



FOR THE FISCAL YEAR  
ENDED DECEMBER 31,

2022



City of Kirkland, WA

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Kirkland, Washington

# **Annual Comprehensive Financial Report**



**For the Fiscal Year Ended December 31, 2022**

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Director of Finance and Administration

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**City of Kirkland, Washington**  
**Annual Comprehensive Financial Report**  
**For the Year ended December 31, 2022**

<b><i>Table of Contents</i></b>	<b><i>Page</i></b>
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**INTRODUCTORY SECTION**

GFOA Certificate of Achievement .....	1
City Officials .....	2
Organization Chart .....	3
Letter of Transmittal .....	4

**FINANCIAL SECTION**

Independent Auditor's Report .....	9
Management's Discussion and Analysis .....	13

**BASIC FINANCIAL STATEMENTS:**

Government-wide Financial Statements:	
Statement of Net Position .....	32
Statement of Activities .....	34

**Fund Financial Statements:**

Balance Sheet – Governmental Funds .....	36
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	39
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual:	
General Fund .....	40
Excise Tax Capital Improvement Special Revenue Fund .....	41
Statement of Net Position – Proprietary Funds .....	42
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	44
Statement of Cash Flows – Proprietary Funds .....	45
Statement of Fiduciary Net Position – Fiduciary Funds .....	47
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	48

Notes to the Financial Statements .....	50
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**Required Supplementary Information:**

Schedule of Employer's Proportionate Share of the Net Pension Liability – State Sponsored Plans .....	114
Schedule of Employer Contributions – State Sponsored Plans .....	119
Schedule of Changes in Total Pension Liability and Related Ratios – Firefighters' Pension Plan .....	123
Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 .....	124
Schedule of Employer Contributions – Western Conference of Teamsters' Pension Plan .....	125
Schedule of Employer's Required Contributions – Western Conference of Teamsters' Pension Plan .....	126
Notes to the Required Supplementary Information – Other Post Employment Benefits .....	127

## FUND FINANCIAL STATEMENTS AND SCHEDULES:

### Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Non Major Governmental Funds .....	129
Combining Statement of Revenues, Expenditures and Changes in Fund Balance:	
Non Major Governmental Funds .....	131

### Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual:

General Capital Projects Revenue Fund .....	133
Transportation Capital Projects Revenue Fund.....	134
Lodging Tax Special Revenue Fund .....	135
Street Operating Special Revenue Fund.....	136
Contingency Special Revenue Fund .....	137
Cemetery Operating Special Revenue Fund.....	138
Parks Maintenance Special Revenue Fund .....	139
Parks Levy Special Revenue Fund .....	140
Impact Fees Special Revenue Fund .....	141
Limited GO Debt Service Fund.....	142
Unlimited GO Debt Service Fund .....	143
Combining Statement of Net Position – Internal Service Funds.....	145
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds .....	146
Combining Statement of Cash Flows – Internal Service Funds .....	147

## CAPITAL ASSETS:

### Capital Assets used in the Operation of Governmental Funds:

Comparative Schedule by Source .....	149
Schedule by Function and Activity .....	150
Schedule of Changes by Function and Activity .....	151

## STATISTICAL SECTION

Net Position by Component .....	153
Changes in Net Position.....	154
Fund Balances of Governmental Funds.....	156
Changes in Fund Balance of Governmental Funds .....	157
Assessed Value and Actual Value of Taxable Property.....	158
Direct and Overlapping Governments.....	159
Principal Property Tax Payers.....	160
Property Tax Levies and Collections.....	161
Taxable Sales by Category .....	162
Direct and Overlapping Sales Tax Rates .....	163
Ratio of Outstanding Debt by Type .....	164
Ratios of General Bonded Debt Outstanding.....	165
Direct and Overlapping Governmental Activities Debt.....	166
Legal Debt Margin Information .....	167
Pledged-Revenue Coverage.....	168
Demographic and Economic Statistics.....	169
Property Values and Construction .....	170
Principal Employers.....	171
Full-time Equivalent City Government Employees by Function/Program .....	172
Operating Indicators by Function/Program .....	173
Capital Asset Statistics by Function/Program .....	174



## 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, 2021

*Christopher P. Morill*

Executive Director/CEO

# CITY OF KIRKLAND

## CITY COUNCIL

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

## ADMINISTRATIVE STAFF

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### CITY MANAGER'S OFFICE

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

### MUNICIPAL

Judge .....	John Olson
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### COURT

### 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

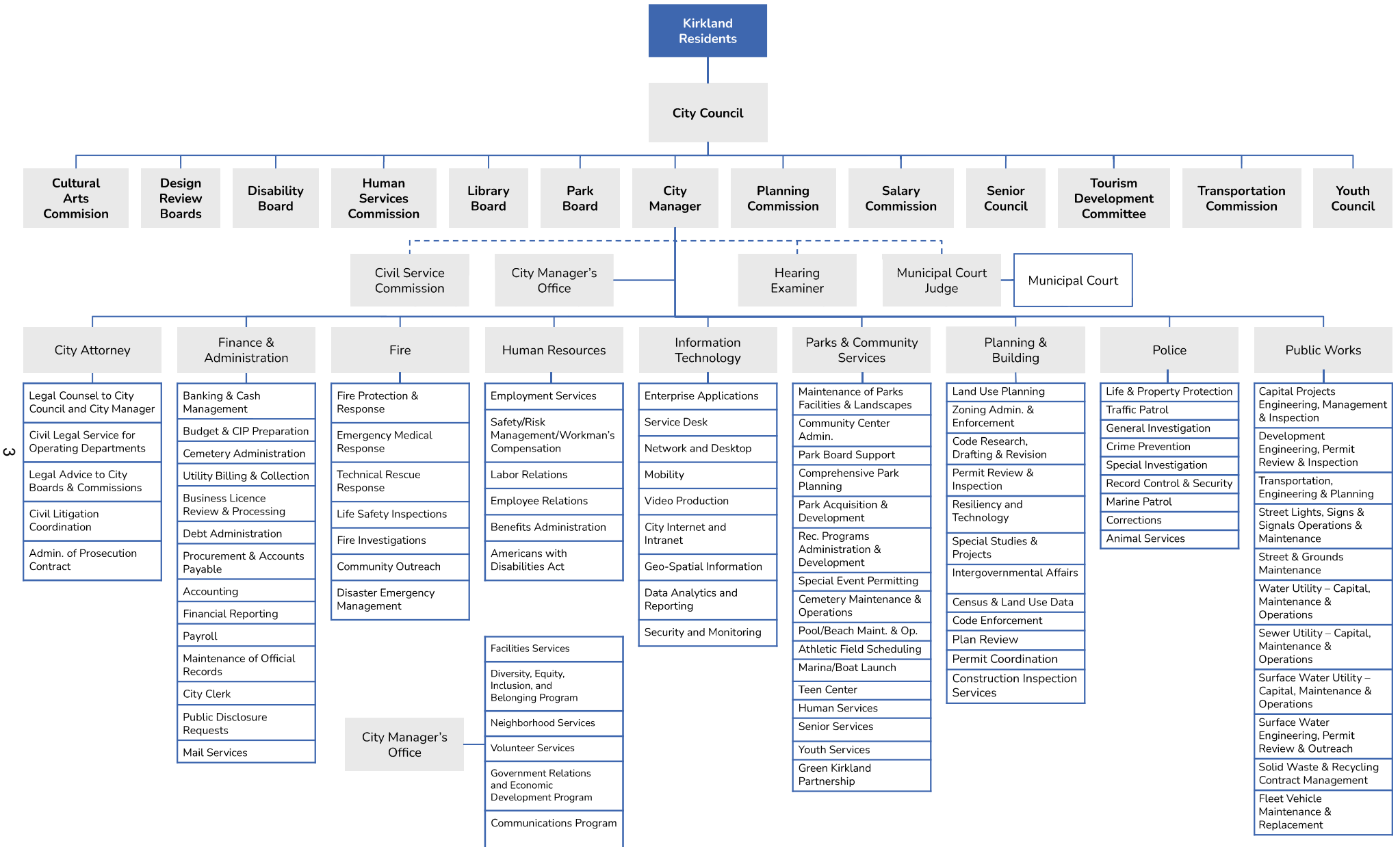
Director .....	Adam Weinstein
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### POLICE

Police Chief .....	Cherie Harris
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### PUBLIC WORKS

Director .....	Julie Underwood
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September 28, 2023

Community of Kirkland  
Honorable Mayor  
Members of the City Council

The City of Kirkland's (the City) Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022, is hereby submitted. 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, 2022. 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 2022 estimated population is 93,570 making Kirkland the thirteenth largest city in the State of Washington and the sixth largest in King County.

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

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

The City government offers a full range of municipal services which are provided by ten operating departments. In 2022, 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. In 2022, Washington's GDP increased 3.6% from 2021. Washington's GDP has grown at an annualized rate of 1.6% over the five years to 2022, with the trailing five-year GDP growth placing Washington 2<sup>nd</sup> out of all 50 US States. 2022 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 2021.

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 2022-2024, the City of Kirkland is conducting a major update of the Comprehensive Plan. 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 for the 2015 update to the Comprehensive Plan, 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. 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. In 2022, the City Council approved restructuring development service fees to move closer to full cost recovery. Also, as part of the 2023-2024 Budget process and adoption the City Council approved an inflation adjustment to the business license head tax and approved a \$20 vehicle tab fee, which becomes effective in 2024, to support debt funding to accelerate the completion of high priority projects that would make walking and bicycling around Kirkland's 15 elementary schools and its business districts a safer and more feasible transportation choice for students, families and workers.

Additional Long Term Financial strategies from previous years 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 City Council added the following two items to the 2021-2022 City Work plan in late 2021 and early 2022, 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 Parks ballot measure 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, 2021. This was the eighteenth 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 2023-2024 Budget (the eighteenth 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, 2022, 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, 2022, 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.

## **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 as 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 combining financial statements and schedules are presented for 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 basic 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 basic financial statements or to the basic 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 as a whole.

### **Other Information**

The other information comprises the 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 basic 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 September 28, 2023, 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, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 28, 2023

## 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, 2022. 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 and deferred outflows at the close of the most recent fiscal year by \$1.39 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 \$112.74 million that is restricted by legislation or bond covenants for tourism, parks and recreation, transportation, capital projects, and debt service and \$215.07 million that is unrestricted net position and therefore available to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$26.88 million in 2022. This takes into account a decrease of \$1.33 million for a prior period adjustment related to the Firefighters' Pension Fund (see note 19). The increase in Business-type activities was \$8.2 million, while the Governmental activities increased by \$18.7 million.
- At the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$188.58 million, a decrease of \$21.95 million compared to the prior year. Over \$100.55 million of the total fund balance is restricted for use based on bond covenants or enabling legislation. Another \$11.35 million has been committed for specific purposes by the City Council, and another \$35.76 million has been designated by the City Manager for assigned activities. Around \$39.98 million remains unassigned because no limitation of use has been formalized.
- Total outstanding debt, including Public Works trust fund loans, at year-end was \$72.51 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 \$1,394,581,600 at December 31, 2022. Following is a condensed version of the government-wide statement of net position (expressed in millions of dollars) comparing fiscal year 2022 to 2021.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	254.23	274.71	73.03	69.74	327.26	344.45
Pension Asset	31.50	70.11	0.62	3.52	32.12	73.63
Capital assets, net of accumulated depreciation	954.13	919.61	201.99	197.53	1,156.12	1,117.14
Total assets	1,239.86	1,264.42	275.64	270.79	1,515.50	1,535.21
Total deferred outflows of resources	22.93	7.87	1.48	0.49	24.41	8.36
Long-term liabilities	87.77	88.43	2.40	2.72	90.17	91.15
Other liabilities	27.77	26.71	5.10	4.59	32.87	31.30
Total liabilities	115.54	115.14	7.50	7.31	123.04	122.45
Total deferred inflows of resources	20.76	50.44	1.53	4.07	22.30	54.52
Net position:						
Net investment in capital assets	867.12	876.34	198.47	193.53	1,065.59	1,069.87
Restricted	113.74	91.51	0.62	-	114.36	91.51
Unrestricted	145.63	138.86	69.01	66.37	214.64	205.24
Total net position	\$1,126.49	\$1,106.71	\$268.09	\$259.90	\$ 1,394.59	\$1,366.61

As of the end of 2022, 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 \$114.36 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 \$40.94 million of the restricted balance. The \$18.51 million balance in Real Estate Excise Taxes is reserved for capital projects.

Culture and Recreation restricted funds of \$11.98 million include \$8.4 million for in progress capital projects including 132<sup>nd</sup> Square Park and Marina Park renovations. In addition, \$2.8 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 \$12.19 million is a result of GASB 68, Reporting for Pensions.

The remaining \$210.71 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 \$141.70 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 \$27.97 million in 2022, including \$1.33 million reduction for a prior period adjustment related to a change in reporting for the Firefighters' Pension Fund.

A breakdown of the 2022 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)**

	<b>Governmental Activities</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	39.61	36.64	67.64	61.97	107.25	98.61
Operating grants and contributions	2.35	15.84	0.58	0.54	2.93	16.38
Capital grants and contributions	10.60	5.73	7.08	6.55	17.68	12.28
General revenues:						
Sales taxes	38.60	36.61			38.60	36.61
Property taxes	41.01	40.24			41.01	40.24
Utility taxes	14.92	13.95			14.92	13.95
Excise taxes	14.69	18.62			14.69	18.62
Business Taxes	3.36	4.00			3.36	4.00
Other taxes	8.87	1.48			8.87	1.48
Investment earnings	(6.16)	(1.00)	(1.60)	(0.27)	(7.76)	(1.27)
Miscellaneous*	1.85	0.97			1.85	0.97
<b>Total revenues</b>	<b>169.70</b>	<b>173.07</b>	<b>73.70</b>	<b>68.79</b>	<b>243.40</b>	<b>241.86</b>
<b>Expenses:</b>						
General government	19.04	9.21			19.04	9.21
Judicial	2.73	2.12			2.73	2.12
Security of Persons and Property	62.73	51.30			62.73	51.30
Physical environment	5.53	0.29			5.53	0.29
Transportation	25.53	26.51			25.53	26.51
Human services	5.68	3.17			5.68	3.17
Economic environment	11.15	11.22			11.15	11.22
Culture and recreation	13.84	11.47			13.84	11.47
Interest on long-term debt	1.89	1.55			1.89	1.55
Water/sewer			30.30	29.80	30.30	29.80
Surface water			11.26	10.02	11.26	10.02
Solid waste			24.43	19.07	24.43	19.07
<b>Total expenses</b>	<b>148.11</b>	<b>116.84</b>	<b>65.99</b>	<b>58.89</b>	<b>214.10</b>	<b>175.73</b>
Increase (decrease) in net position before transfers	21.59	56.24	7.71	9.90	29.30	66.14
Transfers	(0.48)	0.70	0.48	(0.70)	-	-
Increase (decrease) in net position	21.11	56.94	8.19	9.20	29.30	66.14
Net position at beginning of year	\$1,106.71	1,054.38	259.90	250.70	1,366.61	1,305.08
Prior Period Adjustment (Note 19)	(1.33)	(4.61)			(1.33)	(4.61)
Change in Accounting Principle (Note					-	-
<b>Net position at end of year</b>	<b>\$1,126.49</b>	<b>\$1,106.71</b>	<b>\$268.09</b>	<b>\$259.90</b>	<b>\$1,394.58</b>	<b>\$1,366.61</b>

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

**Governmental activities** net position increased over \$19.79 million in 2022, including a \$1.33 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.

**Expenses:**

Governmental expenses saw an overall 26.8 percent increase, equivalent to \$31.27 million in comparison to 2021. The largest increases were in general government, public safety, and physical environment expenses.

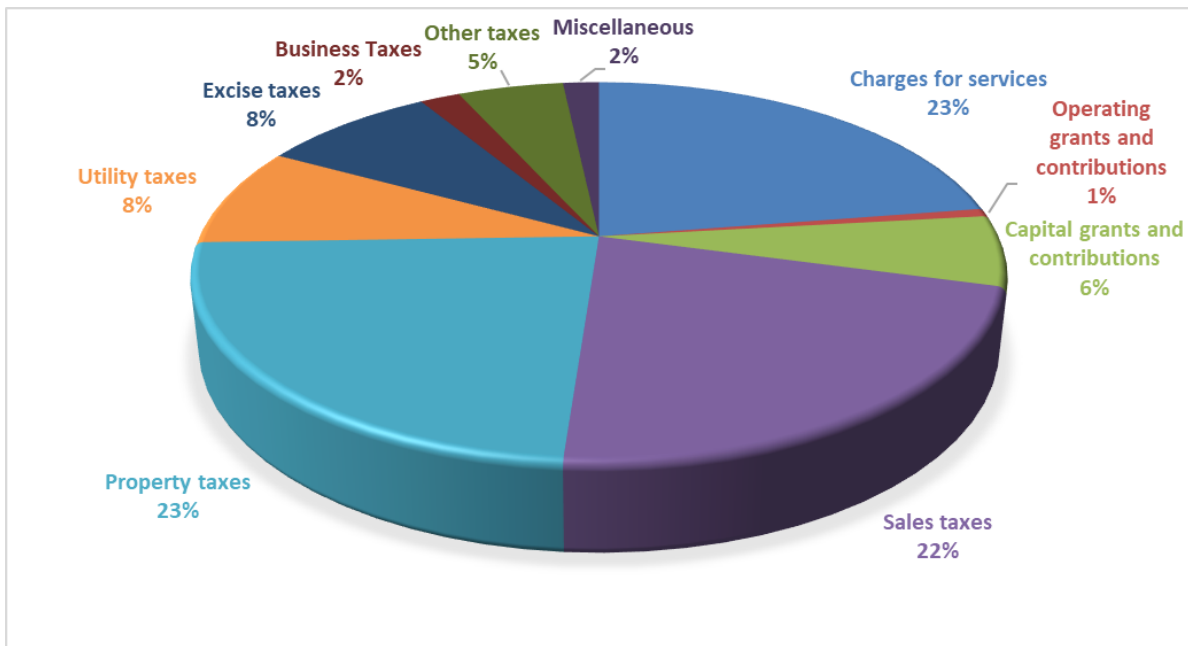
- General Government expenses increased by 106.8 percent or \$9.83 million which is in line with an overall increase in personnel costs around seven percent. The change in personnel costs was a combination of a six percent increase in salary costs, corresponding increases in variable benefit costs, new positions being added, and fewer vacancies during 2022 than in 2021.
- Security of Persons and Property increased by 22.3 percent or \$11.43 million. The City's Community Responders program began in 2022 and contributed \$465,000 to this total increase. Overtime costs associated with the fire department increased from \$2.64 million in 2021 to \$3.22 million in 2022 as a result of COVID-19 and forest fire deployments. In addition, commissioned police lieutenants received a 4.16 percent cost-of-living increase. Expenses for pensions and other post-employment benefits also contributed to the increase.
- Human Services expenditures grew by 79.2 percent or \$2.51 million. This was due to \$1.9 million in grants to agencies and individuals primarily made using the City's American Rescue Plan Act (ARPA) funding, as well as personnel increases.
- Physical Environment expenses increased by 1,781 percent or \$5.23 million in comparison to 2021, due to increases in pension expense and an increase in wages.
- All other categories of expenses saw increases with the exception of Economic Environment. Most of these increases were due to 2022 pay increases for staff and the corresponding changes to variable benefits such as pensions and social security.

#### Revenues:

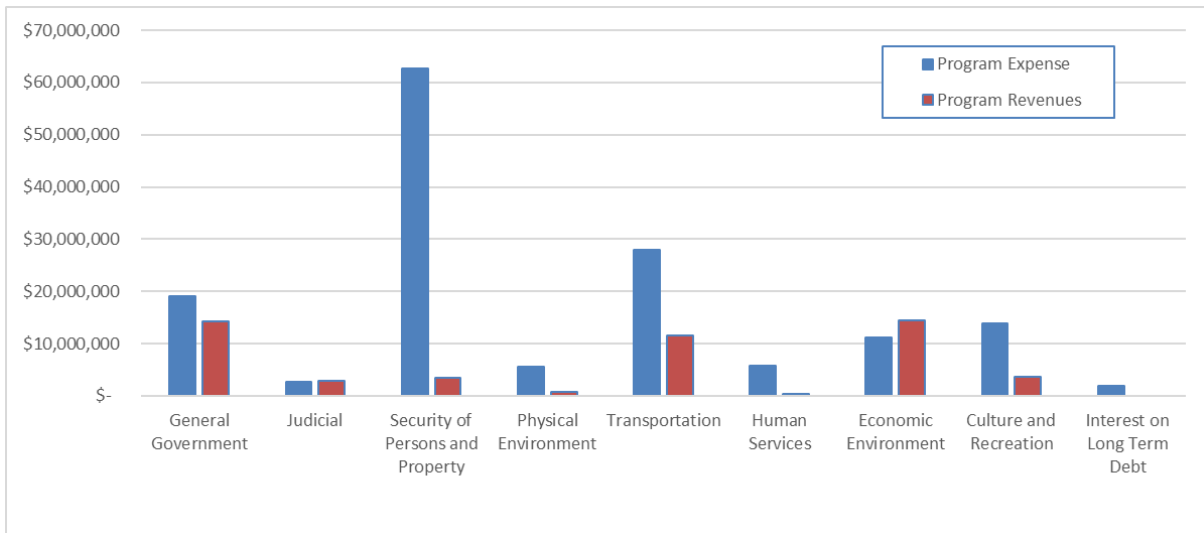
- Charges for Services revenue increased 8.1 percent from 2021 to 2022, up 2.97 million.
  - Culture and Recreation revenues remained stable in 2022 as parks activities that were cancelled due to the COVID-19 pandemic continued to resume in 2022, however, parks and facility rentals saw an increase. Park impact fees decreased by \$0.9 million from 2021 to 2022 due to a slowdown in new development activity in the City. Revenues from facility rentals increased as
  - 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 down by \$4 million compared to 2021. Impact Fee revenue in 2022 was close to the levels seen in 2021, so the decline represents both a slowdown, but also very high revenue levels in 2021.
  - Public safety revenues were up \$0.51 million in 2022.
  - Economic environment revenues decreased by \$0.50 million in 2022 compared to 2021.
- Operating Grants and Contributions decreased by 85.2 percent in 2022 from \$15.84 million in 2021 to \$2.35 million in 2022.
  - 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. This funding was not received in 2022, contributing to the overall decrease of Operating Grants and Contributions.
  - Other Grants received include funds for community development and housing, traffic safety programs, emergency management operations and mental health response.

- The City was party to two national opioid-related lawsuits that have been settled. \$1.1 million is reported as Human Services Operating Grants and Contributions, which will be used to address the opioid crisis.
- Capital Grants and Contributions increased by 85.1 percent to \$10.6 million in 2022.
  - \$1.8 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 132<sup>nd</sup> square retrofit facility.
  - Over \$4.9 million was received in capital contributions in the form of infrastructure.
- The City's general revenues increased by 3 percent or \$3.45 million in 2022.
  - Property taxes increased by 1.9 percent or \$0.77 million.
  - Sales tax revenues were up 5.4 percent or \$1.99 million in 2022 compared to 2021. Sales tax revenues included a one-time audit back payment of \$360,000, as well as growth in retail sales across most categories. The City received no annexation sales tax credit revenue in 2022, as the 10-year credit period for revenue ended in 2021.
  - Real estate excise taxes (REET) decreased by 21.1 percent, or \$3.92 million. This reflects the changing local property market in the second half of 2022, as interest rates increased and property sales decreased in both volume and price.
  - Other taxes, which includes gambling and admissions taxes, were up 501.4 percent in 2022 due to reopening facilities that were previously as a result of the pandemic.
  - Investment interest earnings recognized a \$5.2 million loss in 2022 due to falling interest rates and a recognition of changes in fair market value of the securities in the investment portfolio at the end of 2022 compared to 2021. There are no actual monetary losses as all investments are held to maturity.

