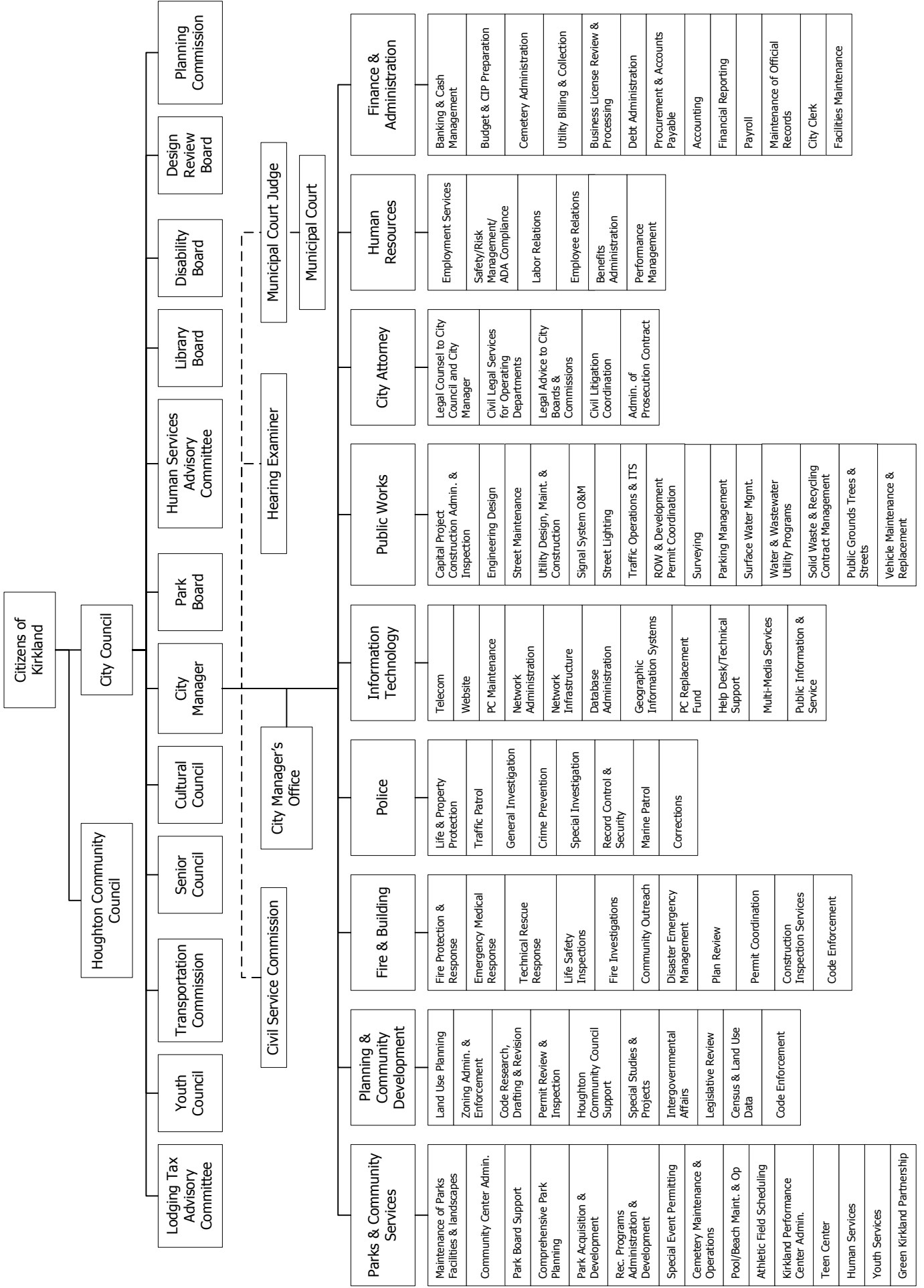
POLICE

Interim Police Chief	Bill Hamilton
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PUBLIC WORKS

Director	Kathy Brown
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CITY OF KIRKLAND





July 15, 2016

Citizens of Kirkland
Honorable Mayor
Members of the City Council

State law requires that every general purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2015.

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

The State Auditor's Office has issued an unqualified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2015. The auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. The 2015 estimated population is 83,460, making Kirkland the thirteenth largest city in the State of Washington and the sixth largest in King County.

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

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

The City government offers a full range of municipal services which are provided by ten operating departments. In 2015, the City boasted forty six parks, including eleven that are located on the waterfront, as well as a community center, senior center, swimming pool, and teen center. The broad range of recreational facilities provides year-round services for citizens of all ages.

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

Local Economy

The Washington State economy continued to expand in 2015, adding jobs, growth in sales tax, and increases in permitting activity. Additionally, Kirkland's office vacancy rate in the fourth quarter of 2015 was 1.5 percent, significantly lower than the Puget Sound total vacancy rate of 12.0 percent, and an improvement from 2014's vacancy rate of 4.5 percent.

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

Long Term Financial Planning

A major focus for 2015 has been engaging with citizens in a conversation about the City's future, the "Kirkland 2035" process that culminated in the adoption of a revised Comprehensive Plan on December 8, 2015. The Comprehensive Plan, a requirement of the Growth Management Act (GMA), helps define goals, objectives and policies to guide Kirkland over the next 20 years. As part of the process, the City has developed new long-range plans for transportation, parks, recreation, and open spaces, the City's utilities, the Cross Kirkland Corridor, and other major capital projects. These efforts coupled with other strategic plans form the basis for long-term financial planning. A significant effort in 2015 was the development of a new Capital Improvement Program based on the needs identified through the Kirkland 2035 process, recognizing that the City may not have the financial resources to fully implement all of the recommendations.

Kirkland continues to take steps to bring the growth rate of the cost of doing business into line with revenue growth. Measures that the City has identified to help address this structural imbalance include voter approved property tax increases for transportation and parks (in 2012), implementation of the Healthy Kirkland Plan consisting of a consumer-driven healthcare model that includes a near-site employee health clinic that opened on April 1, 2015, and active pursuit of economic development opportunities. The economic development efforts have Kirkland poised to see its two major opportunities for redevelopment, Totem Lake Mall and Parkplace, come to fruition within the next few years.

Sales tax performance improved in 2015 over 2014 due to improved economic conditions. An important part of the financial plan for the annexation that occurred in 2011 is the ten-year State annexation sales tax credit, which is expected to generate \$3 - 4 million per year for the City through 2021. The City continues to plan for the financial impact of the expiration of the annexation sales tax credit and take actions to help anticipate how to fund the resulting gap. The current schedules for the redevelopment of Totem Lake Mall and Parkplace anticipate that the new developments will be in operation before the expiration date, providing enhanced revenue streams to help absorb the impact. The City's focus on economic development is discussed further under "Major Initiatives" below.

Relevant Financial Policies

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

One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. To address this variability, the City's 2015-2016 budget reflects sales tax revenues on a modified two-year lag, with the revenues for those years assumed to be equal to the actual collections in 2014. As part of the budget process, significant one-time receipts can be set aside as a funding source for non-recurring expenditures, especially given the prospect of major redevelopment efforts described in the prior section. Reserve replenishment continues to be a high priority, with the objective of meeting reserve targets before the annexation sales tax credit expires in 2021. The City maintained its AAA credit rating as a result of its financial policies and practices, reserves, and the strength of the local economy and related demographics.

Major Initiatives

The City Council adopted its work program for the 2015-2016 biennium, which helps define the major initiatives related to the City's priority goals:

- Continue the implementation of the Cross Kirkland Corridor Master Plan to further the goals of Balanced Transportation, Parks and Recreation, Economic Development and Neighborhoods;
- Complete the Comprehensive Plan Update and the Transportation Master Plan to further all ten Council goals;
- Complete a comprehensive update of the Capital Improvement Program to incorporate the projects identified in the Kirkland 2035 master plans and Comprehensive Plan to further the goals of Public Safety, Neighborhoods, Balanced Transportation, Parks and Recreation, Housing, Economic Development and Dependable Infrastructure;
- Invest Fire District #41 funds and City revenues to improve fire and emergency medical services to Finn Hill, Juanita and Kingsgate, site new north end fire stations and/or improve existing stations and operations to further the goal of Public Safety;
- Continue annexation related facility investments by renovating City Hall with a focus on enhancing customer service and identifying options to expand Maintenance Center capacity for both Parks and Public Works to serve the larger City to further the goals of Neighborhoods, Economic Development, Parks and Recreation and Dependable Infrastructure;
- Implement the capital, financial, legislative and organizational actions necessary to facilitate the redevelopment of Parkplace and Totem Lake Mall to further the goals of Economic Development and Financial Stability;
- Actively engage the Sound Transit Board to ensure that any Sound Transit ballot measure connects the Totem Lake Urban Center to the region with High Capacity Transit to further the goals of Balanced Transportation and Economic Development;
- Convert all employees of the City to an email archiving system to improve City responsiveness and transparency to the public, while also reducing the cost and complexity of storing email data to further the operational values of Efficiency and Accountability;
- Partner with A Regional Coalition for Housing and non-profit organizations to site a permanent Eastside women's shelter in Kirkland to further the goals of Housing and Human Services;
- Implement the Healthy Kirkland Plan, the consumer-driven healthcare initiative, including establishing an employee clinic as part of the effort to achieve sustainability of benefits to further the goal of Financial Stability.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a **Certificate of Achievement for Excellence** in Financial Reporting to the City of Kirkland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014. This was the eleventh consecutive year that the government has applied for and received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has received the **GFOA Distinguished Budget Presentation Award for the 2015-2016 Budget** (the fourteenth time the City has received this award), the **Association of Public Treasurers of the United States and Canada Certification of Excellence** for its Debt Policy, and the **Certification of Excellence from the Washington Municipal Treasurer's Association** for its Investment Policy.

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

Respectfully submitted,



Kurt Triplett
City Manager



Michael Olson
Director of Finance and Administration



Financial Section



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 15, 2016

Mayor and City Council
City of Kirkland
Kirkland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, King County, Washington, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Excise Tax Capital Improvement Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 16, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 31, pension plan information on pages 112 through 115 and information on postemployment benefits other than pensions on page 116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

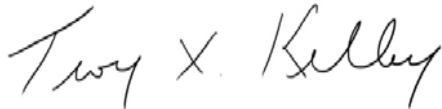
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 117 through 144 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 15, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kirkland, we offer readers of the City of Kirkland's financial statements this narrative overview and analysis of the financial activities of the City of Kirkland for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the additional information provided in the preceding letter of transmittal.

Financial Highlights

- The assets and deferred outflows of resources of the City of Kirkland exceeded its liabilities at the close of the most recent fiscal year by \$1.124 billion. Of this amount, \$966.7 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$51.6 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$105.6 million that is unrestricted net position and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$22.1 million in 2015. The increase in Business-type activities was \$8.9 million, while the Governmental activities increased by \$13.2 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$103 million, an increase of \$16.4 million compared to the prior year. Over \$49 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$2.3 million has been committed for specific purposes by the City Council, and another \$30 million has been designated by the City Manager for assigned activities. Over \$21.3 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$45.8 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government - Wide Financial Analysis

Statement of Net Position

The statement of net position can serve as a useful indicator of the city's financial position. The City of Kirkland's assets and deferred outflows of resources exceeded liabilities and inflows of resources by \$1,123,944,021 at December 31, 2015. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2015 to 2014.

City of Kirkland's Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$153.56	\$127.03	\$59.80	\$56.48	\$213.36	\$183.51
Capital assets, net of accumulated depreciation	847.61	830.14	159.68	152.67	1,007.29	982.81
Total assets	1,001.17	957.17	219.48	209.15	1,220.65	1,166.32
Total deferred outflows of resources	3.30	0.32	0.18	-	3.48	0.32
Long-term liabilities	72.40	44.16	3.38	1.38	75.78	45.54
Other liabilities	13.19	13.17	5.29	5.96	18.48	19.13
Total liabilities	85.59	57.33	8.67	7.34	94.26	64.67
Total deferred inflows of resources	5.57	0.14	0.30	-	5.87	0.14
Net position:						
Net investment in capital assets	808.55	792.03	158.16	151.09	966.71	943.12
Restricted	51.63	39.55	-	-	51.63	39.55
Unrestricted	53.07	68.44	52.53	50.72	105.60	119.16
Total net position	\$913.25	\$900.02	\$210.69	\$201.81	\$1,123.94	\$1,101.83

As of the end of 2015, the largest component of the City's total assets at \$966.7 million or 86 percent, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer and surface water infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens.

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

Over \$51.6 million of the City's net position is subject to restrictions. The largest balances of restricted funds are for capital improvements. The largest restricted balance is Real Estate Excise Taxes which now total almost \$17 million. The transportation restrictions include balances in the Transportation Capital Fund for active projects and over \$6.7 million in impact fees.

A majority of the restricted General Government funds of \$8.9 million will be used for a City Hall remodel project that will be ongoing throughout 2016. Around \$5.64 million of these funds are unspent bond proceeds issued in 2015 for the project.

Additionally, restricted assets include \$8.2 million for park impact fees and levy funds, \$0.3 million in bond funds and \$0.4 million in lodging taxes reserved for tourism related activities.

The remaining \$105 million balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$52.5 million pertains to the City's business-type activities, which may only be spent on water/sewer, surface water, and solid waste utility activities. Examples of such activities include maintenance of utility delivery systems (water lines, pump stations, and reservoirs), storm drain flushing, water meter reading, and utility capital construction projects. The \$53 million balance in unrestricted net position relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, health benefits and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

Changes in Net Position

The changes in net position table on the following page illustrates the increases or decreases in net position of the City resulting from operating activities. Overall, the City of Kirkland's net position increased about \$40.9 million in 2015. This increase was adjusted to reflect the implementation of Governmental Accounting Standards Board (GASB) Statement 68. With the new reporting change, the City has allocated its proportionate share of the Department of Retirements System's net pension asset/liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$18.7 million.

Key general revenues reflect slight increases in 2015, combined with notable capital contributions and grant revenue the City recognized another strong change in net position. Over \$17.1 million in capital grants and contributions were recorded during the year. Business activities recognized an \$8.9 million increase to Net Position, after the GASB Statement 68 adjustment. A breakdown of the 2015 increase in Net Position by governmental and business-type activities follows along with graphs that illustrate revenues by source and compare program expenses to program revenues on the next several pages.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$27.99	\$24.72	\$53.88	\$51.36	\$81.87	\$76.08
Operating grants and contributions	2.55	2.10	0.25	0.42	2.80	2.52
Capital grants and contributions	17.10	12.79	6.79	8.29	23.89	21.08
General revenues:						
Sales taxes	25.69	23.97	-	-	25.69	23.9749
Property taxes	27.89	27.18	-	-	27.89	27.18
Utility taxes	14.64	14.89	-	-	14.64	14.89
Excise taxes	9.35	7.27	-	-	9.35	7.27
Business Taxes	2.31	2.49	-	-	2.31	2.49
Other taxes	2.51	2.32	-	-	2.51	2.32
Investment earnings	0.92	1.08	0.35	0.39	1.27	1.47
Miscellaneous*	0.79	0.23	-	-	0.79	0.23
Total revenues	131.75	119.05	61.27	60.46	193.02	179.51
Expenses:						
General government	9.40	5.92	-	-	9.40	5.92
Judicial	2.32	2.33	-	-	2.32	2.33
Security of Persons and Property	49.71	46.50	-	-	49.71	46.50
Physical environment	1.14	1.53	-	-	1.14	1.53
Transportation	18.78	16.79	-	-	18.78	16.79
Human services	1.46	1.40	-	-	1.46	1.40
Economic environment	7.49	7.42	-	-	7.49	7.42
Culture and recreation	10.88	9.90	-	-	10.88	9.90
Interest on long-term debt	1.98	1.98	-	-	1.98	1.98
Water/sewer	-	-	24.98	23.53	24.98	23.53
Surface water	-	-	7.99	7.06	7.99	7.06
Solid waste	-	-	16.04	15.73	16.04	15.73
Total expenses	103.16	93.77	49.01	46.32	152.17	140.09
Increase (decrease) in net position						
before transfers	28.59	25.28	12.26	14.14	40.85	39.42
Transfers	1.18	0.54	(1.18)	(0.54)	0.00	0.00
Increase (decrease) in net position	29.77	25.82	11.08	13.60	40.85	39.42
Net position at beginning of year	900.02	874.11	201.81	188.21	1101.83	1062.32
Change in Accounting Principle (Note 16)	(16.54)	0.09	(2.20)	-	(18.74)	0.09
Net position at end of year	\$913.25	\$900.02	\$210.69	\$201.81	\$1,123.94	\$1,101.83

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

Governmental activities net position increased over \$13 million in 2015. Half of this change was related to capital grant funding and developer contributions to infrastructure. Consequently the other increases were in charges for services and program expenses.

Expenses:

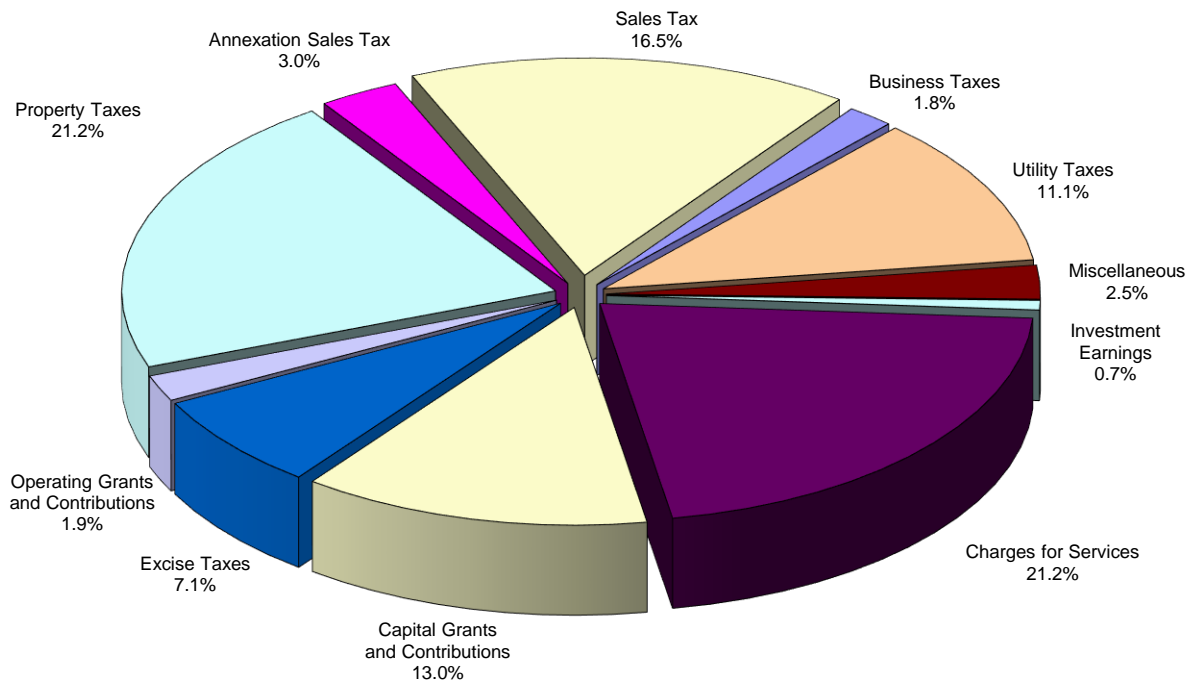
- Overall, governmental expenses increased by roughly 10%.
 - The City reviewed and updated the Capital Improvement Program capitalization procedures. Substantially complete projects were capitalized or expensed by functional area. The result was an increase to expenses over \$3 million.
 - Additional Other Post Employment Benefit costs for 2015 were actuarially determined to have increased by \$809,076.

Revenues:

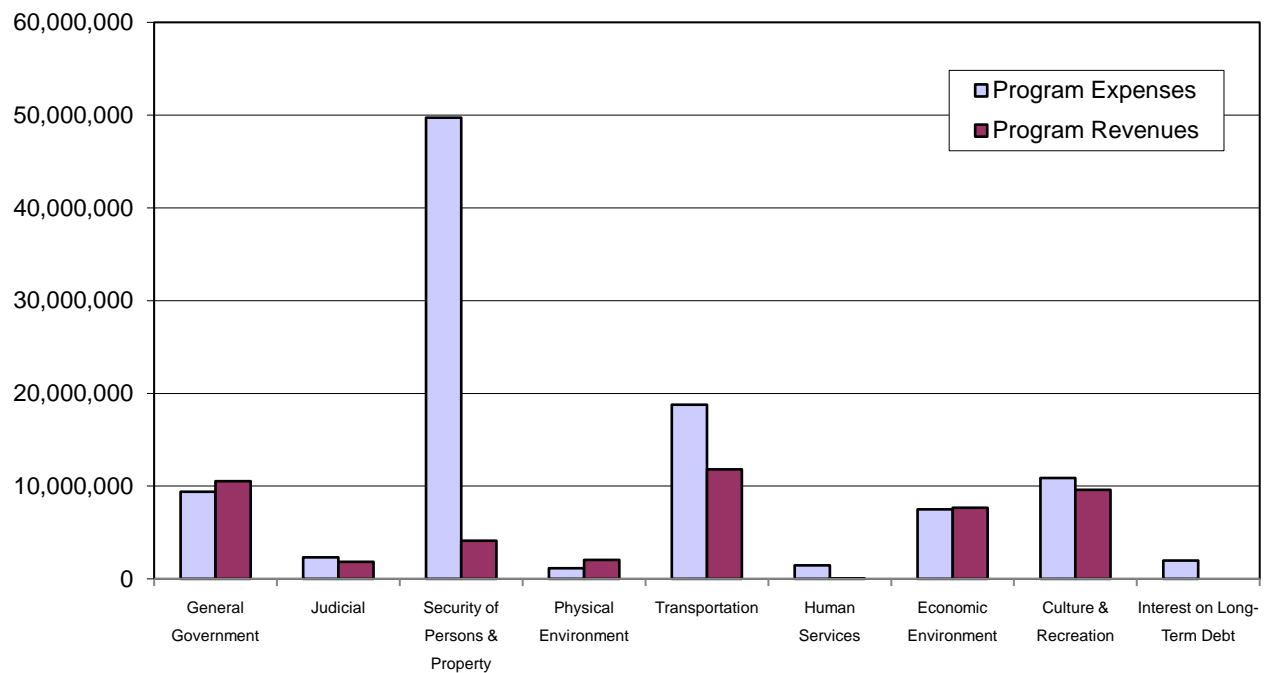
- Charges for services revenue had a slight increase of \$3.3 million from 2014 to 2015.
 - Implementation of Governmental Accounting Standards Board Statement 68 resulted in an additional intergovernmental revenue source of \$719,524.
 - A one-time mitigation fee of \$0.9 million was paid.
- Operating Grants and Contributions continue to be around \$2 million.
 - The Motor Vehicle Fuel Tax is roughly 70% of this revenue category. It remains consistent at \$1.7 million annually.
 - Federal, state, and local grants are the lesser part of Operating Grants and Contributions. Many of these amounts are somewhat stable from year to year and enhance the City's ability to consistently provide services. In 2015 these grants include funds for energy efficiency implementations, emergency management operations, community safety programs, and funding for the arts.
- Capital Grants and Contributions were over \$17 million in 2015.
 - The City continues to improve the Cross Kirkland Corridor trail that was once a rail right of way. The Corridor provides a 5.7 mile north/south connection of neighborhoods and businesses within the City. Over \$3 million in improvements to the pedestrian trail on the Corridor were enhanced by a Google campus expansion in 2015.
 - Nearly \$3.5 million was received in Federal Highway Planning and Construction grants. These projects include an Intelligent Transportation System Implementation, bridge retrofit, pedestrian enhancements, roadway extension, and street overlay.

- The City's general revenues reflect a modest increase of 6% from 2014 to 2015.
 - Sales tax increased slightly year to year and only by \$1.7 million.
 - Real Estate Excise Tax had an increase of over 28.5% due to strong real estate market activity.

Revenues by Source - Governmental Activities



Program Expenses vs. Program Revenues - Governmental Activities



Business-type activities, which relate to the City's utilities, had an increase in net position of **\$11.1** million, primarily due to operating income of \$5.2 million and capital grants, developer contributions and connection charges of \$6.8 million. These increases were offset by an adjustment to beginning net position to reflect the implementation of Governmental Accounting Standards Board (GASB) Statement 68. The adjustment decreased beginning net position by \$2.2 million.

