



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,

2016

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2016

Michael Olson
Director of Finance and Administration

Prepared by

Teresa Levine, Accounting Manager

Nancy Otterholt, Senior Accountant

Carol Wade, Senior Accountant

Cover Design and Layout by

Dimitri Ancira, Senior Design Specialist

City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2016

<i>Table of Contents</i>	<i>Page</i>
INTRODUCTORY SECTION	
GFOA Certificate of Achievement	1
City Officials	2
Organization Chart	3
Letter of Transmittal	4
FINANCIAL SECTION	
Independent Auditor's Report	9
Management's Discussion and Analysis	13
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	32
Statement of Activities	35
Fund Financial Statements:	
Balance Sheet – Governmental Funds	36
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	40
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual:	
General Fund	42
Excise Tax Capital Improvement Special Revenue Fund	43
Statement of Net Position – Proprietary Funds	44
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	46
Statement of Cash Flows – Proprietary Funds	48
Statement of Fiduciary Net Position – Trust and Agency Funds	50
Statement of Changes in Fiduciary Net Position – Firefighter's Pension Fund	51
Notes to the Financial Statements	54
Required Supplementary Information:	
Schedule of Employer's Proportionate Share of the Net Pension Liability – State Sponsored Plans	110
Schedule of Employer Contributions – State Sponsored Plans	115
Schedule of Changes in Net Pension Liability and Related Ratios – Firefighter's Pension Plan	120
Schedule of Investment Returns – Firefighters' Pension Plan	121
Schedule of Employer Contributions – Firefighters' Pension Plan	121
Schedule of Funding Progress – LEOFF 1 Retiree Medical and Long Term Care Benefits	122
Schedule of Employer Contributions – Western Conference of Teamsters' Pension Plan	123
Schedule of Employer's Required Contributions – Western Conference of Teamsters' Pension Plan	123

FUND FINANCIAL STATEMENTS AND SCHEDULES:

Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Non Major Governmental Funds	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balance:	
Non Major Governmental Funds	128
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual:	
General Capital Projects Revenue Fund	130
Transportation Capital Projects Revenue Fund	131
Street Operating Special Revenue Fund	132
Contingency Special Revenue Fund	133
Lodging Tax Special Revenue Fund	134
Cemetery Operating Special Revenue Fund	135
Parks Maintenance Special Revenue Fund	136
Parks Levy Special Revenue Fund	137
Impact Fees Special Revenue Fund	138
Limited GO Debt Service Fund	139
Unlimited GO Debt Service Fund	140
Combining Statement of Net Position – Internal Service Funds	142
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	143
Combining Statement of Cash Flows – Internal Service Funds	144
Statement of Agency Fund Net Position	146
Statement of Changes in Assets and Liabilities – All Agency Funds	147

CAPITAL ASSETS:

Capital Assets used in the Operation of Governmental Funds:	
Comparative Schedule by Source	149
Schedule by Function and Activity	151
Schedule of Changes by Function and Activity	152

STATISTICAL SECTION

Net Position by Component	155
Changes in Net Position	156
Fund Balances of Governmental Funds	158
Changes in Fund Balance of Governmental Funds	159
Assessed Value and Actual Value of Taxable Property	160
Direct and Overlapping Governments	161
Principal Property Tax Payers	162
Property Tax Levies and Collections	163
Taxable Sales by Category	164
Direct and Overlapping Sales Tax Rates	165
Ratio of Outstanding Debt by Type	166
Ratios of General Bonded Debt Outstanding	167
Direct and Overlapping Governmental Activities Debt	168
Legal Debt Margin Information	169
Pledged-Revenue Coverage	170
Demographic and Economic Statistics	171
Property Values and Construction	172
Principal Employers	173
Full-time Equivalent City Government Employees by Function/Program	174
Operating Indicators by Function/Program	175
Capital Asset Statistics by Function/Program	176



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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

CITY OF KIRKLAND

CITY COUNCIL

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

ADMINISTRATIVE STAFF

CITY MANAGER'S OFFICE

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

MUNICIPAL COURT

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

CITY ATTORNEY'S OFFICE

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

FINANCE AND ADMINISTRATION

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

FIRE

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

HUMAN RESOURCES AND PERFORMANCE MANAGEMENT

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

INFORMATION TECHNOLOGY

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

PARKS AND COMMUNITY SERVICES

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

PLANNING AND BUILDING

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

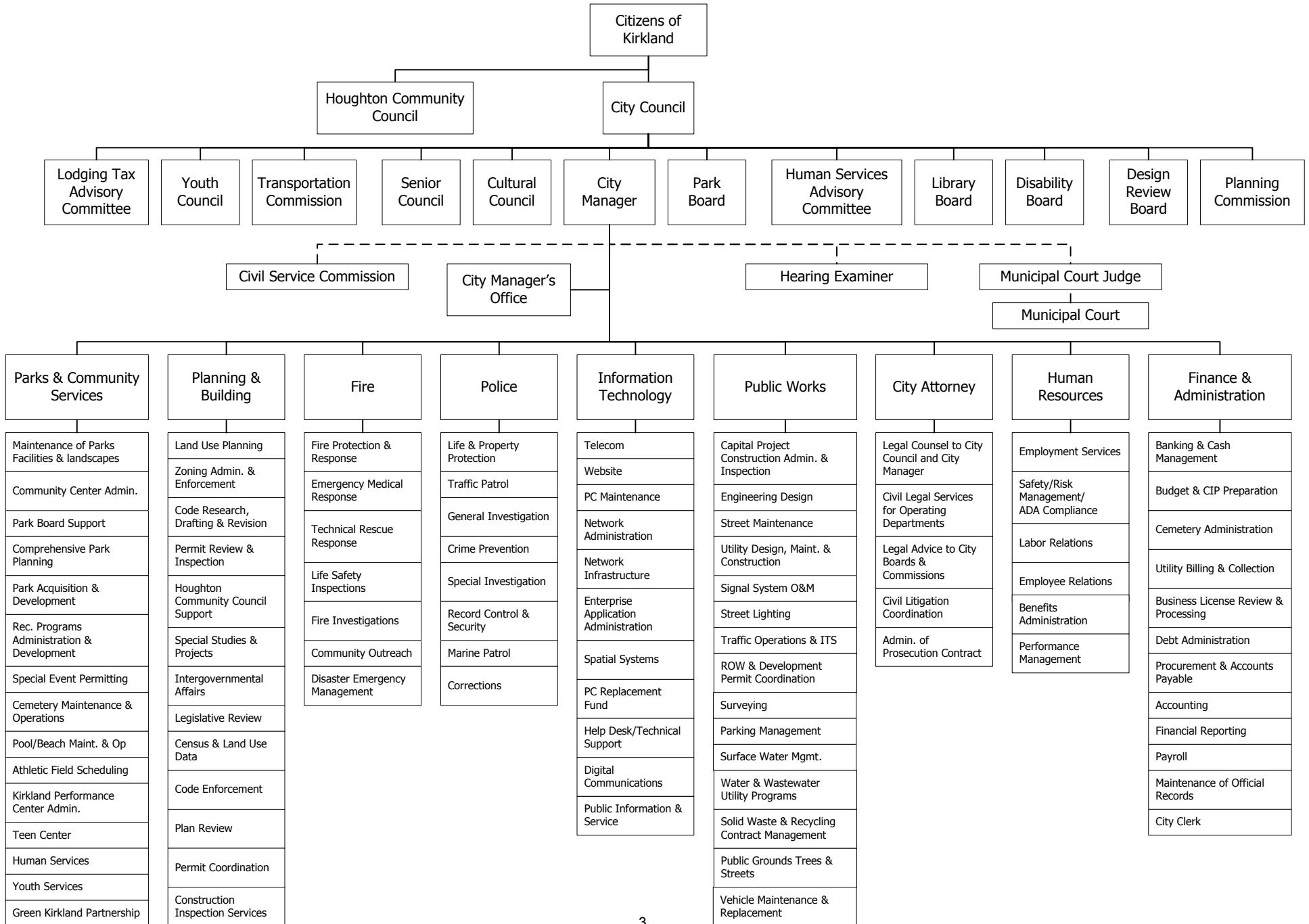
POLICE

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

PUBLIC WORKS

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

CITY OF KIRKLAND





June 27, 2017

Citizens of Kirkland
Honorable Mayor
Members of the City Council

State law requires that every general purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2016.

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, 2016. The auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

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

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

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

The City government offers a full range of municipal services which are provided by ten operating departments. In 2016, 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 2016, adding jobs, growth in sales tax, and increases in permitting activity. Additionally, Kirkland's office vacancy rate in the fourth quarter of 2016 was 3.3 percent, significantly lower than the Puget Sound total vacancy rate of 11.1 percent.

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

Long Term Financial Planning

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

Kirkland continues to take steps to bring the growth rate of the cost of doing business into line with revenue growth. Measures that the City has identified to help address this structural imbalance include voter approved property tax increases for transportation and parks (in 2012), implementation of the Healthy Kirkland Plan consisting of a consumer-driven healthcare model that includes a near-site employee health clinic that opened on April 1, 2015, and active pursuit of economic development opportunities. The Healthy Kirkland Plan has been instrumental in keeping healthcare costs flat for the last two years. The economic development efforts in Kirkland of its two major opportunities for redevelopment, the Village at Totem Lake (formerly Totem Lake Mall) and Kirkland Urban (formerly Parkplace) are coming into fruition as groundbreaking and construction began in 2016.

Sales tax performance improved in 2016 over 2015 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 the Village at Totem Lake and Kirkland Urban, anticipate that the new developments will be in operation before the expiration date, providing enhanced revenue streams to help absorb the impact. The City's focus on economic development is discussed further under "Major Initiatives" below.

Relevant Financial Policies

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

One of the key elements in revenue and expenditure planning is to identify revenues of a limited or indefinite term to ensure that no ongoing service program is lost when such revenues are reduced or discontinued. To address this variability, the City's 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, 2015. This was the twelfth 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



Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 27, 2017

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, 2016, 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, 2016, 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 fund 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 3, during the year ended December 31, 2016, the City has implemented the Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. 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 110 through 122 and other postemployment benefits other than pensions on page 123 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 fund financial statements and schedules on pages 126 through 147 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 June 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kirkland, we offer readers of the City of Kirkland's financial statements this narrative overview and analysis of the financial activities of the City of Kirkland for the fiscal year ended December 31, 2016. 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 \$1.15 billion. Of this amount, \$967.2 million is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$65 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$117.7 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 \$26 million in 2016. The increase in Business-type activities was \$6.5 million, while the Governmental activities increased by \$19.5 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$113 million, an increase of \$9.6 million compared to the prior year. Over \$56.6 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$4.1 million has been committed for specific purposes by the City Council, and another \$26.3 million has been designated by the City Manager for assigned activities. Around \$26 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$46.5 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government - Wide Financial Analysis

Statement of Net Position

The statement of net position can serve as a useful indicator of the city's financial position. The City of Kirkland's assets and deferred outflows of resources exceeded liabilities and inflows of resources by \$1,149,967,088 at December 31, 2016. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2016 to 2015.

City of Kirkland's Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$163.02	\$153.56	\$66.13	\$59.80	\$229.15	\$213.36
Capital assets, net of accumulated depreciation	851.80	847.61	162.62	159.68	1,014.42	1,007.29
Total assets	1,014.82	1,001.17	228.75	219.48	1,243.57	1,220.65
Total deferred outflows of resources	7.60	3.30	0.61	0.18	8.21	3.48
Long-term liabilities	75.34	72.40	7.31	3.38	82.65	75.78
Other liabilities	13.91	13.19	4.78	5.29	18.69	18.48
Total liabilities	89.25	85.59	12.09	8.67	101.34	94.26
Total deferred inflows of resources	0.43	5.57	0.06	0.30	0.48	5.87
Net position:						
Net investment in capital assets	808.93	808.55	158.30	158.16	967.23	966.71
Restricted	65.00	51.63	-	-	65.00	51.63
Unrestricted	58.81	53.07	58.92	52.53	117.73	105.60
Total net position	\$932.75	\$913.25	\$217.22	\$210.69	\$1,149.97	\$1,123.94

As of the end of 2016, the largest component of the City's total assets at \$967.2 million, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer and surface water infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens.

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

Over \$65 million of the City's net position is subject to restrictions. The largest balances of restricted funds are for capital and transportation improvements. The largest restricted balance is Real Estate Excise Taxes which now total over \$21.7 million. The transportation restrictions include balances in the Transportation Capital Fund for active projects.

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

A net pension asset of \$5.7 million is a result of GASB 68, Reporting for Pensions. The amount includes \$871 thousand related to the Firefighter's Pension.

The remaining \$118 million balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$58.9 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 \$58.8 million balance in unrestricted net position relates to governmental activities much of which is reserved by city policy for vehicle and computer replacement, facilities improvements, health benefits and funding a wide variety of contingencies, such as unforeseen expenditures and revenue shortfalls.

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

Changes in Net Position

The changes in net position table on the following page illustrates the increases or decreases in net position of the City resulting from operating activities. Overall, the City of Kirkland's net position increased over \$26 million in 2016.

A breakdown of the 2016 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$31.65	\$27.99	\$55.10	\$53.88	\$86.75	\$81.87
Operating grants and contributions	2.75	2.55	0.24	0.25	2.99	2.80
Capital grants and contributions	2.80	17.10	3.63	6.79	6.43	23.89
General revenues:						
Sales taxes	26.97	25.69	-	-	26.97	25.69
Property taxes	28.58	27.89	-	-	28.58	27.89
Utility taxes	15.84	14.64	-	-	15.84	14.64
Excise taxes	10.34	9.35	-	-	10.34	9.35
Business Taxes	2.63	2.31	-	-	2.63	2.31
Other taxes	1.72	2.51	-	-	1.72	2.51
Investment earnings	0.90	0.92	0.36	0.35	1.26	1.27
Miscellaneous*	0.58	0.79	-	-	0.58	0.79
Total revenues	124.76	131.75	59.33	61.27	184.09	193.02
Expenses:						
General government	8.92	9.40	-	-	8.92	9.40
Judicial	2.09	2.32	-	-	2.09	2.32
Security of Persons and Property	51.38	49.71	-	-	51.38	49.71
Physical environment	1.15	1.14	-	-	1.15	1.14
Transportation	20.55	18.78	-	-	20.55	18.78
Human services	1.60	1.46	-	-	1.60	1.46
Economic environment	7.70	7.49	-	-	7.70	7.49
Culture and recreation	10.69	10.88	-	-	10.69	10.88
Interest on long-term debt	2.04	1.98	-	-	2.04	1.98
Water/sewer	-	-	25.77	24.98	25.77	24.98
Surface water	-	-	9.95	7.99	9.95	7.99
Solid waste	-	-	16.23	16.04	16.23	16.04
Total expenses	106.12	103.16	51.95	49.01	158.07	152.17
Increase (decrease) in net position before transfers	18.64	28.59	7.38	12.26	26.02	40.85
Transfers	0.85	1.18	(0.85)	(1.18)	0.00	0.00
Increase (decrease) in net position	19.49	29.77	6.53	11.08	26.02	40.85
Net position at beginning of year	913.26	900.02	210.69	201.81	1123.95	1101.83
Change in Accounting Principle (Note 16)	-	(16.54)	-	(2.20)	-	(18.74)
Net position at end of year	\$932.75	\$913.25	\$217.22	\$210.69	\$1,149.97	\$1,123.94

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

Governmental activities net position increased over \$19 million in 2016. The increase is related to capital grant funding and developer contributions to infrastructure, charges for services and general revenues.

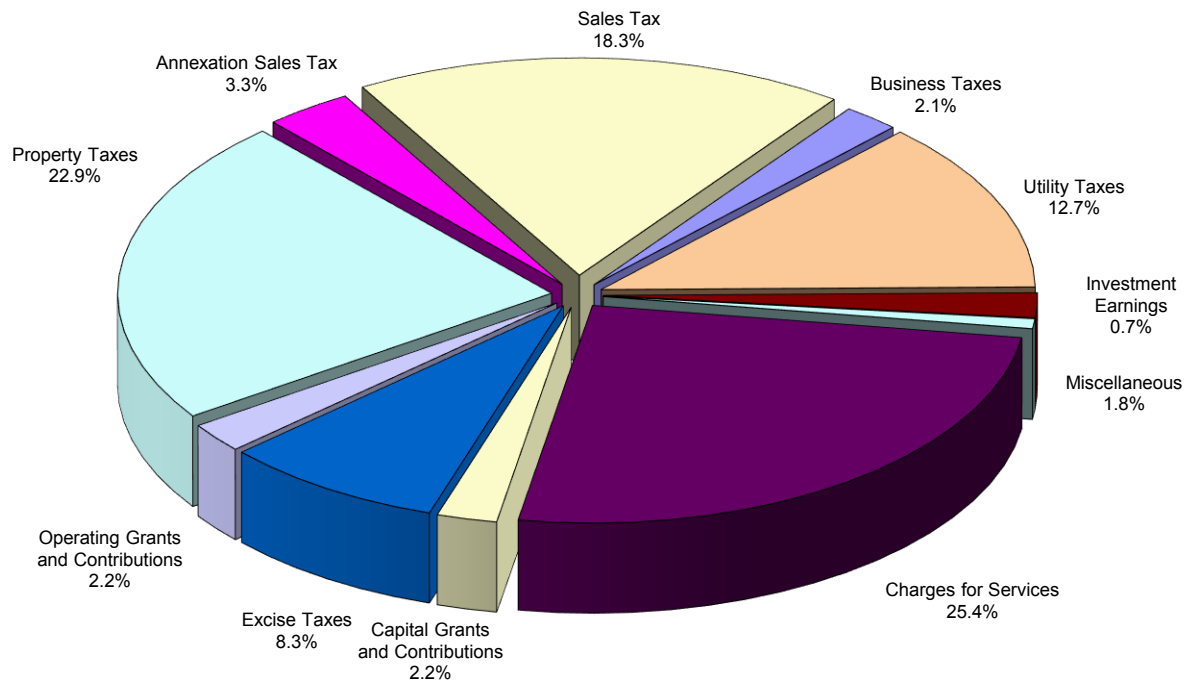
Expenses:

- Overall, governmental expenses increased by roughly 2.9%.
 - Multiple labor contracts settled in 2016, producing retroactive salary payments and an average cost of living adjustment of 2%.
 - Additional Other Post Employment Benefit costs for 2016 were actuarially determined to have increased by \$817,313.

