

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31,
2021



Summer Afternoon at Juanita Beach

THE CITY OF KIRKLAND, WASHINGTON



City of Kirkland, Washington

Comprehensive Annual Financial Report



For the Fiscal Year Ended December 31, 2021

Michael Olson
Director of Finance and Administration

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**City of Kirkland, Washington
Comprehensive Annual Financial Report
For the Year ended December 31, 2021**

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Introductory Section



Government Finance Officers Association

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

Presented to

**City of Kirkland
Washington**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

CITY OF KIRKLAND

CITY COUNCIL

Mayor.....	Penny Sweet
Deputy Mayor	Jay Arnold
Council Members	Neal Black
	Kelli Curtis
	Amy Falcone
	Toby Nixon
	Jon Pascal

ADMINISTRATIVE STAFF

CITY MANAGER'S OFFICE

City Manager	Kurt Triplett
Deputy City Manager	Beth Goldberg
Deputy City Manager	James Lopez

MUNICIPAL COURT

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

City Attorney	Kevin Raymond
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FINANCE AND ADMINISTRATION

Director	Michael Olson
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FIRE

Fire Chief	Joe Sanford
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HUMAN RESOURCES AND PERFORMANCE MANAGEMENT

Director	Truc Dever
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INFORMATION TECHNOLOGY

Chief Information Officer	Smitha Krishnan
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PARKS AND COMMUNITY SERVICES

Director	Lynn Zwaagstra
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PLANNING AND BUILDING

Director	Adam Weinstein
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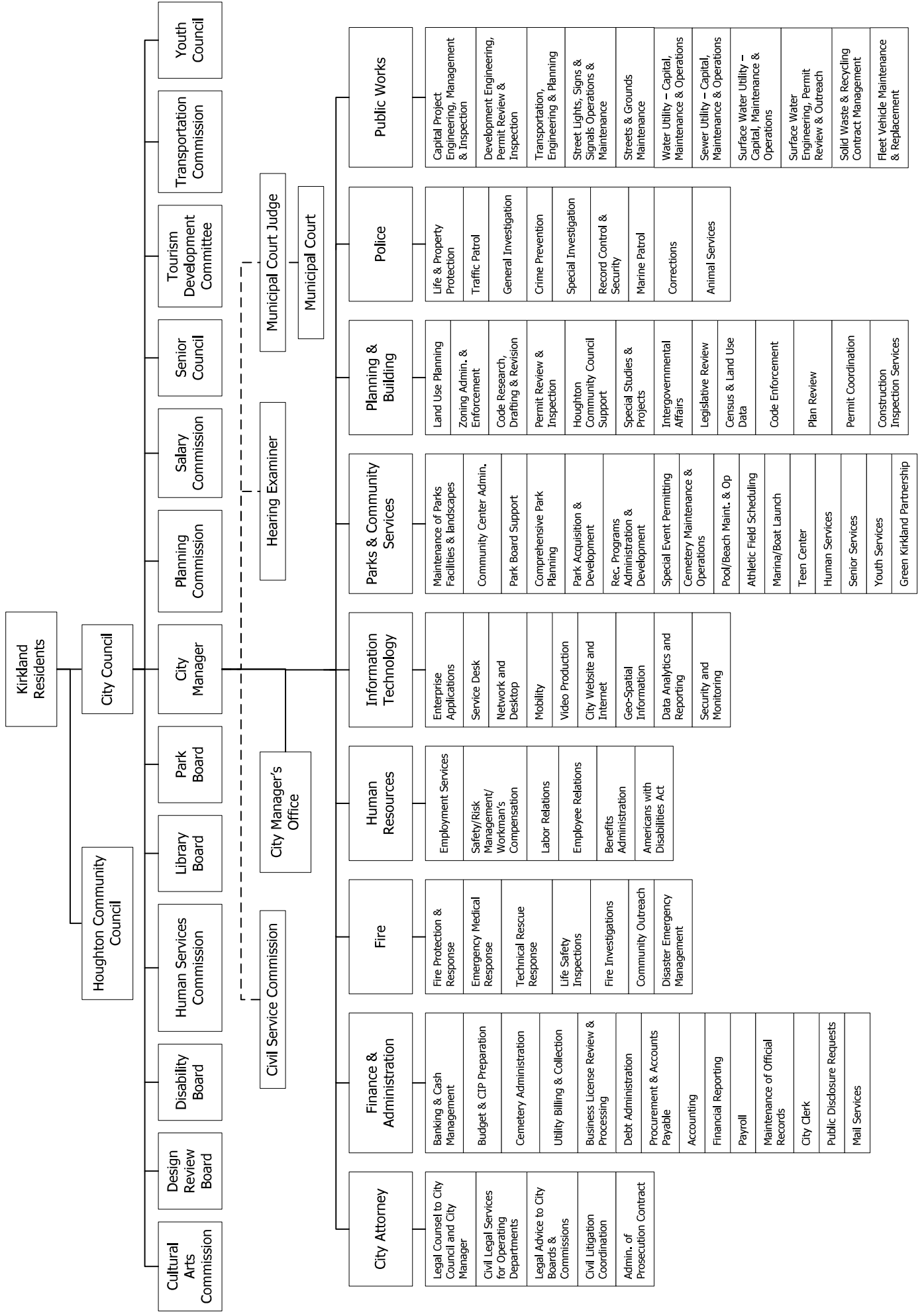
POLICE

Police Chief	Cherie Harris
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PUBLIC WORKS

Interim Director	Julie Underwood
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CITY OF KIRKLAND





July 29, 2022

Community 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, 2021.

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

The State Auditor's Office has issued an unmodified ("clean") opinion on the City of Kirkland's financial statements for the year ended December 31, 2021. 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 2021 estimated population is 92,900 making Kirkland the twelfth 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 2021, the City boasted over fifty developed parks, including eleven that are located on the waterfront, as well as two community centers, and a swimming pool. The broad range of recreational facilities provides year-round services for community members 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 continues to recover from the impact of the pandemic even as extended global supply chain disruptions and changing consumer demand patterns contribute to concerns that rising inflation may remain a longer-term issue. 2021 concluded with a growth in jobs, evidenced by falling unemployment rates; growth in sales tax; and increases in permitting activity – continuing the recovery that began in 2020.

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

In 2015 the Kirkland City Council adopted revisions to the Comprehensive Plan as part of “Kirkland 2035”, a conversation with the community about the City’s future. The Comprehensive Plan, a requirement of the Growth Management Act (GMA), helps define goals, objectives and policies to guide Kirkland over the next 20 years. As part of the process, the City developed new long-range plans for transportation, parks, recreation, and open spaces, the City’s utilities, the Cross Kirkland Corridor, and other major capital projects. These efforts coupled with other strategic plans form the basis for long-term financial planning. With the adoption of the 2021-2026 Capital Improvement Program in December 2020, Kirkland continues to fund the needs identified through the Kirkland 2035 process.

In 2022-2024, the City of Kirkland is conducting a major update of the Comprehensive Plan. As noted above, the Comprehensive Plan is a guide for how Kirkland as a community will provide the public facilities and services to direct and manage growth. The update process will be an opportunity to think about the kind of community Kirkland will become and believe can achieve for the next 20 years to the year 2044. The target completion date for the updated Plan is May 2024.

Kirkland continues to take steps to bring the growth rate of the cost of doing business into line with revenue growth. Measures that the City has identified to help address this structural imbalance include a voter approved property tax lift for enhanced Fire protection services in 2020, sales tax increase of 0.1% in 2018 for enhanced police services, voter approved property tax increases for transportation and parks (in 2012), implementation of the Healthy Kirkland Plan consisting of a consumer-driven healthcare model that includes a near-site employee health clinic which has been successful in limiting the growth of health care costs, and active pursuit of economic development opportunities. The economic development efforts in Kirkland of its two major opportunities for redevelopment, The Village at Totem Lake (formerly Totem Lake Mall) and Kirkland Urban (formerly ParkPlace) are coming into fruition as construction which began in 2016, is nearly completed.

Sales tax revenue in 2021 grew strongly compared to 2020. In 2021, the City received the last payment of the ten-year State annexation sales tax credit (ASTC) which provided about \$4 million per year for the City. The ASTC served as an essential bridge between revenues and expenditures in the annexation area since the 2011 annexation, allowing the City to provide services to the previously unincorporated neighborhoods while developing long-term strategies to serve the City at large. In total, the City received \$39.545 million in ASTC since 2011, which supported General Fund services provided to the annexation area. In that time, the City improved fire service in the annexation area, with the Fire Station 25 remodel and the new Fire Station 24, and also provided police and transportation improvements. Economic activity in Kirkland has grown since annexation, most notably related to The Village at Totem Lake development and Kirkland Urban. The City anticipated and prepared for the fiscal impact of the 2021 expiration of the tax credit. Through careful planning and budgeting of reserves, staffing, and new revenue opportunities, the City has been able to successfully balance the budget and maintain service levels in the 2021-2022 Budget. The City's focus on economic development is discussed further under "Major Initiatives" below.

Additionally, late in 2021 and early 2022 City Council added the following two items to the 2021-2022 City Work plan, detailed under **Major Initiatives** below, to further provide for the long term financial success of the City.

Activate the Kirkland Transportation Benefit District in 2022 for the purpose of funding Safer Routes to School Action Plans priority projects, Active Transportation Plan priority projects, Vision Zero priority projects and other active transportation projects to further the goals of Community Safety, Vibrant Neighborhoods, Inclusive and Equitable Community, Balanced Transportation, and Dependable Infrastructure.

Explore potential comprehensive Parks ballot measure options to be placed before Kirkland voters in 2023 for the purpose of maintaining and expanding natural areas, open spaces, aquatic and recreational facilities, and program opportunities that enhance the health and wellbeing of the community to further the goals of abundant parks, open spaces, and recreational services.

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 2021-2022 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 2020. As part of the budget process, significant one-time receipts can be set aside as a funding source for non-recurring expenditures. Reserve replenishment continues to be a high priority, with the full funding of the reserve targets being achieved in the 2021-2022 Biennial Budget. 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 2021-2022 biennium, which helps define the major initiatives related to the City's priority goals.

Equity and Social Justice:

- Implement R-5434 elements such as non-commissioned emergency responders, police transparency and accountability measures, and community-wide equity and inclusion programs to create a safer and more equitable Kirkland that increases the safety and respect of Black people and reduces systemic racism and poverty.

Fire and Emergency Medical Services:

- Complete construction and open Fire Station 24 in Juanita with a cross-staffed crew of three firefighter/emergency medical technicians (EMTs) to implement the Fire Strategic Plan.
- Adopt a Fire and Emergency Medical Services ballot measure implementation plan, stockpile pandemic personal protective equipment, initiate hiring of new and diverse firefighter/EMTs, complete design of the new Fire Station 27 in Totem Lake, complete design of the renovation of Fire Station 22 in Houghton, and locate and complete a temporary fire station.

Attainable Housing:

- Initiate a supportive housing project in Kirkland, implement significant affordable housing projects at the Kingsgate Park and Ride and in the Totem Lake Urban Center, develop affordable housing priorities for the NE 85th Street Station Area Plan, and adopt and track affordable housing targets for low-income and moderate income residents.

Pandemic Response and Recovery:

- Complete actions and investments necessary to keep Kirkland residents, City staff and City facilities safe during the COVID-19 pandemic, support renewed economic activity, and prepare the City organization and the Kirkland community for recovery to implement the Comprehensive Emergency Management Plan (CEMP), Continuity of Government (COG) Plan, and Continuity of Operations (COOP) Plan.

Transportation Projects:

- Complete design and initiate construction of the Juanita Drive and 100th Avenue NE multi-modal transportation projects to implement the Transportation Master Plan.
- Complete the Totem Lake Connector.
- Activate the Kirkland Transportation Benefit District in 2022 for the purpose of funding Safer Routes to School Action Plans priority projects, Active Transportation Plan priority projects, Vision Zero priority projects and other active transportation projects.

Park Projects:

- Complete the Totem Lake Park, 132nd Square Park and continue capital investments to support growth throughout the City and the Totem Lake Urban Center to implement the Parks, Recreation and Open Space (PROS) Plan, the Cross Kirkland Corridor Master Plan.

I-405 Investments:

- Continue to Partner with Sound Transit, the State Department of Transportation and King County Metro Transit to ensure that investments along I-405 serve Kirkland's mobility needs to implement the Transportation Master Plan and the Transit Implementation Plan.

Planning Kirkland's Future:

- Complete work for designation of Greater Downtown Kirkland as a Regional Center.

- Complete a vision statement and placemaking name for the NE 85th St. Station Area Plan that integrates with surrounding neighborhoods and connects with downtown. Complete a Level of Service Benefit and Impact Analysis to inform Council decisions regarding Station Area Plan options and the Plan's potential environmental impacts to implement the Comprehensive Plan.
- Explore a potential comprehensive Park ballot measures for placement on the ballot for the purpose of providing and maintaining natural areas and recreational facilities and opportunities that enhance the health and wellbeing of the community

Comprehensive Plan:

- Initiate city-wide outreach and planning efforts to update the Comprehensive Plan, the Transportation Master Plan, the Parks, Recreation and Open Space Plan and related documents to maintain the quality of life in Kirkland.

Financial Health:

- Develop an equitable, cost effective 2023-2024 balanced budget that improves the City's future financial outlook while investing in community priorities and retaining Kirkland's AAA credit rating.

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 Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020. This was the seventeenth 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 Annual Comprehensive Financial Report 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 Annual Comprehensive Financial Report 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 2021-2022 Budget (the seventeenth time the City has received this award), the Association of Public Treasurers of the United States and Canada Certification of Excellence for its Debt Policy, and the Certification of Excellence from the Washington Public Treasurer's Association for its Investment Policy.

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

Respectfully submitted,



Kurt Triplett
City Manager



Michael Olson
Director of Finance and Administration



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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE
FINANCIAL STATEMENTS**

Council
City of Kirkland
Kirkland, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland as of and for the year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kirkland, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Excise Tax Capital Improvement Special Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 19 to the 2021 financial statements, the City reported a \$4.6 million prior period adjustment that reduced the beginning fund balance for the Transportation Capital Projects Fund to better reflect the underlying substance of a transaction for a redevelopment agreement. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

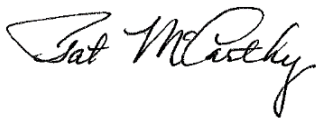
The other information comprises Introductory, Capital Assets Used in the Operation of Governmental Funds, and Statistical Sections, but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 29, 2022, 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

July 29, 2022

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, 2021. 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 \$1.37 billion. Of this amount, \$1.07 billion is invested in capital assets such as streets, land, and buildings. The remainder is primarily cash and investments, consisting of \$91.51 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$205.23 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 \$61.52 million in 2021. This takes into account a decrease of \$4.61 million for a prior period adjustment related to the Totem Lake mall capital contributions (see note 19). The increase in Business-type activities was \$9.2 million, while the Governmental activities increased by \$52.32 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$210.52 million, an increase of \$46.66 million compared to the prior year. Over \$68.65 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$23.9 million has been committed for specific purposes by the City Council, and another \$73.18 million has been designated by the City Manager for assigned activities. Around \$43.89 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$76.07 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

and solid waste utilities. Governmental activities are primarily supported by taxes, charges for services, and grants, while business-type activities are self-supporting through user fees and charges.

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

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

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

Fund Financial Statements

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

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

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

The City of Kirkland maintains eleven individual governmental funds. The City's four major governmental funds—the General Fund, the Excise Tax Capital Improvement Fund, the General Capital Projects Fund, and the Transportation Capital Projects Fund—are presented separately in

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government - Wide Financial Analysis

Statement of Net Position

The statement of net position can serve as a useful indicator of the City's financial position. The City of Kirkland's assets and deferred outflows of resources exceeded liabilities and inflows of resources by \$1,366,613,203 at December 31, 2021. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2021 to 2020.

City of Kirkland's Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	274.71	236.08	69.74	64.32	344.45	300.40
Pension Asset	70.11	-	3.52	-	73.63	-
Capital assets, net of accumulated depreciation	919.61	897.96	197.53	196.45	1,117.14	1,094.41
Total assets	1,264.42	1,134.04	270.79	260.77	1,535.21	1,394.81
Total deferred outflows of resources	7.87	7.59	0.49	0.48	8.36	8.07
Long-term liabilities	88.43	58.97	2.72	4.70	91.15	63.67
Other liabilities	26.71	22.29	4.59	5.37	31.30	27.66
Total liabilities	115.14	81.26	7.31	10.07	122.45	91.33
Total deferred inflows of resources	50.44	5.98	4.07	0.48	54.52	6.47
Net position:						
Net investment in capital assets	876.34	862.59	193.53	193.07	1,069.87	1,055.66
Restricted	91.51	75.35	-	-	91.51	75.35
Unrestricted	138.86	116.44	66.37	57.63	205.23	174.08
Total net position	\$1,106.71	1,054.38	\$259.90	\$250.70	\$1,366.61	\$1,305.09

As of the end of 2021, the largest component of the City's total assets at \$1.07 billion, is its investment in capital assets (e.g., land, buildings, streets, parks, water/sewer and surface water infrastructure, and machinery and equipment) less any related outstanding debt issued to acquire those assets. These capital assets are used to provide services to the citizens.

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

Over \$91.51 million of the City's net position is subject to restrictions. Transportation Impact Fees and restrictions in the Transportation Capital Fund for active projects account for \$29.63 million of the restricted balance. The \$20.80 million balance in Real Estate Excise Taxes is reserved for capital projects.

Culture and Recreation restricted funds of \$13.5 million include \$8.3 million for in progress capital projects including the new turf field, playground, restrooms and picnic shelters at 132nd Square Park, the Totem Lake Park project and David Brink dock and shoreline renovations. In addition, \$1.5 million of these funds are set aside for neighborhood park land acquisitions. The rest are park impact fees and levy funds reserved for future acquisitions and maintenance of existing City parks.

A net pension asset of \$22.86 million is a result of GASB 68, Reporting for Pensions. The amount includes \$1.3 million related to the Firefighter's Pension.

The remaining \$205.24 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, \$66.4 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 \$138.86 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 the net position table on the following page illustrates the increases or decreases in net position of the City resulting from operating activities. Overall, the City of Kirkland's net position increased by over \$66.14 million in 2021. This does not include a \$4.61 million reduction for a prior period adjustment related to an adjustment for a capital contribution from totem lake as part of The Village at Totem Lake Redevelopment Agreement. After this adjustment the net position increase was \$61.52 million.

A breakdown of the 2021 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		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	36.64	31.21	61.97	59.56	98.61	90.77
Operating grants and contributions	15.84	7.40	0.54	0.32	16.38	7.72
Capital grants and contributions	5.73	13.76	6.55	4.58	12.28	18.34
General revenues:						
Sales taxes	36.61	37.87			36.61	37.87
Property taxes	40.24	32.30			40.24	32.30
Utility taxes	13.95	13.60			13.95	13.60
Excise taxes	18.62	12.96			18.62	12.96
Business Taxes	4.00	3.49			4.00	3.49
Other taxes	1.48	1.60			1.48	1.60
Investment earnings	(1.00)	5.41	(0.27)	1.54	(1.27)	6.95
Miscellaneous*	0.97	1.14			0.97	1.14
Total revenues	173.07	160.74	68.79	66.00	241.86	226.74
Expenses:						
General government	9.21	15.03			9.21	15.03
Judicial	2.12	2.40			2.12	2.40
Security of Persons and Property	51.30	58.38			51.30	58.38
Physical environment	0.29	0.75			0.29	0.75
Transportation	26.51	24.13			26.51	24.13
Human services	3.17	3.58			3.17	3.58
Economic environment	11.22	12.32			11.22	12.32
Culture and recreation	11.47	10.83			11.47	10.83
Interest on long-term debt	1.55	1.65			1.55	1.65
Water/sewer			29.80	28.58	29.80	28.58
Surface water			10.02	10.50	10.02	10.50
Solid waste			19.07	18.52	19.07	18.52
Total expenses	116.84	129.07	58.89	57.60	175.73	186.67
Increase (decrease) in net position before transfers	56.24	31.67	9.90	8.40	66.14	40.07
Transfers	0.70	1.89	(0.70)	(1.89)	-	-
Increase (decrease) in net position	56.94	33.56	9.20	6.51	66.14	40.07
Net position at beginning of year	1,054.38	1,018.59	250.70	243.84	1,305.08	1,262.43
Prior Period Adjustment (Note 19)	(4.61)	2.27		0.35	(4.61)	2.62
Change in Accounting Principle (Note 19)		(0.05)			-	(0.04)
Net position at end of year	\$1,106.71	\$1,054.38	\$259.90	\$250.70	\$1,366.61	\$1,305.08

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

Governmental activities net position increased over \$52.32 million in 2021, including a \$4.61 million prior period adjustment. The increase is related to operating grant funding, increased property taxes, strong real estate excise taxes plus an overall reduction in expenses, in particular, pension expense.

Expenses:

Governmental expenses saw an overall 9.5 percent decrease, equivalent to \$12.23 million in comparison to 2020. The largest reductions were in general government, public safety, and economic environment expenses with the main driver of this change resulting from the Department of Retirement Services who actuarially determined the overall pension expense to be over \$16.4 million less in 2021 than in 2020.

- General Government expenses decreased by 38.7 percent or \$5.82 million despite an overall 1 percent increase in wages and associated benefits. A decrease of \$1.72 million resulted from changes to Pension expense as a result of GASB 68. An extra \$1.5 million adjustment compared to 2020 was made for internal service funds where revenues were greater than the expenditures, in particular the IT fund where revenues exceeded expenses by \$1.8 million. In 2020 the City paid \$1.86 million for settlement agreements with the tenants of the newly acquired Evergreen Place Medical Center property to prepare for the future fire station 27. There was a \$1.1 million reduction in general government depreciation as several IT assets that were capitalized in 2013 were fully depreciated in 2020. Further reductions came from vacancies in various departments that resulted in savings in wages and benefits.
- Security of Persons and Property decreased by 12.1 percent or \$7.08 million. This was due to a \$9.0 million reduction in pension expenses and a \$1.3 million reduction in other post-employment benefits. These decreases were partially offset by an increase in wages and associated benefits for police and fire staff. IAFF members were given a 2 percent cost of living adjustment. Commissioned police, including lieutenants, were given a 1.65 percent increase and noncommissioned police staff were given 3 percent. Overtime costs associated for the fire department increase from \$2.1 million in 2020 to \$2.64 million in 2021 as a result of COVID-19 and forest fire deployments.
- Economic Environment expenses decreased by 9 percent or \$1.10 million in comparison to 2020, when expenses were increased due to \$1.35 million in awards related to CARES Act funded relief to the local community.
- All other categories of expenses saw reductions with the exception of Transportation and Culture and Recreation. Transportation expenses increased by \$2.38 million due to a \$1.3 million increase in maintenance and preservation projects which are directly expensed not capitalized, this includes road overlays and a \$0.8 million increase in Street Fund expenses for repairs and maintenance. There was also a \$0.4 million increase in transportation depreciation costs. Culture and Recreation increased by \$0.64 million due to recreation programs resuming that had stopped in 2020 due to COVID-19.

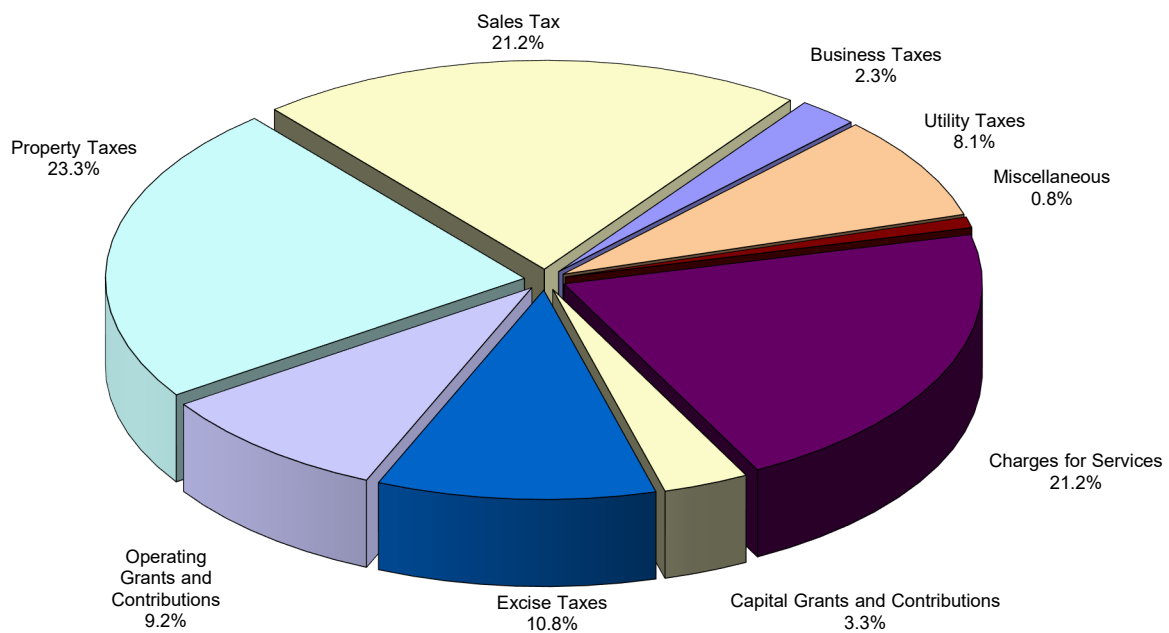
Revenues:

- Charges for Services revenue increased 17.4 percent from 2020 to 2021, up 5.43 million.
 - Culture and Recreation revenues were up \$2.06 million in 2021 as parks activities that were cancelled due to the COVID-19 pandemic in 2020 resumed in 2021. Park impact fees increased by \$1 million from 2020 to 2021.

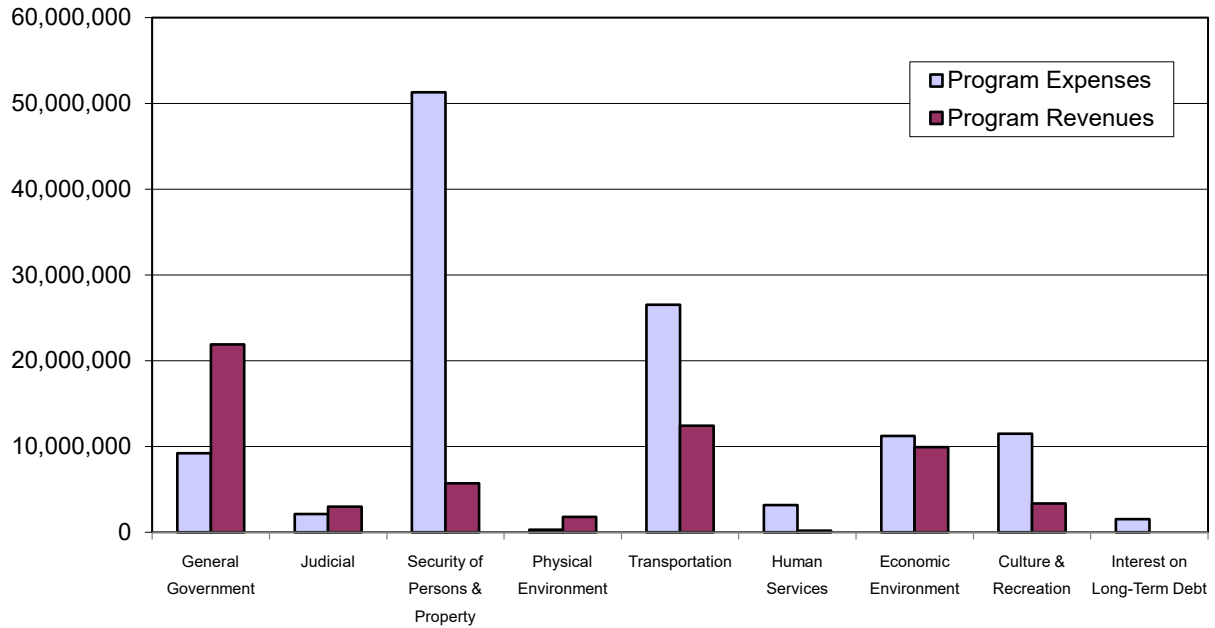
- Impact fees reflect fees paid for development that creates additional demands on the City's parks and transportation systems. Impact fees for transportation were also up by \$4.1 million compared to 2020.
- Public safety revenues were down \$1.16 million in 2021.
- Economic environment revenues decreased by \$2.4 million in 2021 compared to 2020. However, 2020 revenue was increased due to a \$2 million fee in lieu for affordable housing paid by Google.
- Operating Grants and Contributions increased by 114 percent in 2021 from \$7.4 million in 2020 to \$15.84 in 2021.
 - Federal, state, and local grants allow the City to consistently provide programs and services. In 2021, the City received \$10.1 million in American Rescue Plan Act (ARPA) funding from the Department of the Treasury.
 - In 2021, the City received reimbursements for firefighter deployment to assist with fire scenes in Arizona and Oregon from the Washington Department of Natural Resources.
 - Other Grants received include funds for community development and housing, traffic safety programs, emergency management operations and mental health response.
- Capital Grants and Contributions decreased by 58.4 percent to \$5.73 million in 2021.
 - Over \$2.3 million was received in Federal Highway Planning and Construction grants. These projects include pedestrian and bike improvement, roadway improvements, and transportation efficiency programs.
 - Over \$1 million was received from the Department of Ecology for various projects including the 132nd square retrofit facility.
- The City's general revenues increased by 6.0 percent or \$6.49 million in 2021.
 - Property taxes increased by 24.6 percent or \$7.94 million, as a result of a voter approved levy lid lift to provide funding for Fire and Emergency Medical Services.
 - Sales tax revenues were down 3.3 percent or \$1.26 million in 2021 compared to 2020 when the City benefitted from a one-time increase in sales tax revenues due to a \$1.38 million back payment received as a result of a Department of Revenue audit. In addition, the City received the last payments for the annexation sales tax credit which amounted to \$0.15 million of revenue in 2021 compared to \$5.2 million in 2020 and \$4.5 million in 2019. Strong underlying sales tax receipts in all sectors masked this loss of annexation revenue.
 - Real estate excise taxes increased by 43.6 percent, or \$5.66 million. This reflects the strong property market and significant volume of property sales that occurred in 2021.
 - Other taxes, which includes gambling and admissions taxes, were down 7.5 percent in 2021 due to closed facilities as a result of the pandemic.