## 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 \$8.2 million, primarily due to operating income of \$2.3 million and infrastructure contributions, capital grants, and connection charges of \$8.3 million, offset by \$1.6 million in interest and investment fair market value realized losses and \$0.7 million net transfers to governmental funds.

Water/sewer operating revenues increased 2.3 percent compared to the prior year primarily due to water and sewer rate increases.

Surface Water operating revenues increased 2.9 percent due to a 2.0 percent rate increase and growth.

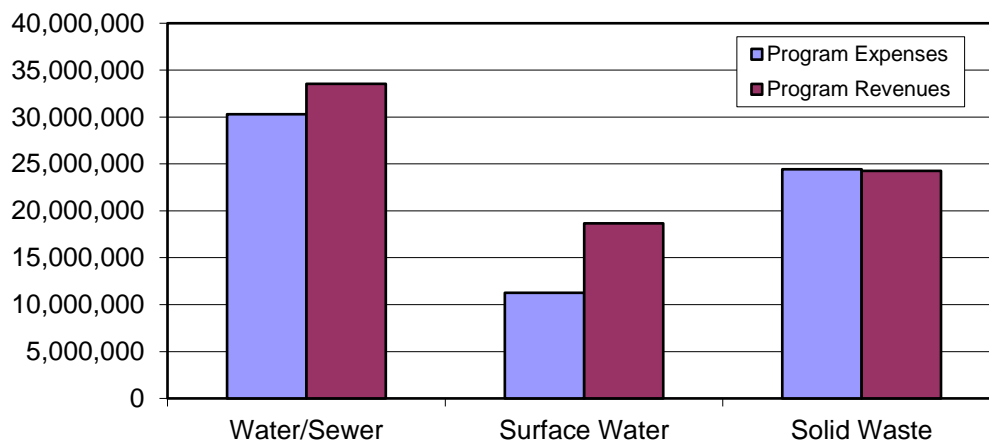
Solid Waste operating revenues increased by 23.8 percent due to rate increases. The City contracts with Waste Management for solid waste collection services. Services under a new contract began July 1, 2022. To bring customers up to market rates gradually, there were three rate increases in 2022, January 1, 2 percent, February 1, 15.4 percent, and July 1, 15.6 percent.

Capital contributions comprised of utility connection charges, capital grants, and infrastructure contributions totaled \$8.3 million for 2022. Details for these amounts are shown below:

	Water	Sewer	Surface Water	Total
2022 Connection Charges Collected	403,265	340,657	101,545	845,467
2022 Infrastructure Contributions	425,502	376,544	3,945,402	4,747,448
2022 Capital Grants			2,658,217	2,658,217
	<u>\$ 828,767</u>	<u>\$ 717,201</u>	<u>\$ 6,705,164</u>	<u>\$ 8,251,132</u>

The infrastructure contributions detailed above represent 58 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.

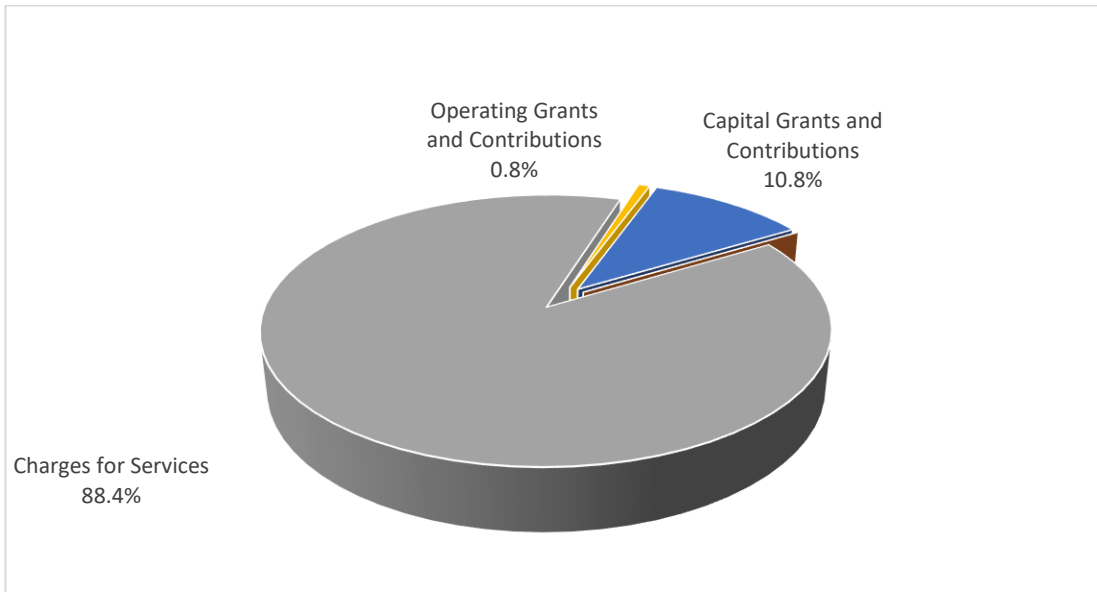
#### Program Expenses vs. Program Revenues - Business-Type Activities



The City of Kirkland's 2022 utility net income (before capital contributions and transfers) was about \$.63 million. The components are as follows:

Water/Sewer	\$.59 million
Surface Water	\$.27 million
Solid Waste	\$(.23) 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 \$188.58 million, which represents a decrease of \$21.95 million from the prior year. Of the total ending fund balance, over \$100.45 million is restricted and subject to an external legal constraint.

The \$40.9 million in Transportation Projects are primarily excise taxes and impact fees for projects in process that include 100<sup>th</sup> Ave NE, Juanita Drive, and 124<sup>th</sup> Ave construction.

The \$11.98 million in Culture and Recreation Projects are primarily excise taxes, impact fees and park levy funds associated with future projects and current projects. \$8.4 million is for capital projects such as 132<sup>nd</sup> Square Park and Marina Park renovations.

The \$5.5 million in General Government are primarily excise taxes associated with future projects.

The \$17.3 million in Fire are bond proceeds for the new Fire Station 27 and renovations to Fire Stations 22 and 26.

The \$18.5 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 \$11.3 million, is primarily made up of \$6.36 million for the City's Contingency Fund, \$2.13 million in undivided interest in ARCH and \$2.5 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 \$35.8 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 \$1.54 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 \$39.98 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 2022, the fund balance of the General Fund was \$86.03 million, which represents a decrease from the prior year of \$1.46 million.

The overall General Fund revenues increased \$2.1 million over 2021 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 5.4 percent or \$6.4 million overall in 2022. Most staff were given a cost-of-living increase of six percent except commissioned police officers and police lieutenants who received 4.16 percent. Firefighter salaries remained at 2021 levels while labor negotiations were ongoing.

General government expenditures were down 1.5 percent, and Physical environment expenditures were up 13.9, reflecting vacant positions during the year. Human services expenditures were up by 78.3 percent or \$2.5 million which is due to increased distribution of grants, particularly those associated with the City's ARPA funds.

Culture and Recreation expenses were up 15.97 percent in 2022 from 2021 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 3.9 percent, or \$2.4 million in 2022 as overtime for Firefighter deployments and vacancies continued.

Transportation expenditures were also up 7.5 percent or \$0.8 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 2022 was \$18.5 million, a decrease of 11 percent when compared to 2022.

Revenues were \$3.73 million lower in 2022 at \$14.1 million, reflecting the slowing of real estate sale transactions in 2022 versus 2021. Transfers made to fund capital improvement programs in 2022 remained stable at \$16.4 million in 2022 and 2021, which resulted in an overall \$2.3 million decrease 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 \$33.4 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 2022 was \$44.6 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 2022, there was a net increase of \$1.67 million in biennial appropriations between the budget as of December 2021 and the final amended budget in December 2022. 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 using a budgetary fund balance that includes cash and other currently available assets, such as revenues and expenses received within 60 days of the end of the year.

Following are the major components of the changes:

- Community Development Block Grant (CDBG) revenue of \$755,444, received in 2022 as part of the City's CARES Act COVID relief funds and directed to three Human Services contracts.
- Recognition of \$222,395 in various grants for Commute Trip Reduction, Public Safety activities and recreation.
- Additional School Zone Camera revenues totaling \$92,204 recognized for an additional Judicial Support Associate position in the Kirkland Municipal Court.

The actual General Fund 2022 results varied from the final amended budget as follows:

- Actual 2022 General Fund revenues ended the year \$16.82 million over the budgeted level (\$136.22 million versus budget of \$119.40 million).
- Retail sales and use tax revenues exceeded the budget by \$8.13 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 2022 budget reflecting the 2020 projected receipts.

- Public and Private Utility Tax revenues ended the year \$1.41 million above budget as a result of a rebound in utility revenues as part of the economic recovery from COVID-19 pandemic, and utility shut offs being reimplemented in 2022.
- Actual 2022 General Fund expenditures ended at 94.8 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, 2022 amounts to \$1.07 billion (net of accumulated depreciation), which represents a \$4.2 million decrease 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 \$0.63 million providing lighting to the Cross Kirkland Corridor. Continued progress on the NE 124<sup>th</sup> St/124<sup>th</sup> Ave bridge with \$4.7 million in additional spending.
- Transportation projects include improvements to 124<sup>th</sup> Ave NE and 100<sup>th</sup> Avenue and the Intersection at 116<sup>th</sup> Ave NE and NE 124<sup>th</sup> St.
- The Houghton Village Shopping Center, located at 10702 NE 68<sup>th</sup> Street, was purchased at a cost of \$14.1 million to support a variety of public purposes such as affordable housing, school space, non-profit program space, arts and cultural space, and City recreational program space.
- The David Brink Park Shoreline renovations project was completed in 2022 at a cost of over \$2.6 million. Renovations include improved access and safety, an added pathway to the north end of the property, and minor structural improvements to preserve the pier.
- The Rose Point Lift Station was completed at a cost of \$3.2 million.
- \$1.3 million was capitalized for projects to repair or build surface water infrastructure.
- In general government projects, work continued on Network Infrastructure improvements which include upgrades/replacements of network routers, switches, firewalls, wireless access points and other hardware security appliances.
- The 132<sup>nd</sup> Park playfields project continued with \$3.4 million spent in 2022. 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 stormwater retrofit as part of this project continued with \$1,96 million spent in 2022.
- The replacement of fire station 27 (estimated completion 2023), expansion and remodel of fire station 22 (estimated completion 2023), remodel of fire station 21 (estimated completion 2025),

and fire station 26 (estimated completion 2024) added \$11.2 million to construction in progress in 2022.

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 2021 and 2022:

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$634.95	\$621.38	\$3.83	\$3.83	\$638.78	\$625.21
Buildings	44.42	42.12	-	-	44.42	42.12
Improvements other than buildings	64.56	66.24	187.88	184.00	252.44	250.24
Machinery and equipment	13.85	12.47	-	-	13.85	12.47
Infrastructure	141.39	145.83	-	-	141.39	145.83
Construction in progress	52.55	29.20	10.28	9.70	62.83	38.90
Artwork	2.41	2.37	-	-	2.41	2.37
GASB 87 RTU Assets	0.84	-	-	-	0.84	-
Total	\$954.97	\$919.61	\$201.99	\$197.53	\$1,156.96	\$1,117.14

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 \$69.85 million and other long-term debt of \$2.65 million. The total outstanding debt (expressed in millions of dollars) at the end of 2021 and 2022 is broken down between governmental and business-type activities as follows:

**City of Kirkland's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$69.85	\$73.11	-	-	\$69.85	\$73.11
Revenue Bonds	-	-	-	-	-	-
Public Works Trust Fund Loans	-	-	2.65	2.96	2.65	2.96
Total	\$69.85	\$73.11	\$2.65	\$2.96	\$72.50	\$76.07

On December 15, 2022 Moody's Investors Service affirmed the City of Kirkland's AAA credit rating. On May 17, 2021 Standard and Poor's 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.

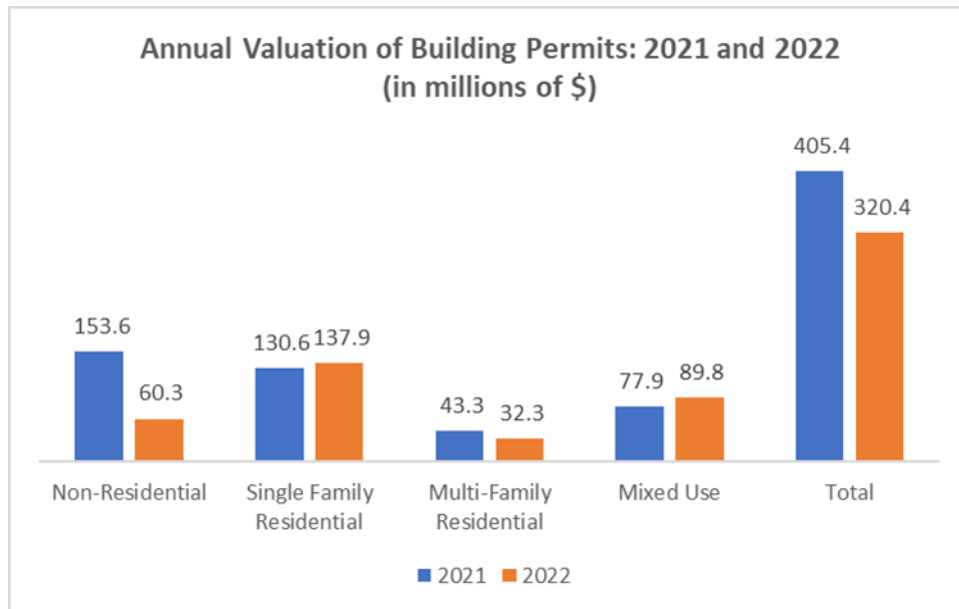
The City's assessed valuation for 2022 was \$37 billion, and the total remaining amount of unlimited tax and limited tax general obligation debt the City may issue is \$2,703 million.

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

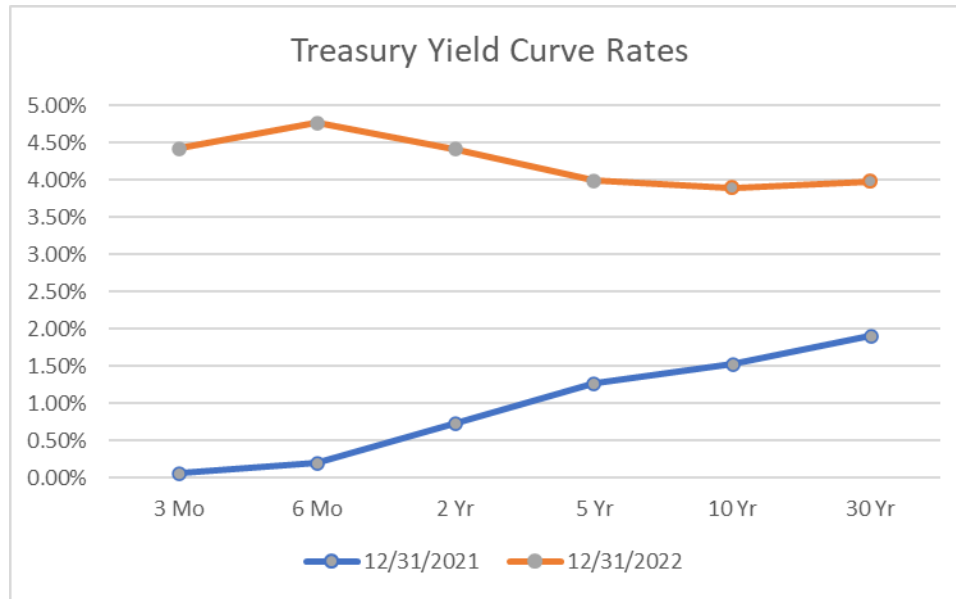
## Economic Factors

The national Unemployment Rate ended 2022 at 3.5 percent, after declining steadily all year. Locally, Washington State's and King County's unemployment rates were 4.6 percent and 2.8 percent in December, while Kirkland's decreased by 0.2 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 2022.

Local building permitting activity performed in 2022 was \$320.4 million, down from \$405.4 million in 2021. The valuation of non-residential (commercial) permits decreased from \$153.6 million in 2021 to \$60.3 million in 2022. Multi-family, single family, and mixed-use structures increased from \$251.8 million in 2021 to \$260.1 million in 2022.



National inflation, as measured by the CPI-W, was measured at 6.3% in December 2022. For the Seattle-Tacoma-Bellevue region, the CPI-W decreased from 9.4% in November to 7.9% in December 2022 but remained higher than the national rate. The Federal Reserve raised the Fed Funds rate seven times in 2022 in order to combat inflation, causing rates to increase from .25 percent in 2021 to 4.25-4.5 percent in 2022. Most economists expect multiple rate increases in 2023 in order to bring inflation down and bring it closer to Federal Reserve target rate. Indications of the impact of inflation are shown below with a downward curve for 2022 yield curve.

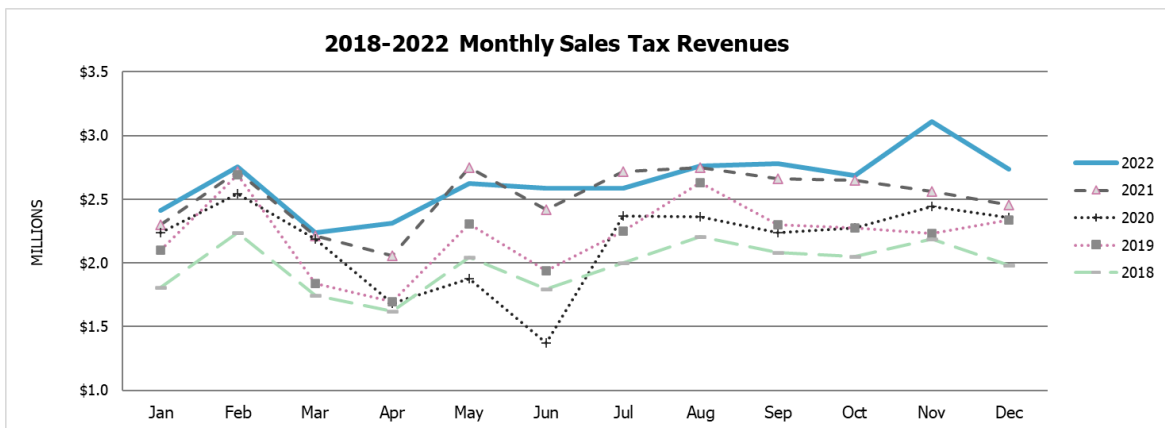


Kirkland's sales tax base is made up of a variety of businesses which are grouped and analyzed by business sector. Nine business sector groupings are used to compare 2022 and 2021 sales tax receipts.

Total sales tax revenue was up \$1.3 million, or 4.5 percent in 2022 compared to 2021. Excluding \$.3 million in onetime excise audit revenue received, total sales tax revenue grew by \$987,544 or 3.3 percent in 2022 compared to 2021.

Looking at business sectors, the most significant growth was Other Retail (up \$1,987,605 or 46.2 percent), Miscellaneous (up \$442,106 or 27 percent), Retail Eating/Drinking (up \$380,261 or 22 percent) and Services (up 677,324 or 15 percent).

The graph below shows Kirkland's monthly sales tax revenue through December 2022 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	
	2021	2022			2021	2022
Services	4,451,966	5,129,290	677,324	15.2%	14.7%	16.2%
Contracting	7,514,350	6,804,408	(709,942)	-9.4%	24.8%	21.5%
Communications	474,786	473,332	(1,454)	-0.3%	1.6%	1.5%
Retail:						
Auto/Gas Retail	5,429,810	5,561,287	131,477	2.4%	18.0%	17.6%
Gen Merch/Misc Retail	3,362,672	1,697,546	(1,665,126)	-49.5%	11.1%	5.4%
Retail Eating/Drinking	1,754,977	2,135,238	380,261	21.7%	5.8%	6.8%
Other Retail	4,301,132	6,288,737	1,987,605	46.2%	14.2%	19.9%
Wholesale	1,330,976	1,436,317	105,341	7.9%	4.4%	4.5%
Miscellaneous	1,623,154	2,065,260	442,106	27.2%	5.4%	6.5%
<b>Total</b>	<b>30,243,823</b>	<b>31,591,415</b>	<b>1,347,592</b>	<b>4.5%</b>	<b>100%</b>	<b>100%</b>

### 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](mailto:molson@kirklandwa.gov).

## Basic Financial Statements



City of Kirkland  
**Statement of Net Position**  
December 31, 2022

Page 1 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	52,093,337	14,971,909	67,065,246
Investments (Note 3)	170,095,906	44,567,995	214,663,901
Accounts Receivable	15,133,931	12,293,321	27,427,252
Lease Receivable	722,786		722,786
Intergovernmental Receivable	796,784	1,644,131	2,440,915
Internal Balances	1,183,091	(1,183,091)	(0)
Inventories	196,346	631,055	827,401
Prepayments	5,148,877	101,413	5,250,290
Deposits	6,929,535		6,929,535
Receivable - Opioid Settlement	1,085,137		1,085,137
Pension Asset	31,499,872	616,512	32,116,384
Leases (net)	840,159		840,159
Capital Assets (Note 5)			
Land and Artwork	637,361,194	3,834,492	641,195,686
Depreciable Capital Assets (net of accumulated depreciation)	122,825,105	187,884,614	310,709,719
Depreciable Infrastructure (net of accumulated depreciation)	141,391,649		141,391,649
Construction in Progress	52,553,793	10,277,600	62,831,393
<b>Total Assets</b>	<b>1,239,857,501</b>	<b>275,639,951</b>	<b>1,515,497,452</b>
<b>Deferred Outflows of Resources</b>			
Deferred Outflow Pension Related	20,705,283	1,478,808	22,184,091
Deferred Outflow OPEB Related	265,566		265,566
Deferred Outflow ARO	0	0	0
Deferred Outflow on refunding	1,963,545		1,963,545
<b>Total Deferred Outflows of Resources</b>	<b>22,934,395</b>	<b>1,478,808</b>	<b>24,413,203</b>

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

City of Kirkland  
**Statement of Net Position**  
December 31, 2022

Page 2 of 2

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Accounts Payable and Other Accrued Liabilities	11,137,210	3,156,453	14,293,663
Intergovernmental Payable	1,078,730	1,137,100	2,215,830
Unearned Revenue	753,950	208,525	962,475
Accrued Interest Payable	167,805	7,737	175,542
Deposits Payable	6,951,439	16,015	6,967,454
Noncurrent Liabilities			
Due within one year			
Bonds Payable	2,831,102		2,831,102
Loans and Contracts Payable		311,144	311,144
Claims Payable	550,700		550,700
Compensated Absences	3,427,962	260,758	3,688,720
OPEB Liability	626,650		626,650
Lease Payable	240,105		240,105
Due in more than one year			
Bonds Payable	67,022,554		67,022,554
Loans and Contracts Payable		2,341,641	2,341,641
Compensated Absences	895,461	65,189	960,650
Net Pension Liability	6,543,095		6,543,095
Total Pension Liability	277,368		277,368
Total OPEB Liability	12,320,594		12,320,594
Asset retirement Liability	101,815		101,815
Lease Payable	612,524		612,524
<b>Total Liabilities</b>	<b>115,539,063</b>	<b>7,504,562</b>	<b>123,043,625</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflow Pension Related	19,488,276	1,525,134	21,013,410
Deferred lease Receipt	558,320		558,320
Deferred Inflow GASB 87 Leases	713,700		713,700
<b>Total Deferred Inflows of Resources</b>	<b>20,760,296</b>	<b>1,525,134</b>	<b>22,285,430</b>
<b>Net Position</b>			
Net Investment in Capital Assets	867,120,746	198,465,121	1,065,585,867
Restricted for			
Net Pension Asset	12,187,356	616,512	12,803,868
Tourism	354,678		354,678
Culture and Recreation	11,978,928		11,978,928
Public Safety	21,460,125		21,460,125
Capital Improvements	18,510,567		18,510,567
Transportation	40,943,088		40,943,088
Debt Service	647,416		647,416
General Government	6,571,794		6,571,794
Opioid Settlement	1,085,137		1,085,137
Unrestricted	145,632,702	69,007,430	214,640,132
<b>Total Net Position</b>	<b>1,126,492,537</b>	<b>268,089,063</b>	<b>1,394,581,600</b>