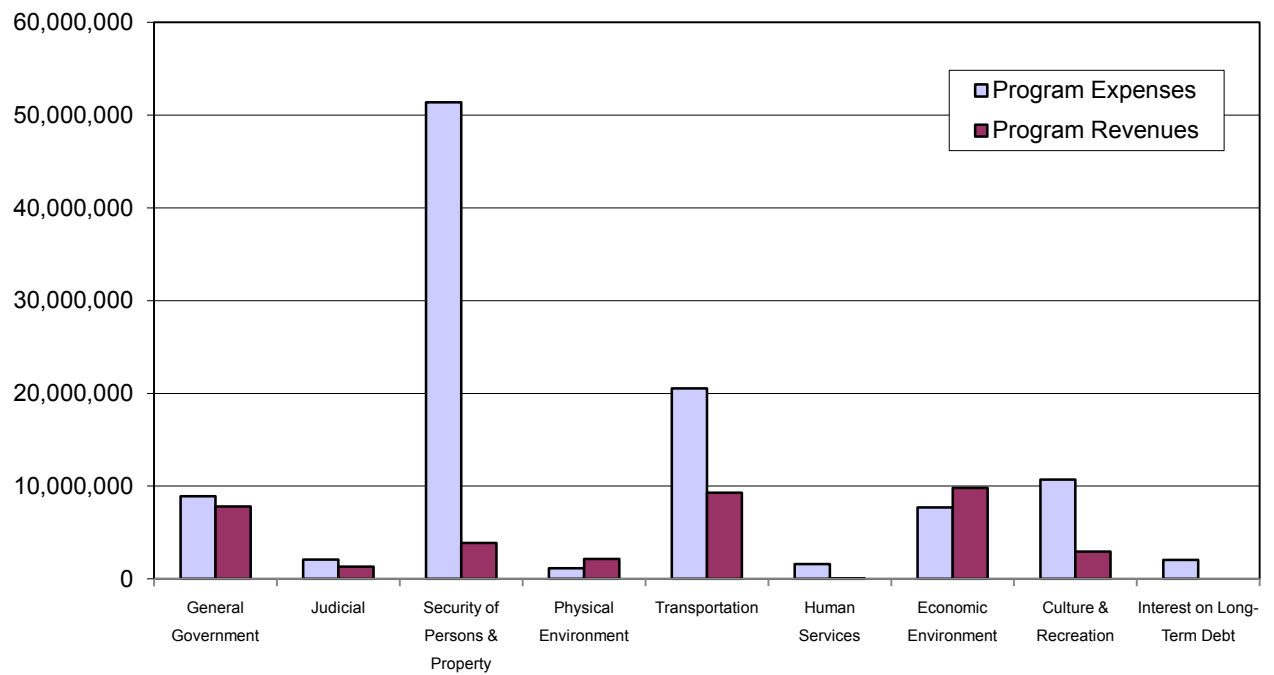
Revenues:

- Charges for services revenue had an increase of \$3.7 million from 2015 to 2016.
 - Increased development and permit fees resulted in a transportation impact fee increase of \$2.6 million.
 - Permit fees in general continued to increase and are \$1.3 million higher in 2016.
- Operating Grants and Contributions continue to be stable at just under \$3 million.
 - Federal, state, and local grants allow the City to consistently provide programs and services. In 2016 these grants include funds for energy efficiency implementations, emergency management operations, community safety programs, and funding for the arts.
- Capital Grants and Contributions were \$2.8 million in 2016.
 - Over \$1.8 million was received in Federal Highway Planning and Construction grants. These projects include an Intelligent Transportation System Implementation, pedestrian enhancements, roadway extension, and street overlay.
 - Developer contributions and artwork donations totaled \$840,949.
- The City's general revenues reflect a modest increase just over 4% from 2015 to 2016.
 - Sales tax, property taxes, utility taxes, excise taxes and business taxes increased slightly year to year.

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 \$6.53 million, primarily due to operating income of \$3.4 million and developer contributions and connection charges of \$3.6 million.

Water/sewer operating revenues increased by \$0.51 million compared to the prior year primarily the result of a water rate increase of 3.3% for residential customers, and no increase for multi-family and commercial customers.

Surface Water operating revenues increased by \$0.33 million primarily due to a rate increase of 4.0%.

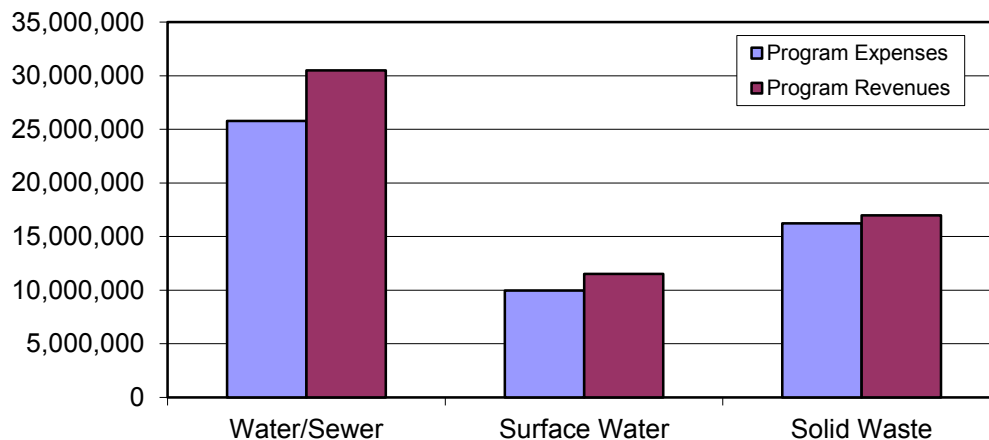
Solid Waste operating revenues increased by \$0.38 million primarily due to a 3.3% rate increase.

Capital contributions comprised of utility connection charges and developer infrastructure contributions totaled \$3.63 million for 2016. Details for these amounts are shown below:

	<u>Water</u>	<u>Sewer</u>	<u>Surface Water</u>	<u>Total</u>
2016 Connection Charges Collected	669,905	1,248,136	121,047	2,039,088
2016 Developer Infrastructure Contributions	255,052	32,283	1,302,641	1,589,976
	<u>\$ 924,957</u>	<u>\$ 1,280,419</u>	<u>\$ 1,423,688</u>	<u>\$ 3,629,064</u>

The infrastructure contributions detailed above represent 24 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.

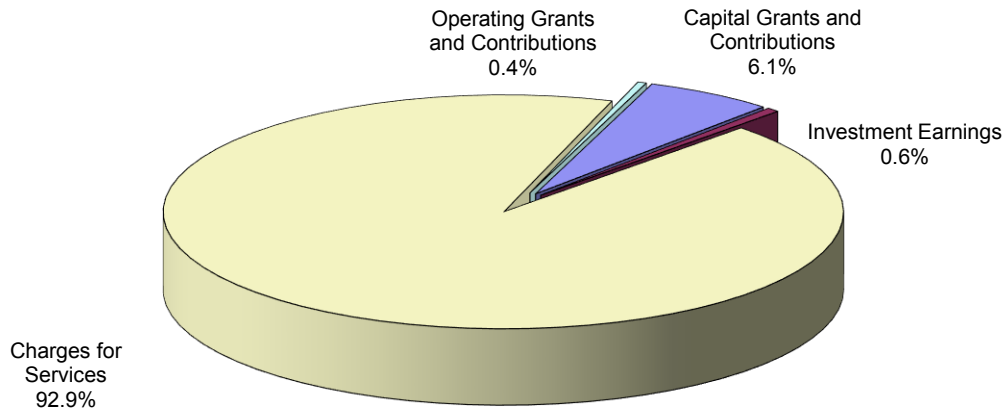
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2016 utility net income (before capital contributions and transfers) was about \$3.8 million. The components are as follows:

Water/Sewer	\$2.8 million
Surface Water	\$0.3 million
Solid Waste	\$0.7 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 \$113 million, which represents an increase of \$9.6 million from the prior year. Of the total ending fund balance, over \$56 million is restricted and subject to an external legal constraint.

The \$5.2 million in Fire Interlocal and Public Safety Facilities reserves are funds dedicated to fire service needs and consist of Fire District 41 bonds and cash the Fire District held prior to their closure in the 2011 City annexation. Potentially this funding will support land acquisition, fire station improvements, or new fire station construction.

Another \$26.6 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 \$21.7 million in excise taxes that have yet to be designated for specific projects but the funding is still restricted for that purpose.

The committed fund balance of \$4.1 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 \$26.3 million is remaining amounts that have been determined by the City Manager, Finance Director, or City Council to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end was \$2.5 million. The City has funds assigned to meet operating obligations for activities such as labor negotiations, development services activities, overtime costs, litigation, property acquisition, park enhancements, and medical retiree benefits. The unassigned balance of \$26 million in the general fund consists of amounts not otherwise classified such as revenue stabilization, cost of living adjustment, and working capital. Technically, they are unrestricted, which means they are available for spending at the City's discretion. A significant portion of the unassigned balance is budgeted to fund reserve replenishments and additions, additions to equipment sinking funds, carryovers, and one-time service packages in the 2017-2018 biennium.

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

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2016, the fund balance of the general fund was \$46.1 million, which represents an increase from the prior year of \$7.3 million.

The overall General Fund revenues increased \$7.2 million over 2015 largely due to growth in permits and engineering development fees.

General fund expenditures increased only slightly over 2015. Engineering and development services costs increased by over \$1.2 million, while costs for Security of Persons and Property are down due to vacancies in both the police and fire departments. Recruitments to fill positions vacated by retirees are an ongoing effort.

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 2016 was just under \$22 million, an increase of almost \$5 million after \$5.6 million was transferred to fund scheduled capital projects.

The general capital projects fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's capital improvement program (CIP) and that are funded from other general revenue sources, grants, and restricted funds. The ending fund balance reflects a decrease of almost \$8 million due to the substantial completion of the City Hall remodel.

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 2016 was \$12.6 million which is a considerable increase over 2015 and is made up of transfers from other funds for upcoming projects. 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 2016, there was a net increase of \$1.33 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:

- General Fund appropriation was increased by \$912,600 for development related activity, which generated additional funds for affordable housing. This amount was transferred to A Regional Housing Coalition (ARCH).
- Reimbursements and grants for Public Safety increased fund balance by \$217,700. This change was comprised of \$85,000 in reimbursements from the State of Washington for overtime training in Police and Fire, \$85,800 in reimbursements for Fire staff and equipment from Eastside Metro Training Group (EMTG), and \$46,900 in grant revenue for Police and Fire.
- An increase in fund balance of \$82,500 to recognize the transfer from the Health Benefits Fund for additional Health Retirement Account (HRA) payments to employees.
- An increase of \$57,797 to recognize new revenue for one-time positions and hours in Parks and Finance & Administration, and \$36,302 in ongoing revenue to recognize an increase in FTE in Planning and Building. Total position funding increased by \$94,099.
- Approximately \$20,000 in other miscellaneous adjustments.

The actual General Fund 2016 results on a cash basis varied from the final amended budget as follows:

- Actual 2016 General Fund revenues ended the year \$6.1 million over the budgeted level (\$96.4 million versus budget of \$90.3 million).
- Development related fees were the biggest factor in this additional revenue, as fees across all departments ended 2016 \$3.2 million ahead of budget.
- Tax revenue was also approximately \$2.3 million over budget amounts. Sales Tax receipts were the furthest above budget at \$2.1 million, with \$900,000 in additional revenue from Revenue Generating Regulatory License and other taxes. These amounts were partially offset by Utility Tax receipts, which were \$700,000 under budget.
- Fines and Forfeits were approximately \$500,000 under budget, due to lower than budgeted Traffic and Parking infraction revenues. This was partly driven by staffing vacancies in the Police Department.

- Other revenues ended the year approximately \$1.1 million over budget.
- Actual 2016 General Fund expenditures ended the year about \$2.2 million under budget excluding 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, 2016 amounts to over \$1 billion (net of accumulated depreciation), which represents a \$7.1 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 substantially completed and capitalized the City Hall remodel that began in 2015. The current year expenditures of \$8.8 million were combined with work in progress of \$1.4 million.
- The City purchased a house for \$0.5 million in the north end of Kirkland. The site is part of several proposed options for a future fire station.
- The City spent just under \$1 million on the current Intelligent Transportation System.
- The City spent \$1.1 million on renovations at Waverly Beach Park.
- Over \$0.8 million was received by developers constructing new infrastructure along with their improvements in Kirkland. In addition, over \$1.5 million was received by developers for their construction of water, sewer, and surface water assets.
- The City's Water/Sewer utility capitalized \$4.3 million for replacement of water and sewer mains on NE 80th Street. Current year expenditures were combined with work in progress of \$650,000.
- The City's Surface Water utility capitalized \$1.8 million for the Cochran Springs/Lake Washington Boulevard Crossing Enhancement Project. Current year expenditures were combined with work in progress of \$460,000.

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 2015 and 2016:

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$602.16	\$601.73	\$2.59	\$2.57	\$604.75	\$604.30
Buildings	23.95	24.88	-	-	23.95	24.88
Improvements other than buildings	58.90	51.87	157.94	154.07	216.84	205.94
Machinery and equipment	12.27	12.39	-	-	12.27	12.39
Infrastructure	141.18	146.69	-	-	141.18	146.69
Construction in progress	11.30	8.06	2.09	3.04	13.39	11.10
Artwork	2.04	1.99	-	-	2.04	1.99
Total	\$851.80	\$847.61	\$162.62	\$159.68	\$1,014.42	\$1,007.29

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

Long-term Debt

At the end of the current fiscal year, the City of Kirkland had total General Obligation bonded debt outstanding of \$42.18 million and other long-term debt of \$4.32 million. The total outstanding debt (expressed in millions of dollars) at the end of 2015 and 2016 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$42.18	\$44.29	-	-	\$42.18	\$44.29
Revenue Bonds	-	-	-	-	-	-
Public Works Trust Fund Loans	-	-	4.32	1.52	4.32	1.52
Total	\$42.18	\$44.29	\$4.32	\$1.52	\$46.50	\$45.81

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

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

The City's assessed valuation for 2016 was \$20.25 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$1,509.5 million.

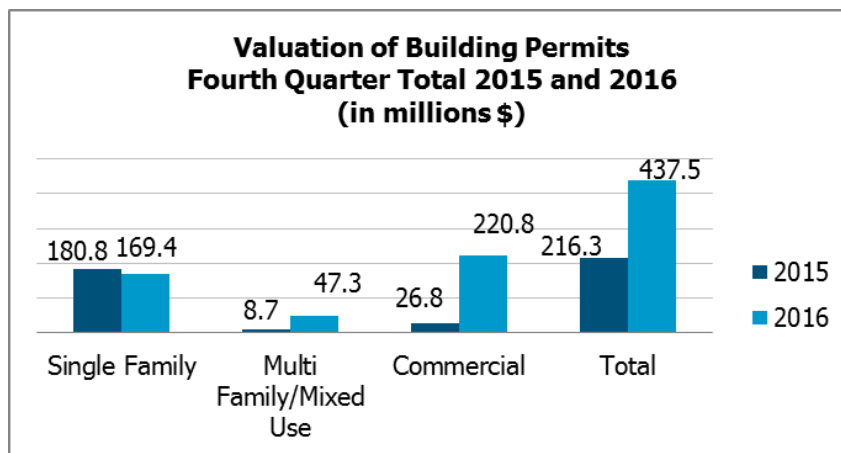
Additional information on the City of Kirkland's long-term debt can be found in Note 10 of this report and in the Statistical Section of the report.

Economic Factors and Next Year's Budgets and Rates

The Washington State Economic and Revenue Council monthly update reports continued job growth, adding 14,300 nonfarm jobs in the fourth quarter of 2016. The economic forecast for Washington projects that the annual job growth rate in 2016 was 3.1 percent. However, it also anticipates that growth will slow to 2.3 percent in 2017 and continue to decelerate in the years ahead, falling to 1.0 percent in 2021.

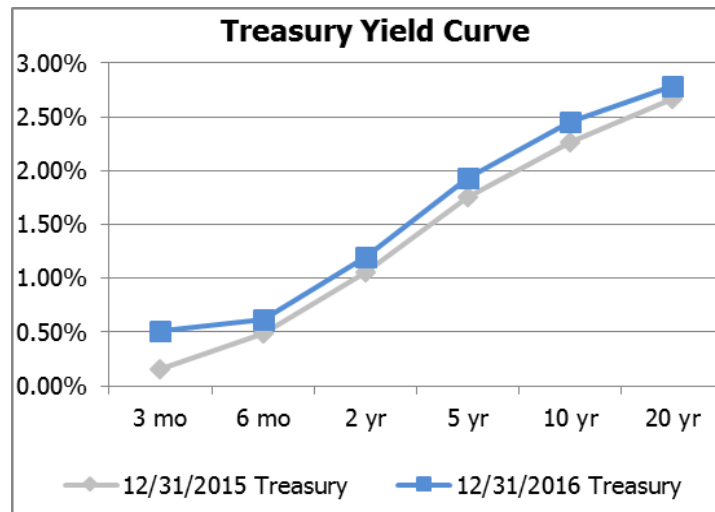
Unemployment rates in December 2016 increased by 0.1 percent from the month prior at both national and state levels, up to 4.7 percent and 5.3 percent respectively. However, this trend did not carry over locally. Unemployment in King County dropped from 3.9 percent to 3.4 percent in the same period. Similarly, unemployment in Kirkland also fell from 3.4 to 3.0 percent, its lowest level for the year.

Local building permit valuations have increased 102.3 percent compared to December 2015. The increase is primarily due to commercial development, which is up 723.9 percent from this time last year. Totem Lake and Kirkland Urban development are driving this increase. Multi-family/mixed use development has also increased 445.4 percent.



Inflation in the Seattle area is high relative to the national rate. In December 2016, the Seattle core CPI increased 2.5 percent compared to the previous year, while the national CPI was at 2.0 percent year to year growth.

The rate of economic growth declined in the fourth quarter of 2016, but continues to be characterized as slow and steady. The Fed Funds rate was increased on December 14, 2016 to between 0.50 to 0.75 percent and is now expected to be raised 3 times, a total of 0.75 percent in 2017. The yield curve rose more dramatically on the short end and slightly increased at every other point on the curve as a result of the increase in the Fed Funds rate, illustrated in the following graph.



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 2015 and 2016 sales tax receipts.

Sales tax revenues in 2016 were 6.0 percent higher than in 2015. Growth slowed throughout the second half of the year before picking up in December. General Merchandise/Misc Retail was the only sector to decline in 2016, in part due to business closures at the Kirkland Urban and Village at Totem Lake redevelopment projects. 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	
	2015	2016			2015	2016
Services	2,553,773	2,677,011	123,238	4.8%	13.5%	13.3%
Contracting	2,980,957	3,438,137	457,180	15.3%	15.7%	17.1%
Communications	521,689	540,250	18,561	3.6%	2.8%	2.7%
Retail:						
Auto/Gas Retail	4,735,672	4,775,308	39,636	0.8%	25.0%	23.8%
Gen Merch/Misc Retail	2,086,086	2,078,681	-7,405	-0.4%	11.0%	10.4%
Retail Eating/Drinking	1,571,340	1,610,458	39,118	2.5%	8.3%	8.0%
Other Retail	2,513,329	2,740,697	227,368	9.0%	13.7%	13.6%
Wholesale	903,425	964,533	61,108	6.8%	4.8%	4.8%
Miscellaneous	1,077,541	1,254,250	176,709	16.4%	5.7%	6.2%
Total	18,943,812	20,079,325	1,135,513	6.0%	100%	100%

Requests for Information

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



Basic Financial Statements



City of Kirkland
Statement of Net Position
December 31, 2016

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	53,420,109	20,320,995	73,741,104
Investments (Note 3)	87,808,243	31,037,010	118,845,253
Accounts Receivable	11,752,459	9,758,400	21,510,859
Intergovernmental Receivable	1,747,772	623,586	2,371,358
Internal Balances	851,093	(851,093)	0
Inventories	55,242	399,350	454,592
Prepayments	278,068	87,379	365,447
Deposits	1,330,777	39,123	1,369,900
Pension Asset	5,774,509	0	5,774,509
Interfund Loan Receivable	0	4,714,890	4,714,890
Capital Assets (Note 5)			
Land and Artwork	604,201,410	2,592,606	606,794,016
Depreciable Capital Assets (net of accumulated depreciation)	95,126,107	157,939,016	253,065,123
Depreciable Infrastructure (net of accumulated depreciation)	141,178,612	0	141,178,612
Construction in Progress	11,297,798	2,092,936	13,390,734
Total Assets	1,014,822,199	228,754,198	1,243,576,397
Deferred Outflows of Resources			
Deferred Outflow Pension Related	7,598,664	610,465	8,209,129
Total Deferred Outflows of Resources	7,598,664	610,465	8,209,129

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

City of Kirkland
Statement of Net Position
December 31, 2016

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts Payable and Other Accrued Liabilities	7,095,522	1,434,226	8,529,748
Intergovernmental Payable	509,012	1,622,357	2,131,369
Unearned Revenue	15,577	1,159,943	1,175,520
Accrued Interest Payable	164,701	6,974	171,675
Deposits Payable	1,388,212	39,123	1,427,335
Noncurrent Liabilities			
Net Pension Liability	24,760,485	3,331,761	28,092,246
Due within one year	4,731,160	517,954	5,249,114
Due in more than one year	50,582,993	3,974,544	54,557,537
Total Liabilities	89,247,662	12,086,882	101,334,544
Deferred Inflows of Resources			
Deferred Inflow Pension Related	426,166	57,728	483,894
Total Deferred Inflows of Resources	426,166	57,728	483,894
Net Position			
Net Investment in Capital Assets	808,933,913	158,304,984	967,238,897
Restricted for			
Net Pension Asset	5,774,509	0	5,774,509
Tourism	429,342	0	429,342
Culture and Recreation	9,924,684	0	9,924,684
Public Safety	5,401,824	0	5,401,824
Capital Improvements	21,785,577	0	21,785,577
Transportation	16,816,586	0	16,816,586
Debt Service	331,708	0	331,708
General Government	4,536,160	0	4,536,160
Unrestricted	58,812,732	58,915,069	117,727,801
Total Net Position	932,747,035	217,220,053	1,149,967,088