Water/sewer operating revenues increased by \$1.7 million compared to the prior year primarily the result of a water rate increase of 4.9%, for residential customers, and an increase in consumption.

Surface Water operating revenues increased by \$0.55 million primarily due to a rate increase of 4.0% and an increase in the number of accounts.

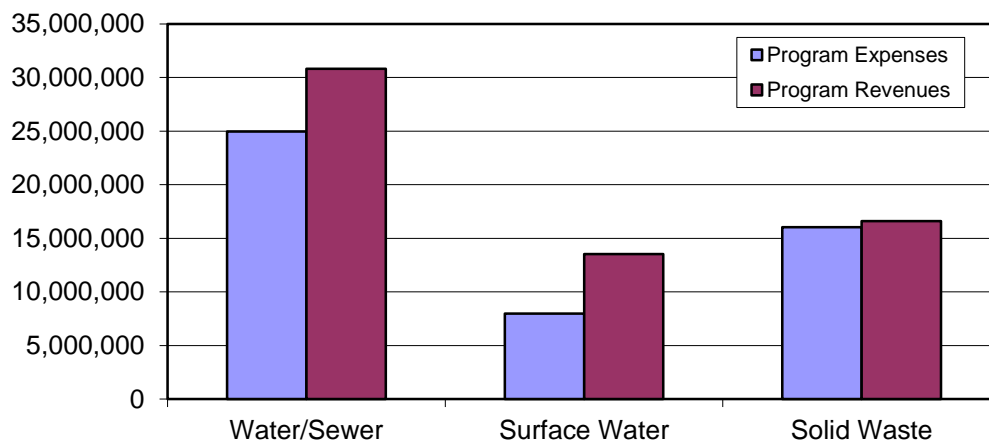
Solid Waste operating revenues increased by \$0.32 million primarily due to a 3.2% rate increase.

Capital contributions comprised of utility connection charges, developer infrastructure contributions, and capital grants totaled \$6.79 million for 2015. Details for these amounts are shown below:

	<u>Water</u>	<u>Sewer</u>	<u>Surface Water</u>	<u>Total</u>
2015 Connection Charges Collected	624,795	1,254,061	134,860	2,013,716
2015 Developer Infrastructure Contributions	934,128	207,847	1,942,758	3,084,733
2015 Capital Grants	-	-	1,696,054	1,696,054
	<u>\$ 1,558,923</u>	<u>\$ 1,461,908</u>	<u>\$ 3,773,672</u>	<u>\$ 6,794,503</u>

The infrastructure contributions detailed above represent 28 percent of the increase in net position. These increases are actually reflected as additions to capital assets for the utility functions and are presented in Note 5 of this report.

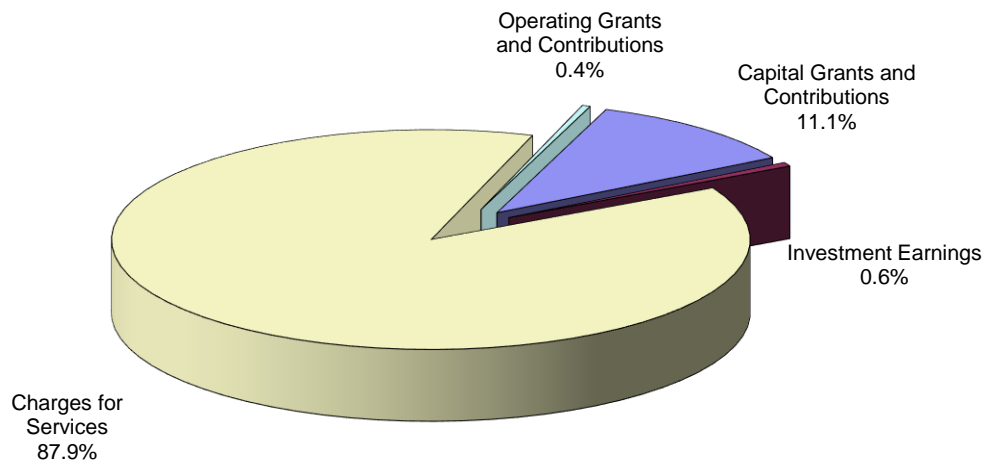
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2015 utility net income (before capital contributions and transfers) was about \$5.5 million. The components are as follows:

Water/Sewer	\$3.0 million
Surface Water	\$1.9 million
Solid Waste	\$0.6 million

Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of the current year, the City's combined ending governmental fund balance was \$103 million, which represents an increase of \$16.4 million from the prior year. Of the total ending fund balance, over \$49 million is restricted and subject to an external legal constraint.

A portion of restricted fund balance is unexpended bond funds. The 2015 LTGO for \$5.8 million is a partial funding source for the City Hall remodel project that is in process. The 2011 \$4 million Fire District 41 bonds will eventually fund a new fire station in the north end of the City.

Another \$19.5 million is restricted for transportation and parks projects that are funded with real estate excise taxes, grants, and impact fees. The Excise Capital Improvement fund holds another \$16.9 million in excise taxes that have yet to be designated for specific projects but the funding is still restricted for that purpose.

The committed fund balance of \$2.3 million, is almost entirely the City's Contingency Fund. The State of Washington requires the City to have a Contingency Fund but the activity is reflected within the General Fund for reporting purposes.

The assigned balance of \$30.4 million is remaining amounts that have been determined by the City Manager, Finance Director, or City Council to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end was \$6.1 million. The City has funds assigned to meet operating obligations for activities such as labor negotiations, development services activities, overtime costs, litigation, property acquisition, park enhancements, and medical retiree benefits. These amounts comprise \$29 million of the year end fund balance. The unassigned balance of \$21.3 million in the general fund consists of amounts not otherwise classified such as revenue stabilization, cost of living adjustment, and working capital. Technically, they are unrestricted, which means they are available for spending at the City's discretion. A significant portion of the unassigned balance is budgeted to fund reserve replenishments and additions, creation of equipment sinking funds, carryovers, and one-time service packages in the 2015-2016 biennium.

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

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2015, the fund balance of the general fund was \$38.8 million, which represents an increase from the prior year of \$1.3 million.

General Fund revenues show a nice increase of about 5% in 2015. Sales tax increased \$1.7 million and fees related to permitting and development increased 1.9 million.

General fund expenditures increased by \$4.5 million in 2015. Security of Persons and Property are up due to increases in both police and fire costs. Both departments have had higher salary and training costs due to recruitments for retirements and vacancies. Our ongoing regional communications contract with Norcom had an incremental increase as well.

The excise tax capital improvement fund accounts for revenue from the first and second quarter percent real estate excise tax, which is reserved for the funding of capital projects related to streets, sidewalks, traffic improvements, parks, fire protection facilities, and other public facilities. The fund balance at the end of 2015 was just under \$17 million. Transfers for over \$5 million were used to fund scheduled capital projects.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital improvement program (CIP) and that are funded from other general revenue sources, grants, and restricted funds. The ending fund balance increased by \$9.2 million from the prior year. The City Hall remodel project will begin in early 2016. Funding sources totaling over \$9 million have been transferred to cover contract expenses, including \$5.8 million in bond funds.

The transportation capital projects fund accounts for transportation projects approved in the CIP, including those that are funded partially or wholly by grants from other governments. The fund balance at the end of 2015 was \$6.7 million. Balances in both capital project funds vary from year to year dependent upon CIP activity and the size of projects in process.

Proprietary Funds

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

General Fund Budgetary Highlights

During 2015, there was a net increase of \$7.2 million in biennial appropriations between the original adopted budget and the final amended budget. These amendments were necessitated by changes to actual revenues and actual expenditures within the general fund. Note that the figures cited are biennial amounts for 2015-2016 and that the budget is recorded on a cash basis.

Following are the major components of the changes:

- Fund balance was increased by \$4.7 million to recognize actual cash balances compared to the original budget as a result of under expenditures and positive revenue performance from the previous budget period. Funds were used to adjust General Fund reserves to actual balances and to fund expenditures in 2015 for unfinished projects and unpaid invoices from 2014.
- Expected development-related revenue of about \$1.2 million related to the major redevelopment of two large shopping centers (Totem Lake and Park Place) was recognized in order to appropriately staff to process the permitting activity for these projects. An additional \$300,000 in development revenue was added to respond to the increase in other development-related activities. Council adopted new fire permit and plan review fees to fund additional fire inspection staff at almost \$300,000.
- Increased capital projects activity required additional staffing, which was added and funded by project revenue at about \$0.5 million.
- Transfers from other funds to the General Fund of about \$328,000 were added to fund staffing support for benefits and compliance with the Affordable Care Act provisions (the City is self-insured for medical benefits) and other miscellaneous activities.
- Additional liquor tax revenue from changes to the allocation from the State of about \$217,000 funded public safety efforts, including firefighter over-hires to hire positions in anticipation of expected retirements in 2016.
- Biennial sales tax revenue projections were decreased by about \$0.5 million to reflect more conservative budgeting practices.
- Grants and donations for public safety, human services, and restoration of an antique fire pumper truck added \$69,000 in revenue.
- Recreation revenue of almost \$39,000 funded additional seasonal recreation staffing.

The actual General Fund 2015 results on a cash basis varied from the final amended budget as follows:

- Actual 2015 General Fund revenues ended the year \$2.8 million over the budgeted level (\$89.7 million versus budget of \$86.9 million), primarily due to sales and gambling taxes, business license and franchise fees, and development services-related revenue ending the year higher than budget and despite lower than expected utility tax revenue and fines and forfeits.
- Actual 2015 General Fund expenditures ended the year about \$2.7 million under budget excluding operating transfers and reserves. The balance is a combination of uncompleted projects and staffing vacancies.

Capital Asset and Debt Administration

Capital Assets

The City of Kirkland's investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$1 billion (net of accumulated depreciation), which represents a \$24.5 million increase from the prior year. This investment in and capitalization of capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission and distribution systems, roads, and bridges. More details about changes in capital assets are explained below.

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

- The City completed an extensive review of the Construction In Progress (CIP) balance and capitalized or expensed over \$73 million in activity at year end. Only \$3.3 million of this balance was expensed, the remaining CIP amounts were capitalized according to use and function.
- The City completed and capitalized the Kirkland Justice Center in 2015. The remaining CIP balance of \$31.4 million is now recorded as an addition to improvements. The Kirkland Justice Center accommodates both the Police Department and Municipal Court.
- The City purchased two rental properties in the Houghton neighborhood. The property acquisition cost was \$4.7 million and will provide an opportunity for economic development between the neighborhood and the Cross Kirkland Corridor at some future date.
- Google donated over \$3 million in improvements to the Cross Kirkland Corridor. The enhancements were part of an expansion of their campus that included Corridor access. In addition to Google improvements, the City capitalized another \$3.6 million related to corridor trail development and pedestrian access upgrades.
- \$15.6 million spent on transportation improvements which may include new or enhanced roadways, intersections, sidewalks, crosswalks, signals, traffic calming projects, and utility undergrounding.
- Almost \$1.4 million was received by developers constructing new infrastructure along with their improvements in Kirkland.

- \$3.4 million spent on water and sewer utility improvement projects and \$6.9 million capitalized on water and sewer utility improvement projects, most of which were in previous year's construction in progress.
- \$4.5 million spent on surface water utility improvement projects and \$12.5 million capitalized on surface water utility improvement projects, most of which were in previous year's construction 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 2014 and 2015:

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$601.73	\$589.56	\$2.57	\$2.03	\$604.30	\$591.59
Buildings	24.88	25.08	-	-	24.88	25.08
Improvements other than buildings	51.87	17.09	154.07	136.08	205.94	153.17
Machinery and equipment	12.39	8.34	-	-	12.39	8.34
Infrastructure	146.69	124.88	-	-	146.69	124.88
Construction in progress	8.06	63.48	3.04	14.56	11.10	78.04
Artwork	1.99	1.71	-	-	1.99	1.71
Total	\$847.61	\$830.14	\$159.68	\$152.67	\$1,007.29	\$982.81

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

Long-term Debt

On June 30, 2015 the City defeased the Limited Tax General Obligation Refunding Bonds, 2011 outstanding balance of \$1,425,000 with existing cash balances placed in an irrevocable trust to provide for future debt service payments. Additionally, on November 20, 2015, the City issued \$5.8 million in Limited Tax General Obligation Bonds at a fixed interest rate of 3.45% and final payment on December 1, 2034. The bond proceeds will be used to pay a portion of the funds for remodeling City Hall.

At the end of the current fiscal year, the City of Kirkland had total General Obligation bonded debt outstanding of \$44.3 million and other long-term debt of \$1.52 million. The total outstanding debt (expressed in millions of dollars) at the end of 2014 and 2015 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$44.29	\$41.76	-	-	\$44.29	\$41.76
Revenue Bonds	-	-	-	-	-	-
Public Works Trust Fund Loans	-	-	1.52	1.57	1.52	1.57
Total	\$44.29	\$41.76	\$1.52	\$1.57	\$45.81	\$43.33

On December 5, 2014 Standard and Poor's affirmed the City of Kirkland's AAA rating. On August 15, 2011, Moody's Investors Service assigned a rating of Aa2 to City of Kirkland, Washington's Limited Tax General Obligation Bonds. Moody's ratings for Kirkland are now Aa2 for both Unlimited Tax GO Bonds and Limited Tax GO Bonds.

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

The City's assessed valuation for 2015 was \$18.5 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$1,336.9 million.

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

Economic Factors and Next Year's Budgets and Rates

Washington's economy has expanded at a slow but steady pace over the course of 2015 and is exceeding national growth levels in regards to personal income and housing prices. However, the strong dollar and global economic uncertainty related to China's weakening economy have resulted in lower exports and manufacturing levels. Washington's primary export is transportation equipment and year-to-date, the manufacturing sector has lost 1,600 jobs. However, a slight rebound began in the last months of the year when the aerospace sector gained 500 jobs in the fourth quarter.

Despite the weakness in manufacturing and exports, the Washington State Economic and Revenue Forecast Council (ERFC) forecasts that net economic growth will continue through 2019. The state labor market added 19,500 nonfarm jobs in the fourth quarter of 2015, according to the ERFC.

The Bureau of Labor Statistics unemployment data from December shows the seasonally adjusted national rate fell slightly from 5.1 percent in September to 5.0 percent in October, where it held steady for November and December as well. Washington State unemployment ended the year at 5.8 percent, increasing slightly from 5.7 percent in September of 2015. Local unemployment rates for King County ended 2015 at 4.6 percent. Kirkland's unemployment rate also grew from 3.2 percent in September 2015 to 3.7 percent in December 2015.

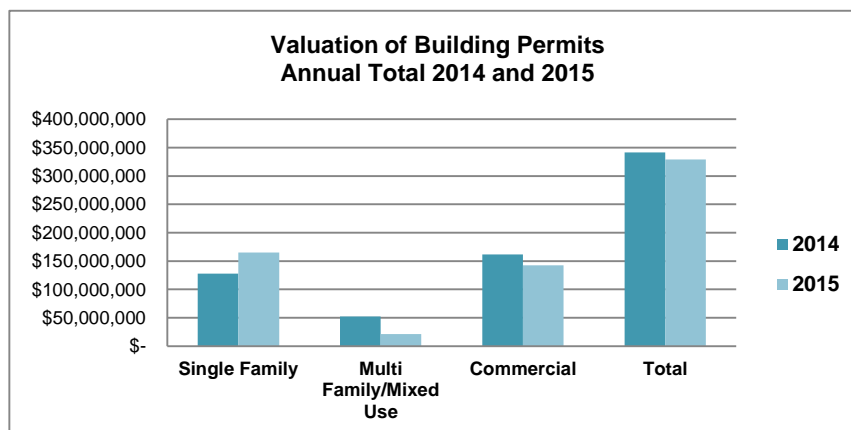
Unemployment rates by month for the County, Washington State, and the United States are shown on the following table.

Month	King County	Washington	United States
December 2014	4.2%	6.3%	6.2%
January 2015	4.5%	5.8%	5.7%
February 2015	4.4%	5.7%	5.5%
March 2015	4.3%	5.6%	5.5%
April 2015	3.7%	5.6%	5.4%
May 2015	4.0%	5.6%	5.5%
June 2015	4.5%	5.6%	5.3%
July 2015	4.6%	5.6%	5.3%
August 2015	4.5%	5.6%	5.1%
September 2015	4.6%	5.7%	5.1%
October 2015	4.6%	5.7%	5.0%
November 2015	5.0%	5.7%	5.0%
December 2015	4.6%	5.8%	5.0%
2015 Average	4.4%	5.7%	5.3%
2014 Average	4.6%	6.3%	6.2%

Source: United States Department of Labor, Bureau of Labor Statistics

Local building permitting activity was 3.75 percent lower than the year-end total in December 2014, with a shift from commercial and multi-family/mixed use projects in 2014 to a higher level of single family development activity in 2015. Permitting activity has increased in single family building, but dropped in all other categories, with the largest dollar value drop occurring in multi-family/mixed use permitting.

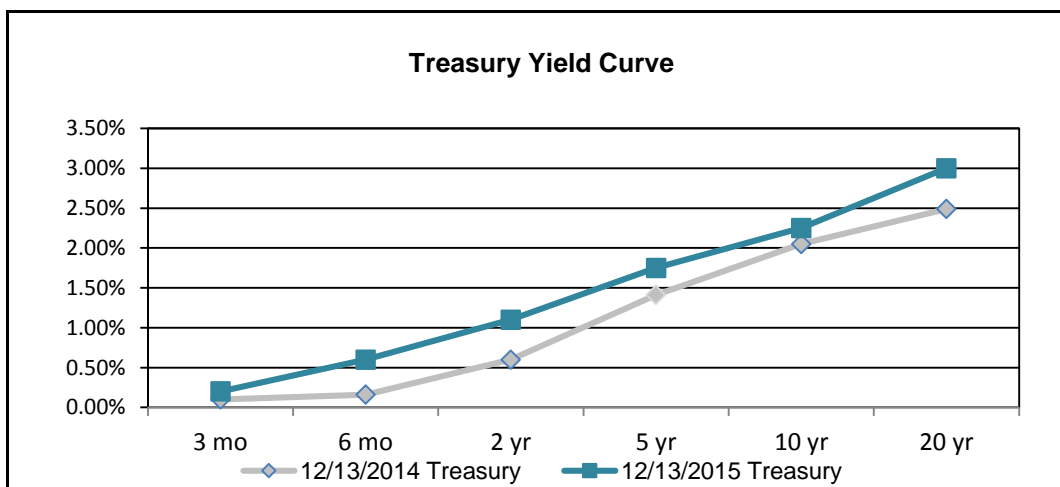
It is worth noting that the slight increase in total building permit valuations shown in the graph below is somewhat inconsistent with the strong year-over-year growth in total building permitting revenues. This inconsistency between valuation and revenue trends is due to the impact of project size on the permit revenue. Smaller valuation permits have larger fees per thousand dollars of value than larger permits. Single family housing permit valuations have continued to outpace last year, while Commercial permit valuations, which are normally for much larger projects, decreased. The 29.2 percent increase in single family permit valuations in 2015 meant that the relatively high revenues from single family permits resulted in higher actual revenues to development services, despite a drop in total annual valuation of development in the City.



The housing market continued to show slow growth in the fourth quarter of 2015 with the Case-Shiller housing index for the Seattle metro area increasing to 186.64 in December. The pre-recession peak index score was 192.3 in July 2007. There were 113,100 new housing permits issued in the fourth quarter of 2015 according to the Washington State Economic and Revenue Council. The sale prices of existing homes have remained robust over the past year and were stable during the fourth quarter. Prices are now 2.9 percent below their 2007 peak.

Inflation in the Seattle area in December 2015 increased 2.3 percent compared to the previous December, while the national CPI increased by 0.4 percent year-to-year. Seattle's higher inflation is primarily due to the price of housing, which is 5.1 percent higher than 2014. With shelter excluded, Seattle's inflation was 0.7 percent higher, the national change in CPI excluding shelter was -0.9 percent.

The mild economic growth continued to slow near the end of the 4th quarter of 2015. The Fed Funds rate increased in December to the range 0.25 to 0.50 percent, the first change in 7 years. The rate may increase in 2016 up to 0.75 percent by the end of the year dependent on national and global economic growth. The yield curve rose on all points on the curve as a result of the Fed Funds rate increase.



Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector. Nine business sector groupings are used to compare 2014 and 2015 sales tax receipts.

Sales tax revenues through the fourth quarter of 2015 were 5.5 percent higher than the same period in 2014. Growth fluctuated month to month during the year, but overall sales taxes grew in most business sectors and most areas of the City. The tax receipts below reflect actuals on a budgetary (cash) basis.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	2,357,782	2,557,728	199,946	8.5%	13.1%	13.5%
Contracting	2,866,557	2,977,540	110,983	3.9%	16.0%	15.7%
Communications	505,170	437,530	-67,640	-13.4%	2.8%	2.3%
Retail:						
Auto/Gas Retail	4,383,760	4,733,686	349,926	8.0%	24.4%	25.0%
Gen Merch/Misc Retail	2,000,157	2,080,109	79,952	4.0%	11.1%	11.0%
Retail Eating/Drinking	1,480,720	1,574,405	93,685	6.3%	8.2%	8.3%
Other Retail	2,452,917	2,598,546	145,629	5.9%	13.7%	13.7%
Wholesale	829,962	909,002	79,040	9.5%	4.6%	4.8%
Miscellaneous	1,086,724	1,075,262	-11,462	-1.1%	6.0%	5.7%
Total	17,963,749	18,943,808	980,059	5.50%	100%	100%

Requests for Information

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



Basic Financial Statements



City of Kirkland
Statement of Net Position
December 31, 2015

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	45,411,410	17,157,940	62,569,350
Investments (Note 3)	80,802,306	28,272,277	109,074,583
Accounts Receivable	10,157,047	9,397,838	19,554,885
Intergovernmental Receivable	5,362,845	642,340	6,005,185
Internal Balances	752,123	(752,123)	0
Inventories	42,913	364,057	406,970
Prepayments	0	21,360	21,360
Deposits	1,483,147	0	1,483,147
Pension Asset	9,542,347	0	9,542,347
Interfund Loan Receivable	0	4,705,479	4,705,479
Capital Assets (Note 5)			
Land and Artwork	603,719,503	2,565,132	606,284,635
Depreciable Capital Assets (net of accumulated depreciation)	89,138,763	154,068,652	243,207,415
Depreciable Infrastructure (net of accumulated depreciation)	146,691,268	0	146,691,268
Construction in Progress	8,063,741	3,041,015	11,104,756
Total Assets	1,001,167,413	219,483,967	1,220,651,380
Deferred Outflows of Resources			
Deferred Outflow Pension Related	3,244,903	182,189	3,427,092
Total Deferred Outflows of Resources	3,244,903	182,189	3,427,092

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

City of Kirkland
Statement of Net Position
December 31, 2015

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts Payable and Other Accrued Liabilities	6,123,306	1,891,493	8,014,799
Intergovernmental Payable	206,813	1,477,964	1,684,777
Unearned Revenue	504,014	1,589,889	2,093,903
Accrued Interest Payable	177,126	3,156	180,282
Deposits Payable	1,573,676	0	1,573,676
Noncurrent Liabilities			
Net Pension Liability	20,538,242	2,024,500	22,562,742
Due within one year	4,596,564	326,115	4,922,679
Due in more than one year	51,872,459	1,359,963	53,232,422
Total Liabilities	85,592,200	8,673,080	94,265,280
Deferred Inflows of Resources			
Deferred Inflow Pension Related	5,565,883	303,289	5,869,172
Total Deferred Inflows of Resources	5,565,883	303,289	5,869,172
Net Position			
Net Investment in Capital Assets	808,553,668	158,155,675	966,709,343
Restricted for			
Tourism	414,363	0	414,363
Culture and Recreation	8,195,695	0	8,195,695
Public Safety	5,348,966	0	5,348,966
Capital Improvements	16,961,323	0	16,961,323
Transportation	11,494,201	0	11,494,201
Debt Service	327,463	0	327,463
General Government	8,888,230	0	8,888,230
Unrestricted	53,070,324	52,534,113	105,604,437
Total Net Position	913,254,233	210,689,788	1,123,944,021