- Investment interest earnings recognized a \$0.97 million loss in 2021 which was due to reduced interest rates and a recognition of changes in fair market value in the investment market and portfolio in 2021 compared to 2020.

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 \$9.2 million, primarily due to operating income of \$3.6 million and developer contributions, capital grants, and connection charges of \$6.6 million, offset by \$0.9 million transfers to governmental funds.

Water/sewer operating revenues increased 5.4 percent compared to the prior year despite no rate increases. Higher consumption is the primary reason for higher operating revenues.

Surface Water operating revenues were flat compared to the prior year. Surface Water rates remained the same as in 2020.

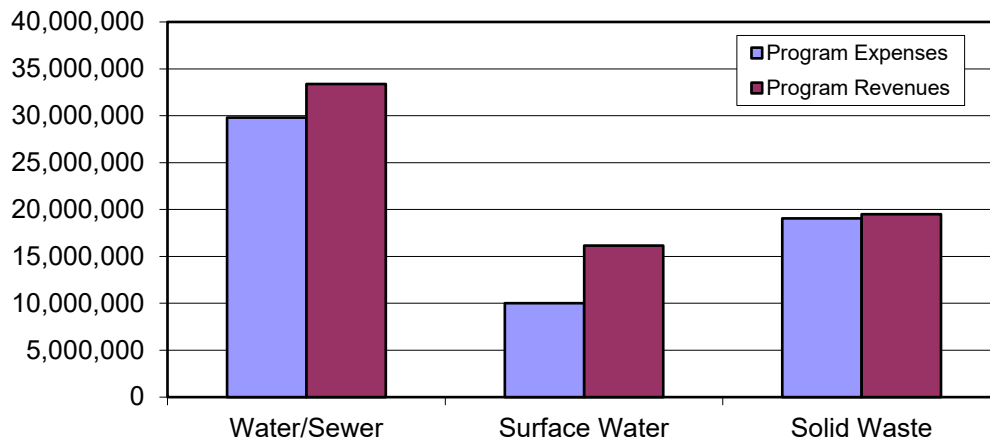
Solid Waste operating revenues increased by 3.8 percent compared to the prior year due to increased container sizes and services being restored from 2020 levels.

Capital contributions comprised of utility connection charges, capital grants, and developer infrastructure contributions totaled \$6.6 million for 2021. Details for these amounts are shown below:

	Water	Sewer	Surface Water	Total
2021 Connection Charges Collected	536,792	1,181,658	89,628	1,808,078
2021 Developer Infrastructure Contributions	268,012	94,503	1,713,689	2,076,204
2021 Capital Grants			2,667,913	2,667,913
	<u>\$ 804,804</u>	<u>\$1,276,161</u>	<u>\$ 4,471,230</u>	<u>\$ 6,552,195</u>

The infrastructure contributions detailed above represent 23 percent of the increase in net position. These increases are reflected as additions to capital assets for the utility functions and are presented in Note 5 of this report.

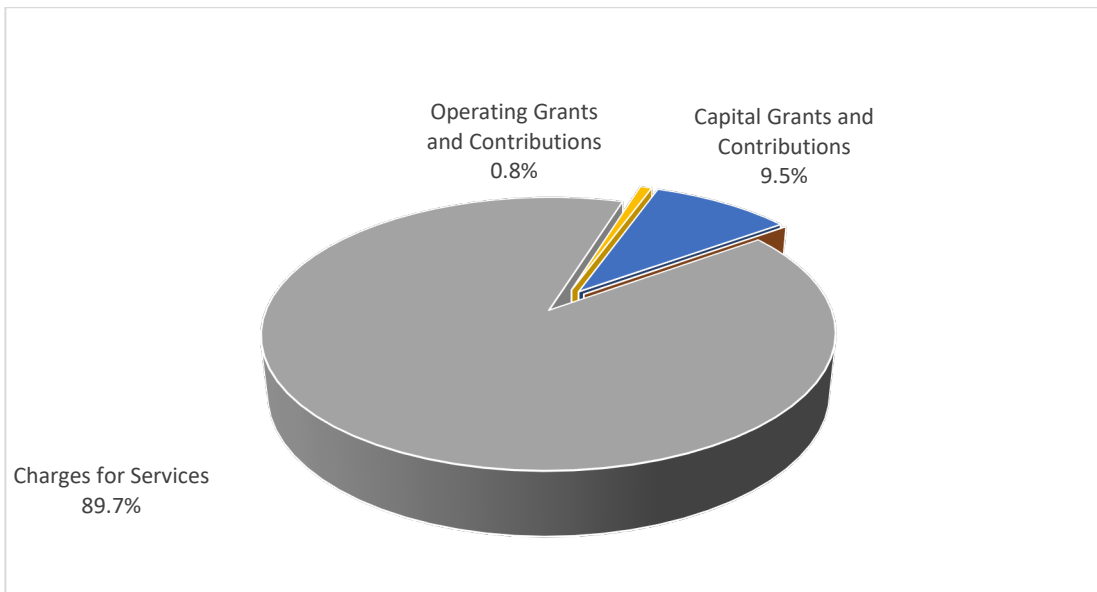
Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2021 utility net income (before capital contributions and transfers) was about \$3.3 million. The components are as follows:

Water/Sewer	\$1.4 million
Surface Water	\$1.5 million
Solid Waste	\$0.4 million

Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of the current year, the City's combined ending governmental fund balance was \$210.5 million, which represents an increase of \$46.6 million from the prior year. This includes the effects of the prior period adjustment for The Village at Totem Lake capital contributions (See note 19) the underlying change was a reduction of \$4.61 million. Of the total ending fund balance, over \$68.6 million is restricted and subject to an external legal constraint.

The \$29.6 million in Transportation Projects are primarily excise taxes and impact fees for projects in process that include 100th Ave NE, Juanita Drive, 116th Ave NE/NE 124th St intersection, 100th Ave/ Simonds Rd intersection, NE 85th St/132nd Ave NE dual lanes, plus school walk routes, and a pedestrian bridge.

The \$13.5 million in Culture and Recreation Projects are impact fees and park levy funds associated with future projects and current projects such as the Totem Lake Park Master Plan and the 132nd Square Park renovation.

The \$20.8 million in Capital Improvement funds are excise taxes for future projects.

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

The committed fund balance of \$23.9 million, is primarily made up of \$6.36 million for the City's Contingency Fund, \$2.27 million in undivided interest in ARCH and \$15.1 million for transportation projects. The State of Washington requires the City to have a Contingency Fund, but the activity is reflected within the General Fund for reporting purposes.

The assigned balance of just under \$73.2 million are remaining amounts that have been determined by the City Manager, Finance Director, or City Council to be constrained. The Street Operating Fund does not meet the criteria for a special revenue fund as defined by GASB Statement 54 but is functionally required in order for the City to report the administration, maintenance, and minor construction of the City's transportation infrastructure to the State Legislature. The balance in the fund at year end was \$1.48 million. The City has funds assigned to meet operating obligations for activities such as capital projects, labor negotiations, development services activities, overtime costs, litigation, property acquisition, and medical retiree benefits. The unassigned balance of \$43.9 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 one-time costs, carryovers, additions to equipment sinking funds and some reserve replenishments.

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 2021, the fund balance of the General Fund was \$87.55 million, which represents an increase from the prior year of \$6.44 million.

The overall General Fund revenues increased \$6.4 million over 2020 due mainly to a property tax increase resulting from a voter approved levy lid lift which provides funding for Fire and Emergency Medical Services.

General Fund expenditures increased by 2.6 percent or \$3.0 million overall in 2021. Most staff were given a cost-of-living increase of 1 percent except commissioned police officers and police lieutenants who received 1.65 percent, non-commissioned police who received 3 percent and firefighters who received 2 percent.

General government expenditure and Physical environment expenditures were down 17.2 percent and 5.8 percent respectively, reflecting vacant positions during the year. Human services expenditures were also down by 10.5 percent or \$0.4 million which is due to delays in distributing grant funding to 3rd party agencies.

Culture and Recreation expenses were up 20.3 percent in 2021 from 2020 reflecting the return to normal operations for the recreation programs after these activities were reduced in 2020 due to COVID-19.

Security of persons and property expenses were up 3.3 percent, or \$1.9 million in 2021 as overtime for Firefighter deployments continued.

Transportation expenditures were also up 8.3 percent or \$0.9 million due to increases in Street Fund maintenance and repair expenses.

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 2021 was \$20.8 million, an increase of 7.5 percent when compared to 2020. Revenues were \$4.49 million higher in 2021 at \$17.8 million, reflecting the strong real estate sale transactions in 2021 versus 2020. This enabled \$9.0 million more in transfers to be made to fund capital improvement programs in 2021, \$16.4 million in 2021 versus \$7.4 million in 2020, this resulted in an overall \$1.4 million increase to fund balance at the end of the year.

The General Capital Projects Fund accounts for the acquisition and/or construction of general governmental infrastructure, facilities, and equipment that are approved in the City's Capital Improvement Program (CIP) and that are funded from other general revenue sources, grants, and restricted funds. The ending fund balance of \$46.9 million is supporting park improvements, shoreline improvements, new fire stations, public safety equipment, technology projects and facility enhancements.

The Transportation Capital Projects Fund accounts for transportation projects approved in the CIP, including those that are funded partially or wholly by grants from other governments. The fund balance at the end of 2021 was \$45.8 million. Balances in both capital project funds vary from year-to-year dependent upon CIP activity and the size of projects in process.

Proprietary Funds

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

General Fund Budgetary Highlights

During 2021, there was a net increase of \$34.32 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 2021-2022 and that the budget is recorded on a cash basis.

Following are the major components of the changes:

- Property Tax revenue of \$14,664,735 in recognition of the passage of Kirkland Fire Proposition 1. This voter approved levy lid lift provides funding of slightly over \$7 million per year for Fire and Emergency Medical Services. As the election to pass the bill was certified after the passage of the 2021-2022 budget, the revenue for 2021 and 2022 was recognized in March 2021.
- American Rescue Plan Act (ARPA) Funding of \$10,115,994. In 2021 Congress passed a \$1.9 trillion economic stimulus package in response to the COVID-19 pandemic. This bill included \$350 billion in payments to State and Local governments, from which the City was allocated \$10,115,994. This payment is scheduled in two tranches, the first was received in 2021 and the second scheduled for 2022.
- Recognition of \$6,177,635 higher than originally budgeted starting fund balance, due to stronger than forecast sales tax performance in 2020. This additional revenue was programmed for reserves and one-time uses, such as additional Human Services needs.
- Revenue Generating Regulatory License (RGRL) revenue of \$750,000, which was programmed for street maintenance needs, and to help cover the shortfall from reduced parking and gas tax (MVFT) revenue.
- Additional 2021 Sales Tax revenue of \$328,452, which was programmed to fund Council priorities as part of the Mid-Biennial budget process.

The actual General Fund 2021 results on a cash basis varied from the final amended budget as follows:

- Excluding resources forward, actual 2021 General Fund revenues ended the year \$9.3 million over the budgeted level (\$131.4 million versus budget of \$122.1 million).
- Development fees were over budget by \$1,452,056 due to strong growth in Building and Fire Prevention fees as development activity recovered from the initial slowdown related to the COVID-19 pandemic.
- Sales and use tax revenues exceeded the budget by \$6.1 million as a result of continued sales tax growth and the City's practice of budgeting sales tax on a modified two-year lag, with the base budget reflecting the 2020 projected receipts.
- Actual 2020 General Fund expenditures ended at 91.6 percent of budget, excluding reserves, primarily due to staffing vacancies across most departments, which led to significant salary and benefit savings.

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, 2021 amounts to \$1.12 billion (net of accumulated depreciation), which represents a \$22.7 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.

- Completed Non-motorized projects of over \$6.3 million in 2021 provided crosswalk upgrades, sidewalk improvements, additional school walk routes, pedestrian safety enhancements, and funds for the Neighborhood Safety Program. This included the Totem Lake Boulevard and 120th Avenue NE preservation, this project included new sidewalks, curbs, gutter, pedestrian lighting and new ADA ramps and the Redmond central connector which is a walking and bike trail connecting the Cross Kirkland Corridor with the Redmond Central Connector and Sammamish River trails.
- Transportation projects include Neighborhood traffic control on 122nd avenue NE, improvements to the Intersection between NE 124th and 100th Avenue including landscaping, a northbound cycle track and sidewalks.
- Totem lake public improvements. Over \$2.46 million of land, easements and sidewalks was capitalized in 2021 related to Phase 2 of The Village at Totem Lake project.
- The Totem Lake Park phase 1 project was capitalized in 2021 at a cost of \$7.3 million. The park features family restrooms, drinking fountains, community picnic tables and a new accessible to all abilities playground.
- City hall electric vehicle charging stations project was completed in 2021 at a cost of over \$650 thousand adding 14 charging stations for the City's fleet as part of the goals of the City's Sustainability Master Plan.
- A 6-unit property at 11825 100th Ave NE, The Village Plaza of Kirkland, was purchased at a cost of \$2.26 million with the intent of providing affordable housing.
- Maintenance center (former fire station 27) roofing project was completed at a cost of \$366 thousand.
- \$78 thousand in land acquisitions completed in 2021 for Juanita Heights Park trail development.
- The new fire station 24 on northeast 132 street was completed in December 2021 at a cost of \$14.3 million. The new fire station is energy efficient and incorporates decontamination areas to improve firefighters' workplace health.

- In general government projects, work continued on the City Hall Virtual Service Center as well as the Network Infrastructure improvements which include upgrades/replacements of network routers, switches, firewalls, wireless access points and other hardware security appliances.
- Work also continued on the David Brink Park Shoreline renovations, \$1.4 million in 2021. The project aims to improve access, safety and habitat by removing concrete bulkheads, adding a pathway to the north end of the property, replacing the piers surface and also minor structural improvements to preserve the pier.
- The 132nd Park playfields project continued with \$1.29 million spent in 2021. The project replaces the southern-most soccer field with a synthetic turf surface with lighting that will be playable all year and also includes a new restroom, expanded parking, new playground, walking trail and picnic shelters.
- The replacement of fire station 27 (estimated completion 2023), expansion and remodel of fire station 22 (estimated completion 2022), remodel of fire station 21 (estimated completion 2025), and fire station 26 (estimated completion 2024) added \$1.6m to construction in progress in 2021.

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 2020 and 2021:

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$621.38	\$618.88	\$3.83	\$3.80	\$625.21	\$622.68
Buildings	42.12	27.24	-	-	42.12	27.24
Improvements other than buildings	66.24	62.28	184.00	187.31	250.24	249.59
Machinery and equipment	12.47	12.87	-	-	12.47	12.87
Infrastructure	145.83	150.72	-	-	145.83	150.72
Construction in progress	29.20	23.81	9.70	5.34	38.90	29.15
Artwork	2.37	2.15	-	-	2.37	2.15
Total	\$919.61	\$897.96	\$197.53	\$196.45	\$1,117.14	\$1,094.41

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 \$73.11 million and other long-term debt of \$2.96 million. The total outstanding debt (expressed in millions of dollars) at the end of 2020 and 2021 is broken down between governmental and business-type activities as follows:

City of Kirkland's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$73.11	\$34.11	-	-	\$73.11	\$34.11
Revenue Bonds	-	-	-	-	-	-
Public Works Trust Fund Loans	-	-	2.96	3.38	2.96	3.38
Total	\$73.11	\$34.11	\$2.96	\$3.38	\$76.07	\$37.49

On May 17, 2021 both Standard and Poor's and Moody's Investors Service affirmed the City of Kirkland's AAA rating.

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 2021 was \$32.1 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$2,331 million.

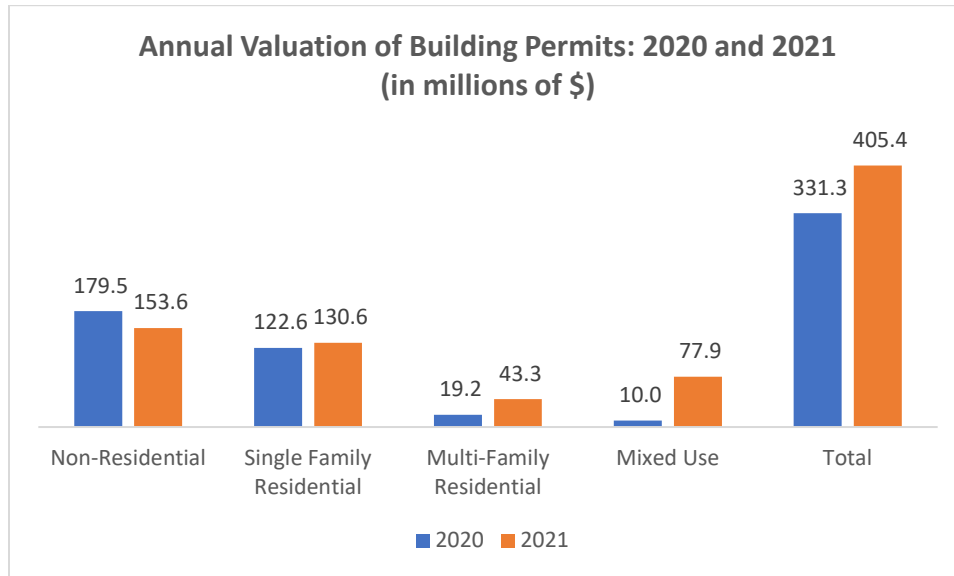
Additional information on the City of Kirkland's long-term debt can be found in Note 10 of this report and in the Statistical Section of the report.

Economic Factors

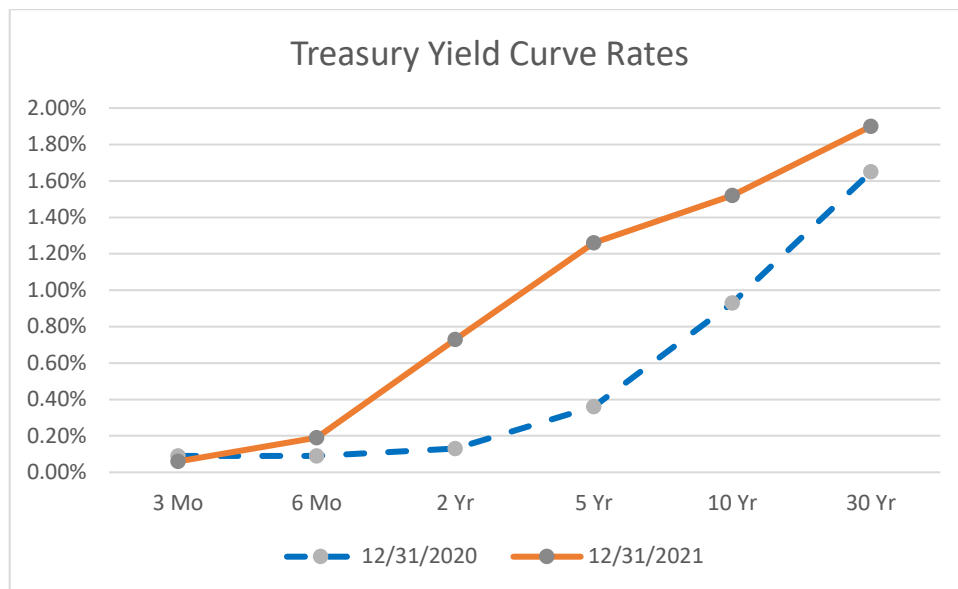
Inflation in the Seattle area ended 2021 at 7.8 percent, slightly lower than national average of 8.1 percent, but still near a 40-year high for inflation. Various factors including extended global supply chain disruptions and changing consumer demand patterns towards consumer goods and away from services amidst the ongoing pandemic are contributing to concerns that rising inflation may remain a longer-term issue for the national and international economy.

The national Unemployment Rate ended 2021 at 3.9 percent, after declining steadily all year. Locally, Washington State's and King County's unemployment rates were 4.0 percent and 3.2 percent in December, while Kirkland's increased by 0.1 percentage points to 2.7 percent. The gradual reopening of the economy, particularly restaurants and other areas in the service industry, led to strong job growth through 2021.

Local building permitting activity performed in 2021 was \$405.4 million, up from \$331.3 million in 2020. The valuation of non-residential (commercial) permits decreased from \$179.5 million in 2020 to \$153.6 in 2021. Multi-family, single family, and mixed-use structures increased from \$151.8 million in 2020 to \$251.8 million in 2021, reflecting growth following the onset of the pandemic.



Overall, the economy grew steadily throughout 2021, however, a combination of supply chain issues and overall economic recovery meant that by the end of 2021 fears of recession had been replaced by fear of inflation reaching unsustainable levels. The Fed Funds rate remained at 0.25 percent throughout 2021, after being cut significantly at the start of the pandemic. Most economists expect multiple rate increases in 2022 in order to help manage inflation. Early indications of the impact of inflation is shown below in the steeper 2021 yield curve in compared to 2020.

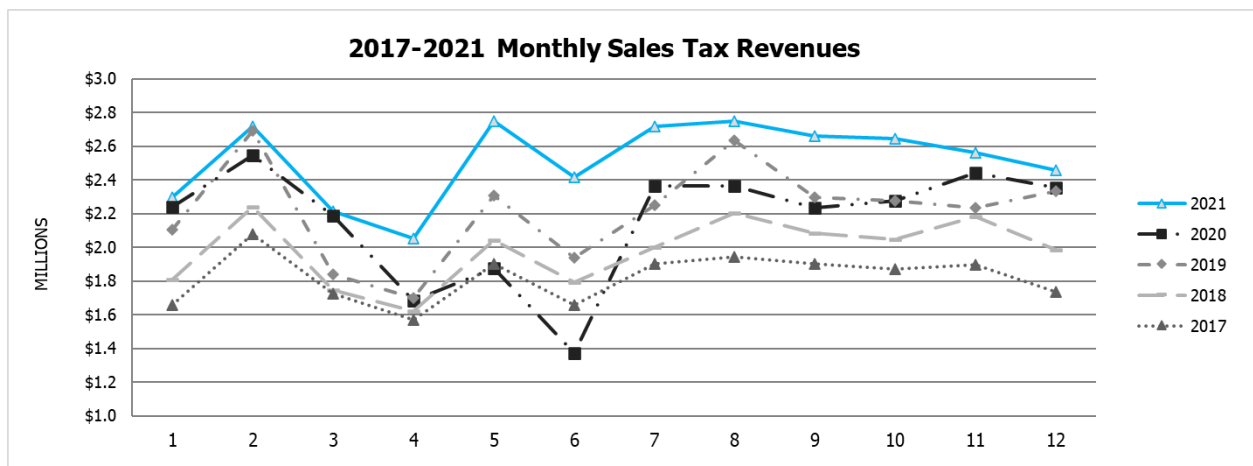


Kirkland's sales tax base is made up of a variety of businesses which are grouped and analyzed by business sector. Nine business sector groupings are used to compare 2021 and 2020 sales tax receipts.

Total sales tax revenue was up \$2.9 million, or 10.7 percent in 2021 compared to 2020. Excluding \$1.4 million in onetime excise audit revenue received in November 2020 (which was unrelated to 2020 retail activity), total sales tax revenue grew by \$4,298,845 or 16.6 percent in 2021 compared to 2020.

Looking at business sectors, the most significant growth was Other Retail (up \$865,512 or 25.2 percent), Services (up \$846,535 or 23.5 percent), Auto/Gas Retail (up \$750,058 or 16.0 percent), and Contracting (up \$710,316 or 10.4 percent).