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, 2022

Page 1 of 2

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	19,041,353	19,103,750	(4,935,526)	0
Judicial	2,725,163	2,805,894	133,140	0
Security of Persons and Property	62,727,544	3,285,962	162,596	0
Physical Environment	5,526,787	639,711	144,037	0
Transportation	25,531,880	1,695,961	186,087	9,608,148
Human Services	5,680,371	3,930	1,579,950	0
Economic Environment	11,152,734	9,433,695	5,077,997	0
Culture and Recreation	13,838,649	2,642,523	0	991,557
Interest on Long Term Debt	1,887,446	0	0	0
<b>Total Governmental Activities</b>	<b>148,111,927</b>	<b>39,611,427</b>	<b>2,348,281</b>	<b>10,599,705</b>
<b>Business Type Activities</b>				
Water/Sewer	30,300,905	32,011,179		1,545,968
Surface Water	11,256,434	11,552,134	404,739	5,533,326
Solid Waste	24,432,554	24,075,836	179,896	
<b>Total Business Type Activities</b>	<b>65,989,893</b>	<b>67,639,149</b>	<b>584,635</b>	<b>7,079,294</b>
<b>Total Government</b>	<b>214,101,820</b>	<b>107,250,576</b>	<b>2,932,916</b>	<b>17,678,999</b>

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, 2022

Page 2 of 2

	Net (Expense/Revenue and Changes in Net Position)		
Functions/Programs	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>			
General Government	(4,873,129)		(4,873,129)
Judicial	213,871		213,871
Security of Persons and Property	(59,278,987)		(59,278,987)
Physical Environment	(4,743,039)		(4,743,039)
Transportation	(14,041,684)		(14,041,684)
Human Services	(4,096,491)		(4,096,491)
Economic Environment	3,358,958		3,358,958
Culture and Recreation	(10,204,569)		(10,204,569)
Interest on Long Term Debt	(1,887,446)		(1,887,446)
<b>Total Governmental Activities</b>	<b>(95,552,514)</b>		<b>(95,552,514)</b>
<b>Business Type Activities</b>			
Water/Sewer		3,256,242	3,256,242
Surface Water		6,233,765	6,233,765
Solid Waste		(176,822)	(176,822)
<b>Total Business Type Activities</b>		<b>9,313,185</b>	<b>9,313,185</b>
<b>Total Government</b>	<b>(95,552,514)</b>	<b>9,313,185</b>	<b>(86,239,329)</b>
<b>General Revenues</b>			
Sales Taxes	38,603,063		38,603,063
Property Taxes	41,012,768		41,012,768
Utility Taxes	14,917,133		14,917,133
Real estate excise Taxes	14,691,707		14,691,707
Business Taxes	3,360,274		3,360,274
Other Taxes	8,870,387		8,870,387
Investment Loss	(6,163,236)	(1,606,725)	(7,769,961)
Gain on Sale of Capital Assets	1,847,726		1,847,726
Transfers	(476,943)	476,943	0
<b>Total General Revenues &amp; Transfers</b>	<b>116,662,877</b>	<b>(1,129,782)</b>	<b>115,533,095</b>
Change in Net Position	21,110,363	8,183,403	29,293,766
Net Position at Beginning of Year	1,106,707,543	259,905,660	1,366,613,203
Prior Period Adjustment(see note 19)	(1,325,370)		(1,325,370)
<b>Net Position at End of Year</b>	<b>1,126,492,537</b>	<b>268,089,063</b>	<b>1,394,581,599</b>

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

City of Kirkland  
**Balance Sheet**  
Governmental Funds  
December 31, 2022

Page 1 of 2

	General Fund	Excise Tax Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmenta l Funds	Governmental Funds Total
<b>Assets</b>						
Current Assets						
Cash and Cash Equivalents	15,966,577	4,522,732	12,380,288	11,223,757	1,602,467	45,695,822
Investments	60,515,913	13,343,283	38,526,425	34,391,144	4,418,037	151,194,803
Receivables						
Taxes	9,255,902	644,551			113,085	10,013,538
Accounts	2,981,476				9,271	2,990,747
Leases	645,472					645,472
Due From Other Funds	1,207,847					1,207,847
Intergovernmental Receivable	270,448		87,326	414,592	24,418	796,783
Prepayments	903,301				32,014	935,315
Restricted Assets						
Deposits	6,929,535					6,929,535
Interfund Loan Receivable	3,875,410					3,875,410
<b>Total Assets</b>	<b>102,551,882</b>	<b>18,510,567</b>	<b>50,994,039</b>	<b>46,029,493</b>	<b>6,199,293</b>	<b>224,285,273</b>
<b>Liabilities</b>						
Accounts Payable	2,057,830		3,358,705	1,301,989	66,428	6,784,953
Wages Payable	2,606,143				68,964	2,675,107
Benefits Payable	746,364				25,083	771,448
Due to Other Funds	3,320				3,996	7,316
Intergovernmental Payable	1,008,444		1,977	2,618	35,197	1,048,236
Payable from Restricted Assets						
Deposits Payable	6,949,589					6,949,589
Unearned Revenue	117,579					117,579
Interfund Loan Payable			14,200,000			14,200,000
<b>Total Liabilities</b>	<b>13,489,269</b>	<b>0</b>	<b>17,560,682</b>	<b>1,304,607</b>	<b>199,668</b>	<b>32,554,227</b>
<b>Deferred Inflows of Resources</b>						
For Lease	558,320					558,320
For Property Taxes	572,859				78,616	651,475
For Grant Revenue	101,228			86,810	9,532	197,571
For GASB 87 Leases	634,880					634,880
For other unavailable revenue	1,112,150				335	1,112,485
<b>Total Deferred Inflows of Resources</b>	<b>2,979,437</b>	<b>0</b>	<b>0</b>	<b>86,810</b>	<b>88,483</b>	<b>3,154,730</b>

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

City of Kirkland  
**Balance Sheet**  
Governmental Funds  
December 31, 2022

Page 2 of 2

	General Fund	Excise Tax Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmenta l Funds	Governmental Funds Total
<b>Fund Balances</b>						
Nonspendable	903,301				32,014	935,315
Restricted for						
Tourism					354,678	354,678
Debt Service					647,416	647,416
Drug Enforcement	122,481					122,481
Fire Interlocal	345,799					345,799
Proposition One	2,418,822					2,418,822
Firefighter Pension	1,269,074					1,269,074
Opioid Settlement	87,371					87,371
Transportation Projects				40,840,457	102,632	40,943,088
Cemetery Operations					1,119,912	1,119,912
Culture and Recreation Projects			8,431,156		3,547,772	11,978,928
Fire			17,197,231		106,718	17,303,949
General Government			5,451,882			5,451,882
Capital Improvements		18,510,567				18,510,567
Committed for						
Contingency Fund (RCW35A.33.145)	6,355,888					6,355,888
Transportation Projects	2,508,535					2,508,535
General Government Activities	354,960					354,960
ARCH	2,126,558					2,126,558
Assigned for						
Street Operating Fund	1,538,256					1,538,256
General Reserves	10,642,373					10,642,373
Public Safety Activities	1,048,378					1,048,378
Development Services	16,021,452					16,021,452
Parks and Recreation Activities	358,673					358,673
Capital Projects			2,353,087	3,797,619		6,150,706
Unassigned	39,981,253					39,981,253
<b>Total Fund Balances</b>	<b>86,083,176</b>	<b>18,510,567</b>	<b>33,433,356</b>	<b>44,638,076</b>	<b>5,911,141</b>	<b>188,576,316</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>102,551,882</b>	<b>18,510,567</b>	<b>50,994,039</b>	<b>46,029,493</b>	<b>6,199,292</b>	<b>224,285,273</b>

**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	\$942,540,865
Other long-term assets are not available to pay for current period expenditures and therefore deferred in the funds	\$54,988,961
Long term liabilities are not due and payable in the current period and are not reported in the funds	(\$111,787,973)
Unavailable revenue is susceptible to full accrual in the government-wide statements but reported as deferred inflows in government funds.	\$1,951,997
Internal service funds are used by management to charge the costs of certain activities to individual funds	\$50,222,371
The assets and liabilities are included in governmental activities in the statement of net position	

**Net Position of governmental activities**

\$1,126,492,537

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, 2022

	General Fund	Excise Capital Improvement	General Capital Projects	Transportation Capital Projects	Non Major Governmental Funds	Governmental Funds Total
<b>Revenues</b>						
Taxes and Assessments	95,673,547	14,691,707			5,112,709	115,477,963
Licenses and Permits	10,822,139					10,822,139
Intergovernmental	12,146,290		957,718	4,526,198	33,839	17,664,045
Charges for Services	21,056,670			64,961	1,734,923	22,856,554
Fines and Forfeitures	2,953,284					2,953,284
Investment Interest	(4,131,319)	(582,999)	(53,779)	(716,212)	(223,237)	(5,707,545)
Miscellaneous Revenues	1,862,055		224,058	210,348	80,824	2,377,284
<b>Total Revenues</b>	<b>140,382,666</b>	<b>14,108,708</b>	<b>1,127,997</b>	<b>4,085,295</b>	<b>6,739,059</b>	<b>166,443,725</b>
<b>Expenditures</b>						
Current						
General Government	14,869,039		299,975			15,169,014
Judicial	2,878,154					2,878,154
Security of Persons and Property	62,157,623		100,219			62,257,841
Physical Environment	5,917,049				143,888	6,060,936
Transportation	12,165,418			4,349,956		16,515,375
Economic Environment	11,523,681				330,823	11,854,504
Human Services	5,735,340					5,735,340
Culture and Recreation	8,390,268		193,457		3,838,993	12,422,719
Debt Service						
Principal	16,579				2,915,000	2,931,579
Interest	323				2,140,370	2,140,693
Capital Outlay	36,270		31,705,529	17,864,561	2,639	49,608,999
<b>Total Expenditures</b>	<b>123,689,743</b>	<b>0</b>	<b>32,299,180</b>	<b>22,214,517</b>	<b>9,371,712</b>	<b>187,575,153</b>
<b>Excess (Deficiency) of revenues</b>						
Over (under) expenditures	16,692,922	14,108,708	(31,171,183)	(18,129,222)	(2,632,653)	(21,131,428)
<b>Other Financing Sources (Uses)</b>						
Other Leases	8,114					8,114
Sale of Capital Assets			1,245,539		82,050	1,327,589
Insurance Recovery	439,092				7,071	446,163
Transfers In	689,177		19,680,634	16,949,790	4,587,201	41,906,802
Transfers Out	(19,291,168)	(16,394,634)	(3,263,660)		(5,555,000)	(44,504,462)
<b>Total Other Financing Sources (Uses)</b>	<b>(18,154,785)</b>	<b>(16,394,634)</b>	<b>17,662,513</b>	<b>16,949,790</b>	<b>(878,678)</b>	<b>(815,794)</b>
<b>Net Change in Fund Balance</b>	<b>(1,461,863)</b>	<b>(2,285,926)</b>	<b>(13,508,670)</b>	<b>(1,179,432)</b>	<b>(3,511,331)</b>	<b>(21,947,222)</b>
<b>Fund Balances Beginning of Year</b>	<b>87,545,037</b>	<b>20,796,493</b>	<b>46,942,026</b>	<b>45,817,508</b>	<b>9,422,473</b>	<b>210,523,538</b>
<b>Fund Balances End of Year</b>	<b>86,083,175</b>	<b>18,510,567</b>	<b>33,433,356</b>	<b>44,638,076</b>	<b>5,911,141</b>	<b>188,576,315</b>

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, 2022

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

Net change in fund balances for governmental funds	(21,947,222)
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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	49,608,999	
Depreciation	(17,055,731)	
Contributed Capital	5,040,910	
Capital Sales	(2,148,097)	
	35,446,081	35,446,081

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	0	
Debt Retired	2,915,000	
Bond (Premium) Discount on issued bond:	344,004	
Bond (Premium) Discount amortization	351,102	
Amortization outflow on refunding	(103,344)	3,506,762

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	41,874	
Change in Pension Asset	(37,593,713)	
Change in Pension Outflow	13,491,037	
Change in OPEB Outflow	72,221	
Change in revenue inflow	(4,237,256)	
Change in Lease Assets	67,988	(28,157,849)

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

Change in Net Pension Liability	(1,416,597)	
Change in Pension Inflow	28,199,654	
Change in Compensated Absences	(186,242)	
Accrued Interest	12,264	
Other Post Employment Benefit Obligation	1,816,122	
ARO Expense	(22,164)	
Change in interfund loan interest	819	
Change in Lease Payables	(53,247)	28,350,610

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.

3,911,981

Change in net position of governmental activities	21,110,363
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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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	136,419,288	152,162,475	84,472,998	95,319,380	179,792,378	27,629,903
Licenses and Permits	19,984,754	20,239,073	11,149,087	9,267,501	20,416,588	177,515
Intergovernmental	7,221,815	19,437,617	10,147,366	9,761,064	19,908,429	470,812
Charges for Services	37,817,885	38,841,904	18,991,487	20,560,699	39,552,186	710,282
Fines and Forfeitures	5,107,724	5,199,928	2,766,164	2,942,811	5,708,976	509,048
Interest on Sales Tax Contract	160,000	160,000	28,306	38,015	66,320	(93,680)
Investment Interest-Dedicated	2,570,761	3,070,761	1,778,307	1,828,934	3,607,242	536,481
Contributions/Donations	286,880	315,467	182,636	157,250	339,886	24,419
Miscellaneous Revenues	1,456,961	819,165	1,006,821	(15,812,675)	(14,805,854)	(15,625,019)
<b>Total Revenues</b>	<b>211,026,068</b>	<b>240,246,390</b>	<b>130,523,173</b>	<b>124,062,979</b>	<b>254,586,151</b>	<b>14,339,761</b>
<b>Expenditures</b>						
Current						
General Government	34,526,751	44,373,312	21,881,066	16,633,139	38,514,205	5,859,107
Security of Persons and Property	121,315,687	126,902,870	60,184,981	58,221,767	118,406,748	8,496,122
Physical Environment	15,208,049	15,268,712	6,898,884	7,051,233	13,950,116	1,318,596
Transportation	2,487,920	3,257,451	1,293,386	1,291,682	2,585,068	672,383
Economic Environment	22,520,267	26,094,231	11,486,953	14,906,262	26,393,214	(298,984)
Human Services	4,723,507	9,245,862	1,898,648	2,944,339	4,842,987	4,402,875
Culture and Recreation	16,184,210	17,456,981	7,610,859	6,391,002	14,001,861	3,455,120
Capital Outlay	15,000	15,000	9,455	96,361	105,816	(90,816)
<b>Total Expenditures</b>	<b>216,981,391</b>	<b>242,614,418</b>	<b>111,264,231</b>	<b>107,535,784</b>	<b>218,800,015</b>	<b>23,814,403</b>
<b>Excess of revenues over expenditures</b>	<b>(5,955,323)</b>	<b>(2,368,028)</b>	<b>19,258,942</b>	<b>16,527,195</b>	<b>35,786,136</b>	<b>38,154,164</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	100,000	140,000	149,809	376,337	526,146	386,146
Transfers In	869,002	1,101,777	726,100	375,677	1,101,777	0
Transfers Out	(5,757,435)	(25,645,155)	(6,735,628)	(13,745,118)	(20,480,745)	5,164,410
<b>Total Other Financing Sources (Uses)</b>	<b>(4,788,433)</b>	<b>(24,403,378)</b>	<b>(5,859,718)</b>	<b>(12,993,104)</b>	<b>(18,852,822)</b>	<b>5,550,556</b>
<b>Net Change in Fund Balance</b>	<b>(10,743,756)</b>	<b>(26,771,406)</b>	<b>13,399,223</b>	<b>3,534,091</b>	<b>16,933,314</b>	<b>43,704,720</b>
<b>Fund Balances Beginning of Year</b>	<b>54,979,558</b>	<b>61,157,193</b>	<b>61,266,725</b>	<b>77,146,504</b>	<b>61,266,725</b>	<b>109,532</b>
<b>Prior period adjustment</b>	<b>0</b>	<b>0</b>	<b>2,480,555</b>	<b>174,942</b>	<b>174,942</b>	<b>174,942</b>
<b>Fund Balances End of Year</b>	<b>44,235,802</b>	<b>34,385,787</b>	<b>77,146,504</b>	<b>80,855,536</b>	<b>78,374,981</b>	<b>43,989,194</b>

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

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

Excise Tax Capital Improvement Special Revenue Fund  
For the year ended December 31, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	9,000,000	19,257,845	17,603,629	15,989,089	33,592,718	14,334,873
Investment Interest	98,862	98,862	220,947	253,187	474,134	375,272
<b>Total Revenues</b>	<b>9,098,862</b>	<b>19,356,707</b>	<b>17,824,576</b>	<b>16,242,276</b>	<b>34,066,852</b>	<b>14,710,145</b>
<b>Excess of revenues over expenditures</b>	<b>9,098,862</b>	<b>19,356,707</b>	<b>17,824,576</b>	<b>16,242,276</b>	<b>34,066,852</b>	<b>14,710,145</b>
<b>Other Financing Sources (Uses)</b>						
Transfers Out	(19,943,591)	(32,782,248)	(16,387,640)	(16,394,634)	(32,782,274)	(26)
<b>Total Other Financing Sources (Uses)</b>	<b>(19,943,591)</b>	<b>(32,782,248)</b>	<b>(16,387,640)</b>	<b>(16,394,634)</b>	<b>(32,782,274)</b>	<b>(26)</b>
<b>Net Change in Fund Balance</b>	<b>(10,844,729)</b>	<b>(13,425,541)</b>	<b>1,436,936</b>	<b>(152,358)</b>	<b>1,284,578</b>	<b>14,710,119</b>
<b>Fund Balances Beginning of Year</b>	<b>17,109,651</b>	<b>17,865,605</b>	<b>17,865,605</b>	<b>19,302,541</b>	<b>17,865,605</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>6,264,922</b>	<b>4,440,064</b>	<b>19,302,541</b>	<b>19,150,183</b>	<b>19,150,183</b>	<b>14,710,119</b>

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

City of Kirkland  
**Statement of Net Position**  
Proprietary Funds  
December 31, 2022

Page 1 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	10,623,082	4,126,481	206,331	14,955,894	6,395,666
Investments (Note 3)	31,723,574	12,270,439	573,982	44,567,995	18,901,103
Receivables					
Interest	96,274			96,274	
Contracts	203,257			203,257	
Accounts	6,478,488	343,169	5,159,720	11,981,377	436,461
Lease					80,306
Assessments	12,413			12,413	
Intergovernmental Receivable	14,699	1,479,509	149,923	1,644,131	
Due From Other Funds	25,487			25,487	
Inventories	480,102	150,953		631,055	196,346
Prepayments	36,043	60,553	4,817	101,413	4,213,561
Restricted Assets					
Cash	16,015			16,015	1,850
Total Current Assets	49,709,434	18,431,104	6,094,773	74,235,311	30,225,293
Noncurrent Assets					
Interfund Loan Receivable					
Loans					10,350,000
Interest					68,322
Net Pension Asset	210,046	372,479	33,987	616,512	502,973
Lease Asset (net)					769,178
Capital Assets (Note 5)					
Land	47,784	3,786,708		3,834,492	
Depreciable Capital Assets (Net)	105,636,300	82,248,314		187,884,614	11,590,877
Construction in Progress	1,320,608	8,956,992		10,277,600	
Total Capital Assets	107,004,692	94,992,014		201,996,706	11,590,877
Total Noncurrent Assets	107,214,738	95,364,493	33,987	202,613,218	23,281,350
<b>Total Assets</b>	<b>156,924,172</b>	<b>113,795,597</b>	<b>6,128,760</b>	<b>276,848,529</b>	<b>53,506,642</b>
<b>Deferred Outflows of Resources</b>					
Deferred Outflow Pension Related	503,831	893,454	81,523	1,478,808	1,206,468
<b>Total Deferred Outflows of Resources</b>	<b>503,831</b>	<b>893,454</b>	<b>81,523</b>	<b>1,478,808</b>	<b>1,206,468</b>

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

City of Kirkland  
**Statement of Net Position**  
Proprietary Funds  
December 31, 2022

Page 2 of 2

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Surface Water	Solid Waste	Total	
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	207,090	794,467	1,863,483	2,865,040	682,932
Lease Payable					222,419
Claims Payable					550,700
Wages Payable	80,224	134,419	8,476	223,119	186,927
Benefits Payable	26,931	39,504	1,859	68,294	35,844
Compensated Absences Payable	91,885	148,202	20,671	260,758	193,186
Intergovernmental Payable	470,454	74,681	591,965	1,137,100	30,494
Due to Other Funds	683,358	30,531	494,689	1,208,578	18,259
Accrued Interest Payable	7,737			7,737	
Unearned Revenue	208,525			208,525	636,371
Loans and Contracts Payable	311,144			311,144	
Sub-total Current Liabilities	2,087,348	1,221,804	2,981,143	6,290,295	2,557,132
Current Liabilities Payable From Restricted Assets					
Deposits Payable	16,015			16,015	1,850
Total Current Liabilities	2,103,363	1,221,804	2,981,143	6,306,310	2,558,982
Noncurrent Liabilities					
Compensated Absences Payable	22,971	37,050	5,168	65,189	49,398
Lease Payable					559,278
Loans and Contracts Payable	2,341,641			2,341,641	
Total Noncurrent Liabilities	2,364,612	37,050	5,168	2,406,830	608,676
<b>Total Liabilities</b>	<b>4,467,975</b>	<b>1,258,854</b>	<b>2,986,311</b>	<b>8,713,140</b>	<b>3,167,658</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflow - GASB 87					78,819
Deferred Inflow Pension Related	519,615	921,443	84,076	1,525,134	1,244,262
<b>Total Deferred Inflows of Resources</b>	<b>519,615</b>	<b>921,443</b>	<b>84,076</b>	<b>1,525,134</b>	<b>1,323,081</b>
<b>Net Position</b>					
Net Investment in Capital Assets	104,201,231	94,263,890		198,465,121	11,578,358
Restricted for					
Net Pension Asset	210,046	372,479	33,987	616,512	502,973
Unrestricted	48,029,136	17,872,385	3,105,909	69,007,430	38,141,040
<b>Total Net Position</b>	<b>152,440,413</b>	<b>112,508,754</b>	<b>3,139,896</b>	<b>268,089,063</b>	<b>50,222,371</b>