City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2015

Functions/Programs	Program Revenues			Net (Expense/Revenue and Changes in Net Position)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities						
General Government	9,401,861	7,284,611	0	3,252,609	1,135,359	0
Judicial	2,320,454	1,829,225	21,878	0	(469,351)	0
Security of Persons and Property	49,707,323	3,890,200	225,670	0	(45,591,453)	0
Physical Environment	1,136,320	1,842,902	208,000	0	914,582	0
Transportation	18,780,143	1,963,695	1,783,463	8,059,675	(6,973,310)	0
Human Services	1,462,975	0	29,370	0	(1,433,605)	0
Economic Environment	7,486,355	7,639,110	18,140	0	170,895	0
Culture and Recreation	10,881,414	3,538,719	262,314	5,790,991	(1,289,390)	0
Interest on Long Term Debt	1,978,302	0	0	0	(1,978,302)	0
Total Governmental Activities	103,155,147	27,988,462	2,548,835	17,103,275	(55,514,575)	0
Business Type Activities						
Water/Sewer	24,970,363	27,796,967	0	3,020,831	0	5,847,435
Surface Water	7,970,934	9,622,071	125,656	3,773,672	0	5,550,465
Solid Waste	16,040,939	16,463,224	126,695	0	0	548,980
Total Business Type Activities	48,982,236	53,882,262	252,351	6,794,503	0	11,946,880
Total Government	152,137,383	81,870,724	2,801,186	23,897,778	(55,514,575)	11,946,880
General Revenues						
Sales Taxes					25,694,212	0
Property Taxes					27,890,261	0
Utility Taxes					14,643,852	0
Excise Taxes					9,349,674	0
Business Taxes					2,311,279	0
Other Taxes					2,513,546	0
Unrestricted Grants & Contributions					723,679	0
Investment Earnings					915,706	349,280
Gain on sale of capital assets					63,123	(28,013)
Transfers, internal activities					1,183,245	(1,183,245)
Total General Revenues & Transfers					85,288,577	(861,978)
Change in net position					29,774,002	11,084,902
Net position at beginning of year					900,019,132	201,810,139
Change in Accounting Principle (Note 16)					(16,538,901)	(2,205,253)
Net Position at end of year					913,254,233	210,689,788
						1,123,944,021

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

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2015

Page 1 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Assets						
Current Assets						
Cash and Cash Equivalents	10,564,930	5,870,552	13,827,702	1,527,596	3,584,269	35,375,049
Investments	23,363,525	9,673,505	22,828,304	2,522,534	5,867,001	64,254,869
Receivables						
Taxes	6,888,987	1,417,266	0	0	106,868	8,413,121
Accounts	1,492,341	0	72,782	29,869	5,112	1,600,104
Due From Other Funds	768,741	0	0	0	0	768,741
Intergovernmental Receivable	128,969	0	0	3,226,169	0	3,355,138
Restricted Assets						
Deposits	1,483,147	0	0	0	0	1,483,147
Total Assets	44,690,640	16,961,323	36,728,788	7,306,168	9,563,250	115,250,169
Liabilities						
Accounts Payable	917,393	0	673,955	554,867	36,181	2,182,396
Wages Payable	2,645,414	0	0	0	60,084	2,705,498
Taxes Payable	100,102	0	0	0	0	100,102
Due to Other Funds	3,978	0	0	1,930	88	5,996
Intergovernmental Payable	174,278	0	0	1,513	1,150	176,941
Payable from Restricted Assets						
Deposits Payable	1,573,676	0	0	0	0	1,573,676
Unearned Revenue	68,658	0	0	0	0	68,658
Interfund Loan Payable	0	0	4,698,991	0	0	4,698,991
Total Liabilities	5,483,499	0	5,372,946	558,310	97,503	11,512,258
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	367,484	0	0	0	67,872	435,356
Total Deferred Inflows of Resources	367,484	0	0	0	67,872	435,356
Fund Balances						
Restricted for						
Tourism	0	0	0	0	414,363	414,363
Debt Service	0	0	0	0	327,463	327,463
Drug Enforcement	74,005	0	0	0	0	74,005
Fire Interlocal	73,509	0	1,225,681	0	0	1,299,190
Public Safety Facilities	0	0	3,975,771	0	0	3,975,771
Transportation Projects	0	0	63,370	6,534,320	4,896,511	11,494,201
Cemetery Operations	0	0	0	0	802,522	802,522

City of Kirkland
Balance Sheet
 Governmental Funds
 December 31, 2015

Page 2 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Culture and Recreation Projects	0	0	5,063,679	0	2,957,016	8,020,695
Parks Interlocal	0	0	175,000	0	0	175,000
General Government Facilities	0	0	5,814,294	0	0	5,814,294
Capital Improvements	0	16,961,323	0	0	0	16,961,323
Committed for						
Contingency Fund	2,201,870	0	0	0	0	2,201,870
Transportation Projects	0	0	0	0	0	0
General Government Activities	69,544	0	0	0	0	69,544
Assigned for						
Street Operating Fund	6,123,220	0	0	0	0	6,123,220
General Reserves	3,616,104	0	0	0	0	3,616,104
Public Safety Activities	860,372	0	0	0	0	860,372
Development Services	4,119,243	0	0	0	0	4,119,243
Parks and Recreation Activities	374,932	0	0	0	0	374,932
General Government Activities	51,218	0	0	0	0	51,218
Capital Projects	0	0	15,038,047	213,538	0	15,251,585
Unassigned	21,275,640	0	0	0	0	21,275,640
Total Fund Balances	38,839,657	16,961,323	31,355,842	6,747,858	9,397,875	103,302,555
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	44,690,640	16,961,323	36,728,788	7,306,168	9,563,250	115,250,169

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

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

Net Position of governmental activities

837,383,816
 14,893,242
 (75,861,296)
 33,535,916

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

913,254,233

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the fiscal year ended December 31, 2015

Page 1 of 2

	General Fund	Excise Capital Improvement
Revenues		
Taxes and Assessments	67,136,081	9,349,675
Licenses and Permits	8,562,661	0
Intergovernmental	3,173,836	0
Charges for Services	14,654,901	0
Fines and Forfeitures	1,879,867	0
Investment Interest	604,873	95,442
Miscellaneous Revenues	1,251,908	0
Total Revenues	97,264,127	9,445,117
Expenditures		
Current		
General Government	12,505,462	0
Security of Persons and Property	47,265,041	0
Physical Environment	3,289,390	0
Transportation	7,146,982	0
Economic Environment	8,757,558	0
Culture and Recreation	6,435,868	0
Debt Service		
Principal	0	0
Interest	0	0
Bond Issuance Costs	0	0
Capital Outlay	361,729	0
Total Expenditures	85,762,030	0
Excess (Deficiency) of revenues		
Over (under) expenditures	11,502,097	9,445,117
Other Financing Sources (Uses)		
Bond Proceeds	0	0
Sale of Capital Assets	0	0
Insurance Recovery	340,536	0
Transfers In	724,591	524,918
Transfers Out	(11,269,826)	(5,433,004)
Total Other Financing Sources (Uses)	(10,204,699)	(4,908,086)
Net Change in Fund Balance	1,297,398	4,537,031
Fund Balances Beginning of Year	37,542,259	12,424,292
Fund Balances End of Year	38,839,657	16,961,323

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, 2015

Page 2 of 2

General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
0	0	5,003,177	81,488,933
0	0	0	8,562,661
462,315	7,174,958	550,259	11,361,368
0	1,060,979	2,575,406	18,291,286
10,165	0	0	1,890,032
25,146	0	62,060	787,521
931,671	30,419	30,806	2,244,804
1,429,297	8,266,356	8,221,708	124,626,605
1,393,689	0	14,250	13,913,401
452,100	0	0	47,717,141
5,500	0	51,428	3,346,318
0	4,506,638	0	11,653,620
0	0	273,572	9,031,130
991,467	0	2,495,305	9,922,640
0	0	3,269,817	3,269,817
0	0	1,899,676	1,899,676
0	0	78,625	78,625
7,973,101	10,020,993	3,600	18,359,423
10,815,857	14,527,631	8,086,273	119,191,791
(9,386,560)	(6,261,275)	135,435	5,434,814
5,800,000	0	0	5,800,000
0	150	36,842	36,992
0	0	1,103	341,639
13,331,879	6,987,843	3,662,186	25,231,417
(462,094)	(524,918)	(2,781,208)	(20,471,050)
18,669,785	6,463,075	918,923	10,938,998
9,283,225	201,800	1,054,358	16,373,812
22,072,617	6,546,058	8,343,517	86,928,743
31,355,842	6,747,858	9,397,875	103,302,555

City of Kirkland
**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities**
For the fiscal year ended December 31, 2015

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

Net change in fund balances for governmental funds 16,373,812

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	18,359,423	
Depreciation	(9,936,994)	
Contributed Capital	10,119,737	
CIP Closures	(3,505,080)	
	15,037,086	15,037,086

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

Debt Retired	3,269,817	
Additional Bond Amount	(5,800,000)	
Bond (Premium) Discount	129,100	
	(2,401,083)	(2,401,083)

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

Change in Court Receivable		641
Change in Pension Asset		926,961
Bond Subsidy		(540)

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

Change in Net Pension Liability		1,326,344
Change in Compensated Absences		(143,504)
Accrued Interest		(17,228)
Other Post Employment Benefit Obligation		(809,076)

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.	(519,411)
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Change in net position of governmental activities	29,774,002
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The notes to the financial statements are an integral part of this statement.



City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
General Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	120,576,035	120,162,210	60,823,326	60,823,326	(59,338,884)
Licenses and Permits	15,441,608	16,524,465	8,218,882	8,218,882	(8,305,583)
Intergovernmental	2,452,504	2,731,999	1,350,152	1,350,152	(1,381,847)
Charges for Services	27,750,006	29,215,242	15,345,660	15,345,660	(13,869,582)
Fines and Forfeitures	4,380,426	4,380,426	1,921,506	1,921,506	(2,458,920)
Interest on Sales Tax Contract	150,000	150,000	91,646	91,646	(58,354)
Investment Interest - Dedicated	604,581	604,581	439,552	439,552	(165,029)
Contributions/Donations	98,200	128,700	213,161	213,161	84,461
Miscellaneous Revenues	1,136,951	1,136,951	709,394	709,394	(427,557)
Total Revenues	172,590,311	175,034,574	89,113,279	89,113,279	(85,921,295)
Expenditures					
Current					
General Government	23,752,914	24,582,685	11,407,249	11,407,249	13,175,436
Security of Persons and Property	103,353,103	97,262,884	48,485,351	48,485,351	48,777,533
Physical Environment	8,670,787	9,766,611	4,192,313	4,192,313	5,574,298
Transportation	1,445,751	1,520,946	665,584	665,584	855,362
Economic Environment	7,885,314	16,838,468	7,948,213	7,948,213	8,890,255
Human Services	3,194,145	3,440,288	1,569,144	1,569,144	1,871,144
Culture and Recreation	12,476,513	12,925,814	6,453,747	6,453,747	6,472,067
Capital Outlay	0	124,440	52,104	52,104	72,336
Total Expenditures	160,778,527	166,462,136	80,773,705	80,773,705	85,688,431
Excess of revenues over expenditures	11,811,784	8,572,438	8,339,574	8,339,574	(232,864)
Other Financing Sources (Uses)					
Insurance Recovery	0	0	111,129	111,129	111,129
Transfers In	722,515	771,494	437,228	437,228	(334,266)
Transfers Out	(11,699,038)	(13,911,518)	(8,428,861)	(8,428,861)	5,482,657
Total Other Financing Sources (Uses)	(10,976,523)	(13,140,024)	(7,880,504)	(7,880,504)	5,259,520
Net Change in Fund Balance	835,261	(4,567,586)	459,070	459,070	5,026,656
Fund Balances Beginning of Year	21,485,731	26,183,995	26,183,995	26,183,995	0
Fund Balances End of Year	22,320,992	21,616,409	26,643,065	26,643,065	5,026,656

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

City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Excise Tax Capital Improvement Special Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	10,000,000	10,000,000	8,799,050	8,799,050	(1,200,950)
Investment Interest	132,280	132,280	88,178	88,178	(44,102)
Total Revenues	10,132,280	10,132,280	8,887,228	8,887,228	(1,245,052)
Excess of revenues over expenditures	10,132,280	10,132,280	8,887,228	8,887,228	(1,245,052)
Other Financing Sources (Uses)					
Transfers In	0	475,000	524,918	524,918	49,918
Transfers Out	(5,873,930)	(10,618,589)	(5,433,004)	(5,433,004)	5,185,585
Total Other Financing Sources (Uses)	(5,873,930)	(10,143,589)	(4,908,086)	(4,908,086)	5,235,503
Net Change in Fund Balance	4,258,350	(11,309)	3,979,142	3,979,142	3,990,451
Fund Balances Beginning of Year	10,732,664	11,585,507	11,585,507	11,585,507	0
Fund Balances End of Year	14,991,014	11,574,198	15,564,649	15,564,649	3,990,451

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

City of Kirkland
Statement of Net Position
Proprietary Funds
December 31, 2015

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
Assets					
Current Assets:					
Cash and Cash Equivalents	10,401,472	6,283,580	472,888	17,157,940	10,036,361
Investments (Note 3)	17,139,945	10,353,127	779,205	28,272,277	16,547,437
Receivables					
Interest	174,099	0	0	174,099	0
Contracts	1,563,450	0	0	1,563,450	0
Accounts	4,580,029	156,957	2,902,018	7,639,004	143,820
Assessments	21,285	0	0	21,285	0
Intergovernmental Receivable	78,756	537,223	26,361	642,340	29,872
Due From Other Funds	17,941	0	0	17,941	0
Inventories	313,635	50,422	0	364,057	42,913
Restricted Assets					
Prepayments	0	21,360	0	21,360	0
Total Current Assets	34,290,612	17,402,669	4,180,472	55,873,753	26,800,403
Noncurrent Assets					
Interfund Loan Receivable					
Loans	4,698,991	0	0	4,698,991	0
Interest	6,488	0	0	6,488	0
Total Interfund Receivable	4,705,479	0	0	4,705,479	0
Capital Assets (Note 5)					
Land	47,784	2,517,348	0	2,565,132	0
Depreciable Capital Assets (Net)	90,206,734	63,861,918	0	154,068,652	10,229,462
Construction in Progress	1,007,059	2,033,956	0	3,041,015	0
Total Capital Assets	91,261,577	68,413,222	0	159,674,799	10,229,462
Total Noncurrent Assets	95,967,056	68,413,222	0	164,380,278	10,229,462
Total Assets	130,257,668	85,815,891	4,180,472	220,254,031	37,029,865
Deferred Outflows of Resources					
Deferred Outflow Pension Related	69,232	100,204	12,753	182,189	182,189
Total Deferred Outflows of Resources	69,232	100,204	12,753	182,189	182,189

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

City of Kirkland
Statement of Net Position
Proprietary Funds
December 31, 2015

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
Liabilities					
Current Liabilities					
Accounts Payable	480,595	172,623	1,021,130	1,674,348	281,063
Claims Payable	0	0	0	0	630,045
Wages Payable	80,364	122,386	14,395	217,145	232,236
Compensated Absences Payable	66,499	59,327	7,737	133,563	138,033
Intergovernmental Payable	1,088,231	88,396	301,337	1,477,964	21,841
Due to Other Funds	484,896	14,452	270,715	770,063	10,622
Accrued Interest Payable	3,156	0	0	3,156	0
Unearned Revenue	1,589,889	0	0	1,589,889	0
Loans and Contracts Payable	192,552	0	0	192,552	0
Total Current Liabilities	3,986,182	457,184	1,615,314	6,058,680	1,313,841
Noncurrent Liabilities					
Compensated Absences Payable	16,625	14,832	1,934	33,391	34,509
Loans and Contracts Payable	1,326,572	0	0	1,326,572	0
Net Pension Liability	769,310	1,113,475	141,715	2,024,500	2,024,500
Total Noncurrent Liabilities	2,112,507	1,128,307	143,649	3,384,463	2,059,009
Total Liabilities	6,098,689	1,585,491	1,758,963	9,443,143	3,372,850
Deferred Inflows of Resources					
Deferred Inflow Pension Related	115,250	166,809	21,230	303,289	303,288
Total Deferred Inflows of Resources	115,250	166,809	21,230	303,289	303,288
Net Position					
Net Investment in Capital Assets	89,742,453	68,413,222	0	158,155,675	10,229,462
Unrestricted	34,370,508	15,750,573	2,413,032	52,534,113	23,306,454
Total Net Position	124,112,961	84,163,795	2,413,032	210,689,788	33,535,916

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended December 31, 2015

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds	
	Water/Sewer	Surface Water	Solid Waste	Total	
Operating Revenues					
Charges for Services	27,451,520	9,549,339	16,463,224	53,464,083	23,487,336
Miscellaneous Revenues	345,447	72,732	0	418,179	439,689
Total Operating Revenues	27,796,967	9,622,071	16,463,224	53,882,262	23,927,025
Operating Expenses					
Administrative and General	3,103,912	3,635,133	1,103,319	7,842,364	12,912,669
Supplies	0	0	0	0	484,439
Maintenance and Operations	15,604,931	1,929,196	12,452,323	29,986,450	6,306,612
Taxes	3,611,932	814,950	2,343,201	6,770,083	0
Depreciation	2,642,280	1,465,871	0	4,108,151	1,575,871
Total Operating expenses	24,963,055	7,845,150	15,898,843	48,707,048	21,279,591
Operating Income (Loss)	2,833,912	1,776,921	564,381	5,175,214	2,647,434
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	202,100	139,415	7,765	349,280	128,186
Grant Income	0	125,656	126,695	252,351	0
Interest Expense	(7,308)	0	0	(7,308)	0
Gain (Loss) on Disposal of Capital Assets	(11,124)	(16,889)	0	(28,013)	26,131
Other Nonoperating Revenues/(Expenses)	0	(125,784)	(142,096)	(267,880)	30,960
Total Nonoperating revenues (expenses)	183,668	122,398	(7,636)	298,430	185,277
Income Before Contributions and Transfers	3,017,580	1,899,319	556,745	5,473,644	2,832,711
Capital Contributions					
Contributions	3,020,831	3,773,672	0	6,794,503	0
Transfers In	0	7,665	0	7,665	2,037,661
Transfers Out	(233,505)	(657,405)	(300,000)	(1,190,910)	(5,389,783)
Change in Net Position	5,804,906	5,023,251	256,745	11,084,902	(519,411)
Total Net Position - Beginning	119,146,051	80,353,433	2,310,655	201,810,139	36,260,579
Change in Accounting Principle (Note 16)	(837,996)	(1,212,889)	(154,368)	(2,205,253)	(2,205,252)
Total Net Position - Ending	124,112,961	84,163,795	2,413,032	210,689,788	33,535,916

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



City of Kirkland
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2015
Increase in Cash and Cash Equivalents

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
Cash Flows From Operating Activities					
Cash Received From Customers	27,611,218	9,708,623	16,055,554	53,375,395	0
Cash Received From Interfund Charges	0	0	0	0	13,354,620
Contributions Received from Employees and Employer	0	0	0	0	9,264,061
Cash From Other Sources	413,291	71,555	421,641	906,487	1,202,048
Cash Paid to Suppliers for Goods and Services	(14,422,565)	(1,212,616)	(12,532,753)	(28,167,934)	(11,136,359)
Cash Paid to Employees for Services	(1,895,814)	(2,720,424)	(334,393)	(4,950,631)	(5,448,144)
Cash Paid in Lieu of Taxes	(3,633,723)	(840,995)	(2,341,374)	(6,816,092)	0
Cash Paid for Central Business Functions	(2,361,149)	(1,663,147)	(678,031)	(4,702,327)	(3,018,722)
Cash Provided by Operating Activities	5,711,258	3,342,996	590,644	9,644,898	4,217,504
Cash Flows From Noncapital Financing Activities					
Proceeds From Federal, State, Local Grants	0	323,687	105,725	429,412	0
Grant Administration Expenditures	0	(143,932)	(143,447)	(287,379)	0
Transfers In	0	7,665	0	7,665	2,037,661
Transfers Out	(233,505)	(657,405)	(300,000)	(1,190,910)	(5,389,783)
Cash Provided by (Used for) Noncapital Financing Activities	(233,505)	(469,985)	(337,722)	(1,041,212)	(3,352,122)
Cash Flows From Capital and Related Financing Activities					
Proceeds From Project Cost Share	35	0	0	35	0
Capital Contributed	1,873,728	134,860	0	2,008,588	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	97,273
Proceeds From Capital Grants	0	1,649,077	0	1,649,077	0
Proceeds From Loans	136,472	0	0	136,472	0
Principal Payments on Notes	(226,914)	0	0	(226,914)	0
Interest Paid on Notes	(7,653)	0	0	(7,653)	0
Interest Received on Program Loans	35,902	0	0	35,902	0
Acquisition and Construction of Capital Assets	(3,288,264)	(5,186,187)	0	(8,474,451)	(4,011,033)
Cash Provided by (Used for) Capital and Related Financing Activities	(1,476,694)	(3,402,250)	0	(4,878,944)	(3,913,760)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	357,902	270,092	(160,791)	467,203	1,883,261
Interest Revenue	185,719	133,930	7,765	327,414	110,047
Interfund Loan	(4,698,991)	0	0	(4,698,991)	0
Cash Provided by Investing Activities	(4,155,370)	404,022	(153,026)	(3,904,374)	1,993,308
Increase (Decrease) in Cash and Cash Equivalents	(154,311)	(125,217)	99,896	(179,632)	(1,055,070)
Cash and Cash Equivalents, January 1	10,555,783	6,408,797	372,992	17,337,572	11,091,430
Cash and Cash Equivalents, December 31	10,401,472	6,283,580	472,888	17,157,940	10,036,361

City of Kirkland
Statement of Cash Flows

Proprietary Funds

For the fiscal year ended December 31, 2015
Increase in Cash and Cash Equivalents

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/Sewer	Surfacewater	Solid Waste	Total	
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities					
Operating Income (Loss)	2,833,912	1,776,921	564,381	5,175,214	2,647,434
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	2,642,280	1,465,871	0	4,108,151	1,575,871
Pension Expense	(22,668)	(32,809)	(4,176)	(59,653)	(59,653)
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	154,208	166,668	12,706	333,582	(20,875)
(Increase) Decrease in Operating Intergovernmental Receivable	(26,165)	(2,304)	0	(28,469)	(29,872)
(Increase) Decrease in Operating Due From Other Funds	(5,643)	0	0	(5,643)	0
(Increase) Decrease in Other Accounts Receivable	6,051	(1,167)	0	4,884	0
(Increase) Decrease in Capital Related Accounts Receivable	0	0	0	0	(8,124)
(Increase) Decrease in Operating Inventories	1,332	2,423	0	3,755	4,628
(Increase) Decrease in Insurance Recovery Accounts Receivable	0	0	0	0	(9,700)
(Increase) Decrease in Assessments	1,167	0	0	1,167	0
(Increase) Decrease in Prepayments	258	76	171	505	0
(Increase) Decrease in Capital Accounts Payable	0	0	0	0	(22,232)
Increase (Decrease) in Operating Accounts Payable	56,106	(8,321)	29,054	76,839	99,819
Increase (Decrease) in Claims Payable	0	0	0	0	39,660
Increase (Decrease) in Operating Intergovernmental Payable	63,034	(27,259)	(19,487)	16,288	7,210
Increase (Decrease) in Operating Due to Other Funds	(19,304)	(23,860)	1,986	(41,178)	1,920
Increase (Decrease) in Wages Payable	496	17,145	430	18,071	20,786
Increase (Decrease) in Compensated Absences Payable	(245)	9,612	5,579	14,946	2,932
Increase (Decrease) in Revenue Collected in Advance	26,439	0	0	26,439	(32,300)
Cash Provided by Operating Activities	5,711,258	3,342,996	590,644	9,644,898	4,217,504
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	1,141,975	1,942,758	0	3,084,733	0
Change in Fair Value of Investments	(36,104)	(23,008)	(1,680)	(60,792)	(25,700)

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

City of Kirkland
Statement of Fiduciary Net Position
Trust and Agency Funds
December 31, 2015

	Firefighter's Pension	Agency Funds
Assets		
Cash and Cash Equivalents	509,929	134,470
Investments, at fair value:		
Government Sponsored Enterprise Securities	839,929	0
Deposits	0	2,169,904
Total Assets	1,349,858	2,304,374
Liabilities		
Current Liabilities		
Accounts Payable	0	0
Due to Other Governments	0	125,334
Deposits	0	2,179,040
Total Liabilities	0	2,304,374
Net Position		
Held in Trust for Pension Benefits	1,349,858	0
Total Net Position	1,349,858	0

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

City of Kirkland
Statement of Changes in Fiduciary Net Position
 Firefighter's Pension Fund
 For the Fiscal Year Ended December 31, 2015

	Firefighter's Pension
Additions	
Contributions:	
Fire Insurance Premium Contributions	91,852
Investment Earnings:	
Net Increase in the Fair Value of Investments	11,266
Total Additions	103,118
Deductions	
Benefit Payments	13,410
OPEB Payments	225,000
Administrative Expenses	3,000
Total Deductions	241,410
Change in Net Position	(138,292)
Net Position Beginning of Year	1,488,150
Net Position End of Year	1,349,858

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



City of Kirkland
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year ended December 31, 2015

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City of Kirkland

Notes to the Basic Financial Statements
For Year Ended December 31, 2015

NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

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

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

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

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

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

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

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

Budgetary Data

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

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

Procedures for Adopting the Original Budget

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

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

Amending the Budget

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

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

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

Assets, Liabilities, Fund Balance and Net Position

Cash and Investments

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

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

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

Receivables

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

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

Amounts Due to and from Other Governmental Units

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

Interfund Transactions

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

Inventories

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

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

Restricted Assets and Liabilities

These accounts contain resources reserved for customer deposits.