The graph below shows Kirkland's monthly sales tax revenue through December 2021 compared to the prior four years:



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	
	2020	2021			2020	2021
Services	3,605,431	4,451,966	846,535	23.5%	13.2%	14.7%
Contracting	6,804,034	7,514,350	710,316	10.4%	24.9%	24.8%
Communications	474,918	474,786	(132)	0.0%	1.7%	1.6%
Retail:						
Auto/Gas Retail	4,679,752	5,429,810	750,058	16.0%	17.1%	18.0%
Gen Merch/Misc Retail	2,905,364	3,362,672	457,308	15.7%	10.6%	11.1%
Retail Eating/Drinking	1,490,603	1,754,977	264,374	17.7%	5.5%	5.8%
Other Retail	3,435,620	4,301,132	865,512	25.2%	12.6%	14.2%
Wholesale	1,165,093	1,330,976	165,883	14.2%	4.3%	4.4%
Miscellaneous	2,768,851	1,623,154	(1,145,697)	-41.4%	10.1%	5.4%
Total	27,329,667	30,243,823	2,914,156	10.7%	100%	100%

Requests for Information

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



Basic Financial Statements

City of Kirkland
Statement of Net Position
December 31, 2021

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	68,758,034	15,557,438	84,315,472
Investments (Note 3)	179,252,725	38,113,248	217,365,973
Accounts Receivable	14,327,547	10,500,242	24,827,789
Intergovernmental Receivable	6,693,930	1,532,455	8,226,385
Internal Balances	(3,392,657)	3,392,657	(0)
Inventories	132,407	545,934	678,341
Prepayments	2,483,574	100,267	2,583,841
Deposits	6,453,349		6,453,349
Pension Asset	70,107,991	3,522,540	73,630,531
Capital Assets (Note 5)			
Land and Artwork	623,753,720	3,834,492	627,588,212
Depreciable Capital Assets (net of accumulated depreciation)	120,829,945	184,002,724	304,832,669
Depreciable Infrastructure (net of accumulated depreciation)	145,825,719		145,825,719
Construction in Progress	29,196,810	9,695,035	38,891,845
Total Assets	1,264,423,093	270,797,032	1,535,220,125
Deferred Outflows of Resources			
Deferred Outflow Pension Related	6,465,441	490,118	6,955,559
Deferred Outflow OPEB Related	193,345		193,345
Deferred Outflow ARO	15,902		15,902
Deferred Outflow on refunding	1,198,795		1,198,795
Total Deferred Outflows of Resources	7,873,483	490,118	8,363,601

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

City of Kirkland
Statement of Net Position
December 31, 2021

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts Payable and Other Accrued Liabilities	9,636,750	2,759,548	12,396,298
Intergovernmental Payable	2,689,037	963,050	3,652,087
Unearned Revenue	744,843	296,281	1,041,124
Accrued Interest Payable	180,069	8,645	188,714
Deposits Payable	6,402,182		6,402,182
Noncurrent Liabilities			
Due within one year			
Bonds Payable	3,266,102		3,266,102
Loans and Contracts Payable		311,144	311,144
Claims Payable	514,800		514,800
Compensated Absences	3,276,849	257,553	3,534,402
OPEB Liability	587,864		587,864
Due in more than one year			
Bonds Payable	69,846,558		69,846,558
Loans and Contracts Payable		2,652,786	2,652,786
Compensated Absences	866,224	64,389	930,613
Net Pension Liability	2,856,735		2,856,735
OPEB Liability	14,175,502		14,175,502
Asset retirement Liability	101,064		101,064
Total Liabilities	115,144,579	7,313,396	122,457,975
Deferred Inflows of Resources			
Deferred Inflow Pension Related	49,875,102	4,068,094	53,943,196
Deferred lease Receipt	569,352		569,352
Total Deferred Inflows of Resources	50,444,454	4,068,094	54,512,548
Net Position			
Net Investment in Capital Assets	876,336,877	193,533,316	1,069,870,193
Restricted for			
Net Pension Asset	22,857,354		22,857,354
Tourism	379,465		379,465
Culture and Recreation	13,498,186		13,498,186
Public Safety	2,164,717		2,164,717
Capital Improvements	20,796,493		20,796,493
Transportation	29,627,372		29,627,372
Debt Service	933,123		933,123
General Government	1,129,514		1,129,514
Unrestricted	138,984,441	66,372,344	205,356,785
Total Net Position	1,106,707,543	259,905,660	1,366,613,203

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

City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2021

Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	9,207,506	10,985,338	10,508,145	397,632
Judicial	2,122,497	2,938,146	26,864	
Security of Persons and Property	51,302,359	2,775,996	2,935,554	
Physical Environment	293,764	1,781,319	8,610	
Transportation	26,505,953	5,553,377	2,089,513	4,760,400
Human Services	3,170,154		168,137	
Economic Environment	11,216,479	9,933,370		
Culture and Recreation	11,473,655	2,675,883	100,983	567,954
Interest on Long Term Debt	1,545,236			
Total Governmental Activities	116,837,603	36,643,430	15,837,805	5,725,986
Business Type Activities				
Water/Sewer	29,800,862	31,298,740		2,080,965
Surface Water	10,016,999	11,224,891	474,982	4,471,230
Solid Waste	19,072,130	19,445,636	68,276	
Total Business Type Activities	58,889,991	61,969,267	543,258	6,552,195
Total Government	175,727,594	98,612,697	16,381,063	12,278,181

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

City of Kirkland
Statement of Activities
For the fiscal year ended December 31, 2021

Page 2 of 2

	Net (Expense/Revenue and Changes in Net Position)		
Functions/Programs	Governmental Activities	Business-Type Activities	Total
Governmental Activities			
General Government	12,683,609		12,683,609
Judicial	842,513		842,513
Security of Persons and Property	(45,590,810)		(45,590,810)
Physical Environment	1,496,165		1,496,165
Transportation	(14,102,663)		(14,102,663)
Human Services	(3,002,017)		(3,002,017)
Economic Environment	(1,283,109)		(1,283,109)
Culture and Recreation	(8,128,834)		(8,128,834)
Interest on Long Term Debt	(1,545,236)		(1,545,236)
Total Governmental Activities	(58,630,382)		(58,630,382)
Business Type Activities			
Water/Sewer		3,578,843	3,578,843
Surface Water		6,154,104	6,154,104
Solid Waste		441,782	441,782
Total Business Type Activities		10,174,729	10,174,729
Total Government	(58,630,382)	10,174,729	(48,455,653)
General Revenues			
Sales Taxes	36,612,159		36,612,159
Property Taxes	40,241,449		40,241,449
Utility Taxes	13,950,013		13,950,013
Real estate excise Taxes	18,616,611		18,616,611
Business Taxes	4,002,720		4,002,720
Other Taxes	1,475,065		1,475,065
Unrestricted Grants & Contributions	861,485		861,485
Investment Loss	(1,004,232)	(273,157)	(1,277,389)
Gain on Sale of Capital Assets	111,126		111,126
Transfers	700,471	(700,471)	
Total General Revenues & Transfers	115,566,866	(973,628)	114,593,238
Change in Net Position	56,936,485	9,201,101	66,137,586
Net Position at Beginning of Year	1,054,382,151	250,704,559	1,305,086,710
Prior Period Adjustment(see note19)	(4,611,093)		(4,611,093)
Net Position at End of Year	1,106,707,543	259,905,660	1,366,613,203

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

City of Kirkland
Balance Sheet
Governmental Funds
December 31, 2021

Page 1 of 2

	General Fund	Excise Tax Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Assets						
Current Assets						
Cash and Cash Equivalents	20,671,836	5,475,971	15,663,047	13,751,446	2,820,506	58,382,806
Investments	61,955,377	13,378,588	38,277,202	33,606,479	6,684,385	153,902,030
Receivables						
Taxes	8,438,729	1,941,934	0	0	110,965	10,491,627
Accounts	1,612,262	0	0	0	4,979	1,617,241
Due From Other Funds	1,022,884	0	33,026	0	0	1,055,910
Intergovernmental Receivable	5,613,331	0	397,632	681,557	0	6,692,521
Prepayments	871,068	0	0	0	34,148	905,216
Restricted Assets						
Deposits	6,453,349	0	0	0	0	6,453,349
Total Assets	106,638,835	20,796,493	54,370,906	48,039,482	9,654,983	239,500,699
Liabilities						
Accounts Payable	1,503,844	0	2,614,225	1,117,085	40,446	5,275,600
Wages Payable	2,511,715	0	0	0	70,130	2,581,845
Benefits Payable	441,396	0	0	0	15,570	456,966
Due to Other Funds	7,296	0	4,387,532	0	13,376	4,408,204
Intergovernmental Payable	1,571,917	0	29,490	1,059,119	20,005	2,680,532
Payable from Restricted Assets						0
Deposits Payable	6,400,332	0	0	0	0	6,400,332
Unearned Revenue	138,039	0	0	0	0	138,039
Interfund Loan Payable	0	0	0	0	0	0
Total Liabilities	12,574,539	0	7,031,247	2,176,204	159,526	21,941,517
Deferred Inflows of Resources						
For Lease	569,352	0	0	0	0	569,352
For Property Taxes	496,015	0	0	0	72,649	568,664
For Grant Revenue	5,177,188	0	397,632	45,770	0	5,620,590
For other unavailable revenue	276,704	0	0	0	335	277,039
Total Deferred Inflows of Resources	6,519,259	0	397,632	45,770	72,984	7,035,645

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

City of Kirkland
Balance Sheet
Governmental Funds
December 31, 2021

Page 2 of 2

	General Fund	Excise Tax Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
Fund Balances						
Nonspendable	871,068				34,148	905,216
Restricted for						
Tourism					379,465	379,465
Debt Service					933,123	933,123
Drug Enforcement	74,397					74,397
Fire Interlocal	159,334					159,334
Proposition One	751,530					751,530
Firefighter Pension	1,292,976					1,292,976
Transportation Projects				26,374,161	3,253,211	29,627,372
Cemetery Operations					1,129,514	1,129,514
Culture and Recreation						
Projects			9,812,530		3,685,656	13,498,186
Fire					7,356	7,356
General Government Facilities						0
Capital Improvements		20,796,493				20,796,493
Committed for						
Contingency Fund (RCW35A.33.145)	6,355,888					6,355,888
Transportation Projects	1,508,347			13,580,030		15,088,377
General Government Activities	189,671					189,671
ARCH	2,266,988					2,266,988
Assigned for						
Street Operating Fund	1,480,190					1,480,190
General Reserves	10,420,012					10,420,012
Public Safety Activities	984,555					984,555
Development Services	16,821,709					16,821,709
Parks and Recreation Activities	480,681					480,681
Capital Projects			37,129,497	5,863,317		42,992,814
Unassigned	43,887,691					43,887,691
Total Fund Balances	87,545,037	20,796,493	46,942,027	45,817,508	9,422,473	210,523,538
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	106,638,835	20,796,493	54,370,907	48,039,482	9,654,983	239,500,700

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	\$908,274,705
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	\$79,214,384
Long term liabilities are not due and payable in the current period and are not reported in the funds	(\$144,317,883)
Unavailable revenue is susceptible to full accrual in the government-wide statements but reported as deferred inflows in government funds.	\$6,466,292
Internal service funds are used by management to charge the costs of certain activities to individual funds	\$46,546,506
The assets and liabilities are included in governmental activities in the statement of net position	

Net Position of governmental activities

\$1,106,707,543

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, 2021

Page 1 of 2

	General Fund	Excise Capital Improvement
Revenues		
Taxes and Assessments	90,902,037	17,927,250
Licenses and Permits	11,589,120	
Intergovernmental	12,045,404	
Charges for Services	20,764,065	
Fines and Forfeitures	2,766,642	
Investment Interest	(912,415)	(87,571)
Miscellaneous Revenues	1,119,624	
Total Revenues	138,274,477	17,839,679
Expenditures		
Current		
General Government	15,114,308	
Judicial	2,607,161	
Security of Persons and Property	59,800,930	
Physical Environment	5,196,132	
Transportation	11,321,026	
Economic Environment	12,770,186	
Human Services	3,216,944	
Culture and Recreation	7,234,553	
Debt Service		
Principal	0	
Interest	0	
Capital Outlay	72,182	
Total Expenditures	117,333,422	0
Excess (Deficiency) of revenues		
Over (under) expenditures	20,941,055	17,839,679
Other Financing Sources (Uses)		
Issuance of Debt -Principal		
Premium on Debt Issuance		
Sale of Capital Assets		
Insurance Recovery	198,463	
Transfers In	893,995	
Transfers Out	(15,589,838)	(16,387,640)
Total Other Financing Sources (Uses)	(14,497,380)	(16,387,640)
Net Change in Fund Balance	6,443,675	1,452,039
Fund Balances Beginning of Year	81,101,362	19,344,453
Prior Period Adjustment (see note 19)	0	
Fund Balances End of Year	87,545,037	20,796,493

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, 2021

Page 2 of 2

General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
		5,629,261	114,458,548
			11,589,120
540,486	8,751,608	10,468	21,347,966
	271,808	6,541,686	27,577,559
			2,766,642
143,263	90,703	(89,422)	(855,441)
124,966		88,056	1,332,646
808,714	9,114,119	12,180,050	178,217,040
575,613			15,689,921
			2,607,161
225,195			60,026,125
		95,165	5,291,297
	5,994,319		17,315,345
		229,883	13,000,069
			3,216,944
115,357		3,819,107	11,169,017
		1,934,515	1,934,515
		1,601,696	1,601,696
21,826,769	15,726,929	9,563	37,635,444
22,742,935	21,721,249	7,689,928	169,487,534
(21,934,221)	(12,607,129)	4,490,122	8,729,506
22,330,550	14,579,450		36,910,000
2,530,844	1,652,369		4,183,213
		69,550	69,550
			198,463
12,752,420	22,272,589	2,674,600	38,593,604
(422,604)	(131,449)	(4,878,300)	(37,409,831)
37,191,210	38,372,959	(2,134,150)	42,544,999
15,256,989	25,765,830	2,355,972	51,274,506
31,685,037	24,662,772	7,066,501	163,860,125
	(4,611,093)		(4,611,093)
46,942,027	45,817,509	9,422,473	210,523,538

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

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, 2021

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

Net change in fund balances for governmental funds	51,274,506
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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	37,641,080	
Depreciation	(15,538,109)	
Contributed Capital	17,000	
Capital Sales	(233,068)	
	21,886,903	21,886,903

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 issued	(41,093,213)	
Debt Retired	1,934,515	
Bond (Premium) Discount amortization	159,371	
Amortized outflow on refunding	(63,094)	
		(39,062,422)

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

Change in Court Receivables	205,518	
Change in Pension Asset	54,294,106	
Change in Pension Outflow	361,181	
Change in OPEB Outflow	7,457	
Change in revenue inflow	2,122,972	
		56,991,233

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	3,213,654	
Change in Pension Inflow	(41,425,235)	
Change in Compensated Absences	156,561	
Accrued Interest	(39,817)	
Other Post Employment Benefit Obligation	1,300,650	
ARO Expense	(19,786)	
Change in interfund loan interest	169,390	
		(36,644,584)

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.

2,490,849

Change in net position of governmental activities	56,936,485
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The notes to the financial statements are an integral part of this statement.



City of Kirkland
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
General Fund
For the year ended December 31, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	136,419,288	152,162,475	84,472,998	84,472,998	(67,689,477)
Licenses and Permits	19,984,754	20,192,754	11,201,331	11,201,331	(8,991,423)
Intergovernmental	7,221,815	18,405,014	10,147,366	10,147,366	(8,257,649)
Charges for Services	37,817,885	38,811,904	18,991,487	18,991,487	(19,820,417)
Fines and Forfeitures	5,107,724	5,107,724	2,766,473	2,766,473	(2,341,251)
Interest on Sales Tax Contract	160,000	160,000	28,306	28,306	(131,694)
Investment Interest-Dedicated	2,570,761	3,070,761	1,778,307	1,778,307	(1,292,454)
Contributions/Donations	286,880	307,880	182,636	182,636	(125,244)
Miscellaneous Revenues	1,456,961	1,472,961	951,271	951,271	(521,690)
Total Revenues	211,026,068	239,691,473	130,520,175	130,520,175	(109,171,298)
Expenditures					
Current					
General Government	30,716,741	38,989,553	15,622,442	15,622,442	23,367,111
Security of Persons and Property	121,315,687	126,440,097	60,184,981	60,184,981	66,255,116
Physical Environment	15,208,049	14,782,858	6,898,884	6,898,884	7,883,974
Transportation	2,487,920	3,079,715	1,293,386	1,293,386	1,786,329
Economic Environment	22,520,267	25,584,910	11,486,953	11,486,953	14,097,957
Human Services	4,723,507	7,029,575	1,898,648	1,898,648	5,130,927
Culture and Recreation	16,184,210	17,232,137	7,610,859	7,610,859	9,621,278
Capital Outlay	15,000	15,000	9,455	9,455	5,545
Total Expenditures	213,171,381	233,153,844	105,005,607	105,005,607	128,148,237
Excess of revenues over expenditures	(2,145,313)	6,537,629	25,514,568	25,514,568	18,976,939
Other Financing Sources (Uses)					
Insurance Recovery	100,000	100,000	152,806	152,806	52,806
Transfers In	869,002	1,061,074	726,100	726,100	(334,974)
Transfers Out	(9,567,445)	(24,028,683)	(13,224,909)	(13,224,909)	10,803,774
Total Other Financing Sources (Uses)	(8,598,443)	(22,867,609)	(12,346,002)	(12,346,002)	10,521,607
Net Change in Fund Balance	(10,743,756)	(16,329,980)	13,168,566	13,168,566	29,498,546
Fund Balances Beginning of Year	54,979,558	61,157,193	61,266,725	61,266,725	109,532
Fund Balances End of Year	44,235,802	44,827,213	74,435,291	74,435,291	29,608,078

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	9,000,000	18,075,200	17,603,629	17,603,629	(471,571)
Investment Interest	98,862	98,862	220,947	220,947	122,085
Total Revenues	9,098,862	18,174,062	17,824,576	17,824,576	(349,486)
Excess of revenues over expenditures	9,098,862	18,174,062	17,824,576	17,824,576	(349,486)
Other Financing Sources (Uses)					
Transfers Out	(19,943,591)	(33,066,786)	(16,387,640)	(16,387,640)	16,679,146
Total Other Financing Sources (Uses)	(19,943,591)	(33,066,786)	(16,387,640)	(16,387,640)	16,679,146
Net Change in Fund Balance	(10,844,729)	(14,892,724)	1,436,936	1,436,936	16,329,660
Fund Balances Beginning of Year	17,865,605	17,109,651	17,422,246	17,422,246	312,595
Fund Balances End of Year	7,020,876	2,216,927	18,859,182	18,859,182	16,642,255

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

City of Kirkland
Statement of Net Position
 Proprietary Funds
 December 31, 2021

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
Assets					
Current Assets:					
Cash and Cash Equivalents	10,332,693	4,680,300	544,445	15,557,438	10,375,229
Investments (Note 3)	25,245,102	11,434,666	1,433,480	38,113,248	25,350,694
Receivables					
Interest	101,170			101,170	
Contracts	265,986			265,986	
Accounts	5,930,983	315,625	3,872,905	10,119,513	567,383
Assessments	13,573			13,573	
Intergovernmental Receivable	43,278	1,487,943	1,234	1,532,455	1,409
Due From Other Funds	28,335		588	28,923	
Inventories	447,272	98,662		545,934	132,407
Interfund Loan Receivable					
Loans	4,386,767			4,386,767	
Interest	753			753	
Total Interfund Receivable	4,387,520	0	0	4,387,520	
Restricted Assets					
Prepayments	35,798	58,299	6,170	100,267	1,578,358
Total Current Assets	46,831,710	18,075,495	5,858,822	70,766,027	38,005,480
Noncurrent Assets					
Net Pension Asset	1,135,158	2,164,099	223,283	3,522,540	3,007,003
Capital Assets (Note 5)					
Land	47,784	3,786,708		3,834,492	
Depreciable Capital Assets (Net)	104,879,761	79,122,963		184,002,724	11,331,488
Construction in Progress	3,665,325	6,029,710		9,695,035	
Total Capital Assets	108,592,870	88,939,381	0	197,532,251	11,331,488
Total Noncurrent Assets	109,728,028	91,103,480	223,283	201,054,791	14,338,491
Total Assets	156,559,738	109,178,975	6,082,105	271,820,818	52,343,971
Deferred Outflows of Resources					
Deferred Outflow Pension Related	157,943	301,108	31,067	490,118	418,388
Total Deferred Outflows of Resources	157,943	301,108	31,067	490,118	418,388

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

City of Kirkland
Statement of Net Position
Proprietary Funds
December 31, 2021

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	255,844	990,645	1,243,756	2,490,245	1,118,134
Claims Payable				0	514,800
Wages Payable	73,993	133,559	12,830	220,382	170,387
Benefits Payable	16,952	29,594	2,375	48,921	33,810
Compensated Absences Payable	88,932	147,823	20,798	257,553	198,791
Intergovernmental Payable	419,307	64,040	479,703	963,050	8,505
Due to Other Funds	623,265	40,909	359,612	1,023,786	40,365
Accrued Interest Payable	8,645			8,645	
Unearned Revenue	296,281			296,281	606,804
Loans and Contracts Payable	311,144			311,144	
Sub-total Current Liabilities	2,094,363	1,406,570	2,119,074	5,620,007	2,691,596
Current Liabilities Payable From Restricted Assets					
Deposits Payable				0	1,850
Sub-total Current Liabilities Payable From Restricted Assets				0	1,850
Total Current Liabilities	2,094,363	1,406,570	2,119,074	5,620,007	2,693,446
Noncurrent Liabilities					
Compensated Absences Payable	22,233	36,956	5,200	64,389	49,695
Loans and Contracts Payable	2,652,786			2,652,786	
Total Noncurrent Liabilities	2,675,019	36,956	5,200	2,717,175	49,695
Total Liabilities	4,769,382	1,443,526	2,124,274	8,337,182	2,743,141
Deferred Inflows of Resources					
Deferred Inflow Pension Related	1,310,966	2,499,264	257,864	4,068,094	3,472,712
Total Deferred Inflows of Resources	1,310,966	2,499,264	257,864	4,068,094	3,472,712
Net Position					
Net Investment in Capital Assets	105,450,666	88,082,650	0	193,533,316	11,331,488
Unrestricted	45,186,667	17,454,643	3,731,034	66,372,344	35,215,018
Total Net Position	150,637,333	105,537,293	3,731,034	259,905,660	46,546,506

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

City of Kirkland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended December 31, 2021

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds	
	Water/Sewer	Surface Water	Solid Waste	Total	
Operating Revenues					
Charges for Services	30,800,061	10,936,714	19,443,434	61,180,209	23,260,275
Miscellaneous Revenues	498,679	288,177	2,202	789,058	340,173
Total Operating Revenues	31,298,740	11,224,891	19,445,636	61,969,267	23,600,448
Operating Expenses					
Administrative and General	3,454,879	4,649,795	1,352,577	9,457,251	9,771,728
Supplies				0	283,724
Maintenance and Operations	18,925,207	1,802,794	14,836,579	35,564,580	8,623,516
Taxes	4,118,448	996,029	2,814,698	7,929,175	
Depreciation	3,286,645	2,092,147		5,378,792	1,916,653
Total Operating expenses	29,785,179	9,540,765	19,003,854	58,329,798	20,595,621
Operating Income (Loss)	1,513,561	1,684,126	441,782	3,639,469	3,004,827
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	(119,314)	(129,961)	(23,882)	(273,157)	(148,791)
Grant Income		474,982	68,276	543,258	
Insurance Recovery				0	76,102
Interest Expense	(15,683)			(15,683)	
Gain (Loss) on Disposal of Capital Assets				0	42,013
Other Nonoperating Revenues/(Expenses)		(476,234)	(68,276)	(544,510)	
Total Nonoperating revenues (expenses)	(134,997)	(131,213)	(23,882)	(290,092)	(30,676)
Income Before Contributions and Transfers	1,378,564	1,552,913	417,900	3,349,377	2,974,151
Capital Contributions					
Contributions	2,080,965	4,471,230		6,552,195	
Transfers In	95,641	60,807	33,527	189,975	1,276,382
Transfers Out	(200,243)	(304,203)	(386,000)	(890,446)	(1,759,684)
Change in Net Position	3,354,927	5,780,747	65,427	9,201,101	2,490,849
Total Net Position - Beginning	147,282,406	99,756,546	3,665,607	250,704,559	44,055,657
Total Net Position - Ending	150,637,333	105,537,293	3,731,034	259,905,660	46,546,506

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, 2021
Increase in Cash and Cash Equivalents

Page 1 of 2

	Water/Sewer	Surfacewater	Solid Waste
Cash Flows From Operating Activities			
Cash Received From Customers	30,209,202	10,928,218	18,654,716
Cash Received From Interfund Charges	373,099	159,764	1,544
Contributions Received from Employees and Employer			
Cash From Other Sources	137,090	130,130	446,638
Cash Paid to Suppliers for Goods and Services	(17,766,181)	(1,243,228)	(14,844,032)
Cash Paid to Employees for Services	(2,423,797)	(4,042,731)	(432,953)
Cash Paid in Lieu of Taxes	(4,078,999)	(984,507)	(2,754,796)
Cash Paid for Central Business Functions	(2,881,136)	(2,147,861)	(954,819)
Cash Provided by Operating Activities	3,569,278	2,799,785	116,298
Cash Flows From Noncapital Financing Activities			
Proceeds From Federal, State, Local Grants		317,462	97,206
Grant Administration Expenditures		(411,220)	(67,042)
Deposits	(16,677)		
Transfers In	95,641	60,807	33,527
Transfers Out	(200,243)	(304,203)	(386,000)
Cash Provided by (Used for) Noncapital Financing Activities	(121,279)	(337,154)	(322,309)
Cash Flows From Capital and Related Financing Activities			
Capital Contributed	1,723,779	89,363	
Proceeds From Sale of Assets and Insurance Recoveries			
Proceeds From Capital Grants		1,990,242	
Principal Payments on Notes	(414,113)		
Interest Paid on Notes	(16,893)		
Interest Received on Program Loans	11,225		
Acquisition and Construction of Capital Assets	(991,857)	(3,926,586)	
Cash Provided by (Used for) Capital and Related Financing Activities	312,141	(1,846,981)	0
Cash Flows From Investing Activities			
(Increase) Decrease in Investments	(3,021,925)	(79,621)	305,800
Interest Revenue	(244,660)	(131,566)	(23,883)
Interfund Loan Interest	284,030		
Interfund Loan Repay	3,439,970		
Interfund Loan Issue	(2,264,117)		
Cash Provided by Investing Activities	(1,806,702)	(211,187)	281,917
Increase (Decrease) in Cash and Cash Equivalents	1,953,438	404,463	75,906
Cash and Cash Equivalents, January 1	8,379,255	4,275,837	468,539
Cash and Cash Equivalents, December 31	10,332,693	4,680,300	544,445
Reconciliation of Operating Income (Loss) to			
Cash Provided by Operating Activities			
Operating Income (Loss)	1,513,561	1,684,126	441,782
Adjustments to Reconcile Operating Income (Loss) to			
Cash Provided by Operating Activities			
Depreciation	3,286,645	2,092,147	
<u>Changes in Assets and Liabilities</u>			
(Increase) Decrease in Accounts Receivable	(618,970)	(9,617)	(344,610)
(Increase) Decrease in Operating Intergovernmental Receivable	(8,020)	14,940	
(Increase) Decrease in Operating Due From Other Funds	1,025		(1)
(Increase) Decrease in Other Accounts Receivable	14,153	4,609	
(Increase) Decrease in Operating Inventories	14,594	3,604	
(Increase) Decrease in Pension Asset	(1,135,158)	(2,164,099)	(223,283)
(Increase) Decrease in Assessments	1,110		
(Increase) Decrease in Prepayments	(3,585)	972	(752)
(Increase) Decrease in Pension Deferred Outflows of Resources	(2,178)	(1,352)	(1,955)
Increase (Decrease) in Pension Deferred Inflows of Resources	1,155,453	2,199,994	228,799
Increase (Decrease) in Net Pension Liability	(538,361)	(1,036,025)	(100,617)
Increase (Decrease) in Operating Accounts Payable	(551)	25,451	43,790
Increase (Decrease) in Claims Payable			
Increase (Decrease) in Operating Intergovernmental Payable	(164,945)	(24,303)	38,573
Increase (Decrease) in Operating Due to Other Funds	64,954	11,673	29,175
Increase (Decrease) in Accrual Transfer In			
Increase (Decrease) in Wages Payable	5,110	9,654	427
Increase (Decrease) in Benefits Payable	(9,221)	(12,114)	(546)
Increase (Decrease) in Compensated Absences Payable	(4,987)	125	5,516
Increase (Decrease) in Revenue Collected in Advance	(1,351)		
Cash Provided by Operating Activities	3,569,278	2,799,785	116,298
<u>Noncash Investing, Capital and Finance Activities</u>			
Capital Contributions	362,515	1,713,689	
Change in Fair Value of Investments	(7,879)	(3,934)	(585)

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, 2021
Increase in Cash and Cash Equivalents

Page 2 of 2

	Total Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities		
Cash Received From Customers	59,792,136	
Cash Received From Interfund Charges	534,407	15,315,459
Contributions Received from Employees and Employer	0	7,105,355
Cash From Other Sources	713,858	904,211
Cash Paid to Suppliers for Goods and Services	(33,853,441)	(10,346,486)
Cash Paid to Employees for Services	(6,899,481)	(6,148,156)
Cash Paid in Lieu of Taxes	(7,818,302)	
Cash Paid for Central Business Functions	(5,983,816)	(3,773,609)
Cash Provided by Operating Activities	6,485,361	3,056,774
Cash Flows From Noncapital Financing Activities		
Proceeds From Federal, State, Local Grants	414,668	
Grant Administration Expenditures	(478,262)	
Deposits	(16,677)	
Transfers In	189,975	1,276,382
Transfers Out	(890,446)	(1,759,684)
Cash Provided by (Used for) Noncapital Financing Activities	(780,742)	(483,302)
Cash Flows From Capital and Related Financing Activities		
Capital Contributed	1,813,142	
Proceeds From Sale of Assets and Insurance Recoveries	0	57,319
Proceeds From Capital Grants	1,990,242	
Principal Payments on Notes	(414,113)	
Interest Paid on Notes	(16,893)	
Interest Received on Program Loans	11,225	
Acquisition and Construction of Capital Assets	(4,918,443)	(1,820,380)
Cash Provided by (Used for) Capital and Related Financing	(1,534,840)	(1,763,061)
Cash Flows From Investing Activities		
(Increase) Decrease in Investments	(2,795,746)	(571,603)
Interest Revenue	(400,109)	298,424
Interfund Loan Interest	284,030	
Interfund Loan Repay	3,439,970	
Interfund Loan Issue	(2,264,117)	
Cash Provided by Investing Activities	(1,735,972)	(273,179)
Increase (Decrease) in Cash and Cash Equivalents	2,433,807	537,232
Cash and Cash Equivalents, January 1	13,123,631	9,837,997
Cash and Cash Equivalents, December 31	15,557,438	10,375,229
Reconciliation of Operating Income (Loss) to		
Cash Provided by Operating Activities		
Operating Income (Loss)	3,639,469	3,004,827
Adjustments to Reconcile Operating Income (Loss) to		
Cash Provided by Operating Activities		
Depreciation	5,378,792	1,916,653
<u>Changes in Assets and Liabilities</u>		
(Increase) Decrease in Accounts Receivable	(973,197)	(353,673)
(Increase) Decrease in Operating Intergovernmental Receivable	6,920	(256)
(Increase) Decrease in Operating Due From Other Funds	1,024	
(Increase) Decrease in Other Accounts Receivable	18,762	
(Increase) Decrease in Operating Inventories	18,198	(9,969)
(Increase) Decrease in Pension Asset	(3,522,540)	(3,007,003)
(Increase) Decrease in Assessments	1,110	
(Increase) Decrease in Prepayments	(3,365)	8,010
(Increase) Decrease in Pension Deferred Outflows of Resources	(5,485)	(706,129)
Increase (Decrease) in Pension Deferred Inflows of Resources	3,584,246	3,047,006
Increase (Decrease) in Net Pension Liability	(1,675,003)	(1,473,727)
Increase (Decrease) in Operating Accounts Payable	68,690	508,304
Increase (Decrease) in Claims Payable	0	
Increase (Decrease) in Operating Intergovernmental Payable	(150,675)	(19,611)
Increase (Decrease) in Operating Due to Other Funds	105,802	231,313
Increase (Decrease) in Accrual Transfer In	0	
Increase (Decrease) in Wages Payable	15,191	(53,399)
Increase (Decrease) in Benefits Payable	(21,881)	(18,531)
Increase (Decrease) in Compensated Absences Payable	654	(48,140)
Increase (Decrease) in Revenue Collected in Advance	(1,351)	31,099
Cash Provided by Operating Activities	6,485,361	3,056,774
<u>Noncash Investing, Capital and Finance Activities</u>		
Capital Contributions	2,076,204	
Change in Fair Value of Investments	(12,398)	

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

City of Kirkland
Statement of Fiduciary Net Position
 Fiduciary Funds
 December 31, 2021

	Custodial Funds
Assets	
Cash and Cash Equivalents	94,025
Restricted Cash - Deposits	594,802
Total Assets	688,827
Liabilities	
Accounts Payable	323,695
Restricted Court Deposits	123,357
Due to Other Governments	44,034
Other long-term liabilities	146,041
Total Liabilities	637,127
Total Net Position	51,700

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

City of Kirkland
Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended December 31, 2021

	Custodial Funds
Additions	
Fee collections for other governments	517,139
Partner contributions	283,155
Tax collections for other governments	124,045
Donation collections for other entities	6,007
Miscellaneous	110,299
Total Additions	1,040,645
Deductions	
Payments of fees collected on behalf of other governments	517,139
Administrative Fees	231,455
Payments of taxes collected on behalf of other governments	124,045
Payments of donations collected to other entities	6,007
Miscellaneous	110,299
Total Deductions	988,945
Net increase (decrease) in fiduciary net position	51,700
Net Position - Beginning	0
Net Position - Ending	51,700

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, 2021

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City of Kirkland

Notes to the Basic Financial Statements For Year Ended December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kirkland was incorporated on October 9, 1905, under the provisions of the Washington State Legislature and operates under a Council/City Manager form of government. The City is classified as a non-charter code city as set forth in RCW 35A. The Council consists of seven nonpartisan members elected at large every two years to staggered four-year terms. The Mayor is elected from within the Council to serve a two-year term. The City Manager serves as the professional administrator of the City and is responsible for coordinating all day-to-day operations and administration.