City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2016

		Program Revenues			Net (Expense/Revenue and Changes in Net Position)		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	8,918,548	7,553,305	236,917	16,000	(1,112,326)	0	(1,112,326)
Judicial	2,090,988	1,296,178	23,570	0	(771,240)	0	(771,240)
Security of Persons and Property	51,377,094	3,611,717	243,982	0	(47,521,395)	0	(47,521,395)
Physical Environment	1,154,543	2,137,154	16,347	0	998,958	0	998,958
Transportation	20,547,650	4,574,502	1,917,841	2,783,250	(11,272,057)	0	(11,272,057)
Human Services	1,598,994	0	51,687	0	(1,547,307)	0	(1,547,307)
Economic Environment	7,697,645	9,785,849	6,117	0	2,094,321	0	2,094,321
Culture and Recreation	10,691,708	2,697,053	252,390	0	(7,742,265)	0	(7,742,265)
Interest on Long Term Debt	2,044,592	0	0	0	(2,044,592)	0	(2,044,592)
Total Governmental Activities	106,121,762	31,655,758	2,748,851	2,799,250	(68,917,903)	0	(68,917,903)
Business Type Activities							
Water/Sewer	25,774,579	28,308,302	0	2,205,376	0	4,739,099	4,739,099
Surface Water	9,953,616	9,948,240	130,087	1,423,688	0	1,548,399	1,548,399
Solid Waste	16,225,830	16,847,535	114,846	0	0	736,551	736,551
Total Business Type Activities	51,954,025	55,104,077	244,933	3,629,064	0	7,024,049	7,024,049
Total Government	158,075,787	86,759,835	2,993,784	6,428,314	(68,917,903)	7,024,049	(61,893,854)
General Revenues							
Sales Taxes					26,966,254	0	26,966,254
Property Taxes					28,585,488	0	28,585,488
Utility Taxes					15,838,161	0	15,838,161
Excise Taxes					10,338,111	0	10,338,111
Business Taxes					2,631,939	0	2,631,939
Other Taxes					1,722,548	0	1,722,548
Unrestricted Grants & Contributions					396,024	0	396,024
Investment Earnings					901,531	357,736	1,259,267
Gain on sale of capital assets					179,129	0	179,129
Transfers, internal activities					851,520	(851,520)	0
Total General Revenues & Transfers					88,410,705	(493,784)	87,916,921
Change in net position					19,492,802	6,530,265	26,023,067
Net position at beginning of year					913,254,233	210,689,788	1,123,944,021
Net Position at end of year					932,747,035	217,220,053	1,149,967,088

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

City of Kirkland
Balance Sheet
Governmental Funds
December 31, 2016

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	13,514,255	8,152,946	11,602,194	4,773,635	3,601,817	41,644,847
Investments	26,862,355	12,425,494	17,748,006	7,310,315	5,487,371	69,833,541
Receivables						
Taxes	7,080,437	1,207,137	0	0	106,633	8,394,207
Accounts	1,417,885	0	10,539	0	0	1,428,424
Due From Other Funds	876,812	0	0	0	0	876,812
Intergovernmental Receivable	303,233	0	95,811	1,304,335	0	1,703,379
Prepayments	234,081	0	0	0	10,463	244,544
Restricted Assets						
Deposits	1,330,777	0	0	0	0	1,330,777
Total Assets	51,619,835	21,785,577	29,456,550	13,388,285	9,206,284	125,456,531
Liabilities						
Accounts Payable	1,027,693	0	1,242,069	824,846	18,078	3,112,686
Wages Payable	1,848,527	0	0	0	47,970	1,896,497
Benefits Payable	308,262	0	0	0	9,969	318,231
Taxes Payable	130,993	0	0	0	0	130,993
Due to Other Funds	6,345	0	8,465	0	549	15,359
Intergovernmental Payable	398,559	0	102,492	210	7,751	509,012
Payable from Restricted Assets						
Deposits Payable	1,388,212	0	0	0	0	1,388,212
Unearned Revenue	15,577	0	0	0	0	15,577
Interfund Loan Payable	0	0	4,698,991	0	0	4,698,991
Total Liabilities	5,124,168	0	6,052,017	825,056	84,317	12,085,558
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	356,775	0	0	0	65,666	422,441
Total Deferred Inflows of Resources	356,775	0	0	0	65,666	422,441
Fund Balances						
Restricted for						
Tourism	0	0	0	0	429,342	429,342
Debt Service	0	0	0	0	331,708	331,708
Drug Enforcement	74,005	0	0	0	0	74,005
Fire Interlocal	88,582	0	1,225,681	0	0	1,314,263
Public Safety Facilities	0	0	4,013,556	0	0	4,013,556

City of Kirkland
Balance Sheet
Governmental Funds
December 31, 2016

Page 2 of 2

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Transportation Projects	0	0	0	12,166,822	4,649,764	16,816,586
Cemetery Operations	0	0	0	0	816,571	816,571
Culture and Recreation Projects	0	0	6,920,768	0	2,828,916	9,749,684
Parks Interlocal	0	0	175,000	0	0	175,000
General Government Facilities	0	0	1,108,857	0	0	1,108,857
Capital Improvements	0	21,785,577	0	0	0	21,785,577
Committed for						
Contingency Fund	4,036,425	0	0	0	0	4,036,425
General Government Activities	107,772	0	0	0	0	107,772
Assigned for						
Street Operating Fund	2,502,960	0	0	0	0	2,502,960
General Reserves	8,723,145	0	0	0	0	8,723,145
Public Safety Activities	897,240	0	13,839	0	0	911,079
Development Services	3,304,242	0	0	0	0	3,304,242
Parks and Recreation Activities	423,551	0	0	0	0	423,551
General Government Activities	56,576	0	0	0	0	56,576
Capital Projects	0	0	9,946,832	396,407	0	10,343,239
Unassigned	25,924,394	0	0	0	0	25,924,394
Total Fund Balances	46,138,892	21,785,577	23,404,533	12,563,229	9,056,301	112,948,532
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	51,619,835	21,785,577	29,456,550	13,388,285	9,206,284	125,456,531

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	841,490,906
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	14,551,016
Long term liabilities are not due and payable in the current period and are not reported in the funds	(72,154,014)
Internal service funds are used by management to charge the costs of certain activities to individual funds	35,910,595
The assets and liabilities are included in governmental activities in the statement of net position	

Net Position of governmental activities

932,747,035

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, 2016

Page 1 of 2

	General Fund	Excise Capital Improvement
Revenues		
Taxes and Assessments	69,309,563	10,271,135
Licenses and Permits	9,960,579	0
Intergovernmental	3,496,113	0
Charges for Services	18,003,606	0
Fines and Forfeitures	1,684,718	0
Investment Interest	550,308	124,414
Miscellaneous Revenues	1,443,687	0
Total Revenues	104,448,574	10,395,549
Expenditures		
Current		
General Government	13,070,372	0
Security of Persons and Property	46,845,589	0
Physical Environment	3,888,022	0
Transportation	7,902,273	0
Economic Environment	10,002,367	0
Culture and Recreation	6,368,827	0
Debt Service		
Principal	0	0
Interest	0	0
Capital Outlay	394,472	0
Total Expenditures	88,471,922	0
Excess (Deficiency) of revenues		
Over (under) expenditures	15,976,652	10,395,549
Other Financing Sources (Uses)		
Sale of Capital Assets	0	0
Insurance Recovery	239,979	0
Transfers In	446,391	0
Transfers Out	(9,363,787)	(5,571,295)
Total Other Financing Sources (Uses)	(8,677,417)	(5,571,295)
Net Change in Fund Balance	7,299,235	4,824,254
Fund Balances Beginning of Year	38,839,657	16,961,323
Fund Balances End of Year	46,138,892	21,785,577

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, 2016

Page 2 of 2

General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
0	0	5,127,414	84,708,112
0	0	0	9,960,579
252,390	2,184,718	544,343	6,477,564
95,811	58,584	5,155,221	23,313,222
0	0	0	1,684,718
39,357	0	61,428	775,507
33,078	0	40,130	1,516,895
420,636	2,243,302	10,928,536	128,436,597
1,389,111	8,039	0	14,467,522
225,090	0	0	47,070,679
0	0	114,002	4,002,024
0	4,591,373	0	12,493,646
0	0	302,164	10,304,531
250,765	0	2,550,652	9,170,244
0	0	2,107,068	2,107,068
0	0	2,044,592	2,044,592
12,293,919	4,895,706	8,000	17,592,097
14,158,885	9,495,118	7,126,478	119,252,403
(13,738,249)	(7,251,816)	3,802,057	9,184,193
0	0	51,542	51,542
0	0	0	239,979
5,952,368	13,557,100	2,568,127	22,523,986
(165,428)	(489,913)	(6,763,300)	(22,353,723)
5,786,940	13,067,187	(4,143,631)	461,784
(7,951,309)	5,815,371	(341,574)	9,645,977
31,355,842	6,747,858	9,397,875	103,302,555
23,404,533	12,563,229	9,056,301	112,948,532

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, 2016

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

Net change in fund balances for governmental funds	9,645,977
--	-----------

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	17,592,097	
Depreciation	(13,408,498)	
Contributed Capital	840,949	
CIP Closures	(917,457)	
	4,107,091	4,107,091

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

Debt Retired	2,107,068	
Bond (Premium) Discount	(12,455)	
	2,094,613	2,094,613

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		(145,167)
Change in Pension Asset		(3,767,837)
Change in Pension Outflow		3,881,924
Bond Subsidy		(800)

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

Change in Net Pension Liability		(2,677,242)
Change in Pension Inflow		4,898,276
Change in Compensated Absences		(97,926)
Accrued Interest		(3,474)
Other Post Employment Benefit Obligation		(817,313)

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.

2,374,680

Change in net position of governmental activities	19,492,802
---	------------

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 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	62,798,353	123,621,679	3,459,469
Licenses and Permits	15,441,608	16,524,465	8,218,882	9,519,996	17,738,878	1,214,413
Intergovernmental	2,452,504	2,762,321	1,350,152	1,520,580	2,870,732	108,411
Charges for Services	27,750,006	30,307,763	15,345,660	18,704,801	34,050,461	3,742,698
Fines and Forfeitures	4,380,426	4,380,426	1,921,506	1,689,294	3,610,800	(769,626)
Interest on Sales Tax Contract	150,000	150,000	91,646	84,630	176,276	26,276
Investment Interest - Dedicated	604,581	604,581	439,552	596,408	1,035,960	431,379
Contributions/Donations	98,200	160,430	213,161	140,084	353,245	192,815
Miscellaneous Revenues	1,136,951	1,141,951	709,394	800,679	1,510,073	368,122
Total Revenues	172,590,311	176,194,147	89,113,279	95,854,825	184,968,104	8,773,957
Expenditures						
Current						
General Government	23,752,914	24,689,746	11,407,249	11,816,886	23,224,135	1,465,611
Security of Persons and Property	103,353,103	97,869,539	48,485,351	48,261,296	96,746,647	1,122,892
Physical Environment	8,670,787	9,776,159	4,192,313	4,926,291	9,118,604	657,555
Transportation	1,445,751	1,645,792	665,584	747,324	1,412,908	232,884
Economic Environment	7,885,314	18,224,289	7,948,213	9,589,479	17,537,692	686,597
Human Services	3,194,145	3,494,388	1,569,144	1,397,763	2,966,907	527,481
Culture and Recreation	12,476,513	13,103,219	6,453,747	6,444,565	12,898,312	204,907
Capital Outlay	0	151,638	52,104	196,507	248,611	(96,973)
Total Expenditures	160,778,527	168,954,770	80,773,705	83,380,111	164,153,816	4,800,954
Excess of revenues over expenditures	11,811,784	7,239,377	8,339,574	12,474,714	20,814,288	13,574,911
Other Financing Sources (Uses)						
Insurance Recovery	0	85,000	111,129	100,200	211,329	126,329
Transfers In	722,515	854,019	437,228	416,666	853,894	(125)
Transfers Out	(11,699,038)	(14,546,633)	(8,428,861)	(5,870,398)	(14,299,259)	247,374
Total Other Financing Sources (Uses)	(10,976,523)	(13,607,614)	(7,880,504)	(5,353,532)	(13,234,036)	373,578
Net Change in Fund Balance	835,261	(6,368,237)	459,070	7,121,182	7,580,252	13,948,489
Fund Balances Beginning of Year	21,485,731	26,183,995	26,183,995	26,643,065	26,183,995	0
Fund Balances End of Year	22,320,992	19,815,758	26,643,065	33,764,247	33,764,247	13,948,489

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 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	10,481,264	19,280,314	9,280,314
Investment Interest	132,280	132,280	88,178	163,696	251,874	119,594
Total Revenues	10,132,280	10,132,280	8,887,228	10,644,960	19,532,188	9,399,908
Excess of revenues over expenditures	10,132,280	10,132,280	8,887,228	10,644,960	19,532,188	9,399,908
Other Financing Sources (Uses)						
Transfers In	0	475,000	524,918	0	524,918	49,918
Transfers Out	(5,873,930)	(10,578,589)	(5,433,004)	(5,571,295)	(11,004,299)	(425,710)
Total Other Financing Sources (Uses)	(5,873,930)	(10,103,589)	(4,908,086)	(5,571,295)	(10,479,381)	(375,792)
Net Change in Fund Balance	4,258,350	28,691	3,979,142	5,073,665	9,052,807	9,024,116
Fund Balances Beginning of Year	10,732,664	11,585,507	11,585,507	15,564,649	11,585,507	0
Fund Balances End of Year	14,991,014	11,614,198	15,564,649	20,638,314	20,638,314	9,024,116

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

City of Kirkland
Statement of Net Position
Proprietary Funds
December 31, 2016

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	12,569,330	7,135,889	615,776	20,320,995	11,775,262
Investments (Note 3)	19,223,099	10,875,248	938,663	31,037,010	17,974,702
Receivables					
Interest	153,979	0	0	153,979	0
Contracts	1,148,803	0	0	1,148,803	0
Accounts	5,091,949	268,296	3,075,373	8,435,618	134,493
Assessments	20,000	0	0	20,000	0
Intergovernmental Receivable	475,324	108,046	40,216	623,586	7,855
Due From Other Funds	17,959	0	0	17,959	0
Inventories	344,830	54,520	0	399,350	55,242
Restricted Assets					
Cash	39,123	0	0	39,123	0
Prepayments	13,720	71,418	2,241	87,379	33,524
Total Current Assets	39,098,116	18,513,417	4,672,269	62,283,802	29,981,078
Noncurrent Assets					
Interfund Loan Receivable					
Loans	4,698,991	0	0	4,698,991	0
Interest	15,899	0	0	15,899	0
Total Interfund Receivable	4,714,890	0	0	4,714,890	0
Capital Assets (Note 5)					
Land	47,784	2,544,822	0	2,592,606	0
Depreciable Capital Assets (Net)	92,546,614	65,392,402	0	157,939,016	10,313,024
Construction in Progress	963,784	1,129,152	0	2,092,936	0
Total Capital Assets	93,558,182	69,066,376	0	162,624,558	10,313,024
Total Noncurrent Assets	98,273,072	69,066,376	0	167,339,448	10,313,024
Total Assets	137,371,188	87,579,793	4,672,269	229,623,250	40,294,102
Deferred Outflows of Resources					
Deferred Outflow Pension Related	224,346	345,279	40,840	610,465	654,026
Total Deferred Outflows of Resources	224,346	345,279	40,840	610,465	654,026

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

City of Kirkland
Statement of Net Position
Proprietary Funds
December 31, 2016

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	127,315	104,774	1,007,356	1,239,445	424,602
Claims Payable	0	0	0	0	560,571
Wages Payable	53,816	96,533	10,455	160,804	172,016
Benefits Payable	11,936	20,167	1,874	33,977	33,093
Compensated Absences Payable	60,454	67,203	10,682	138,339	144,922
Intergovernmental Payable	1,235,338	83,509	303,510	1,622,357	24,392
Due to Other Funds	555,452	24,220	289,380	869,052	10,359
Accrued Interest Payable	6,974	0	0	6,974	0
Unearned Revenue	1,159,943	0	0	1,159,943	0
Loans and Contracts Payable	379,615	0	0	379,615	0
Sub-total Current Liabilities	3,590,843	396,406	1,623,257	5,610,506	1,369,955
Current Liabilities Payable From Restricted Assets					
Deposits Payable	39,123	0	0	39,123	0
Sub-total Current Liabilities Payable From Restricted Assets	39,123	0	0	39,123	0
Total Current Liabilities	3,629,966	396,406	1,623,257	5,649,629	1,369,955
Noncurrent Liabilities					
Compensated Absences Payable	15,114	16,801	2,670	34,585	36,230
Loans and Contracts Payable	3,939,959	0	0	3,939,959	0
Net Pension Liability	1,224,422	1,884,444	222,895	3,331,761	3,569,501
Total Noncurrent Liabilities	5,179,495	1,901,245	225,565	7,306,305	3,605,731
Total Liabilities	8,809,461	2,297,651	1,848,822	12,955,934	4,975,686
Deferred Inflows of Resources					
Deferred Inflow Pension Related	21,215	32,651	3,862	57,728	61,847
Total Deferred Inflows of Resources	21,215	32,651	3,862	57,728	61,847
Net Position					
Net Investment in Capital Assets	89,238,608	69,066,376	0	158,304,984	10,313,024
Unrestricted	39,526,250	16,528,394	2,860,425	58,915,069	25,597,571
Total Net Position	128,764,858	85,594,770	2,860,425	217,220,053	35,910,595

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended December 31, 2016

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds	
	Water/Sewer	Surface Water	Solid Waste	Total	
Operating Revenues					
Charges for Services	27,947,299	9,874,129	16,840,993	54,662,421	22,689,685
Miscellaneous Revenues	361,003	74,111	6,542	441,656	425,662
Total Operating Revenues	28,308,302	9,948,240	16,847,535	55,104,077	23,115,347
Operating Expenses					
Administrative and General	3,068,994	4,265,424	1,189,701	8,524,119	12,890,965
Supplies	0	0	0	0	554,498
Maintenance and Operations	16,267,193	3,066,866	12,509,473	31,843,532	6,536,720
Taxes	3,655,177	850,306	2,403,549	6,909,032	0
Depreciation	2,767,672	1,637,871	0	4,405,543	1,738,511
Total Operating expenses	25,759,036	9,820,467	16,102,723	51,682,226	21,720,695
Operating Income (Loss)	2,549,266	127,773	744,812	3,421,851	1,394,652
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	216,643	131,902	9,192	357,737	126,026
Grant Income	0	130,087	114,846	244,933	0
Interest Expense	(11,413)	0	0	(11,413)	0
Gain (Loss) on Disposal of Capital Assets	(4,130)	(986)	0	(5,116)	127,587
Other Nonoperating Revenues/(Expenses)	0	(132,163)	(123,107)	(255,270)	45,158
Total Nonoperating revenues (expenses)	201,100	128,840	931	330,871	298,771
Income Before Contributions and Transfers	2,750,366	256,613	745,743	3,752,722	1,693,423
Capital Contributions					
Contributions	2,205,376	1,423,688	0	3,629,064	0
Transfers In	7,305	11,824	1,650	20,779	1,203,810
Transfers Out	(311,150)	(261,150)	(300,000)	(872,300)	(522,554)
Change in Net Position	4,651,897	1,430,975	447,393	6,530,265	2,374,679
Total Net Position - Beginning	124,112,961	84,163,795	2,413,032	210,689,788	33,535,916
Total Net Position - Ending	128,764,858	85,594,770	2,860,425	217,220,053	35,910,595