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, 2022

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds	
	Water/Sewer	Surface Water	Solid Waste	Total	
<b>Operating Revenues</b>					
Charges for Services	31,444,326	11,305,766	24,074,719	66,824,811	23,590,759
Miscellaneous Revenues	566,853	246,368	1,117	814,338	328,317
<b>Total Operating Revenues</b>	<b>32,011,179</b>	<b>11,552,134</b>	<b>24,075,836</b>	<b>67,639,149</b>	<b>23,919,075</b>
<b>Operating Expenses</b>					
Administrative and General	3,980,682	5,717,842	1,410,778	11,109,302	10,817,110
Supplies					628,065
Maintenance and Operations	18,836,853	1,917,768	19,342,658	40,097,279	9,887,886
Taxes	4,177,768	1,025,579	3,492,293	8,695,640	
Depreciation	3,282,565	2,149,541		5,432,106	1,789,754
Lease Amortization					236,116
<b>Total Operating expenses</b>	<b>30,277,868</b>	<b>10,810,730</b>	<b>24,245,729</b>	<b>65,334,327</b>	<b>23,358,931</b>
<b>Operating Income (Loss)</b>	<b>1,733,311</b>	<b>741,404</b>	<b>(169,893)</b>	<b>2,304,822</b>	<b>560,144</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	(1,121,489)	(434,727)	(50,509)	(1,606,725)	(455,691)
Interest Payable Lease (Expenses)					(3,829)
Grant Income		404,739	179,896	584,635	
Insurance Recovery					41,748
Other Judgments & Settlements					1,980
Interest Expense	(13,912)			(13,912)	
Gain (Loss) on Disposal of Capital Assets	(9,125)	(2,146)		(11,271)	520,137
Other Nonoperating Revenues/(Expenses)		(443,558)	(186,825)	(630,383)	(281,179)
<b>Total Nonoperating revenues (expenses)</b>	<b>(1,144,526)</b>	<b>(475,692)</b>	<b>(57,438)</b>	<b>(1,677,656)</b>	<b>(176,834)</b>
<b>Income Before Contributions and Transfers</b>	<b>588,785</b>	<b>265,712</b>	<b>(227,331)</b>	<b>627,166</b>	<b>383,310</b>
<b>Capital Contributions</b>					
Contributions	1,545,968	6,705,164		8,251,132	
Transfers In	4,205	129,876	29,193	163,274	5,375,807
Transfers Out	(335,878)	(129,291)	(393,000)	(858,169)	(2,083,252)
Change in Net Position	1,803,080	6,971,461	(591,138)	8,183,403	3,675,865
Total Net Position - Beginning	150,637,333	105,537,293	3,731,034	259,905,660	46,546,507
<b>Total Net Position - Ending</b>	<b>152,440,413</b>	<b>112,508,754</b>	<b>3,139,896</b>	<b>268,089,063</b>	<b>50,222,371</b>

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, 2022  
Increase in Cash and Cash Equivalents

Page 1 of 2

	Water/Sewer	Surfacewater	Solid Waste
<b>Cash Flows From Operating Activities</b>			
Cash Received From Customers	30,871,029	11,282,661	22,304,962
Cash Received From Interfund Charges			
Contributions Received from Employees and Employer			
Cash From Other Sources	552,157	246,288	481,382
Cash Paid to Suppliers for Goods and Services	(17,425,779)	(1,387,405)	(18,790,586)
Cash Paid to Employees for Services	(2,800,856)	(4,440,838)	(421,274)
Cash Paid in Lieu of Taxes	(4,060,346)	(1,035,136)	(3,264,462)
Cash Paid for Central Business Functions	(2,804,962)	(2,225,253)	(964,594)
<b>Cash Provided by Operating Activities</b>	<b>4,331,243</b>	<b>2,440,317</b>	<b>(654,572)</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Proceeds From Federal, State, Local Grants		573,834	42,067
Deposits	16,015		
Grant Administration Expenditures		(502,691)	(170,791)
Transfers In	4,205	129,876	29,193
Transfers Out	(335,878)	(129,291)	(393,000)
<b>Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(315,658)</b>	<b>71,728</b>	<b>(492,531)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Capital Contributed	743,922	101,545	
Proceeds From Sale of Assets and Insurance Recoveries			
Proceeds From Capital Grants		2,494,769	
Principal Payments on Notes, Capital Leases and Bonds	(311,144)		
Interest Paid on Notes, Capital Leases and Bonds	(14,820)		
Interest Received on Program Loans	12,870		
Acquisition and Construction of Capital Assets	(919,594)	(4,390,124)	
<b>Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(488,766)</b>	<b>(1,793,810)</b>	<b>0</b>
<b>Cash Flows From Investing Activities</b>			
(Increase) Decrease in Investments	(6,478,472)	(835,773)	859,498
Interest Revenue	(1,140,042)	(436,281)	(50,509)
Interfund Loan	4,398,099		
<b>Cash Provided by Investing Activities</b>	<b>(3,220,415)</b>	<b>(1,272,054)</b>	<b>808,989</b>
Increase (Decrease) in Cash and Cash Equivalents	306,404	(553,819)	(338,114)
Cash and Cash Equivalents, January 1	10,332,693	4,680,300	544,445
<b>Cash and Cash Equivalents, December 31</b>	<b>10,639,097</b>	<b>4,126,481</b>	<b>206,331</b>
<b>Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities</b>			
Operating Income (Loss)	1,733,311	741,404	(169,893)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities			
Depreciation	3,282,565	2,149,541	
<u>Changes in Assets and Liabilities</u>			
(Increase) Decrease in Accounts Receivable	(538,738)	(24,572)	(1,286,815)
(Increase) Decrease in Operating Due From Other Governments	17,061	4,360	
(Increase) Decrease in Operating Due From Other Funds	2,848		588
(Increase) Decrease in Other Accounts Receivable	(8,767)	(2,973)	
(Increase) Decrease in Operating Inventories	(32,830)	(52,291)	
(Increase) Decrease in Pension Asset	925,112	1,791,620	189,296
(Increase) Decrease in Assessments	1,160		
(Increase) Decrease in Prepayments	(245)	(2,254)	1,353
(Increase) Decrease in Pension Deferred Outflows of Resources	(345,888)	(592,346)	(50,456)
Increase (Decrease) in Pension Deferred Inflows of Resources	(791,351)	(1,577,821)	(173,788)
Increase (Decrease) in Net Pension Liability			
Increase (Decrease) in Operating Accounts Payable	(19,109)	(5,857)	592,833
Increase (Decrease) in Claims Payable			
Increase (Decrease) in Unearned Revenue			
Increase (Decrease) in Operating Due to Other Funds	60,093	(10,378)	135,077
Increase (Decrease) in Operating Due to Other Governments	51,147	10,641	112,262
Increase (Decrease) in Wages Payable	6,231	860	(4,354)
Increase (Decrease) in Benefits Payable	9,979	9,910	(516)
Increase (Decrease) in Compensated Absences Payable	3,691	473	(159)
Increase (Decrease) in Revenue Collected in Advance	(25,027)		
Increase (Decrease) in Advance Pay Facility Leases			
<b>Cash Provided by Operating Activities</b>	<b>4,331,243</b>	<b>2,440,317</b>	<b>(654,572)</b>
<u>Noncash Investing, Capital and Finance Activities</u>			
Capital Contributions	802,046	3,945,402	
Change in Fair Value of Investments	(1,642,524)	(670,939)	(73,109)
Lease Assets			

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, 2022  
Increase in Cash and Cash Equivalents

Page 2 of 2

	Total Business-type Activities Enterprise Funds	Governmental Activities Internal Service Funds
<b>Cash Flows From Operating Activities</b>		
Cash Received From Customers	64,458,652	
Cash Received From Interfund Charges		15,623,854
Contributions Received from Employees and Employer		7,583,862
Cash From Other Sources	1,279,827	828,794
Cash Paid to Suppliers for Goods and Services	(37,603,770)	(11,026,554)
Cash Paid to Employees for Services	(7,662,968)	(6,213,703)
Cash Paid in Lieu of Taxes	(8,359,944)	
Cash Paid for Central Business Functions	(5,994,809)	(4,636,007)
<b>Cash Provided by Operating Activities</b>	<b>6,116,988</b>	<b>2,160,245</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Proceeds From Federal, State, Local Grants	615,901	
Deposits	16,015	
Grant Administration Expenditures	(673,482)	
Transfers In	163,274	5,375,807
Transfers Out	(858,169)	(2,083,252)
<b>Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(736,461)</b>	<b>3,292,555</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital Contributed	845,467	
Proceeds From Sale of Assets and Insurance Recoveries		598,456
Proceeds From Capital Grants	2,494,769	
Principal Payments on Notes	(311,144)	
Interest Paid on Notes	(14,820)	
Interest Received on Program Loans	12,870	
Acquisition and Construction of Capital Assets	(5,309,718)	(4,761,544)
<b>Cash Provided by (Used for) Capital and Related Financing</b>	<b>(2,282,576)</b>	<b>(4,163,087)</b>
<b>Cash Flows From Investing Activities</b>		
(Increase) Decrease in Investments	(6,454,747)	5,883,109
Interest Revenue	(1,626,832)	(800,537)
Interfund Loan	4,398,099	(10,350,000)
<b>Cash Provided by Investing Activities</b>	<b>(3,683,480)</b>	<b>(5,267,428)</b>
Increase (Decrease) in Cash and Cash Equivalents	(585,529)	(3,977,714)
Cash and Cash Equivalents, January 1	15,557,438	10,375,229
<b>Cash and Cash Equivalents, December 31</b>	<b>14,971,909</b>	<b>6,397,515</b>
<b>Reconciliation of Operating Income (Loss) to</b>		
<b>Cash Provided by Operating Activities</b>		
Operating Income (Loss)	2,304,822	560,144
Adjustments to Reconcile Operating Income (Loss) to		
Cash Provided by Operating Activities		
Depreciation	5,432,106	2,025,871
<u>Changes in Assets and Liabilities</u>		
(Increase) Decrease in Accounts Receivable	(1,850,125)	61,966
(Increase) Decrease in Operating Due From Other Governments	21,421	1,409
(Increase) Decrease in Operating Due From Other Funds	3,436	
(Increase) Decrease in Other Accounts Receivable	(11,740)	
(Increase) Decrease in Operating Inventories	(85,121)	(63,939)
(Increase) Decrease in Pension Asset	2,906,028	
(Increase) Decrease in Assessments	1,160	
(Increase) Decrease in Prepayments	(1,146)	(247,553)
(Increase) Decrease in Pension Deferred Outflows of Resources	(988,690)	(788,080)
Increase (Decrease) in Pension Deferred Inflows of Resources	(2,542,960)	(2,228,450)
Increase (Decrease) in Net Pension Liability		2,504,030
Increase (Decrease) in Operating Accounts Payable	567,867	82,730
Increase (Decrease) in Claims Payable		35,900
Increase (Decrease) in Unearned Revenue		29,973
Increase (Decrease) in Operating Due to Other Funds	184,792	(118,729)
Increase (Decrease) in Operating Due to Other Governments	174,050	21,989
Increase (Decrease) in Wages Payable	2,737	288,698
Increase (Decrease) in Benefits Payable	19,373	1,475
Increase (Decrease) in Compensated Absences Payable	4,005	307
Increase (Decrease) in Revenue Collected in Advance	(25,027)	
Increase (Decrease) in Advance Pay Facility Leases		(7,495)
<b>Cash Provided by Operating Activities</b>	<b>6,116,988</b>	<b>2,160,245</b>
<u>Noncash Investing, Capital and Finance Activities</u>		
Capital Contributions	4,747,448	
Change in Fair Value of Investments	(2,386,572)	
Lease Assets		1,005,294

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, 2022

	Custodial Funds
<b>Assets</b>	
Cash and Cash Equivalents	69,554
Capital Assets, Net	161,688
Restricted Cash - Deposits	695,961
<b>Total Assets</b>	<b>927,204</b>
<b>Liabilities</b>	
Accounts Payable	307,129
Restricted Court Deposits	267,690
Due to Other Governments	19,994
Other long-term liabilities	54,254
<b>Total Liabilities</b>	<b>649,067</b>
<b>Net Position</b>	
Net Investment in Capital Assets	161,688
Restricted for individuals, organizations, and/or governments	116,448
<b>Total Net Position</b>	<b>278,136</b>

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, 2022

	Custodial Funds
<b>Additions</b>	
Fee collections for other governments	517,341
Partner contributions	156,210
Tax collections for other governments	142,941
Donation collections for other entities	2,821
Capital Contributions	161,688
Miscellaneous	24,903
<b>Total Additions</b>	<b>1,005,905</b>
<b>Deductions</b>	
Payments of fees collected on behalf of other governments	499,791
Administrative Fees	109,042
Payments of taxes collected on behalf of other governments	142,941
Payments of donations collected to other entities	2,790
Miscellaneous	24,903
<b>Total Deductions</b>	<b>779,468</b>
<b>Net increase (decrease) in fiduciary net position</b>	<b>226,436</b>
<b>Net Position - Beginning</b>	<b>51,700</b>
<b>Net Position - Ending</b>	<b>278,136</b>

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, 2022**

<b>Note</b>	<b>Page</b>
1 Summary of Significant Accounting Policies.....	50
Reporting Entity .....	50
Basis of Presentation - Government-Wide and Fund Financial Statements.....	50
Measurement Focus, Basis of Accounting and Financial Statement Presentation .....	51
Budgetary Data .....	53
Assets, Liabilities, Fund Balance and Net Position .....	54
2 Reconciliation of Government-wide and Fund Financial Statements.....	60
3 Cash, Deposits and Investments .....	63
4 Property Taxes.....	66
5 Capital Assets .....	67
Construction Obligations .....	69
6 Pension Plans .....	70
Public Employees' Retirement System (PERS) .....	70
Public Safety Employees' Retirement System (PSERS) .....	72
Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) .....	73
Actuarial Assumptions .....	75
Firefighters' Pension.....	80
Municipal Employees Benefit Trust.....	83
7 Other Post Employment Benefits.....	84
8 Nongovernmental Pension Plan .....	87
9 Risk Management .....	88
Medical Self Insurance .....	88
10 Long-term Debt .....	90
City of Kirkland Credit Ratings .....	92
11 Leases.....	93
12 Changes in Long-term Liabilities .....	97
Compensated Absences .....	97
Other Post Employment Benefits .....	97
13 Contingencies and Litigations.....	98
14 Interfund Balances and Transfers.....	99
15 Joint Ventures .....	101
16 Budget to GAAP Reconciliation .....	107
17 Tax Abatements .....	108
18 Other Information .....	110
19 Prior Period Adjustment.....	111
20 Asset Retirement Obligation.....	112
21 COVID-19 Pandemic.....	113

City of Kirkland

**Notes to the Basic Financial Statements**  
For Year Ended December 31, 2022

**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 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. Additions consist of funds paid to the City as an agent, and these funds are generally disbursed to other governmental agencies such as King County and the State of Washington.

### **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 January 1, 2022, the City successfully implemented GASB 87, "Leases", to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions in the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about governments' leasing activities. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, enhances comparability of financial statements among governments, and requires notes to the financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

### **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, 2022, the City was holding \$72,528,382 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:

<b><u>Assets</u></b>	<b><u>Years</u></b>
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.

### **Leases**

The City is a lessee for noncancelable leases. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements and recognizes lease liabilities with an initial, individual value of \$4,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The City is also a lessor for noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the effective interest method.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### **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 2022

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 the 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 2022 for 2023.

### **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 assets that applies to future periods 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 assets that applies to future periods and so will not be recognized as an inflow of resources until that time.

### **Net Position**

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.

### **Fund Balance**

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

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

In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements the City assumes a certain flow assumption. The City

considers a restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Committed fund balance is depleted next, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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

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

Municipal Court	1,693,173
Pension Asset	31,499,872
Leases Asset	70,980
Lease Receivable	(2,992)
Deferred Pension Outflow	19,498,816
Deferred OPEB Outflow	265,566
Deferred ARO Outflow	0
Deferred Charge on refunding	<u>1,963,545</u>
Net Adjustment	<u>54,988,961</u>

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

Bonds Payable	(69,853,655)
Lease Payable	(75,111)
Compensated Absences	(4,080,839)
Net Pension Liability	(6,317,490)
Total OPEB Liability	(12,947,244)
ARO	(101,815)
Deferred Pension Inflow	(18,244,014)
Accrued Interest Payable	<u>(167,805)</u>
Net Adjustment	<u>(111,787,973)</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	1,204,700,062
Depreciation & Amortization	<u>(262,159,197)</u>
Net Capital Assets Adjustment	<u>942,540,865</u>

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

Unavailable revenue	1,951,997
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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	49,608,999
Depreciation Expense	(17,055,731)
Contributed Capital	5,040,910
Capital Sales	<u>(2,148,097)</u>
Net adjustment	<u>35,446,081</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	2,915,000
New Debt Issued	0
Bond (Premium) Discount on issued bonds	344,004
Bond (Premium) Discount amortization	351,102
Amortized outflow on refunding	<u>(103,344)</u>
Net adjustment	<u>3,506,762</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	41,874
Change in Pension Asset	(37,593,713)
Change in Pension Outflow	13,491,037
OPEB Outflow	72,221
Change in property tax revenue	82,811
Change in grant revenue	(5,432,552)
Change in other revenue	27,347
Change in Lease Asset	70,980
Change in Lease Receivable	<u>(2,992)</u>
Net adjustment	<u>(29,242,986)</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	(1,416,597)
Change in Pension Inflow	28,199,654
Change in Compensated Absences	(186,242)
Bond Interest	12,264
Other Post Employment Benefit Obligation	1,816,122
Change in Interfund loan interest	819
ARO Expense	(22,164)
Change in Lease Payables	(53,247)
Net adjustment	<u>28,350,610</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.

<b>Cash and Deposits</b>	
Cash on Hand	\$ 14,700
FDIC or PDPC Insured Bank Deposits	11,578,893
ARCH Funds held by City of Bellevue	2,126,558
Fire District #41 Funds held by King County	90,351
<b>Total</b>	<b>\$ 13,810,502</b>

**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, 2022, the City of Kirkland held the following investments at amortized cost:

<b>Investments Measured at Amortized Cost</b>	
Washington State Local Government Investment Pool	60,949,489
<b>Total</b>	<b>\$ 60,949,489</b>

**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, 2022, 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+	9,637,151
Federal Home Loan Mortgage Corporation	Aaa	AA+	20,865,752
Federal Farm Credit Bank	Aaa	AA+	36,052,225
Federal National Mortgage Association	Aaa	AA+	21,620,077
<b>Total</b>			<b>\$ 88,175,206</b>

### 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	\$ 126,488,695		43.70%
Government Sponsored Enterprise			
Federal Home Loan Bank	9,637,151		3.33%
Federal Home Loan Mortgage Corporation	20,865,752		7.20%
Federal Farm Credit Bank	36,052,225		12.46%
Federal National Mortgage Association	21,620,077		7.47%
Cash on Hand		14,700	0.01%
FDIC or PDPC Insured Bank Deposits		11,578,893	3.99%
Fire District #41 Funds held by King County		90,351	0.03%
ARCH Funds held by City of Bellevue		2,126,558	0.73%
Washington State Local Government Investment Pool		60,949,489	21.06%
<b>Total</b>	<b>\$ 214,663,901</b>	<b>\$ 74,759,991</b>	
Total Cash, Deposits and Investments		<b>\$ 289,423,892</b>	
*Includes \$164,247.69 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, 2022.

Investment Type	Fair Value	Maturity (in Years)	
		Less Than 1	1 - 5
Government Sponsored Enterprise (GSE's)	88,175,206	36,694,987	51,480,219
US Treasury Notes	126,488,695	24,948,989	101,539,706
<b>Total</b>	<b>214,663,901</b>	<b>61,643,977</b>	<b>153,019,925</b>

## 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	12/31/2022	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)	88,175,206	-	88,175,206	-
US Treasury Notes	126,488,695	126,488,695	-	-
<b>Total By Fair Value Level</b>	<b>\$ 214,663,901</b>	<b>\$ 126,488,695</b>	<b>\$ 88,175,206</b>	<b>\$ -</b>

#### **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 2022 was \$1.10250 per \$1,000 on an assessed valuation of \$36,970,894,548 for a total regular levy of \$40,760,345. The excess tax levy, which only applies in the pre-annexation boundaries, was \$0.01010 per \$1,000 for an excess levy of \$267,715. 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, 2022, for governmental activities was as follows:

<b>Governmental Activities</b>	Balance <u>01/01/22</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/22</u>
Capital Assets, Not Being Depreciated:				
Land	621,380,670	13,993,591	427,046	634,947,215
Construction in Progress	29,196,810	49,593,119	26,236,135	52,553,794
Artwork	2,373,050	40,929	0	2,413,979
Total Capital Assets, Not Being Depreciated	\$ 652,950,530	63,627,639	26,663,182	\$ 689,914,988
Capital Assets, Being Depreciated:				
Buildings	61,635,149	5,471,920	1,845,029	65,262,040
Improvements	113,478,415	3,387,765	6,374	116,859,806
Machinery and Equipment	31,941,470	3,474,895	1,561,091	33,855,274
Infrastructure	320,399,083	6,975,227	1,171,838	326,202,472
GASB 87 RTU Assets	1,084,692	8,114	0	1,092,806
Total Capital Assets, Being Depreciated	\$ 528,538,809	19,317,921	4,584,333	\$ 543,272,398
Less Accumulated Depreciation for:				
Buildings	19,512,394	1,368,725	36,901	20,844,217
Improvements	47,240,800	5,063,152	6,374	52,297,578
Machinery and Equipment	19,471,896	2,089,070	1,550,746	20,010,220
Infrastructure	174,573,363	10,324,538	87,078	184,810,823
GASB 87 RTU Assets	0	252,647	0	252,647
Total Accumulated Depreciation	\$ 260,798,453	19,098,132	1,681,099	\$ 278,215,486
Total Capital Assets, Being Depreciated, Net	\$ 267,740,356	\$ 219,789	\$ 2,903,234	\$ 265,056,911
Governmental Activities Capital Assets, Net	\$ 920,690,886	\$ 63,847,428	29,566,415	\$ 954,971,899

**Net investment in Capital Assets - Governmental activities**

Capital assets, Net	\$ 1,233,187,385
Less accumulated depreciation	(278,215,486)
	954,971,899
Less GO Bonds	(63,335,000)
Less bond premium	(2,352,872)
Less capital related accounts payable and retainage payable	(4,651,471)
Less RTU lease payable	(852,630)
Plus unspent bond proceeds	(14,695,625)
Plus deferred outflow on refunding bonds	(1,963,555)
Net investment in capital Assets	\$ 867,120,746

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

**Depreciation & Amortization Expense - Governmental Activities**

General Government	2,492,648
Security of Persons and Property	3,013,394
Human Services	-
Physical Environment	951,721
Transportation (includes depreciation of gene	10,442,759
Economic Environment	28,478
Culture and Recreation	2,169,132
Depreciation Expense	<u>\$ 19,098,132</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, 2022, for Business-type activities was as follows:

**Business-type Activities**

Capital Assets, Not Being Depreciated:

Land	3,834,492				3,834,492
Construction in Progress	9,695,035	5,181,539	4,598,974		10,277,600
Total Capital Assets, Not Being Depreciated	<u>13,529,527</u>	<u>5,181,539</u>	<u>4,598,974</u>	\$	<u>14,112,092</u>

Capital Assets, Being Depreciated:

Buildings	47,591				47,591
Improvements	274,489,036	9,325,267	64,536		283,749,767
Total Capital Assets, Being Depreciated	<u>274,536,627</u>	<u>9,325,267</u>	<u>64,536</u>	\$	<u>283,797,358</u>

Less Accumulated Depreciation for:

Buildings	47,591				47,591
Improvements	90,486,312	5,432,106	53,265		95,865,153
Total Accumulated Depreciation	<u>90,533,903</u>	<u>5,432,106</u>	<u>53,265</u>	\$	<u>95,912,744</u>

Total Capital Assets, Being Depreciated, Net	184,002,724	3,893,161	11,271	\$	187,884,614
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Business-type Activities Capital Assets, Net	<u>197,532,251</u>	<u>9,074,700</u>	<u>4,610,245</u>	\$	<u>201,996,706</u>
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**Net investment in Capital Assets - Business Type Activities**

Business-type Activities

Capital assets, Net	\$ 297,909,450
Less accumulated depreciation	<u>(95,912,744)</u>
	201,996,706

Less Public Works Trust Fund loans	(2,652,785)
Less capital related accounts payable and retainage payable	(878,800)

Net investment in capital Assets	<u>\$ 198,465,121</u>
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Depreciation expense was charged to business-type activities as follows:

**Depreciation Expense - Business-type Activities**

Water/Sewer Utility	3,282,565
Surface Water Utility	2,149,541
Solid Waste Utility	-
Depreciation Expense	<u>\$ 5,432,106</u>

**Construction Obligations**

The City of Kirkland has active construction projects as of December 31, 2022. The projects include:

Project Function	Expenditures to Date	Remaining Commitment
Transportation	6,015,200	22,130,426
Surface Water Utility	1,064,162	14,344,596
Water/Sewer Utility	985,043	1,246,920
Culture and Recreation	1,353,978	9,163,854
General Government	83,966	332,846
Security of Persons and Property	16,886,956	23,282,973
Total	<u>\$ 26,389,305</u>	<u>\$ 70,501,615</u>

## NOTE 6: PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2022:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities*	\$6,820,463
Pension assets	\$32,116,382
Deferred outflows of resources	\$22,184,090
Deferred inflows of resources	\$21,013,409
Pension expense/expenditures**	\$2,428,631

\*Includes \$277,368 Pension liabilities for the Firefighters' Pension Plan

\*\*Includes (\$117,151) 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 (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

\* 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 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

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

The City's actual PERS plan contributions were \$1,548,082 to PERS Plan 1 and \$2,517,455 to PERS Plan 2/3 for the year ended December 31, 2022.