Capital Assets

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

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

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

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

Compensated Absences

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

Vacation leave is accumulated monthly at annual rates ranging from 104 hours to 300 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established limits and not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed probation except under special conditions listed in the Kirkland Municipal Code.

Sick leave is accrued at a rate of 8 hours for each month of the employee's service, or the equivalent of a 24 hour shift for fire employees. Unused sick leave may be accumulated from year to year to a maximum

of 180 days. Fire and police employees who entered the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) prior to October 1, 1977, do not accumulate sick leave, because they have unlimited disability coverage under state retirement law. Any outstanding sick leave is lost at termination of employment.

In January 1985, the City Council passed Ordinance 2844 wherein Section 10F eliminated an employee's ability to cash out any unused sick leave upon resignation or retirement. At that time, certain bargaining units were given the option to freeze their unused sick leave to be paid at 1984 wage rates upon resignation or retirement. There is one employee currently employed by the City who chose to freeze the unused sick leave for a total of \$407 benefits payable.

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$11,000 for 2015.

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

Pensions

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

Long-Term Debt

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

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

Unearned Revenues

Unearned revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes an unearned revenue as the offset. The unearned revenues include business license fees collected in 2014 for 2015.

Deferred Outflows/Inflows of Resources

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

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

Net Position

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

Fund Balance

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

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

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

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

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

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

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

Municipal Court	1,932,644
Pension Asset	9,542,347
Deferred Charges/Discount	310,346
Deferred Pension Outflow	3,062,714
Bond Subsidy	45,191
Net Adjustment	<u>\$14,893,242</u>

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

Bonds Payable	44,285,470
Compensated Absences	2,970,890
Net Pension Liability	18,513,742
Net OPEB Obligation	4,651,473
Deferred Pension Inflow	5,262,595
Accrued Interest Payable	177,126
Net Adjustment	<u><u>\$75,861,296</u></u>

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

Capital Assets	998,654,362
Depreciation	<u>(161,270,547)</u>
Net Capital Assets Adjustment	<u><u>\$837,383,815</u></u>

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

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

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

Capital Outlays	18,359,423
Depreciation Expense	(9,936,994)
Contributed Capital	10,119,737
CIP Closures	(3,505,080)
Net Adjustment	<u>\$15,037,086</u>

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

Debt Retired	3,269,817
Bonds Issued	(5,800,000)
Bond (Premium) Discount	129,100
Net Adjustment	<u>(\$2,401,083)</u>

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

Municipal Court Receivable	641
Pension Asset	926,961
Bond Subsidy	(540)
Net Adjustment	<u>\$927,062</u>

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

Net Pension Liability	1,326,344
Compensated Absence Payable	(143,504)
Accrued Interest Payable	(17,228)
Other Post Employment Benefit Obligation	(809,076)
Net Adjustment	<u>\$356,536</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

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

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

Investments

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

Credit Risk

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The City's investment policy applies the prudent person standard; Investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of Kirkland on December 31, 2015 are listed below:

<u>Issuer</u>	<u>Rating Agency</u>	<u>Credit Rating</u>
U.S. Treasury, U.S. Agencies and GSE's	Standard & Poor's Moody's	AA+ Aaa
Clackamas & WA Cnty OR JT SD#3	Standard & Poor's Moody's	AA+ Aa2
Clackamas & WA Cnty OR Sch Dist #62C	Standard & Poor's Moody's	AA Aa3
Marion & Polk Cntys OR SD #24J	Moody's	Aa2

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 1.23 years.

The Washington State Local Government Investment Pool is an unrated 2a-7 like pool as defined by GASB 31, accordingly participants balances are not subject to interest rate risk as the weighted average maturity of the portfolio will not exceed 90 days. The Average Days to Maturity on December 31, 2015 was 35 days.

City of Kirkland Cash, Deposits and Investments
Segmented Time Distribution
At December 31, 2015

Investment Type	Fair Value*	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months
Federal Agricultural Mortgage Corporation callable	1,211,508			1,211,508			
Federal Farm Credit Bank bullet	14,891,785	4,998,005		4,970,830	4,922,950		
Federal Farm Credit Bank callable	5,000,295			5,000,295			
Federal Home Loan Bank bullet	4,984,625						4,984,625
Federal Home Loan Bank callable	4,968,750			4,968,750			
Federal Home Loan Mortgage Corporation bullet	14,873,321			4,988,741	4,962,910	4,921,670	
Federal Home Loan Mortgage Corporation callable	9,989,330		9,989,330				
Federal National Mortgage Association bullet	4,947,610				4,947,610		
US Treasury Notes	31,966,857	1,999,440	4,993,428	9,964,254	10,018,525	4,991,210	
US Agency Backed - Aid-Israel Strips	3,555,553		3,555,553				
Clackamas & Washington Cnty OR JT SD#3	2,384,712	2,384,712					
Clackamas & Washington Cnty OR Sch Dist #62C	6,137,618			6,137,618			
Marion & Polk Cntys OR SD #24J	5,002,550	5,002,550					
	\$ 109,914,514	14,384,707	18,538,311	37,241,996	24,851,995	9,912,880	4,984,625
Cash and Deposits							
Cash on Hand	19,500						
FDIC or PDPC Insured Bank Deposits	55,530,876						
Fire District #41 Funds held by King County	48,072						
Washington State Local Government Investment Pool	11,268,353						
	\$ 66,866,802						
Total Cash, Deposits and Investments	\$ 176,781,316						

The callable bonds are assumed not to be called as interest rates have risen following the purchase of the bond.
*Investments are presented at fair value reduced by amortized cost.

NOTE 4: PROPERTY TAXES

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

Property Tax Calendar:

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

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

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

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

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

The City's regular tax levy in 2015 was \$1.45924 per \$1,000 on an assessed valuation of \$18,453,587,963 for a total regular levy of \$26,928,162. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.04336 per \$1,000 for an excess levy of \$569,990. 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, 2015, was as follows:

	Balance 01/01/15	Additions	Deletions	Balance 12/31/15
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	589,564,349	12,360,685	192,982	601,732,052
Construction in Progress	63,478,119	18,293,044	73,707,422	8,063,741
Artwork	1,714,621	272,830	0	1,987,451
Total Capital Assets, Not Being Depreciated	\$ 654,757,089	30,926,559	73,900,404	\$ 611,783,244
Capital Assets, Being Depreciated:				
Buildings	38,676,160	736,698	24,581	39,388,277
Improvements	35,390,527	37,101,967	0	72,492,494
Machinery and Equipment	19,371,620	5,751,687	376,504	24,746,803
Infrastructure	243,220,283	28,403,818	0	271,624,101
Total Capital Assets, Being Depreciated	\$ 336,658,590	71,994,170	401,085	\$ 408,251,675
Less Accumulated Depreciation for:				
Buildings	13,595,871	927,873	7,989	14,515,755
Improvements	18,303,068	2,313,255	0	20,616,323
Machinery and Equipment	11,029,860	1,684,630	357,757	12,356,733
Infrastructure	118,345,726	6,587,107	0	124,932,833
Total Accumulated Depreciation	\$ 161,274,525	11,512,865	365,746	\$ 172,421,644
Total Capital Assets, Being Depreciated, Net	\$ 175,384,065	60,481,305	35,339	\$ 235,830,031
Governmental Activities Capital Assets, Net	\$ 830,141,154	91,407,864	73,935,743	\$ 847,613,275
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	2,025,871	539,261	0	2,565,132
Construction in Progress	14,556,734	8,207,204	19,722,923	3,041,015
Total Capital Assets, Not Being Depreciated	\$ 16,582,605	8,746,465	19,722,923	\$ 5,606,147
Capital Assets, Being Depreciated:				
Buildings	47,591	0	0	47,591
Improvements	194,009,944	22,121,324	193,692	215,937,576
Total Capital Assets, Being Depreciated	\$ 194,057,535	22,121,324	193,692	\$ 215,985,167
Less Accumulated Depreciation for:				
Buildings	47,591	0	0	47,591
Improvements	57,926,452	4,108,151	165,679	61,868,924
Total Accumulated Depreciation	\$ 57,974,043	4,108,151	165,679	\$ 61,916,515
Total Capital Assets, Being Depreciated, Net	\$ 136,083,492	18,013,173	28,013	\$ 154,068,652
Business-type Activities Capital Assets, Net	\$ 152,666,097	26,759,638	19,750,936	\$ 159,674,799

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

Governmental Activities	
General Government	1,468,307
Security of Persons and Property	1,466,276
Physical Environment	533,970
Transportation (includes depreciation of general infrastructure assets)	6,745,050
Economic Environment	10,246
Culture and Recreation	1,289,016
Governmental Activities Depreciation Expense	<u>\$ 11,512,865</u>

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets as allocated above.

Business-type Activities	
Water/Sewer Utility	2,642,280
Surface Water Utility	1,465,871
Solid Waste Utility	0
Business-type Activities Depreciation Expense	<u>\$ 4,108,151</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2015. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Public Safety	24,452,516	548,731
Water Utility	315,443	22,885
Surface Water Utility	1,183,335	45,343
Transportation	9,603,258	800,217
Total	<u>\$ 35,554,552</u>	<u>\$ 1,417,176</u>

NOTE 6: PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 22,562,742
Pension assets	\$ (9,542,347)
Deferred outflows of resources	\$ 3,427,092
Deferred inflows of resources	\$ (5,869,172)
Pension expense/expenditures	\$ (1,528,226)

State Systems

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

Plan Description

The Legislature established PERS in 1947. PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts, employees of legislative committees, employees of district and municipal courts, and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a

member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2014, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with 5 years of service. The monthly benefit is two percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return to work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 defined benefits retirement benefits are also actuarially reduced to reflect the choice of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost of living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors. A onetime duty related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee**
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

The City's actual contributions to the plan were \$49,596 for the year ended December 31, 2015.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

*For employees participating in JBM, the contribution rate was 15.30%.

The City's actual contributions to the plan were \$2,650,616 for the year ended December 31, 2015.

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

Plan Description

The Legislature established LEOFF in 1970. LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2014, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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

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

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

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

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service

with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with a benefit of two percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months.) Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty related and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums. Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

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

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

A one-time duty related benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. The employer rate included an administrative expense component set at 0.18 percent. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year ending June30, 2015, the state contributed \$58.3 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were \$1,108,263 for the year ended December 31, 2015.

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

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

A "covered employer" is one that participates in PSERS. Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board;
- Washington state counties;
- Washington state cities except for Seattle, Tacoma and Spokane;
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and have one of the following:

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

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with a benefit of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or

annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The disability benefit is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost of living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of member's covered employment, if found eligible by the Department of Labor and Industries.

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2015, are as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The City's actual contributions to the plan were \$131,087 for the year ended December 31, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014 to June 30, 2015, reflecting each plan's normal cost (using entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3% total economic inflation; 3.75% salary inflation

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

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

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50 year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 15,115,850	\$ 12,415,455	\$ 10,093,364
PERS 2/3	29,471,479	10,078,986	(4,769,118)
PSERS 2	518,989	68,300	(252,295)
LEOFF 1	(580,989)	(908,146)	(1,186,986)
LEOFF 2	7,641,801	(7,630,850)	(19,124,099)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the City reported a total pension liability of \$14,023,745 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 12,415,455
PERS 2/3	10,078,986
PSERS 2	68,300
LEOFF 1	(908,146)
LEOFF 2	(7,630,850)
Total Pension Liability	\$ 14,023,745

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

	Liability (or Asset)
LEOFF 2- employer's proportionate share	(7,630,850)
LEOFF 2 – State's proportionate share of the net pension liability (asset) associated with the employer	719,524
TOTAL	(6,911,326)

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion Increase (Decrease)
PERS 1	11,988,405	12,415,455	427,050
PERS 2/3	5,659,002	10,078,986	4,419,984
PSERS 2	(53,862)	68,300	122,162
LEOFF 1	(894,615)	(908,146)	(13,531)
LEOFF 2	(9,891,845)	(7,630,850)	2,260,995

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (398,602)
PERS 2/3	(264,212)
PSERS 2	4,262
LEOFF 1	(191,697)
LEOFF 2	(677,977)
TOTAL	(4,048,726)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		679,261
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	27,299	
TOTAL	27,299	679,261

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,071,399	
Net difference between projected and actual investment earnings on pension plan investments		2,690,613
Changes of assumptions	16,240	
Changes in proportion and differences between contributions and proportionate share of contributions	68,386	
Contributions subsequent to the measurement date	840,997	
TOTAL	1,997,022	2,690,613

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	63,990	
Net difference between projected and actual investment earnings on pension plan investments		33,877
Changes of assumptions	423	
Changes in proportion and differences between contributions and proportionate share of contributions	138	
Contributions subsequent to the measurement date	40,708	
TOTAL	105,259	33,877

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		153,313
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL		153,313

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	668,208	
Net difference between projected and actual investment earnings on pension plan investments		2,312,107
Changes of assumptions	20,128	
Changes in proportion and differences between contributions and proportionate share of contributions	15,514	
Contributions subsequent to the measurement date	563,083	
TOTAL	1,266,933	2,312,107

Reported below are the deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in 2016.

<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PSERS 2</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
27,299	840,997	40,708	0	563,083

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

	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PSERS 2</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2016	(135,852)	(275,390)	2,446	(30,663)	(348,897)
2017	(135,852)	(275,390)	2,446	(30,663)	(348,897)
2018	(135,852)	(275,390)	2,446	(30,663)	(348,897)
2019	(135,852)	(275,390)	2,446	(30,663)	(348,897)
2020	(135,853)	(433,028)	2,446	(30,661)	(348,897)
2021	0	0	9,222	0	113,524
2022	0	0	9,222	0	22,704

Volunteer Firefighters' Relief and Pension Fund

The Volunteer Firefighters' Relief and Pension Fund System is a cost-sharing multiple-employer retirement system which was created by the Legislature in 1945 under Chapter 41.24 RCW. It provides pension, disability and survivor benefits. Membership in the system requires volunteer service with a fire department of an electing municipality of Washington State. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. Members may elect to withdraw their contributions upon termination. The City has not recorded any liability for this plan.

Firefighters' Pension

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

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

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

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

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2015:

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

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

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

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

	Fiscal Year Ending <u>December 31</u>	Net Money-Weighted <u>Rate of Return</u>		
	2006	N/A		
	2007	N/A		
	2008	N/A		
	2009	N/A		
	2010	N/A		
	2011	N/A		
	2012	N/A		
	2013	N/A		
	2014	0.87%		
	2015	0.74%		

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows with Interest
Beginning Value - January 1, 2015	\$1,488,150	12.00	1.00	\$1,499,162
Monthly Net External Cash Flows:				
January	(1,176)	12.00	1.00	(1,184)
February	(1,176)	11.00	0.92	(1,184)
March	(1,176)	10.00	0.83	(1,183)
April	(1,098)	9.00	0.75	(1,104)
May	90,754	8.00	0.67	91,204
June	(4,098)	7.00	0.58	(4,116)
July	(1,098)	6.00	0.50	(1,102)
August	(1,098)	5.00	0.42	(1,102)
September	(1,098)	4.00	0.33	(1,101)
October	(1,098)	3.00	0.25	(1,100)
November	(1,098)	2.00	0.17	(1,100)
December	(226,098)	1.00	0.08	(226,232)
Ending Value – December 31, 2015	1,349,858			1,349,858
Money-Weighted Rate of Return	0.74%			

Net Pension Liability

The components of the net pension liability at December 31, 2015, were as follows:

	December 31, 2014	December 31, 2015
Total Pension Liability	\$371,647	\$346,507
Fiduciary Net Position	\$1,488,150	\$1,349,858
Net Pension Liability	\$(1,116,503)	\$(1,003,351)
Fiduciary Net Position as a % of total pension liability	400.42%	389.56%
Covered Payroll	0	0
Net Pension Liability as a % of covered payroll	N/A	N/A

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

Rates

	December 31, 2014	December 31, 2015
Discount Rate	3.50%	3.50%
Long term expected rate of return, net of investment expense	3.50%	3.50%
Municipal bond rate	3.50%	3.50%

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

Other key actuarial assumptions

Valuation Date	January 1, 2014	January 1, 2016
Measurement Date	December 31, 2014	December 31, 2015
Inflation	2.5%	2.25%
Salary increases including inflation	3.5%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry Age Normal	Entry Age Normal

Schedule of Employer Contributions

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution As a % of Covered Payroll
2006	0	47,911	(47,911)	84,000	57.04%
2007	0	68,210	(68,210)	84,000	81.20%
2008	0	70,929	(70,929)	90,000	78.81%
2009	0	67,634	(67,634)	90,000	75.15%
2010	0	66,934	(66,634)	0	N/A
2011	0	77,880	(77,880)	0	N/A
2012	0	71,592	(71,592)	0	N/A
2013	(105,331)	(105,331)	0	0	N/A
2014	(127,795)	(127,795)	0	0	N/A
2015	(133,148)	(133,148)	0	0	N/A

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

Deferred Inflows / Outflows of Resources Related to Pensions

As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	30,579	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	30,579	-

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

Year ended June 30 :

2016	7,645
2017	7,645
2018	7,645
2019	7,644
2020	-

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

	Original Amount	Date Established	Original Recognition Period*	Amount recognized in 12/31/2015 Expense	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
Investment	38,224	12/31/2015	5.0	<u>7,645</u>	-	<u>30,579</u>
(gains) or losses		Total		7,645		30,579
Economic/Demographic	(67,441)	12/31/2015	1.0	<u>(67,441)</u>	-	<u>-</u>
(gains) or losses		Total		(67,441)		-
Assumption	42,936	12/31/2015	1.0	<u>42,936</u>	-	<u>-</u>
changes or inputs		Total		42,936		-

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

Actuarial Assumptions

The long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2015.

Asset Class	Index	Long-Term Expected Real Rate of Return
Cash	Citigroup 90-Day T-Bills	0.65%
Short-Term Bonds	Citigroup 1-3 Year Gov/Cred	1.49%
Long-Term Bonds	Barclays Long Gov/Cred	3.05%
Assumed Inflation - Mean		2.25%
Long-Term Expected Rate of Return		3.50%

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

We believe that the assumption of 3.50% as of December 31, 2015 is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 3.57% as of December 31, 2015. Rounding this to the nearest ¼% results in a discount rate of 3.50%. Using 3.50% for both the long-term expected rate of return and the bond index will mean that 3.5% could be used as the single discount rate. This will need to be re-evaluated as of later valuation dates.

Sensitivity Analysis

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

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total Pension Liability	\$ 390,146	\$ 346,507	\$ 309,707
Fiduciary Net Position	1,349,858	1,349,858	1,349,858
Net Pension Liability	(959,712)	(1,003,351)	(1,040,151)

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

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 850 employees who participated in the program during 2015, including seasonal employees. The City's contribution for 2015 was \$2,761,349; employee contributions were \$3,525,118 during the same period. The rate the City must pay and the employee may pay is equal to the Social Security rate of 6.2%.

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

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

**NOTE 7:
OTHER POST EMPLOYMENT BENEFITS**

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2015 there were 33 retirees receiving these benefits.

For 2015, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 542,693
	Direct Medical Costs	<u>110,132</u>
	Total Costs	<u>\$ 652,825</u>

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. The following table shows the City's annual OPEB cost for 2013, 2014 and 2015. The date of the last actuarial valuation done by Milliman was January 1, 2008. Beginning in 2009, the OPEB liability was calculated using the Alternative Measurement Method for GASB 45 by the Office of the State Actuary for the State of Washington. The net OPEB obligation of \$4,651,473 is included as a noncurrent liability on the Statement of Net Position.

Determination of Annual Required Contribution	12/31/2013	12/31/2014	12/31/2015
Normal Cost at Year End	18,243	0	0
Amortization of UAAL	1,402,653	1,341,253	1,653,796
Annual Required Contribution (ARC)	\$1,420,895	\$1,341,253	\$1,653,796
Determination of Net OPEB Obligation			
Annual Required Contribution	\$1,420,895	\$1,341,253	\$1,653,796
Interest on Prior Year Net OPEB Obligation	105,678	132,384	153,696
Adjustments to ARC	(237,620)	(297,669)	(345,589)
Annual OPEB Cost	1,288,953	1,175,968	1,461,902
Contributions Made	621,307	643,170	652,826
Increase in Net OPEB Obligation	\$667,646	\$532,798	\$809,076
Net OPEB Obligation - beginning of year	\$2,641,953	\$3,309,599	\$3,842,397
Net OPEB Obligation – end of year	\$3,309,599	\$3,842,397	\$4,651,473

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$1,288,953	48.2%	\$3,309,599
12/31/2014	\$1,175,968	54.7%	\$3,842,397
12/31/2015	\$1,461,902	44.7%	\$4,651,473

Funding Status and Funding Progress

As of December 31, 2015, the plan was 0% funded. The accrued liability for benefits was \$18,387,543 and actuarial value of assets was \$0 resulting in a UAAL of \$18,387,543.

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

Actuarial Assumptions

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

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

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

Beginning in 2009, the City used the alternative measurement method permitted under GASB Statement 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014, actuarial valuation report issued by the Office of the State Actuary. Healthcare costs and trends were determined by Milliman and used by the Office of the State Actuary in the state-wide LEOFF 1 medical study performed in 2013. The results are based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

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

NOTE 8: 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 179 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductibles to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2015.

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

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

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

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

Medical Self Insurance

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

In order to mitigate its risk exposure the City holds individual and aggregate stop loss insurance. There were four claims in excess of the \$100,000 per person stop loss maximum in 2015. In accordance with GASB Statement 10, estimated liabilities are accrued for current outstanding claims and claims incurred but not reported (IBNR).

	Beginning Of Year <u>Liability</u>	Incurred Claims Including <u>IBNRs</u>	Claim <u>Payments</u>	Unpaid <u>Claims</u>
2012	\$503,643	\$6,316,315	\$6,208,928	\$611,030
2013	\$611,030	\$6,379,496	\$6,388,631	\$601,895
2014	\$601,895	\$7,159,200	\$7,170,710	\$590,385
2015	\$590,385	\$6,754,800	\$6,715,140	\$630,045

**NOTE 9:
LONG-TERM DEBT**

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has four loans with principal outstanding of \$1,519,124. This debt will be repaid from Water/Sewer Fund revenues.

On December 21, 2010, the City issued \$35,345,000 in Limited Tax General Obligation Bonds (Build America Bonds – Direct Payment) with a net interest cost of 3.53 percent and final payment on December 1, 2040. The federal subsidy rate on the bonds is 35 percent of the interest paid by the issuer (ie: the City). The proceeds from these bonds are being used to pay the costs of reimbursing previously incurred capital expenditures (designated for reimbursement) associated with the purchase of property, improvements and modifications for use as a public safety facility for the City and refurbishing and furnishing the public safety facility. On Friday, March 1, 2013, the sequestration provisions of the Budget Control Act of 2011 (“Sequestration”) went into effect. As a result, in 2015 the federal subsidy payments relating to Direct-Pay Tax Credit Bonds were reduced by 7.2 percent of the amount that would otherwise have been paid to the issuer. The sequestration reductions are scheduled to continue through 2023. The sequestration rate for direct pay bonds is set for 6.8% beginning October 1, 2016. This rate will be used for years through 2023.