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, 2016
 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	27,432,493	9,876,383	16,285,958	53,594,834	0
Cash Received From Interfund Charges	0	0	0	0	13,798,515
Contributions Received from Employees and Employer	0	0	0	0	8,195,379
Cash From Other Sources	416,067	70,237	386,880	873,184	1,188,331
Cash Paid to Suppliers for Goods and Services	(14,948,187)	(2,089,810)	(12,672,315)	(29,710,312)	(9,862,439)
Cash Paid to Employees for Services	(1,944,762)	(3,112,458)	(344,455)	(5,401,675)	(5,993,789)
Cash Paid in Lieu of Taxes	(3,571,850)	(839,649)	(2,375,839)	(6,787,338)	0
Cash Paid for Central Business Functions	(2,170,475)	(1,797,677)	(666,720)	(4,634,872)	(3,258,685)
Cash Provided by Operating Activities	5,213,286	2,107,026	613,509	7,933,821	4,067,312
Cash Flows From Noncapital Financing Activities					
Proceeds From Federal, State, Local Grants	0	58,005	102,008	160,013	0
Deposits	39,123	0	0	39,123	0
Grant Administration Expenditures	0	(130,509)	(124,013)	(254,522)	0
Transfers In	7,305	11,824	1,650	20,779	1,203,810
Transfers Out	(311,150)	(261,150)	(300,000)	(872,300)	(522,554)
Cash Provided by (Used for) Noncapital Financing Activities	(264,722)	(321,830)	(320,355)	(906,907)	681,256
Cash Flows From Capital and Related Financing Activities					
Capital Contributed	1,921,896	121,047	0	2,042,943	0
Proceeds From Sale of Assets and Insurance Recoveries	0	0	0	0	188,607
Proceeds From Capital Grants	0	497,960	0	497,960	0
Proceeds From Loans	2,574,917	0	0	2,574,917	0
Principal Payments on Notes	(192,553)	0	0	(192,553)	0
Interest Paid on Notes	(7,595)	0	0	(7,595)	0
Interest Received on Program Loans	43,153	0	0	43,153	0
Acquisition and Construction of Capital Assets	(5,182,445)	(1,166,733)	0	(6,349,178)	(1,897,035)
Cash Provided by (Used for) Capital and Related Financing Activities	(842,627)	(547,726)	0	(1,390,353)	(1,708,428)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	(2,083,154)	(522,121)	(159,458)	(2,764,733)	(1,459,424)
Interest Revenue	184,198	136,960	9,192	330,350	158,185
Cash Provided by Investing Activities	(1,898,956)	(385,161)	(150,266)	(2,434,383)	(1,301,239)
Increase (Decrease) in Cash and Cash Equivalents	2,206,981	852,309	142,888	3,202,178	1,738,901
Cash and Cash Equivalents, January 1	10,401,472	6,283,580	472,888	17,157,940	10,036,361
Cash and Cash Equivalents (includes 39,123 restricted assets), December 31	12,608,453	7,135,889	615,776	20,360,118	11,775,262

City of Kirkland
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2016
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)	2,549,266	127,773	744,812	3,421,851	1,394,652
Adjustments to Reconcile Operating Income (Loss) to					
Cash Provided by Operating Activities					
Depreciation	2,767,672	1,637,871	0	4,405,543	1,738,511
<u>Changes in Assets and Liabilities</u>					
(Increase) Decrease in Accounts Receivable	(500,929)	5,314	(173,356)	(668,971)	11,653
(Increase) Decrease in Operating Intergovernmental Receivable	21,517	(1,759)	0	19,758	22,017
(Increase) Decrease in Operating Due From Other Funds	(18)	0	0	(18)	0
(Increase) Decrease in Other Accounts Receivable	(10,991)	(3,874)	0	(14,865)	0
(Increase) Decrease in Capital Related Accounts Receivable	0	0	0	0	35,840
(Increase) Decrease in Operating Inventories	(31,195)	(4,098)	0	(35,293)	(12,329)
(Increase) Decrease in Assessments	1,285	0	0	1,285	0
(Increase) Decrease in Prepayments	(13,720)	(50,058)	(2,241)	(66,019)	(33,524)
(Increase) Decrease in Pension Deferred Outflows of Resources	(155,114)	(245,075)	(28,087)	(428,276)	(471,837)
Increase (Decrease) in Pension Deferred Inflows of Resources	(94,035)	(134,158)	(17,368)	(245,561)	(241,441)
Increase (Decrease) in Net Pension Liability	455,112	770,969	81,180	1,307,261	1,545,001
Increase (Decrease) in Operating Accounts Payable	(59,047)	(5,024)	(12,868)	(76,939)	143,540
Increase (Decrease) in Capital Accounts Payable	0	0	0	0	20,932
Increase (Decrease) in Claims Payable	0	0	0	0	(69,474)
Increase (Decrease) in Operating Intergovernmental Payable	250,394	(4,782)	1,156	246,768	2,551
Increase (Decrease) in Operating Due to Other Funds	70,556	9,768	18,666	98,990	(263)
Increase (Decrease) in Wages Payable	(26,548)	(25,853)	(3,940)	(56,341)	(60,220)
Increase (Decrease) in Benefits Payable	11,936	20,167	1,874	33,977	33,093
Increase (Decrease) in Compensated Absences Payable	(7,556)	9,845	3,681	5,970	8,610
Increase (Decrease) in Revenue Collected in Advance	(15,299)	0	0	(15,299)	0
Cash Provided by Operating Activities	5,213,286	2,107,026	613,509	7,933,821	4,067,312
<u>Noncash Investing, Capital and Finance Activities</u>					
Capital Contributions	287,335	1,302,641	0	1,589,976	0
Change in Fair Value of Investments	(85,406)	(52,607)	(4,332)	(142,345)	0

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

City of Kirkland
Statement of Fiduciary Net Position
Trust and Agency Funds
December 31, 2016

	Firefighter's Pension	Agency Funds
Assets		
Cash and Cash Equivalents	478,485	162,994
Investments, at fair value:		
Government Sponsored Enterprise Securities	729,038	0
Deposits	0	2,627,597
Total Assets	1,207,524	2,790,591
Liabilities		
Current Liabilities		
Accounts Payable	2,192	0
Due to Other Governments	0	85,037
Deposits	0	2,705,554
Total Liabilities	2,192	2,790,591
 Net Position		
Net Position Restricted for Pensions	1,205,332	0
Total Net Position	1,205,332	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, 2016

	Firefighter's Pension
Additions	
Contributions:	
Fire Insurance Premium Contributions	98,009
Investment Earnings:	
Net Increase in the Fair Value of Investments	9,435
Total Additions	107,444
Deductions	
Benefit Payments	15,370
OPEB Payments	225,000
Administrative Expenses	11,600
Total Deductions	251,970
Change in Net Position	(144,526)
Net Position Beginning of Year	1,349,858
Net Position End of Year	1,205,332

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, 2016

Note	Page
1 Summary of Significant Accounting Policies.....	54
Reporting Entity.....	54
Government-Wide and Fund Financial Statements.....	54
Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	55
Budgetary Data.....	56
Assets, Liabilities, Fund Balance and Net Position.....	58
2 Reconciliation of Government-wide and Fund Financial Statements.....	62
3 Deposits and Investments.....	64
4 Property Taxes.....	67
5 Capital Assets.....	68
Construction Obligations.....	69
6 Pension Plans.....	70
Public Employees' Retirement System (PERS).....	70
Public Safety Employees' Retirement System (PSERS).....	72
Law Enforcement Officers' and Firefighters' Retirement System (LEOFF).....	73
Actuarial Assumptions.....	74
Volunteer Firefighters' Relief and Pension Fund.....	80
Firefighters' Pension.....	83
Municipal Employees Benefit Trust.....	88
7 Other Post Employment Benefits.....	89
8 Nongovernmental Pension Plan.....	91
9 Risk Management.....	92
10 Long-term Debt.....	94
City of Kirkland Credit Ratings.....	96
11 Leases.....	97
12 Changes in Long-term Liabilities.....	98
Compensated Absences.....	98
Other Post Employment Benefits.....	98
13 Contingencies and Litigations.....	99
14 Interfund Balances and Transfers.....	100
15 Joint Ventures.....	102
16 Budget to GAAP Reconciliation.....	108
17 Other Information.....	109

City of Kirkland

Notes to the Basic Financial Statements
For Year Ended December 31, 2016

NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

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

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

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

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

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

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

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

Budgetary Data

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

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

Procedures for Adopting the Original Budget

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

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

Amending the Budget

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

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

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

Assets, Liabilities, Fund Balance and Net Position

Cash and Investments

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

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

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

Receivables

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

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

Amounts Due to and from Other Governmental Units

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

Interfund Transactions

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

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

Inventories

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

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

Restricted Assets and Liabilities

These accounts contain resources reserved for customer deposits.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of 2 or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 312 hours depending on number of years of employment and union agreement. Earned vacation leave in excess of the established limits and not used within the year following its accrual will be forfeited without any severance pay or additional compensation. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed probation except under special conditions listed in the Kirkland Municipal Code.

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

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

In 2005, contracts with public safety bargaining units under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$11,000 for 2016.

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

Pensions

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

Long-Term Debt

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

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

Unearned Revenues

Unearned revenues are receivables that are measurable but not yet available in the governmental funds financial statements. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes an unearned revenue as the offset. The unearned revenues include business license fees collected in 2016 for 2017.

Deferred Outflows/Inflows of Resources

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

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

Net Position

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

Fund Balance

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

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

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

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

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

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

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

Municipal Court	1,787,478
Pension Asset	5,774,509
Deferred Pension Outflow	6,944,638
Bond Subsidy	44,392
Net Adjustment	<u>\$14,551,017</u>

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

Bonds Payable	42,178,402
Compensated Absences	3,068,816
Net Pension Liability	21,190,984
Net OPEB Obligation	5,468,786
Deferred Pension Inflow	364,319
Bond Premium/Discount	(297,891)
Accrued Interest Payable	180,600
Net Adjustment	<u>\$72,154,016</u>

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

Capital Assets	1,016,068,826
Depreciation	(174,577,920)
Net Capital Assets Adjustment	<u>\$841,490,906</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	17,592,097
Depreciation Expense	(13,408,498)
Contributed Capital	840,949
CIP Closures	(917,457)
Net Adjustment	<u>\$4,107,091</u>

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

Debt Retired	2,107,068
Bond (Premium) Discount	(12,455)
Net Adjustment	<u>\$2,094,613</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	(145,167)
Pension Asset	(3,767,837)
Pension Outflow	3,881,924
Bond Subsidy	(800)
Net Adjustment	<u>(\$31,880)</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	(2,677,242)
Pension Inflow	4,898,276
Compensated Absence Payable	(97,926)
Accrued Interest Payable	(3,474)
Other Post Employment Benefit Obligation	(817,313)
Net Adjustment	<u>\$1,302,321</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

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

Cash and Deposits	
Cash on Hand	\$ 9,500
FDIC or PDPC Insured Bank Deposits	36,812,470
Fire District #41 Funds held by King County	51,341
Total	\$ 36,873,311

Investments

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

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State 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. The LGIP is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP has no limitations or restrictions on withdrawals.

Investments Measured at Amortized Cost

As of December 31, 2016 the City of Kirkland held the following investments at amortized cost:

Washington State Local Government Investment Pool	41,506,970
Total	\$ 41,506,970

Credit Risk

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The City's investment policy applies the prudent person standard; investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The Washington State Local Government Investment Pool is a 2a7-like pool and is unrated. The credit ratings on securities held by the City of Kirkland on December 31, 2016, are listed below:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
U.S. Treasury Notes	Aaa	AA+	\$ 29,943,304
Government Sponsored Enterprises			
Federal Home Loan Bank	Aaa	AA+	6,909,817
Federal Home Loan Mortgage Corporation	Aaa	AA+	29,862,665
Federal Farm Credit Bank	Aaa	AA+	19,871,790
Federal National Mortgage Association	Aaa	AA+	26,859,680
Municipal Security			
Clackamas & WA Cnty OR Sch Dist #62C	Aa1	NR	6,126,838
Total			\$ 119,574,094

Custodial Credit Risk

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

Concentration of Credit Risk

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

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
U.S. Treasury Notes	\$ 29,943,304		15.13%
Government Sponsored Enterprise			
Federal Home Loan Bank	6,909,817		3.49%
Federal Home Loan Mortgage Corporation	29,862,665		15.08%
Federal Farm Credit Bank	19,871,790		10.04%
Federal National Mortgage Association	26,859,680		13.57%
Municipal Security			
Clackamas & WA Cnty OR Sch Dist #62C	6,126,838		3.10%
Cash on Hand		9,500	0.00%
FDIC or PDPC Insured Bank Deposits		36,812,470	18.59%
Fire District #41 Funds held by King County		51,341	0.03%
Washington State Local Government Investment Pool		41,506,970	20.97%
Total	\$ 119,574,094	\$ 78,380,281	
Total Cash, Deposits and Investments		\$ 197,954,375	

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 2.06 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, 2016, was 30 days.

The following schedule presents the investments and related maturities as of December 31, 2016.

Investment Type	Fair Value	Maturity (in Years)	
		Less Than 1	1 - 5
Government Sponsored Enterprise (GSE's)	\$ 83,503,952	\$ 14,953,686	\$ 68,550,266
US Treasury Notes	29,943,304	9,989,848	19,953,456
Municipal Security	6,126,838	6,126,838	
Total	\$ 119,574,094	\$ 31,070,372	\$ 88,503,722

Fair Value Hierarchy

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

Investments By Fair Value	12/31/2016	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Enterprise (GSE's)	\$ 83,503,952	\$ -	\$ 83,503,952	\$ -
US Treasury Notes	29,943,304	29,943,304	0	-
Municipal Security	6,126,838	-	6,126,838	-
Total By Fair Value Level	\$ 119,574,094	\$ 29,943,304	\$ 89,630,790	\$ -

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 2016 was \$1.36411 per \$1,000 on an assessed valuation of \$20,253,432,559 for a total regular levy of \$27,627,852. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.04004 per \$1,000 for an excess levy of \$574,065. 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, 2016, was as follows:

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	601,732,052	431,368	0	602,163,420
Construction in Progress	8,063,741	17,239,297	14,005,240	11,297,798
Artwork	1,987,451	50,539	0	2,037,990
Total Capital Assets, Not Being Depreciated	\$ 611,783,244	17,721,204	14,005,240	\$ 615,499,208
Capital Assets, Being Depreciated:				
Buildings	39,388,277	337,482	0	39,725,759
Improvements	72,492,494	10,777,583	0	83,270,077
Machinery and Equipment	24,746,803	2,113,912	1,689,378	25,171,337
Infrastructure	271,624,101	2,455,778	112,363	273,967,516
Total Capital Assets, Being Depreciated	\$ 408,251,675	15,684,755	1,801,741	\$ 422,134,689
Less Accumulated Depreciation for:				
Buildings	14,515,755	1,256,022	0	15,771,777
Improvements	20,616,323	3,757,130	0	24,373,453
Machinery and Equipment	12,356,733	2,176,661	1,637,558	12,895,836
Infrastructure	124,932,833	7,957,196	101,125	132,788,904
Total Accumulated Depreciation	\$ 172,421,644	15,147,009	1,738,683	\$ 185,829,970
Total Capital Assets, Being Depreciated, Net	\$ 235,830,031	537,746	63,058	\$ 236,304,719
Governmental Activities Capital Assets, Net	\$ 847,613,275	18,258,950	14,068,298	\$ 851,803,927
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	2,565,132	27,474	0	2,592,606
Construction in Progress	3,041,015	7,061,920	8,009,999	2,092,936
Total Capital Assets, Not Being Depreciated	\$ 5,606,147	7,089,394	8,009,999	\$ 4,685,542
Capital Assets, Being Depreciated:				
Buildings	47,591	0	0	47,591
Improvements	215,937,576	8,281,022	14,683	224,203,915
Total Capital Assets, Being Depreciated	\$ 215,985,167	8,281,022	14,683	\$ 224,251,506
Less Accumulated Depreciation for:				
Buildings	47,591	0	0	47,591
Improvements	61,868,924	4,405,543	9,568	66,264,899
Total Accumulated Depreciation	\$ 61,916,515	4,405,543	9,568	\$ 66,312,490
Total Capital Assets, Being Depreciated, Net	\$ 154,068,652	3,875,479	5,115	\$ 157,939,016
Business-type Activities Capital Assets, Net	\$ 159,674,799	10,964,873	8,015,114	\$ 162,624,558

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

Governmental Activities	
General Government	2,638,240
Security of Persons and Property	2,488,136
Physical Environment	781,805
Transportation (includes depreciation of general infrastructure assets)	7,987,370
Economic Environment	15,046
Culture and Recreation	1,236,412
Governmental Activities Depreciation Expense	<u>\$ 15,147,009</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	2,767,672
Surface Water Utility	1,637,871
Solid Waste Utility	0
Business-type Activities Depreciation Expense	<u>\$ 4,405,543</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2016. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Culture and Recreation	921,086	44,071
General Government	8,274,346	654,662
Transportation	10,230,874	1,865,621
Total	<u>\$ 19,426,306</u>	<u>\$ 2,564,354</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 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (28,092,246)
Pension assets	\$ 5,774,509
Deferred outflows of resources	\$ 8,209,129
Deferred inflows of resources	\$ (483,894)
Pension expense/expenditures	\$ 4,259,987

State Sponsored Pension Plans

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

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

The City's actual PERS plan contributions were \$42,286 to PERS Plan 1 and \$3,192,966 to PERS Plan 2/3 for the year ended December 31, 2016.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years

of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2016 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.54%	6.59%

The City's actual plan contributions were \$147,316 to PSERS Plan 2 for the year ended December 31, 2016.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
Total	8.59%	8.41%

The City's actual contributions to the plan were \$1,057,143 for the year ended December 31, 2016.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$4,118,359.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015 to June 30, 2016, reflecting each plan's normal cost (using entry-age cost method), assumed interest and actual benefit payments.

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

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

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

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, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long term estimate of broad economic inflation.

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

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 16,001,643	\$ 13,269,467	\$ 10,918,262
PERS 2/3	26,988,226	14,658,115	(7,630,395)
PSERS 2	713,451	164,308	(226,848)
LEOFF 1	(466,032)	(784,511)	(1,056,740)
LEOFF 2	11,549,015	(4,118,359)	(15,927,010)

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, 2016, the City reported a total pension liability of \$23,189,020 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$13,269,467
PERS 2/3	14,658,115
PSERS 2	164,308
LEOFF 1	(784,511)
LEOFF 2	(4,118,359)
Total Pension Liability	\$23,189,020

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	(4,118,359)
LEOFF 2 – State's proportionate share of the net pension liability (asset) associated with the employer	(2,684,871)
TOTAL	(6,803,230)

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportionate Share
PERS 1	12,415,455	13,269,467	854,012
PERS 2/3	10,078,986	14,658,115	4,579,129
PSERS 2	68,300	164,308	96,008
LEOFF 1	(908,146)	(784,511)	123,635
LEOFF 2	(7,630,850)	(4,118,359)	3,512,491

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 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, 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 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the City recognized pension expense as follows:

	Pension Expense
PERS 1	582,023
PERS 2/3	2,169,500
PSERS 2	117,597
LEOFF 1	(109,422)
LEOFF 2	1,389,044
TOTAL	4,148,742

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, 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	334,104	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	774,659	
TOTAL	1,108,764	0

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	780,534	483,894
Net difference between projected and actual investment earnings on pension plan investments	1,793,730	
Changes of assumptions	151,504	
Changes in proportion and differences between contributions and proportionate share of contributions	333,798	
Contributions subsequent to the measurement date	948,735	
TOTAL	4,008,300	483,894

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	55,968	
Net difference between projected and actual investment earnings on pension plan investments	33,888	
Changes of assumptions	638	
Changes in proportion and differences between contributions and proportionate share of contributions	1,184	
Contributions subsequent to the measurement date	43,574	
TOTAL	135,251	0

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	79,744	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL	79,744	0

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	564,326	
Net difference between projected and actual investment earnings on pension plan investments	1,479,892	
Changes of assumptions	15,528	
Changes in proportion and differences between contributions and proportionate share of contributions	244,289	
Contributions subsequent to the measurement date	537,577	
TOTAL	2,841,613	

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,400,828	483,888
Net difference between projected and actual investment earnings on pension plan investments	3,721,358	
Changes of assumptions	167,669	
Changes in proportion and differences between contributions and proportionate share of contributions	579,271	
Contributions subsequent to the measurement date	2,304,545	
TOTAL ALL PLANS	8,173,672	483,894
Difference between ending & beginning Fund Balance	(15,588)	
TOTAL DRS	8,158,084	

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

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

	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PSERS 2</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2017	(82,263)	119,338	11,257	(16,479)	29,247
2018	(82,263)	119,338	11,257	(16,479)	29,247
2019	306,839	1,469,043	32,135	69,064	1,272,168
2020	191,792	867,960	25,226	43,639	891,246
2021	0	0	11,497	0	82,128
2022	0	0	306	0	0

Volunteer Firefighters' Relief and Pension Fund

The Volunteer Firefighters' Relief and Pension Fund System is a cost-sharing multiple-employer retirement system which was created by the Legislature in 1945 under Chapter 41.24 RCW. It provides pension, disability and survivor benefits. It is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administrative costs of the VFFRPF are funded through legislative appropriation. Approximately 500 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. Retirement benefits are established in Chapter 41.24 RCW and may be amended only by the Legislature. Membership in the system requires volunteer service with a fire department of an electing municipality of Washington State. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State

Investment Board. Members may elect to withdraw their contributions upon termination. The City has not recorded any liability for this plan.