### **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 2022 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.50%</b>
September – December 2022		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.63%</b>	<b>6.60%</b>

The City's actual plan contributions were \$105,718 to PSERS Plan 2 for the year ended December 31, 2022.

### **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 I had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

### Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes 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 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – December 2022		
State and local governments	5.125%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.71%</b>	<b>8.53%</b>

The City's actual contributions to the plan were \$1,454,885 for the year ended December 31, 2022.

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, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$931,132.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. 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 of 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 their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

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 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data,

considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) 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

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	<b>100%</b>	

### 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 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%) or 1 percentage point higher (8%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	8,741,485	6,543,095	4,624,416
PERS 2/3	12,846,348	(10,908,638)	(30,424,860)
PSERS 2	388,288	(163,021)	(598,124)
LEOFF 1	(1,906,518)	(2,175,556)	(2,408,854)
LEOFF 2	(868,904)	(18,869,167)	(33,600,841)

### 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, 2022, the City reported a total pension asset of \$32,116,382 and a total pension liability of \$6,543,095 for its proportionate share of the net pension liabilities (or asset) as follows:

	Liability (or Asset)
PERS 1	6,543,095
PERS 2/3	(10,908,638)
PSERS 2	(163,021)
LEOFF 1	(2,175,556)
LEOFF 2	(18,869,167)

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	(2,175,556)	(18,869,167)
State's proportionate share of the net pension asset associated with the employer	(14,715,407)	(12,223,036)
<b>TOTAL</b>	<b>(16,890,964)</b>	<b>(31,092,203)</b>

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.233922%	0.234994%	0.001072%
PERS 2/3	0.286542%	0.294130%	0.007588%
PSERS 2	0.232619%	0.228001%	-0.004618%
LEOFF 1	0.076003%	0.075840%	-0.000163%
LEOFF 2	0.704736%	0.694307%	-0.010429%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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 2022. 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 2022, 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, 2022, the City recognized pension expense as follows:

	Pension Expense
PERS 1	3,031,548
PERS 2/3	(3,603,822)
PSERS 2	42,846
LEOFF 1	(95,917)
LEOFF 2	3,171,126
<b>Total</b>	<b>2,545,782</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(1,084,383)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	802,293	-
<b>TOTAL</b>	<b>802,293</b>	<b>(1,084,383)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	2,702,905	(246,944)
Net difference between projected and actual investment earnings on pension plan investments	-	(8,064,836)
Changes of assumptions	6,080,060	(1,591,977)
Changes in proportion and differences between contributions and proportionate share of contributions	244,610	(489,696)
Contributions subsequent to the measurement date	1,289,543	-
<b>TOTAL</b>	<b>10,317,117</b>	<b>(10,393,454)</b>

<b>PSERS 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resource</b>
Differences between expected and actual experience	84,688	(1,794)
Net difference between projected and actual investment earnings on pension plan investments	-	(114,325)
Changes of assumptions	119,678	(47,816)
Changes in proportion and differences between contributions and proportionate share of contributions	4,760	(10,942)
Contributions subsequent to the measurement date	54,025	-
<b>TOTAL</b>	<b>263,151</b>	<b>(174,878)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resource</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(271,648)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	-	(271,648)

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resource</b>
Differences between expected and actual experience	4,483,626	(175,072)
Net difference between projected and actual investment earnings on pension plan investments	-	(6,318,121)
Changes of assumptions	4,780,093	(1,642,988)
Changes in proportion and differences between contributions and proportionate share of contributions	802,229	(952,865)
Contributions subsequent to the measurement date	735,581	-
<b>TOTAL</b>	10,801,529	(9,089,047)

<b>All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resource</b>
Differences between expected and actual experience	7,271,219	(423,810)
Net difference between projected and actual investment earnings on pension plan investments	-	(15,853,314)
Changes of assumptions	10,979,831	(3,282,781)
Changes in proportion and differences between contributions and proportionate share of contributions	1,051,598	(1,453,504)
Contributions subsequent to the measurement date	2,881,442	-
<b>TOTAL</b>	22,184,090	(21,013,409)



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, 2023. 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
2023	(458,888)	(2,493,399)	(38,060)	(115,051)	(1,999,518)
2024	(416,789)	(2,289,944)	(33,302)	(104,172)	(1,735,268)
2025	(522,850)	(2,732,998)	(42,976)	(130,254)	(2,304,328)
2026	314,144	3,629,416	54,466	77,828	2,710,102
2027	-	1,258,477	13,613	-	753,378
Thereafter	-	1,262,569	80,507	-	3,552,536
<b>TOTAL</b>	<b>(1,084,383)</b>	<b>(1,365,879)</b>	<b>32,249</b>	<b>(271,648)</b>	<b>976,901</b>

### **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 2022:

<b>Pension Amounts – Fire Fighter Pension</b>	
Pension Liability	277,368
Pension Assets	-
Deferred Outflows of Resources	-
Deferred Inflows of Resources	-
Pension Expense	(117,151)

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 2022. 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, 2022:

Retirees and beneficiaries receiving benefits	1
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.

<b>Changes in Total Pension Liability</b>	<b>Increase (Decrease) Total Pension Liability</b>
Balances as of December 31, 2021	\$271,490
Changes for the year:	
Service cost	0
Interest on Total Pension Liability	5,223
Effect of plan changes	0
Effect of economic/demographic gains or losses	37,784
Effect of assumptions changes or inputs	(16,407)
Benefit payments*	(20,722)
Balances as of December 31, 2022	277,368

*\*Benefit payments are estimated based on expected payouts.*

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

<b>Discount Rate</b>	<b>December 31, 2021</b>	<b>December 31, 2022</b>
Municipal bond rate	2.00%	3.75%

The following presents the total pension liability of the City, calculated using the discount rate of 3.75 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 (2.75%) or 1 percentage point higher (4.75%) than the current rate.

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total Pension Liability	\$298,320	\$277,368	\$258,723

### Actuarial Assumptions

Valuation date	January 1, 2020	January 1, 2022
Measurement date	December 31, 2021	December 31, 2022
Inflation	2.25%	2.50%
Salary increases including inflation	3.25%	3.50%
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)	Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.
Actuarial cost method	Entry Age Normal	Entry Age Normal

### Deferred Inflows / Outflows of Resources Related to Pensions

As of December 31, 2022, the deferred inflows and outflows of resources are as follows. Because immediate recognition of economic/demographic and input/assumption gains and losses is used for plans where the average remaining service life is less than one year, no deferred inflows or outflows arose from experience in prior years.

Deferred (Inflows) / Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	<u>0</u>	<u>0</u>
Total	0	0

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:	
2023	\$0
2024	0
2025	0
2026	0
2027	0
Thereafter	0

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 720 employees who participated in the program during 2022. The City's contribution for 2022 was \$3,667,531; employee contributions were \$5,181,914 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 2022 there were 26 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 2022, the City's cost of providing these benefits were as follows:

Medical premiums:	Insurance Premium Costs	\$ 136,909
	Direct Medical Costs	<u>391,525</u>
	Total Costs	<u>\$ 528,433</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 2022.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	(12,947,244)
OPEB Assets	
Deferred Outflows of Resources	265,566
Deferred Inflows of Resources	
OPEB Expenses	(1,228,273)

The total OPEB liability was determined using Washington State's Actuary Alternative Measurement Method Online Tool. The liability was determined using a June 30, 2022, 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 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%) or 1- percentage point higher (6%) than the current rate.

	1% Decrease 4%	Current Healthcare Cost Trend Rate 5%	1% Increase 6%
Total OPEB Liability	\$11,734,643	\$12,947,244	\$14,340,534

The following presents the total OPEB liability of the City calculated using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (2.54%) or 1- percentage point higher (4.54%) than the current rate.

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
Total OPEB Liability	\$14,433,192	\$12,947,244	\$11,683,761

Changes in the Total OPEB Liability (Asset)	
Total OPEB Liability at 01/01/2022	14,763,366
Interest	312,574
Differences between expected and actual experience	(1,540,847)
Benefit Payments	(587,849)
Net Change	(1,816,122)
Total OPEB Liability at 12/31/2022	12,947,244

The total OPEB liability was determined using the Alternative Measurement Method as of June 30, 2022. The following actuarial assumptions applied to all measurements.

#### Methodology

Actuarial Valuation Date	6/30/2022
Actuarial Measurement Date	6/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	No Assets

#### Assumptions

Discount Rate	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Healthcare Trend Rates	
Medical Costs	Initial rate is approximately 5%, varies by year
Long term care	4.5%
Medicare Part B Premiums	Approximately 5.5%, varies by year
Mortality Rates (assume 100% male population)	
Base Mortality Table	RP-2000 Mortality Table
Age Setback	-1 year Healthy / 0 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 2022 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, 2022, the City recognized an offset to OPEB expense of \$265,566.

At December 31, 2022, 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	\$ 265,566	\$
TOTAL	\$ 265,566	\$

Deferred outflows of resources of \$265,566 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, 2023. 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. The plan is not a state or local government pension plan but is used to provide defined benefit pensions to both state/local government employees and non-state/local government employees. It is a multiemployer defined benefit pension plan and has no predominate state/local government employer, either individually or collectively. 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, 2022 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 2022 the city made contributions for 135 employees, totaling \$72,100.

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, 2022 were \$5,593 representing contributions made for hours worked in December 2022. These contributions were paid in January 2023.



## **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 2022.

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 five claims in excess of the \$125,000 per person stop loss maximum for 2022. 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
2022	\$514,800	\$4,207,377	\$4,171,477	\$550,700

## 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 \$2,652,785. This debt will be repaid from Water/Sewer Fund revenues.

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 12/31/2022	Due Within One Year
2015 LTGO Bonds* - City Hall Remodel	11/20/2015	12/1/2034	3.45	5,800,000	1,710,000	4,090,000	280,000
LTGO Refunding Bonds, 2020	6/30/2020	12/1/2040	1.76	25,105,000	1,555,000	23,550,000	925,000
LTGO Bonds, 2021	6/3/2021	12/1/2041	1.7	36,910,000	1,215,000	35,695,000	1,275,000
Total				\$67,815,000	\$ 4,480,000	\$ 63,335,000	\$2,480,000

\*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
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	2,665,000	1,398,550
2028-2032	15,425,000	4,895,650
2033-2037	17,795,000	2,479,400
2038-2042	13,880,000	1,012,100
Total	\$ 59,245,000	\$ 16,593,650

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2023	280,000	141,105
2024	290,000	131,445
2025	300,000	121,440
2026	310,000	111,090
2027	320,000	100,395
2028-2032	1,785,000	327,578
2033-2034	805,000	41,918
Total	\$ 4,090,000	\$ 974,970

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 12/31/2022	Due Within One Year
2004 Public Works Trust Loan Central Way Sewer Replacement	9/1/2004	7/1/2024	0.5	1,086,300	971,635	114,665	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	1,499,880	2,538,120	253,812
Total				\$5,124,300	\$2,471,515	\$2,652,785	\$311,144

The revenue debt service requirements to maturity are as follows:

Year Ending December 31		
	Principal	Interest
2023	311,144	13,264
2024	311,145	11,709
2025	253,812	10,152
2026	253,812	8,883
2027	253,812	7,614
2028-2032	1,269,060	19,036
Total	\$ 2,652,785	\$ 70,658

### **City of Kirkland Credit Ratings**

On December 15, 2022 Moody's reviewed and affirmed Aaa rating that was assigned on May 14, 2021, to the City of Kirkland, Washington's Limited Tax General Obligation Bonds, 2021. Moody's also maintained a Aaa issuer rating for the City of Kirkland on May 17, 2021.

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. Moody's latest review on Kirkland's AAA rating occurred on February 22, 2023.

## NOTE 11: LEASES

### Lease Payable (City as Lessee)

This section provides information for leases where the City is a lessee. These leases are required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 87 – Leases. For leases where the City is a lessor, please see the Lease Receivable (City as Lessor) section, and for information about leases that do not meet the requirements for reporting under GASB Statement No. 87, please see the Other Leases section.

The City is obligated under leases covering certain office space and office equipment that expire at various dates during the next five years. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The City has entered into various lease agreements as lessee primarily for offices space and office equipment. Most leases have initial terms of up to five years, and contain one or more renewals at our option, generally for three or five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For office space leases that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance, and common area maintenance. The City's proportionate share of these costs is outlined in the lease agreement and is based on building occupancy and percentage of leased square footage. The City's variable lease payments were \$71,621 in 2022.

The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

The statement of net position shows the following amounts relating to leases:

Right-to-use assets, net	Governmental Activities	Business-Type Activities	Total
	12/31/2022	12/31/2022	12/31/2022
Office Equipment	\$70,972	\$0	\$70,972
Buildings	\$769,178	\$0	\$769,178
<b>Total</b>	<b>\$840,150</b>	<b>\$0</b>	<b>\$840,150</b>

Lease payable	Governmental Activities	Business-Type Activities	Total
	12/31/2022	12/31/2022	12/31/2022
Current	\$240,105	\$0	\$240,105
Non-current	\$612,524	\$0	\$612,524
<b>Total</b>	<b>\$852,630</b>	<b>\$0</b>	<b>\$852,630</b>

The future principal and interest lease payments as of December 31, 2022 were as follows:

<b><u>Fiscal Year</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2023	\$240,105	\$3,253	\$0	\$0
2024	\$236,101	\$2,233	\$0	\$0
2025	\$243,773	\$1,172	\$0	\$0
2026	\$131,583	\$192	\$0	\$0
2027	\$1,068	\$3	\$0	\$0
<b>Total</b>	<b>\$852,630</b>	<b>\$6,853</b>	<b>\$0</b>	<b>\$0</b>

#### **Lease Receivable (City as Lessor)**

This section provides information for leases where the City is a lessor. These leases are required to be reported under GASB Statement No. 87 – Leases. For leases where the City is a lessee, please see the Lease Payable (City as Lessee) section, and for information about leases that do not meet the requirements for reporting under GASB Statement No. 87, please see the Other Leases section

The City leases out its buildings and land. Most leases have initial terms of up to five years, and contain one or more renewals at our option, generally for three or five year periods. We have generally included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance. For office space leases that include variable payments, those include payments for the tenant's proportionate share of the building's property taxes, insurance, and common area maintenance. Each tenant's proportionate share of these costs is outlined in the lease agreement and is based on building occupancy and percentage of leased square footage. The City received \$33,003 from tenants for variable lease payments 2022.

Although the City is exposed to changes in the residual value at the end of the current leases, the City typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases.

Minimum lease payments receivable on leases of investment properties are as follows:

<u>Fiscal Year</u>	<b>Governmental Funds</b>		<b>Proprietary Funds</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$116,650	\$7,714	\$80,306	\$42
2024	\$63,737	\$7,090	\$0	\$0
2025	\$66,509	\$6,443	\$0	\$0
2026	\$69,357	\$5,784	\$0	\$0
2027	\$72,301	\$5,093	\$0	\$0
2028-2032	\$163,336	\$16,986	\$0	\$0
2033-2037	\$51,523	\$9,514	\$0	\$0
2038-2042	\$39,068	\$2,127	\$0	\$0
<b>Total</b>	<b>\$642,479</b>	<b>\$60,751</b>	<b>\$80,306</b>	<b>\$42</b>

The total amount of inflows of resources relating to leases recognized in the current fiscal year are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Lease revenue	\$337,719	\$0	\$337,719
Interest revenue	\$5,001	\$0	\$5,001

#### **Other Leases**

This section provides information for other leases at the City that do not meet the requirements for reporting under GASB Statement No. 87.

#### **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, 2022 were \$711. The future minimum payments for this agreement are summarized as follows:

2023	711
2024	<u>237</u>
Total	\$ 948

#### **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 2022 and the balance, \$30,909 was reported as a prepayment at December 31, 2022.



### **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, 2022 were \$13,824. Future minimum payments are summarized as follows:

2023	<u>6,912</u>
Total	\$ 6,912

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, 2022 were \$19,445. Future minimum payments are summarized as follows:

2023	21,273
2024	21,273
2025	21,273
2026	<u>3,545</u>
Total	\$67,364

### **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, 2022 was \$11,632. The remaining balance is reported as a deferred lease receipt.

### **Other**

The City receives lease revenue from other short term or month to month leases from tenants occupying real property owned by the City. In 2022 \$117,027 was collected from these leases.

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

During the year ending December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/22	Additions	Reductions	Ending Balance 12/31/22	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
General Obligation Bonds	66,250,000	-	2,915,000	63,335,000	2,480,000
Add:					
Issuance Premium	6,862,660	-	344,005	6,518,655	351,102
Compensated Absences	4,143,073	3,598,195	3,417,846	4,323,422	3,427,962
Self Insurance Claims	514,800	4,207,377	4,171,477	550,700	550,700
Asset Retirement Obligations	93,925	7,890	-	101,815	0
Net Pension Liability	2,856,735	3,686,360	-	6,543,095	-
Total Pension Liability	271,490	5,878	-	277,368	-
Total OPEB	14,763,366	312,574	2,128,696	12,947,244	626,650
Governmental Activity Long-term Liabilities	95,756,049	11,818,274	12,977,024	94,597,299	7,436,414
<b>Business-Type Activities</b>					
PWTF Loans	2,963,930	-	311,145	2,652,785	311,144
Net Pension Liability	-	-	-	-	-
Compensated Absences	321,942	4,006		325,948	260,758
Business-Type Activity Long-term Liabilities	3,285,872	4,006	311,145	2,978,733	571,902

**Compensated Absences**

The City's Governmental Activities liability for accrued compensated absences includes a liability of \$242,584 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 2022, the amount utilized to exhaust OPEB costs was \$100,000.

**NOTE 13:  
CONTINGENCIES AND LITIGATIONS**

As of December 31, 2022, 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.

In response to a specific request, the City provides the following disclosure related to the *State v. Blake* decision:

In 2021, the Washington State Supreme Court held in *State v. Blake* that the statute criminalizing drug possession was unconstitutional, and the reasoning has since been applied to several similar offenses. As a result of this decision, any *Blake*-related convictions qualify to be vacated from a person's criminal record and any legal financial obligations (LFOs) tied to the conviction that were paid by the defendant qualify for financial reimbursement. The City has been proactively reviewing potential Blake convictions and vacating eligible convictions.

The state legislature has provided funding for the City to process vacations and refund LFOs on behalf of the state, including funding in 2023 and proviso language that suggests an ongoing state responsibility. To date, the City received an allocation from the State totaling \$956,049 to reimburse both extraordinary costs arising from vacating *Blake* convictions and LFO reimbursements through June 2023. Additional LFO reimbursements are expected to be processed through the Washington State Administrative Office of the Court's Blake Refund Bureau. At this time, the City does not have sufficient information necessary to estimate any additional remaining potential liability. However, management believes, and the City Attorney concurs, that the aggregate potential liability resulting from any remaining LFOs would not 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 \$20.1 million, Transportation capital projects \$16.9 million in 2022), debt service (\$4.5 million in 2022), capital project close outs and clean up returning unused funds to source. Nothing was returned to impact fees in 2022.

Interfund transfers at December 31, 2022, were as follows:

		2022 Transfer From					
		General Fund	Excise Capital Improvement Fund	Capital Projects Funds	Other Governmental Funds	Internal Service Funds	Proprietary Funds
2022 Transfer To	General Fund		478,500	34,751	100,000	5,952	69,974
	General Capital Projects	9,811,390	5,919,444		1,600,000	2,077,300	272,500
	Transportation Capital Projects	3,923,000	8,778,790		3,855,000		393,000
	Lodging Tax	268					
	Parks Maintenance	656					
	Parks Levy	57,847	35,000				
	Debt Service Funds	3,360,530	1,132,900				
	Proprietary Funds	85,207	50,000				28,067
	Internal Service Funds	2,052,270		3,228,909			94,628
	Total	\$ 19,291,168	\$ 16,394,634	\$ 3,263,660	\$ 5,555,000	\$ 2,083,252	\$ 858,169
							\$ 47,445,883

**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 was 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 at 12/31/21. The remaining balance was repaid in 2022.

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 was three years at a rate of 0.15 percent. This loan was repaid in 2022.

On May 27, 2022, the City Council authorized an interfund loan in the amount of \$14,200,000 between the Capital Projects fund and the Internal Service and General Funds for the purchase of real property. The loan is three years at a rate of 1.1 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, 2022, were as follows:

		2022 Due From					<b>Total</b>
		General Fund	Capital project fund	Other Governmental Funds	Internal Service Funds	Proprietary Funds	
<b>2022 Due To</b>	General		3,875,410			1,207,847	\$ 5,083,257
	Internal Service Funds		10,418,310				\$ 10,418,310
	Water/Sewer	3,320		3,996	18,259	730	\$ 26,305
	<b>Total</b>	\$ 3,320	\$ 14,293,720	\$ 3,996	\$ 18,259	\$ 1,208,577	\$ 15,527,872

The main balances are the \$10,418,310 due from the capital project fund to the internal service fund and the \$3,875,410 due from the capital project fund to the general fund. Both amounts are related to the outstanding interfund loan.

## **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 Community 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 2022 the City contributed \$213,344 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 \$2,126,558 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 2022 was \$433,427. 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 2022, the City of Kirkland remitted \$854,850 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, 520 112<sup>th</sup> 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 2022 the City of Kirkland paid EPSCA \$139,226 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, 2022 the weighted vote was as follows:

Bellevue	46.58%
Redmond	23.57%
Kirkland	18.02%
Mercer Island	5.89%
Issaquah	5.94%

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 emergency radio system is over 25 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. The Puget Sound Emergency Radio Network (PSERN) is the intended successor and is expected to be complete in 2023.

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.