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

Reporting Entity

The City's Annual Comprehensive Financial Report includes all funds and organizations that are controlled by or dependent on the City. Control by the City was determined on the basis of budget adoption, taxing authority and resource allocation criteria. Dependence on the City was determined by the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. As required by the generally accepted accounting principles, the financial statements present City of Kirkland's primary government. The City of Kirkland Transportation Benefit District (TBD) was established in 2014 and qualifies as a component unit. The TBD has had no activity to date. See note 18 for additional information.

Basis of Presentation - Government-Wide and Fund Financial Statements

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

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

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual

governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City of Kirkland reports the following major Governmental funds:

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

The City of Kirkland reports the following major Proprietary Funds:

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

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

Internal Service Funds	account for equipment rental, information technology, facilities services and health benefits provided to other departments of the City on a cost reimbursement basis.
Fiduciary Funds	account for assets held by the city for private individuals or other governments. Custodial funds require additions and deductions to be reported by the nature of the resource flow.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing 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 are recognized as revenues. Amounts collected after 60 days are reported as Deferred Inflows of Resources in the governmental fund financial statements. All other revenue items are considered to be measurable and available only when cash is received by the City of Kirkland.

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

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

Proprietary funds 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.

New Accounting Standards

As of December 2021, the City successfully implemented GASB 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

Budgetary Data

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

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

Procedures for Adopting the Original Budget

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

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

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

Amending the Budget

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

Assets, Liabilities, Fund Balance and Net Position

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. Amounts are reported on the Balance Sheet as either Cash and Cash Equivalents or Investments. Cash and Cash Equivalents include currency on hand, Washington State Public Deposit Protection Commission (PDPC) member bank deposits, and investments in the Washington State Local Government Investment Pool (LGIP). At December 31, 2021, the City was holding \$89,090,556 in short-term residual investments of surplus cash. Per KMC 5.24.010, the City has established an investment committee consisting of the City Manager and the Director of Finance and Administration. The City's investment committee is limited, by State law, to purchasing investments in U.S. Treasury and Agency Securities, Certificates of Deposit with Washington State depositories that participate in the State Insurance Pool, bankers' acceptances, the State Investment Pool, and in other investments authorized by law. City policy requires that all investments be purchased DVP (delivery vs. payment). Securities are held in safekeeping by a third-party custodian.

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

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

Receivables

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

Property Taxes

Uncollected property taxes levied for the current year are reported as receivables at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore, no allowance for uncollectible taxes is recorded. Additional information is available in Note 4.

Sales Tax	Sales Tax collected for November and December but not remitted by the state until the following year, are reported as receivables at year-end.
Other Taxes	Utility, Gambling, Admission Taxes, and Franchise Fees remitted after the end of the year for activity occurring during the prior year are reported as receivables at year-end.
Accounts Receivable	Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services provided, including amounts owed for which billings have not yet been prepared.

Amounts Due to and from Other Governmental Units

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

Interfund Transactions

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

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payments in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Additional information is available in Note 14.

Inventories

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

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

Restricted Assets and Liabilities

These accounts contain resources reserved for customer deposits.

Capital Assets – See Note 5, Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of 2 or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Assets acquired through annexation in 2011 were recorded at estimated fair market value.

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

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

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

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

Compensated Absences

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

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

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

In 2005, contracts with public safety under the LEOFF II Retirement System agreed to allow conversion of accrued sick leave to a retiree medical account upon retirement from the City. Upon normal or disability retirement, the City is responsible to contribute an amount equal to fifty percent of the cash value of the employee's sick leave balance into a trust fund to be used for the retiree's health related expenses. Contribution amounts may not exceed \$11,500 for PD Commissioned and \$10,500 for IAFF, in 2021

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 or asset, 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.

For purposes of calculating the restricted net position related to the net pension asset, the City includes the net pension asset and related deferred inflows.

Long-Term Debt – See Note 10, Long-term Debt

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

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

Unearned Revenues

Unearned revenues are a liability for resources obtained prior to revenue recognition. Accordingly, they are not recorded as revenue. Unearned revenues include business license fees collected in 2021 for 2022.

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.

Net Position Classification

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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.

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	1,651,299
Pension Asset	70,107,991
Deferred Pension Outflow	6,047,053
Deferred OPEB Outflow	193,345
Deferred ARO Outflow	15,902
Deferred Charge on refunding	<u>1,198,795</u>
Net Adjustment	<u>79,214,384</u>

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

Bonds Payable	(73,112,660)
Compensated Absences	(3,894,596)
Net Pension Liability	(5,863,738)
Total OPEB Liability	(14,763,366)
ARO	(101,064)
Deferred Pension Inflow	(46,402,390)
Accrued Interest Payable	<u>(180,069)</u>
Net Adjustment	<u>(144,317,883)</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	1,153,508,525
Depreciation	<u>(245,233,819)</u>
Net Capital Assets Adjustment	<u>908,274,705</u>

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

Unavailable revenue	6,466,292
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Explanation of aggregated differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

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

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

Capital outlays	37,641,080
Depreciation Expense	(15,538,109)
Contributed Capital	17,000
Capital Sales	(233,068)
Net adjustment	<u>21,886,903</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 affects the Statement of Activities but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Position.

Old Debt Retired	1,934,515
New Debt Issued	(36,910,000)
Bond (Premium) Discount on issued bonds	(4,183,213)
Bond (Premium) Discount amortization	159,371
Amortized outflow on refunding	(63,094)
Net adjustment	<u>(39,062,422)</u>

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	205,518
Change in Pension Asset	54,294,106
Change in Pension Outflow	361,181
OPEB Outflow	7,457
Change in property tax revenue	382,535
Change in grant revenue	1,561,988
Change in other revenue	178,449
Net adjustment	<u>56,991,233</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:

Change in Net Pension Liability	3,213,654
Change in Pension Inflow	(41,425,235)
Change in Compensated Absences	156,561
Bond Interest	(39,817)
Other Post Employment Benefit Obligation	1,300,650
Change in Interfund loan interest	169,390
ARO Expense	(19,786)
Net adjustment	<u>(36,644,584)</u>

**NOTE 3:
CASH, DEPOSITS AND INVESTMENTS**

Deposits

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

Cash and Deposits	
Cash on Hand	\$ 14,700
FDIC or PDPC Insured Bank Deposits	43,506,443
ARCH Funds held by City of Bellevue	2,266,988
Fire District #41 Funds held by King County	85,406
Total	\$ 45,873,537

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 and Washington State Local Government Investment Pool.

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Investments Measured at Amortized Costs

As of December 31, 2021, the City of Kirkland held the following investments at amortized cost:

Investments Measured at Amortized Cost	
Washington State Local Government Investment Pool	45,584,113
Total	\$ 45,584,113

Credit Risk

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The City's Investment Policy applies the prudent person standard; investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. At

December 31, 2021, the City's investments had the following credit ratings for securities with credit exposure:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
Federal Home Loan Bank	Aaa	AA+	27,540,866
Federal Home Loan Mortgage Corporation	Aaa	AA+	22,181,012
Federal Farm Credit Bank	Aaa	AA+	30,772,127
Federal National Mortgage Association	Aaa	AA+	37,567,096
Total			\$ 118,061,100

Custodial Credit Risk

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

Concentration of Credit Risk

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

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
U.S. Treasury Notes	\$ 99,304,872		32.16%
Government Sponsored Enterprise			
Federal Home Loan Bank	27,540,866		8.92%
Federal Home Loan Mortgage Corporation	22,181,012		7.17%
Federal Farm Credit Bank	30,772,127		9.96%
Federal National Mortgage Association	37,567,096		12.16%
Cash on Hand		14,700	0.00%
FDIC or PDPC Insured Bank Deposits		43,506,443	14.08%
Fire District #41 Funds held by King County		85,406	0.03%
ARCH Funds held by City of Bellevue		2,266,988	0.73%
Washington State Local Government Investment Pool		45,584,113	14.76%
Total	\$ 217,365,973	\$ 91,457,650	
Total Cash, Deposits and Investments*		\$ 308,823,622	

*Includes \$149,519.06 that is part of the Fiduciary Funds

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase and limits the average weighted maturity for the portfolio to 3 years. The portfolio weighted maturity at year end was 1.63 years.

The following schedule presents the investments and related maturities as of December 31, 2021.

Investment Type	Fair Value	Maturity (in Years)	
		Less Than 1	1 - 5
Government Sponsored Enterprise (GSE's)	118,061,100	32,223,939	85,837,162
US Treasury Notes	99,304,872	15,022,553	84,282,320
Total	217,365,973	47,246,491	170,119,481

Investments Measured at Fair Value

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

- Level 1 securities are valued using prices quoted in active markets for identical assets or liabilities.
- Level 2 securities are valued using quoted market prices for similar assets or liabilities that are not active, or other than quoted prices that are not observable.
- Level 3 securities are valued using unobservable inputs.

U.S. Treasury Notes in Level 1 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	12/31/2021	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Enterprise (GSE's)	118,061,100	-	118,061,100	-
US Treasury Notes	99,304,872	99,304,872	-	-
Total By Fair Value Level	\$ 217,365,973	\$ 99,304,872	\$ 118,061,100	\$ -

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 2021 was \$1.22951 per \$1,000 on an assessed valuation of \$32,058,140,263 for a total regular levy of \$39,531,398. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.02427 per \$1,000 for an excess levy of \$565,070. 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, 2021, for governmental activities was as follows:

Governmental Activities	Balance 01/01/21	Additions	Deletions	Balance 12/31/21
Capital Assets, Not Being Depreciated:				
Land	618,881,039	2,705,345	205,714	621,380,670
Construction in Progress	23,814,525	37,662,897	32,280,612	29,196,810
Artwork	2,153,449	219,601		2,373,050
Total Capital Assets, Not Being Depreciated	\$ 644,849,013	40,587,843	32,486,326	\$ 652,950,530
Capital Assets, Being Depreciated:				
Buildings	46,043,635	15,928,996	337,482	61,635,149
Improvements	104,947,931	8,530,484		113,478,415
Machinery and Equipment	30,295,494	1,818,639	172,663	31,941,470
Infrastructure	315,703,179	4,747,394	51,490	320,399,083
Total Capital Assets, Being Depreciated	\$ 496,990,239	31,025,513	561,635	\$ 527,454,117
Less Accumulated Depreciation for:				
Buildings	18,801,554	1,048,322	337,482	19,512,394
Improvements	42,667,079	4,573,721		47,240,800
Machinery and Equipment	17,425,866	2,218,692	172,662	19,471,896
Infrastructure	164,983,472	9,614,027	24,136	174,573,363
Total Accumulated Depreciation	\$ 243,877,971	17,454,762	534,280	\$ 260,798,453
Total Capital Assets, Being Depreciated, Net	\$ 253,112,268	\$ 13,570,751	\$ 27,355	\$ 266,655,664
Governmental Activities Capital Assets, Net	\$ 897,961,281	\$ 54,158,593	32,513,681	\$ 919,606,194

Net investment in Capital Assets - Governmental activities

Capital assets, Net	\$ 1,180,404,647
Less accumulated depreciation	(260,798,453)
	919,606,194
Less GO Bonds	(66,250,000)
Less bond premium	(6,862,660)
Less capital related accounts payable and retainage payable	(3,931,629)
Plus unspent bond proceeds	32,576,177
Plus deferred outflow on refunding bonds	1,198,795
Net investment in capital Assets	\$ 876,336,877

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

Depreciation Expense - Governmental Activities

General Government	2,153,351
Security of Persons and Property	2,848,434
Physical Environment	955,133
Transportation (includes depreciation of general infrastructure assets)	9,649,881
Economic Environment	23,969
Culture and Recreation	1,823,995
Governmental Activities Depreciation Expense	<u>\$ 17,454,762</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.

Capital assets activity for the year ended December 31, 2021, for Business-type activities was as follows:

Business-type Activities

Capital Assets, Not Being Depreciated:

Land	3,804,356	30,136		3,834,492
Construction in Progress	5,339,019	4,386,152	30,136	9,695,035
Total Capital Assets, Not Being Depreciated	9,143,375	4,416,288	30,136	\$ 13,529,527

Capital Assets, Being Depreciated:

Buildings	47,591			47,591
Improvements	272,412,832	2,076,204		274,489,036
Total Capital Assets, Being Depreciated	272,460,423	2,076,204		\$ 274,536,627

Less Accumulated Depreciation for:

Buildings	47,591			47,591
Improvements	85,107,520	5,378,792		90,486,312
Total Accumulated Depreciation	85,155,111	5,378,792		\$ 90,533,903

Total Capital Assets, Being Depreciated, Net 187,305,312 (3,302,588) \$ 184,002,724

Business-type Activities Capital Assets, Net 196,448,687 1,113,700 30,136 \$ 197,532,251

Net investment in Capital Assets - Business Type activities

Capital assets, Net	\$ 288,066,306
Less accumulated depreciation	<u>(90,534,055)</u>
	197,532,251
Less Public Works Trust Fund loans	(2,963,930)
Less capital related accounts payable and retainage payable	(1,035,005)
Net investment in capital Assets	<u>\$ 193,533,316</u>

Depreciation expense was charged to business-type activities as follows:

Depreciation Expense - Business-type Activities

Water/Sewer Utility	3,286,645
Surface Water Utility	2,092,147
Solid Waste Utility	-
Depreciation Expense	<u>\$ 5,378,792</u>

Construction Obligations

The City of Kirkland has active construction projects as of December 31, 2021. The projects include:

<u>Project Function</u>	<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Transportation	9,448,861	10,114,550
Surface Water Utility	3,995,597	3,308,312
Water/Sewer Utility	7,242,061	1,498,024
Culture and Recreation	7,839,273	4,214,448
General Government	132,114	162,155
Security of Persons and Property	2,077,056	1,581,437
Total	<u>\$ 30,734,962</u>	<u>\$ 20,878,926</u>

NOTE 6: PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$2,856,735
Pension assets	\$73,630,531
Deferred outflows of resources	\$6,955,559
Deferred inflows of resources	\$53,943,196
Pension expense/expenditures	\$12,830,096

Includes \$1,014,406 Pension assets for the Firefighters' Pension Plan

Includes \$39,274 Deferred outflows of resources for the Firefighters' Pension Plan

Includes (\$14,096) Pension expense for the Firefighters' Pension Plan

State Sponsored Pension Plans

Substantially all City full-time 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 Annual Comprehensive Financial Report that includes financial statements and required supplementary information for each plan. The DRS Annual Comprehensive Financial Report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS Annual Comprehensive Financial Report 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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

* For employees participating in JBM, the contribution rate was 15.90%.

The City's actual PERS plan contributions were \$1,560,006 to PERS Plan 1 and \$2,488,064 to PERS Plan 2/3 for the year ended December 31, 2021.

Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2021 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.25%	7.20%
July – December 2021		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%

The City's actual plan contributions were \$104,527 to PSERS Plan 2 for the year ended December 31, 2021.

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

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

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

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

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

Contributions

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

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

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%
July – December 2021		
State and local governments	5.12	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	8.71%	8.53%

The City's actual contributions to the plan were \$1,412,838 for the year ended December 31, 2021.

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, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$906,281.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020 to June 30, 2021, reflecting each plan's normal cost (using entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75 percent total economic inflation; 3.50 percent salary inflation
- Salary increases: In addition to the base 3.50 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4 percent

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

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, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4%) or 1 percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	4,866,609	2,856,735	1,103,918
PERS 2/3	(8,131,687)	(28,544,194)	(45,353,902)
PSERS 2	(83,787)	(534,417)	(891,068)
LEOFF 1	(2,343,865)	(2,603,530)	(2,828,184)
LEOFF 2	(25,813,000)	(40,933,984)	(53,315,054)

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, 2021, the City reported a total pension asset of \$69,759,390 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	2,856,735
PERS 2/3	(28,544,194)
PSERS 2	(534,417)
LEOFF 1	(2,603,530)
LEOFF 2	(40,933,984)
Total Pension Asset	(69,759,390)

The amount of the asset reported above for LEOFF Plans 1 and 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 asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(2,603,530)	(40,933,984)
State's proportionate share of the net pension asset associated with the employer	(17,610,211)	(26,406,888)
TOTAL	(20,213,741)	(67,340,873)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportionate
PERS 1	0.239905%	0.233922%	-0.005983%
PERS 2/3	0.293694%	0.286542%	-0.007152%
PSERS 2	0.271451%	0.232619%	-0.038832%
LEOFF 1	0.074798%	0.076003%	0.001205%
LEOFF 2	0.654018%	0.704736%	0.050718%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2021, the City recognized pension expense as follows:

	Pension Expense
PERS 1	(751,025)
PERS 2/3	(6,474,481)
PSERS 2	(22,298)
LEOFF 1	(410,200)
LEOFF 2	(5,157,996)
Total	(12,816,000)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, 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	-	(3,170,020)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	685,035	-
TOTAL	685,035	(3,170,020)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,386,350	(349,924)
Net difference between projected and actual investment earnings on pension plan investments	-	(23,856,250)
Changes of assumptions	41,712	(2,027,110)
Changes in proportion and differences between contributions and proportionate share of contributions	379,950	(534,453)
Contributions subsequent to the measurement date	1,126,557	-
TOTAL	2,934,569	(26,767,738)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resource
Differences between expected and actual experience	54,838	(2,112)
Net difference between projected and actual investment earnings on pension plan investments	-	(382,804)
Changes of assumptions	83	(54,646)
Changes in proportion and differences between contributions and proportionate share of contributions	2,321	(12,340)
Contributions subsequent to the measurement date	48,666	-
TOTAL	105,908	(451,902)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resource
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(795,539)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	(795,539)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resource
Differences between expected and actual experience	1,856,609	(216,333)
Net difference between projected and actual investment earnings on pension plan investments	-	(19,517,618)
Changes of assumptions	17,695	(1,946,822)
Changes in proportion and differences between contributions and proportionate share of contributions	598,995	(1,077,224)
Contributions subsequent to the measurement date	717,472	-
TOTAL	3,190,771	(22,757,997)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resource
Differences between expected and actual experience	3,297,797	(568,369)
Net difference between projected and actual investment earnings on pension plan investments	-	(47,722,231)
Changes of assumptions	59,490	(4,028,578)
Changes in proportion and differences between contributions and proportionate share of contributions	981,266	(1,624,017)
Contributions subsequent to the measurement date	2,577,731	-
TOTAL	6,916,285	(53,943,196)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2022	(839,739)	(6,519,028)	(100,970)	(211,324)	(5,261,059)
2023	(769,506)	(6,090,409)	(96,073)	(193,294)	(4,906,059)
2024	(727,599)	(5,893,958)	(91,219)	(182,391)	(4,637,840)
2025	(833,176)	(6,324,769)	(101,089)	(208,530)	(5,215,446)
2026	-	(126,988)	(1,673)	-	(125,696)
Thereafter	-	(4,573)	(3,636)	-	(138,598)
TOTAL	(3,170,020)	(24,959,726)	(394,660)	(795,539)	(20,284,698)

Firefighters' Pension

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 for the year 2021:

Pension Amounts – Fire Fighter Pension	
Pension Liability	-
Pension Assets	1,285,896
Deferred Outflows of Resources	39,274
Deferred Inflows of Resources	-
Pension Expense	(14,086)

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

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

Under State law, the Firefighters' Pension Plan is provided an allocation of 25 percent of all monies received by the State from taxes on fire insurance premiums. Other funding sources include interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pension obligations. The City's fire insurance premium and interest earnings were

sufficient to pay the expenses in 2021. The financial activity of the Firefighters' Pension Plan is reported within the City's General Fund.

Membership of the Firefighters' Pension Plan consisted of the following on December 31, 2021:

Retirees and beneficiaries receiving benefits	2
Active plan members	<u>0</u>

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

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

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

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

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Changes in Net Pension Liability			
Balances as of December 31, 2020	283,602	1,306,556	(1,022,954)
Changes for the year:			
Service Cost	-	-	-
Interest on total pension liability	5,497		5,497
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	-		-
Effect of assumptions changes or inputs	-		-
Benefit payments	(17,609)	(17,609)	-
Medical payments from fund		(100,000)	100,000
Employer contributions		-	-
Contributions from state fire insurance premium tax		117,334	(117,334)
Net investment income		(16,985)	16,985
Administrative expenses		(3,400)	3,400
Balances as of December 31, 2021	271,490	1,285,896	(1,014,406)

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

Discount Rates and Investment Earnings

	December 31, 2020	December 31, 2021
Discount Rate	2.00%	2.00%
Long term expected rate of return, net of investment expense	2.00%	2.00%
Municipal bond rate	2.00%	2.00%

The following presents the total pension liability of the City, calculated using the discount rate of 2.00 percent, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total Pension Liability	293,740	271,490	251,861
Fiduciary Net Position	1,285,896	1,285,896	1,285,896
Net Pension Liability	(992,156)	(1,014,406)	1,034,035

Actuarial Assumptions

Valuation Date	January 1, 2020	January 1, 2020
Measurement Date	December 31, 2020	December 31, 2021
Inflation	2.25%	2.25%
Salary increases including inflation	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry Age Normal	Entry Age Normal

Deferred Inflows / Outflows of Resources Related to Pensions

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/ Outflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings		39,274
Contributions subsequent to the measurement date		
TOTAL	-	39,274

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

Year ended December 31:	
2022	13,332
2023	9,240
2024	8,086
2025	8,616
2026	-
Thereafter	-

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

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

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 689 employees who participated in the program during 2021. The City's contribution for 2021 was \$3,381,229; employee contributions were \$5,094,333 during the same period. The rate the City must pay and the employee may pay is equal to the Social Security rate of 6.2 percent.

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

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

**NOTE 7:
OTHER POST EMPLOYMENT BENEFITS**

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

The City of Kirkland provides post-retirement health care benefits to LEOFF 1 retirees in accordance with RCW 41.26. The plan is a single-employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. Membership is limited to public safety personnel hired prior to March 1, 1970. All members' medical, hospital, dental and nursing care are covered at the discretion of the Retirement Board. At the end of 2021 there were 27 retirees receiving these benefits. All members of the closed group are retired and no new members are eligible for benefits. The benefits cover only the retiree; spouses and dependents are not covered by the plan.

For 2021, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 137,240
	Direct Medical Costs	<u>230,230</u>
	Total Costs	<u>\$ 367,470</u>

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

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	(14,763,366)
OPEB Assets	
Deferred Outflows of Resources	193,345
Deferred Inflows of Resources	
OPEB Expenses	(688,433)

The total OPEB liability was determined using Washington State's Actuary Alternative Measurement Method Online Tool. The liability was determined using a June 30, 2021, measurement date using the following assumptions and inputs.

The following presents the total OPEB liability of the City calculated using the current healthcare cost trend rate of 5.3 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.3%) or 1- percentage point higher (6.3%) than the current rate.

	1% Decrease 4.3%	Current Healthcare Cost Trend Rate 5.3%	1% Increase 6.3%
Total OPEB Liability	\$13,233,284	\$14,763,366	\$16,544,640

The following presents the total OPEB liability of the City calculated using the discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (1.16%) or 1- percentage point higher (3.16%) than the current rate.

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability	\$16,684,238	\$14,763,366	\$13,155,626

Changes in the Total OPEB Liability (Asset)	
Total OPEB Liability at 01/01/2021	16,064,016
Interest	348,287
Differences between expected and actual experience	(1,036,720)
Benefit Payments	(612,217)
Net Change	(1,300,650)
Total OPEB Liability at 12/31/2021	14,763,366

The total OPEB liability was determined using the Alternative Measurement Method as of June 30, 2021. The following actuarial assumptions applied to all measurements.

Methodology

Actuarial Valuation Date	6/30/2021
Actuarial Measurement Date	6/30/2021
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	No Assets

Assumptions

Discount Rate	
Beginning of Measurement Year	2.21%
End of Measurement Year	2.16%
Healthcare Trend Rates	
Medical Costs	Initial rate is approximately 5.3%, trends down to about 5% In 2021's.
Long term care	4.5%
Medicare Part B Premiums	Approximately 5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	RP-2000 Mortality Table
Age Setback	+1 year Healthy/-2 years Disabled Blended 50%/50% Healthy/Disabled
Mortality Improvements	100% Scale BB
Projection Period	Generational
Medicare Participation Rate	100%

The discount rate used to measure is based on the Bond Buyer General Obligation 20-Bond Municipal Index. For additional detail on the healthcare trend rates, please see the Office of State Actuary's 2021 LEOFF 1 Medical Benefits Actuarial Valuation Report.