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

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

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

Contributions

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf. The City does not have any Volunteer Firefighters, therefore no contributions were made in 2016.

The contribution rates for 2016 were as follows:

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

In accordance with Chapter 41.24 RCW, the state contributes 40 percent of the fire insurance premium tax to the plan. For fiscal year 2016, the fire insurance premium tax contribution was \$7.2 million.

Actuarial Assumptions

The total pension asset for the VFFRPF was determined by an actuarial valuation by the Office of the State Actuary (OSA) as of June 30, 2015, and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2015 valuation report.

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

Discount Rate

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the VFFRPF pension plan investments of 7 percent was determined using a building-block-method. As the plan has assets managed by both the Washington State Investment Board (WSIB) and the Office of the State Treasurer (OST), the long-term expected rate of return of 7 percent represents an approximate weighted-average of the assets managed by WSIB (7.5% expected return) and OST (4 percent expected return). 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 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, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of the Net Pension Asset

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

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

Pension Plan Fiduciary Net Position

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

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

Firefighters' Pension

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

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

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

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

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2016:

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

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

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

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

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Net Money-Weighted</u> <u>Rate of Return</u>
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%
2016	0.68%

	<u>Net External</u> <u>Cash Flows</u>	<u>Periods</u> <u>Invested</u>	<u>Period</u> <u>Weight</u>	<u>Net External Cash</u> <u>Flows with Interest</u>
Beginning Value - January 1, 2016	\$1,349,858	12.00	1.00	\$1,359,069
Monthly Net External Cash Flows:				
January	(1,098)	12.00	1.00	(1,105)
February	(1,098)	11.00	0.92	(1,105)
March	(1,098)	10.00	0.83	(1,104)
April	(1,098)	9.00	0.75	(1,104)
May	85,311	8.00	0.67	85,701
June	(1,098)	7.00	0.58	(1,102)
July	(1,098)	6.00	0.50	(1,102)
August	(1,098)	5.00	0.42	(1,101)
September	(1,098)	4.00	0.33	(1,100)
October	(1,098)	3.00	0.25	(1,100)
November	(1,098)	2.00	0.17	(1,099)
December	(228,292)	1.00	0.08	(228,416)
Ending Value – December 31, 2016	1,205,332			1,205,332
Money-Weighted Rate of Return	0.68%			

Net Pension Liability

The components of the net pension liability at December 31, 2016, were as follows:

	December 31, 2015	December 31, 2016
Total Pension Liability	\$346,507	\$333,693
Fiduciary Net Position	\$1,349,858	\$1,205,332
Net Pension Liability	\$(1,003,351)	\$(871,639)
Fiduciary Net Position as a % of total pension liability	389.56%	361.21%
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, 2015	December 31, 2016
Discount Rate	3.50%	3.75%
Long term expected rate of return, net of investment expense	3.50%	3.75%
Municipal bond rate	3.50%	3.75%

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

Schedule of Employer Contributions

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution As a % of Covered Payroll
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
2016	(93,400)	(126,991)	33,591	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, 2016, 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	51,045	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	51,045	-

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 :	
2017	14,673
2018	14,673
2019	14,672
2020	7,027
2021	-

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

	Original Amount	Date Established	Original Recognition Period*	Amount recognized in 12/31/2016 Expense	Balance of Deferred Inflows 12/31/2016	Balance of Deferred Outflows 12/31/2016
Investment	35,139	12/31/2016	5.0	7,028	0	28,111
(gains) or losses	38,224	12/31/2015	5.0	<u>7,645</u>	<u>0</u>	<u>22,934</u>
		Total		14,673	0	51,045
Economic/Demographic	0	12/31/2016	1.0	<u>0</u>	<u>0</u>	<u>0</u>
(gains) or losses		Total		0	0	0
Assumption	(9,305)	12/31/2016	1.0	<u>(9,305)</u>	<u>0</u>	<u>0</u>
changes or inputs		Total		(9,305)	0	0

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

Actuarial Assumptions

The long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2016.

Asset Class	Index	Long-Term Expected Real Rate of Return
Cash	Citigroup 90-Day T-Bills	0.50%
Short-Term Bonds	Citigroup 1-3 Year Gov/Cred	1.41%
Long-Term Bonds	Barclays Long Gov/Cred	2.97%
Assumed Inflation - Mean		2.25%
Long-Term Expected Rate of Return		3.75%

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

We believe that the assumption of 3.75% as of December 31, 2016 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 3.78% as of December 31, 2016. Rounding this to the nearest ¼% results in a discount rate of 3.75%. Using 3.75% for both the long-term expected rate of return and the bond index will mean that 3.75% could be used as the single discount rate. This will need to be re-evaluated as of later valuation dates.

Sensitivity Analysis

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

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total Pension Liability	\$ 373,343	\$ 333,693	\$ 300,006
Fiduciary Net Position	1,205,332	1,205,332	1,205,332
Net Pension Liability	(831,989)	(871,639)	(905,326)

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 824 employees who participated in the program during 2016, including seasonal employees. The City's contribution for 2016 was \$2,895,718; employee contributions were \$3,646,263 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 2016 there were 33 retirees receiving these benefits.

For 2016, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 535,829
	Direct Medical Costs	<u>78,732</u>
	Total Costs	<u>\$ 614,561</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 2014, 2015 and 2016. 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 \$5,468,786 is included as a noncurrent liability on the Statement of Net Position.

Determination of Annual Required Contribution	12/31/2014	12/31/2015	12/31/2016
Normal Cost at Year End	0	0	0
Amortization of UAAL	1,341,253	1,653,796	1,664,173
Annual Required Contribution (ARC)	\$1,341,253	\$1,653,796	\$1,664,173
Determination of Net OPEB Obligation			
Annual Required Contribution	\$1,341,253	\$1,653,796	\$1,664,173
Interest on Prior Year Net OPEB Obligation	132,384	153,696	186,059
Adjustments to ARC	(297,669)	(345,589)	(418,359)
Annual OPEB Cost	1,175,968	1,461,902	1,431,874
Contributions Made	643,170	652,826	614,561
Increase in Net OPEB Obligation	\$532,798	\$809,076	\$817,313
Net OPEB Obligation - beginning of year	\$3,309,599	\$3,842,397	\$4,651,473
Net OPEB Obligation – end of year	\$3,842,397	\$4,651,473	\$5,468,786

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$1,175,968	54.7%	\$3,842,397
12/31/2015	\$1,461,902	44.7%	\$4,651,473
12/31/2016	\$1,431,874	42.9%	\$5,468,786

Funding Status and Funding Progress

As of December 31, 2016, the plan was 0% funded. The accrued liability for benefits was \$18,502,926 and actuarial value of assets was \$0 resulting in a UAAL of \$18,502,926.

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

Actuarial Assumptions

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

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

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

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

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

**NOTE 8:
NONGOVERNMENTAL PENSION PLAN**

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

To be eligible to participate in the Plan, a person must be an employee and he must be covered under a bona fide written labor contract between an employer and a local union of the International Brotherhood of Teamsters that requires the employer to make payments to the Trust Fund. The current collective-bargaining agreement between the City and the Teamsters Local 763 expires December 31, 2017 and requires the City to pay \$0.35 per hour to the Trust Fund for each member of the bargaining unit, up to the maximum of 184 hours per calendar year. In 2016 the City made contributions for 99 employees, totaling \$73,696.

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

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

Contributions payable at December 31, 2016 were \$5,853 representing contributions made for hours worked in December 2016. These contributions were paid in January 2017.

NOTE 9: RISK MANAGEMENT

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 168 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

No claims in any of the past three years exceeded the City's insurance coverage. None of the current claims or lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2016.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, 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 six claims in excess of the \$100,000 per person stop loss maximum in 2016. 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
2016	\$630,045	\$6,225,297	\$6,294,771	\$560,571

NOTE 10: LONG-TERM DEBT

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

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

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has four loans with principal outstanding of \$4,319,574. 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
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	805,000	1,487,505	485,224	1,807,281
2022-2026	5,310,000	6,795,980	2,310,444	9,795,536
2027-2031	6,245,000	5,356,270	1,874,695	9,726,576
2032-2036	7,490,000	3,450,494	1,207,673	9,732,821
2037-2040	7,080,000	1,069,915	374,470	7,775,445
Total	\$ 31,270,000	\$ 24,523,719	\$ 8,328,298	\$ 47,465,421

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 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 12/31/2016	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	4,075,000	31,270,000	1,030,000
*2011 Limited Tax General Obligation Bond	5/26/2011	12/1/2021	3.2	4,000,000	1,841,599	2,158,401	404,715
2013 UTGO Refunding Bonds	10/29/2013	12/1/2022	2.3	4,670,000	1,505,000	3,165,000	510,000
*2015 LTGO Bonds - City Hall Remodel	11/20/2015	12/1/2034	3.45	5,800,000	215,000	5,585,000	230,000
Total				\$49,815,000	\$ 7,636,599	\$ 42,178,401	\$ 2,174,715

*Councilmanic

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
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	2,064,515	1,647,619
2022-2026	7,310,000	7,395,981
2027-2031	7,970,000	5,743,360
2032-2036	8,675,000	3,533,294
2037-2040	7,080,000	1,069,915
Total	\$ 42,178,401	\$ 26,728,157

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 12/31/2016	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	189,895	37,605	12,535
2001 Public Works Trust Loan Juanita Lift Station Replacement Project - Construction	11/14/2001	7/1/2021	0.5	1,848,000	1,333,156	514,844	102,969
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	627,641	458,659	57,332
2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement	10/8/2012	6/1/2032	0.5	3,343,249	34,783	3,308,466	206,779
Total				\$6,505,049	\$2,185,475	\$4,319,574	\$379,615

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2017	379,615	11,955
2018	379,615	19,825
2019	379,615	17,865
2020	367,080	15,904
2021	367,080	14,068
2022-2026	1,205,893	48,245
2027-2031	1,033,896	20,677
2032	206,780	1,034
Total	\$ 4,319,574	\$ 149,573

City of Kirkland Credit Ratings

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

NOTE 11: LEASES

Operating Leases

Copier Leases

In 2011, the City entered into two 60 month leases for a Konica Minolta C652 and Konica Minolta C650. The total cost for the year ended December 31, 2016, was \$14,435. These leases expired in 2016 and in December, 2016 the City entered into two 60 month leases for a Canon IR C 5560i and Canon IR C 700. The future minimum payments for these agreements are summarized as follows:

2017	18,589
2018	18,589
2019	18,589
2020	18,589
2021	18,589
Total	<u>\$92,945</u>

King County Housing Authority

Effective November 1, 2008, the City entered into a five year lease with King County Housing Authority to provide facilities for Parks Maintenance operations. On June 27, 2013 the lease was extended 3 additional years with a termination date of October 31, 2016. In October, 2016 the lease was converted to a six month lease, beginning on November 1, 2016. The lease automatically renews for six month periods unless terminated by either party upon not less than ninety days prior written notice. The base monthly rental amount will increase by 1.5% at the beginning of each six month renewal. Lease payments for 2016 totaled \$104,969. Future minimum payments are summarized as follows:

2017	<u>98,296</u>
Total	<u>\$98,296</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, 2016, was \$492. The future minimum payments for these agreements are summarized as follows:

2017	492
2018	492
2019	164
Total	<u>\$1,148</u>

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

During the year ending December 31, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/16	Additions	Reductions	Ending Balance 12/31/16	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable:					
General Obligation Bonds	44,285,470		2,107,069	42,178,401	2,174,715
Less:					
Issuance Discount	(310,346)	0	(12,455)	(297,891)	(12,455)
Interfund Loan	4,698,991	-	-	4,698,991	0
Compensated Absences	3,143,433	3,126,934	3,020,399	3,249,968	2,568,901
Self Insurance Claims	630,045	6,225,297	6,294,771	560,571	0
Net Pension Asset	(9,542,347)	3,899,550	131,712	(5,774,509)	0
Net Pension Liability	20,538,242	24,760,129	20,537,886	24,760,485	0
Other Post Employment Benefits	4,651,473	1,431,874	614,561	5,468,786	0
Governmental Activity Long-term Liabilities	<u>68,094,961</u>	<u>39,443,784</u>	<u>32,693,943</u>	<u>74,844,802</u>	<u>4,731,161</u>
<u>Business-Type Activities</u>					
PWTF Loans	1,519,124	2,993,002	192,552	4,319,574	379,615
Net Pension Liability	2,024,500	3,331,761	2,024,500	3,331,761	0
Compensated Absences	<u>166,954</u>	<u>439,308</u>	<u>433,338</u>	<u>172,924</u>	<u>138,339</u>
Business-Type Activity Long-term Liabilities	<u>3,710,578</u>	<u>6,764,071</u>	<u>2,650,390</u>	<u>7,824,259</u>	<u>517,954</u>

Compensated Absences

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$181,152 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 2016 the amount utilized to exhaust OPEB costs was \$225,000.

NOTE 13:
CONTINGENCIES AND LITIGATIONS

As of December 31, 2016, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

NOTE 14:
INTERFUND BALANCES AND TRANSFERS

Interfund balances as reported in the financial statements at December 31, 2016, were as follows:

<u>Interfund Balances Between</u> <u>Governmental and Business-Type Activities</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General	876,812	6,345
General Capital Projects		8,465
Non Major Governmental Funds:		
Parks Levy		457
Cemetery Operating		85
Parks Maintenance		7
Internal Service Funds		10,359
Business-Type Funds:		
Water/Sewer	17,959	555,452
Surface Water		24,220
Solid Waste		289,380
Total Transfers	\$ 894,771	\$ 894,771

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, 2016, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	446,391	9,363,787
Excise Capital Improvement		5,571,295
General Capital	5,952,368	165,428
Transportation Capital Projects	13,557,100	489,913
Non Major Governmental Funds:		
Lodging Tax	500	
Parks Maintenance	6,741	
Parks Levy	1,750	1,550,000
Impact Fees		5,213,300
Debt Service Funds	2,559,136	
Internal Service Funds	1,203,811	522,554
Proprietary Funds:		
Water/Sewer	7,305	311,150
Surface Water	11,824	261,150
Solid Waste	1,650	300,000
Total Transfers In/Out	\$ 23,748,577	\$ 23,748,577

NOTE 15: 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.

Member agencies will share in the remaining assets of the Task Force using the following participation percentages:

Bellevue	64.8%
Redmond	12.1%
Kirkland	12.0%
Mercer Island	11.1%

The City's share of assets is \$23,212.80 and will be distributed in 2017.

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 2016 the City contributed \$106,241 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 2016 was \$364,378. Cascade Water Alliance charges its members for each additional connection to the Cascade system. Each member collects a Regional Capital Facilities Charge and remits to the Cascade Alliance. In 2016, the City of Kirkland remitted \$1,176,980 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 Chris Paulucci, Finance and Administration Manager, 520 112th Ave NE, Suite 400, Bellevue, WA 98004.

EPSCA

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

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

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

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

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services. In 2016 the City of Kirkland paid EPSCA \$93,500 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, 2016, the weighted vote was as follows:

Bellevue	46.340%
Redmond	23.807%
Kirkland	18.399%
Mercer Island	6.098%
Issaquah	5.356%

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 \$109,866 in 2016.

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 2016, the City of Kirkland's share of these fees was \$2,658,411.

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

Hazardous Materials Unit and Response Team

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

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

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

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

Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Kirkland's assessment was \$12,500 in 2016.

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

Community Connectivity Consortium

The City of Kirkland is among several public agencies in the area that have established the Community Connectivity Consortium. The consortium started in 2003 with a joint fiber project between the Lake Washington School District and the City of Kirkland. It has now expanded to include the Cities of Kirkland, Bellevue, Renton, Seattle, Algonia, Auburn, Kent, Pacific, Tukwila, Redmond, Newcastle, Federal Way, Milton; the Lake Washington School District, Federal Way School District, University of Washington, Bellevue College, Bellevue School District, King County Public Hospital District No 2 (Evergreen Healthcare), Renton School District, Valley Communications Center, NORCOM, King County, Valley Medical Center, South Correctional Entity, 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 2016.

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 37 cities represented by SCA having a population less than 150,000. The SCA Board of Directors oversees the general activities of the Association, and governs the organization by establishing broad policies and objectives for SCA.

Operating revenues are provided by membership dues based on population. The City of Kirkland's dues were \$42,385 in 2016. Upon dissolution of SCA, any funds or assets shall be distributed to member cities and towns pursuant to the same formula used to determine membership dues. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

North Sound Metro SWAT

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

Operating revenues are provided by contributions from the participating cities based on population. The City of Kirkland's dues were \$7,012 for 2016. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

**NOTE 16:
BUDGET TO GAAP RECONCILIATION**

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

2016 Budget to GAAP Reconciliation

	General Fund	Excise Tax Capital Improvement	Street Operating Special Revenue	Contingency Special Revenue
Revenues on the Budgetary Basis	95,854,825	10,644,960	8,894,903	0
Increase (Decrease) due to accruals	(301,154)	(249,411)	0	0
Reclassification	8,894,903	0	(8,894,903)	0
Revenues on the GAAP Basis	<u>104,448,574</u>	<u>10,395,549</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	83,380,111	0	6,452,797	0
Increase (Decrease) due to accruals	(1,360,986)	0	0	0
Reclassification	6,452,797	0	(6,452,797)	0
Expenditures on the GAAP Basis	<u>88,471,922</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(5,353,532)	(5,571,295)	(3,965,500)	1,000,000
Increase (Decrease) due to accruals	(358,385)	0	0	0
Reclassification	(2,965,500)	0	3,965,500	(1,000,000)
Other Financing Sources (Uses) on the GAAP Basis	<u>(8,677,417)</u>	<u>(5,571,295)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the Budgetary Basis	12,474,714	10,644,960	2,442,106	0
Increase (Decrease) due to accruals	1,059,832	(249,411)	0	0
Reclassification	2,442,106	0	(2,442,106)	0
Excess (Deficiency) of Revenues				
Over (Under) Expenditures on the GAAP Basis	<u>15,976,652</u>	<u>10,395,549</u>	<u>0</u>	<u>0</u>

NOTE 17:
OTHER INFORMATION

The City of Kirkland Transportation Benefit District (TBD) was legally established by ordinance on February 10, 2014. It will provide additional funding for the purposes of implementing and funding transportation improvements. There has been no formal action from the Kirkland City Council to establish a meeting of the governing body, no business has been conducted, and no economic activity has commenced for the TBD. Therefore there is no financial reporting activity for the Transportation Benefit District in 2016.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PERS 1
as of June 30, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PERS 2/3
as of June 30, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
PSERS 2
as of June 30, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
LEOFF 1
as of June 30, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Proportionate Share of the Net Pension Liability
State Sponsored Plans
LEOFF 2
as of June 30, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
PERS 1
as of December 31, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
PERS 2/3
as of December 31, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
PSERS 2
as of December 31, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
LEOFF 1
as of December 31, 2016

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
State Sponsored Plans
LEOFF 2
as of December 31, 2016

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Schedule of Investment Returns

<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Net Money-Weighted</u> <u>Rate of Return</u>
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%
2016	0.68%

REQUIRED SUPPLEMENTARY INFORMATION
Firefighters' Pension Fund
Schedule of Employer contributions

<u>Year</u> <u>Ended</u> <u>December 31</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution*</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution</u> <u>As a % of</u> <u>Covered</u> <u>Payroll</u>
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
2016	(93,400)	(126,991)	33,591	0	N/A

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

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

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 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
December 31, 2016	0	18,503	18,503	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 2016 valuation amounts for the Medical and Long Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of State Actuary.