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

Year Ending December 31	Principal	Gross Interest	Interest Subsidy	Net Totals
2016	1,010,000	1,669,635	544,635	2,135,000
2017	1,030,000	1,641,860	535,575	2,136,285
2018	1,045,000	1,610,960	525,495	2,130,465
2019	1,070,000	1,575,430	513,906	2,131,524
2020	1,195,000	1,535,305	500,817	2,229,488
2021-2025	4,990,000	7,025,175	2,355,259	9,659,916
2026-2030	6,030,000	5,679,947	1,987,982	9,721,965
2031-2035	7,220,000	3,870,984	1,354,844	9,736,140
2036-2040	8,690,000	1,584,058	554,420	9,719,638
Total	\$ 32,280,000	\$ 26,193,354	\$ 8,872,933	\$ 49,600,421

On May 26, 2011, King County Fire Protection District #41 (Fire District) issued \$4,000,000 Limited Tax General Obligation (LTGO) Bonds, 2011 at an interest rate of 3.2% and final payment on December 1,

2021. The bonds were issued to finance the Fire Station Consolidation Project. On June 1, 2011 the Fire District dissolved when the City of Kirkland annexed all the territory served by the District. The outstanding debt remained an obligation of the taxable property which was annexed and therefore became the obligation of the City of Kirkland. On October 20, 2015 City Council approved Resolution 5156 and Resolution 5163 relating to the accomplishment of the goals of the interlocal agreement between the City of Kirkland and the Fire District to increase the level of service to the former Fire District territory and improve FIRE/EMS Services in North Kirkland funded in part with the 2011 LTGO Bonds issued by the Fire District.

On June 30, 2015 the City defeased the Limited Tax General Obligation Refunding Bonds, 2011 outstanding balance of \$1,425,000 with existing cash balances 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. Existing Park impact fee balances with a small contribution of REET 1 funds were used for the defeasance to free up future Park impact fees to be spent under the new standard adopted by Council on November 17, 2015.

On November 20, 2015, the City issued \$5.8 million in Limited Tax General Obligation Bonds at a fixed interest rate of 3.45% and final payment on December 1, 2034. The bond proceeds will be used to pay a portion of the funds for remodeling City Hall.

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

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

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2015	Due Within One Year
*2010 LTGO Limited Tax General Obligation Bonds, 2010 (Taxable Build America Bonds-Direct Payment)	12/21/2010	12/1/2040	0.90 to 5.95	35,345,000	3,065,000	32,280,000	1,010,000
*2011 Limited Tax General Obligation Bond	5/26/2011	12/1/2021	3.2	4,000,000	1,449,530	2,550,470	392,069
2013 UTGO Refunding Bonds	10/29/2013	12/1/2022	2.3	4,670,000	1,015,000	3,655,000	490,000
*2015 LTGO Bonds - City Hall Remodel	11/20/2015	12/1/2034	3.45	5,800,000	-	5,800,000	215,000
Total				\$ 49,815,000	\$ 5,529,530	\$ 44,285,470	\$ 2,107,069

*Councilmanic

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2016	2,107,069	1,998,681
2017	2,174,715	1,934,118
2018	2,217,770	1,871,234
2019	2,261,245	1,803,007
2020	2,425,156	1,729,629
2021-2025	7,939,515	7,674,201
2026-2030	7,695,000	6,124,480
2031-2035	8,775,000	4,007,431
2036-2040	8,690,000	1,584,057
Total	\$ 44,285,470	\$ 28,726,838

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 12/31/2015	Due Within One Year
1999 Public Works Trust Loan Juanita Lift Station Replacement Project - Design	7/1/2000	7/1/2019	1.0	227,500	177,360	50,140	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/2001	7/1/2021	0.5	1,848,000	1,230,188	617,812	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	570,308	515,992	57,332
2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement	10/8/2012	6/1/2032	0.5	350,247	15,067	335,180	19,716
Total				\$3,512,047	\$1,992,923	\$1,519,124	\$192,552

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2016	192,552	7,575
2017	192,552	6,821
2018	192,552	5,795
2019	192,552	4,770
2020	180,018	3,745
2021-2025	430,882	8,311
2026-2030	98,583	2,465
2031-2032	39,433	296
Total	\$ 1,519,124	\$ 39,778

City of Kirkland Credit Ratings

On December 5, 2014 Standard and Poor's affirmed the City of Kirkland's AAA rating. On August 15, 2011, Moody's Investors Service assigned a rating of Aa2 to City of Kirkland, Washington's Limited Tax General Obligation Bonds, 2011. Moody's ratings for Kirkland are now Aa2 for both Unlimited Tax GO Bonds and Limited Tax GO Bonds

NOTE 10: LEASES

Operating Leases

Copier Leases

In 2011, the City entered into two 60 month leases for a Konica Minolta C652 and Konica Minolta C652. The total cost for the year ended December 31, 2015, was \$17,845. The future minimum payments for these agreements are summarized as follows:

2016	12,652
Total	<u>\$ 12,652</u>

King County Housing Authority

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. On June 27, 2013 the lease was extended 3 additional years with a termination date of October 31, 2016. Lease payments for 2015 totaled \$103,884. Future minimum payments are summarized as follows:

2016	86,570
Total	<u>\$86,570</u>

Envelope Opener

In 2014, the City entered into a 60 month lease for an Envelope Opener from Neopost Northwest. Lease payments for the year ended December 31, 2015, was \$492. The future minimum payments for these agreements are summarized as follows:

2016	493
2017	492
2018	493
2019	164
Total	<u>\$1,642</u>

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

During the year ending December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/15	Additions	Reductions	Ending Balance 12/31/15	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable:					
General Obligation Bonds	41,755,287	5,800,000	3,269,817	44,285,470	2,107,069
Less:					
Issuance Discount	(322,802)	0	(12,456)	(310,346)	(12,456)
Issuance Premium	141,555	0	141,555	0	0
Interfund Loan	0	4,698,991	0	4,698,991	0
Compensated Absences	2,996,996	3,042,403	2,895,966	3,143,433	2,501,951
Self Insurance Claims	590,385	6,754,800	6,715,140	630,045	0
Net Pension Asset *	(1,116,503)	(8,653,844)	(228,000)	(9,542,347)	0
Net Pension Liability *	16,538,902	11,757,582	7,758,242	20,538,242	0
Other Post Employment Benefits	3,842,397	1,461,902	652,826	4,651,473	0
Governmental Activity Long-term Liabilities	<u>64,426,217</u>	<u>24,861,834</u>	<u>21,193,090</u>	<u>68,094,961</u>	<u>4,596,564</u>
<u>Business-Type Activities</u>					
PWTF Loans	1,573,313	172,725	226,914	1,519,124	192,552
Net Pension Liability *	2,205,253	182,189	362,942	2,024,500	0
Compensated Absences	152,007	364,909	349,962	166,954	133,563
Business-Type Activity Long-term Liabilities	<u>3,930,573</u>	<u>719,823</u>	<u>939,818</u>	<u>3,710,578</u>	<u>326,115</u>
* Restated Amount					

Compensated Absences

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$172,542 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General Fund and Parks Maintenance Fund.

Other Post Employment Benefits

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

Beginning in 2014 the LEOFF 1 Pension Fund is liquidating some OPEB liability as deemed appropriate by the actuarial valuation of the fund. In 2015 the amount utilized to exhaust OPEB costs was \$225,000.

NOTE 12:
CONTINGENCIES AND LITIGATIONS

As of December 31, 2015, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 13:
INTERFUND BALANCES AND TRANSFERS**

Interfund balances as reported in the financial statements at December 31, 2015, were as follows:

<u>Interfund Balances Between Governmental and Business-Type Activities</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General	768,740	3,978
Transportation Capital Projects		1,930
Non Major Governmental Funds:		
Parks Levy		88
Internal Service Funds		10,622
Business-Type Funds:		
Water/Sewer	17,941	484,896
Surface Water		14,452
Solid Waste		270,714
Total Transfers	\$ 786,681	\$ 786,681

Transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. Transfers occur for capital and operating reserves, capital purchases, debt service, and subsidies. Interfund transfers at December 31, 2015, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	724,591	11,269,826
Excise Capital Improvement	524,918	5,433,004
General Capital	13,331,879	462,094
Transportation Capital Projects	6,987,843	524,918
Non Major Governmental Funds:		
Parks Maintenance		
Parks Levy		1,080,000
Impact Fees		1,701,208
Debt Service Funds	3,662,187	
Internal Service Funds	2,037,662	5,389,783
Proprietary Funds:		
Water/Sewer		233,505
Surface Water	7,665	657,405
Solid Waste		300,000
Agency Funds		225,000
Total Transfers In/Out	\$ 27,276,744	\$ 27,276,744

NOTE 14: JOINT VENTURES

Eastside Narcotics Task Force

The Eastside Narcotics Task Force (ENTF) was formed by the cities of Bellevue, Kirkland, Redmond, Mercer Island, and Issaquah in 1981 for the purpose of mutual support in the fight against drug crimes. In 1990, ENTF engaged the support services of the King County Prosecutor's Office. The King County Sheriff's Office joined ENTF in 2002 to also provide support in the fight against drug crimes. On May 3, 2010, the ENTF amended the Interlocal Cooperative Agreement to include The Washington State Patrol. As of October of 2009, Issaquah permanently withdrew its ENTF membership. The US Postal Service joined ENTF on October 1, 2013. The King County Sheriff's Office and the Washington State Patrol are no longer members. The ENTF voted to disband as of June 30, 2016.

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

Member agencies share in the costs of the operation of the Task Force. All revenues are disbursed to the participating Agencies based on current participations and calculated each year. Current percentages are as follows:

Bellevue	55.0%
Redmond	10.3%
Kirkland	10.2%
Mercer Island	9.4%
King County	9.4%
WSP	5.7%

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

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

ARCH – Housing Coalition

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

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

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2015 the City contributed \$103,129 to ARCH for operations and \$315,000 to fund affordable housing projects.

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

In 2015 a Regional Equitable Development Initiative Fund (REDI) was formed through an interlocal agreement. The REDI Fund is a revolving loan program funded through a combination of public and private funds that will proportionally fund properties in King, Pierce and Snohomish counties providing low interest loans to non-profit and private developers to secure land or existing residential properties to create housing that includes affordable housing. The Interlocal Agreement provides for the REDI fund to commence when there is a minimum of \$18 million available. Although the City of Kirkland is participating in the Interlocal Agreement, the ARCH Administering Agency will oversee ongoing operations for its members. Kirkland's funding to REDI will be a part of the \$315,000 contributed to the ARCH Housing Trust Account.

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

Cascade Water Alliance

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

The City of Kirkland's share of membership dues for 2015 was \$334,312. Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. During 2015, the City of Kirkland remitted \$996,830 for this charge.

In April of 2006, the Cascade Water Alliance issued revenue bonds in the amount of \$55.2 million. The bonds were issued to cover the costs of carrying out a portion of the capital program described in the Cascade Watershed Management Plan. In October of 2009, the Cascade Water Alliance issued a series of water system revenue bonds with net proceeds to Cascade of \$80 million. The majority of the bond proceeds funded the acquisition of Lake Tapps, tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. In December of 2012, the Cascade Water Alliance issued a series of water system revenue bonds for approximately \$48 million for the purposes of paying part of the cost of financing Capital Projects and providing for a Debt Service Reserve. The 2006, 2009 and 2012 bonds do not pledge the full

faith and credit of any of the seven current members, nor do the bonds pledge any revenues except as the members commit under the Interlocal Contract which established Cascade Water Alliance.

Financial statement information can be obtained from Cascade Water Alliance by contacting Scott Hardin, Director of Finance and Administration, 520 112th Ave NE, Suite 400, Bellevue, WA 98004.

EPSCA

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

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

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

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

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services. In 2015 the City of Kirkland paid EPSCA \$118,331 for these services.

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2015, the weighted vote was as follows:

Bellevue	46.529%
Redmond	24.620%
Kirkland	17.516%
Mercer Island	6.235%
Issaquah	5.100%

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

The current EPSCA system is approaching 20 years old. In 2014 an Interlocal Cooperation Agreement was signed to provide for the implementation of a new regional emergency radio network system and will be

paid for through a King County ballot measure approved by voters in 2015. It will take 5 to 6 years to complete the system.

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

eCityGov Alliance

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the eCityGov Alliance between the City of Bellevue and the Cities of Bothell, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish and Snoqualmie. Since then, additional cities and agencies have joined. The Alliance establishes on-line services through a jointly operated internet portal. In 2014 eCityGov Alliance became a non-profit corporation.

Expenditures consist of capital and operations costs as specified in the budget adopted by the eCityGov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the members of the eCityGov Alliance. The City of Kirkland paid membership dues of \$72,530 in 2015.

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

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

NORCOM

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

Operating revenues are provided by user fees charged to each member based on average call volume. For 2015, the City of Kirkland's share of these fees was \$2,669,390.

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

Hazardous Materials Unit and Response Team

In January 1984, the City of Kirkland joined the cities of Bellevue, Redmond, Bothell, and King County Fire Protection Districts 16 and 36 to form a Hazardous Materials Unit and Response Team (HazMat). In December 1991, the agreement was modified to designate the City of Bellevue as the lead agency. Current

members are the cities of Bellevue, Kirkland, Redmond, Bothell, Snoqualmie, and Duvall along with Eastside Fire & Rescue, Woodinville Fire & Life Safety, and King County Fire District 27.

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

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

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

Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Kirkland's assessment was \$13,011 in 2015.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, PO Box 90012, Bellevue, WA 98004.

Community Connectivity Consortium

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

The Consortium sets the terms and conditions for sharing fiber optic installation projects, outlines how the parties will work together on fiber projects and establishes the original backbone of the Fiber Consortium network through contributions of budget, fiber assets, conduit, right of way and staff expertise. It has built over 35 miles of fiber optic cable, creating strategic connection points along the way. The partners use the fiber network to connect schools and universities to enhance learning; to connect hospitals, medical facilities and clinics to improve health care; connect government facilities for public safety, transportation and other needs; and to provide an open access network to serve the public with wireless and broadband access. The City of Kirkland paid membership dues of \$3,570 in 2015.

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

Sound Cities Association

In 1970 Sound Cities Association (SCA) was formed to help cities act locally and partner regionally to create vital, livable communities through advocacy, education, leadership, mutual support and networking. The City of Kirkland is among 36 cities represented by SCA. Membership is limited to cities and towns in King County having a population less than 150,000. The SCA Board of Directors oversees the general activities of the Association, and governs the organization by establishing broad policies and objectives for SCA.

Operating revenues are provided by membership dues based on population. The City of Kirkland's dues were \$41,923 in 2015. Upon dissolution of SCA, any funds or assets shall be distributed to member cities and towns pursuant to the same formula used to determine membership dues. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

North Sound Metro SWAT

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

Operating revenues are provided by contributions from the participating cities based on population. The City of Kirkland's dues were \$7,573 for 2015. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

NOTE 15:
BUDGET TO GAAP RECONCILIATION

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

2015 Budget to GAAP Reconciliation

	General Fund	Excise Tax Capital Improvement	Street Operating Special Revenue	Contingency Special Revenue
Revenues on the Budgetary Basis	89,113,279	8,887,228	8,543,712	0
Increase (Decrease) due to accruals	(392,864)	557,889	0	0
Reclassification	8,543,712	0	(8,543,712)	0
Revenues on the GAAP Basis	<u>97,264,127</u>	<u>9,445,117</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	80,773,705	0	5,651,140	0
Increase (Decrease) due to accruals	(662,815)	0	0	0
Reclassification	5,651,140	0	(5,651,140)	0
Expenditures on the GAAP Basis	<u>85,762,030</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(7,880,504)	(4,908,086)	(3,152,896)	610,000
Increase (Decrease) due to accruals	218,701	0	0	0
Reclassification	(2,542,896)	0	3,152,896	(610,000)
Other Financing Sources (Uses) on the GAAP Basis	<u>(10,204,699)</u>	<u>(4,908,086)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	8,339,574	8,887,228	2,892,572	0
Increase (Decrease) due to accruals	269,951	557,889	0	0
Reclassification	2,892,572	0	(2,892,572)	0
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	<u>11,502,097</u>	<u>9,445,117</u>	<u>0</u>	<u>0</u>

NOTE 16:
CHANGE IN ACCOUNTING PRINCIPLE

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions for the fiscal year ended December 31, 2015. The implementation of the Statement required the City to record beginning Net Pension Liability and the effects on net position of contributions made by the City during the measurement period. As a result, beginning net position for the governmental activities decreased by \$16,538,901 and decreased for the business type activities by \$2,205,253.

NOTE 17:
OTHER INFORMATION

The City of Kirkland Transportation Benefit District (TBD) was legally established by ordinance on February 10, 2014. It will provide additional funding for the purposes of implementing and funding transportation improvements. There has been no formal action from the Kirkland City Council to establish a meeting of the governing body, no business has been conducted, and no economic activity has commenced for the TBD. Therefore there is no financial reporting activity for the Transportation Benefit District in 2015.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
As of June 30, 2015

	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PSERS 2</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.237347%	0.282083%	0.374208%	0.075351%	0.742445%
Employer's Proportionate Share of the Net Pension Liability (Asset)	12,415,455	10,078,986	68,300	(908,146)	(7,630,850)
Employer's Covered Employee Payroll	490,552	26,203,665	1,187,373	-	22,232,350
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	n/a	n/a	n/a	n/a	719,524
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	2530.92%	38.46%	5.75%	n/a	(34.32%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	108.46%	109.50%	10.75%	62.01%	147.08%

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
As of December 31, 2015

	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PSERS 2</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
Statutorily or Contractually Required Contributions	49,596	2,650,616	131,087	-	1,108,263
Contributions in Relation to the Statutorily or Contractually Required Contributions	49,596	2,650,616	131,087	-	1,108,263
Contribution Deficiency (excess)	-	-	-	-	-
Covered Employer Payroll	490,552	26,203,665	1,187,373	-	22,232,350
Contributions as a Percentage of Covered Employee Payroll	10.11%	10.12%	11.04%	n/a	4.98%

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

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Schedule of Changes in Net Pension Liability and Related Ratios
(Dollar Amounts in thousands)

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Schedule of Employer Contributions

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution As a % of Covered Payroll
2006	0	47,911	(47,911)	84,000	57.04%
2007	0	68,210	(68,210)	84,000	81.20%
2008	0	70,929	(70,929)	90,000	78.81%
2009	0	67,634	(67,634)	90,000	75.15%
2010	0	66,934	(66,634)	0	N/A
2011	0	77,880	(77,880)	0	N/A
2012	0	71,592	(71,592)	0	N/A
2013	(105,331)	(105,331)	0	0	N/A
2014	(127,795)	(127,795)	0	0	N/A
2015	(133,148)	(133,148)	0	0	N/A

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

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Schedule of Investment Returns

<u>Fiscal Year Ending December 31</u>	<u>Net Money-Weighted Rate of Return</u>
2006	N/A
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	0.87%
2015	0.74%

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF 1 Retiree Medical and Long Term Care Benefits
Schedule of Funding Progress
(dollar amounts in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2006	\$ 0	\$ 11,360	\$ 11,360	0	% N/A	% N/A
January 1, 2008	0	12,505	12,505	0	% N/A	% N/A
December 31, 2009	0	10,724	10,724	0	% N/A	% N/A
December 31, 2010	0	10,070	10,070	0	% N/A	% N/A
December 31, 2011	0	9,534	9,534	0	% N/A	% N/A
December 31, 2012	0	10,211	10,211	0	% N/A	% N/A
December 31, 2013	0	15,595	15,595	0	% N/A	% N/A
December 31, 2014	0	14,913	14,913	0	% N/A	% N/A
December 31, 2015	0	18,388	18,388	0	% N/A	% N/A

Source: 2006 and 2008 actuarial valuations for the Firefighters' Pension Fund and Retiree Medical and Long-Term Care Benefits for LEOFF 1 Employees were prepared for City of Kirkland by Milliman.

2009 through 2015 valuation amounts for the Medical and Long Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of State Actuary.

Fund Financial Statements and Schedules

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Debt Service Funds

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

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

City of Kirkland
Combining Balance Sheet
Non Major Governmental Funds
December 31, 2015

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Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Assets				
Cash and Cash Equivalents	146,072	303,626	249,370	291,539
Investments	240,698	500,287	411,007	480,292
Receivables, Net of Allowances				
Taxes	37,796	0	20,648	38,203
Accounts	0	0	1,112	0
Total Assets	424,566	803,913	682,137	810,034
Liabilities				
Accounts Payable	5,642	1,391	7,298	7,600
Wages Payable	4,561	0	28,888	26,635
Due to Other Funds	0	0	0	88
Intergovernmental Payable	0	0	994	156
Total Liabilities	10,203	1,391	37,180	34,479
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	0	0	20,285	37,527
Total Deferred Inflows of Resources	0	0	20,285	37,527
Fund Balances				
Restricted for				
Tourism	414,363	0	0	0
Cemetery Operations	0	802,522	0	0
Culture and Recreation	0	0	624,672	738,028
Transportation	0	0	0	0
Debt Service	0	0	0	0
Total Fund Balances	414,363	802,522	624,672	738,028
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	424,566	803,913	682,137	810,034

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

City of Kirkland
Combining Balance Sheet
Non Major Governmental Funds
December 31, 2015

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Impact Fees	Total Special Revenue	Debt Service		Total Debt Service	Non Major Governmental Funds Total
		LTGO	UTGO		
2,451,545	3,442,152	26,785	115,332	142,117	3,584,269
4,039,282	5,671,566	4,986	190,449	195,435	5,867,001
0	96,647	0	10,221	10,221	106,868
0	1,112	4,000	0	4,000	5,112
6,490,827	9,211,477	35,771	316,002	351,773	9,563,250
0	21,931	14,250	0	14,250	36,181
0	60,084	0	0	0	60,084
0	88	0	0	0	88
0	1,150	0	0	0	1,150
0	83,253	14,250	0	14,250	97,503
0	57,812	0	10,060	10,060	67,872
0	57,812	0	10,060	10,060	67,872
0	414,363	0	0	0	414,363
0	802,522	0	0	0	802,522
1,594,316	2,957,016	0	0	0	2,957,016
4,896,511	4,896,511	0	0	0	4,896,511
0	0	21,521	305,942	327,463	327,463
6,490,827	9,070,412	21,521	305,942	327,463	9,397,875
6,490,827	9,211,477	35,771	316,002	351,773	9,563,250

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
December 31, 2015

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Revenues				
Taxes and Assessments	306,371	0	1,280,307	2,368,847
Intergovernmental	0	0	0	0
Charges for Services	0	50,065	0	89,912
Investment Interest	2,527	5,540	4,004	5,378
Miscellaneous Revenues	0	0	6,587	24,219
Total Revenues	308,898	55,605	1,290,898	2,488,356
Expenditures				
Current				
General Government	0	0	0	0
Physical Environment	0	51,428	0	0
Economic Environment	273,572	0	0	0
Culture and Recreation	0	0	1,226,569	1,268,736
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Bond Issuance Costs	0	0	0	0
Capital Outlay	0	3,600	0	0
Total Expenditures	273,572	55,028	1,226,569	1,268,736
Excess (Deficiency) of revenues				
Over (under) expenditures	35,326	577	64,329	1,219,620
Other Financing Sources (Uses)				
Sale of Capital Assets	0	36,842	0	0
Insurance Recovery	0	0	1,103	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	(1,080,000)
Total Other Financing Sources (Uses)	0	36,842	1,103	(1,080,000)
Net Change in Fund Balance	35,326	37,419	65,432	139,620
Fund Balances Beginning of Year	379,037	765,103	559,240	598,408
Fund Balances End of Year	414,363	802,522	624,672	738,028