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

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

For the year ended December 31, 2021, the City recognized an offset to OPEB expense of 193,345.

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions	\$	\$
Payments subsequent to the measurement date	\$ 193,345	\$
TOTAL	\$ 193,345	\$

Deferred outflows of resources of \$193,345 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. There are no other amounts reported as deferred outflows and deferred inflows of resources related to OPEB to be recognized in OPEB expense in future years.

**NOTE 8:
NONGOVERNMENTAL PENSION PLAN**

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

To be eligible to participate in the Plan, a person must be an employee and must be covered under a bona fide written labor contract between an employer and a local union of the International Brotherhood of Teamsters that requires the employer to make payments to the Trust Fund. The current collective-bargaining agreement between the City and the Teamsters Local 763 expires December 31, 2021 and requires the City to pay \$0.35 per hour to the Trust Fund for each member of the bargaining unit, up to the maximum of 184 hours per calendar month. In 2021 the city made contributions for 132 employees, totaling \$70,479.

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

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

Contributions payable at December 31, 2021 were \$6,075 representing contributions made for hours worked in December 2021. These contributions were paid in January 2022.

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 166 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 \$400 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 2021.

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

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

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

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

Medical Self Insurance

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

In order to mitigate its risk exposure the City holds individual and aggregate stop loss insurance. There were four claims in excess of the \$125,000 per person stop loss maximum for 2021. 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
2017	\$560,571	\$6,007,121	\$6,037,692	\$530,000
2018	\$530,000	\$3,372,869	\$4,299,869	\$397,000
2019	\$397,000	\$4,964,695	\$4,941,095	\$420,600
2020	\$420,600	\$4,691,530	\$4,663,930	\$448,200
2021	\$448,200	\$4,599,107	\$4,532,507	\$514,800

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 two loans with principal outstanding of \$2,963,930. This debt will be repaid from Water/Sewer Fund revenues.

On October 29, 2013, The City issued \$4,670,000 in Unlimited Tax General Obligation Bonds at an interest rate of 2.3 percent to refund the outstanding 1995 and 2003 Unlimited Tax General Obligation Bonds with interest rates of 5.7 percent for the 1995 Bonds and between 4.0 and 5.2 percent for the 2003 Bonds. The transaction resulted in an economic gain of \$614,706 and a reduction of \$663,767 in future debt service payments.

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

On June 17, 2020, the City issued \$25,105,000 in Limited Tax General Obligation Bonds to advance refund the remaining principal of the Limited General Obligation Bonds 2010 (Taxable Build America Bonds-Direct Payment) which were used to purchase and renovate the Kirkland Justice Center. The 2020 Refunding Bonds were issued with a true interest cost of 1.697% and a net present value savings of 20.187% a total of \$5.3 million saved over the next 20 years. On December 1, the 2010 Limited Tax General Obligation Bonds were called and repaid, the liability for those bonds has been removed from the government-wide statement of net position. The advance refunding resulted in a difference between the net reacquisition price and the net carrying amount of the old debt of \$1,261,889. This amount, reported in the statement of net position as a deferred outflow of resources, will be charged to operations through 2040 using the effective interest method.

On June 3, 2021, the City issued \$36,910,000 in Limited Tax General Obligation Bonds for the purpose to finance or reimburse the City for all or a portion of the costs of acquiring, designing, constructing, developing, improving, equipping and furnishing certain City transportation projects and City fire and public safety facilities and to pay the cost of the issuance of the bonds. The 2021 LTGO Bonds were issued with a true interest cost of 1.703% with a maturity date of 12/1/2041.

General obligation bonds currently outstanding are as follows:

Issue - Purpose	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2021	Due Within One Year
2013 UTGO Refunding Bonds*	10/29/2013	12/1/2022	2.3	4,670,000	4,120,000	550,000	550,000
2015 LTGO Bonds* - City Hall Remodel	11/20/2015	12/1/2034	3.45	5,800,000	1,440,000	4,360,000	270,000
LTGO Refunding Bonds, 2020	6/30/2020	12/1/2040	1.76	25,105,000	675,000	24,430,000	880,000
LTGO Bonds, 2021	6/3/2021	12/1/2041	1.7	36,910,000	-	36,910,000	1,215,000
Total				\$72,485,000	\$ 6,235,000	\$ 66,250,000	\$2,915,000

*Direct Placement

The annual debt service requirements to maturity for general obligation bonds that are not direct placement are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2022	2,095,000	1,977,300
2023	2,200,000	1,872,550
2024	2,310,000	1,762,550
2025	2,425,000	1,647,050
2026	2,545,000	1,525,800
2027-2031	14,730,000	5,594,500
2032-2036	17,460,000	2,828,600
2037-2041	17,575,000	1,012,100
Total	\$ 61,340,000	\$ 18,220,450

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2022	820,000	163,070
2023	280,000	141,105
2024	290,000	131,445
2025	300,000	121,440
2026	310,000	111,090
2027-2031	1,725,000	387,090
2032-2034	1,185,000	82,800
Total	\$ 4,910,000	\$ 1,138,040

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 12/31/2021	Due Within One Year
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	914,302	171,998	57,332
2012 Public Works Trust Loan NE 80 St Water/Sewer Main Replacement	10/8/2012	6/1/2032	0.5	4,038,000	1,246,068	2,791,932	253,812
Total				\$5,124,300	\$2,160,370	\$2,963,930	\$311,144

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2022	311,144	14,820
2023	311,145	13,264
2024	311,145	11,708
2025	253,812	10,152
2026	253,812	8,884
2027-2031	1,269,060	25,381
2032	253,812	1,269
Total	\$ 2,963,930	\$ 85,478

City of Kirkland Credit Ratings

On May 14, 2021, Moody's Investors Service assigned a Aaa rating to the City of Kirkland, Washington's Limited Tax General Obligation Bonds, 2021 and on May 17, 2021 maintained a Aaa issuer rating for the City of Kirkland.

On May 17, 2021, S&P Global Ratings assigned its AAA long-term rating to Kirkland's Limited Tax General Obligation Bonds, Series 2021, dated June 3, 2021. At the same time, S&P Global Ratings affirmed its AAA long-term rating on the City's GO debt outstanding.

NOTE 11: LEASES

Operating Leases

Copier Leases

In December 2016, the City entered into two 60-month leases for a Canon IRC 5560i and Canon IR C 700. Lease payments for the year ended December 31, 2021 totaled \$18,589. In December 2021, the City entered into a 60-month lease for a Canon IPRC910 and Canon IRC5870i. The future minimum payments for these agreements are summarized as follows:

2022	16,325
2023	16,325
2024	16,325
2025	16,325
2026	<u>16,325</u>
Total	\$81,625

Envelope Opener

In 2019 the City entered into a 60-month lease for an Envelope Opener with Quadient Leasing. Lease payments for the year ended December 31, 2021 were \$711. The future minimum payments for this agreement are summarized as follows:

2022	711
2023	711
2024	<u>237</u>
Total	\$1,659

Use of Parking Lot

Effective January 1, 2017, the City entered into a lease with The First Congregational Church of Kirkland for the use of the Church parking lot for additional off-street parking for City Hall activities. The term of the lease is January 1, 2017 to December 31, 2027. \$68,000, which represents full payment for the 11 year lease was made in 2020. \$6,182 was recorded as operating rental expense in 2021 and the balance, \$37,091 was reported as a prepayment at December 31, 2021.

Gas Monitoring Equipment

Effective July 1, 2014, the City entered into a four-year lease for hazardous gas monitoring equipment. The initial term ended June 30, 2018. The lease automatically renewed on a month-to-month basis for a period not to exceed twelve months. Effective July 1, 2019 the terms of the lease were extended for a period of 48 months. Lease payments for the year ended December 31, 2021 were \$13,824. Future minimum payments are summarized as follows:

2022	13,824
2023	<u>6,912</u>
Total	\$20,736

Effective July 15, 2017, the City entered into a four-year lease for hazardous gas monitoring equipment. The initial term ended July 14, 2021. The lease automatically renews on a month-to-month basis for a period not to exceed twelve months unless either party gives 60 days' notice that they do not intend to renew. The City amended the original lease and extended the lease for 48 months beginning 3/15/22.

Lease payments for the year ended December 31, 2021 were \$15,449. Future minimum payments are summarized as follows:

2022	19,064
2023	19,787
2024	19,787
2025	19,787
2026	<u>3,298</u>
Total	\$81,723

Commercial Real Estate Leases

Effective May 1, 2021, the City entered into a 27-month commercial real estate lease to use for an aid crew during the day while the current fire station is being remodeled. Lease payments for the year ended December 31, 2021 were \$12,694. The future minimum payments for this lease are summarized as follows:

2022	19,426
2023	<u>11,444</u>
Total	\$30,870

Effective July 1, 2021, the City entered into a 42-month commercial real estate lease for use as a temporary fire station while the current fire station is being remodeled. There is one option to renew month to month for up to twelve months. In addition to rent, the City is obligated to pay its pro rata share of common area expenses (CAM). The CAM payments will be estimated and paid monthly and then adjusted to actuals at year end. Lease payments for the year ended December 31, 2021 were \$102,321. CAM payments were \$35,811 for 2021. Monthly estimates for CAM are \$5,968. The future minimum payments for this lease are summarized as follows:

2022	207,712
2023	213,943
2024	<u>220,361</u>
Total	\$744,337

Ground Lease Agreement

Effective June 10, 2019, the City entered into a 51 year and 7 month non-refundable ground lease with Catholic Community Services of Western Washington. Catholic Community Services constructed and operates a homeless shelter and day center on this property. The entire amount of the lease was prepaid prior to the effective date of the lease and totaled \$600,000. The City purchased the property in 2018 for \$600,000. Lease revenue for the year ended December 31, 2021 was \$11,632. The remaining balance is reported as a deferred lease receipt.

Kirkland Teen Union Building

Effective 11/16/20 the City entered into an agreement with Studio East for the lease of the Kirkland Teen Union Building. The initial lease expired 2/28/22. Monthly lease payments were \$2,500. A new agreement with a term of 3/1/22-5/31/23 was signed with monthly payments of \$3,500. The building's cost was \$1,411,038 and at 12/31/21 accumulated depreciation was \$536,195. Annual depreciation expense is \$28,221. The City received \$30,000 of lease revenue in 2021. Future minimum lease revenue is summarized as follows:

2022	40,000
2023	<u>17,500</u>
Total	\$57,500

Other Leases

The City receives lease revenue from other short term or month to month leases from tenants occupying real property owned by the City. In 2021 \$346,282 was collected from these leases.

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

During the year ending December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/21	Additions	Reductions	Ending Balance 12/31/21	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable:					
General Obligation Bonds	31,274,515	36,910,000	1,934,515	66,250,000	2,915,000
Add:					
Issuance Premium	2,838,818	4,183,213	159,371	6,862,660	351,102
Compensated Absences	4,349,692	3,108,213	3,314,832	4,143,073	3,276,848
Self Insurance Claims	448,200	4,599,107	4,532,507	514,800	514,800
Asset Retirement Obligations	93,925	7,139		101,064	-
Net Pension Liability	10,551,118		7,694,383	2,856,735	
Other Post Employment Benefits	16,064,016	348,287	1,648,937	14,763,366	587,864
Governmental Activity Long-term Liabilities	65,620,284	49,155,959	19,284,545	95,491,698	7,645,614
<u>Business-Type Activities</u>					
PWTF Loans	3,378,043		414,113	2,963,930	311,144
Net Pension Liability	1,675,004		1,675,004	-	
Compensated Absences	321,289	653		321,942	257,553
Business-Type Activity Long-term Liabilities	5,374,336	653	2,089,117	3,285,872	568,697

Compensated Absences

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$248,476 for Internal Service Funds which are predominantly associated with governmental funds. The funds that incur liability for compensated absences are responsible for liquidating them in future periods based upon where the employee's salary is paid. The governmental funds which typically liquidate compensated absences include the General Fund and Parks Maintenance Fund.

Other Post Employment Benefits

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

Beginning in 2014, the Firefighter Pension Plan began liquidating some LEOFF 1 OPEB liability as deemed appropriate by the actuarial valuation of the fund. In 2021, the amount utilized to exhaust OPEB costs was \$100,000.

NOTE 13:
CONTINGENCIES AND LITIGATIONS

As of December 31, 2021, there were damage claims and lawsuits pending against the City. However, management believes, and the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would materially affect the financial condition of the City.

**NOTE 14:
INTERFUND BALANCES AND TRANSFERS**

All transfers are legally authorized transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. The main transfers were for capital purchases (General capital projects \$12.8 million, Transportation capital projects \$22.3 million in 2021), debt service (\$2.5 million in 2021), capital project close outs and clean up returning unused funds to source. \$9,054 was returned to impact fees in 2021.

Interfund transfers at December 31, 2021, were as follows:

		2021 Transfer From						
		General Fund	Excise Capital Improvement Fund	Capital Projects Funds	Other Governmental Funds	Internal Service Funds	Proprietary Funds	Total
2021 Transfer To	General		228,500	145,617	100,850	150,000	269,028	\$ 893,995
	General Capital Projects	7,864,432	1,089,350	18,000	2,102,450	1,604,300	73,888	\$ 12,752,420
	Transportation Capital Projects	4,410,498	14,801,091		2,675,000		386,000	\$ 22,272,589
	Parks Maintenance	10,208						\$ 10,208
	Parks Levy	119,769	35,000					\$ 154,769
	Impact Fees			9,054				\$ 9,054
	Debt Service Funds	2,266,869	233,699					\$ 2,500,568
	Proprietary funds	1,424		156,447			32,103	\$ 189,974
	Internal Service Funds	916,637		224,934		5,384	129,427	\$ 1,276,382
	Total	\$ 15,589,838	\$ 16,387,640	\$ 554,053	\$ 4,878,300	\$ 1,759,684	\$ 890,446	\$ 40,059,961

Interfund Loans

On April 16, 2019 the City Council authorized an interfund loan in the amount of \$5,562,619 between the Capital Projects Fund and the Water/Sewer Utility for the purchase of real property. The loan term is three years at a rate of 2.00 percent. \$3,439,970 of the loan was repaid with interest on 12/30/2021 leaving a balance of \$2,122,649 to be paid in 2022. 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.

On September 7, 2021, the City Council authorized an interfund loan in the amount of \$2,264,118 from the Water/Sewer Utility for the purchase of real property. The loan term is three years at a rate of 0.15 percent. The loan can be repaid at any time during the loan period. Interest is accruing over the life of the loan and will be paid at the point of repayment.

Interfund balances as reported in the financial statements at December 31, 2021, were as follows:

		2021 Due From					
		General Fund	Capital project fund	Other Governmental Funds	Internal Service Funds	Proprietary Funds	<i>Total</i>
2021 Due To	General		11	937		1,021,936	\$ 1,022,884
	General Capital projects				33,026		\$ 33,026
	Water/Sewer	7,296	4,387,521	12,438	7,339	1,261	\$ 4,415,856
	Solid Waste					588	\$ 588
	Total	\$ 7,296	\$ 4,387,532	\$ 13,376	\$ 40,365	\$ 1,023,786	\$ 5,472,355

The main balances are the \$4,387,532 due from the capital project fund to the water/Sewer fund for the two interfund loans, and the \$1,021,936 balance due to the general fund from the proprietary funds for utility taxes.

NOTE 15: JOINT VENTURES

ARCH – Housing Coalition

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

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

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

Each member city contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2021 the City contributed \$175,946 to ARCH for operations and \$415,000 to fund affordable housing projects which is held in the ARCH Housing Trust Fund. Together with contributions from the City and private developer fees in lieu, the City has accumulated \$2,266,988 of available cash in its Trust Fund. Although the Trust Fund is held by the fiscal agent it is reflected in the City's Cash and Cash Equivalents.

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.

Budget monitoring information can be obtained from ARCH, c/o Lindsay Masters , 16307 NE 83rd Street, Redmond, WA 98052.

Cascade Water Alliance

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

The City of Kirkland's share of membership dues for 2021 was \$390,929. 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 2021, the City of Kirkland remitted \$745,367 for this charge. Members do not hold legal ownership rights in any assets owned by the Alliance.

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

of water system revenue bonds with net proceeds to Cascade of \$80 million. The majority of the bond proceeds funded the acquisition of Lake Tapps, tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. In December of 2012, the Cascade Water Alliance issued a series of water system revenue bonds for approximately \$48 million for the purposes of paying part of the cost of financing Capital Projects and providing for a Debt Service Reserve. In August of 2014, the Cascade Water Alliance issued a series of water system refunding revenue bonds for approximately \$29.2 million to pay a portion of the costs of refunding the callable portion of the outstanding 2006 bond issue. In 2019, the Cascade Water Alliance issued a series of water system improvement and refunding revenue bonds for approximately \$49 million to carry out certain capital projects and to pay the cost of refunding its outstanding Water System Revenue Bonds, 2009. In 2020, the Cascade Water Alliance issued a series of water system refunding bonds for approximately \$30 million to pay the cost of refunding the callable portion of the outstanding 2012 Bonds. The 2006, 2009, 2012, 2014, 2019 and 2020 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 2021 the City of Kirkland paid EPSCA \$137,402 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, 2021 the weighted vote was as follows:

Bellevue	46.52%
Redmond	23.59%
Kirkland	18.04%
Mercer Island	5.89%
Issaquah	5.96%

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. A Principal may withdraw its membership by providing written notice on or before December 31 in any 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. The Puget Sound Emergency Radio Network (PSERN) is the intended successor and is expected to be fully implemented by the end of 2022.

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

eCityGov Alliance

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

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

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

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

Budget monitoring information may be obtained from City of Bellevue, Information Technology Department, c/o Julie David, 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. Beginning January of 2018, the City of Normandy Park joined as a principal. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

A Principal agent may withdraw its membership by providing written notice on or before December 31 in any year. Operating revenues are provided by user fees charged to each member based on average call volume. For 2021, the City of Kirkland's share of these fees was \$2,860,168

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

Hazardous Materials Unit and Response Team

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

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

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

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

Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Kirkland's assessment was \$18,740 in 2021.

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 2002 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, the Northshore School District, South Sound 911 and Renton Regional Fire Authority. In 2011 the consortium was formally organized as a government agency.

The Consortium sets the terms and conditions for sharing fiber optic installation projects, outlines how the parties will work together on fiber projects and establishes the original backbone of the Fiber Consortium network through contributions of budget, fiber assets, conduit, right of way and staff expertise. The partners use the fiber network to connect schools and universities to enhance learning; to connect hospitals, medical facilities and clinics to improve health care; connect government facilities for public safety, transportation and other needs; and to provide an open access network to serve the public with wireless and broadband access.

Upon dissolution of the corporation, assets of the Consortium shall be distributed by the Consortium Board among members after paying all obligations of the Consortium. The City's share of assets is deemed immaterial and thus not reflected in the financial statements.

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

Sound Cities Association

In 1970 Sound Cities Association (SCA) was formed to help cities act locally and partner regionally to create vital, livable communities through advocacy, education, leadership, mutual support and networking. The City of Kirkland is among 38 cities represented by SCA having a population less than 150,000. The SCA Board of Directors oversees the general activities of the Association and governs the organization by establishing broad policies and objectives for SCA.

Operating revenues are provided by membership dues based on population. The City of Kirkland's dues were \$53,308 in 2021. Upon dissolution of SCA, any funds or assets shall be distributed to member cities and towns pursuant to the same formula used to determine membership dues. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

North Sound Metro SWAT

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

Operating revenues are provided by contributions from the participating cities based on population. The City of Kirkland's dues were \$9,327 for 2021. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

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

EnviroStars Green Business Program

The City of Kirkland is among several public agencies in the area that established the EnviroStars Regional Green Business Program. The program started in 2016 through a Memorandum of Agreement (MOA) with 11 initial members. EnviroStars links businesses to local environmental programs and incentives that can help them take green actions and get recognized for it. An eight-member executive committee adopts rules and procedures for its operations. The executive committee, which is a subset of the members, is made up of the seven highest financial contributors and the remaining members combined will have one place on the executive committee. Operating revenues are provided by membership dues. The City of Kirkland's dues in 2021 were \$6,781.

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

The City of Kirkland is the fiscal agent of EnviroStars and reports the activity in the City's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

For additional information contact John MacGillivray, City of Kirkland, JMacGillivray@kirklandwa.gov.

Startup 425

The City of Kirkland together with the Cities of Bellevue, Issaquah, Redmond and Renton established Startup 425 for the purpose of promoting economic development in each of their jurisdictions. The operations are designed to support startups and early stage companies. The program started in 2019 through an Interlocal Agreement.

The City of Kirkland is the administrator of Startup 425 and among other duties provides accounting and legal services and executes contracts. The agreement renews automatically for one-year terms ending December 31 unless any member gives notice 30 days before year end. The agreement shall thereafter remain in effect with the remaining members if the administrator still considers the program as viable. No jointly owned property will be obtained under this agreement.

The cities of Bellevue, Issaquah, Redmond and Renton will each provide \$15,000 annually to fund management and day-to-day operations. The City of Kirkland will contribute up to \$40,000 cash and in-kind contributions such as City staffing, office space, and necessary equipment for its operations.

The activity of Startup 425 is reported in the City's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

For additional information contact Carmine Anderson, City of Kirkland, cvanderson@kirklandwa.gov.

**NOTE 16:
BUDGET TO GAAP RECONCILIATION**

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

2021 Budget to GAAP Reconciliation	General Fund	Excise Tax Capital Improvement	Street Operating Special Revenue	Contingency Special Revenue	Firefighter Pension
Revenues on the Budgetary Basis	130,520,175	17,824,576	9,631,411	0	107,302
Increase (Decrease) due to accruals	(1,984,411)	15,103	0	0	0
Reclassification	9,738,713	0	(9,631,411)	0	(107,302)
Revenues on the GAAP Basis	<u>138,274,477</u>	<u>17,839,679</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	105,005,607	0	7,123,284	0	21,009
Increase (Decrease) due to accruals	5,183,522	0	0	0	0
Reclassification	7,144,293	0	(7,123,284)	0	(21,009)
Expenditures on the GAAP Basis	<u>117,333,422</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(12,346,002)	(16,387,640)	(2,120,815)	63,411	(100,000)
Increase (Decrease) due to accruals	6,026	0	0	0	0
Reclassification	(2,157,404)	0	2,120,815	(63,411)	100,000
Other Financing Sources (Uses) on the GAAP Basis	<u>(14,497,380)</u>	<u>(16,387,640)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the Budgetary Basis	25,514,568	17,824,576	2,508,127	0	86,293
Increase (Decrease) due to accruals	(7,167,933)	15,103	0	0	0
Reclassification	2,594,420	0	(2,508,127)	0	(86,293)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the GAAP Basis	<u>20,941,055</u>	<u>17,839,679</u>	<u>0</u>	<u>0</u>	<u>0</u>

NOTE 17: TAX ABATEMENTS

The State of Washington enters into tax abatement agreements that reduce the amount of tax revenue that local jurisdictions receive. The information reported was provided by the Washington State Department of Revenue. There were three state tax abatement programs that reduced the 2021 tax revenues of the City of Kirkland.

High-Technology Sales and Use Tax Deferral

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

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

The City sales and use tax revenues were reduced by \$336,403 as a result of this agreement.

Multi-Unit Urban Housing Exemption

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

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

The City property tax revenues were reduced by \$231,869 as a result of this exemption.

Computer Hardware, Software, and Peripherals Exemption

RCW 82.08.975 and RCW 82.12.975 provides exemptions from retail sales tax for sales of computer hardware, computer peripherals, or software, used primarily in the development, design, and engineering of aerospace products or in providing aerospace services, or to sales of or changes made for labor and services rendered in respect to installing the computer hardware, computer peripherals, or software. This exemption is available to manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, certified FAR repair stations, aerospace tooling manufacturers, and non-manufacturers engaged in the business of aerospace product development.

No application is required. The exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

The Department of Revenue does not disclose tax information if there are less than three taxpayers in a jurisdiction benefiting from the exemption. No estimate was provided for the amount that the City's sales tax revenue was reduced.

King County provides tax abatements through four programs – Current Use Programs, Historic Preservation Program, Single-family Dwelling Improvement Program, and the Multifamily Tax Exemption. These programs are property tax abatements. The property tax system in the State of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. As a result, tax abatement programs related to property taxes shift the tax burden to individual taxpayers rather than to the municipality. The City had tax abatements from three of the programs for 2021 – Current Use Program, Single-family Dwelling Improvement Program and Historic Preservation Program.

Current Use Programs

The Current Use Programs provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW 84.34.010. An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a "current use" value, which is lower than the "highest and best use" assessment value that would otherwise apply to the property. When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.

Taxes abated for the Current Use Programs was \$2,617.

Single-family Dwelling Improvement Program

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

Taxes abated for the Single-family Dwelling Improvement Program was \$3,216.

Historic Preservation Program

The Historic Preservation Program provides property tax abatements to encourage maintenance, improvement and preservation of privately owned historic landmarks under RCW 84.26.010. To be eligible, the property must be a historic property, fall within a class of historic property determined eligible for special valuation, be rehabilitated at a cost equal to 25 percent or more of pre-improvement assessed value within 24 months prior to the application for special valuation, and be protected by an agreement between the owner and the local review board.

Taxes abated for the Historic Preservation Program was \$1,734.

NOTE 18:
OTHER INFORMATION

The City of Kirkland Transportation Benefit District (TBD) was legally established by ordinance on February 10, 2014. It will provide additional funding for the purposes of implementing and funding transportation improvements. There has been no formal action from the Kirkland City Council to establish a meeting of the governing body, no business has been conducted, and no economic activity has commenced for the TBD. Therefore, there is no financial reporting activity for the Transportation Benefit District in 2021.

On February 15, 2022 the Kirkland City Council adopted Ordinance O-4783 to assume the Kirkland Transportation Benefit District into the City of Kirkland.

**NOTE 19:
PRIOR PERIOD ADJUSTMENTS**

The City has a redevelopment agreement with The Village at Totem Lake, LLC for the redevelopment of the Totem Lake Mall. The City committed \$15 million in exchange for specified public improvements and public benefits resulting from the project including economic activity, new jobs, increased tax revenues and housing. The payments were to be made in two phases. \$7.5 million on completion of Phase 1 (redevelopment of the property west of 120th Avenue NE and a majority of the 120th Avenue NE improvements), which occurred late 2019 through 2020. In 2019 and 2020 the City received \$12.12 million of assets and therefore recorded \$4.6 million of capital contributions related to dedicated land and improvements as part of Phase 1.

A further \$7.5 million was paid upon completion of Phase 2 (redevelopment of the property east of 120th Avenue NE and completion of the 120th Avenue NE improvements), which was completed in 2021. The total value of the land and improvements dedicated to the City was independently appraised at over \$15 million, however some of these improvements are on land that, while the City has an easement, the City will not own. The City takes a conservative approach towards capital assets and only records improvements to land that is owned by the City. Therefore, in 2021, the City recorded \$2.5 million of additional assets. To better reflect the underlying substance of the transaction, the City decided to reverse the capital contribution in 2020 and instead record a payable in 2020 related to the 2021 payment for the assets received in 2020. Therefore, a prior period adjustment was made to 2020 which resulted in a \$4.6 million reduction to beginning fund balance for the transportation capital projects fund in 2021.

**NOTE 20:
ASSET RETIREMENT OBLIGATION**

The City has a system of underground fuel storage tanks that have a legally enforceable liability associated with retirement due to environmental impacts. An underground storage tanks system is an underground storage tank with unconnected underground piping, underground ancillary equipment, and containment systems. According to RCW 90.76 and WAC 173-360A, retirement of these assets creates a threat of releasing hazardous materials, mainly petroleum, requiring an estimation of costs expected to be incurred.