Required Supplementary Information
Western Conference of Teamsters' Pension Plan
Schedule of Employer Contributions
As of December 31, 2016

Statutorily or Contractually Required Contributions	73,696
Contributions in Relation to the Statutorily or Contractually Required Contributions	73,696
Contribution Deficiency (excess)	-
Covered Employee Payroll	5,585,341
Contributions as a Percentage of Covered Employee Payroll	1.32%

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

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

Fiscal Year Ending December 31	Employer Contributions
2007	64,050
2008	60,794
2009	54,917
2010	55,793
2011	54,627
2012	59,156
2013	66,552
2014	67,277
2015	72,159
2016	73,696



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, 2016

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Assets				
Cash and Cash Equivalents	157,230	326,640	269,500	204,539
Investments	239,603	497,738	410,851	310,408
Receivables, Net of Allowances				
Taxes	39,362	0	20,167	37,623
Prepayments	625	0	6,112	3,726
Total Assets	436,820	824,378	706,630	556,296
Liabilities				
Accounts Payable	3,674	2,637	7,838	3,929
Wages Payable	3,195	4,567	21,484	18,724
Benefits Payable	609	518	4,924	3,918
Due to Other Funds	0	85	7	457
Intergovernmental Payable	0	0	5,168	2,583
Total Liabilities	7,478	7,807	39,421	29,611
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	0	0	19,698	36,749
Total Deferred Inflows of Resources	0	0	19,698	36,749
Fund Balances				
Restricted for				
Tourism	429,342	0	0	0
Cemetery Operations	0	816,571	0	0
Culture and Recreation	0	0	647,511	489,936
Transportation	0	0	0	0
Debt Service	0	0	0	0
Total Fund Balances	429,342	816,571	647,511	489,936
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	436,820	824,378	706,630	556,296

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, 2016

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
2,512,839	3,470,748	10,884	120,185	131,069	3,601,817
3,828,394	5,286,994	16,326	184,051	200,377	5,487,371
0	97,152	0	9,481	9,481	106,633
0	10,463	0	0	0	10,463
6,341,233	8,865,357	27,210	313,717	340,927	9,206,284
0	18,078	0	0	0	18,078
0	47,970	0	0	0	47,970
0	9,969	0	0	0	9,969
0	549	0	0	0	549
0	7,751	0	0	0	7,751
0	84,317	0	0	0	84,317
0	56,447	0	9,219	9,219	65,666
0	56,447	0	9,219	9,219	65,666
0	429,342	0	0	0	429,342
0	816,571	0	0	0	816,571
1,691,469	2,828,916	0	0	0	2,828,916
4,649,764	4,649,764	0	0	0	4,649,764
0	0	27,210	304,498	331,708	331,708
6,341,233	8,724,593	27,210	304,498	331,708	9,056,301
6,341,233	8,865,357	27,210	313,717	340,927	9,206,284

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
December 31, 2016

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Revenues				
Taxes and Assessments	314,086	0	1,312,484	2,448,646
Intergovernmental	0	0	0	0
Charges for Services	0	79,060	10,514	45,167
Investment Interest	2,557	5,387	4,006	6,024
Miscellaneous Revenues	0	62	10,381	29,687
Total Revenues	316,643	84,509	1,337,385	2,529,524
Expenditures				
Current				
Physical Environment	0	114,002	0	0
Economic Environment	302,164	0	0	0
Culture and Recreation	0	0	1,321,287	1,229,365
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	8,000	0	0
Total Expenditures	302,164	122,002	1,321,287	1,229,365
Excess (Deficiency) of revenues				
Over (under) expenditures	14,479	(37,493)	16,098	1,300,158
Other Financing Sources (Uses)				
Sale of Capital Assets	0	51,542	0	0
Transfers In	500	0	6,741	1,750
Transfers Out	0	0	0	(1,550,000)
Total Other Financing Sources (Uses)	500	51,542	6,741	(1,548,250)
Net Change in Fund Balance	14,979	14,049	22,839	(248,092)
Fund Balances Beginning of Year	414,363	802,522	624,672	738,028
Fund Balances End of Year	429,342	816,571	647,511	489,936

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, 2016

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
0	4,075,216	479,577	572,621	1,052,198	5,127,414
0	0	544,343	0	544,343	544,343
5,020,480	5,155,221	0	0	0	5,155,221
43,226	61,200	228	0	228	61,428
0	40,130	0	0	0	40,130
5,063,706	9,331,767	1,024,148	572,621	1,596,769	10,928,536
0	114,002	0	0	0	114,002
0	302,164	0	0	0	302,164
0	2,550,652	0	0	0	2,550,652
0	0	1,617,068	490,000	2,107,068	2,107,068
0	0	1,960,527	84,065	2,044,592	2,044,592
0	8,000	0	0	0	8,000
0	2,974,818	3,577,595	574,065	4,151,660	7,126,478
5,063,706	6,356,948	(2,553,447)	(1,444)	(2,554,891)	3,802,057
0	51,542	0	0	0	51,542
0	8,991	2,559,136	0	2,559,136	2,568,127
(5,213,300)	(6,763,300)	0	0	0	(6,763,300)
(5,213,300)	(6,702,767)	2,559,136	0	2,559,136	(4,143,631)
(149,594)	(345,819)	5,689	(1,444)	4,245	(341,574)
6,490,827	9,070,412	21,521	305,942	327,463	9,397,875
6,341,233	8,724,593	27,210	304,498	331,708	9,056,301

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues						
Intergovernmental	450,000	658,000	477,752	260,855	738,607	80,607
Charges for Services	0	288,362	192,562	0	192,562	(95,800)
Fines and Forfeitures	0	0	10,165	0	10,165	10,165
Investment Interest	0	0	23,596	53,366	76,962	76,962
Investment Interest - Dedicated	54,196	54,196	0	0	0	(54,196)
Contributions/Donations	438,606	1,041,943	771,965	97,822	869,787	(172,156)
Miscellaneous Revenues	0	57,225	86,925	0	86,925	29,700
Total Revenues	942,802	2,099,726	1,562,965	412,043	1,975,008	(124,718)
Expenditures						
Current						
General Government	72,000	1,462,028	123,197	613,241	736,438	725,590
Security of Persons and Property	565,200	398,035	140,711	98,352	239,063	158,972
Physical Environment	0	18,000	5,500	51,456	56,956	(38,956)
Transportation	0	12,466	0	0	0	12,466
Culture and Recreation	0	10,000	6,947	3,432	10,379	(379)
Capital Outlay	14,321,700	39,841,059	10,410,172	12,722,897	23,133,069	16,707,990
Total Expenditures	14,958,900	41,741,588	10,686,527	13,489,378	24,175,905	17,565,683
Excess of revenues over expenditures	(14,016,098)	(39,641,862)	(9,123,562)	(13,077,335)	(22,200,897)	17,440,965
Other Financing Sources (Uses)						
Sale of Capital Assets	0	1,500,000	0	0	0	(1,500,000)
GO Bond Proceeds	5,804,576	5,753,262	5,800,000	0	5,800,000	46,738
Intergovernmental Loan Proceeds	0	0	4,698,991	0	4,698,991	4,698,991
Transfers In	9,029,343	19,119,997	13,331,879	5,952,368	19,284,247	164,250
Transfers Out	0	(425,408)	(462,095)	(165,428)	(627,523)	(202,115)
Total Other Financing Sources (Uses)	14,833,919	25,947,851	23,368,775	5,786,940	29,155,715	3,207,864
Net Change in Fund Balance	817,821	(13,694,011)	14,245,213	(7,290,395)	6,954,818	20,648,829
Fund Balances Beginning of Year	22,078,777	22,416,301	22,416,301	36,661,514	22,416,301	0
Fund Balances End of Year	22,896,598	8,722,290	36,661,514	29,371,119	29,371,119	20,648,829

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues						
Intergovernmental	19,837,684	22,077,223	7,370,240	4,106,552	11,476,792	(10,600,431)
Charges for Services	0	9,895,083	1,060,979	58,584	1,119,563	(8,775,520)
Contributions/Donations	0	259,307	550	0	550	(258,757)
Miscellaneous Revenues	0	0	0	21,830	21,830	21,830
Total Revenues	19,837,684	32,231,613	8,431,769	4,186,966	12,618,735	(19,612,878)
Expenditures						
Current						
Transportation	420,000	500,000	4,779,728	3,000,104	7,779,832	(7,279,832)
Capital Outlay	16,693,400	55,455,387	10,511,210	6,220,231	16,731,441	38,723,946
Total Expenditures	17,113,400	55,955,387	15,290,938	9,220,335	24,511,273	31,444,114
Excess of revenues over expenditures	2,724,284	(23,723,774)	(6,859,169)	(5,033,369)	(11,892,538)	11,831,236
Other Financing Sources (Uses)						
Proceeds Sale of Fixed Assets	0	0	150	0	150	150
Transfers In	12,139,900	20,285,670	6,987,843	13,557,100	20,544,943	259,273
Transfers Out	0	(979,042)	(524,918)	(489,913)	(1,014,831)	(35,789)
Total Other Financing Sources (Uses)	12,139,900	19,306,628	6,463,075	13,067,187	19,530,262	223,634
Net Change in Fund Balance	14,864,184	(4,417,146)	(396,094)	8,033,818	7,637,724	12,054,870
Fund Balances Beginning of Year	3,144,338	4,446,221	4,446,221	4,050,127	4,446,221	0
Fund Balances End of Year	18,008,522	29,075	4,050,127	12,083,945	12,083,945	12,054,870

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 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	6,192,647	12,245,192	(23,536)
Licenses and Permits	380,000	380,000	325,784	302,365	628,149	248,149
Intergovernmental	3,359,821	3,359,821	1,740,335	1,887,022	3,627,357	267,536
Charges for Services	90,000	287,346	106,459	192,676	299,135	11,789
Contributions/Donations	0	0	250	6,482	6,732	6,732
Miscellaneous Revenues	485,000	509,900	318,339	313,711	632,050	122,150
Total Revenues	16,583,549	16,805,795	8,543,712	8,894,903	17,438,615	632,820
Expenditures						
Current						
Transportation	11,229,752	12,403,313	5,437,300	6,327,444	11,764,744	638,569
Capital Outlay	79,000	294,000	213,840	125,353	339,193	(45,193)
Total Expenditures	11,308,752	12,697,313	5,651,140	6,452,797	12,103,937	593,376
Excess of revenues over expenditures	5,274,797	4,108,482	2,892,572	2,442,106	5,334,678	1,226,196
Other Financing Sources (Uses)						
Insurance Recovery	10,000	10,000	10,706	273,162	283,868	273,868
Transfers In	613,692	969,512	429,863	539,725	969,588	76
Transfers Out	(7,084,500)	(8,258,793)	(3,593,465)	(4,778,387)	(8,371,852)	(113,059)
Total Other Financing Sources (Uses)	(6,460,808)	(7,279,281)	(3,152,896)	(3,965,500)	(7,118,396)	160,885
Net Change in Fund Balance	(1,186,011)	(3,170,799)	(260,324)	(1,523,394)	(1,783,718)	1,387,081
Fund Balances Beginning of Year	3,855,799	4,231,808	4,231,808	3,971,484	4,231,808	0
Fund Balances End of Year	2,669,788	1,061,009	3,971,484	2,448,090	2,448,090	1,387,081

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, 2016

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

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	520,000	596,000	305,564	312,521	618,085	22,085
Investment Interest	4,252	4,252	2,196	3,222	5,418	1,166
Total Revenues	524,252	600,252	307,760	315,743	623,503	23,251
Expenditures						
Current						
Economic Environment	678,135	833,001	270,842	305,553	576,395	256,606
Total Expenditures	678,135	833,001	270,842	305,553	576,395	256,606
Excess of revenues over expenditures	(153,883)	(232,749)	36,918	10,190	47,108	279,857
Other Financing Sources (Uses)						
Operating Transfers In	0	500	0	500	500	0
Total Other Financing Sources (Uses)	0	500	0	500	500	0
Net Change in Fund Balance	(153,883)	(232,249)	36,918	10,690	47,608	279,857
Fund Balances Beginning of Year	310,420	350,280	350,280	387,198	350,280	0
Fund Balances End of Year	156,537	118,031	387,198	397,888	397,888	279,857

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues						
Charges for Services	74,000	74,000	50,065	79,060	129,125	55,125
Investment Interest	10,119	10,119	4,686	6,768	11,454	1,335
Miscellaneous Revenues	0	0	0	62	62	62
Total Revenues	84,119	84,119	54,751	85,890	140,641	56,522
Expenditures						
Current						
Physical Environment	116,806	156,456	50,750	107,673	158,423	(1,967)
Capital Outlay	4,800	4,800	8,400	8,000	16,400	(11,600)
Total Expenditures	121,606	161,256	59,150	115,673	174,823	(13,567)
Excess of revenues over expenditures	(37,487)	(77,137)	(4,399)	(29,783)	(34,182)	42,955
Other Financing Sources (Uses)						
Proceeds Sale of Fixed Assets	36,000	36,000	40,880	51,542	92,422	56,422
Total Other Financing Sources (Uses)	36,000	36,000	40,880	51,542	92,422	56,422
Net Change in Fund Balance	(1,487)	(41,137)	36,481	21,759	58,240	99,377
Fund Balances Beginning of Year	736,215	768,527	768,527	805,008	768,527	0
Fund Balances End of Year	734,728	727,390	805,008	826,767	826,767	99,377

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 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	1,312,378	2,592,803	(6,117)
Charges for Services	0	10,514	0	10,514	10,514	0
Investment Interest	0	0	3,342	5,086	8,428	8,428
Miscellaneous Revenues	10,200	20,050	6,579	10,390	16,969	(3,081)
Total Revenues	2,609,120	2,629,484	1,290,346	1,338,368	2,628,714	(770)
Expenditures						
Current						
Culture and Recreation	2,795,331	2,809,748	1,235,154	1,325,814	2,560,968	248,780
Total Expenditures	2,795,331	2,809,748	1,235,154	1,325,814	2,560,968	248,780
Excess of revenues over expenditures	(186,211)	(180,264)	55,192	12,554	67,746	248,010
Other Financing Sources (Uses)						
Insurance Recovery	0	0	0	1,103	1,103	1,103
Operating Transfers In	0	3,000	0	6,741	6,741	3,741
Total Other Financing Sources (Uses)	0	3,000	0	7,844	7,844	4,844
Net Change in Fund Balance	(186,211)	(177,264)	55,192	20,398	75,590	252,854
Fund Balances Beginning of Year	471,089	601,486	601,486	656,678	601,486	0
Fund Balances End of Year	284,878	424,222	656,678	677,076	677,076	252,854

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 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	2,448,448	4,817,516	(31,153)
Charges for Services	193,286	193,286	89,912	45,167	135,079	(58,207)
Contributions/Donations	0	26,110	16,776	20,722	37,498	11,388
Investment Interest	0	0	4,837	7,717	12,554	12,554
Miscellaneous Revenues	10,000	10,000	7,444	8,965	16,409	6,409
Total Revenues	5,051,955	5,078,065	2,488,037	2,531,019	5,019,056	(59,009)
Expenditures						
Current						
Culture and Recreation	2,680,660	2,683,983	1,265,687	1,237,696	2,503,383	180,600
Total Expenditures	2,680,660	2,683,983	1,265,687	1,237,696	2,503,383	180,600
Excess of revenues over expenditures	2,371,295	2,394,082	1,222,350	1,293,323	2,515,673	121,591
Other Financing Sources (Uses)						
Transfers In	0	1,500	0	1,750	1,750	250
Transfers Out	(2,500,000)	(2,630,000)	(1,080,000)	(1,550,000)	(2,630,000)	0
Total Other Financing Sources (Uses)	(2,500,000)	(2,628,500)	(1,080,000)	(1,548,250)	(2,628,250)	250
Net Change in Fund Balance	(128,705)	(234,418)	142,350	(254,927)	(112,577)	121,841
Fund Balances Beginning of Year	498,341	637,966	637,966	780,316	637,966	0
Fund Balances End of Year	369,636	403,548	780,316	525,389	525,389	121,841

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 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	5,020,480	7,455,909	3,033,209
Investment Interest	71,239	71,239	38,439	54,001	92,440	21,201
Total Revenues	1,671,239	4,493,939	2,473,868	5,074,481	7,548,349	3,054,410
Excess of revenues over expenditures	1,671,239	4,493,939	2,473,868	5,074,481	7,548,349	3,054,410
Other Financing Sources (Uses)						
Transfers Out	(1,162,777)	(6,770,976)	(1,701,209)	(5,213,300)	(6,914,509)	(143,533)
Total Other Financing Sources (Uses)	(1,162,777)	(6,770,976)	(1,701,209)	(5,213,300)	(6,914,509)	(143,533)
Net Change in Fund Balance	508,462	(2,277,037)	772,659	(138,819)	633,840	2,910,877
Fund Balances Beginning of Year	5,391,585	5,727,145	5,727,145	6,499,804	5,727,145	0
Fund Balances End of Year	5,900,047	3,450,108	6,499,804	6,360,985	6,360,985	2,910,877

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	961,076	961,076	477,569	479,577	957,146	(3,930)
Intergovernmental	1,090,492	1,090,492	550,260	544,343	1,094,603	4,111
Investment Interest - Dedicated	500	500	438	228	666	166
Total Revenues	2,052,068	2,052,068	1,028,267	1,024,148	2,052,415	347
Expenditures						
Current						
General Government	0	0	0	14,250	14,250	(14,250)
Debt Service						
Principal	3,186,886	4,403,100	2,794,817	1,617,069	4,411,886	(8,786)
Interest	3,603,408	3,767,825	1,804,687	1,919,719	3,724,406	43,419
Debt Issue Cost	0	82,626	82,626	(4,000)	78,626	4,000
Total Expenditures	6,790,294	8,253,551	4,682,130	3,547,038	8,229,168	24,383
Excess of revenues over expenditures	(4,738,226)	(6,201,483)	(3,653,863)	(2,522,890)	(6,176,753)	24,730
Other Financing Sources (Uses)						
Transfers In	4,758,658	6,221,915	3,662,187	2,559,136	6,221,323	(592)
Total Other Financing Sources (Uses)	4,758,658	6,221,915	3,662,187	2,559,136	6,221,323	(592)
Net Change in Fund Balance	20,432	20,432	8,324	36,246	44,570	24,138
Fund Balances Beginning of Year	26,753	23,448	23,448	31,772	23,448	0
Fund Balances End of Year	47,185	43,880	31,772	68,018	68,018	24,138

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, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual Amounts Budgetary Basis	2016 Actual Amounts Budgetary Basis	Actual 2015-2016 Biennium	Variance with Final Budget
Revenues						
Taxes and Assessments	1,144,055	1,144,055	570,083	572,520	1,142,603	(1,452)
Total Revenues	1,144,055	1,144,055	570,083	572,520	1,142,603	(1,452)
Expenditures						
Debt Service						
Principal	965,000	965,000	475,000	490,000	965,000	0
Interest	179,055	179,055	94,990	84,065	179,055	0
Total Expenditures	1,144,055	1,144,055	569,990	574,065	1,144,055	0
Excess of revenues over expenditures	0	0	93	(1,545)	(1,452)	(1,452)
Net Change in Fund Balance	0	0	93	(1,545)	(1,452)	(1,452)
Fund Balances Beginning of Year	309,276	305,688	305,688	305,781	305,688	0
Fund Balances End of Year	309,276	305,688	305,781	304,236	304,236	(1,452)