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 2022, the City of Kirkland's share of these fees was \$3,103,475.

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. Mercer Island Fire is expected to join in 2023.

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 \$17,605 in 2022.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, 450 110<sup>th</sup> 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, Algona, 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. The City of Kirkland paid membership dues of \$5,355 in 2022.

For additional information please contact Chelo Picardal, Board Chair, CTO, City of Bellevue, [cpicardal@bellevuewa.gov](mailto: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 \$54,907 in 2022. 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 David Hoffman, Executive Director, [david@soundcities.org](mailto:david@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 \$9,415 for 2022. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities.

The City of Kirkland is the fiscal agent of North Sound Metro SWAT 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 Patricia Ball, City of Kirkland, [PBall@kirklandwa.gov](mailto:PBall@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.

In 2021, the cities of Bellevue, Issaquah, Redmond and Renton each provided \$15,000 to fund management and day-to-day operations. The City of Kirkland contributed up to \$40,000 cash and in-kind contributions such as City staffing, office space, and necessary equipment for its operations. In 2022, there were sufficient funds that there were no contributions needed from the member cities. Contributions will begin again in 2023.

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](mailto:cvanderson@kirklandwa.gov).

### **Regional Crisis Response Agency**

At the start of 2023 the cities of Bothell, Kenmore, Kirkland, Lake Forest Park, and Shoreline merged the North Sound RADAR Navigator Program and Kirkland's Community Responder Program into a new, Regional Crisis Response (RCR, pronounced "racer") Agency. The Agency is a separate legal entity, formed by interlocal agreement, and governed by an Executive Board comprised of City Managers or Administrators from each member city. The new agency is funded through a combination of contributions from member agencies and grants. The RCR Agency will have 13 full-time staff, an initial \$5.5 million biennial budget, and will deploy Crisis Responder Mental Health Professionals (MHPs) to serve community members in the five-city region who are experiencing behavioral health crises on a 24/7 basis. City of Kirkland is the initial Fiscal Agent of RCR and will support the Agency with financial, information technology, records management, legal, office space, fleet vehicles and vehicle maintenance, uniforms, radios, and other services, facilities and materials. The City of Kirkland Resolution (R-5562) approving the incorporation of the Agency as a nonprofit corporation under RCW 24.06, the Articles of Incorporation, and additional information about the Agency, are available at: <https://www.kirklandwa.gov/Government/City-Managers-Office/The-Regional-Crisis-Response-Agency>.

**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.

<b>2022 Budget to GAAP Reconciliation</b>	<b>General Fund</b>	<b>Excise Tax Capital Improvement</b>	<b>Street Operating Special Revenue</b>	<b>Contingency Special Revenue</b>	<b>Firefighter Pension</b>
Revenues on the Budgetary Basis	124,062,979	16,242,276	10,786,170	0	105,445
Increase (Decrease) due to accruals	5,428,071	(2,133,568)	0	0	0
Reclassification	10,891,616	0	(10,786,170)	0	(105,445)
Revenues on the GAAP Basis	<u>140,382,666</u>	<u>14,108,708</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures on the Budgetary Basis	107,535,784	0	7,403,297	0	29,347
Increase (Decrease) due to accruals	8,721,315	0	0	0	0
Reclassification	7,432,644	0	(7,403,297)	0	(29,347)
Expenditures on the GAAP Basis	<u>123,689,743</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses) on the Budgetary Basis	(12,993,104)	(16,394,634)	(3,325,736)	0	(100,000)
Increase (Decrease) due to accruals	(1,735,945)	0	0	0	0
Reclassification	(3,425,736)	0	3,325,736	0	100,000
Other Financing Sources (Uses) on the GAAP Basis	<u>(18,154,785)</u>	<u>(16,394,634)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the Budgetary Basis	16,527,195	16,242,276	3,382,873	0	76,099
Increase (Decrease) due to accruals	(3,293,244)	(2,133,568)	0	0	0
Reclassification	3,458,972	0	(3,382,873)	0	(76,099)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures on the GAAP Basis	<u>16,692,923</u>	<u>14,108,708</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 2022 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 \$317,500 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 \$505,456 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 2022 – 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 \$2,700.

### **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 \$1,291

### **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 \$1,818.

**NOTE 18:  
OTHER INFORMATION**

**Transportation Benefit District**

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 2022.

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

**Opioid Settlements**

The City was party to two national opioid-related lawsuits that have been settled. The total amount the City will receive from the settlements is unknown.

In 2021, nationwide settlements were reached to resolve opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors – McKesson, Cardinal Health, and AmerisourceBergen – and against manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson. The 2021 settlement payments began at the end of 2022. The City will receive approximately \$1.1 million from this settlement over a period of 17 years. The City received its first two payments (for 2021 and 2022) totaling \$87,371 in December 2022. In late 2022, nationwide settlements were reached with three pharmacy chains – CVS, Walgreens, and Walmart – and two additional manufacturers – Allergan and Teva. The final payout from this settlement is unknown.

**NOTE 19:**  
**PRIOR PERIOD ADJUSTMENTS**

Prior to December 31, 2022, the City followed GASB 67 and 68 reporting standards for the Firefighters' Pension Fund. Beginning with the December 31, 2022 Reporting Date, the Fund's reporting has been revised to be in compliance with GASB 73 standards, because the City no longer believes that the Fund's assets satisfy the three criteria laid out by paragraph 3 of GASB 67. Note that because an immediate recognition of economic/demographic and input/assumption gains and losses is used for plans where the average remaining service life is less than one year, no deferred inflows or outflows arose from experience in prior years. Therefore, a prior period adjustment was made to 2021, which resulted in a \$1.3 million reduction to beginning net position for governmental activities in 2022.



**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	\$ 46,420
Public Works Maintenance Center	0	55,395
		<u>\$ 101,815</u>

## **NOTE 21: SUBSEQUENT EVENTS**

### **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 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.

City Hall and the Kirkland Justice Center resumed in-person services on Monday, August 2, 2021. Revenues have generally recovered except for Lodging Tax and Gas Tax revenues. The Washington State Governor rescinded all Covid-19-related emergency proclamations and state of emergency on October 31, 2022. Following the lead of the State and County, the City eliminated the vaccine requirement for new employees in February 2023. The City reinstated late fees and shut-off processes for its utilities in June 2022.

While the full impact of the COVID-19 pandemic on the City and the regional economy remains 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.

### **Regional Crisis Response Agency**

At the start of 2023 the cities of Bothell, Kenmore, Kirkland, Lake Forest Park, and Shoreline merged the North Sound RADAR Navigator Program and Kirkland's Community Responder Program into a new, Regional Crisis Response (RCR, pronounced "racer") Agency. The Agency is a separate legal entity, formed by interlocal agreement, and governed by an Executive Board comprised of City Managers or Administrators from each member city. The new agency is funded through a combination of contributions from member agencies and grants. The RCR Agency will have 13 full-time staff, an initial \$5.5 million biennial budget, and will deploy Crisis Responder Mental Health Professionals (MHPs) to serve community members in the five-city region who are experiencing behavioral health crises on a 24/7 basis. City of Kirkland is the initial Fiscal Agent of RCR and will support the Agency with financial, information technology, records management, legal, office space, fleet vehicles and vehicle maintenance, uniforms, radios, and other services, facilities and materials. The City of Kirkland Resolution (R-5562) approving the incorporation of the Agency as a nonprofit corporation under RCW 24.06, the Articles of Incorporation, and additional information about the Agency, are available at: <https://www.kirklandwa.gov/Government/City-Managers-Office/The-Regional-Crisis-Response-Agency>.

City of Kirkland  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
as of June 30, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Employer's Proportion of the Net Pension Liability (Asset)	0.234994%	0.233922%	0.239905%	0.250384%	0.245488%	0.255485%	0.247082%	0.237347%
Employer's Proportionate Share of the Net Pension Liability (Asset)	6,543,095	2,856,735	8,469,942	9,628,154	10,963,578	12,122,963	13,269,467	12,415,455
Covered Payroll	38,555,166	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	16.97%	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	76.56%	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, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Employer's Proportion of the Net Pension Liability (Asset)	0.294130%	0.286542%	0.293694%	0.302719%	0.294538%	0.307765%	0.291129%	0.282083%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(10,908,638)	(28,544,194)	3,756,179	2,940,431	5,028,974	10,693,363	14,658,115	10,078,986
Covered Payroll	37,011,490	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	-29.47%	-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	106.73%	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, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Employer's Proportion of the Net Pension Liability (Asset)	0.228001%	0.232619%	0.271451%	0.317335%	0.355180%	0.382251%	0.386625%	0.374208%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(163,021)	(534,417)	(37,352)	(41,266)	4,401	74,894	164,308	68,300
Covered Payroll	1,543,676	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	-10.56%	-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	105.96%	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, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Employer's Proportion of the Net Pension Liability (Asset)	0.075840%	0.076003%	0.074798%	0.074516%	0.077052%	0.076621%	0.076145%	0.075351%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(2,175,556)	(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	(14,715,407)	(17,610,211)	(9,554,568)	(9,962,601)	(9,461,994)	(7,863,183)	(5,306,415)	(6,142,677)
<b>TOTAL</b>	<b>(16,890,963)</b>	<b>(20,213,741)</b>	<b>(10,967,135)</b>	<b>(11,435,492)</b>	<b>(10,860,875)</b>	<b>(9,025,692)</b>	<b>(6,090,926)</b>	<b>(7,050,823)</b>
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	169.92%	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.

**REQUIRED SUPPLEMENTARY INFORMATION**  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 2  
as of June 30, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Employer's Proportion of the Net Pension Liability (Asset)	0.694307%	0.704736%	0.654018%	0.684709%	0.690550%	0.710014%	0.708072%	0.742445%
Employer's Proportionate Share of the Net Pension Liability (Asset)	(18,869,167)	(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	(12,223,036)	(26,406,888)	(8,530,567)	(9,077,472)	(9,077,472)	(6,391,258)	(2,684,871)	(5,045,524)
TOTAL	(31,092,203)	(67,340,872)	(21,871,579)	(24,940,077)	(23,097,142)	(16,243,952)	(6,803,230)	(12,676,374)
Covered Payroll	28,052,849	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	-67.26%	-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	116.09%	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, 2022  
Last 10 Fiscal Years\*

	<u>2022</u>	<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	1,548,082	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	(1,548,082)	(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	41,197,194	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	3.76%	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, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Statutorily or Contractually Required Contributions	2,517,455	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	(2,517,455)	(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	39,579,293	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	6.36%	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, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Statutorily or Contractually Required Contributions	105,718	104,526	117,841	112,364	96,954	93,370	85,459	76,937
Contributions in Relation to the Statutorily or Contractually Required Contributions	(105,718)	(104,526)	(117,841)	(112,364)	(96,954)	(93,370)	(85,459)	(76,937)
Contribution Deficiency (excess)	-	-	-	-	-	-	-	-
Covered Payroll	1,617,901	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	6.53%	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, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Statutorily or Contractually Required Contributions	1,454,885	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	(1,454,885)	(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	28,415,612	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	5.12%	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  
Firefighters' Pension Plan  
(dollar amounts in thousands)  
For the year ended December 31, 2022  
Last 10 Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>									
Service Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Total Pension Liability	\$5	5	10	14	13	12	12	13	13
Effect of plan changes	\$0	0	0	0	0	0	0	0	0
Effect of economic/demographic gains or (losses)	\$38	0	(114)	0	0	28	0	(67)	0
Effect of assumption changes or inputs	(\$16)	0	17	44	(18)	9	(9)	43	10
Benefit payments	(\$21)	(18)	(17)	(18)	(16)	(16)	(15)	(13)	(14)
<b>Net change in total pension liability</b>	\$6	(\$12)	(\$104)	\$41	(\$21)	\$33	(\$13)	(\$25)	\$9
 <b>Total pension liability, beginning</b>	 \$ 271	 \$ 284	 \$ 387	 \$ 347	 \$ 367	 \$ 334	 \$ 347	 \$ 372	 \$ 363
<b>Total pension liability, ending</b>	<b>\$ 277</b>	<b>\$ 271</b>	<b>\$ 284</b>	<b>\$ 387</b>	<b>\$ 347</b>	<b>\$ 367</b>	<b>\$ 334</b>	<b>\$ 347</b>	<b>\$ 372</b>
 <b>Covered payroll</b>	 \$0	 \$0	 \$0	 \$0	 \$0	 \$0	 \$0	 \$0	 \$0
 <b>Net pension liability as a % of covered payroll</b>	 N/A	 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, 2022  
Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	14,763,366	16,064,016	16,035,203	15,684,554	16,276,239
Service cost	-	-	-	-	-
Interest	312,574	348,287	548,042	595,432	571,289
Changes in benefit terms	-	-	-	-	-
Changes in experience data and assumptions	(1,540,847)	(1,036,720)	241,023	358,389	(520,441)
Benefit payments	(587,849)	(612,217)	(760,252)	(603,172)	(642,533)
Other changes	-	-	-	-	-
Total OPEB liability - ending	12,947,244	14,763,366	16,064,016	16,035,203	15,684,554
Covered-employee payroll	0	0	-	-	-
Total OPEB liability as a % of covered payroll	0%	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, 2022  
Last 10 Fiscal Years\*

	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
Statutorily or Contractually Required Contributions	72,100	70,479	68,760	73,492	71,025	73,215	73,696
Contributions in Relation to the Statutorily or Contractually Required Contributions	72,100	70,479	68,760	73,492	71,025	73,215	73,696
Contribution Deficiency (excess)	-	-	-	-	-	-	-
Covered Payroll	6,992,864	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	1.03%	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, 2022  
Last 10 Fiscal Years

<b>Fiscal Year Ending December 31</b>	<b>Employer Contributions</b>
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
2022	72,100

## **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, 2022

Page 1 of 2

	Special Revenue			
	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
<b>Assets</b>				
Cash and Cash Equivalents	81,401	282,837	272,315	628,339
Investments	241,579	840,217	813,208	1,876,488
Receivables, Net of Allowances				
Taxes	36,916		24,173	45,099
Accounts			335	8,936
Prepayments	1,263		14,133	16,619
Due From Other Governments				24,418
<b>Total Assets</b>	<b>361,160</b>	<b>1,123,053</b>	<b>1,124,163</b>	<b>2,599,898</b>
<b>Liabilities</b>				
Accounts Payable	2,000	3,125	5,665	55,639
Wages Payable	2,648		27,088	39,228
Benefits Payable	571		11,271	13,241
Due to Other Funds		(0)	1,716	2,280
Intergovernmental Payable		16	1,250	33,931
<b>Total Liabilities</b>	<b>5,219</b>	<b>3,141</b>	<b>46,989</b>	<b>144,319</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Judgements & Settlements			335	
Unavailable Revenue - Property Taxes			25,018	46,675
Unavailable Revenue - Grants				9,532
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>25,353</b>	<b>56,207</b>
<b>Fund Balances</b>				
Nonspendable				
Prepaid	1,263	0	14,133	16,619
Restricted for				
Tourism	354,678			
Cemetery Operations		1,119,912		
Culture and Recreation			1,037,689	2,382,754
Transportation				
Fire				
Debt Service				
Total Fund Balances	355,941	1,119,912	1,051,821	2,399,372
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>361,160</b>	<b>1,123,053</b>	<b>1,124,163</b>	<b>2,599,898</b>

City of Kirkland  
**Combining Balance Sheet**  
Non Major Governmental Funds  
December 31, 2022

Page 2 of 2

Impact Fees	Total Special Revenue	Debt Service		Total Debt Service	Non Major Governmental Funds Total
		LTGO	UTGO		
112,539	1,377,430	225,038	0	225,038	1,602,467
224,140	3,995,632	422,405	0	422,405	4,418,037
	106,188		6,897	6,897	113,085
	9,271			0	9,271
	32,014			0	32,014
	24,418			0	24,418
336,679	5,544,953	647,443	6,897	654,340	6,199,292
	66,428			0	66,428
	68,964			0	68,964
	25,083			0	25,083
	3,996			0	3,996
	35,197			0	35,197
0	199,668	0	0	0	199,668
	335				335
	71,692		6,924	6,924	78,616
	9,532				9,532
0	81,559	0	6,924	6,924	88,483
0	32,014	0	0	0	32,014
	354,678			0	354,678
	1,119,912			0	1,119,912
127,330	3,547,772			0	3,547,772
102,632	102,632			0	102,632
106,718	106,718			0	106,718
	0	647,443	(27)	647,416	647,416
336,679	5,263,725	647,443	(27)	647,416	5,911,141
336,679	5,544,953	647,443	6,897	654,340	6,199,292

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
Non Major Governmental Funds  
For the fiscal year ended December 31, 2022

Page 1 of 2

Special Revenue

	Lodging Tax	Cemetery Operating	Parks Maintenance	Parks Levy
<b>Revenues</b>				
Taxes and Assessments	315,382	0	1,577,975	2,943,977
Intergovernmental				33,839
Charges for Services		87,303	0	132,848
Investment Interest	(9,489)	(32,428)	(28,283)	(65,254)
Miscellaneous Revenues			48,277	32,548
<b>Total Revenues</b>	<b>305,893</b>	<b>54,874</b>	<b>1,597,969</b>	<b>3,077,957</b>
<b>Expenditures</b>				
Current				
Physical Environment		143,888		
Economic Environment	330,823			
Culture and Recreation			1,518,515	2,320,478
Debt Service				
Principal				
Interest				
Capital Outlay		2,639		
<b>Total Expenditures</b>	<b>330,823</b>	<b>146,526</b>	<b>1,518,515</b>	<b>2,320,478</b>
<b>Excess (Deficiency) of revenues</b>				
Over (under) expenditures	(24,930)	(91,652)	79,454	757,479
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets		82,050		
Insurance Recovery				7,071
Transfers In	268		656	92,847
Transfers Out				(500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>268</b>	<b>82,050</b>	<b>656</b>	<b>(400,082)</b>
<b>Net Change in Fund Balance</b>	<b>(24,662)</b>	<b>(9,602)</b>	<b>80,110</b>	<b>357,397</b>
<b>Fund Balances Beginning of Year</b>	<b>380,603</b>	<b>1,129,514</b>	<b>971,711</b>	<b>2,041,976</b>
<b>Fund Balances End of Year</b>	<b>355,940</b>	<b>1,119,912</b>	<b>1,051,821</b>	<b>2,399,372</b>

City of Kirkland  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
Non Major Governmental Funds  
For the fiscal year ended December 31, 2022

Page 2 of 2

Debt Service					
Impact Fees	Total Special Revenue	LTGO	UTGO	Total Debt Service	Non Major Governmental Funds Total
	4,837,334	5,042	270,333	275,375	5,112,709
	33,839			0	33,839
1,514,772	1,734,923			0	1,734,923
(88,639)	(224,094)	858		858	(223,237)
	80,824			0	80,824
1,426,133	6,462,826	5,900	270,333	276,233	6,739,059
	143,888			0	143,888
	330,823			0	330,823
	3,838,993			0	3,838,993
		2,365,000	550,000	2,915,000	2,915,000
		2,127,720	12,650	2,140,370	2,140,370
	2,639			0	2,639
0	4,316,342	4,492,720	562,650	5,055,370	9,371,712
1,426,133	2,146,484	(4,486,820)	(292,317)	(4,779,137)	(2,632,653)
	82,050			0	82,050
	7,071			0	7,071
0	93,771	4,492,720	710	4,493,430	4,587,201
(5,055,000)	(5,555,000)			0	(5,555,000)
(5,055,000)	(5,372,108)	4,492,720	710	4,493,430	(878,678)
(3,628,867)	(3,225,625)	5,900	(291,607)	(285,707)	(3,511,331)
3,965,546	8,489,350	641,543	291,580	933,123	9,422,473
336,679	5,263,725	647,443	(27)	647,416	5,911,141

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	866,000	2,782,902	570,622	870,393	1,441,015	(1,341,887)
Charges for Services	0	0				
Investment Interest	0	0	146,366	243,474	389,840	389,840
Contributions/Donations	0	0				0
Miscellaneous Revenues	0	1,406,453	124,966	224,058	349,023	(1,057,430)
<b>Total Revenues</b>	<b>866,000</b>	<b>4,189,355</b>	<b>841,954</b>	<b>1,337,925</b>	<b>2,179,878</b>	<b>(2,009,477)</b>
<b>Expenditures</b>						
Current						
General Government	0	428,745	2,155,572	3,418,793	5,574,365	(5,145,620)
Security of Persons and Property	1,304,900	2,897,600	10,193,234	25,834,341	36,027,574	(33,129,974)
Culture and Recreation	0	586,812	480,078	(93,820)	386,258	200,554
Debt Service						0
Debt Issue Cost	0	0	284,030	0	284,030	(284,030)
Capital Outlay	46,810,291	101,103,095	21,223,138	31,387,216	52,610,354	48,492,741
<b>Total Expenditures</b>	<b>49,359,491</b>	<b>106,260,552</b>	<b>34,336,052</b>	<b>60,546,530</b>	<b>94,882,582</b>	<b>11,377,970</b>
<b>Excess of revenues over expenditures</b>	<b>(48,493,491)</b>	<b>(102,071,197)</b>	<b>(33,494,098)</b>	<b>(59,208,605)</b>	<b>(92,702,703)</b>	<b>9,368,494</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	0	0	0	1,245,539	1,245,539	1,245,539
GO Bond Proceeds	0	24,695,283	22,330,550	0	22,330,550	(2,364,733)
Premium on Bonds	0	0	2,530,844	0	2,530,844	2,530,844
Intergovernmental Loan Proceeds	0	2,400,000	2,264,118	14,200,000	16,464,118	14,064,118
Transfers In	9,366,000	29,805,880	23,056,304	46,071,309	69,127,613	39,321,733
Transfers Out	0	(11,740,386)	(422,604)	(3,263,660)	(3,686,264)	8,054,122
<b>Total Other Financing Sources (Uses)</b>	<b>9,366,000</b>	<b>45,160,777</b>	<b>49,759,212</b>	<b>58,253,187</b>	<b>108,012,399</b>	<b>62,851,622</b>
<b>Net Change in Fund Balance</b>	<b>(39,127,491)</b>	<b>(56,910,420)</b>	<b>16,265,114</b>	<b>(955,418)</b>	<b>16,265,114</b>	<b>73,175,534</b>
<b>Fund Balances Beginning of Year</b>	<b>36,537,512</b>	<b>36,537,512</b>	<b>36,537,512</b>	<b>52,802,626</b>	<b>36,537,512</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>(2,589,979)</b>	<b>(20,372,908)</b>	<b>52,802,626</b>	<b>51,847,208</b>	<b>52,802,626</b>	<b>73,175,534</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Intergovernmental	53,841,308	56,750,273	9,488,483	4,874,417	14,362,900	(42,387,373)
Charges for Services	0	189,522	271,808	64,961	336,770	147,248
Investment Interest	0	0	92,600	90,444	183,044	183,044
Contributions/Donations	0	0	32,400	0	32,400	32,400
Miscellaneous Revenues	0	543,528	126,504	170,135	296,639	(246,889)
<b>Total Revenues</b>	<b>53,841,308</b>	<b>57,483,323</b>	<b>10,011,795</b>	<b>5,199,957</b>	<b>15,211,752</b>	<b>(42,271,571)</b>
<b>Expenditures</b>						
Current						
Transportation	964,000	13,024,001	28,195,048	11,560,700	39,755,748	(26,731,747)
Debt Service						0
Debt Issue Cost	0	0	107,699	0	107,699	(107,699)
Capital Outlay	130,653,230	139,987,778	25,358,994	20,490,837	45,849,831	94,137,947
<b>Total Expenditures</b>	<b>131,617,230</b>	<b>153,011,779</b>	<b>53,661,740</b>	<b>32,051,538</b>	<b>85,713,278</b>	<b>67,298,501</b>
<b>Excess of revenues over expenditures</b>	<b>(77,775,922)</b>	<b>(95,528,456)</b>	<b>(43,649,946)</b>	<b>(26,851,581)</b>	<b>(70,501,526)</b>	<b>25,026,930</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	24,565,485	45,943,924	49,745,928	25,986,323	75,732,251	29,788,327
Transfers Out	0	(104,395)	(131,449)	0	(131,449)	(27,054)
Refunding bonds issued	27,167,100	27,167,100	14,579,450	0	14,579,450	(12,587,650)
Premium on Bonds	0	0	1,652,369	0	1,652,369	1,652,369
<b>Total Other Financing Sources (Uses)</b>	<b>51,732,585</b>	<b>73,006,629</b>	<b>65,846,297</b>	<b>25,986,323</b>	<b>91,832,620</b>	<b>18,825,991</b>
<b>Net Change in Fund Balance</b>	<b>(26,043,337)</b>	<b>(22,521,827)</b>	<b>22,196,352</b>	<b>(865,258)</b>	<b>21,331,094</b>	<b>43,852,921</b>
<b>Fund Balances Beginning of Year</b>	<b>26,043,337</b>	<b>24,804,272</b>	<b>25,163,470</b>	<b>47,359,822</b>	<b>72,523,292</b>	<b>47,719,020</b>
<b>Fund Balances End of Year</b>	<b>0</b>	<b>2,282,445</b>	<b>47,359,822</b>	<b>46,494,564</b>	<b>93,854,385</b>	<b>91,571,940</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	501,585	501,585	196,119	352,117	548,236	46,651
Investment Interest	10,770	10,770	4,415	4,036	8,451	(2,319)
<b>Total Revenues</b>	<b>512,355</b>	<b>512,355</b>	<b>200,534</b>	<b>356,153</b>	<b>556,687</b>	<b>44,332</b>
<b>Expenditures</b>						
Current						
Economic Environment	593,620	643,178	223,760	335,189	558,949	84,229
<b>Total Expenditures</b>	<b>593,620</b>	<b>643,178</b>	<b>223,760</b>	<b>335,189</b>	<b>558,949</b>	<b>84,229</b>
<b>Excess of revenues over expenditures</b>	<b>(81,265)</b>	<b>(130,823)</b>	<b>(23,226)</b>	<b>20,964</b>	<b>(2,262)</b>	<b>128,561</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	0	0	0	268	268	268
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>268</b>	<b>268</b>	<b>268</b>
<b>Net Change in Fund Balance</b>	<b>(81,265)</b>	<b>(130,823)</b>	<b>(23,226)</b>	<b>21,232</b>	<b>(1,994)</b>	<b>128,829</b>
<b>Fund Balances Beginning of Year</b>	<b>322,815</b>	<b>372,969</b>	<b>372,969</b>	<b>349,743</b>	<b>722,712</b>	<b>349,743</b>
<b>Fund Balances End of Year</b>	<b>241,550</b>	<b>242,146</b>	<b>349,743</b>	<b>370,975</b>	<b>720,718</b>	<b>478,572</b>