The City utilizes the straight-line depreciation method over a 30-year life. For information regarding when these assets were put into service, the City utilized the State of Washington Department of Ecology Tanks database system. The City will adjust the value of its asset retirement outlays for the effects of general inflation or deflation on an annual basis

Underground Storage Site	Asset Remaining Useful Life	Liability
Fire Station 27	1	\$ 46,078
Public Works Maintenance Center	0	54,986
		\$ 101,063

NOTE 21: COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The impacts of the COVID-19 pandemic are ongoing. The City experienced an increase in public health emergency response and other costs associated with mitigating the impacts of the COVID-19 pandemic on the residents of the City, support to homeless and vulnerable populations, small businesses, food assistance, and expanded childcare services, among others. Some of these costs have decreased since the initial declarations of emergency related to the pandemic. The City has taken a number of actions in response to the COVID-19 outbreak, including grants for local businesses, expanded grants for human services providers, and increased investment in telecommunication equipment, among other measures. Many of these costs have been offset by an allocation of approximately \$4.2 million in federal Coronavirus Relief Funds in 2020, specifically related to COVID-19 response and the approximately \$10 million Kirkland received in America Rescue Plan Act (ARPA) funds in 2021.

The City has and will continue to review the range of financial impacts of COVID-19 on the City and its finances. The recovery of the local economy will be largely driven by the overall national and regional economic recovery. The City is closely monitoring specific areas due to the large presence of major employers.

In addition to impacts on the City's governmental funds, there may be COVID-19-related revenue impacts for the City's utility systems. For instance, the City has suspended late fees and shut-off processes for its utilities, and it did not increase any utility rates for 2021.

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

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
as of June 30, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.233922%	0.239905%	0.250384%	0.245488%	0.255485%	0.247082%	0.237347%
Employer's Proportionate Share of the Net Pension Liability (Asset)	2,856,735	8,469,942	9,628,154	10,963,578	12,122,963	13,269,467	12,415,455
Covered Payroll	35,799,749	36,237,702	35,296,754	32,165,028	31,875,429	29,040,840	26,675,074
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	7.98%	23.37%	27.28%	34.09%	38.03%	45.69%	46.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
as of June 30, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.286542%	0.293694%	0.302719%	0.294538%	0.307765%	0.291129%	0.282083%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(28,544,194)	3,756,179	2,940,431	5,028,974	10,693,363	14,658,115	10,078,986
Covered Payroll	34,193,110	34,374,511	33,427,562	30,613,959	30,222,970	27,302,787	25,094,088
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-83.48%	10.93%	8.80%	16.43%	35.38%	53.69%	40.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
PSERS 2
as of June 30, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.232619%	0.271451%	0.317335%	0.355180%	0.382251%	0.386625%	0.374208%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(534,417)	(37,352)	(41,266)	4,401	74,894	164,308	68,300
Covered Payroll	1,575,036	1,668,688	1,555,289	1,401,490	1,351,671	1,257,462	1,100,860
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-33.93%	-2.24%	-2.65%	0.31%	5.54%	13.07%	6.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	123.67%	101.68%	101.85%	99.79%	96.26%	90.41%	95.08%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
as of June 30, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.076003%	0.074798%	0.074516%	0.077052%	0.076621%	0.076145%	0.075351%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(2,603,530)	(1,412,567)	(1,472,891)	(1,398,881)	(1,162,509)	(784,511)	(908,146)
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	(17,610,211)	(9,554,568)	(9,962,601)	(9,461,994)	(7,863,183)	(5,306,415)	(6,142,677)
TOTAL	(20,213,741)	(10,967,135)	(11,435,492)	(10,860,875)	(9,025,692)	(6,090,926)	(7,050,823)
Covered Payroll	-	-	-	-	-	-	-
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-	-	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
as of June 30, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.704736%	0.654018%	0.684709%	0.690550%	0.710014%	0.708072%	0.742445%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(40,933,984)	(13,341,012)	(15,862,605)	(14,019,670)	(9,852,694)	(4,118,359)	(7,630,850)
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	(26,406,888)	(8,530,567)	(9,077,472)	(9,077,472)	(6,391,258)	(2,684,871)	(5,045,524)
TOTAL	(67,340,872)	(21,871,579)	(24,940,077)	(23,097,142)	(16,243,952)	(6,803,230)	(12,676,374)
Covered Payroll	27,133,820	25,267,391	23,904,775	22,866,548	22,289,760	21,439,475	21,573,273
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-150.86%	-52.80%	-66.36%	-61.31%	-44.20%	-19.21%	-35.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	1,560,006	1,728,418	1,791,095	1,717,449	1,579,243	1,488,736	1,253,566
Contributions in Relation to the Statutorily or Contractually Required Contributions	(1,560,006)	(1,728,418)	(1,791,095)	(1,717,449)	(1,579,243)	(1,488,736)	(1,253,566)
Contribution Deficiency (excess)	-	-	-	-	-	-	-
Covered Payroll	36,420,055	35,911,243	35,770,372	33,459,445	31,813,945	30,717,467	27,881,590
Contributions as a Percentage of Covered Employee Payroll	4.28%	4.81%	5.01%	5.13%	4.96%	4.85%	4.50%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
PERS 2/3
For the year ended December 31, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	2,488,064	2,708,740	2,617,594	2,380,486	2,066,402	1,808,373	1,480,054
Contributions in Relation to the Statutorily or Contractually Required Contributions	(2,488,064)	(2,708,740)	(2,617,594)	(2,380,486)	(2,066,402)	(1,808,373)	(1,480,054)
Contribution Deficiency (excess)	-	-	-	-	-	-	-
Covered Payroll	34,895,814	34,194,103	33,894,528	31,738,800	30,114,668	29,032,093	26,203,665
Contributions as a Percentage of Covered Employee Payroll	7.13%	7.92%	7.72%	7.50%	6.86%	6.23%	5.65%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
PSERS 2
For the year ended December 31, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	104,526	117,841	112,364	96,954	93,370	85,459	76,937
Contributions in Relation to the Statutorily or Contractually Required Contributions	(104,526)	(117,841)	(112,364)	(96,954)	(93,370)	(85,459)	(76,937)
Contribution Deficiency (excess)	-	-	-	-	-	-	-
Covered Payroll	1,524,241	1,636,676	1,574,022	1,415,115	1,400,916	1,300,951	1,187,373
Contributions as a Percentage of Covered Employee Payroll	6.86%	7.20%	7.14%	6.85%	6.66%	6.57%	6.48%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
LEOFF 2
For the year ended December 31, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or Contractually Required Contributions	1,412,838	1,364,104	1,257,933	1,250,298	1,180,952	1,057,143	1,122,507
Contributions in Relation to the Statutorily or Contractually Required Contributions	(1,412,838)	(1,364,104)	(1,257,933)	(1,250,298)	(1,180,952)	(1,057,143)	(1,122,507)
Contribution Deficiency (excess)	-	-	-	-	-	-	-
Covered Payroll	27,515,271	26,487,449	24,196,983	23,692,467	22,938,095	20,928,017	22,232,350
Contributions as a Percentage of Covered Employee Payroll	5.13%	5.15%	5.20%	5.28%	5.15%	5.05%	5.05%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Total Pension Liability and Related Ratios
Firefighter's Pension Plan
(dollar amounts in thousands)
For the year ended December 31, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability - beginning	\$ 284	\$ 387	\$ 347	\$ 367	\$ 334	\$ 347	\$ 372	\$ 363
Service cost	0	0	0	0	0	0	0	0
Interest	5	10	14	13	12	12	13	13
Changes in benefit terms	0	0	0	0	0	0	0	0
Differences between expected and actual experience	0	(114)	0	0	28	0	(67)	0
Changes of assumptions	0	17	44	(18)	9	(9)	43	10
Benefit payments, including refunds of contributions	(18)	(17)	(18)	(16)	(16)	(15)	(13)	(14)
Other changes	0	0	0	0	0	0	0	0
Net change in total pension liability	<u>(13)</u>	<u>(104)</u>	<u>40</u>	<u>(21)</u>	<u>33</u>	<u>(12)</u>	<u>(24)</u>	<u>9</u>
Total pension liability - ending	<u>\$ 271</u>	<u>\$ 284</u>	<u>\$ 387</u>	<u>\$ 347</u>	<u>\$ 367</u>	<u>\$ 334</u>	<u>\$ 347</u>	<u>\$ 372</u>
Covered payroll	0	0	0	0	0	0	0	0
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 68.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1
For the year ended December 31, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018
Total OPEB liability - beginning	16,064,016	16,035,203	15,684,554	16,276,239
Service cost	-	-	-	-
Interest	348,287	548,042	595,432	571,289
Changes in benefit terms	-	-	-	-
Changes in experience data and assumptions	(1,036,720)	241,023	358,389	(520,441)
Benefit payments	(612,217)	(760,252)	(603,172)	(642,533)
Other changes	-	-	-	-
Total OPEB liability - ending	14,763,366	16,064,016	16,035,203	15,684,554
Covered-employee payroll	0	-	-	-
Total OPEB liability as a % of covered payroll	0%	0%	0%	0%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
Western Conference of Teamsters' Pension Plan
For the year ended December 31, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily or Contractually Required Contributions	70,479	68,760	73,492	71,025	73,215	73,696
Contributions in Relation to the Statutorily or Contractually Required Contributions	70,479	68,760	73,492	71,025	73,215	73,696
Contribution Deficiency (excess)		-	-	-	-	-
Covered Payroll	6,481,019	6,594,633	6,680,376	5,872,671	5,604,106	5,585,341
Contributions as a Percentage of Covered Employee Payroll	1.09%	1.04%	1.10%	1.21%	1.31%	1.32%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Kirkland
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Required Contributions
Western Conference of Teamsters' Pension Plan
For the year ended December 31, 2021
Last 10 Fiscal Years

Fiscal Year Ending December 31	Employer Contributions
2011	54,627
2012	59,156
2013	66,552
2014	67,277
2015	72,159
2016	73,696
2017	73,215
2018	71,025
2019	73,492
2020	68,760
2021	70,479

City of Kirkland

Notes to the Required Supplementary Information

Other Post Employment Benefits (OPEB)

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

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, 2021

Page 1 of 2

	Special Revenue			
	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Assets				
Cash and Cash Equivalents	101,552	328,529	291,299	616,482
Investments	248,099	802,636	711,688	1,506,169
Receivables, Net of Allowances				
Taxes	36,825		22,157	41,336
Accounts			335	4,644
Prepayments	1,138		15,154	17,856
Total Assets	387,615	1,131,165	1,040,634	2,186,487
Liabilities				
Accounts Payable	3,500	1,560	9,492	25,894
Wages Payable	2,962		26,700	40,468
Benefits Payable	550		6,295	8,725
Due to Other Funds		91	1,165	12,120
Intergovernmental Payable		0	3,217	16,789
Total Liabilities	7,012	1,651	46,870	103,994
Deferred Inflows of Resources				
Unavailable Revenue - Judgements & Settlements			335	
Unavailable Revenue - Property Taxes			21,718	40,517
Total Deferred Inflows of Resources	0	0	22,053	40,517
Fund Balances				
Nonspendable				
Prepaid	1,138	0	15,154	17,856
Restricted for				
Tourism	379,465			
Cemetery Operations		1,129,514		
Culture and Recreation			956,557	2,024,120
Transportation				
Fire				
Debt Service				
Total Fund Balances	380,603	1,129,514	971,711	2,041,976
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	387,615	1,131,165	1,040,634	2,186,487

City of Kirkland
Combining Balance Sheet
Non Major Governmental Funds
December 31, 2021

Page 2 of 2

Impact Fees	Total Special Revenue	Debt Service		Total Debt Service	Non Major Governmental Funds Total
		LTGO	UTGO		
1,151,840	2,489,702	246,208	84,596	330,804	2,820,506
2,813,706	6,082,299	395,335	206,751	602,086	6,684,385
	100,317		10,648	10,648	110,965
	4,979			0	4,979
	34,148			0	34,148
3,965,546	8,711,446	641,543	301,994	943,537	9,654,983
	40,446			0	40,446
	70,130			0	70,130
	15,570			0	15,570
	13,376			0	13,376
	20,005			0	20,005
0	159,526	0	0	0	159,526
	335				335
	62,234		10,415	10,415	72,649
0	62,569	0	10,415	10,415	72,984
0	34,148	0	0	0	34,148
	379,465			0	379,465
	1,129,514			0	1,129,514
704,979	3,685,656			0	3,685,656
3,253,211	3,253,211			0	3,253,211
7,356	7,356			0	7,356
	0	641,543	291,580	933,123	933,123
3,965,546	8,489,350	641,543	291,580	933,123	9,422,473
3,965,546	8,711,446	641,543	301,994	943,537	9,654,983

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
For the fiscal year ended December 31, 2021

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
Revenues				
Taxes and Assessments	218,224	0	1,524,635	2,844,382
Intergovernmental				10,468
Charges for Services		65,126	0	130,215
Investment Interest	(3,990)	(7,581)	(5,779)	(10,200)
Miscellaneous Revenues			44,906	43,150
Total Revenues	214,234	57,545	1,563,762	3,018,016
Expenditures				
Current				
Physical Environment		95,165		
Economic Environment	229,883			
Culture and Recreation			1,529,497	2,289,610
Debt Service				
Principal				
Interest				
Capital Outlay		9,563		
Total Expenditures	229,883	104,728	1,529,497	2,289,610
Excess (Deficiency) of revenues				
Over (under) expenditures	(15,650)	(47,182)	34,265	728,406
Other Financing Sources (Uses)				
Sale of Capital Assets		69,550		
Insurance Recovery				
Transfers In			10,208	154,769
Transfers Out		0	(850)	(500,000)
Total Other Financing Sources (Uses)	0	69,550	9,358	(345,231)
Net Change in Fund Balance	(15,650)	22,368	43,623	383,175
Fund Balances Beginning of Year	396,252	1,107,146	928,089	1,658,801
Fund Balances End of Year	380,603	1,129,514	971,711	2,041,976

City of Kirkland
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
For the fiscal year ended December 31, 2021

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
	4,587,241	480,213	561,806	1,042,020	5,629,261
	10,468			0	10,468
6,346,345	6,541,686			0	6,541,686
(62,757)	(90,307)	885		885	(89,421)
	88,056			0	88,056
6,283,588	11,137,145	481,099	561,806	1,042,905	12,180,050
	95,165			0	95,165
	229,883			0	229,883
	3,819,107			0	3,819,107
	0	1,394,515	540,000	1,934,515	1,934,515
0	0	1,576,626	25,070	1,601,696	1,601,696
	9,563			0	9,563
0	4,153,718	2,971,141	565,070	3,536,211	7,689,929
6,283,588	6,983,427	(2,490,042)	(3,264)	(2,493,305)	4,490,122
	69,550			0	69,550
	0			0	0
9,054	174,031	2,500,569		2,500,569	2,674,600
(4,377,450)	(4,878,300)			0	(4,878,300)
(4,368,396)	(4,634,719)	2,500,569	0	2,500,569	(2,134,150)
1,915,193	2,348,708	10,527	(3,264)	7,264	2,355,972
2,050,353	6,140,642	631,016	294,843	925,859	7,066,501
3,965,546	8,489,350	641,543	291,580	933,123	9,422,473

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	866,000	2,782,902	570,622	570,622	(2,212,280)
Charges for Services	0	0		0	0
Investment Interest	0	0	146,366	146,366	146,366
Contributions/Donations	0	0		0	0
Miscellaneous Revenues	0	773,000	124,966	124,966	(648,034)
Total Revenues	866,000	3,555,902	841,954	841,954	(2,713,948)
Expenditures					
Current					
General Government	0	428,745	2,155,572	2,155,572	1,726,827
Security of Persons and Property	1,304,900	1,504,900	10,193,234	10,193,234	8,688,334
Culture and Recreation	0	442,812	480,078	480,078	37,266
Debt Service				0	0
Debt Issue Cost	0	0	284,030	284,030	284,030
Capital Outlay	44,220,312	81,633,434	21,223,138	21,223,138	(60,410,296)
Total Expenditures	45,525,212	84,009,891	34,336,052	34,336,052	(49,673,839)
Excess of revenues over expenditures	(44,659,212)	(80,453,989)	(33,494,098)	(33,494,098)	46,959,891
Other Financing Sources (Uses)					
Sale of Capital Assets					
GO Bond Proceeds	0	24,695,283	22,330,550	22,330,550	(2,364,733)
Premium on Bonds	0	0	2,530,844	2,530,844	2,530,844
Intergovernmental Loan Proceeds	0	2,400,000	2,264,118	2,264,118	(135,882)
Transfers In	9,366,000	29,805,880	23,056,304	23,056,304	(6,749,576)
Transfers Out	0	(11,740,386)	(422,604)	(422,604)	11,317,782
Total Other Financing Sources (Uses)	9,366,000	45,160,777	49,759,212	49,759,212	4,598,435
Net Change in Fund Balance	(35,293,212)	(35,293,212)	16,265,114	16,265,114	51,558,326
Fund Balances Beginning of Year	36,537,512	36,537,512	36,537,512	36,537,512	0
Fund Balances End of Year	1,244,300	1,244,300	52,802,626	52,802,626	51,558,326

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Intergovernmental	53,841,308	52,164,810	9,488,483	9,488,483	42,676,327
Charges for Services	0	168,880	271,808	271,808	(102,928)
Investment Interest	0	0	92,600	92,600	(92,600)
Contributions/Donations	0	0	32,400	32,400	(32,400)
Miscellaneous Revenues	0	296,000	126,504	126,504	169,496
Total Revenues	53,841,308	52,629,690	10,011,795	10,011,795	42,617,895
Expenditures					
Current					
Transportation	964,000	3,464,689	28,195,048	28,195,048	(24,730,359)
Debt Issue Cost	0	0	107,699	107,699	(107,699)
Capital Outlay	130,653,230	154,136,026	25,358,994	25,358,994	128,777,032
Total Expenditures	131,617,230	157,600,715	53,661,740	53,661,740	103,938,975
Excess of revenues over expenditures	(77,775,922)	(104,971,025)	(43,649,946)	(43,649,946)	(61,321,079)
Other Financing Sources (Uses)					
Transfers In	24,565,485	54,088,043	49,745,928	49,745,928	4,342,115
Transfers Out	0	(104,395)	(131,449)	(131,449)	27,054
Refunding bonds issued	27,167,100	27,167,100	14,579,450	14,579,450	12,587,650
Premium on Bonds	0	0	1,652,369	1,652,369	(1,652,369)
Total Other Financing Sources (Uses)	51,732,585	81,150,748	65,846,297	65,846,297	15,304,451
Net Change in Fund Balance	(26,043,337)	(23,820,277)	22,196,352	22,196,352	(46,016,629)
Fund Balances Beginning of Year	26,043,337	24,249,272	25,163,470	25,163,470	914,198
Fund Balances End of Year	0	428,995	47,359,822	47,359,822	(45,102,431)

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	501,585	501,585	196,119	196,119	(305,466)
Investment Interest	10,770	10,770	4,415	4,415	(6,355)
Total Revenues	512,355	512,355	200,534	200,534	(311,821)
Expenditures					
Current					
Economic Environment	593,620	659,120	223,760	223,760	(435,360)
Total Expenditures	593,620	659,120	223,760	223,760	(435,360)
Excess of revenues over expenditures	(81,265)	(146,765)	(23,226)	(23,226)	123,539
Net Change in Fund Balance	(81,265)	(146,765)	(23,226)	(23,226)	123,539
Fund Balances Beginning of Year	372,969	372,969	372,969	372,969	0
Fund Balances End of Year	291,704	226,204	349,743	349,743	123,539

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	14,631,457	14,631,457	7,006,824	7,006,824	7,624,633
Licenses and Permits	600,200	600,200	419,291	419,291	180,909
Intergovernmental	4,396,083	4,396,083	1,851,882	1,851,882	2,544,201
Charges for Services	108,000	108,000	30,207	30,207	77,793
Contributions/Donations	0	0	2,100	2,100	(2,100)
Miscellaneous Revenues	844,083	776,848	321,107	321,107	455,741
Total Revenues	20,579,823	20,512,588	9,631,411	9,631,411	10,881,177
Expenditures					
Current					
Transportation	14,315,683	15,046,336	7,344,067	7,344,067	7,702,269
Capital Outlay	40,000	207,403	62,727	62,727	144,676
Total Expenditures	14,355,683	15,253,739	7,406,794	7,406,794	7,846,945
Excess of revenues over expenditures	6,224,140	5,258,849	2,224,617	2,224,617	3,034,232
Other Financing Sources (Uses)					
Insurance Recovery	0	0	39,630	39,630	39,630
Transfers In	1,149,000	2,927,810	1,702,555	1,702,555	(1,225,255)
Transfers Out	(7,766,000)	(8,261,000)	(3,863,000)	(3,863,000)	4,398,000
Total Other Financing Sources (Uses)	(6,617,000)	(5,333,190)	(2,120,815)	(2,120,815)	3,212,375
Net Change in Fund Balance	(392,860)	(74,341)	103,802	103,802	178,143
Fund Balances Beginning of Year	1,293,139	1,293,139	1,293,139	1,293,139	0
Fund Balances End of Year	900,279	1,218,798	1,396,941	1,396,941	178,143

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Other Financing Sources (Uses)					
Transfers In	63,411	63,411	63,411	63,411	0
Total Other Financing Sources (Uses)	63,411	63,411	63,411	63,411	0
 Net Change in Fund Balance	 63,411	 63,411	 63,411	 63,411	 0
 Fund Balances Beginning of Year	 6,292,477	 6,292,477	 6,292,477	 6,292,477	 0
Fund Balances End of Year	6,355,888	6,355,888	6,355,888	6,355,888	0

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Charges for Services	126,000	126,000	65,126	65,126	(60,874)
Investment Interest	24,936	24,936	13,662	13,662	(11,274)
Total Revenues	150,936	150,936	78,788	78,788	(72,148)
Expenditures					
Current					
Physical Environment	215,406	237,406	97,127	97,127	(140,279)
Capital Outlay	14,400	14,400	9,563	9,563	(4,838)
Total Expenditures	229,806	251,806	106,690	106,690	(145,116)
Excess of revenues over expenditures	(78,870)	(100,870)	(27,901)	(27,901)	72,969
Other Financing Sources (Uses)					
Proceeds Sale of Fixed Assets	90,000	90,000	69,550	69,550	(20,450)
Total Other Financing Sources (Uses)	90,000	90,000	69,550	69,550	(20,450)
Net Change in Fund Balance	11,130	(10,870)	41,649	41,649	52,519
Fund Balances Beginning of Year	1,089,802	1,089,802	1,089,802	1,089,802	0
Fund Balances End of Year	1,100,932	1,078,932	1,131,451	1,131,451	52,519

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	3,061,122	3,061,122	1,524,083	1,524,083	(1,537,039)
Investment Interest	20,125	20,125	11,668	11,668	(8,457)
Miscellaneous Revenues	30,200	30,200	45,241	45,241	15,041
Total Revenues	3,111,447	3,111,447	1,580,992	1,580,992	(1,530,455)
Expenditures					
Culture and Recreation	3,270,760	3,282,380	1,542,091	1,542,091	1,740,289
Total Expenditures	3,270,760	3,282,380	1,542,091	1,542,091	1,740,289
Excess of revenues over expenditures	(159,313)	(170,933)	38,901	38,901	209,834
Other Financing Sources (Uses)					
Insurance Recovery	0	0	0	0	0
Operating Transfers In	0	10,208	10,208	10,208	0
Transfers Out	0	(850)	(850)	(850)	0
Total Other Financing Sources (Uses)	0	9,358	9,358	9,358	0
Net Change in Fund Balance	(159,313)	(161,575)	48,259	48,259	209,834
Fund Balances Beginning of Year	954,973	954,973	954,973	954,973	0
Fund Balances End of Year	795,660	793,398	1,003,232	1,003,232	209,834

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	5,710,954	5,710,954	2,843,352	2,843,352	(2,867,602)
Charges for Services	463,873	463,873	130,215	130,215	(333,658)
Contributions/Donations	0	46,500	10,925	10,925	(35,575)
Investment Interest	41,974	41,974	24,153	24,153	(17,821)
Miscellaneous Revenues	25,800	37,840	43,150	43,150	5,310
Total Revenues	6,242,601	6,301,141	3,051,795	3,051,795	(3,249,346)
Expenditures					
Current					
Culture and Recreation	4,904,431	5,106,897	2,363,263	2,363,263	(2,743,634)
Total Expenditures	4,904,431	5,106,897	2,363,263	2,363,263	(2,743,634)
Excess of revenues over expenditures	1,338,170	1,194,244	688,532	688,532	(505,712)
Other Financing Sources (Uses)					
Transfers In	70,000	189,769	154,769	154,769	(35,000)
Transfers Out	(1,000,000)	(800,000)	(500,000)	(500,000)	300,000
Total Other Financing Sources (Uses)	(930,000)	(610,231)	(345,231)	(345,231)	265,000
Net Change in Fund Balance	408,170	584,013	343,301	343,301	(240,712)
Fund Balances Beginning of Year	1,779,856	1,779,856	1,779,856	1,779,856	0
Fund Balances End of Year	2,188,026	2,363,869	2,123,157	2,123,157	(240,712)

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Charges for Services	5,400,000	9,432,450	6,346,345	6,346,345	(3,086,105)
Investment Interest	75,552	75,552	65,778	65,778	(9,774)
Total Revenues	5,475,552	9,508,002	6,412,123	6,412,123	(3,095,879)
Excess of revenues over expenditures	5,475,552	9,508,002	6,412,123	6,412,123	(3,095,879)
Other Financing Sources (Uses)					
Transfers In	0	9,054	9,054	9,054	0
Transfers Out	(5,400,000)	(9,432,450)	(4,377,450)	(4,377,450)	5,055,000
Total Other Financing Sources (Uses)	(5,400,000)	(9,423,396)	(4,368,396)	(4,368,396)	5,055,000
Net Change in Fund Balance	75,552	84,606	2,043,727	2,043,727	1,959,121
Fund Balances Beginning of Year	1,923,194	1,923,194	1,923,194	1,923,194	0
Fund Balances End of Year	1,998,746	2,007,800	3,966,921	3,966,921	1,959,121

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	470,573	470,573		0	(470,573)
Intergovernmental	0	0		0	0
Investment Interest	0	0	11,058	11,058	11,058
Total Revenues	470,573	470,573	11,058	11,058	(459,515)
Expenditures					
Debt Service					
Principal	2,544,515	5,897,366	1,526,578	1,526,578	4,370,788
Interest	1,916,318	2,259,551	974,521	974,521	1,285,030
Debt Issue Cost					
Total Expenditures	4,460,833	8,156,917	2,501,099	2,501,099	5,655,818
Excess of revenues over expenditures	(3,990,260)	(7,686,344)	(2,490,041)	(2,490,041)	5,196,303
Other Financing Sources (Uses)					
Proceeds of Other Longterm Debt		343,233			(343,233)
Refunded Debt Escrow					0
Transfers In	3,990,260	7,343,111	2,500,568	2,500,568	(4,842,543)
Total Other Financing Sources (Uses)	3,990,260	7,686,344	2,500,568	2,500,568	(5,185,776)
Net Change in Fund Balance	0	0	10,527	10,527	10,527
Fund Balances Beginning of Year	631,016	631,016	631,016	631,016	0
Fund Balances End of Year	631,016	631,016	641,543	641,543	10,527

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, 2021

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
Revenues					
Taxes and Assessments	1,127,720	1,127,720	561,482	561,482	(566,238)
Total Revenues	1,127,720	1,127,720	561,482	561,482	(566,238)
Expenditures					
Debt Service					
Principal	1,090,000	1,090,000	540,000	540,000	550,000
Interest	37,720	37,720	25,070	25,070	12,650
Total Expenditures	1,127,720	1,127,720	565,070	565,070	562,650
Excess of revenues over expenditures	0	0	(3,588)	(3,588)	(3,588)
Net Change in Fund Balance	0	0	(3,588)	(3,588)	(3,588)
Fund Balances Beginning of Year	294,935	294,935	294,935	294,935	0
Fund Balances End of Year	294,935	294,935	291,347	291,347	(3,588)