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, 2016

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Assets					
Current Assets					
Cash and Cash Equivalents	5,032,217	2,659,228	2,816,800	1,267,017	11,775,262
Investments	7,670,964	4,072,324	4,291,112	1,940,302	17,974,702
Accounts Receivable	36,547	2,755	77,884	17,307	134,493
Intergovernmental Receivable	7,855	0	0	0	7,855
Prepayments	5,378	5,594	0	22,552	33,524
Inventories	55,242	0	0	0	55,242
Total Current Assets	12,808,203	6,739,901	7,185,796	3,247,178	29,981,078
Noncurrent Assets					
Capital Assets					
Improvements	141,252	14,235	0	0	155,487
Equipment	21,353,052	12,773	0	43,760	21,409,585
Accumulated Depreciation	(11,220,536)	0	0	(31,512)	(11,252,048)
Total Capital Assets Net	10,273,768	27,008	0	12,248	10,313,024
Total Noncurrent Assets	10,273,768	27,008	0	12,248	10,313,024
Total Assets	23,081,971	6,766,909	7,185,796	3,259,426	40,294,102
Deferred Outflows of Resources					
Deferred Outflow Pension Contribution	95,871	100,056	0	458,099	654,026
Total Deferred Outflows of Resources	95,871	100,056	0	458,099	654,026
Liabilities					
Current Liabilities					
Accounts Payable	17,451	69,677	156,485	180,989	424,602
Claims Payable	0	0	560,571	0	560,571
Wages Payable	24,632	25,399	0	121,985	172,016
Benefits Payable	5,215	5,457	0	22,421	33,093
Compensated Absences Payable	36,741	23,405	0	84,776	144,922
Intergovernmental Payable	0	1,234	0	23,158	24,392
Due to Other Funds	0	10,359	0	0	10,359
Total Current Liabilities	84,039	135,531	717,056	433,329	1,369,955
Noncurrent Liabilities					
Compensated Absences Payable	9,185	5,851	0	21,194	36,230
Net Pension Liability	523,236	546,079	0	2,500,186	3,569,501
Total Noncurrent Liabilities	532,421	551,930	0	2,521,380	3,605,731
Total Liabilities	616,460	687,461	717,056	2,954,709	4,975,686
Deferred Inflows of Resources					
Deferred Inflow Pension Related	9,066	9,462	0	43,319	61,847
Total Deferred Inflows of Resources	9,066	9,462	0	43,319	61,847
Net Position					
Investment in Capital Assets	10,273,968	27,008	0	12,248	10,313,224
Unrestricted	12,278,348	6,143,034	6,468,740	707,249	25,597,371
Total Net Position	22,552,316	6,170,042	6,468,740	719,497	35,910,595

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, 2016

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Operating Revenues					
Charges for Services	4,371,962	3,946,123	8,818,570	5,553,030	22,689,685
Miscellaneous Revenues	25,218	213,262	117,956	69,226	425,662
Total Operating Revenues	4,397,180	4,159,385	8,936,526	5,622,256	23,115,347
Operating Expenses					
Administrative & General	588,283	466,018	8,803,723	3,032,941	12,890,965
Supplies	28,799	175,566	0	350,133	554,498
Maintenance & Operations	1,516,562	2,108,815	0	2,911,343	6,536,720
Depreciation	1,735,449	0	0	3,062	1,738,511
Total Operating Expenses	3,869,093	2,750,400	8,803,723	6,297,479	21,720,695
Operating Income (Loss)	528,087	1,408,985	132,803	(675,223)	1,394,652
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	77,402	0	48,624	0	126,026
Gain (loss) on Disposal of Capital Assets	127,587	0	0	0	127,587
Other Nonoperating Revenues/(Expenses)	42,389	2,769	0	0	45,158
Total Nonoperating Revenues (Expenses)	247,378	2,769	48,624	0	298,771
Income (Loss) before Contributions and Transfers	775,465	1,411,754	181,427	(675,223)	1,693,423
Transfers In	1,119,945	3,700	0	80,165	1,203,810
Transfers Out	0	(174,303)	(265,251)	(83,000)	(522,554)
Change in Net Position	1,895,410	1,241,151	(83,824)	(678,058)	2,374,679
Total Net Position - Beginning	20,656,906	4,928,891	6,552,564	1,397,555	33,535,916
Total Net Position - Ending	22,552,316	6,170,042	6,468,740	719,497	35,910,595

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, 2016

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Cash Flows From Operating Activities					
Cash Received From Interfund Charges	4,366,044	3,944,123	117,956	5,370,392	13,798,515
Contributions Received from Employees and Employer	0	0	8,195,379	0	8,195,379
Cash From Other Sources	22,977	215,266	667,981	282,107	1,188,331
Cash Paid to Suppliers for Goods and Services	(597,008)	(1,652,794)	(6,294,806)	(1,317,831)	(9,862,439)
Cash Paid to Employees for Services	(864,977)	(890,734)	(117,955)	(4,120,123)	(5,993,789)
Cash Paid for Central Business Functions	(592,379)	(135,548)	(2,449,423)	(81,335)	(3,258,685)
Cash Provided by Operating Activities	2,334,657	1,480,313	119,132	133,210	4,067,312
Cash Flows From Noncapital Financing Activities					
Transfers In	1,119,945	3,700	0	80,165	1,203,810
Transfers Out	0	(174,303)	(265,251)	(83,000)	(522,554)
Cash Provided by (Used for) Noncapital Financing Activities	1,119,945	(170,603)	(265,251)	(2,835)	681,256
Cash Flows From Capital and Related Financing Activities					
Proceeds From Sale of Assets and Insurance Recoveries	188,165	442	0	0	188,607
Acquisition and Construction of Capital Assets	(1,870,027)	(27,008)	0	0	(1,897,035)
Cash Provided by (Used for) Capital and Related Financing Activities	(1,681,862)	(26,566)	0	0	(1,708,428)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	(936,690)	(678,904)	180,066	(23,896)	(1,459,424)
Interest Revenue	96,624	0	61,561	0	158,185
Cash Provided by Investing Activities	(840,066)	(678,904)	241,627	(23,896)	(1,301,239)
Increase (Decrease) in Cash and Cash Equivalents	932,674	604,240	95,508	106,479	1,738,901
Cash and Cash Equivalents, January 1	4,099,543	2,054,988	2,721,292	1,160,538	10,036,361
Cash and Cash Equivalents, December 31	5,032,217	2,659,228	2,816,800	1,267,017	11,775,262
Reconciliation of Operating Income (Loss) to					
Cash Provided by Operating Activities					
Operating Income (Loss)	528,087	1,408,985	132,803	(675,223)	1,394,652
Adjustments to Reconcile Operating Income (Loss) to					
Cash Provided by Operating Activities					
Depreciation	1,735,449	0	0	3,062	1,738,511
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	(33,512)	4	44,790	371	11,653
(Increase) Decrease in Capital Related Accounts Receivable	35,840	0	0	0	35,840
(Increase) Decrease in Inventories	(12,329)	0	0	0	(12,329)
(Increase) Decrease in Intergovernmental Receivable	(7,855)	0	0	29,872	22,017
(Increase) Decrease in Prepayments	(5,378)	(5,594)	0	(22,552)	(33,524)
(Increase) Decrease in Pension Deferred Outflows of Resources	(66,721)	(69,084)	0	(336,032)	(471,837)
Increase (Decrease) in Pension Deferred Inflows of Resources	(39,460)	(42,097)	0	(159,884)	(241,441)
Increase (Decrease) in Net Pension Liability	199,316	201,914	0	1,143,771	1,545,001
Increase (Decrease) in Accounts Payable	(19,181)	(2,883)	11,013	154,591	143,540
Increase (Decrease) in Capital Accounts Payable	20,932	0	0	0	20,932
Increase (Decrease) in Claims Payable	0	0	(69,474)	0	(69,474)
Increase (Decrease) in Intergovernmental Payable	(85)	(8,678)	0	11,314	2,551
Increase (Decrease) in Due to Other Funds	0	(263)	0	0	(263)
Increase (Decrease) in Wages Payable	(9,867)	(10,080)	0	(40,273)	(60,220)
Increase (Decrease) in Benefits Payable	5,215	5,457		22,421	33,093
Increase (Decrease) in Compensated Absences Payable	4,206	2,632	0	1,772	8,610
Cash Provided by Operating Activities	2,334,657	1,480,313	119,132	133,210	4,067,312
Noncash Investing, Capital and Finance Activities:					
Change in Fair Value of Investments	0	0	0	0	0

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

AGENCY FUNDS

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

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

City of Kirkland
Statement of Agency Fund Net Position
 December 31, 2016
 For the fiscal year ended December 31, 2016

	Intergovernmental Clearing	Customer Deposits	2016
Assets			
Cash and Cash Equivalents	162,994	2,627,597	2,790,591
Deposits	0	0	0
Total Assets	162,994	2,627,597	2,790,591
Liabilities			
Current Liabilities			
Due to Other Governments	85,037	0	85,037
Deposits	77,957	2,627,597	2,705,554
Total Liabilities	162,994	2,627,597	2,790,591

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, 2016

	01/01/16 Balance	Additions	Deletions	12/31/16 Balance
Intergovernmental Custodial				
Assets				
Cash and Cash Equivalents	134,470	13,794,395	13,765,871	162,994
Total Assets	134,470	13,794,395	13,765,871	162,994
Liabilities				
Due to Other Governments	125,334	13,122,784	13,163,081	85,037
Deposits	9,136	808,813	739,992	77,957
Total Liabilities	134,470	13,931,597	13,903,073	162,994
Customer Deposits				
Assets				
Deposits	2,169,904	1,304,135	846,442	2,627,597
Total Assets	2,169,904	1,304,135	846,442	2,627,597
Liabilities				
Deposits	2,169,904	1,303,890	846,197	2,627,597
Total Liabilities	2,169,904	1,303,890	846,197	2,627,597
Totals - All Agency Funds				
Assets				
Cash and Cash Equivalents	134,470	13,794,395	13,765,871	162,994
Deposits	2,169,904	1,304,135	846,442	2,627,597
Total Assets	2,304,374	15,098,530	14,612,313	2,790,591
Liabilities				
Due to Other Governments	125,334	13,122,784	13,163,081	85,037
Deposits	2,179,040	2,112,703	1,586,189	2,705,554
Total Liabilities	2,304,374	15,235,487	14,749,270	2,790,591

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, 2016
Unaudited

	<u>2016</u>
Governmental Funds Capital Assets:	
Land	\$ 602,163,420
Buildings	39,597,154
Improvements other than Buildings	83,243,195
Machinery and Equipment	3,761,753
Artwork	2,037,990
Infrastructure	273,967,516
Construction in Progress	11,297,798
Total Governmental Funds Capital Assets	<u>\$ 1,016,068,826</u>

Investments in Governmental Funds Capital Assets by Source:	
General Fund	\$ 321,044,169
Special Revenue Funds	2,012,348
Impact Fees	16,774,201
Federal Grants	15,860,464
General Obligation Bonds	59,603,306
Private Gifts	12,670,160
Annexation	588,104,178
Total Governmental Funds Capital Assets	<u>\$ 1,016,068,826</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, 2016
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 9,083,133	\$ 15,984,149	\$ 26,828,177	\$ 2,252,564	\$ 50,539	\$ -	\$ 1,198,199	\$ 55,396,761
Judicial	-	-	-	-	-	-	-	\$ -
Security								
Police	5,367,905	5,157,399	33,913,599	219,804	91,133	-	-	\$ 44,749,840
Fire	1,531,188	5,698,796	617,425	836,942	-	-	109,457	\$ 8,793,808
Total Security	6,899,093	10,856,195	34,531,024	1,056,746	91,133	-	109,457	53,543,648
Transportation	524,210,116	5,845,821	392,794	152,934	-	273,967,516	7,437,874	\$ 812,007,055
Physical Environment	67,162	-	1,053,377	62,785	-	-	-	\$ 1,183,324
Economic Environment	-	-	-	-	-	-	-	\$ -
Human Services	-	-	-	-	-	-	-	\$ -
Culture and Recreation	61,903,916	6,910,989	20,437,823	236,724	1,896,318	-	2,552,268	\$ 93,938,038
Total Governmental Funds Capital Assets	\$ 602,163,420	\$ 39,597,154	\$ 83,243,195	\$ 3,761,753	\$ 2,037,990	\$ 273,967,516	\$ 11,297,798	\$1,016,068,826

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, 2016
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets
	Jan 1, 2016			Dec 31, 2016
General Govt	\$ 45,799,072	\$ 19,904,830	\$10,307,141	\$ 55,396,761
Judicial	-	-		-
Security				
Police	43,999,594	1,420,735	670,489	44,749,840
Fire	8,132,305	1,223,973	562,470	8,793,808
Total Security	<u>52,131,899</u>	<u>2,644,708</u>	<u>1,232,959</u>	<u>53,543,648</u>
Transportation	806,809,374	7,535,167	2,337,486	812,007,055
Physical Environment	1,183,324	-	-	1,183,324
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Culture and Recreation	92,730,693	1,447,362	240,017	93,938,038
Total Governmental Funds Capital Assets	<u>\$998,654,362</u>	<u>\$ 31,532,067</u>	<u>\$14,117,603</u>	<u>\$1,016,068,826</u>

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

Statistical Section

City of Kirkland STATISTICAL SECTION

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

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

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



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

	Fiscal Year									
	<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>	<u>2016</u>
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 808,933,913
Restricted	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	65,000,390
Unrestricted	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	58,812,732
Total Governmental Activities Net Position	\$ 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	\$ 932,747,035
Business-type Activities										
Net Investment in Capital Assets	\$ 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	\$ 158,304,984
Restricted	165,616	151,659	118,288	822,275	821,130	488,200	484,500	-	-	-
Unrestricted	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	58,915,069
Total Business-type Net Position	\$ 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	\$ 217,220,053
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 967,238,897
Restricted	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	65,000,390
Unrestricted	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	117,727,801
Total Primary Government Net Position	\$ 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	\$ 1,149,967,088

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

Page 1 of 2

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012¹</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental Activities										
General Government	\$ 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	\$ 8,918,548
Judicial	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	2,090,988
Security of Persons and Property	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	51,377,094
Physical Environment	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	1,154,543
Transportation	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	20,547,650
Human Services	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	1,598,994
Economic Environment	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	7,697,645
Culture and Recreation	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	10,691,708
Interest on Long Term Debt	952,919	801,792	706,000	776,642	2,110,842	2,238,879	2,129,096	1,980,886	1,978,302	2,044,592
Total Governmental Activities	\$ 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	\$ 106,121,762
Business Type Activities										
Water/Sewer	\$ 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	\$ 25,774,579
Surface Water	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	9,953,616
Solid Waste	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	16,225,830
Total Business Type Activities	\$ 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	\$ 51,954,025
Total Primary Government Expenses	\$ 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	\$ 158,075,787
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 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	\$ 7,553,305
Judicial	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	1,296,178
Security of Persons and Property	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	3,611,717
Physical Environment	704,730	573,298	443,828	332,774	841,679	1,245,290	1,565,435	1,377,746	1,842,902	2,137,154
Transportation	178,226	782,638	526,401	335,034	778,133	1,287,801	2,066,637	3,179,516	1,963,695	4,574,502
Economic Environment	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	9,785,849
Culture and Recreation	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	2,697,053
Operating Grants and Contributions	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	2,748,851
Capital Grants and Contributions	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	2,799,250
Total Governmental Activities	\$ 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	\$ 37,203,859

	Fiscal Year									
	2007	2008	2009	2010	2011	2012 ¹	2013	2014	2015	2016
Business Type Activities										
Charges for Service										
Water/Sewer	\$ 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	\$ 28,308,302
Surface Water	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	9,948,240
Solid Waste	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	16,847,535
Operating Grants and Contributions	600,683	388,360	364,251	313,490	529,923	284,721	277,666	423,061	252,351	244,933
Capital Grants and Contributions	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	3,629,064
Total Business Type Activities	\$ 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	\$ 58,978,074
Total Program Revenues	\$ 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	\$ 96,181,933
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (68,917,903)
Business Type Activities	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	7,024,049
Total Net Expense	\$ (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)	\$ (61,893,854)
General Revenues										
Governmental Activities										
Taxes										
Property Taxes	\$ 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	\$ 28,585,488
Sales Taxes	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	26,966,254
Excise Taxes	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	10,338,111
Business/Occupational Taxes	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	2,631,939
Utility Taxes	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	15,838,161
Other Taxes	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	1,722,548
Unrestricted Grants/Contributions	501	74,548	215,697	115,815	105,458	99,929	204,330	229,671	723,679	396,024
Investment Earnings	4,607,033	4,218,724	1,442,357	744,667	893,905	588,839	48,505	1,078,754	915,706	901,531
Gain (Loss) Sale of Capital Assets	108,031	87,053	106,852	397,866	38,694	46,215	32,395	-	63,123	179,129
Transfers, Internal Activities	180,715	659,801	150,000	172,799	840,362	865,313	586,406	537,149	1,183,245	851,520
Total Governmental Activities	\$ 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	\$ 88,410,705
Business Type Activities										
Investment Earnings	\$ 1,411,155	\$ 1,423,279	\$ 722,648	\$ 394,277	\$ 333,529	\$ 249,865	\$ 64,334	\$ 386,690	\$ 349,280	\$ 357,736
Gain (Loss) Sale of Capital Assets	-	-	-	-	-	-	(3,585)	(31)	(28,013)	-
Transfers, Internal Activities	(180,715)	(659,801)	(150,000)	(172,799)	(840,362)	(865,313)	(586,406)	(537,149)	(1,183,245)	(851,520)
Total Business Type Activities	\$ 1,230,440	\$ 763,478	\$ 572,648	\$ 221,478	\$ (506,834)	\$ (615,448)	\$ (525,657)	\$ (150,490)	\$ (861,978)	\$ (493,784)
Total Primary Government	\$ 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	\$ 87,916,921
Change in Net Position										
Governmental Activities	\$ 13,766,175	\$ 538,035	\$ (850,804)	\$ (70,000)	\$ 599,830,549	\$ 13,121,307	\$ 18,196,981	\$ 25,819,925	\$ 29,774,002	\$ 19,492,802
Business Type Activities	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	6,530,265
Total Change in Net Position	\$ 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	\$ 26,023,067

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

Schedule 3

City of Kirkland

Fund Balances of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	<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>	<u>2016</u>
General Fund (Per GASB 54)¹										
Nonspendable					\$ 260,094	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					462,762	587,434	601,933	1,315,449	147,514	162,587
Committed					6,187,802	2,569,900	2,808,391	2,322,236	2,271,414	4,144,197
Assigned					13,869,876	12,467,508	14,821,433	16,178,706	15,145,089	15,907,714
Unassigned					7,844,233	16,971,158	16,647,490	17,725,868	21,275,640	25,924,394
General Fund (Prior GASB 54)¹										
Reserved	\$ -	\$ -	\$ -	\$ -						
Unreserved	10,926,697	7,585,824	7,664,519	6,429,953						
Total General Fund	\$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	\$46,138,892
All Other Governmental Funds (Per GASB 54)¹										
Nonspendable					\$ 2,746	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					48,877,848	47,009,318	28,768,370	34,074,711	49,211,313	56,452,562
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	10,357,078
Unassigned					-	-	-	-	-	-
All Other Governmental Funds (Prior GASB 54)¹										
Reserved	\$ 2,693,084	\$ 2,482,649	\$ 1,589,550	\$26,308,722						
Unreserved, reported in:										
Special Revenue Funds	36,824,565	35,827,505	24,498,161	23,783,597						
Capital Projects Funds	20,787,912	24,403,049	23,439,218	21,641,181						
Total all Other Governmental Funds	\$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	\$66,809,640

¹ Prior to 2011 and the implementation of GASB statement 54, fund balances were classified as Reserved or Unreserved.