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

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
December 31, 2015

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
0	3,955,525	477,568	570,084	1,047,652	5,003,177
0	0	550,259	0	550,259	550,259
2,435,429	2,575,406	0	0	0	2,575,406
44,173	61,622	438	0	438	62,060
0	30,806	0	0	0	30,806
2,479,602	6,623,359	1,028,265	570,084	1,598,349	8,221,708
0	0	14,250	0	14,250	14,250
0	51,428	0	0	0	51,428
0	273,572	0	0	0	273,572
0	2,495,305	0	0	0	2,495,305
0	0	2,794,817	475,000	3,269,817	3,269,817
0	0	1,804,686	94,990	1,899,676	1,899,676
0	0	78,625	0	78,625	78,625
0	3,600	0	0	0	3,600
0	2,823,905	4,692,378	569,990	5,262,368	8,086,273
2,479,602	3,799,454	(3,664,113)	94	(3,664,019)	135,435
0	36,842	0	0	0	36,842
0	1,103	0	0	0	1,103
0	0	3,662,186	0	3,662,186	3,662,186
(1,701,208)	(2,781,208)	0	0	0	(2,781,208)
(1,701,208)	(2,743,263)	3,662,186	0	3,662,186	918,923
778,394	1,056,191	(1,927)	94	(1,833)	1,054,358
5,712,433	8,014,221	23,448	305,848	329,296	8,343,517
6,490,827	9,070,412	21,521	305,942	327,463	9,397,875

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
General Capital Projects Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	450,000	658,000	477,752	477,752	(180,248)
Charges for Services	0	288,362	192,562	192,562	(95,800)
Fines and Forfeitures	0	0	10,165	10,165	10,165
Investment Interest	0	0	23,596	23,596	23,596
Investment Interest - Dedicated	54,196	54,196	0	0	(54,196)
Contributions/Donations	438,606	1,041,943	771,965	771,965	(269,978)
Miscellaneous Revenues	0	57,225	86,925	86,925	29,700
Total Revenues	942,802	2,099,726	1,562,965	1,562,965	(536,761)
Expenditures					
Current					
General Government	72,000	1,176,988	123,197	123,197	1,053,791
Security of Persons and Property	565,200	398,035	140,711	140,711	257,324
Physical Environment	0	18,000	5,500	5,500	12,500
Transportation	0	12,466	0	0	12,466
Culture and Recreation	0	10,000	6,947	6,947	3,053
Capital Outlay	14,321,700	39,652,298	10,410,172	10,410,172	29,242,126
Total Expenditures	14,958,900	41,267,787	10,686,527	10,686,527	30,581,260
Excess of revenues over expenditures	(14,016,098)	(39,168,061)	(9,123,562)	(9,123,562)	30,044,499
Other Financing Sources (Uses)					
Sale of Capital Assets	0	1,500,000	0	0	(1,500,000)
GO Bond Proceeds	5,804,576	5,753,262	5,800,000	5,800,000	46,738
Intergovernmental Loan Proceeds	0	0	4,698,991	4,698,991	4,698,991
Transfers In	9,029,343	18,646,196	13,331,879	13,331,879	(5,314,317)
Transfers Out	0	(425,408)	(462,095)	(462,095)	(36,687)
Total Other Financing Sources (Uses)	14,833,919	25,474,050	23,368,775	23,368,775	(2,105,275)
Net Change in Fund Balance	817,821	(13,694,011)	14,245,213	14,245,213	27,939,224
Fund Balances Beginning of Year	22,078,777	22,416,301	22,416,301	22,416,301	0
Fund Balances End of Year	22,896,598	8,722,290	36,661,514	36,661,514	27,939,224

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

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

Transportation Capital Projects Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	19,837,684	22,077,223	7,370,240	7,370,240	(14,706,983)
Charges for Services	0	9,895,083	1,060,979	1,060,979	(8,834,104)
Contributions/Donations	0	259,307	550	550	(258,757)
Total Revenues	19,837,684	32,231,613	8,431,769	8,431,769	(23,799,844)
Expenditures					
Current					
Transportation	420,000	500,000	4,779,728	4,779,728	(4,279,728)
Capital Outlay	16,693,400	55,599,429	10,511,210	10,511,210	45,088,219
Total Expenditures	17,113,400	56,099,429	15,290,938	15,290,938	40,808,491
Excess of revenues over expenditures	2,724,284	(23,867,816)	(6,859,169)	(6,859,169)	17,008,647
Other Financing Sources (Uses)					
Proceeds Sale of Fixed Assets	0	0	150	150	150
Transfers In	12,139,900	19,925,670	6,987,843	6,987,843	(12,937,827)
Transfers Out	0	(475,000)	(524,918)	(524,918)	(49,918)
Total Other Financing Sources (Uses)	12,139,900	19,450,670	6,463,075	6,463,075	(12,987,595)
Net Change in Fund Balance	14,864,184	(4,417,146)	(396,094)	(396,094)	4,021,052
Fund Balances Beginning of Year	3,144,338	4,446,221	4,446,221	4,446,221	0
Fund Balances End of Year	18,008,522	29,075	4,050,127	4,050,127	4,021,052

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Street Operating Special Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	12,268,728	12,268,728	6,052,545	6,052,545	(6,216,183)
Licenses and Permits	380,000	380,000	325,784	325,784	(54,216)
Intergovernmental	3,359,821	3,359,821	1,740,335	1,740,335	(1,619,486)
Charges for Services	90,000	287,346	106,459	106,459	(180,887)
Contributions/Donations	0	0	250	250	250
Miscellaneous Revenues	485,000	509,900	318,339	318,339	(191,561)
Total Revenues	16,583,549	16,805,795	8,543,712	8,543,712	(8,262,083)
Expenditures					
Transportation	11,229,752	12,308,952	5,437,300	5,437,300	6,871,652
Capital Outlay	79,000	294,000	213,840	213,840	80,160
Total Expenditures	11,308,752	12,602,952	5,651,140	5,651,140	6,951,812
Excess of revenues over expenditures	5,274,797	4,202,843	2,892,572	2,892,572	(1,310,271)
Other Financing Sources (Uses)					
Insurance Recovery	10,000	10,000	10,706	10,706	706
Transfers In	613,692	960,692	429,863	429,863	(530,829)
Transfers Out	(7,084,500)	(8,096,400)	(3,593,465)	(3,593,465)	4,502,935
Total Other Financing Sources (Uses)	(6,460,808)	(7,125,708)	(3,152,896)	(3,152,896)	3,972,812
Net Change in Fund Balance	(1,186,011)	(2,922,865)	(260,324)	(260,324)	2,662,541
Fund Balances Beginning of Year	3,855,799	4,231,808	4,231,808	4,231,808	0
Fund Balances End of Year	2,669,788	1,308,943	3,971,484	3,971,484	2,662,541

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 Contingency Special Revenue Fund
 For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Other Financing Sources (Uses)					
Transfers In	1,610,000	1,610,000	610,000	610,000	(1,000,000)
Total Other Financing Sources (Uses)	1,610,000	1,610,000	610,000	610,000	(1,000,000)
Net Change in Fund Balance	1,610,000	1,610,000	610,000	610,000	(1,000,000)
Fund Balances Beginning of Year	2,426,425	2,426,425	2,426,425	2,426,425	0
Fund Balances End of Year	4,036,425	4,036,425	3,036,425	3,036,425	(1,000,000)

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

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

Lodging Tax Special Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	520,000	520,000	305,564	305,564	(214,436)
Investment Interest	4,252	4,252	2,196	2,196	(2,056)
Total Revenues	524,252	524,252	307,760	307,760	(216,492)
Expenditures					
Current					
Economic Environment	678,135	700,263	270,842	270,842	429,421
Total Expenditures	678,135	700,263	270,842	270,842	429,421
Excess of revenues over expenditures	(153,883)	(176,011)	36,918	36,918	212,929
Net Change in Fund Balance	(153,883)	(176,011)	36,918	36,918	212,929
Fund Balances Beginning of Year	310,420	350,280	350,280	350,280	0
Fund Balances End of Year	156,537	174,269	387,198	387,198	212,929

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

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

Cemetery Operating Special Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Charges for Services	74,000	74,000	50,065	50,065	(23,935)
Investment Interest	10,119	10,119	4,686	4,686	(5,433)
Total Revenues	84,119	84,119	54,751	54,751	(29,368)
Expenditures					
Current					
Physical Environment	116,806	114,238	50,750	50,750	63,488
Capital Outlay	4,800	4,800	8,400	8,400	(3,600)
Total Expenditures	121,606	119,038	59,150	59,150	59,888
Excess of revenues over expenditures	(37,487)	(34,919)	(4,399)	(4,399)	30,520
Other Financing Sources (Uses)					
Proceeds Sale of Fixed Assets	36,000	36,000	40,880	40,880	4,880
Total Other Financing Sources (Uses)	36,000	36,000	40,880	40,880	4,880
Net Change in Fund Balance	(1,487)	1,081	36,481	36,481	35,400
Fund Balances Beginning of Year	736,215	768,527	768,527	768,527	0
Fund Balances End of Year	734,728	769,608	805,008	805,008	35,400

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Parks Maintenance Special Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	2,598,920	2,598,920	1,280,425	1,280,425	(1,318,495)
Investment Interest	0	0	3,342	3,342	3,342
Miscellaneous Revenues	10,200	20,050	6,579	6,579	(13,471)
Total Revenues	2,609,120	2,618,970	1,290,346	1,290,346	(1,328,624)
Expenditures					
Current					
Culture and Recreation	2,795,331	2,808,762	1,235,154	1,235,154	1,573,608
Total Expenditures	2,795,331	2,808,762	1,235,154	1,235,154	1,573,608
Excess of revenues over expenditures	(186,211)	(189,792)	55,192	55,192	244,984
Net Change in Fund Balance	(186,211)	(189,792)	55,192	55,192	244,984
Fund Balances Beginning of Year	471,089	601,486	601,486	601,486	0
Fund Balances End of Year	284,878	411,694	656,678	656,678	244,984

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Parks Levy Special Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	4,848,669	4,848,669	2,369,068	2,369,068	(2,479,601)
Charges for Services	193,286	193,286	89,912	89,912	(103,374)
Contributions/Donations	0	0	16,776	16,776	16,776
Investment Interest	0	0	4,837	4,837	4,837
Miscellaneous Revenues	10,000	10,000	7,444	7,444	(2,556)
Total Revenues	5,051,955	5,051,955	2,488,037	2,488,037	(2,563,918)
Expenditures					
Current					
Culture and Recreation	2,680,660	2,606,381	1,265,687	1,265,687	1,340,694
Total Expenditures	2,680,660	2,606,381	1,265,687	1,265,687	1,340,694
Excess of revenues over expenditures	2,371,295	2,445,574	1,222,350	1,222,350	(1,223,224)
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	0
Transfers Out	(2,500,000)	(2,630,000)	(1,080,000)	(1,080,000)	1,550,000
Total Other Financing Sources (Uses)	(2,500,000)	(2,630,000)	(1,080,000)	(1,080,000)	1,550,000
Net Change in Fund Balance	(128,705)	(184,426)	142,350	142,350	326,776
Fund Balances Beginning of Year	498,341	637,966	637,966	637,966	0
Fund Balances End of Year	369,636	453,540	780,316	780,316	326,776

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Impact Fees Special Revenue Fund
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Charges for Services	1,600,000	4,422,700	2,435,429	2,435,429	(1,987,271)
Investment Interest	71,239	71,239	38,439	38,439	(32,800)
Total Revenues	1,671,239	4,493,939	2,473,868	2,473,868	(2,020,071)
Excess of revenues over expenditures	1,671,239	4,493,939	2,473,868	2,473,868	(2,020,071)
Other Financing Sources (Uses)					
Transfers Out	(1,162,777)	(6,770,976)	(1,701,209)	(1,701,209)	5,069,767
Total Other Financing Sources (Uses)	(1,162,777)	(6,770,976)	(1,701,209)	(1,701,209)	5,069,767
Net Change in Fund Balance	508,462	(2,277,037)	772,659	772,659	3,049,696
Fund Balances Beginning of Year	5,391,585	5,727,145	5,727,145	5,727,145	0
Fund Balances End of Year	5,900,047	3,450,108	6,499,804	6,499,804	3,049,696

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 Limited GO Debt Service Fund
 For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	961,076	961,076	477,569	477,569	(483,507)
Intergovernmental	1,090,492	1,090,492	550,260	550,260	(540,232)
Investment Interest - Dedicated	500	500	438	438	(62)
Total Revenues	2,052,068	2,052,068	1,028,267	1,028,267	(1,023,801)
Expenditures					
Debt Service					
Principal	3,186,886	4,403,100	2,794,817	2,794,817	1,608,283
Interest	3,603,408	3,767,825	1,804,687	1,804,687	1,963,138
Debt Issue Cost	0	82,626	82,626	82,626	0
Total Expenditures	6,790,294	8,253,551	4,682,130	4,682,130	3,571,421
Excess of revenues over expenditures	(4,738,226)	(6,201,483)	(3,653,863)	(3,653,863)	2,547,620
Other Financing Sources (Uses)					
Transfers In	4,758,658	6,221,915	3,662,187	3,662,187	(2,559,728)
Total Other Financing Sources (Uses)	4,758,658	6,221,915	3,662,187	3,662,187	(2,559,728)
Net Change in Fund Balance	20,432	20,432	8,324	8,324	(12,108)
Fund Balances Beginning of Year	26,753	23,448	23,448	23,448	0
Fund Balances End of Year	47,185	43,880	31,772	31,772	(12,108)

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

City of Kirkland
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
 Unlimited GO Debt Service Fund
 For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	1,144,055	1,144,055	570,083	570,083	(573,972)
Total Revenues	1,144,055	1,144,055	570,083	570,083	(573,972)
Expenditures					
Debt Service					
Principal	965,000	965,000	475,000	475,000	490,000
Interest	179,055	179,055	94,990	94,990	84,065
Debt Issue Cost				0	0
Total Expenditures	1,144,055	1,144,055	569,990	569,990	574,065
Excess of revenues over expenditures	0	0	93	93	93
Net Change in Fund Balance	0	0	93	93	93
Fund Balances Beginning of Year	309,276	305,688	305,688	305,688	0
Fund Balances End of Year	309,276	305,688	305,781	305,781	93

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

INTERNAL SERVICE FUNDS

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

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

City of Kirkland, Washington
Combining Statement of Net Position
Internal Service Funds
December 31, 2015

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Assets					
Current Assets					
Cash and Cash Equivalents	4,099,543	2,054,988	2,721,292	1,160,538	10,036,361
Investments	6,753,495	3,393,420	4,484,115	1,916,407	16,547,437
Accounts Receivable	3,036	432	122,674	17,678	143,820
Intergovernmental Receivable	0	0	0	29,872	29,872
Inventories	42,913	0	0	0	42,913
Total Current Assets	10,898,987	5,448,840	7,328,081	3,124,495	26,800,403
Noncurrent Assets					
Capital Assets					
Improvements	141,252	0	0	0	141,252
Equipment	21,195,545	0	0	43,760	21,239,305
Accumulated Depreciation	(11,122,646)	0	0	(28,450)	(11,151,096)
Total Capital Assets Net	10,214,152	0	0	15,310	10,229,462
Total Noncurrent Assets	10,214,152	0	0	15,310	10,229,462
Total Assets	21,113,139	5,448,840	7,328,081	3,139,805	37,029,865
Deferred Outflows of Resources					
Deferred Outflow Pension Contribution	29,150	30,972	0	122,067	182,189
Total Deferred Outflows of Resources	29,150	30,972	0	122,067	182,189
Liabilities					
Current Liabilities					
Accounts Payable	36,633	72,560	145,472	26,398	281,063
Claims Payable	0	0	630,045	0	630,045
Wages Payable	34,499	35,479	0	162,258	232,236
Compensated Absences Payable	33,376	21,299	0	83,358	138,033
Intergovernmental Payable	85	9,912	0	11,844	21,841
Due to Other Funds	0	10,622	0	0	10,622
Total Current Liabilities	104,593	149,872	775,517	283,859	1,313,841
Noncurrent Liabilities					
Compensated Absences Payable	8,344	5,325	0	20,840	34,509
Net Pension Liability	323,920	344,165	0	1,356,415	2,024,500
Total Noncurrent Liabilities	332,264	349,490	0	1,377,255	2,059,009
Total Liabilities	436,857	499,362	775,517	1,661,114	3,372,850
Deferred Inflows of Resources					
Deferred Inflow Pension Related	48,526	51,559	0	203,203	303,288
Total Deferred Inflows of Resources	48,526	51,559	0	203,203	303,288
Net Position					
Investment in Capital Assets	10,214,152	0	0	15,310	10,229,462
Unrestricted	10,442,754	4,928,891	6,552,564	1,382,245	23,306,454
Total Net Position	20,656,906	4,928,891	6,552,564	1,397,555	33,535,916

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

City of Kirkland, Washington
**Combining Statement of Revenues, Expenses
and Changes in Net Position**
Internal Service Funds
For the Fiscal Year Ended December 31, 2015

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Operating Revenues					
Charges for Services	4,265,900	3,846,269	10,088,806	5,286,361	23,487,336
Miscellaneous Revenues	13,622	179,533	172,908	73,626	439,689
Total Operating Revenues	4,279,522	4,025,802	10,261,714	5,359,987	23,927,025
Operating Expenses					
Administrative & General	528,095	331,254	9,862,273	2,191,047	12,912,669
Supplies	17,376	213,851	0	253,212	484,439
Maintenance & Operations	1,443,753	2,066,713	0	2,796,146	6,306,612
Depreciation	1,572,809	0	0	3,062	1,575,871
Total Operating Expenses	3,562,033	2,611,818	9,862,273	5,243,467	21,279,591
Operating Income (Loss)	717,489	1,413,984	399,441	116,520	2,647,434
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	81,776	0	46,410	0	128,186
Gain (loss) on Disposal of Capital Assets	26,131	0	0	0	26,131
Other Nonoperating Revenues/(Expenses)	30,960	0	0	0	30,960
Total Nonoperating Revenues (Expenses)	138,867	0	46,410	0	185,277
Income (Loss) before Contributions and Transfers	856,356	1,413,984	445,851	116,520	2,832,711
Transfers In	804,052	358,115	0	875,494	2,037,661
Transfers Out	0	(4,324,183)	0	(1,065,600)	(5,389,783)
Change in Net Position	1,660,408	(2,552,084)	445,851	(73,586)	(519,411)
Total Net Position - Beginning	19,349,338	7,855,868	6,106,713	2,948,660	36,260,579
Change in Accounting Principle (Note 16)	(352,840)	(374,893)	0	(1,477,519)	(2,205,252)
Total Net Position - Ending	20,656,906	4,928,891	6,552,564	1,397,555	33,535,916

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, 2015

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Cash Flows From Operating Activities					
Cash Received From Interfund Charges	4,259,544	3,843,869	155,618	5,095,589	13,354,620
Contributions Received from Employees and Employer	0		9,264,061	0	9,264,061
Cash From Other Sources	24,554	149,633	792,080	235,781	1,202,048
Cash Paid to Suppliers for Goods and Services	(617,509)	(1,612,918)	(7,305,525)	(1,600,407)	(11,136,359)
Cash Paid to Employees for Services	(830,046)	(889,306)	(117,113)	(3,611,679)	(5,448,144)
Cash Paid for Central Business Functions	(560,860)	(124,435)	(2,255,136)	(78,291)	(3,018,722)
Cash Provided by Operating Activities	2,275,683	1,366,843	533,985	40,993	4,217,504
Cash Flows From Noncapital Financing Activities					
Transfers In	804,052	358,115	0	875,494	2,037,661
Transfers Out	0	(4,324,183)	0	(1,065,600)	(5,389,783)
Cash Provided by (Used for) Noncapital Financing Activities	804,052	(3,966,068)	0	(190,106)	(3,352,122)
Cash Flows From Capital and Related Financing Activities					
Proceeds From Sale of Assets and Insurance Recoveries	97,273	0	0	0	97,273
Acquisition and Construction of Capital Assets	(4,011,033)	0	0	0	(4,011,033)
Cash Provided by (Used for) Capital and Related Financing Activities	(3,913,760)	0	0	0	(3,913,760)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	497,404	1,633,356	(346,178)	98,679	1,883,261
Interest Revenue	69,026	0	41,021	0	110,047
Cash Provided by Investing Activities	566,430	1,633,356	(305,157)	98,679	1,993,308
Increase (Decrease) in Cash and Cash Equivalents	(267,595)	(965,869)	228,828	(50,434)	(1,055,070)
Cash and Cash Equivalents, January 1	4,367,138	3,020,857	2,492,463	1,210,972	11,091,430
Cash and Cash Equivalents, December 31	4,099,543	2,054,988	2,721,292	1,160,538	10,036,361
Reconciliation of Operating Income (Loss) to					
Cash Provided by Operating Activities					
Operating Income (Loss)	717,489	1,413,984	399,441	116,520	2,647,434
Adjustments to Reconcile Operating Income (Loss) to					
Cash Provided by Operating Activities					
Depreciation	1,572,809	0	0	3,062	1,575,871
Pension Expense	(9,544)	(10,141)	0	(39,968)	(59,653)
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	27,745	32	(49,953)	1,301	(20,875)
(Increase) Decrease in Capital Related Accounts Receivable	(8,124)	0	0	0	(8,124)
(Increase) Decrease of Insurance Recovery Accounts Receivable	(9,700)	0	0	0	(9,700)
(Increase) Decrease in Inventories	4,628	0	0	0	4,628
(Increase) Decrease in Intergovernmental Receivable	0	0	0	(29,872)	(29,872)
Increase (Decrease) in Accounts Payable	(4,405)	(19,086)	144,837	(21,527)	99,819
Increase (Decrease) in Capital Accounts Payable	(22,232)	0	0	0	(22,232)
Increase (Decrease) in Claims Payable	0	0	39,660	0	39,660
Increase (Decrease) in Intergovernmental Payable	68	6,977	0	165	7,210
Increase (Decrease) in Due to Other Funds	0	1,920	0	0	1,920
Increase (Decrease) in Wages Payable	2,216	2,207	0	16,363	20,786
Increase (Decrease) in Compensated Absences Payable	4,733	3,250	0	(5,051)	2,932
Increase (Decrease) in Revenue Collected in Advance	0	(32,300)	0	0	(32,300)
Cash Provided by Operating Activities	2,275,683	1,366,843	533,985	40,993	4,217,504
Noncash Investing, Capital and Finance Activities:					
Change in Fair Value of Investments	(16,120)	0	(9,580)	0	(25,700)

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

AGENCY FUNDS

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

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

City of Kirkland
Statement of Agency Fund Net Position
December 31, 2015
For the fiscal year ended December 31, 2015

	Intergovernmental Clearing	Customer Deposits	2015
Assets			
Cash and Cash Equivalents	134,470	0	134,470
Deposits	0	2,169,904	2,169,904
Total Assets	134,470	2,169,904	2,304,374
Liabilities			
Current Liabilities			
Due to Other Governments	125,334	0	125,334
Deposits	9,136	2,169,904	2,179,040
Total Liabilities	134,470	2,169,904	2,304,374

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, 2015

	01/01/15 Balance	Additions	Deletions	12/31/15 Balance
Intergovernmental Custodial				
Assets				
Cash and Cash Equivalents	163,367	22,115,709	22,144,606	134,470
Total Assets	163,367	22,115,709	22,144,606	134,470
Liabilities				
Due to Other Governments	154,231	22,115,854	22,144,751	125,334
Deposits	9,136	0	0	9,136
Total Liabilities	163,367	22,115,854	22,144,751	134,470
Customer Deposits				
Assets				
Deposits	1,838,472	1,482,100	1,150,668	2,169,904
Total Assets	1,838,472	1,482,100	1,150,668	2,169,904
Liabilities				
Deposits	1,838,472	1,483,431	1,151,999	2,169,904
Total Liabilities	1,838,472	1,483,431	1,151,999	2,169,904
Totals - All Agency Funds				
Assets				
Cash and Cash Equivalents	163,367	22,115,709	22,144,606	134,470
Deposits	1,838,472	1,482,100	1,150,668	2,169,904
Total Assets	2,001,839	23,597,809	23,295,274	2,304,374
Liabilities				
Due to Other Governments	154,231	22,115,854	22,144,751	125,334
Deposits	1,847,608	1,483,431	1,151,999	2,179,040
Total Liabilities	2,001,839	23,599,285	23,296,750	2,304,374

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



Capital Assets

City of Kirkland
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
December 31, 2015
Unaudited

2015

Governmental Funds Capital Assets:

Land	\$ 601,732,052
Buildings	39,259,672
Improvements other than Buildings	72,479,847
Machinery and Equipment	3,507,498
Artwork	1,987,451
Infrastructure	271,624,101
Construction in Progress	8,063,741
Total Governmental Funds Capital Assets	<u>\$ 998,654,362</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 310,893,779
Special Revenue Funds	2,004,348
Impact Fees	11,560,901
Federal Grants	13,833,690
General Obligation Bonds	59,603,306
Private Gifts	12,654,160
Annexation	588,104,178
Total Governmental Funds Capital Assets	<u>\$ 998,654,362</u>

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



City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2015
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 9,077,699	\$ 15,984,149	\$ 16,711,703	\$ 2,109,246	\$ -	\$ -	\$ 1,916,275	\$ 45,799,072
Judicial	-	-	-	-	-	-	-	-
Security								
Police	5,367,905	5,157,399	33,274,290	108,867	91,133	-	-	\$ 43,999,594
Fire	1,306,200	5,361,314	617,425	836,942	-	-	10,424	\$ 8,132,305
Total Security	6,674,105	10,518,713	33,891,715	945,809	91,133	-	10,424	52,131,899
Transportation	524,083,670	5,845,821	392,794	152,934	-	271,624,101	4,710,054	\$ 806,809,374
Physical Environment	67,162	-	1,053,377	62,785	-	-	-	\$ 1,183,324
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	61,829,416	6,910,989	20,430,258	236,724	1,896,318	-	1,426,988	\$ 92,730,693
Total Governmental Funds Capital Assets	\$ 601,732,052	\$ 39,259,672	\$ 72,479,847	\$ 3,507,498	\$ 1,987,451	\$ 271,624,101	\$ 8,063,741	\$ 998,654,362

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

City of Kirkland
Capital Assets used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended December 31, 2015
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets
	Jan 1, 2015			Dec 31, 2015
General Govt	\$ 37,563,034	\$ 18,160,102	\$ 9,924,064	\$ 45,799,072
Judicial	25,152	-	25,152	-
Security				
Police	43,399,430	32,098,652	31,498,488	43,999,594
Fire	9,410,120	8,444	1,286,259	8,132,305
Total Security	<u>52,809,550</u>	<u>32,107,096</u>	<u>32,784,747</u>	<u>52,131,899</u>
Transportation	795,264,913	42,136,006	30,591,545	806,809,374
Physical Environment	1,462,804	3,600	283,080	1,183,324
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	86,562,818	6,484,272	316,397	92,730,693
Total Governmental Funds Capital Assets	<u>\$973,688,271</u>	<u>\$ 98,891,076</u>	<u>\$ 73,924,985</u>	<u>\$998,654,362</u>

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

Statistical Section

City of Kirkland STATISTICAL SECTION

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

<i>Statistical Section</i>	<i>Page</i>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	147
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	152
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	158
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	163
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	166

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



Schedule 1

City of Kirkland

Net Position by Component

Last Ten Fiscal Years - Unaudited
(accrual basis of accounting)

	Fiscal Year									
	<u>2006¹</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities										
Net Investment in Capital Assets										
Restricted	\$ 149,842,998	\$ 159,271,557	\$ 161,182,917	\$ 169,257,160	\$ 171,816,615	\$ 765,633,941	\$ 776,309,902	\$ 777,116,200	\$ 792,032,185	\$ 808,553,668
Unrestricted	37,582,793	2,609,847	2,414,668	1,537,901	25,655,616	56,174,364	51,718,526	33,724,447	39,548,651	51,630,241
	37,799,676	77,110,238	76,753,537	68,705,257	41,958,087	20,984,369	31,820,341	63,270,315	68,438,296	53,070,324
Total Governmental Activities Net Position	\$ 225,225,467	\$ 238,991,642	\$ 240,351,122	\$ 239,500,318	\$ 239,430,318	\$ 842,792,674	\$ 859,848,769	\$ 874,110,962	\$ 900,019,132	\$ 913,254,233
Business-type Activities										
Net Investment in Capital Assets										
Restricted	\$ 96,222,908	\$ 101,047,975	\$ 108,618,685	\$ 114,800,561	\$ 116,940,418	\$ 135,167,834	\$ 138,359,034	\$ 142,458,066	\$ 151,092,784	\$ 158,155,675
Unrestricted	181,440	165,616	151,659	118,288	822,275	821,130	488,200	484,500	-	-
	26,124,764	29,956,731	32,346,829	33,275,413	35,285,938	39,518,104	42,401,172	45,271,055	50,717,355	52,534,113
Total Business-type Net Position	\$ 122,529,112	\$ 131,170,322	\$ 141,117,173	\$ 148,194,262	\$ 153,048,631	\$ 175,507,068	\$ 181,248,406	\$ 188,213,621	\$ 201,810,139	\$ 210,689,788
Primary Government										
Net Investment in Capital Assets										
Restricted	\$ 246,065,906	\$ 260,319,532	\$ 269,801,602	\$ 284,057,721	\$ 288,757,033	\$ 900,801,775	\$ 914,668,936	\$ 919,574,266	\$ 943,124,969	\$ 966,709,343
Unrestricted	37,764,233	2,775,463	2,566,327	1,656,189	26,477,891	56,995,494	52,206,726	34,208,947	39,548,651	51,630,241
	63,924,440	107,066,969	109,100,366	101,980,670	77,244,025	60,502,473	74,221,513	108,541,370	119,155,651	105,604,437
Total Primary Government Net Position	\$ 347,754,579	\$ 370,161,964	\$ 381,468,295	\$ 387,694,580	\$ 392,478,949	\$ 1,018,299,742	\$ 1,041,097,175	\$ 1,062,324,583	\$ 1,101,829,271	\$ 1,123,944,021

¹ 2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 2

City of Kirkland

Changes in Net Position

Last Ten Fiscal Years - Unaudited
(accrual basis of accounting)

	Fiscal Year									
	<u>2006¹</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012²</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses										
Governmental Activities										
General Government	\$ 4,399,307	\$ 5,489,712	\$ 6,820,650	\$ 4,568,923	\$ 4,573,285	\$ 4,985,746	\$ 4,996,539	\$ 5,598,429	\$ 5,918,750	\$ 9,401,861
Judicial	1,346,720	1,543,351	1,642,299	1,650,882	1,655,987	1,961,880	2,152,625	2,254,173	2,331,733	2,320,454
Security of Persons and Property	25,210,510	28,231,977	30,785,015	33,747,603	34,218,384	38,342,580	41,376,492	44,501,316	46,493,793	49,707,323
Physical Environment	2,345,553	2,886,473	2,797,484	1,705,151	1,266,318	1,983,567	2,088,842	1,320,358	1,533,702	1,136,320
Transportation	11,225,929	6,822,829	11,884,663	9,636,435	9,547,626	8,874,943	14,556,590	17,060,710	16,790,922	18,780,143
Human Services	1,049,579	1,122,182	1,050,624	1,262,160	1,254,029	1,168,688	1,247,531	1,328,171	1,402,936	1,462,975
Economic Environment	4,956,792	5,535,097	5,713,660	5,032,794	5,208,705	4,581,729	5,477,609	6,351,765	7,424,372	7,486,355
Culture and Recreation	6,244,431	7,050,990	7,223,809	7,547,669	7,162,320	7,360,003	7,842,007	9,145,795	9,897,398	10,881,414
Interest on Long Term Debt	1,157,676	952,919	801,792	706,000	776,642	2,110,842	2,238,879	2,129,096	1,980,886	1,978,302
Total Governmental Activities	\$ 57,936,497	\$ 59,635,530	\$ 68,719,996	\$ 65,857,617	\$ 65,663,296	\$ 71,369,978	\$ 81,977,114	\$ 89,689,813	\$ 93,774,492	\$ 103,155,147
Business Type Activities										
Water/Sewer	\$ 14,293,499	\$ 15,038,083	\$ 15,644,082	\$ 16,808,870	\$ 17,102,179	\$ 18,820,946	\$ 19,448,287	\$ 23,680,956	\$ 23,533,587	\$ 24,970,363
Surface Water	2,698,022	3,258,849	3,356,904	4,117,152	3,987,932	4,695,287	5,798,425	6,827,829	7,064,149	7,970,934
Solid Waste	7,313,435	7,556,493	8,168,316	8,112,106	8,057,897	10,655,055	13,191,812	16,005,799	15,727,658	16,040,939
Total Business Type Activities	\$ 24,304,956	\$ 25,853,425	\$ 27,169,302	\$ 29,038,128	\$ 29,148,008	\$ 34,171,288	\$ 38,438,524	\$ 46,514,584	\$ 46,325,394	\$ 48,982,236
Total Primary Government Expenses	\$ 82,241,453	\$ 85,488,955	\$ 95,889,298	\$ 94,895,745	\$ 94,811,304	\$ 105,541,266	\$ 120,415,638	\$ 136,204,397	\$ 140,099,886	\$ 152,137,383
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 2,583,828	\$ 2,867,603	\$ 3,096,779	\$ 2,960,276	\$ 3,226,434	\$ 5,329,054	\$ 6,193,191	\$ 6,426,151	\$ 7,092,815	\$ 7,284,611
Judicial	1,365,820	1,546,200	1,534,567	1,776,732	1,813,501	2,011,693	1,884,924	2,077,796	1,905,705	1,829,225
Security of Persons and Property	4,601,906	4,820,358	5,306,512	6,487,767	5,404,357	3,899,269	2,517,728	3,122,082	3,095,773	3,890,200
Physical Environment	697,593	704,730	573,298	443,828	332,774	841,679	1,245,290	1,565,435	1,377,746	1,842,902
Transportation	580,475	178,226	782,638	526,401	335,034	778,133	1,287,801	2,066,637	3,179,516	1,963,695
Economic Environment	4,047,288	3,784,004	2,884,005	2,152,903	2,181,134	2,793,946	4,579,991	5,278,298	5,665,855	7,639,110
Culture and Recreation	1,053,975	944,457	1,191,477	1,334,207	1,245,180	1,338,704	1,834,283	1,925,556	2,405,184	3,538,719
Operating Grants and Contributions	1,688,627	1,835,419	1,478,355	2,133,689	1,730,706	2,014,483	5,027,871	2,009,909	2,103,718	2,548,835
Capital Grants and Contributions	1,031,834	1,067,085	1,702,710	1,076,498	2,804,824	591,553,694	1,958,280	6,520,630	12,793,588	17,103,275
Total Governmental Activities	\$ 17,651,346	\$ 17,748,082	\$ 18,550,341	\$ 18,892,301	\$ 19,073,944	\$ 610,560,655	\$ 26,529,359	\$ 30,992,494	\$ 39,619,900	\$ 47,640,572

	Fiscal Year									
	<u>2006²</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012³</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Business Type Activities										
Charges for Service										
Water/Sewer	\$ 17,604,778	\$ 16,739,996	\$ 18,169,666	\$ 18,491,063	\$ 18,387,062	\$ 19,736,206	\$ 21,066,391	\$ 25,091,105	\$ 26,145,803	\$ 27,796,967
Surface Water	5,049,525	5,067,890	5,220,765	5,279,088	5,122,063	6,777,735	8,502,468	8,952,552	9,067,528	9,622,071
Solid Waste	8,300,583	7,518,635	8,291,955	8,336,846	8,007,631	10,063,072	12,746,781	16,391,610	16,147,436	16,463,224
Operating Grants and Contributions	105,073	600,683	388,360	364,251	313,490	529,923	284,721	277,666	423,061	252,351
Capital Grants and Contributions	3,692,047	3,336,990	4,281,929	3,071,321	1,950,653	20,029,622	2,194,949	3,292,523	8,288,574	6,794,503
Total Business Type Activities	\$ 34,752,006	\$ 33,264,194	\$ 36,352,675	\$ 35,542,569	\$ 33,780,899	\$ 57,136,558	\$ 44,795,310	\$ 54,005,456	\$ 60,072,402	\$ 60,929,116
Total Program Revenues	\$ 52,403,352	\$ 51,012,276	\$ 54,903,016	\$ 54,434,870	\$ 52,854,843	\$ 667,697,213	\$ 71,324,669	\$ 84,997,950	\$ 99,692,302	\$ 108,569,688
Net (Expense)/Revenue										
Governmental Activities	\$ (40,285,151)	\$ (41,887,448)	\$ (50,169,655)	\$ (46,965,316)	\$ (46,589,352)	\$ 539,190,677	\$ (55,447,755)	\$ (58,697,319)	\$ (54,154,592)	\$ (55,514,575)
Business Type Activities	10,447,050	7,410,769	9,183,373	6,504,441	4,632,891	22,965,270	6,356,786	7,490,872	13,747,008	11,946,880
Total Net Expense	\$ (29,838,101)	\$ (34,476,679)	\$ (40,986,282)	\$ (40,460,875)	\$ (41,956,461)	\$ 562,155,947	\$ (49,090,969)	\$ (51,206,447)	\$ (40,407,584)	\$ (43,567,695)
General Revenues										
Governmental Activities										
Taxes										
Property Taxes	\$ 13,023,578	\$ 13,729,508	\$ 14,436,254	\$ 14,804,560	\$ 14,699,191	\$ 21,815,979	\$ 21,435,319	\$ 26,617,501	\$ 27,178,110	\$ 27,890,261
Sales Taxes	17,473,327	18,167,448	15,777,179	13,473,254	14,083,506	16,600,753	20,813,009	22,774,745	23,974,307	25,694,212
Excise Taxes	7,044,850	6,832,730	3,158,532	1,999,843	2,974,586	3,544,099	5,434,137	6,896,100	7,270,619	9,349,674
Business/Occupational Taxes	978,746	981,243	1,007,998	1,936,971	2,023,534	2,346,885	2,371,259	2,476,984	2,489,060	2,311,279
Utility Taxes	8,966,649	9,824,961	10,225,600	10,825,038	10,339,384	12,302,205	14,141,722	15,062,187	14,892,606	14,643,852
Other Taxes	1,879,171	1,221,453	1,062,001	1,159,940	968,004	2,151,532	2,773,320	2,195,147	2,324,241	2,513,546
Unrestricted Grants/Contributions	-	501	74,548	215,697	115,815	105,458	99,929	204,330	229,671	723,679
Investment Earnings	3,391,684	4,607,033	4,218,724	1,442,357	744,667	893,905	588,839	48,505	1,078,754	915,706
Gain (Loss) Sale of Capital Assets	318,182	108,031	87,053	106,852	397,866	38,694	46,215	32,395	-	63,123
Transfers, Internal Activities	142,755	180,715	659,801	150,000	172,799	840,362	865,313	586,406	537,149	1,183,245
Total Governmental Activities	\$ 53,218,942	\$ 55,653,623	\$ 50,707,690	\$ 46,114,512	\$ 46,519,352	\$ 60,639,872	\$ 68,569,062	\$ 76,894,300	\$ 79,974,517	\$ 85,288,577
Business Type Activities										
Investment Earnings	\$ 959,944	\$ 1,411,155	\$ 1,423,279	\$ 722,648	\$ 394,277	\$ 333,529	\$ 249,865	\$ 64,334	\$ 386,690	\$ 349,280
Gain (Loss) Sale of Capital Assets	-	-	-	-	-	-	-	(3,585)	(31)	(28,013)
Transfers, Internal Activities	(142,755)	(180,715)	(659,801)	(150,000)	(172,799)	(840,362)	(865,313)	(586,406)	(537,149)	(1,183,245)
Total Business Type Activities	\$ 817,189	\$ 1,230,440	\$ 763,478	\$ 572,648	\$ 221,478	\$ (506,834)	\$ (615,448)	\$ (525,657)	\$ (150,490)	\$ (861,978)
Total Primary Government	\$ 54,036,131	\$ 56,884,063	\$ 51,471,168	\$ 46,687,160	\$ 46,740,830	\$ 60,133,038	\$ 67,953,614	\$ 76,368,643	\$ 79,824,027	\$ 84,426,599
Change in Net Position										
Governmental Activities	\$ 12,933,791	\$ 13,766,175	\$ 538,035	\$ (850,804)	\$ (70,000)	\$ 599,830,549	\$ 13,121,307	\$ 18,196,981	\$ 25,819,925	\$ 29,774,002
Business Type Activities	11,264,239	8,641,209	9,946,851	7,077,089	4,854,369	22,458,437	5,741,338	6,965,215	13,596,518	11,084,902
Total Change in Net Position	\$ 24,198,030	\$ 22,407,384	\$ 10,484,886	\$ 6,226,285	\$ 4,784,369	\$ 622,288,986	\$ 18,862,645	\$ 25,162,196	\$ 39,416,443	\$ 40,858,904

¹ 2006 presentation was modified in 2007 to reflect a prior period adjustment.² 2012 presentation was modified in 2013 to reflect a prior period adjustment.

Schedule 3

City of Kirkland**Fund Balances of Governmental Funds**

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	<u>2006</u> ¹	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund (Per GASB 54)²										
Nonspendable						\$ 260,094	\$ -	\$ -	\$ -	\$ -
Restricted						462,762	587,434	601,933	1,315,449	147,514
Committed						6,187,802	2,569,900	2,808,391	2,322,236	2,271,414
Assigned						13,869,876	12,467,508	14,821,433	16,178,706	15,145,089
Unassigned						7,844,233	16,971,158	16,647,490	17,725,868	21,275,640
General Fund (Prior GASB 54)²										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -					
Unreserved	8,394,364	10,926,697	7,585,824	7,664,519	6,429,953					
Total General Fund	\$ 8,394,364	\$10,926,697	\$ 7,585,824	\$ 7,664,519	\$ 6,429,953	\$28,624,767	\$32,596,000	\$34,879,247	\$37,542,259	\$38,839,657
All Other Governmental Funds (Per GASB 54)²										
Nonspendable						\$ 2,746	\$ -	\$ -	\$ -	\$ -
Restricted						48,877,848	47,009,318	28,768,370	34,074,711	49,211,313
Committed						383,112	1,522,838	1,545,753	1,836,255	-
Assigned						10,332,233	10,432,282	16,944,228	13,475,518	15,251,585
Unassigned						-	-	-	-	-
All Other Governmental Funds (Prior GASB 54)²										
Reserved	\$19,098,553	\$ 2,693,084	\$ 2,482,649	\$ 1,589,550	\$26,308,722					
Unreserved, reported in:										
Special Revenue Funds	21,110,714	36,824,565	35,827,505	24,498,161	23,783,597					
Capital Projects Funds	18,484,240	20,787,912	24,403,049	23,439,218	21,641,181					
Total all Other Governmental Funds	\$58,693,507	\$60,305,561	\$62,713,203	\$49,526,929	\$71,733,500	\$59,595,938	\$58,964,437	\$47,258,351	\$49,386,484	\$64,462,898

¹ 2006 presentation was modified in 2007 to reflect a prior period adjustment.² Prior to 2011 and the implementation of GASB statement 54, fund balances were classified as Reserved or Unreserved.

Under GASB statement 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.

Schedule 4

City of Kirkland**Changes in Fund Balance of Governmental Funds**

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	<u>2006¹</u>	<u>Fiscal Year</u>									
		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
Revenues											
Taxes and Assessments	\$ 48,869,999	\$ 49,958,737	\$ 45,110,987	\$ 43,627,322	\$ 44,451,281	\$ 57,482,839	\$ 65,360,731	\$ 74,738,398	\$ 76,849,838	\$ 81,488,933	
Licenses and Permits	3,708,339	3,829,844	3,246,893	3,277,794	3,262,940	5,279,547	7,068,382	8,004,902	8,337,352	8,562,661	
Intergovernmental	6,240,952	6,760,999	7,684,200	8,965,670	9,608,276	9,123,231	8,243,496	7,297,780	9,142,240	11,361,368	
Charges for Services	10,048,417	9,845,034	10,041,051	8,753,980	8,832,375	9,848,611	13,501,666	15,279,129	17,019,957	18,291,286	
Fines and Forfeitures	1,165,921	1,363,234	1,422,321	1,506,082	1,652,358	1,943,538	1,889,569	2,171,989	2,143,143	1,890,032	
Investment Interest	2,778,651	3,679,548	3,048,864	1,654,092	676,043	803,086	527,466	53,779	865,129	787,521	
Miscellaneous Revenues	1,531,327	1,080,766	1,594,979	816,419	699,030	1,019,273	1,088,652	1,051,682	1,507,007	2,244,804	
Total Revenues	\$ 74,343,606	\$ 76,518,162	\$ 72,129,295	\$ 68,601,359	\$ 69,182,303	\$ 85,500,125	\$ 97,673,962	\$ 108,597,659	\$ 115,864,666	\$ 124,626,605	
Expenditures											
Current											
General Government	\$ 8,744,986	\$ 10,022,436	\$ 11,013,790	\$ 9,550,636	\$ 9,164,515	\$ 10,067,748	\$ 11,089,878	\$ 11,610,891	\$ 11,491,334	\$ 13,913,401	
Security of Persons and Property	27,543,202	27,919,796	30,444,289	32,479,111	33,155,872	37,665,018	40,515,907	42,734,394	44,860,397	47,717,141	
Physical Environment	3,547,034	3,698,987	3,689,425	3,488,651	3,211,041	3,635,642	3,981,111	3,249,605	3,488,559	3,346,318	
Transportation	4,999,973	4,687,211	6,774,661	6,957,494	6,554,789	6,087,389	8,384,173	10,165,878	10,482,081	11,653,620	
Economic Environment	4,115,011	6,757,692	6,898,759	6,309,295	6,532,329	6,121,483	6,799,931	7,902,345	8,845,262	9,031,130	
Culture and Recreation	5,919,511	6,454,935	6,769,274	6,764,722	6,330,916	6,517,613	6,869,066	7,901,305	8,841,426	9,922,640	
Debt Service											
Principal	1,920,000	3,805,000	2,090,000	2,190,000	1,410,000	1,705,000	2,545,313	2,431,451	2,537,949	3,269,817	
Interest	1,054,664	972,694	817,048	722,333	646,041	2,247,480	2,238,679	2,129,096	1,960,886	1,899,676	
Bond Issuance Costs	-	-	-	-	98,507	48,679	-	-	-	78,625	
Capital Outlay	4,448,792	8,680,093	6,352,081	10,882,097	17,357,329	9,008,550	12,212,995	30,701,746	22,545,900	18,359,423	
Total Expenditures	\$ 62,293,173	\$ 72,998,844	\$ 74,849,327	\$ 79,344,339	\$ 84,461,339	\$ 83,104,602	\$ 94,637,253	\$ 118,826,711	\$ 115,053,794	\$ 119,191,791	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 12,050,433	\$ 3,519,318	\$ (2,720,032)	\$ (10,742,980)	\$ (15,279,036)	\$ 2,395,523	\$ 3,042,709	\$ (10,229,052)	\$ 810,872	\$ 5,434,814	
Other Financing Sources (Uses)											
Issuance of Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,255,000	\$ -	\$ 4,670,000	\$ -	\$ 5,800,000	
Refunded Amount to Escrow	-	-	-	-	-	(4,385,000)	-	(4,655,000)	-	-	
Bond Discount	-	-	-	-	(373,661)	185,317	-	-	-	-	
Debt Issue Cost	-	-	-	-	-	-	-	(32,500)	-	-	
Sale of Capital Assets	564,788	403,402	97,798	33,036	366,825	38,694	43,206	615,963	3,216,797	36,992	
Insurance Recovery	-	-	390,669	5,520	5,540	818	-	148,353	41,690	341,639	
Transfers In	11,518,923	13,978,513	12,796,892	19,453,883	9,489,033	9,032,665	16,243,715	18,172,493	18,176,032	25,231,417	
Transfers Out	(12,394,848)	(13,756,846)	(12,320,003)	(18,297,093)	(8,581,696)	(8,997,572)	(15,989,897)	(18,113,096)	(17,454,246)	(20,471,050)	
Total Other Financing Sources (Uses)	\$ (311,137)	\$ 625,069	\$ 965,356	\$ 1,195,346	\$ 36,251,041	\$ 129,922	\$ 297,024	\$ 806,213	\$ 3,980,273	\$ 10,938,998	
Net Change in Fund Balance	\$ 11,739,296	\$ 4,144,387	\$ (1,754,676)	\$ (9,547,634)	\$ 20,972,005	\$ 2,525,445	\$ 3,339,733	\$ (9,422,839)	\$ 4,791,145	\$ 16,373,812	
Debt Service as a percentage of noncapital expenditures	5.14%	7.43%	4.24%	4.25%	3.06%	5.33%	5.80%	5.18%	4.88%	5.13%	