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, 2021

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Assets					
Current Assets					
Cash and Cash Equivalents	5,259,102	2,382,979	1,791,612	941,536	10,375,229
Investments	12,848,513	5,823,974	4,377,105	2,301,102	25,350,694
Accounts Receivable	55,554	13,965	486,484	11,380	567,383
Intergovernmental Receivable	1,409				1,409
Prepayments	1,097,672	56,675		424,011	1,578,358
Inventories	132,407				132,407
Total Current Assets	19,394,657	8,277,593	6,655,201	3,678,029	38,005,480
Noncurrent Assets					
Net Pension Asset	442,169	463,511		2,101,323	3,007,003
Capital Assets					
Improvements	12,647	14,235			26,882
Equipment	26,812,706	12,773		43,760	26,869,239
Accumulated Depreciation	(15,501,581)	(19,292)		(43,760)	(15,564,633)
Total Capital Assets Net	11,323,772	7,716		0	11,331,488
Total Noncurrent Assets	11,765,941	471,227		2,101,323	14,338,491
Total Assets	31,160,598	8,748,820	6,655,201	5,779,352	52,343,971
Deferred Outflows of Resources					
Deferred Outflow Pension Contribution	61,522	64,492		292,374	418,388
Total Deferred Outflows of Resources	61,522	64,492	0	292,374	418,388
Liabilities					
Current Liabilities					
Accounts Payable	568,740	95,334	347,789	106,271	1,118,134
Deposits		1,850			1,850
Claims Payable			514,800		514,800
Wages Payable	29,455	22,186		118,746	170,387
Benefits Payable	6,629	5,423		21,758	33,810
Compensated Absences Payable	29,302	25,764		143,725	198,791
Intergovernmental Payable	130	1,913	207	6,255	8,505
Due to Other Funds		7,339		33,026	40,365
Unearned Revenue			606,398	406	606,804
Total Current Liabilities	634,256	159,809	1,469,194	430,187	2,693,446
Noncurrent Liabilities					
Compensated Absences Payable	7,325	6,441		35,929	49,695
Net Pension Liability					0
Total Noncurrent Liabilities	7,325	6,441	0	35,929	49,695
Total Liabilities	641,581	166,250	1,469,194	466,116	2,743,141
Deferred Inflows of Resources					
Deferred Inflow Pension Related	510,650	535,297		2,426,765	3,472,712
Total Deferred Inflows of Resources	510,650	535,297	0	2,426,765	3,472,712
Net Position					
Investment in Capital Assets	11,323,772	7,716	0	2,101,323	13,432,811
Unrestricted	18,746,117	8,104,049	5,186,007	1,077,522	33,113,695
Total Net Position	30,069,889	8,111,765	5,186,007	3,178,845	46,546,506

City of Kirkland, Washington
**Combining Statement of Revenues, Expenses
and Changes in Net Position**
Internal Service Funds
For the Fiscal Year Ended December 31, 2021

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Operating Revenues					
Charges for Services	4,252,325	3,822,015	7,958,952	7,226,983	23,260,275
Miscellaneous Revenues	675	281,833	10,082	47,583	340,173
Total Operating Revenues	4,253,000	4,103,848	7,969,034	7,274,566	23,600,448
Operating Expenses					
Administrative & General	712,787	188,188	7,676,178	1,194,575	9,771,728
Supplies	36,108	128,326		119,290	283,724
Maintenance & Operations	1,680,535	2,864,371		4,078,610	8,623,516
Depreciation	1,912,795	3,858		0	1,916,653
Total Operating Expenses	4,342,225	3,184,743	7,676,178	5,392,475	20,595,621
Operating Income (Loss)	(89,225)	919,105	292,856	1,882,091	3,004,827
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	(111,693)		(37,098)		(148,791)
Insurance Recovery	76,102				76,102
Gain (loss) on Disposal of Capital Assets	42,013				42,013
Other Nonoperating Revenues/(Expenses)					0
Total Nonoperating Revenues (Expenses)	6,422		(37,098)		(30,676)
Income (Loss) before Contributions and Trar	(82,803)	919,105	255,758	1,882,091	2,974,151
Capital Contributed from External Sources					0
Transfers In	309,382	52,245		914,755	1,276,382
Transfers Out	(50,000)	(1,299,684)		(410,000)	(1,759,684)
Change in Net Position	176,579	(328,334)	255,758	2,386,846	2,490,849
Total Net Position - Beginning	29,893,310	8,440,099	4,930,249	791,999	44,055,657
Total Net Position - Ending	30,069,889	8,111,765	5,186,007	3,178,845	46,546,506

City of Kirkland, Washington
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended December 31, 2021

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
Cash Flows From Operating Activities					
Cash Received From Interfund Charges	4,244,180	3,805,243	158,768	7,107,268	15,315,459
Contributions Received from Employees and Employer			7,105,355		7,105,355
Cash From Other Sources	17,634	270,667	447,118	168,792	904,211
Cash Paid to Suppliers for Goods and Services	(893,579)	(2,305,788)	(4,700,609)	(2,446,510)	(10,346,486)
Cash Paid to Employees for Services	(878,385)	(963,965)	(158,768)	(4,147,038)	(6,148,156)
Cash Paid for Central Business Functions	(793,403)	(145,767)	(2,653,141)	(181,298)	(3,773,609)
Cash Provided by Operating Activities	1,696,447	660,390	198,723	501,214	3,056,774
Cash Flows From Noncapital Financing Activities					
Transfers In	309,382	52,245		914,755	1,276,382
Transfers Out	(50,000)	(1,299,684)		(410,000)	(1,759,684)
Cash Provided by (Used for) Noncapital Financing Activities	259,382	(1,247,439)	0	504,755	(483,302)
Cash Flows From Capital and Related Financing Activities					
Proceeds From Sale of Assets and Insurance Recoveries	57,319				57,319
Acquisition and Construction of Capital Assets	(1,820,380)				(1,820,380)
Cash Provided by (Used for) Capital and Related Financing Activities	(1,763,061)	0	0	0	(1,763,061)
Cash Flows From Investing Activities					
(Increase) Decrease in Investments	(255,007)	507,542	(133,396)	(690,742)	(571,603)
Interest Revenue	223,235		75,189		298,424
Cash Provided by Investing Activities	(31,772)	507,542	(58,207)	(690,742)	(273,179)
Increase (Decrease) in Cash and Cash Equivalents	160,996	(79,507)	140,516	315,227	537,232
Cash and Cash Equivalents, January 1	5,098,106	2,462,486	1,651,096	626,309	9,837,997
Cash and Cash Equivalents, December 31	5,259,102	2,382,979	1,791,612	941,536	10,375,229
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities					
Operating Income (Loss)	(89,225)	919,105	292,856	1,882,091	3,004,827
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	1,912,795	3,858			1,916,653
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	(53,116)	(13,565)	(288,486)	1,494	(353,673)
(Increase) Decrease in Capital Related Accounts Receivable					0
(Increase) Decrease of Insurance Recovery Accounts Receivable					0
(Increase) Decrease in Inventories	(9,969)				(9,969)
(Increase) Decrease in Intergovernmental Receivable	(256)				(256)
(Increase) Decrease in Prepayments	(370,343)	2,119		(337,905)	(706,129)
(Increase) Decrease in Pension Deferred Outflows of Resources	471	(2,789)		10,328	8,010
Increase (Decrease) in Pension Deferred Inflows of Resources	448,757	473,694		2,124,555	3,047,006
Increase (Decrease) in Net Pension Asset	(442,169)	(463,511)		(2,101,323)	(3,007,003)
Increase (Decrease) in Net Pension Liability	(214,264)	(213,258)		(1,046,205)	(1,473,727)
Increase (Decrease) in Accounts Payable	519,181	(22,194)		11,317	508,304
Increase (Decrease) in Claims Payable					0
Increase (Decrease) in Intergovernmental Payable	(37)	(11,786)	207	(7,995)	(19,611)
Increase (Decrease) in Unearned Revenue			30,693	406	31,099
Increase (Decrease) in Due to Other Funds		2,642	195,645	33,026	231,313
Increase (Decrease) in Wages Payable	2,920	(3,696)	(32,192)	(20,431)	(53,399)
Increase (Decrease) in Benefits Payable	(4,200)	(4,007)		(10,324)	(18,531)
Increase (Decrease) in Compensated Absences Payable	(4,098)	(6,222)		(37,820)	(48,140)
Increase (Decrease) in Advance Pay Facility Leases					0
Cash Provided by Operating Activities	1,696,447	660,390	198,723	501,214	3,056,774
Noncash Investing, Capital and Finance Activities:					
Change in Fair Value of Investments	0	0	0	0	0

Capital Assets

City of Kirkland
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
December 31, 2021
Unaudited

	<u>2021</u>
Governmental Funds Capital Assets:	
Land	\$ 621,380,670
Buildings	\$ 61,635,149
Improvements other than Buildings	\$ 113,451,532
Machinery and Equipment	\$ 5,072,231
Artwork	\$ 2,373,050
Infrastructure	\$ 320,399,083
Construction in Progress	\$ 29,196,810
Total Governmental Funds Capital Assets	<u>\$ 1,153,508,525</u>
 Investments in Governmental Funds Capital Assets by Source:	
General Fund	\$ 417,818,090
Special Revenue Funds	\$ 2,030,192
Impact Fees	\$ 49,008,135
Federal Grants	\$ 22,875,584
General Obligation Bonds	\$ 59,603,306
Private Gifts	\$ 14,069,040
Annexation	\$ 588,104,178
Total Governmental Funds Capital Assets	<u>\$ 1,153,508,525</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, 2021
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	TOTAL
General Govt	\$ 9,434,995	\$ 16,446,330	\$ 32,599,315	\$ 2,998,843	\$ 120,998	\$ -	\$ 1,640,108	\$ 63,240,589
Judicial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Security								
Police	\$ 5,367,905	\$ 5,157,399	\$ 34,314,154	\$ 246,759	\$ 99,383	\$ -	\$ -	\$ 45,185,600
Fire	\$ 8,114,882	\$ 22,527,546	\$ 4,624,775	\$ 921,218	\$ 152,452	\$ -	\$ 1,587,364	\$ 37,928,236
Total Security	<u>13,482,787</u>	<u>27,684,945</u>	<u>38,938,929</u>	<u>1,167,977</u>	<u>251,835</u>	<u>-</u>	<u>1,587,364</u>	<u>83,113,836</u>
Transportation	\$ 532,819,725	\$ 5,906,605	\$ 560,221	\$ 177,389	\$ -	\$ 320,399,083	\$ 22,374,709	\$ 882,237,732
Physical Environment	\$ 66,942	\$ -	\$ 1,053,377	\$ 62,785	\$ -	\$ -	\$ -	\$ 1,183,104
Economic Environment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Human Services	\$ 601,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 601,467
Culture and Recreation	\$ 64,974,754	\$ 11,597,269	\$ 40,299,690	\$ 665,237	\$ 2,000,218	\$ -	\$ 3,594,629	\$ 123,131,796
Total Governmental Funds Capital Assets	<u>\$ 621,380,670</u>	<u>\$ 61,635,149</u>	<u>\$ 113,451,532</u>	<u>\$ 5,072,231</u>	<u>\$ 2,373,050</u>	<u>\$ 320,399,083</u>	<u>\$ 29,196,810</u>	<u>\$ 1,153,508,525</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 of Changes by Function and Activity
For the Year Ended December 31, 2021
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets
	Jan 1, 2021			Dec 31, 2021
General Govt	\$ 60,093,855	\$ 6,462,055	\$ 3,315,320	\$ 63,240,590
Judicial	\$ -	\$ -	\$ -	-
Security				
Police	\$ 45,185,600	\$ -	\$ -	45,185,600
Fire	\$ 26,720,762	\$ 26,010,325	\$ 14,802,851	37,928,236
Total Security	<u>71,906,362</u>	<u>26,010,325</u>	<u>14,802,851</u>	<u>83,113,836</u>
Transportation	\$ 866,562,293	\$ 22,914,857	\$ 7,239,417	882,237,733
Physical Environment	\$ 1,181,655	\$ 9,563	\$ 8,114	1,183,104
Economic Environment	\$ -	\$ -	\$ -	-
Human Services	\$ 601,467	\$ -	\$ -	601,467
Culture and Recreation	\$ 116,099,499	\$ 14,541,893	\$ 7,509,595	123,131,797
Total Governmental Funds Capital Assets	<u>\$ 1,116,445,131</u>	<u>\$ 69,938,693</u>	<u>\$ 32,875,297</u>	<u>\$ 1,153,508,527</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 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.	156
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	161
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.	167
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.	172
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.	175

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental Activities										
Net Investment in Capital Assets	\$ 776,309,902	\$ 777,116,200	\$ 792,032,185	\$ 808,553,668	\$ 808,933,913	\$ 813,489,653	\$ 824,986,759	\$ 837,630,564	\$ 862,586,058	\$ 876,336,877
Restricted	51,718,526	33,724,447	39,548,651	51,630,241	65,000,390	74,853,784	93,471,783	76,984,127	75,351,559	91,507,101
Unrestricted	31,820,341	63,270,315	68,438,296	53,070,324	58,812,732	65,045,653	66,651,989	103,973,158	116,444,534	138,863,565
Total Governmental Activities Net Position	\$ 859,848,769	\$ 874,110,962	\$ 900,019,132	\$ 913,254,233	\$ 932,747,035	\$ 953,389,090	\$ 985,110,531	\$ 1,018,587,848	\$ 1,054,382,151	\$ 1,106,707,543
Business-type Activities										
Net Investment in Capital Assets	\$ 138,359,034	\$ 142,458,066	\$ 151,092,784	\$ 158,155,675	\$ 158,304,984	\$ 166,859,626	\$ 172,214,574	\$ 182,702,985	\$ 193,070,644	\$ 193,533,316
Restricted	488,200	484,500	-	-	-	-	-	-	-	-
Unrestricted	42,401,172	45,271,055	50,717,355	52,534,113	58,915,069	58,227,844	61,329,539	61,138,604	57,633,915	66,372,344
Total Business-type Net Position	\$ 181,248,406	\$ 188,213,621	\$ 201,810,139	\$ 210,689,788	\$ 217,220,053	\$ 225,087,470	\$ 233,544,113	\$ 243,841,589	\$ 250,704,559	\$ 259,905,660
Primary Government										
Net Investment in Capital Assets	\$ 914,668,936	\$ 919,574,266	\$ 943,124,969	\$ 966,709,343	\$ 967,238,897	\$ 980,349,279	\$ 997,201,333	\$ 1,020,333,549	\$ 1,055,656,702	\$ 1,069,870,193
Restricted	52,206,726	34,208,947	39,548,651	51,630,241	65,000,390	74,853,784	93,471,783	76,984,127	75,351,559	91,507,101
Unrestricted	74,221,513	108,541,370	119,155,651	105,604,437	117,727,801	123,273,497	127,981,528	165,111,762	174,078,449	205,235,909
Total Primary Government Net Position	\$ 1,041,097,175	\$ 1,062,324,583	\$ 1,101,829,271	\$ 1,123,944,021	\$ 1,149,967,088	\$ 1,178,476,560	\$ 1,218,654,644	\$ 1,262,429,437	\$ 1,305,086,710	\$ 1,366,613,203

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>2012¹</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Expenses										
Governmental Activities										
General Government	\$ 4,996,539	\$ 5,598,429	\$ 5,918,750	\$ 9,401,861	\$ 8,918,548	\$ 12,234,921	\$ 10,755,283	\$ 13,416,838	\$ 15,030,025	\$ 9,207,506
Judicial	2,152,625	2,254,173	2,331,733	2,320,454	2,090,988	2,345,334	2,326,681	2,474,047	2,397,824	2,122,497
Security of Persons and Property	41,376,492	44,501,316	46,493,793	49,707,323	51,377,094	51,820,913	50,448,353	55,185,379	58,384,630	51,302,359
Physical Environment	2,088,842	1,320,358	1,533,702	1,136,320	1,154,543	986,341	890,022	1,137,480	749,531	293,764
Transportation	14,556,590	17,060,710	16,790,922	18,780,143	20,547,650	21,191,932	22,143,199	24,788,739	24,127,789	26,505,953
Human Services	1,247,531	1,328,171	1,402,936	1,462,975	1,598,994	1,374,295	3,201,640	2,405,937	3,578,285	3,170,154
Economic Environment	5,477,609	6,351,765	7,424,372	7,486,355	7,697,645	8,997,772	8,626,173	8,810,475	12,320,033	11,216,479
Culture and Recreation	7,842,007	9,145,795	9,897,398	10,881,414	10,691,708	10,459,005	10,421,768	13,055,673	10,829,054	11,473,655
Interest on Long Term Debt	2,238,879	2,129,096	1,980,886	1,978,302	2,044,592	1,973,194	1,909,573	1,840,502	1,650,552	1,545,236
Total Governmental Activities	\$ 81,977,114	\$ 89,689,813	\$ 93,774,492	\$ 103,155,147	\$ 106,121,762	\$ 111,383,707	\$ 110,722,692	\$ 123,115,070	\$ 129,067,723	\$ 116,837,603
Business Type Activities										
Water/Sewer	\$ 19,448,287	\$ 23,680,956	\$ 23,533,587	\$ 24,970,363	\$ 25,774,579	\$ 26,468,702	\$ 27,677,666	\$ 28,125,236	\$ 28,576,577	\$ 29,800,862
Surface Water	5,798,425	6,827,829	7,064,149	7,970,934	9,953,616	9,425,985	9,689,409	9,999,620	10,504,871	10,016,999
Solid Waste	13,191,812	16,005,799	15,727,658	16,040,939	16,225,830	17,162,439	17,373,591	18,092,173	18,522,537	19,072,130
Total Business Type Activities	\$ 38,438,524	\$ 46,514,584	\$ 46,325,394	\$ 48,982,236	\$ 51,954,025	\$ 53,057,126	\$ 54,740,666	\$ 56,217,029	\$ 57,603,985	\$ 58,889,991
Total Primary Government Expenses	\$ 120,415,638	\$ 136,204,397	\$ 140,099,886	\$ 152,137,383	\$ 158,075,787	\$ 164,440,833	\$ 165,463,358	\$ 179,332,099	\$ 186,671,708	\$ 175,727,594
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 6,193,191	\$ 6,426,151	\$ 7,092,815	\$ 7,284,611	\$ 7,553,305	\$ 8,192,037	\$ 9,387,518	\$ 9,193,286	\$ 9,989,970.00	\$ 10,985,338.00
Judicial	1,884,924	2,077,796	1,905,705	1,829,225	1,296,178	1,099,027	888,804	1,506,851	1,961,239	2,938,146
Security of Persons and Property	2,517,728	3,122,082	3,095,773	3,890,200	3,611,717	2,594,190	2,442,239	5,417,910	3,937,927	2,775,996
Physical Environment	1,245,290	1,565,435	1,377,746	1,842,902	2,137,154	2,605,310	2,510,609	1,900,618	1,258,470	1,781,319
Transportation	1,287,801	2,066,637	3,179,516	1,963,695	4,574,502	2,210,112	4,638,195	3,298,016	1,114,304	5,553,377
Economic Environment	4,579,991	5,278,298	5,665,855	7,639,110	9,785,849	9,245,932	12,134,989	10,579,216	12,335,401	9,933,370
Culture and Recreation	1,834,283	1,925,556	2,405,184	3,538,719	2,697,053	2,457,184	7,965,572	4,059,458	613,741	2,675,883
Operating Grants and Contributions	5,027,871	2,009,909	2,103,718	2,548,835	2,748,851	2,652,231	3,664,172	3,036,547	7,397,201	15,837,805
Capital Grants and Contributions	1,958,280	6,520,630	12,793,588	17,103,275	2,799,250	8,233,444	6,387,341	7,296,898	13,759,004	5,725,986
Total Governmental Activities	\$ 26,529,359	\$ 30,992,494	\$ 39,619,900	\$ 47,640,572	\$ 37,203,859	\$ 39,289,467	\$ 50,019,439	\$ 46,288,800	\$ 52,367,256	\$ 58,207,220

	Fiscal Year									
	2012 ¹	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business Type Activities										
Charges for Service										
Water/Sewer	\$ 21,066,391	\$ 25,091,105	\$ 26,145,803	\$ 27,796,967	\$ 28,308,302	\$ 28,575,144	\$ 29,625,918	\$ 29,716,217	\$ 29,694,628	\$ 31,298,740
Surface Water	8,502,468	8,952,552	9,067,528	9,622,071	9,948,240	10,211,308	10,462,546	10,685,214	11,134,018	11,224,891
Solid Waste	12,746,781	16,391,610	16,147,436	16,463,224	16,847,535	17,489,671	17,876,644	18,306,879	18,731,550	19,445,636
Operating Grants and Contributions	284,721	277,666	423,061	252,351	244,933	267,938	380,800	521,336	315,703	543,258
Capital Grants and Contributions	2,194,949	3,292,523	8,288,574	6,794,503	3,629,064	4,742,986	5,843,416	6,182,573	4,584,098	6,552,195
Total Business Type Activities	\$ 44,795,310	\$ 54,005,456	\$ 60,072,402	\$ 60,929,116	\$ 58,978,074	\$ 61,287,047	\$ 64,189,324	\$ 65,412,219	\$ 64,459,997	\$ 69,064,720
Total Program Revenues	\$ 71,324,669	\$ 84,997,950	\$ 99,692,302	\$ 108,569,688	\$ 96,181,933	\$ 100,576,514	\$ 114,208,763	\$ 111,701,019	\$ 116,827,253	\$ 127,271,940
Net (Expense)/Revenue										
Governmental Activities	\$ (55,447,755)	\$ (58,697,319)	\$ (54,154,592)	\$ (55,514,575)	\$ (68,917,903)	\$ (72,094,240)	\$ (60,703,253)	\$ (76,826,270)	\$ (76,700,467)	\$ (58,630,383)
Business Type Activities	6,356,786	7,490,872	13,747,008	11,946,880	7,024,049	8,229,921	9,448,658	9,195,190	6,856,012	10,174,729
Total Net Expense	\$ (49,090,969)	\$ (51,206,447)	\$ (40,407,584)	\$ (43,567,695)	\$ (61,893,854)	\$ (63,864,319)	\$ (51,254,595)	\$ (67,631,080)	\$ (69,844,455)	\$ (48,455,654)
General Revenues										
Governmental Activities										
Taxes										
Property Taxes	\$ 21,435,319	\$ 26,617,501	\$ 27,178,110	\$ 27,890,261	\$ 28,585,488	\$ 29,340,885	\$ 31,695,703	\$ 31,599,262	\$ 32,300,928	\$ 40,241,449
Sales Taxes	20,813,009	22,774,745	23,974,307	25,694,212	26,966,254	29,101,348	30,116,512	35,892,386	37,868,762	36,612,159
Excise Taxes	5,434,137	6,896,100	7,270,619	9,349,674	10,338,111	10,579,790	12,195,884	15,198,846	12,963,726	18,616,611
Business Taxes	2,371,259	2,476,984	2,489,060	2,311,279	2,631,939	2,858,364	3,273,007	3,070,706	3,491,628	4,002,720
Utility Taxes	14,141,722	15,062,187	14,892,606	14,643,852	15,838,161	14,816,653	14,200,416	13,664,169	13,600,147	13,950,013
Other Taxes	2,773,320	2,195,147	2,324,241	2,513,546	1,722,548	2,761,796	2,707,132	3,170,902	1,600,032	1,475,065
Unrestricted Grants/Contributions	99,929	204,330	229,671	723,679	396,024	714,942	713,252	711,158	713,918	861,485
Investment Earnings	588,839	48,505	1,078,754	915,706	901,531	1,093,185	2,718,370	6,099,596	5,408,192	(1,004,232)
Gain (Loss) Sale of Capital Assets	46,215	32,395	-	63,123	179,129	713,732	1,749,629	82,381	430,918	111,126
Transfers, Internal Activities	865,313	586,406	537,149	1,183,245	851,520	755,600	1,940,203	814,182	1,893,026	700,471
Total Governmental Activities	\$ 68,569,062	\$ 76,894,300	\$ 79,974,517	\$ 85,288,577	\$ 88,410,705	\$ 92,736,295	\$ 101,310,108	\$ 110,303,587	\$ 110,271,277	\$ 115,566,867
Business Type Activities										
Investment Earnings	\$ 249,865	\$ 64,334	\$ 386,690	\$ 349,280	\$ 357,736	\$ 393,096	\$ 948,188	\$ 1,916,468	\$ 1,544,999	\$ (273,157)
Gain (Loss) Sale of Capital Assets	-	(3,585)	(31)	(28,013)	-	-	-	-	-	-
Transfers, Internal Activities	(865,313)	(586,406)	(537,149)	(1,183,245)	(851,520)	(755,600)	(1,940,203)	(814,182)	(1,893,026)	(700,471)
Total Business Type Activities	\$ (615,448)	\$ (525,657)	\$ (150,490)	\$ (861,978)	\$ (493,784)	\$ (362,504)	\$ (992,015)	\$ 1,102,286	\$ (348,027)	\$ (973,628)
Total Primary Government	\$ 67,953,614	\$ 76,368,643	\$ 79,824,027	\$ 84,426,599	\$ 87,916,921	\$ 92,373,791	\$ 100,318,093	\$ 111,405,874	\$ 109,923,251	\$ 114,593,240
Change in Net Position										
Governmental Activities	\$ 13,121,307	\$ 18,196,981	\$ 25,819,925	\$ 29,774,002	\$ 19,492,802	\$ 20,642,055	\$ 40,606,855	\$ 33,477,317	\$ 33,570,810	\$ 56,936,484
Business Type Activities	5,741,338	6,965,215	13,596,518	11,084,902	6,530,265	7,867,417	8,456,643	10,297,476	6,507,985	9,201,101
Total Change in Net Position	\$ 18,862,645	\$ 25,162,196	\$ 39,416,443	\$ 40,858,904	\$ 26,023,067	\$ 28,509,472	\$ 49,063,498	\$ 43,774,793	\$ 40,078,795	\$ 66,137,585

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443,551	\$ 743,419	\$ 839,775	\$ 819,265	\$ 871,068
Restricted	587,434	601,933	1,315,449	147,514	162,587	246,825	1,953,095	1,889,838	2,420,175	2,278,237
Committed	2,569,900	2,808,391	2,322,236	2,271,414	4,144,197	5,149,052	4,041,544	6,547,747	11,765,939	10,320,894
Assigned	12,467,508	14,821,433	16,178,706	15,145,089	15,907,714	23,752,075	31,606,211	19,488,992	38,764,859	30,187,147
Unassigned	16,971,158	16,647,490	17,725,868	21,275,640	25,924,394	19,771,877	22,747,242	42,961,808	27,331,123	43,887,691
Total General Fund	\$ 32,596,000	\$ 34,879,247	\$ 37,542,259	\$ 38,839,657	\$ 46,138,892	\$ 49,363,380	\$ 61,091,511	\$ 71,728,159	\$ 81,101,361	\$ 87,545,037
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,384	\$ 26,557	\$ -	\$ 31,047	\$ 34,148
Restricted	47,009,318	28,768,370	34,074,711	49,211,313	56,452,562	62,749,061	75,227,078	63,502,112	60,902,525	66,371,509
Committed	1,522,838	1,545,753	1,836,255	-	-	10,000	241,759	151,999	-	13,580,030
Assigned	10,432,282	16,944,228	13,475,518	15,251,585	10,357,078	17,084,552	15,424,857	26,244,323	21,825,191	42,992,814
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all Other Governmental Funds	\$ 58,964,437	\$ 47,258,351	\$ 49,386,484	\$ 64,462,898	\$ 66,809,640	\$ 79,855,997	\$ 90,920,251	\$ 89,898,434	\$ 82,758,763	\$ 122,978,501