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

Schedule 4

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

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes and Assessments	\$ 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	\$ 84,708,112
Licenses and Permits	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	9,960,579
Intergovernmental	6,760,999	7,664,200	8,965,670	9,608,276	9,123,231	8,243,496	7,297,780	9,142,240	11,361,368	6,477,564
Charges for Services	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	23,313,222
Fines and Forfeitures	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	1,684,718
Investment Interest	3,679,548	3,048,864	1,654,092	676,043	803,086	527,466	53,779	865,129	787,521	775,507
Miscellaneous Revenues	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	1,516,895
Total Revenues	\$ 76,518,162	\$ 72,129,295	\$ 68,601,359	\$ 69,182,303	\$ 85,500,125	\$ 97,679,962	\$ 108,597,659	\$ 115,864,666	\$ 124,626,605	\$ 128,436,597
Expenditures										
Current										
General Government	\$ 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	\$ 14,467,522
Security of Persons and Property	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	47,070,679
Physical Environment	3,698,987	3,689,425	3,488,651	3,211,041	3,635,642	3,981,111	3,249,605	3,468,559	3,346,318	4,002,024
Transportation	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	12,493,646
Economic Environment	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	10,304,531
Culture and Recreation	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	9,170,244
Debt Service										
Principal	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	2,107,068
Interest	972,694	817,048	722,333	646,041	2,247,480	2,238,879	2,129,096	1,980,886	1,899,676	2,044,592
Bond Issuance Costs	-	-	-	98,507	48,679	-	-	-	78,625	-
Capital Outlay	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	17,592,097
Total Expenditures	\$ 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	\$ 119,252,403
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ 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	\$ 9,184,193
Other Financing Sources (Uses)										
Issuance of Debt	\$ -	\$ -	\$ -	\$ 35,345,000	\$ 4,255,000	\$ -	\$ 4,670,000	\$ -	\$ 5,800,000	\$ -
Refunded Amount to Escrow	-	-	-	-	(4,385,000)	-	(4,655,000)	-	-	-
Bond Discount	-	-	-	(373,661)	185,317	-	-	-	-	-
Debt Issue Cost	-	-	-	-	-	-	(32,500)	-	-	-
Sale of Capital Assets	403,402	97,798	33,036	366,825	38,694	43,206	615,963	3,216,797	36,992	51,542
Insurance Recovery	-	390,669	5,520	5,540	818	-	148,353	41,690	341,639	239,979
Transfers In	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	22,523,986
Transfers Out	(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)	(22,353,723)
Total Other Financing Sources (Uses)	625,069	965,356	1,195,346	36,251,041	129,922	297,024	806,213	3,980,273	10,938,998	461,784
Net Change in Fund Balance	\$ 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	\$ 9,645,977
Debt Service as a percentage of noncapital expenditures	7.43%	4.24%	4.25%	3.06%	5.33%	5.80%	5.18%	4.88%	5.13%	4.08%

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>
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
2016	\$ 21,783,054,865	\$429,318,516	\$ 22,212,373,381	1.41

Schedule 6

City of Kirkland

Direct and Overlapping Governments

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>							<u>Total Direct and Overlapping Rate</u>
	<u>Regular Levy</u>	<u>General Obligation Debt Service</u>	<u>Total Direct Rate</u>	<u>School District</u>	<u>County</u>	<u>State</u>	<u>Emergency Medical Services</u>	<u>Hospital</u>	<u>King County Library</u>	<u>Port of Seattle</u>	
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
2016	1.37	0.04	1.41	3.11	1.61	2.17	0.28	0.37	0.48	0.17	9.60

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

<u>Taxpayer</u>	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Carillon Properties	\$ 170,323,833	1	0.77%	\$ 148,076,634	1	1.50%
Prometheus Real Estate Group (Villaggio)	131,779,000	2	0.59%	59,871,000	2	0.61%
GSIC Forbes Creek Reit, Inc.	118,428,000	3	0.53%	59,421,000	3	0.60%
Essex Portfolio LP	105,478,000	4	0.47%	37,280,000	8	0.38%
Puget Sound Energy Electricity/Gas	89,199,600	5	0.40%	38,962,247	7	0.39%
Balaclava Holdings, Inc.	66,952,400	6	0.30%			
Kilroy Realty (Plaza at Yarrow Bay, Inc.)	60,102,384	7	0.27%	58,584,800	4	0.59%
Essex Montebello LLC	57,472,000	8	0.26%			
EQR-Heronfield LLC	51,801,000	9	0.23%			
Hunt Pacific	44,351,500	10	0.20%			
Property Tax Advisors				47,223,300	5	0.48%
BRE Properties				44,742,000	6	0.45%
Sylvan S. Shulman Co. (Parkplace)				36,739,400	9	0.37%
Paccar, Inc.				29,831,116	10	0.30%
Totals	<u><u>\$ 895,887,717</u></u>		<u><u>4.02%</u></u>	<u><u>\$ 560,731,497</u></u>		<u><u>5.67%</u></u>

Schedule 8

City of Kirkland

Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%	\$ 407,071	\$ 14,927,487	99.79%
2010	\$ 14,746,683	\$ 14,428,454	97.84%	\$ 303,082	\$ 14,731,536	99.90%
2011	\$ 21,792,076	\$ 21,498,711	98.65%	\$ 289,212	\$ 21,787,923	99.98%
2012	\$ 20,926,668	\$ 20,663,153	98.74%	\$ 258,335	\$ 20,921,488	99.98%
2013	\$ 26,328,493	\$ 25,909,705	98.41%	\$ 329,867	\$ 26,239,572	99.66%
2014	\$ 26,826,311	\$ 26,427,503	98.51%	\$ 310,815	\$ 26,738,318	99.67%
2015	\$ 27,500,146	\$ 27,113,476	98.59%	\$ 280,421	\$ 27,393,897	99.61%
2016	\$ 28,201,752	\$ 27,785,359	98.52%	\$ -	\$ 27,785,359	98.52%

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

	<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>	<u>2016</u>
Services	\$ 1,779,742	\$ 1,696,462	\$ 1,450,142	\$ 1,609,846	\$ 1,692,708	\$ 1,635,896	\$ 2,096,563	\$ 2,357,782	\$ 2,553,773	\$ 2,677,011
Contracting	3,007,168	2,685,516	1,727,379	1,739,823	1,748,813	2,544,008	2,739,984	2,866,557	2,980,957	3,438,137
Communications	657,923	564,808	481,053	439,692	476,189	442,779	472,092	505,170	521,689	540,250
Automotive/Gas Retail	3,276,488	2,990,763	2,650,594	3,038,615	3,161,851	3,655,104	4,147,690	4,383,760	4,735,672	4,775,308
Gen Merch/ Misc Retail	2,562,537	2,230,501	1,929,745	1,745,038	1,802,876	1,876,502	2,004,660	2,000,157	2,086,086	2,078,681
Retail Eating/Drinking	1,294,444	1,295,765	1,126,930	1,063,913	1,145,123	1,273,290	1,371,105	1,480,720	1,571,340	1,610,458
Other Retail	1,738,458	1,761,238	1,546,911	1,614,016	1,694,262	1,988,615	2,125,084	2,452,917	2,513,329	2,740,697
Wholesale	1,111,079	881,824	546,513	725,093	709,686	564,302	759,399	829,962	903,425	964,533
Miscellaneous	1,098,629	924,213	785,660	830,820	956,682	829,768	888,736	1,086,724	1,077,541	1,254,250
Total	<u>\$ 16,526,468</u>	<u>\$ 15,031,090</u>	<u>\$ 12,244,927</u>	<u>\$ 12,806,856</u>	<u>\$ 13,388,190</u>	<u>\$ 14,810,264</u>	<u>\$ 16,605,313</u>	<u>\$ 17,963,749</u>	<u>\$ 18,943,812</u>	<u>\$ 20,079,325</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Schedule 10

City of Kirkland

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

Fiscal Year	General Sales						Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington	King County			Regional	City of Kirkland ¹	Total General Sales Tax	State of	Total Automobile Sales/Leases	King	Total Restaurant Food and Beverage
	General	Criminal Justice	Mental Health	Transit Authority	Washington			County			
	Sales				Metro			Sales/Leases		Restaurant Food and Beverage	
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%
2016	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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Revenue Bonds</u>	<u>Public Works Trust Fund Loans</u>			
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
2016	\$ 42,178,401	\$ -	\$ -	\$ 4,319,574	\$ 46,497,975	1.07%	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>
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
2016	\$ 42,178,401	\$ 331,708	\$ 41,846,693	0.19%	\$ 498.09

Sources: City of Kirkland Finance and Administration; King County Department of Assessments

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2016 - 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	\$ 7,288,990,200	4.77%	\$ 347,684,833
Bellevue School District #405	744,169,749	0.18%	1,339,506
Lake Washington School District #414	515,175,666	39.94%	205,761,161
Port of Seattle	410,965,000	4.77%	19,603,031
Northshore School District #417	383,482,889	1.27%	4,870,233
Hospital District #2	207,484,763	30.27%	62,805,638
Library	96,807,769	8.20%	7,938,237
Northshore Parks and Rec	1,161,805	1.27%	<u>14,755</u>
Total Overlapping Debt			\$ 650,017,392
Direct Debt			
City of Kirkland ²	\$ 42,178,401	100.00%	<u>\$ 42,178,401</u>
Total Direct and Overlapping Debt			<u><u>\$ 692,195,793</u></u>

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

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

Schedule 14

City of Kirkland

Legal Debt Margin Information

Last Ten Fiscal Years - Unaudited

	Fiscal Year									
	<u>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>	<u>2016</u>
Debt Limit	\$ 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	\$ 1,665,928,004
Total Net Debt Applicable to Limit	<u>16,937,097</u>	<u>14,863,464</u>	<u>12,682,544</u>	<u>46,761,187</u>	<u>48,939,730</u>	<u>46,394,830</u>	<u>43,955,443</u>	<u>41,425,991</u>	<u>43,958,007</u>	<u>41,846,693</u>
Legal Debt Margin	<u>\$ 722,955,914</u>	<u>\$ 971,940,981</u>	<u>\$ 835,732,662</u>	<u>\$ 756,551,237</u>	<u>\$ 723,454,859</u>	<u>\$ 1,028,197,838</u>	<u>\$ 1,139,121,558</u>	<u>\$ 1,342,870,883</u>	<u>\$ 1,475,064,017</u>	<u>\$ 1,624,081,311</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	2.29%	1.51%	1.49%	5.82%	6.34%	4.32%	3.72%	2.99%	2.89%	2.51%

Legal Debt Margin Calculation for Fiscal Year 2016

Total Assessed Value	<u>22,212,373,381</u>
Debt Limit (7.5% of Total Assessed Value)	<u>1,665,928,004</u>
Debt Applicable to Limit:	
General Obligation Bonds	42,178,401
Less Cash on Hand for Debt Redemption	<u>(331,708)</u>
Total Net Debt Applicable to Limit	<u>41,846,693</u>
Legal Debt Margin	<u>\$ 1,624,081,311</u>

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

Schedule 15

City of Kirkland

Pledged-Revenue Coverage

Last Ten Fiscal Years - Unaudited

<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>Coverage</u>	<u>Special Assessment Collections</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>			<u>Principal</u>	<u>Interest</u>	
2007	\$ 16,578,496	\$ 12,741,287	\$ 3,837,209	\$ 640,000	\$ 178,173	4.69	\$ 4,544	\$ -	\$ -	-
2008	\$ 17,559,865	\$ 13,220,756	\$ 4,339,109	\$ 665,000	\$ 152,073	5.31	\$ -	\$ -	\$ -	-
2009	\$ 18,391,063	\$ 14,318,592	\$ 4,072,471	\$ 690,000	\$ 124,185	5.00	\$ -	\$ -	\$ -	-
2010	\$ 18,271,596	\$ 14,579,329	\$ 3,692,267	\$ 730,000	\$ 92,275	4.49	\$ -	\$ -	\$ -	-
2011	\$ 19,593,206	\$ 16,287,970	\$ 3,305,236	\$ 765,000	\$ 56,130	4.03	\$ -	\$ -	\$ -	-
2012	\$ 20,966,391	\$ 16,940,958	\$ 4,025,433	\$ 460,000	\$ 28,200	8.25	\$ -	\$ -	\$ -	-
2013	\$ 24,733,565	\$ 21,179,766	\$ 3,553,799	\$ 475,000	\$ 9,500	7.33	\$ -	\$ -	\$ -	-
2014	\$ 25,798,960	\$ 20,981,503	\$ 4,817,457	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
2015	\$ 27,451,520	\$ 22,320,775	\$ 5,130,745	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
2016	\$ 27,947,299	\$ 22,991,364	\$ 4,955,935	\$ -	\$ -	-	\$ -	\$ -	\$ -	-

Schedule 16

City of Kirkland

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>King County Unemployment Rate</u>
2007	47,890	\$ 2,749,317	\$ 57,409	3.60%
2008	48,410	\$ 2,813,347	\$ 58,115	4.40%
2009	49,010	\$ 2,788,865	\$ 56,904	8.60%
2010	48,787	\$ 2,483,502	\$ 50,905	9.10%
2011	80,505	\$ 4,330,525	\$ 53,792	8.10%
2012	81,480	\$ 4,174,139	\$ 51,229	6.60%
2013	81,730	\$ 3,941,266	\$ 48,223	5.23%
2014	82,590	\$ 4,070,358	\$ 49,284	4.70%
2015	83,460	\$ 4,203,726	\$ 50,368	4.10%
2016	84,680	\$ 4,359,009	\$ 51,476	3.93%

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>	
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 ²	\$ 8,263,498	3	135	\$ 32,156,303	\$ 18,457,291,655
2015	6	\$ 57,174,918	309	\$ 175,251,380	n/a ²	\$ 10,261,283	1	0	\$ 758,000	\$ 20,253,626,993
2016	15	\$ 228,630,789	316	\$ 161,292,444	91	\$ 17,025,380	5	132	\$ 30,263,720	\$ 22,212,373,381

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

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Evergreen Healthcare	4,281	1	9.51%	2,850	1	8.91%
Lake Washington School District	1,115	2	2.48%	428	4	1.34%
Google, Inc.	1,020	3	2.27%	200	9	0.63%
City of Kirkland	580	4	1.29%	581	2	1.82%
Astronics Advanced Electronic Systems	483	5	1.07%			0.00%
Fairfax Hospital	444	6	0.99%			0.00%
Kenworth Truck Co.	428	7	0.95%	427	5	1.33%
Wave Broadband	409	8	0.91%			0.00%
ATG Stores	361	9	0.80%			0.00%
Tableau Software	317	10	0.70%			0.00%
Nintendo of America, Inc.				515	3	1.61%
Clearwire Corporation				400	6	1.25%
Wireless Data Services				390	7	1.22%
Costco Wholesale				204	8	0.64%
Ciber, Inc.				200	10	0.63%
Total	<u>9,438</u>		<u>20.97%</u>	<u>6,195</u>		<u>19.37%</u>

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

Function/Program	Full-time Equivalent Employees as of December 31									
	<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>	<u>2016</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	21.24	21.54	21.54	21.90	30.40	8.65	8.25	8.54	9.94	10.94
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	18.75
Human Resources	7.10	7.10	7.10	8.10	8.80	8.70	8.70	8.70	8.90	9.20
Parks and Community Services	32.78	36.53	36.53	33.03	32.25	31.00	30.00	30.00	31.00	31.00
Public Works	26.95	27.55	27.55	23.30	26.15	25.35	28.95	31.20	31.20	37.25
Finance and Administration	29.50	28.80	29.05	30.40	32.65	32.80	32.80	33.80	35.30	35.30
Planning and Community Development	23.56	22.06	21.06	19.95	24.25	24.25	23.45	23.45	24.45	-
Planning and Building ¹	-	-	-	-	-	-	-	-	-	52.85
Police	110.50	109.00	95.50	121.50	135.25	137.50	135.50	135.50	136.00	136.00
Fire and Building ¹	109.53	113.28	112.28	107.73	120.78	122.28	123.28	128.28	129.28	-
Fire ¹	-	-	-	-	-	-	-	-	-	111.50
Other General Government Operating Funds										
Lodging Tax Fund	0.25	0.90	0.90	0.60	0.60	0.60	0.60	0.66	0.66	0.66
Street Operating	15.40	16.90	16.10	15.50	22.50	20.65	20.75	20.90	20.90	21.79
Parks Maintenance	7.50	7.50	7.50	7.50	10.25	10.25	9.25	9.25	8.50	8.50
2012 Parks Levy	-	-	-	-	-	-	7.25	7.25	7.75	7.00
Recreation Revolving	3.25	-	-	-	-	-	-	-	-	-
Facilities Maintenance	5.90	5.90	5.95	5.85	6.35	6.35	7.35	7.95	7.95	7.95
Equipment Rental	6.00	6.00	6.40	6.30	7.30	7.30	7.30	7.40	7.40	7.45
Information Technology	18.75	19.50	20.00	19.25	23.75	24.50	24.70	24.70	26.70	26.70
Proprietary Funds										
Water/Sewer Operating	20.71	21.21	21.06	21.21	20.31	19.81	19.81	19.76	21.26	21.51
Surface Water Management	15.39	17.24	17.74	18.49	26.04	27.59	27.59	27.79	34.19	33.95
Solid Waste	1.65	1.70	1.70	2.00	3.30	2.80	2.80	2.80	2.80	2.80
Total	<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>573.93</u>	<u>592.10</u>

¹ Prior to 2016, Building located in Fire

Schedule 20

City of Kirkland

Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</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>	<u>2016</u>
Security of Persons and Property - Police										
Calls for Service	56,986	58,499	58,245	62,677	71,729	74,317	69,568	69,876	63,104	60,732
Security of Persons and Property - Fire										
Calls for Service (aid and fire)	7,255	7,256	7,320	7,098	7,286	7,982	8,033	8,228	8,674	8,743
Average EMS Reponse (minutes)	5:30	5:27	5:20	5:17	5:32	5:25	5:18	5:24	7:40	7:48
Average Fire Response (minutes)	5:59	5:47	5:46	5:41	5:42	5:44	5:55	5:45	7:49	8:12
Culture and Recreation										
Adult Program Registrations	4,675	3,894	3,234	2,877	3,508	3,675	3,259	3,443	3,246	2,859
Preschool Program Registrations	3,467	3,516	3,773	4,005	4,339	3,973	4,435	4,041	4,194	4,209
Youth Program Registrations	4,526	4,610	4,505	4,477	4,272	5,047	5,466	4,949	5,248	5,276
Teen Program Registrations	93	130	88	144	113	134	103	186	256	202
Parent/Child Program Registrations	392	372	222	199	199	1,608	1,752	1,773	1,937	1,974
Senior Program Registrations	4,833	4,065	4,104	3,441	3,509	4,120	4,196	3,568	3,444	4,047
Physical Environment										
Street Hot Patching (hours)	4,469	4,650	3,819	3,354	3,422	3,856	5,246	6,533	5,300	3,664
Street Signal Maintenance (hours)	2,546	2,723	2,712	2,700	3,717	4,376	3,871	3,064	2,973	1,006
Street Sweeping (hours)	2,001	1,959	1,971	1,518	2,340	2,883	3,389	2,770	2,763	2,765
Number of Sewer Customers	9,771	9,923	10,004	10,080	10,154	10,238	10,309	10,434	10,597	10,722
Number of Water Customers	11,849	11,955	12,056	12,104	12,153	12,224	12,318	12,431	12,571	12,652
Average Daily Water Consumption (million gallons)	5.80	6.30	5.90	5.46	5.40	5.60	5.31	5.60	6.01	5.50

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>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>	<u>2016</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	6.8	6.5	6.4	7.0	10.1	10.5	10.5	10.3	9.8	-
Patrol Officers per 10 hr shift ¹	-	-	-	-	-	-	-	-	-	8.0
Security of Persons and Property - Fire										
Stations (full-time staffed)	6	5	5	5	5	5	5	5	5	5
Stations (part-time reserve staffed)	1	1	1	1	1	0	1	0	0	0
Culture and Recreation										
Parks Acreage	515	517	517	518	544	554	556	558	559	559
Parks (developed)	33	33	32	32	34	35	35	35	36	36
Parks (undeveloped)	7	7	8	8	10	10	10	10	10	10
Waterfront Footage	13,200	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270
Miles of Improved Park Trails	5.5	5.5	5.8	5.8	6.3	6.5	6.5	7.0	13.0	13.0
Miles of Unimproved Park Trails	4.0	4.0	4.0	4.0	5.0	5.0	5.0	11.0	5.0	5.0
Community Centers	2	2	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	166	167	169	169	170	170	175	175	175	175
Sanitary Sewers (miles)	117	119	119	120	121	122	122	123	123	123
Streets (miles)	149	148	147	147	249	250	250	250	250	250
Sidewalks (miles)	138	139	140	141	237	237	238	242	242	243

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