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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	14,631,457	14,631,457	7,006,824	7,818,687	14,825,512	194,055
Licenses and Permits	600,200	600,200	419,291	296,260	715,551	115,351
Intergovernmental	4,396,083	4,396,083	1,851,882	1,866,519	3,718,401	(677,682)
Charges for Services	108,000	108,000	30,207	183,850	214,057	106,057
Contributions/Donations	0	0	2,100	3,100	5,200	5,200
Miscellaneous Revenues	844,083	1,319,040	321,107	617,754	938,861	(380,179)
<b>Total Revenues</b>	<b>20,579,823</b>	<b>21,054,780</b>	<b>9,631,411</b>	<b>10,786,170</b>	<b>20,417,582</b>	<b>(637,198)</b>
<b>Expenditures</b>						
Current						
Transportation	14,315,683	15,729,366	7,344,067	7,403,297	14,747,364	982,002
Capital Outlay	40,000	207,403	62,727	0	62,727	144,676
<b>Total Expenditures</b>	<b>14,355,683</b>	<b>15,936,769</b>	<b>7,406,794</b>	<b>7,403,297</b>	<b>14,810,092</b>	<b>1,126,678</b>
<b>Excess of revenues over expenditures</b>	<b>6,224,140</b>	<b>5,118,011</b>	<b>2,224,617</b>	<b>3,382,873</b>	<b>5,607,490</b>	<b>489,479</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	0	0	39,630	9,812	49,442	49,442
Transfers In	1,149,000	2,999,643	1,702,555	1,297,088	2,999,643	0
Transfers Out	(7,766,000)	(8,428,678)	(3,863,000)	(4,632,636)	(8,495,636)	(66,958)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,617,000)</b>	<b>(5,429,035)</b>	<b>(2,120,815)</b>	<b>(3,325,736)</b>	<b>(5,446,551)</b>	<b>(17,516)</b>
<b>Net Change in Fund Balance</b>	<b>(392,860)</b>	<b>(311,024)</b>	<b>103,802</b>	<b>57,137</b>	<b>160,939</b>	<b>471,963</b>
<b>Fund Balances Beginning of Year</b>	<b>1,293,139</b>	<b>1,293,139</b>	<b>1,293,139</b>	<b>1,396,941</b>	<b>2,690,080</b>	<b>1,396,941</b>
<b>Fund Balances End of Year</b>	<b>900,279</b>	<b>982,115</b>	<b>1,396,941</b>	<b>1,454,078</b>	<b>2,851,019</b>	<b>1,868,904</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Other Financing Sources (Uses)</b>						
Transfers In	63,411	63,411	63,411	0	63,411	0
<b>Total Other Financing Sources (Uses)</b>	63,411	63,411	63,411	0	63,411	0
<b>Net Change in Fund Balance</b>	63,411	63,411	63,411	0	63,411	0
<b>Fund Balances Beginning of Year</b>	6,292,477	6,292,477	6,292,477	6,355,888	6,355,888	63,411
<b>Fund Balances End of Year</b>	6,355,888	6,355,888	6,355,888	6,355,888	6,419,299	63,411

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Charges for Services	126,000	126,000	65,126	87,828	152,953	26,953
Investment Interest	24,936	24,936	13,662	14,096	27,758	2,822
<b>Total Revenues</b>	<b>150,936</b>	<b>150,936</b>	<b>78,788</b>	<b>101,923</b>	<b>180,711</b>	<b>29,775</b>
<b>Expenditures</b>						
Current						
Physical Environment	215,406	237,406	97,127	143,152	240,279	(2,873)
Capital Outlay	14,400	14,400	9,563	2,639	12,201	2,199
<b>Total Expenditures</b>	<b>229,806</b>	<b>251,806</b>	<b>106,690</b>	<b>145,791</b>	<b>252,480</b>	<b>(674)</b>
<b>Excess of revenues over expenditures</b>	<b>(78,870)</b>	<b>(100,870)</b>	<b>(27,901)</b>	<b>(43,868)</b>	<b>(71,769)</b>	<b>29,101</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds Sale of Capital Assets	90,000	90,000	69,550	82,050	151,600	61,600
<b>Total Other Financing Sources (Uses)</b>	<b>90,000</b>	<b>90,000</b>	<b>69,550</b>	<b>82,050</b>	<b>151,600</b>	<b>61,600</b>
<b>Net Change in Fund Balance</b>	<b>11,130</b>	<b>(10,870)</b>	<b>41,649</b>	<b>38,182</b>	<b>79,831</b>	<b>90,701</b>
<b>Fund Balances Beginning of Year</b>	<b>1,089,802</b>	<b>1,089,802</b>	<b>1,089,802</b>	<b>1,131,451</b>	<b>1,089,802</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>1,100,932</b>	<b>1,078,932</b>	<b>1,131,451</b>	<b>1,169,633</b>	<b>1,169,633</b>	<b>90,701</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	3,061,122	3,061,122	1,524,083	1,579,259	3,103,342	42,220
Investment Interest	20,125	20,125	11,668	12,292	23,959	3,834
Miscellaneous Revenues	30,200	30,200	45,241	48,277	93,518	63,318
<b>Total Revenues</b>	<b>3,111,447</b>	<b>3,111,447</b>	<b>1,580,992</b>	<b>1,639,827</b>	<b>3,220,819</b>	<b>109,372</b>
<b>Expenditures</b>						
Culture and Recreation	3,270,760	3,282,380	1,542,091	1,522,397	3,064,488	217,892
<b>Total Expenditures</b>	<b>3,270,760</b>	<b>3,282,380</b>	<b>1,542,091</b>	<b>1,522,397</b>	<b>3,064,488</b>	<b>217,892</b>
<b>Excess of revenues over expenditures</b>	<b>(159,313)</b>	<b>(170,933)</b>	<b>38,901</b>	<b>117,430</b>	<b>156,331</b>	<b>327,264</b>
<b>Other Financing Sources (Uses)</b>						
Insurance Recovery	0	0	0	0	0	0
Transfers In	0	10,208	10,208	656	10,864	656
Transfers Out	0	(850)	(850)	0	(850)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>9,358</b>	<b>9,358</b>	<b>656</b>	<b>10,014</b>	<b>656</b>
<b>Net Change in Fund Balance</b>	<b>(159,313)</b>	<b>(161,575)</b>	<b>48,259</b>	<b>118,086</b>	<b>166,345</b>	<b>327,920</b>
<b>Fund Balances Beginning of Year</b>	<b>954,973</b>	<b>954,973</b>	<b>954,973</b>	<b>1,003,232</b>	<b>954,973</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>795,660</b>	<b>793,398</b>	<b>1,003,232</b>	<b>1,121,318</b>	<b>1,121,318</b>	<b>327,920</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	5,710,954	5,710,954	2,843,352	2,946,371	5,789,723	78,769
Charges for Services	463,873	463,873	130,215	132,848	263,063	(200,810)
Contributions/Donations	0	46,500	10,925	18,953	29,879	(16,621)
Investment Interest	41,974	41,974	24,153	28,334	52,486	10,512
Miscellaneous Revenues	25,800	37,840	43,150	32,548	75,698	37,858
<b>Total Revenues</b>	<b>6,242,601</b>	<b>6,301,141</b>	<b>3,051,795</b>	<b>3,159,054</b>	<b>6,210,849</b>	<b>(90,292)</b>
<b>Expenditures</b>						
Current						
Culture and Recreation	4,904,431	5,106,897	2,363,263	2,273,189	4,636,452	470,445
<b>Total Expenditures</b>	<b>4,904,431</b>	<b>5,106,897</b>	<b>2,363,263</b>	<b>2,273,189</b>	<b>4,636,452</b>	<b>470,445</b>
<b>Excess of revenues over expenditures</b>	<b>1,338,170</b>	<b>1,194,244</b>	<b>688,532</b>	<b>885,865</b>	<b>1,574,397</b>	<b>380,153</b>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets						
Insurance Recovery				7,071		
Transfers In	70,000	189,769	154,769	92,847	247,616	57,847
Transfers Out	(1,000,000)	(800,000)	(500,000)	(500,000)	(1,000,000)	(200,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(930,000)</b>	<b>(610,231)</b>	<b>(345,231)</b>	<b>(400,082)</b>	<b>(752,384)</b>	<b>(142,153)</b>
<b>Net Change in Fund Balance</b>	<b>408,170</b>	<b>584,013</b>	<b>343,301</b>	<b>485,783</b>	<b>822,013</b>	<b>238,000</b>
<b>Fund Balances Beginning of Year</b>	<b>1,779,856</b>	<b>1,779,856</b>	<b>1,779,856</b>	<b>2,123,157</b>	<b>1,779,856</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>2,188,026</b>	<b>2,363,869</b>	<b>2,123,157</b>	<b>2,608,940</b>	<b>2,601,869</b>	<b>238,000</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Charges for Services	5,400,000	9,432,450	6,346,345	1,514,772	7,861,118	(1,571,332)
Investment Interest	75,552	75,552	65,778	38,785	104,563	29,011
<b>Total Revenues</b>	<b>5,475,552</b>	<b>9,508,002</b>	<b>6,412,123</b>	<b>1,553,557</b>	<b>7,965,680</b>	<b>(1,542,322)</b>
<b>Excess of revenues over expenditures</b>	<b>5,475,552</b>	<b>9,508,002</b>	<b>6,412,123</b>	<b>1,553,557</b>	<b>7,965,680</b>	<b>(1,542,322)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	9,054	9,054	0	9,054	0
Transfers Out	(5,400,000)	(9,432,450)	(4,377,450)	(5,055,000)	(9,432,450)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(5,400,000)</b>	<b>(9,423,396)</b>	<b>(4,368,396)</b>	<b>(5,055,000)</b>	<b>(9,423,396)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>75,552</b>	<b>84,606</b>	<b>2,043,727</b>	<b>(3,501,443)</b>	<b>(1,457,715)</b>	<b>(1,542,321)</b>
<b>Fund Balances Beginning of Year</b>	<b>1,923,194</b>	<b>1,923,194</b>	<b>1,923,194</b>	<b>3,966,921</b>	<b>3,966,921</b>	<b>2,043,727</b>
<b>Fund Balances End of Year</b>	<b>1,998,746</b>	<b>2,007,800</b>	<b>3,966,921</b>	<b>465,479</b>	<b>2,509,206</b>	<b>501,406</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	470,573	470,573			0	(470,573)
Investment Interest	0	0	11,058		11,058	11,058
<b>Total Revenues</b>	<b>470,573</b>	<b>470,573</b>	<b>11,058</b>	<b>0</b>	<b>11,058</b>	<b>(459,515)</b>
<b>Expenditures</b>						
Debt Service						
Principal	2,544,515	5,897,366	1,526,578	2,365,000	3,891,578	2,005,788
Interest	1,916,318	2,259,551	974,521	2,127,720	3,102,241	(842,690)
<b>Total Expenditures</b>	<b>4,460,833</b>	<b>8,156,917</b>	<b>2,501,099</b>	<b>4,492,720</b>	<b>6,993,819</b>	<b>1,163,098</b>
<b>Excess of revenues over expenditures</b>	<b>(3,990,260)</b>	<b>(7,686,344)</b>	<b>(2,490,041)</b>	<b>(4,492,720)</b>	<b>(6,982,761)</b>	<b>703,583</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds of Other Longterm Debt		343,233				(343,233)
Transfers In	3,990,260	7,343,111	2,500,568	4,492,720	6,993,288	(349,823)
<b>Total Other Financing Sources (Uses)</b>	<b>3,990,260</b>	<b>7,686,344</b>	<b>2,500,568</b>	<b>4,492,720</b>	<b>6,993,288</b>	<b>(693,056)</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>10,527</b>	<b>(0)</b>	<b>10,527</b>	<b>10,527</b>
<b>Fund Balances Beginning of Year</b>	<b>631,016</b>	<b>631,016</b>	<b>631,016</b>	<b>631,016</b>	<b>1,262,032</b>	<b>631,016</b>
<b>Fund Balances End of Year</b>	<b>631,016</b>	<b>631,016</b>	<b>641,543</b>	<b>631,016</b>	<b>1,272,559</b>	<b>641,543</b>

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, 2022

	Original Budget 2021-2022	Final Budget 2021-2022	2021 Actual Amounts Budgetary Basis	2022 Actual Amounts Budgetary Basis	Actual 2021-2022 Biennium	Variance with Final Budget
<b>Revenues</b>						
Taxes and Assessments	1,127,720	1,127,720	561,482	270,593	832,075	(295,645)
<b>Total Revenues</b>	1,127,720	1,127,720	561,482	270,593	832,075	(295,645)
<b>Expenditures</b>						
Debt Service						
Principal	1,090,000	1,090,000	540,000	550,000	1,090,000	0
Interest	37,720	37,720	25,070	12,650	37,720	0
<b>Total Expenditures</b>	1,127,720	1,127,720	565,070	562,650	1,127,720	0
<b>Excess of revenues over expenditures</b>	0	0	(3,588)	(292,057)	(295,645)	(295,645)
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In				710		
<b>Total Other Financing Sources (Uses)</b>				710		
<b>Net Change in Fund Balance</b>	0	0	(3,588)	(291,347)	(294,935)	(294,935)
<b>Fund Balances Beginning of Year</b>	294,935	294,935	294,935	294,935	294,935	0
<b>Fund Balances End of Year</b>	294,935	294,935	291,347	3,588	0	(294,935)



## 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, 2022

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Assets</b>					
Current Assets					
Cash and Cash Equivalents	2,089,597	1,727,418	1,670,976	907,675	6,395,666
Investments	6,086,526	5,142,112	4,975,692	2,696,773	18,901,103
Accounts Receivable	11,438	6,112	406,307	12,604	436,461
Lease Receivable -short term		80,306			80,306
Intergovernmental Receivable					0
Interest Receivable					0
Prepayments	3,460,827	349,558		403,176	4,213,561
Restricted Assets					
Cash		1,850			
Inventories	196,346				196,346
Total Current Assets	11,844,734	7,307,356	7,052,975	4,020,227	30,225,293
Noncurrent Assets					
Interfund Loans Receivable					
Loans	7,500,000	2,850,000			10,350,000
Interest	49,500	18,822			68,322
Net Pension Asset	73,853	71,518		357,602	502,973
Lease Asset (net)		769,178			769,178
Capital Assets					
Improvements	293,787	14,235			308,022
Equipment	27,029,963	12,773		43,760	27,086,496
Accumulated Depreciation	(15,736,731)	(23,150)		(43,760)	(15,803,641)
Total Capital Assets Net	11,587,019	3,858		0	11,590,877
Total Noncurrent Assets	19,210,372	3,713,376	0	357,602	23,281,350
<b>Total Assets</b>	<b>31,055,106</b>	<b>11,020,732</b>	<b>7,052,975</b>	<b>4,377,829</b>	<b>53,506,643</b>
<b>Deferred Outflows of Resources</b>					
Deferred Outflow Pension Contribution	177,149	171,548		857,770	1,206,468
<b>Total Deferred Outflows of Resources</b>	<b>177,149</b>	<b>171,548</b>	<b>0</b>	<b>857,770</b>	<b>1,206,468</b>
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	147,431	198,711	218,140	118,650	682,932
Lease Payable		222,419			222,419
Deposits		1,850			1,850
Claims Payable			550,700		550,700
Wages Payable	28,016	24,949		133,961	186,927
Benefits Payable	5,749	5,286		24,809	35,844
Compensated Absences Payable	24,346	28,609		140,231	193,186
Intergovernmental Payable	11,768	15,786		2,940	30,494
Due to Other Funds		18,259			18,259
Unearned Revenue			636,371		636,371
Total Current Liabilities	217,310	515,869	1,405,211	420,591	2,558,982
Noncurrent Liabilities					
Compensated Absences Payable	5,192	6,184		38,022	49,398
Lease Payable		559,278			559,278
Net Pension Liability					0
Total Noncurrent Liabilities	5,192	565,462	0	38,022	608,676
<b>Total Liabilities</b>	<b>222,502</b>	<b>1,081,331</b>	<b>1,405,211</b>	<b>458,613</b>	<b>3,167,658</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows - GASB 87		78,819			78,819
Deferred Inflow Pension Related	182,699	176,922		884,642	1,244,262
<b>Total Deferred Inflows of Resources</b>	<b>182,699</b>	<b>255,741</b>	<b>0</b>	<b>884,642</b>	<b>1,323,081</b>
<b>Net Position</b>					
Net Investment in Capital Assets	11,587,019	(8,661)	0	0	11,578,358
Restricted for					0
Net Pension Asset	73,853	71,518		357,602	502,973
Unrestricted	19,166,182	9,792,351	5,647,764	3,534,743	38,141,040
<b>Total Net Position</b>	<b>30,827,054</b>	<b>9,855,208</b>	<b>5,647,764</b>	<b>3,534,743</b>	<b>50,222,371</b>

City of Kirkland, Washington  
**Combining Statement of Revenues, Expenses  
and Changes in Net Position**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2022

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Operating Revenues</b>					
Charges for Services	4,413,389	3,824,367	8,023,180	7,329,822	23,590,759
Miscellaneous Revenues		286,199	391	41,727	328,317
<b>Total Operating Revenues</b>	<b>4,413,389</b>	<b>4,110,566</b>	<b>8,023,571</b>	<b>7,371,549</b>	<b>23,919,075</b>
<b>Operating Expenses</b>					
Administrative & General	1,008,696	331,535	7,378,334	2,098,545	10,817,110
Supplies	46,070	226,724		355,270	628,065
Maintenance & Operations	2,064,961	2,874,426		4,948,499	9,887,886
Depreciation	1,785,896	3,858			1,789,754
Lease Amortization		236,116			236,116
<b>Total Operating Expenses</b>	<b>4,905,624</b>	<b>3,672,660</b>	<b>7,378,334</b>	<b>7,402,314</b>	<b>23,358,931</b>
<b>Operating Income (Loss)</b>	<b>(492,235)</b>	<b>437,906</b>	<b>645,237</b>	<b>(30,765)</b>	<b>560,144</b>
Nonoperating Revenues (Expenses)					
Interest Revenue/(Investment Loss)	(271,248)	103,767	(183,480)	(104,731)	(455,691)
Interest Payable Lease (Expenses)		(3,829)			(3,829)
Insurance Recovery	41,748				41,748
Other Judgments & Settlements	1,980				1,980
Gain (loss) on Disposal of Capital Assets	520,137				520,137
Other Nonoperating Revenues/(Expenses)		(281,179)			(281,179)
Total Nonoperating Revenues (Expenses)	292,618	(181,241)	(183,480)	(104,731)	(176,834)
<b>Income (Loss) before Contributions and Tra</b>	<b>(199,617)</b>	<b>256,665</b>	<b>461,757</b>	<b>(135,496)</b>	<b>383,310</b>
Capital Contributed from External Sources					0
Transfers In	956,782	3,564,077		854,948	5,375,807
Transfers Out	0	(2,077,300)		(5,952)	(2,083,252)
Change in Net Position	757,165	1,743,442	461,757	713,500	3,675,865
Total Net Position - Beginning	30,069,889	8,111,765	5,186,008	3,178,844	46,546,507
<b>Total Net Position - Ending</b>	<b>30,827,054</b>	<b>9,855,207</b>	<b>5,647,766</b>	<b>3,892,344</b>	<b>50,222,371</b>

City of Kirkland, Washington  
**Combining Statement of Cash Flows**  
Internal Service Funds  
For the Fiscal Year Ended December 31, 2022