Schedule 4

City of Kirkland

Changes in Fund Balance of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues										
Taxes and Assessments	\$ 65,360,731	\$ 74,738,398	\$ 76,849,838	\$ 81,488,933	\$ 84,708,112	\$ 88,421,066	\$ 93,218,047	\$ 101,223,360	\$ 100,703,875	\$ 114,458,548
Licenses and Permits	7,068,382	8,004,902	8,337,352	8,562,661	9,960,579	9,432,196	13,513,898	11,808,201	10,711,043	11,589,120
Intergovernmental	8,243,496	7,297,780	9,142,240	11,361,368	6,477,564	9,100,613	8,817,609	8,411,416	14,477,068	21,347,966
Charges for Services	13,501,666	15,279,129	17,019,957	18,291,286	23,313,222	21,246,107	29,868,343	27,868,296	23,049,550	27,577,559
Fines and Forfeitures	1,889,569	2,171,989	2,143,143	1,890,032	1,684,718	1,814,159	1,526,762	1,622,029	1,994,099	2,766,642
Investment Interest	527,466	53,779	865,129	787,521	775,507	957,004	2,393,908	5,409,193	4,765,952	(855,441)
Miscellaneous Revenues	1,088,652	1,051,682	1,507,007	2,244,804	1,516,895	1,493,683	1,787,305	1,601,145	725,734	1,332,646
Total Revenues	\$ 97,679,962	\$ 108,597,659	\$ 115,864,666	\$ 124,626,605	\$ 128,436,597	\$ 132,464,828	\$ 151,125,872	\$ 157,943,639	\$ 156,427,320	\$ 178,217,040
Expenditures										
Current										
General Government	\$ 11,089,878	\$ 11,610,891	\$ 11,491,334	\$ 13,913,401	\$ 14,467,522	\$ 14,341,656	\$ 16,775,220	\$ 16,112,396	\$ 19,391,366	\$ 15,689,921
Judicial										2,607,161
Security of Persons and Property	40,515,907	42,734,394	44,860,397	47,717,141	47,070,679	50,996,823	52,297,905	55,190,036	58,107,402	60,026,125
Physical Environment	3,981,111	3,249,605	3,468,559	3,346,318	4,002,024	4,409,521	4,919,989	5,336,633	5,582,175	5,291,297
Transportation	8,384,173	10,165,878	10,482,081	11,653,620	12,493,646	13,221,359	13,941,430	16,719,839	15,183,463	17,315,345
Economic Environment	6,799,931	7,902,345	8,845,262	9,031,130	10,304,531	10,455,178	12,515,008	11,652,747	16,398,934	13,000,069
Human Services										3,216,944
Culture and Recreation	6,869,066	7,901,305	8,841,426	9,922,640	9,170,244	9,481,680	10,038,459	11,457,410	9,874,593	11,169,017
Debt Service									-	
Principal	2,545,313	2,431,451	2,537,949	3,269,817	2,107,068	2,174,715	2,217,770	2,261,245	2,425,155	1,934,515
Interest	2,238,879	2,129,096	1,980,886	1,899,676	2,044,592	1,973,194	1,909,573	1,840,502	1,650,552	1,601,696
Bond Issuance Costs	-	-	78,625	-	-	-	-	-	-	-
Capital Outlay	12,212,995	30,701,746	22,545,900	18,359,423	17,592,097	14,211,392	23,726,075	29,286,382	30,607,583	37,635,444
Total Expenditures	\$ 94,637,253	\$ 118,826,711	\$ 115,053,794	\$ 119,191,791	\$ 119,252,403	\$ 121,265,518	\$ 138,341,429	\$ 149,857,191	\$ 159,221,224	\$ 169,487,534
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ 3,042,709	\$ (10,229,052)	\$ 810,872	\$ 5,434,814	\$ 9,184,193	\$ 11,199,310	\$ 12,784,443	\$ 8,086,449	\$ (2,793,903)	\$ 8,729,506
Other Financing Sources (Uses)										
Issuance of Debt	\$ -	\$ 4,670,000	\$ -	\$ 5,800,000	\$ -	\$ -	\$ -	\$ -	\$ 27,943,818	\$ 36,910,000
Refunded Amount to Escrow	-	(4,655,000)	-	-	-	-	-	-	(27,652,752)	-
Bond Premium	-	-	-	-	-	-	-	-	-	4,183,213
Debt Issue Cost	-	(32,500)	-	-	-	-	-	-	-	-
Sale of Capital Assets	43,206	615,963	3,216,797	36,992	51,542	2,462,068	6,562,498	68,550	342,719	69,550
Insurance Recovery	-	148,353	41,690	341,639	239,979	406,140	252,869	107,365	179,366	198,463
Transfers In	16,243,715	18,172,493	18,176,032	25,231,417	22,523,986	35,300,328	32,908,505	56,312,676	34,539,838	38,593,604
Transfers Out	(15,989,897)	(18,113,096)	(17,454,246)	(20,471,050)	(22,353,723)	(33,097,002)	(30,913,431)	(54,960,209)	(32,600,148)	(37,409,831)
Total Other Financing Sources (Uses)	297,024	806,213	3,980,273	10,938,998	461,784	5,071,534	8,810,441	1,528,382	2,752,841	42,544,999
Net Change in Fund Balance	\$ 3,339,733	\$ (9,422,839)	\$ 4,791,145	\$ 16,373,812	\$ 9,645,977	\$ 16,270,844	\$ 21,594,884	\$ 9,614,831	\$ (41,062)	\$ 51,274,505
Debt Service as a percentage of noncapital expenditures	5.80%	5.18%	4.88%	5.13%	4.08%	3.87%	3.60%	3.40%	3.17%	2.68%

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>
2012	\$ 13,917,848,447	\$ 410,053,788	\$ 14,327,902,235	1.46
2013	\$ 15,358,916,929	\$ 415,443,078	\$ 15,774,360,007	1.85
2014	\$ 18,050,018,215	\$ 407,273,440	\$ 18,457,291,655	1.72
2015	\$ 19,818,344,668	\$ 435,282,325	\$ 20,253,626,993	1.55
2016	\$ 21,783,054,865	\$ 429,318,516	\$ 22,212,373,381	1.41
2017	\$ 24,756,207,744	\$ 478,434,919	\$ 25,234,642,663	1.31
2018	\$ 29,078,518,418	\$ 439,947,838	\$ 29,518,466,256	1.18
2019	\$ 31,140,274,418	\$ 512,398,307	\$ 31,652,672,725	1.05
2020	\$ 31,643,539,876	\$ 546,517,235	\$ 32,190,057,111	1.02
2021	\$ 36,329,525,504	\$ 526,576,691	\$ 36,856,102,195	1.25

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>	
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
2017	1.28	0.04	1.31	3.16	1.75	2.03	0.26	0.36	0.45	0.15	9.48
2018	1.14	0.04	1.18	3.03	1.66	2.92	0.24	0.33	0.41	0.14	9.90
2019	1.02	0.03	1.05	2.57	1.52	2.63	0.22	0.29	0.37	0.12	8.78
2020	0.99	0.02	1.02	2.52	1.53	3.03	0.27	0.28	0.36	0.12	9.12
2021	1.23	0.02	1.25	2.57	1.53	3.09	0.26	0.28	0.36	0.12	9.47

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 Ten Years Ago - Unaudited

<u>Taxpayer</u>	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Essex Portfolio LP	323,362,800	1	0.88%	38,820,000	7	0.27%
Kirkland Urban 1 Comm LLC	287,982,300	2	0.78%			
Carillon Properties	286,249,924	3	0.78%	133,730,763	1	0.93%
Fairfield Totem Lake LLC	238,467,569	4	0.65%			
GSIC Forbes Creek Reit, Inc.	179,701,000	5	0.49%			
SCG Atlas (Woodlake & Heronfield Apts)	147,945,000	6	0.40%			
Buster Madalyn LLC	136,135,000	7	0.37%			
KG Investment Properties	126,613,000	8	0.34%			
Village at Totem Lake LLC	107,415,900	9	0.29%			
SRMKJVD LLC	99,117,907	10	0.27%			
Park at Forbes Creek LLC				75,000,000	2	0.52%
Villaggio				70,437,000	3	0.49%
Plaza at Yarrow Bay Inc				57,233,375	4	0.40%
Puget Sound Energy Electricity/Gas				60,324,996	5	0.42%
Frontier Communications NW, Inc. (Verizon NW)				42,441,550	6	0.30%
PPC Montebello LLC				35,619,000	8	0.25%
EQR-Heronfield LLC				35,350,000	9	0.25%
Touchstone KPP Development				33,784,400	10	0.24%
Totals	<u>\$ 1,932,990,400</u>		<u>5.24%</u>	<u>\$ 582,741,084</u>		<u>4.07%</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	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 20,926,668	\$ 20,663,153	98.74%	\$ 263,660	\$ 20,926,813	99.99%
2013	\$ 26,328,493	\$ 25,909,705	98.41%	\$ 336,815	\$ 26,246,520	99.69%
2014	\$ 26,826,311	\$ 26,427,503	98.51%	\$ 335,158	\$ 26,762,661	99.76%
2015	\$ 27,500,146	\$ 27,113,476	98.59%	\$ 333,288	\$ 27,446,764	99.81%
2016	\$ 28,201,752	\$ 27,785,359	98.52%	\$ 347,505	\$ 28,132,864	99.76%
2017	\$ 28,928,378	\$ 28,543,348	98.67%	\$ 311,639	\$ 28,854,987	99.75%
2018	\$ 29,776,936	\$ 29,347,051	98.56%	\$ 361,477	\$ 29,708,528	99.77%
2019	\$ 30,761,546	\$ 30,417,373	98.88%	\$ 292,525	\$ 30,709,898	99.83%
2020	\$ 31,923,330	\$ 31,369,410	98.26%	\$ 367,560	\$ 31,736,970	99.42%
2021	\$ 39,955,948	\$ 39,359,422	98.51%	\$ -	\$ 39,359,422	98.51%

Schedule 9

City of Kirkland

Taxable Sales by Category

Last Ten Calendar Years - Unaudited

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Services	\$ 1,635,896	\$ 2,096,563	\$ 2,357,782	\$ 2,553,773	\$ 2,688,805	\$ 2,842,908	\$ 3,136,670	\$ 3,468,535	\$ 3,622,151	\$ 4,451,966
Contracting	2,544,008	2,739,984	2,866,557	2,980,957	3,443,988	4,573,497	5,514,739	6,800,785	6,778,768	7,514,350
Communications	442,779	472,092	505,170	521,689	537,934	592,699	549,191	705,508	460,897	474,786
Automotive/Gas Retail	3,655,104	4,147,690	4,383,760	4,735,672	4,757,711	5,042,218	4,951,935	5,046,411	4,675,993	5,429,810
Gen Merch/ Misc Retail	1,876,502	2,004,660	2,000,157	2,086,086	2,078,161	1,965,613	2,348,637	2,708,383	2,905,877	3,362,672
Retail Eating/Drinking	1,273,290	1,371,105	1,480,720	1,571,340	1,595,199	1,683,847	1,719,164	1,871,460	1,489,574	1,754,977
Other Retail	1,988,615	2,125,084	2,452,917	2,513,329	2,753,838	2,858,068	3,034,390	3,129,479	3,441,186	4,301,132
Wholesale	564,302	759,399	829,962	903,425	957,368	1,009,745	1,063,075	1,158,423	1,167,085	1,330,976
Miscellaneous	829,768	888,736	1,086,724	1,077,541	1,260,127	1,283,970	1,434,982	1,713,384	2,788,137	1,623,154
Total	<u>\$ 14,810,264</u>	<u>\$ 16,605,313</u>	<u>\$ 17,963,749</u>	<u>\$ 18,943,812</u>	<u>\$ 20,073,131</u>	<u>\$ 21,852,565</u>	<u>\$ 23,752,783</u>	<u>\$ 26,602,368</u>	<u>\$ 27,329,668</u>	<u>\$ 30,243,823</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.025%	1.025%	1.025%

Schedule 10

City of Kirkland

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

Fiscal Year	General Sales							Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington General Sales	King County			Regional Transit Authority	City of Kirkland 2,3	Total General Sales Tax	State of Washington Automobile Sales/Leases	Total Automobile Sales/Leases	King County Restaurant Food and Beverage	Total Restaurant Food and Beverage	
		Criminal Metro	Mental Justice	Housing & Related Services 1								
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%	
2017	6.50%	0.90%	0.10%	0.10%	1.40%	1.00%	10.00%	0.30%	10.30%	0.00%	10.00%	
2018	6.50%	0.90%	0.10%	0.10%	1.40%	1.00%	10.00%	0.30%	10.30%	0.00%	10.00%	
2019	6.50%	0.90%	0.175%	0.10%	1.40%	1.025%	10.10%	0.30%	10.40%	0.00%	10.10%	
2020	6.50%	0.90%	0.175%	0.10%	1.40%	1.025%	10.10%	0.30%	10.40%	0.00%	10.10%	
2021	6.50%	0.90%	0.175%	0.10%	0.10%	1.40%	1.025%	10.20%	0.30%	10.50%	0.00%	10.20%

¹ Effective January 1, 2021, sales and use tax within all of King County, except for Seattle, was increased one-tenth of one percent (.001). The tax will be used for housing and related services.

² The City of Kirkland direct tax rate is 1.0% with .15% remitted to King County.

³ Following Kirkland's approved Police Proposition 1 in 2019, the City applies 0.2% rate on sales of motor vehicles for the first 36 months of motor vehicle leases. Lease payments after the first 36 months are reported under the regular rate of 0.3%.

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>Issuance Premium</u>	<u>Revenue Bonds</u>	<u>Public Works Trust Fund Loans</u>			
2012	\$ 46,527,219	\$ -	\$ 935,000	\$ 2,132,322	\$ 49,594,541	1.19%	609
2013	\$ 44,119,994	\$ -	\$ 475,000	\$ 1,771,987	\$ 46,366,981	1.18%	567
2014	\$ 41,574,040	\$ -	\$ -	\$ 1,573,313	\$ 43,147,353	1.06%	522
2015	\$ 43,975,124	\$ -	\$ -	\$ 1,519,124	\$ 45,494,248	1.08%	545
2016	\$ 41,880,510	\$ -	\$ -	\$ 4,319,574	\$ 46,200,084	0.99%	546
2017	\$ 39,718,250	\$ -	\$ -	\$ 4,484,309	\$ 44,202,559	0.91%	514
2018	\$ 37,512,935	\$ -	\$ -	\$ 4,218,804	\$ 41,731,739	0.83%	478
2019	\$ 35,264,144	\$ -	\$ -	\$ 3,792,156	\$ 39,056,300	0.74%	439
2020	\$ 31,274,515	\$ 2,838,818	\$ -	\$ 3,378,043	\$ 37,491,376	0.65%	414
2021	\$ 66,250,000	\$ 6,862,660	\$ -	\$ 2,963,930	\$ 76,076,590	1.27%	819

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>Issuance Premium</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>
2012	\$ 46,527,219	\$ -	\$ 314,857	\$ 46,212,362	0.32%	\$ 571.03
2013	\$ 44,119,994	\$ -	\$ 324,473	\$ 43,795,521	0.28%	\$ 539.83
2014	\$ 41,574,040	\$ -	\$ 329,296	\$ 41,244,744	0.23%	\$ 503.38
2015	\$ 43,975,124	\$ -	\$ 327,463	\$ 43,647,661	0.22%	\$ 526.90
2016	\$ 41,880,510	\$ -	\$ 331,708	\$ 41,548,802	0.19%	\$ 494.57
2017	\$ 39,718,250	\$ -	\$ 347,643	\$ 39,370,607	0.16%	\$ 461.41
2018	\$ 37,512,935	\$ -	\$ 356,525	\$ 37,156,410	0.13%	\$ 430.00
2019	\$ 35,264,144	\$ -	\$ 373,074	\$ 34,891,070	0.11%	\$ 396.49
2020	\$ 31,274,515	\$ 2,838,818	\$ 937,412	\$ 33,175,921	0.10%	\$ 344.96
2021	\$ 66,250,000	\$ 6,862,660	\$ 943,537	\$ 72,169,123	0.18%	\$ 713.13

Schedule 13

City of Kirkland

Direct and Overlapping Governmental Activities Debt

As of December 31, 2021 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
Fire District #41	\$ -	0.00%	\$ -
Lake Washington School District #414	\$ 561,438,218.00	51.25%	\$ 287,737,087.00
Hospital District #2	\$ 220,988,743.00	36.84%	\$ 81,412,253.00
Library	\$ 55,215,699.00	9.66%	\$ 5,333,837.00
King County	\$ 953,381,427.00	5.74%	\$ 54,724,094.00
Port of Seattle	\$ 369,120,000.00	5.74%	\$ 21,187,488.00
Northshore School District #417	\$ 472,892,118.00	1.60%	\$ 7,566,274.00
Northshore Park and Rec	\$ -	0.00%	\$ -
Bellevue School District #405	\$ 735,447,189.00	0.05%	\$ 367,724.00
Total Overlapping Debt			<u>\$ 458,328,757</u>
Direct Debt			
City of Kirkland ²	\$ 73,112,660	100.00%	<u>\$ 73,112,660</u>
Total Direct and Overlapping Debt			<u><u>\$ 531,441,417</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.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt Limit	\$ 1,074,592,668	\$ 1,183,077,001	\$ 1,384,296,874	\$ 1,519,022,024	\$ 1,665,928,004	\$ 1,892,598,200	\$ 2,213,884,969	\$ 2,373,950,454	\$ 2,414,254,283	\$ 2,764,207,665
Total Net Debt Applicable to Limit	46,394,830	43,955,443	41,425,991	43,958,007	41,846,693	39,370,607	37,156,410	34,891,070	30,337,103	65,306,463
Legal Debt Margin	<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>	<u>\$ 1,853,227,593</u>	<u>\$ 2,176,728,559</u>	<u>\$ 2,339,059,384</u>	<u>\$ 2,383,917,180</u>	<u>\$ 2,698,901,202</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	4.32%	3.72%	2.99%	2.89%	2.51%	2.08%	1.68%	1.47%	1.26%	2.36%

Legal Debt Margin Calculation for Fiscal Year 2020

Total Assessed Value	<u>36,856,102,195</u>
Debt Limit (7.5% of Total Assessed Value)	<u>2,764,207,665</u>
Debt Applicable to Limit:	
General Obligation Bonds	66,250,000
Less Cash on Hand for Debt Redemption	<u>(943,537)</u>
Total Net Debt Applicable to Limit	65,306,463
Legal Debt Margin	<u>\$ 2,698,901,202</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

Fiscal Year	Water/Sewer Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
2012	\$ 20,966,391	\$ 16,940,958	\$ 4,025,433	\$ 460,000	\$ 28,200	8.25
2013	\$ 24,733,565	\$ 21,179,766	\$ 3,553,799	\$ 475,000	\$ 9,500	7.33
2014	\$ 25,798,960	\$ 20,981,503	\$ 4,817,457	\$ -	\$ -	-
2015	\$ 27,451,520	\$ 22,320,775	\$ 5,130,745	\$ -	\$ -	-
2016	\$ 27,947,299	\$ 22,991,364	\$ 4,955,935	\$ -	\$ -	-
2017	\$ 28,181,269	\$ 23,584,661	\$ 4,596,608	\$ -	\$ -	-
2018	\$ 29,194,640	\$ 24,773,489	\$ 4,421,151	\$ -	\$ -	-
2019	\$ 29,264,297	\$ 25,055,635	\$ 4,208,662	\$ -	\$ -	-
2020	\$ 29,256,354	\$ 25,379,729	\$ 3,876,625	\$ -	\$ -	-
2021	\$ 30,800,061	\$ 26,498,534	\$ 4,301,527	\$ -	\$ -	-

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>
2012	81,480	\$ 4,174,139	\$ 51,229	6.60%
2013	81,730	\$ 3,941,266	\$ 48,223	5.23%
2014	82,590	\$ 4,070,358	\$ 49,284	4.70%
2015	83,460	\$ 4,203,726	\$ 50,368	4.10%
2016	84,680	\$ 4,684,667	\$ 55,322	3.93%
2017	86,080	\$ 4,853,621	\$ 56,385	3.50%
2018	87,240	\$ 5,027,205	\$ 57,625	3.30%
2019	88,940	\$ 5,267,383	\$ 59,224	2.50%
2020	90,660	\$ 5,725,451	\$ 63,153	5.80%
2021	92,900	\$ 5,970,497	\$ 64,268	3.20%

Schedule 17

City of Kirkland

Property Values and Construction

Last Ten Fiscal Years - Unaudited

Fiscal Year	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Multi-Family Construction</u>		<u>Mixed Use Construction</u>			Total Assessed Property Valuation
	<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>	
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 ¹	\$ 8,263,498	3	135	\$ 32,156,303	\$ 18,457,291,655
2015	6	\$ 57,174,918	309	\$ 175,251,380	n/a ¹	\$ 10,261,283	1	-	\$ 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
2017	7	\$ 63,859,741	329	\$ 181,679,397	24	\$ 14,587,048	4	261	\$ 32,854,123	\$ 25,234,642,663
2018	12	\$ 158,688,280	262	\$ 160,374,341	646	\$ 100,731,253	8	1,487	\$ 309,923,815	\$ 29,518,466,256
2019	9	\$ 139,699,169	268	\$ 164,548,798	65	\$ 28,724,674	6	482	\$ 136,957,848	\$ 31,652,672,725
2020	9	\$ 179,508,844	192	\$ 122,633,795	25	\$ 19,154,964	2	8	\$ 9,980,000	\$ 32,190,057,111
2021	6	\$ 153,553,152	171	\$ 130,564,335	167	\$ 43,324,677	5	135	\$ 77,925,034	\$ 36,856,102,195

¹Valuation for updated existing units. No additional new units

Schedule 18

City of Kirkland

Principal Employers

Current Year and Nine Years Prior - Unaudited

<u>Employer</u>	<u>2021</u>			<u>2012</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	4668	1	11.28%	2603	1	7.97%
Google, Inc.	2737	2	6.62%	658	3	2.01%
City of Kirkland	650	3	1.57%	575	4	1.76%
Fred Meyer Stores, Inc.	552	4	1.33%			
Salesforce, Inc.	525	5	1.27%			
Tableau Software, LLC	494	6	1.19%			
Kenworth Truck Co.	485	7	1.17%	439	5	1.34%
Lake Washington Institute of Technology	411	8	0.99%	976	2	2.99%
ServiceNow Inc.	384	9	0.93%			
GoDaddy.Com	381	10	0.92%			
Costco Wholesale				302	6	0.92%
Evergreen Pharmaceutical				269	7	0.82%
Isoftstone, Inc.				265	8	0.81%
IBM Corporation				256	9	0.78%
Waste Management of Washington				250	10	0.77%
Total	<u>11,287</u>		<u>27.28%</u>	<u>6,593</u>		<u>20.19%</u>

Schedule 19

City of Kirkland

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Government										
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager's Office ¹	8.65	8.25	8.54	9.94	10.94	10.44	10.44	9.59	11.30	12.24
City Attorney's Office	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Municipal Court ¹	22.25	18.75	18.75	18.75	18.75	18.75	18.50	18.50	17.50	18.25
Human Resources	8.70	8.70	8.70	8.90	9.20	9.20	9.20	9.20	7.00	10.00
Parks and Community Services	31.00	30.00	30.00	31.00	31.00	33.00	34.00	34.50	34.00	41.00
Public Works	25.35	28.95	31.20	31.20	37.25	37.55	37.55	41.55	43.55	48.55
Finance and Administration	32.80	32.80	33.80	35.30	35.30	35.30	35.30	36.80	36.30	42.35
Planning and Community Development	24.25	23.45	23.45	24.45	-	-	-	-	-	-
Planning and Building ²	-	-	-	-	52.85	53.35	53.35	53.35	60.50	64.50
Police	137.50	135.50	135.50	136.00	136.00	140.00	140.00	150.00	148.50	143.00
Fire and Building ²	122.28	123.28	128.28	129.28	-	-	-	-	-	-
Fire ²	-	-	-	-	111.50	114.50	115.50	116.00	108.00	115.50
Other General Government Operating Funds										
Lodging Tax Fund	0.60	0.60	0.66	0.66	0.66	0.66	0.66	0.51	0.70	0.76
Street Operating	20.65	20.75	20.90	20.90	21.79	22.04	22.04	24.24	23.02	22.19
Parks Maintenance	10.25	9.25	9.25	8.50	8.50	8.50	8.50	8.50	7.50	7.75
2012 Parks Levy	-	7.25	7.25	7.75	7.00	7.00	7.00	11.25	9.50	11.75
Facilities Maintenance	6.35	7.35	7.95	7.95	7.95	7.95	7.95	7.95	6.95	5.35
Equipment Rental	7.30	7.30	7.40	7.40	7.45	7.45	7.45	7.45	6.45	7.20
Information Technology	24.50	24.70	24.70	26.70	26.70	27.20	27.20	27.20	26.00	24.10
Proprietary Funds										
Water/Sewer Operating	19.81	19.81	19.76	21.26	21.51	21.51	21.76	22.76	19.18	20.21
Surface Water Management	27.59	27.59	27.79	34.19	33.95	36.70	36.45	38.25	34.88	34.20
Solid Waste	2.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80	3.05	3.05
Total	<u>543.63</u>	<u>548.08</u>	<u>557.68</u>	<u>573.93</u>	<u>592.10</u>	<u>604.90</u>	<u>606.65</u>	<u>631.40</u>	<u>614.88</u>	<u>642.95</u>

¹ Prior to 2012, Municipal Court a part of City Manager's Office² 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Security of Persons and Property - Police										
Calls for Service	74,317	69,568	69,876	63,104	60,732	60,099	57,484	48,030	43,908	46,965
Security of Persons and Property - Fire										
Calls for Service (aid and fire) ¹	7,982	8,033	8,228	8,674	8,743	9,306	9,461	9,034	7,282	8,294
Average EMS Response (minutes)	5:25	5:18	5:24	7:40	7:48	5:09	5:19	6:00	5:40	5:37
Average Fire Response (minutes)	5:44	5:55	5:45	7:49	8:12	6:20	6:45	6:20	6:00	6:10
Culture and Recreation										
Adult Program Registrations	3,675	3,259	3,443	3,246	2,859	3,574	2,406	2,733	877	1,843
Preschool Program Registrations	3,973	4,435	4,041	4,194	4,209	5,046	6,328	5,859	739	1,321
Youth Program Registrations	5,047	5,466	4,949	5,248	5,276	5,764	5,681	5,566	661	4,418
Teen Program Registrations	134	103	186	256	202	84	81	83	10	111
Parent/Child Program Registrations	1,608	1,752	1,773	1,937	1,974	2,055	1,954	2,020	468	323
Senior Program Registrations	4,120	4,196	3,568	3,444	4,047	4,123	3,522	3,627	916	1,195
Physical Environment										
Street Hot Patching (hours)	3,856	5,246	6,533	5,300	3,664	3,387	5,247	4,055	1,779	3,583
Street Signal Maintenance (hours)	4,376	3,871	3,064	2,973	1,006	1,584	3,577	2,759	2,534 *	2,659
Street Sweeping (hours)	2,883	3,389	2,770	2,763	2,765	3,188	3,376	3,550	4,117	4,082
Number of Sewer Customers	10,238	10,309	10,434	10,597	10,722	10,851	10,996	11,111	11,242	11,310
Number of Water Customers	12,224	12,318	12,431	12,571	12,652	12,762	12,872	12,961	13,053	13,114
Average Daily Water Consumption (million gallons)	5.60	5.31	5.60	6.01	5.50	5.67	5.54	5.43	5.48	5.88

¹2018 and prior years included all CFS. 2019 to present include only dispatched CFS.

Schedule 21

City of Kirkland

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years - Unaudited

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Security of Persons and Property - Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Officers per 12 hr shift	10.5	10.5	10.3	9.8	-	-	-	-	-	-
Patrol Officers per 10 hr shift ¹	-	-	-	-	8.0	10.0	10.0	10.0	10.0	10.0
Security of Persons and Property - Fire										
Stations (full-time staffed)	5	5	5	5	5	5	5	5	5	6
Stations (part-time reserve staffed)	-	1	-	-	-	-	-	-	-	-
Culture and Recreation										
Parks Acreage	554	556	558	559	559	572	590	590	590	590
Parks (developed)	35	35	35	36	36	40	42	41	41	41
Parks (undeveloped)	10	10	10	10	10	10	9	9	9	9
Waterfront Footage	13,270	13,270	13,270	13,270	13,270	13,270	13,270	13,270	11,383	11,383
Miles of Improved Park Trails	6.5	6.5	7.0	13.0	13.0	13.0	15.0	15.0	6.4	11.5
Miles of Unimproved Park Trails	5.0	5.0	11.0	5.0	5.0	5.0	19.0	19.0	12.3	7.1
Community Centers	2	2	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	170	175	175	175	175	176	176	176	176	173
Sanitary Sewers (miles)	122	122	123	123	123	123	123	124	124	125
Streets (miles)	250	250	250	250	250	251	251	252	252	235
Sidewalks (miles)	237	238	242	242	243	243	248	248	250	256

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