¹ 2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 5

City of Kirkland

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited
(in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate</u>
2006	\$ 8,489,201,834	\$313,726,919	\$ 8,802,928,753	1.49
2007	\$ 9,536,541,460	\$328,698,684	\$ 9,865,240,144	1.40
2008	\$ 12,770,499,212	\$386,893,391	\$ 13,157,392,603	1.27
2009	\$ 10,948,249,594	\$363,953,154	\$ 11,312,202,748	1.13
2010	\$ 10,339,449,107	\$371,383,209	\$ 10,710,832,316	1.29
2011	\$ 9,875,673,406	\$422,921,112	\$ 10,298,594,518	1.39
2012	\$ 13,917,848,447	\$410,053,788	\$ 14,327,902,235	1.46
2013	\$ 15,358,916,929	\$415,443,078	\$ 15,774,360,007	1.85
2014	\$ 18,050,018,215	\$407,273,440	\$ 18,457,291,655	1.72
2015	\$ 19,818,344,668	\$435,282,325	\$ 20,253,626,993	1.55

Source: King County Department of Assessments

Schedule 6

City of Kirkland

Direct and Overlapping Governments

Last Ten Fiscal Years - Unaudited

Fiscal Year	City Direct Rates			Overlapping Rates							Total Direct and Overlapping Rate
	Regular Levy	General Obligation Debt Service	Total Direct Rate	School District	County	State	Emergency Medical Services	Hospital	King County Library	Port of Seattle	
2006	1.32	0.17	1.49	2.64	1.33	2.49	0.22	0.54	0.49	0.24	9.44
2007	1.25	0.15	1.40	2.57	1.29	2.33	0.21	0.50	0.46	0.23	8.99
2008	1.14	0.13	1.27	2.34	1.21	2.28	0.30	0.45	0.42	0.22	8.49
2009	1.02	0.11	1.13	2.23	1.10	2.11	0.27	0.40	0.39	0.20	7.83
2010	1.21	0.08	1.29	2.80	1.28	2.33	0.30	0.46	0.46	0.22	9.14
2011	1.30	0.09	1.39	2.98	1.35	2.39	0.30	0.48	0.55	0.22	9.66
2012	1.37	0.09	1.46	3.53	1.42	2.54	0.30	0.49	0.57	0.23	10.54
2013	1.78	0.07	1.85	3.75	1.54	2.70	0.30	0.52	0.57	0.23	11.46
2014	1.66	0.06	1.72	3.51	1.52	2.62	0.33	0.47	0.56	0.22	10.95
2015	1.50	0.04	1.55	3.30	1.35	2.42	0.30	0.40	0.50	0.19	10.01

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

Schedule 7

City of Kirkland

Principal Property Tax Payers

Current Year and Nine Years Ago - Unaudited

	2015			2006		
	Taxable Assessed Value		Percentage of Total City Taxable Assessed Value	Taxable Assessed Value		Percentage of Total City Taxable Assessed Value
<u>Taxpayer</u>	<u>Value</u>	<u>Rank</u>		<u>Value</u>	<u>Rank</u>	
Carillon Properties	\$ 170,323,833	1	0.84%	\$ 120,441,250	1	1.37%
Prometheus Real Estate Group (Villaggio)	131,779,000	2	0.65%	53,232,000	3	0.60%
GSIC Forbes Creek Reit, Inc.	118,428,000	3	0.58%	54,381,000	2	0.62%
Essex Portfolio LP	105,478,000	4	0.52%	33,396,000	7	0.38%
Puget Sound Energy Electricity/Gas	89,199,600	5	0.44%	31,476,044	10	0.36%
Balacava Holdings, Inc.	66,952,400	6	0.33%			
Kilroy Realty (Plaza at Yarrow Bay, Inc.)	60,102,384	7	0.30%	48,229,100	4	0.55%
Essex Montebello LLC	57,472,000	8	0.28%			
EQR-Heronfield LLC	51,801,000	9	0.26%			
Hunt Pacific	44,351,500	10	0.22%			
Frontier Communications NW, Inc. (Verizon NW)				32,162,016	8	0.37%
Property Tax Advisors				45,004,300	5	0.51%
BRE Properties				44,913,000	6	0.51%
Sylvan S. Shulman Co. (Parkplace)				31,621,600	9	0.36%
Totals	<u>\$ 895,887,717</u>		<u>4.42%</u>	<u>\$ 494,856,310</u>		<u>5.63%</u>

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006	\$ 13,054,382	\$ 12,791,085	97.98%	\$ 224,019	\$ 13,015,104	99.70%
2007	\$ 13,833,686	\$ 13,539,420	97.87%	\$ 266,700	\$ 13,806,120	99.80%
2008	\$ 14,576,390	\$ 14,222,940	97.58%	\$ 333,152	\$ 14,556,092	99.86%
2009	\$ 14,958,836	\$ 14,520,416	97.07%	\$ 407,037	\$ 14,927,453	99.79%
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ 302,715	\$ 14,731,169	99.89%
2011	\$ 21,792,076	\$ 21,498,711	98.65%	\$ 288,688	\$ 21,787,399	99.98%
2012	\$ 20,926,668	\$ 20,663,153	98.74%	\$ 255,069	\$ 20,918,222	99.96%
2013	\$ 26,328,493	\$ 25,909,705	98.41%	\$ 303,569	\$ 26,213,274	99.56%
2014	\$ 26,826,311	\$ 26,427,503	98.51%	\$ 275,135	\$ 26,702,638	99.54%
2015	\$ 27,500,146	\$ 27,113,476	98.59%	\$ -	\$ 27,113,476	98.59%

Schedule 9

City of Kirkland

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Services	\$ 1,722,501	\$ 1,779,742	\$ 1,696,462	\$ 1,450,142	\$ 1,609,846	\$ 1,692,708	\$ 1,635,896	\$ 2,096,563	\$ 2,357,782	\$ 2,557,728
Contracting	3,279,243	3,007,168	2,685,516	1,727,379	1,739,823	1,748,813	2,544,008	2,739,984	2,866,557	2,977,540
Communications	793,243	657,923	564,808	481,053	439,692	476,189	442,779	472,092	505,170	437,530
Automotive/Gas Retail	2,973,380	3,276,488	2,990,763	2,650,594	3,038,615	3,161,851	3,655,104	4,147,690	4,383,760	4,733,686
Gen Merch/ Misc Retail	2,524,268	2,562,537	2,230,501	1,929,745	1,745,038	1,802,876	1,876,502	2,004,660	2,000,157	2,080,109
Retail Eating/Drinking	1,228,127	1,294,444	1,295,765	1,126,930	1,063,913	1,145,123	1,273,290	1,371,105	1,480,720	1,574,405
Other Retail	1,800,744	1,738,458	1,761,238	1,546,911	1,614,016	1,694,262	1,988,615	2,125,084	2,452,917	2,598,546
Wholesale	1,320,124	1,111,079	881,824	546,513	725,093	709,686	564,302	759,399	829,962	909,002
Miscellaneous	786,514	1,098,629	924,213	785,660	830,820	956,682	829,768	888,736	1,086,724	1,075,262
Total	\$ 16,428,144	\$ 16,526,488	\$ 15,031,090	\$ 12,244,927	\$ 12,806,856	\$ 13,388,190	\$ 14,810,264	\$ 16,605,313	\$ 17,963,749	\$ 18,943,808
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%

Source: City of Kirkland Finance and Administration

Schedule 10

City of Kirkland

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

Fiscal Year	General Sales							Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington General Sales	King County			Regional Transit Authority	City of Kirkland ¹	Total General Sales Tax	State of Washington		Total Automobile Sales/Leases	King County Restaurant Food and Beverage	Total Restaurant Food and Beverage
		Metro	Justice	Mental Health				Automobile Sales/Leases	Total			
2006	6.50%	0.80%	0.10%	0%	0.40%	1.00%	8.80%	0.30%	9.10%	0.50%	9.30%	
2007	6.50%	0.90%	0.10%	0%	0.40%	1.00%	8.90%	0.30%	9.20%	0.50%	9.40%	
2008	6.50%	0.90%	0.10%	0.10%	0.40%	1.00%	9.00%	0.30%	9.30%	0.50%	9.50%	
2009	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%	
2010	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.50%	10.00%	
2011	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%	
2012	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%	
2013	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%	
2014	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%	
2015	6.50%	0.90%	0.10%	0.10%	0.90%	1.00%	9.50%	0.30%	9.80%	0.00%	9.50%	

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

Schedule 11

City of Kirkland

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years - Unaudited

Fiscal Year	Governmental Activities			Business-Type Activities				Total Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Public Works		Trust Fund Loans				
2006	\$ 21,235,000	\$ 5,000	\$ 5,040,000			\$ 5,137,851	\$ 31,417,851	1.26%	666	
2007	\$ 17,435,000	\$ -	\$ 4,425,000			\$ 4,523,186	\$ 26,383,186	0.96%	551	
2008	\$ 15,345,000	\$ -	\$ 3,785,000			\$ 3,908,523	\$ 23,038,523	0.82%	476	
2009	\$ 13,155,000	\$ -	\$ 3,120,000			\$ 3,293,856	\$ 19,568,856	0.70%	399	
2010	\$ 47,090,000	\$ -	\$ 2,430,000			\$ 2,906,678	\$ 52,426,678	2.11%	1075	
2011	\$ 49,255,000	\$ -	\$ 1,700,000			\$ 2,519,500	\$ 53,474,500	1.26%	664	
2012	\$ 46,709,687	\$ -	\$ 935,000			\$ 2,132,322	\$ 49,777,009	1.19%	611	
2013	\$ 44,293,236	\$ -	\$ 475,000			\$ 1,771,987	\$ 46,540,223	1.18%	569	
2014	\$ 41,755,287	\$ -	\$ -			\$ 1,573,313	\$ 43,328,600	1.06%	525	
2015	\$ 44,285,470	\$ -	\$ -			\$ 1,519,124	\$ 45,804,594	1.09%	549	

Schedule 12

City of Kirkland

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2006	\$ 21,235,000	\$ 558,526	\$ 20,676,474	0.24%	\$ 450.08
2007	\$ 17,435,000	\$ 501,315	\$ 16,933,685	0.18%	\$ 364.06
2008	\$ 15,345,000	\$ 481,535	\$ 14,863,465	0.12%	\$ 316.98
2009	\$ 13,155,000	\$ 472,456	\$ 12,682,544	0.12%	\$ 268.41
2010	\$ 47,090,000	\$ 328,813	\$ 46,761,187	0.44%	\$ 965.22
2011	\$ 49,255,000	\$ 315,270	\$ 48,939,730	0.48%	\$ 611.83
2012	\$ 46,709,687	\$ 314,857	\$ 46,394,830	0.33%	\$ 573.27
2013	\$ 44,293,236	\$ 324,473	\$ 43,968,763	0.28%	\$ 541.95
2014	\$ 41,755,287	\$ 329,296	\$ 41,425,991	0.23%	\$ 505.57
2015	\$ 44,285,470	\$ 327,463	\$ 43,958,007	0.22%	\$ 530.62

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2015 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
King County	\$ 825,939,000	5.44%	\$ 44,931,082
Lake Washington School District #414	405,891,089	38.96%	158,135,168
Port of Seattle	305,535,000	4.77%	14,574,020
Bellevue School District #405	620,969,040	19.00%	117,984,118
Hospital District #2	218,964,039	29.77%	65,185,594
Library	108,262,805	8.07%	8,736,808
Northshore School District #417	409,371,555	1.25%	5,117,144
Northshore Parks and Rec	1,410,105	1.25%	17,626
Total Overlapping Debt			\$ 414,681,560
Direct Debt			
City of Kirkland ²	\$ 44,285,470	100.00%	\$ 44,285,470
Total Direct and Overlapping Debt			\$ 458,967,030

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

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

Schedule 14

City of Kirkland

Legal Debt Margin Information

Last Ten Fiscal Years - Unaudited

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$ 660,219,656	\$ 739,893,011	\$ 986,804,445	\$ 848,415,206	\$ 803,312,424	\$ 772,394,589	\$ 1,074,592,668	\$ 1,183,077,001	\$ 1,384,296,874	\$ 1,519,022,024
Total Net Debt Applicable to Limit	20,678,180	16,937,097	14,863,464	12,682,544	46,761,187	48,939,730	46,394,830	43,955,443	41,425,991	43,958,007
Legal Debt Margin	\$ 639,541,476	\$ 722,955,914	\$ 971,940,981	\$ 835,732,662	\$ 756,551,237	\$ 723,454,859	\$ 1,028,197,838	\$ 1,139,121,558	\$ 1,342,870,883	\$ 1,475,064,017
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.13%	2.29%	1.51%	1.49%	5.82%	6.34%	4.32%	3.72%	2.99%	2.89%
Legal Debt Margin Calculation for Fiscal Year 2014										
Total Assessed Value	20,253,626,993									
Debt Limit (7.5% of Total Assessed Value)	1,519,022,024									
Debt Applicable to Limit:										
General Obligation Bonds	44,285,470									
Less Cash on Hand for Debt Redemption	(327,463)									
Total Net Debt Applicable to Limit	43,958,007									
Legal Debt Margin	\$ 1,475,064,017									

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

Source: City of Kirkland Finance and Administration

Schedule 15

City of Kirkland

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>Water/Sewer Revenue Bonds</u>					<u>Special Assessment Bonds</u>				
	<u>Utility Service Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Special Assessment Collections</u>	<u>Debt Service</u>		<u>Interest</u>	<u>Coverage</u>
2006 ¹	\$ 17,509,308	\$ 12,168,914	\$ 5,340,394	\$ 615,000	\$ 202,908	\$ 7,881	\$ 5,000	\$ 520		1.43
2007	\$ 16,578,496	\$ 12,741,287	\$ 3,837,209	\$ 640,000	\$ 178,173	\$ 4,544	-	\$ -		-
2008	\$ 17,559,865	\$ 13,220,756	\$ 4,339,109	\$ 665,000	\$ 152,073	\$ -	-	\$ -		-
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	\$ 690,000	\$ 124,185	\$ -	-	\$ -		-
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	\$ 730,000	\$ 92,275	\$ -	-	\$ -		-
2011	\$ 19,593,206	\$ 16,287,970	\$ 3,305,236	\$ 765,000	\$ 56,130	\$ -	-	\$ -		-
2012	\$ 20,966,391	\$ 16,940,958	\$ 4,025,433	\$ 460,000	\$ 28,200	\$ -	-	\$ -		-
2013	\$ 24,733,565	\$ 21,179,766	\$ 3,553,799	\$ 475,000	\$ 9,500	\$ -	-	\$ -		-
2014	\$ 25,798,960	\$ 20,981,503	\$ 4,817,457	\$ -	\$ -	\$ -	-	\$ -		-
2015	\$ 27,451,520	\$ 22,320,775	\$ 5,130,745	\$ -	\$ -	\$ -	-	\$ -		-

¹2006 presentation was modified in 2007 to reflect a prior period adjustment.

Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	King County Unemployment Rate
2006	47,180	\$ 2,484,263	\$ 52,655	4.10%
2007	47,890	\$ 2,749,317	\$ 57,409	3.70%
2008	48,410	\$ 2,813,347	\$ 58,115	4.33%
2009	49,010	\$ 2,788,865	\$ 56,904	8.50%
2010	48,787	\$ 2,483,502	\$ 50,905	8.80%
2011	80,505	\$ 4,330,525	\$ 53,792	8.10%
2012	81,480	\$ 4,174,139	\$ 51,229	7.00%
2013	81,730	\$ 3,941,266	\$ 48,223	5.23%
2014	82,590	\$ 4,070,358	\$ 49,284	4.61%
2015	83,460	\$ 4,203,726	\$ 50,368	4.40%

Sources: United States Census Bureau; United States Department of Labor

Schedule 17

City of Kirkland

Property Values and Construction
Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction</u>		<u>Mixed Use Construction¹</u>			<u>Total Assessed Property Valuation</u>
	<u>Number of Permits</u>	<u>Valuation</u>	<u>Number of Dwellings</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Number of Permits</u>	<u>Number of Units</u>	<u>Valuation</u>	
2006	4	\$ 6,440,429	237	\$ 86,466,535	160	\$ 22,000,720	n/a	n/a	n/a	\$ 8,802,928,753
2007	8	\$ 36,632,094	229	\$ 85,599,108	129	\$ 23,939,654	n/a	n/a	n/a	\$ 9,865,240,144
2008	4	\$ 8,115,000	128	\$ 44,004,859	241	\$ 27,792,550	n/a	n/a	n/a	\$ 13,157,392,603
2009	3	\$ 17,740,116	44	\$ 17,683,428	81	\$ 33,905,957	n/a	n/a	n/a	\$ 11,312,202,748
2010	2	\$ 101,000	71	\$ 25,993,732	61	\$ 9,200,000	-	-	\$ -	\$ 10,710,832,316
2011	4	\$ 3,093,000	94	\$ 34,502,303	9	\$ 1,737,948	-	-	\$ -	\$ 10,298,594,518
2012	4	\$ 43,098,113	92	\$ 52,742,439	124	\$ 2,200,000	1	108	\$ 10,500,000	\$ 14,327,902,235
2013	4	\$ 75,393,629	268	\$ 117,783,022	61	\$ 11,504,320	2	187	\$ 25,163,600	\$ 15,774,360,007
2014	20	\$ 83,037,794	253	\$ 133,592,300	n/a	\$ 8,263,498 ²	3	135	\$ 32,156,303	\$ 18,457,291,655
2015	6	\$ 57,174,918	309	\$ 175,251,380	n/a	\$ 10,261,283 ²	1	0	\$ 758,000	\$ 20,253,626,993

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

² Valuation for updated existing units. No additional new units

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Ago - Unaudited

	2015			2006		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	4,281	1	11.92%	2,700	1	8.44%
Lake Washington School District	1,112	2	3.10%	617	2	1.93%
Google, Inc.	927	3	2.58%			
City of Kirkland	580	4	1.61%	581	3	1.82%
Astronics Advanced Electronic Systems	483	5	1.34%			
Fairfax Hospital	444	6	1.24%			
Kenworth Truck Co.	428	7	1.19%	443	6	1.38%
Costco Wholesale	370	8	1.03%	300	7	0.94%
Wave Broadband	344	9	0.96%			
ATG Stores	300	10	0.84%			
Housevalues, Inc.				500	5	1.56%
Lake Washington Institute of Technology				200	8	0.63%
Fred Meyer				191	9	0.60%
Wireless Data Services North America				500	4	1.56%
Digeo, Inc.				185	10	0.58%
Total	<u>9,269</u>		<u>25.81%</u>	<u>6,217</u>		<u>19.43%</u>

Source: City of Kirkland Finance and Administration

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of December 31</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager's Office	19.48	21.24	21.54	21.54	21.90	30.40	8.65	8.25	8.54	9.94
City Attorney's Office	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Municipal Court	-	-	-	-	-	-	22.25	18.75	18.75	18.75
Human Resources	7.10	7.10	7.10	7.10	8.10	8.80	8.70	8.70	8.70	8.90
Parks and Community Services	32.28	32.78	36.53	36.53	33.03	32.25	31.00	30.00	30.00	31.00
Public Works	26.65	26.95	27.55	27.55	23.30	26.15	25.35	28.95	31.20	31.45
Finance and Administration	28.45	29.50	28.80	29.05	30.40	32.65	32.80	32.80	33.80	35.30
Planning and Community Development	22.56	23.56	22.06	21.06	19.95	24.25	24.25	23.45	23.45	24.45
Police	105.50	110.50	109.00	95.50	121.50	135.25	137.50	135.50	135.50	135.00
Fire and Building	100.53	109.53	113.28	112.28	107.73	120.78	122.28	123.28	128.28	129.28
Other General Government Operating Funds										
Lodging Tax Fund	0.11	0.25	0.90	0.90	0.60	0.60	0.60	0.60	0.66	0.66
Street Operating	15.40	15.40	16.90	16.10	15.50	22.50	20.65	20.75	20.90	20.90
Parks Maintenance	7.50	7.50	7.50	7.50	7.50	10.25	10.25	9.25	9.25	8.50
2012 Parks Levy	-	-	-	-	-	-	-	7.25	7.25	7.75
Recreation Revolving	3.25	3.25	-	-	-	-	-	-	-	-
Facilities Maintenance	5.90	5.90	5.90	5.95	5.85	6.35	6.35	7.35	7.95	7.95
Equipment Rental	5.50	6.00	6.00	6.40	6.30	7.30	7.30	7.30	7.40	7.40
Information Technology	18.25	18.75	19.50	20.00	19.25	23.75	24.50	24.70	24.70	26.70
Proprietary Funds										
Water/Sewer Operating	20.31	20.71	21.21	21.06	21.21	20.31	19.81	19.81	19.76	21.26
Surface Water Management	15.19	15.39	17.24	17.74	18.49	26.04	27.59	27.59	27.79	34.29
Solid Waste	1.05	1.65	1.70	1.70	2.00	3.30	2.80	2.80	2.80	2.80
Total	<u>446.01</u>	<u>466.96</u>	<u>473.71</u>	<u>458.96</u>	<u>473.61</u>	<u>541.93</u>	<u>543.63</u>	<u>548.08</u>	<u>557.68</u>	<u>573.28</u>

Source: City of Kirkland Finance and Administration

Schedule 20

City of Kirkland

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Security of Persons and Property - Police										
Calls for Service	53,215	56,986	58,499	58,245	62,677	71,729	74,317	69,568	69,876	63,104
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	8,109	7,255	7,256	7,320	7,098	7,286	7,982	8,033	8,228	8,674
Average EMS Response (minutes)	5:21	5:30	5:27	5:20	5:17	5:32	5:25	5:18	5:24	7:40
Average Fire Response (minutes)	6:02	5:59	5:47	5:46	5:41	5:42	5:44	5:55	5:45	7:49
Culture and Recreation										
Adult Program Registrations	4,484	4,675	3,894	3,234	2,877	3,508	3,675	3,259	3,443	3,246
Preschool Program Registrations	3,520	3,467	3,516	3,773	4,005	4,339	3,973	4,435	4,041	4,194
Youth Program Registrations	4,639	4,526	4,610	4,505	4,477	4,272	5,047	5,466	4,949	5,248
Teen Program Registrations	140	93	130	88	144	113	134	103	186	256
Parent/Child Program Registrations	484	392	372	222	199	199	1,608	1,752	1,773	1,937
Senior Program Registrations	4,858	4,833	4,065	4,104	3,441	3,509	4,120	4,196	3,568	3,444
Physical Environment										
Street Hot Patching (hours)	4,127	4,469	4,650	3,819	3,354	3,422	3,856	5,246	6,533	5,300
Street Signal Maintenance (hours)	2,685	2,546	2,723	2,712	2,700	3,717	4,376	3,871	3,064	2,973
Street Sweeping (hours)	2,177	2,001	1,959	1,971	1,518	2,340	2,883	3,389	2,770	2,763
Number of Sewer Customers	9,580	9,771	9,923	10,004	10,080	10,154	10,238	10,309	10,434	10,597
Number of Water Customers	11,648	11,849	11,955	12,056	12,104	12,153	12,224	12,318	12,431	12,571
Average Daily Water Consumption (million gallons)	6.60	5.80	6.30	5.90	5.46	5.40	5.60	5.31	5.60	6.01

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

Schedule 21

City of Kirkland

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Security of Persons and Property - Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	6.6	6.8	6.5	6.4	7.0	10.1	10.5	10.5	10.3	9.8
Security of Persons and Property - Fire Stations (full-time staffed)	5	6	5	5	5	5	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	1	0	1	0	0
Culture and Recreation										
Parks Acreage	510	515	517	517	518	544	554	556	558	559
Parks (developed)	33	33	33	32	32	34	35	35	35	36
Parks (undeveloped)	7	7	7	8	8	10	10	10	10	10
Waterfront Footage	13,200	13,200	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270
Miles of Improved Park Trails	5.5	5.5	5.5	5.8	5.8	6.3	6.5	6.5	7.0	13.0
Miles of Unimproved Park Trails	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	11.0	5.0
Community Centers	2	2	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	166	166	167	169	169	170	170	175	175	175
Sanitary Sewers (miles)	116	117	119	119	120	121	122	122	123	123
Streets (miles)	149	149	148	147	147	249	250	250	250	250
Sidewalks (miles)	136	138	139	140	141	237	237	238	242	242

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