	Equipment Rental	Facilities Maintenance	Health Benefits	Information Technology	Total
<b>Cash Flows From Operating Activities</b>					
Cash Received From Interfund Charges	4,410,535	3,822,367	162,872	7,228,080	15,623,854
Contributions Received from Employees and Employer			7,583,862		7,583,862
Cash From Other Sources	37,318	262,649	386,988	141,839	828,794
Cash Paid to Suppliers for Goods and Services	(1,181,634)	(2,456,600)	(4,099,554)	(3,288,766)	(11,026,554)
Cash Paid to Employees for Services	(835,313)	(966,922)	(162,872)	(4,248,596)	(6,213,703)
Cash Paid for Central Business Functions	(1,022,835)	(188,295)	(3,209,864)	(215,013)	(4,636,007)
<b>Cash Provided by Operating Activities</b>	<b>1,408,071</b>	<b>473,199</b>	<b>661,431</b>	<b>(382,456)</b>	<b>2,160,245</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers In	956,782	3,564,077		854,948	5,375,807
Transfers Out		(2,077,300)		(5,952)	(2,083,252)
<b>Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>956,782</b>	<b>1,486,777</b>	<b>0</b>	<b>848,996</b>	<b>3,292,555</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds From Sale of Assets and Insurance Recoveries	598,456				598,456
Acquisition and Construction of Capital Assets	(4,761,544)				(4,761,544)
<b>Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(4,163,087)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,163,087)</b>
<b>Cash Flows From Investing Activities</b>					
(Increase) Decrease in Investments	6,458,718	681,862	(861,800)	(395,671)	5,883,109
Interest Revenue	(329,990)	(445,549)	79,733	(104,731)	(800,537)
Interfund Loan Issue	(7,500,000)	(2,850,000)			(10,350,000)
<b>Cash Provided by Investing Activities</b>	<b>(1,371,271)</b>	<b>(2,613,688)</b>	<b>(782,067)</b>	<b>(500,402)</b>	<b>(5,267,428)</b>
Increase (Decrease) in Cash and Cash Equivalents	(3,169,505)	(653,712)	(120,636)	(33,862)	(3,977,714)
Cash and Cash Equivalents, January 1	5,259,102	2,382,980	1,791,613	941,535	10,375,229
<b>Cash and Cash Equivalents, December 31</b>	<b>2,089,597</b>	<b>1,729,268</b>	<b>1,670,977</b>	<b>907,673</b>	<b>6,397,515</b>

**Reconciliation of Operating Income (Loss) to**

<b>Cash Provided by Operating Activities</b>					
Operating Income (Loss)	(492,235)	437,906	645,237	(30,765)	560,144
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by Operating Activities					
Depreciation	1,785,896	239,974			2,025,871
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	(24,841)	7,854	80,177	(1,224)	61,966
(Increase) Decrease in Inventories	(63,939)				(63,939)
(Increase) Decrease in Intergovernmental Receivable	1,409				1,409
(Increase) Decrease in Prepayments	4,092	(272,480)		20,835	(247,553)
(Increase) Decrease in Pension Deferred Outflows of Resources	(115,627)	(107,056)		(565,397)	(788,080)
Increase (Decrease) in Pension Deferred Inflows of Resources	(327,951)	(358,375)		(1,542,124)	(2,228,450)
Increase (Decrease) in Net Pension Asset	368,316	391,993		1,743,721	2,504,030
Increase (Decrease) in Accounts Payable		103,377		(20,647)	82,730
Increase (Decrease) in Claims Payable			35,900		35,900
Increase (Decrease) in Intergovernmental Payable	11,638	13,873	(207)	(3,315)	21,989
Increase (Decrease) in Unearned Revenue			29,973		29,973
Increase (Decrease) in Due to Other Funds		10,920	(129,649)		(118,729)
Increase (Decrease) in Wages Payable	270,720	2,763		15,216	288,698
Increase (Decrease) in Benefits Payable	(1,439)	(137)		3,051	1,475
Increase (Decrease) in Compensated Absences Payable	(880)	2,588		(1,401)	307
Increase (Decrease) in Advance Pay Facility Leases	(7,089)			(406)	(7,495)
<b>Cash Provided by Operating Activities</b>	<b>1,408,071</b>	<b>473,199</b>	<b>661,431</b>	<b>(382,456)</b>	<b>2,160,245</b>

Supplemental disclosure of noncash investing, capital, and financing activities:

Lease Assets	1,005,294	1,005,294
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## Capital Assets

City of Kirkland  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
December 31, 2022  
Unaudited

**2022**

**Governmental Funds Capital Assets:**

Land	\$ 634,947,215
Buildings	65,262,040
Improvements other than Buildings	116,551,784
Machinery and Equipment	6,768,779
Artwork	2,413,979
Infrastructure	326,202,472
Construction in Progress	52,553,793
GASB 87 RTU Assets	87,512
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 1,204,787,574</u></b>

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

General Fund	\$ 464,039,500
Special Revenue Funds	2,032,831
Impact Fees	54,063,135
Federal Grants	22,875,584
General Obligation Bonds	59,603,306
Private Gifts	14,069,040
Annexation	588,104,178
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 1,204,787,574</u></b>

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

City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
December 31, 2022  
Unaudited

FUNCTION AND ACTIVITY	Land	Buildings	Improvements	Machinery and Equip	Artwork	Infrastructure	CIP	GASB 87 RTU Assets	TOTAL
General Govt	\$ 18,670,519	\$ 19,076,079	\$ 32,901,185	\$ 4,584,838	\$ 120,998	\$ -	\$ 578,977	\$ 87,512	\$ 76,020,107
Judicial	-	-	-	-	-	-	-	-	\$ -
Security									
Police	5,367,905	5,157,399	34,314,154	274,895	99,383	-	-	-	\$ 45,213,736
Fire	8,114,882	23,524,688	4,624,775	1,003,635	152,452	-	12,761,637	-	\$ 50,182,069
Total Security	13,482,787	28,682,087	38,938,929	1,278,530	251,835	-	12,761,637	-	95,395,804
Transportation	536,982,111	\$ 5,906,605	\$ 560,221	\$ 177,389	\$ -	\$ 326,202,472	\$ 34,142,568	\$ -	\$ 903,971,365
Physical Environment	61,623	-	1,053,377	62,785	-	-	-	-	\$ 1,177,785
Economic Environment	-	-	-	-	-	-	-	-	\$ -
Human Services	601,467	-	-	-	-	-	-	-	\$ 601,467
Culture and Recreation	65,148,708	11,597,269	43,098,072	665,237	2,041,147	-	5,070,612	-	\$ 127,621,045
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 634,947,215</b>	<b>\$ 65,262,040</b>	<b>\$ 116,551,784</b>	<b>\$ 6,768,779</b>	<b>\$ 2,413,979</b>	<b>\$ 326,202,472</b>	<b>\$ 52,553,793</b>	<b>\$ 87,512</b>	<b>\$ 1,204,787,574</b>

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

City of Kirkland  
**Capital Assets used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
For the Year Ended December 31, 2022  
Unaudited

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets Beginning	Additions	Deductions	Governmental Funds Capital Assets Ending
General Govt	\$ 63,319,987	\$ 31,016,390	\$ 18,316,270	\$ 76,020,107
Judicial	-	-	-	-
Security				
Police	45,185,600	28,136	-	45,213,736
Fire	37,928,236	13,333,392	1,079,560	50,182,068
Total Security	<u>83,113,836</u>	<u>13,361,528</u>	<u>1,079,560</u>	<u>95,395,804</u>
Transportation	882,237,733	29,002,372	7,268,739	903,971,366
Physical Environment	1,183,104	2,639	7,958	1,177,785
Economic Environment	-	-	-	-
Human Services	601,467	-	-	601,467
Culture and Recreation	123,131,796	7,503,145	3,013,896	127,621,045
<b>Total Governmental Funds Capital Assets</b>	<b><u>\$ 1,153,587,923</u></b>	<b><u>\$ 80,886,074</u></b>	<b><u>\$ 29,686,423</u></b>	<b><u>\$ 1,204,787,574</u></b>

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



## City of Kirkland STATISTICAL SECTION

*The following section of the City of Kirkland's Annual 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.*

<b><i>Statistical Section</i></b>	<b><i>Page</i></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>153</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property tax.	<b>158</b>
<b>Debt Capacity</b> 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.	<b>165</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>169</b>
<b>Operating Information</b> 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.	<b>172</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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>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>	<u>2022</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 871,047,856
Restricted	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	113,739,089
Unrestricted	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	141,705,592
<b>Total Governmental Activities Net Position</b>	<b>\$ 874,110,962</b>	<b>\$ 900,019,132</b>	<b>\$ 913,254,233</b>	<b>\$ 932,747,035</b>	<b>\$ 953,389,090</b>	<b>\$ 985,110,531</b>	<b>\$ 1,018,587,848</b>	<b>\$ 1,054,382,151</b>	<b>\$ 1,106,707,543</b>	<b>\$ 1,126,492,537</b>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 198,465,121
Restricted	484,500	-	-	-	-	-	-	-	-	616,512
Unrestricted	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	69,007,430
<b>Total Business-type Net Position</b>	<b>\$ 188,213,621</b>	<b>\$ 201,810,139</b>	<b>\$ 210,689,788</b>	<b>\$ 217,220,053</b>	<b>\$ 225,087,470</b>	<b>\$ 233,544,113</b>	<b>\$ 243,841,589</b>	<b>\$ 250,704,559</b>	<b>\$ 259,905,660</b>	<b>\$ 268,089,063</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 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	\$ 1,069,512,977
Restricted	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	114,355,601
Unrestricted	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	210,713,022
<b>Total Primary Government Net Position</b>	<b>\$ 1,062,324,583</b>	<b>\$ 1,101,829,271</b>	<b>\$ 1,123,944,021</b>	<b>\$ 1,149,967,088</b>	<b>\$ 1,178,476,560</b>	<b>\$ 1,218,654,644</b>	<b>\$ 1,262,429,437</b>	<b>\$ 1,305,086,710</b>	<b>\$ 1,366,613,203</b>	<b>\$ 1,394,581,600</b>

## 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>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>	<u>2022</u>
<b>Expenses</b>										
Governmental Activities										
General Government	\$ 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	\$ 19,041,353
Judicial	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	2,725,163
Security of Persons and Property	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	62,727,544
Physical Environment	1,320,358	1,533,702	1,136,320	1,154,543	986,341	890,022	1,137,480	749,531	293,764	5,526,787
Transportation	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	25,531,880
Human Services	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	5,680,371
Economic Environment	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	11,152,734
Culture and Recreation	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	13,838,649
Interest on Long Term Debt	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	1,887,446
Total Governmental Activities	\$ 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	\$ 148,111,927
Business Type Activities										
Water/Sewer	\$ 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	\$ 30,300,905
Surface Water	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	11,256,434
Solid Waste	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	24,432,554
Total Business Type Activities	\$ 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	\$ 65,989,893
Total Primary Government Expenses	\$ 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	\$ 214,101,820
<b>Program Revenues</b>										
Governmental Activities										
Charges for Services										
General Government	\$ 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	\$ 19,103,750
Judicial	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	2,805,894
Security of Persons and Property	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	3,285,962
Physical Environment	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	639,711
Transportation	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	1,695,961
Human Services										3,930
Economic Environment	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	9,433,695
Culture and Recreation	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	2,642,523
Operating Grants and Contributions	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	2,348,281
Capital Grants and Contributions	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	10,599,705
Total Governmental Activities	\$ 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	\$ 52,559,413

	Fiscal Year									
	<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>	<u>2022</u>
Business Type Activities										
Charges for Service										
Water/Sewer	\$ 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	\$ 32,011,179
Surface Water	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	11,552,134
Solid Waste	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	24,075,836
Operating Grants and Contributions	277,666	423,061	252,351	244,933	267,938	380,800	521,336	315,703	543,258	584,635
Capital Grants and Contributions	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	7,079,294
Total Business Type Activities	\$ 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	\$ 75,303,078
Total Program Revenues	\$ 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	\$ 127,862,491
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (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)	\$ (95,552,514)
Business Type Activities	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	9,313,185
Total Net Expense	\$ (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)	\$ (86,239,329)
<b>General Revenues</b>										
Governmental Activities										
Taxes										
Property Taxes	\$ 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	\$ 41,012,768
Sales Taxes	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	38,603,063
Excise Taxes	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	14,691,707
Business Taxes	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	3,360,274
Utility Taxes	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	14,917,133
Other Taxes	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	8,870,387
Unrestricted Grants/Contributions	204,330	229,671	723,679	396,024	714,942	713,252	711,158	713,918	861,485	-
Investment Earnings	48,505	1,078,754	915,706	901,531	1,093,185	2,718,370	6,099,596	5,408,192	(1,004,232)	(6,163,236)
Gain (Loss) Sale of Capital Assets	32,395	-	63,123	179,129	713,732	1,749,629	82,381	430,918	111,126	1,847,726
Transfers, Internal Activities	586,406	537,149	1,183,245	851,520	755,600	1,940,203	814,182	1,893,026	700,471	(476,943)
Total Governmental Activities	\$ 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	\$ 116,662,877
Business Type Activities										
Investment Earnings	\$ 64,334	386,690	349,280	357,736	393,096	948,188	1,916,468	1,544,999	(273,157)	(1,606,725)
Gain (Loss) Sale of Capital Assets	(3,585)	(31)	(28,013)	-	-	-	-	-	-	-
Transfers, Internal Activities	(586,406)	(537,149)	(1,183,245)	(851,520)	(755,600)	(1,940,203)	(814,182)	(1,893,026)	(700,471)	476,943
Total Business Type Activities	\$ (525,657)	\$ (150,490)	\$ (861,978)	\$ (493,784)	\$ (362,504)	\$ (992,015)	\$ 1,102,286	\$ (348,027)	\$ (973,628)	\$ (1,129,782)
Total Primary Government	\$ 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	\$ 115,533,095
<b>Change in Net Position</b>										
Governmental Activities	\$ 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	\$ 21,110,363
Business Type Activities	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	8,183,403
Total Change in Net Position	\$ 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	\$ 29,293,766

## Schedule 3

**City of Kirkland**

## Fund Balances of Governmental Funds

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	<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>	<u>2022</u>
<b>General Fund</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 443,551	\$ 743,419	\$ 839,775	\$ 819,265	\$ 871,068	\$ 903,301
Restricted	601,933	1,315,449	147,514	162,587	246,825	1,953,095	1,889,838	2,420,175	2,278,237	4,243,547
Committed	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	11,345,941
Assigned	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	29,609,133
Unassigned	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	39,981,253
<b>Total General Fund</b>	<u>\$ 34,879,247</u>	<u>\$ 37,542,259</u>	<u>\$ 38,839,657</u>	<u>\$ 46,138,892</u>	<u>\$ 49,363,380</u>	<u>\$ 61,091,511</u>	<u>\$ 71,728,159</u>	<u>\$ 81,101,361</u>	<u>\$ 87,545,037</u>	<u>\$ 86,083,176</u>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 12,384	\$ 26,557	\$ -	\$ 31,047	\$ 34,148	\$ 32,014
Restricted	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	96,310,420
Committed	1,545,753	1,836,255	-	-	10,000	241,759	151,999	-	13,580,030	-
Assigned	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	6,150,706
<b>Total all Other Governmental Funds</b>	<u>\$ 47,258,351</u>	<u>\$ 49,386,484</u>	<u>\$ 64,462,898</u>	<u>\$ 66,809,640</u>	<u>\$ 79,855,997</u>	<u>\$ 90,920,251</u>	<u>\$ 89,898,434</u>	<u>\$ 82,758,763</u>	<u>\$ 122,978,501</u>	<u>\$ 102,493,140</u>

## Schedule 4

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

Last Ten Fiscal Years - Unaudited

(modified accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>										
Taxes and Assessments	\$ 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	\$ 115,477,963
Licenses and Permits	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	10,822,139
Intergovernmental	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	17,664,045
Charges for Services	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	22,856,554
Fines and Forfeitures	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	2,953,284
Investment Interest	53,779	865,129	787,521	775,507	957,004	2,393,908	5,409,193	4,765,952	(855,441)	(5,707,545)
Miscellaneous Revenues	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	2,377,284
<b>Total Revenues</b>	<b>\$ 108,597,659</b>	<b>\$ 115,864,666</b>	<b>\$ 124,626,605</b>	<b>\$ 128,436,597</b>	<b>\$ 132,464,828</b>	<b>\$ 151,125,872</b>	<b>\$ 157,943,639</b>	<b>\$ 156,427,320</b>	<b>\$ 178,217,040</b>	<b>\$ 166,443,725</b>
<b>Expenditures</b>										
Current										
General Government	\$ 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	\$ 15,169,014
Judicial									2,607,161	2,878,154
Security of Persons and Property	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	62,257,841
Physical Environment	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	6,060,936
Transportation	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	16,515,375
Economic Environment	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	11,854,504
Human Services									3,216,944	5,735,340
Culture and Recreation	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	12,422,719
Debt Service								-		
Principal	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	2,931,579
Interest	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	2,140,693
Bond Issuance Costs	-	-	78,625	-	-	-	-	-	-	-
Capital Outlay	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	49,608,999
<b>Total Expenditures</b>	<b>\$ 118,826,711</b>	<b>\$ 115,053,794</b>	<b>\$ 119,191,791</b>	<b>\$ 119,252,403</b>	<b>\$ 121,265,518</b>	<b>\$ 138,341,429</b>	<b>\$ 149,857,191</b>	<b>\$ 159,221,224</b>	<b>\$ 169,487,534</b>	<b>\$ 187,575,153</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	\$ (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	\$ (21,131,428)
<b>Other Financing Sources (Uses)</b>										
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)	-	-	-	-	-	-	-	-	-
Other Leases										8,114
Sale of Capital Assets	615,963	3,216,797	36,992	51,542	2,462,068	6,562,498	68,550	342,719	69,550	1,327,589
Insurance Recovery	148,353	41,690	341,639	239,979	406,140	252,869	107,365	179,366	198,463	446,163
Transfers In	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	41,906,802
Transfers Out	(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)	(44,504,462)
<b>Total Other Financing Sources (Uses)</b>	<b>806,213</b>	<b>3,980,273</b>	<b>10,938,998</b>	<b>461,784</b>	<b>5,071,534</b>	<b>8,810,441</b>	<b>1,528,382</b>	<b>2,752,841</b>	<b>42,544,999</b>	<b>(815,794)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (9,422,839)</b>	<b>\$ 4,791,145</b>	<b>\$ 16,373,812</b>	<b>\$ 9,645,977</b>	<b>\$ 16,270,844</b>	<b>\$ 21,594,884</b>	<b>\$ 9,614,831</b>	<b>\$ (41,062)</b>	<b>\$ 51,274,505</b>	<b>\$ (21,947,222)</b>
Debt Service as a percentage of noncapital expenditures	5.18%	4.88%	5.13%	4.08%	3.87%	3.60%	3.40%	3.17%	2.68%	3.68%

Schedule 5

**City of Kirkland**

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years - Unaudited

(in thousands)

<b><u>Fiscal Year</u></b>	<b><u>Real Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Total Taxable Assessed Valuation</u></b>	<b><u>Total Direct Tax Rate</u></b>
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
2022	\$ 47,954,929,563	\$ 547,247,075	\$ 48,502,176,638	1.12

## 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>	
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
2022	1.11	0.01	1.12	2.34	1.49	2.82	0.25	0.25	0.33	0.11	8.71

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>	2022			2013		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Essex Portfolio LP	323,362,800	1	0.67%			
Kirkland Urban 1 Comm LLC	287,982,300	2	0.59%			
Carillon Properties	286,249,924	3	0.59%	147,576,708	1	0.94%
Fairfield Totem Lake LLC	238,467,569	4	0.49%			
GSIC Forbes Creek Reit, Inc.	179,701,000	5	0.37%			
SCG Atlas (Woodlake & Heronfield Apts)	147,945,000	6	0.31%			
Buster Madalyn LLC	136,135,000	7	0.28%			
KG Investment Properties	126,613,000	8	0.26%			
Village at Totem Lake LLC	107,415,900	9	0.22%			
SRMKJVD LLC	99,117,907	10	0.20%			
Villaggio (Yarrow Bay Club Apartments)				100,377,000	2	0.64%
Park at Forbes Creek LLC				76,195,000	3	0.48%
Puget Sound Energy Electricity/Gas				72,367,004	4	0.46%
Kilroy Realty (Plaza at Yarrow Bay, Inc.)				59,292,339	5	0.38%
Balaclava Holdings, Inc.				52,470,000	6	0.33%
Essex Property Trust				48,830,000	7	0.31%
Essex Montebello LLC				45,397,000	8	0.29%
EQR-Heronfield LLC				43,365,000	9	0.27%
Touchstone KPP Development (Parkplace)				43,022,300	10	0.27%
<b>Totals</b>	<u>\$ 1,932,990,400</u>		<u>3.99%</u>	<u>\$ 688,892,351</u>		<u>4.37%</u>

## Schedule 8

**City of Kirkland**

## Property Tax Levies and Collections

Last Ten Fiscal Years - Unaudited

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
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%	\$ 347,567	\$ 28,132,926	99.76%
2017	\$ 28,928,378	\$ 28,543,348	98.67%	\$ 311,952	\$ 28,855,300	99.75%
2018	\$ 29,776,936	\$ 29,347,051	98.56%	\$ 365,308	\$ 29,712,359	99.78%
2019	\$ 30,761,546	\$ 30,417,373	98.88%	\$ 321,474	\$ 30,738,847	99.93%
2020	\$ 31,923,330	\$ 31,369,410	98.26%	\$ 419,118	\$ 31,788,528	99.58%
2021	\$ 39,955,948	\$ 39,359,422	98.51%	\$ 407,828	\$ 39,767,249	99.53%
2022	\$ 41,029,558	\$ 40,494,147	98.70%	\$ -	\$ 40,494,147	98.70%

## Schedule 9

**City of Kirkland**

## Taxable Sales by Category

Last Ten Calendar Years - Unaudited

	<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>	<u>2022</u>
Services	\$ 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	\$ 5,129,290
Contracting	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	6,804,408
Communications	472,092	505,170	521,689	537,934	592,699	549,191	705,508	460,897	474,786	473,332
Automotive/Gas Retail	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	5,561,287
Gen Merch/ Misc Retail	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	1,697,546
Retail Eating/Drinking	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	2,135,238
Other Retail	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	6,288,737
Wholesale	759,399	829,962	903,425	957,368	1,009,745	1,063,075	1,158,423	1,167,085	1,330,976	1,436,317
Miscellaneous	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	2,065,260
Total	<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>	<u>\$ 31,591,415</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.025%	1.025%	1.025%	1.025%

Source: City of Kirkland Finance and Administration

## Schedule 10

**City of Kirkland**

## Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years - Unaudited

	General Sales							Automobile Sales/Leases		Restaurant Food/Beverage		
	State of Washington	King County			Regional		Total	State of Washington	Total	King County	Total	
Fiscal	General	Criminal	Mental	Housing & Related	Transit	City of	General	Automobile	Automobile	Restaurant Food and	Restaurant Food and	
Year	Sales	Metro	Justice	Health Services	Authority	Kirkland	Sales Tax	Sales/Leases	Sales/Leases	Beverage	Beverage	
				1		2,3						
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%
2022	6.50%	0.90%	0.175%	0.10%	0.10%	1.40%	1.025%	10.20%	0.30%	10.50%	0.00%	10.20%

<sup>1</sup> 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.

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

<sup>3</sup> 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>			
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
2022	\$ 63,335,000	\$ 6,518,655	\$ -	\$ 2,652,785	\$ 72,506,440	1.08%	775

Source: City of Kirkland Finance and Administration

## 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>
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
2022	\$ 63,335,000	\$ 6,518,655	\$ 654,340	\$ 69,199,316	0.13%	\$ 676.87

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

## Schedule 13

**City of Kirkland**

## Direct and Overlapping Governmental Activities Debt

As of December 31, 2022 - Unaudited

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
Fire District #41	\$ -	100.00%	\$ -
King County School District #414	\$ 505,448,369.00	43.89%	\$ 221,857,113.33
Hospital District #2	\$ 260,290,000.00	31.64%	\$ 82,346,446.82
Library	\$ 28,812,125.00	8.32%	\$ 2,397,009.28
Sound Transit	\$ -	5.63%	\$ -
King County	\$ 564,752,000.00	5.10%	\$ 28,807,963.42
Port of Seattle	\$ 336,890,000.00	5.10%	\$ 17,184,737.36
King County School District #417	\$ 562,916,544.00	1.40%	\$ 7,881,636.79
North Shore Park and Rec	\$ -	0.70%	\$ -
King County School District #405	\$ 747,677,807.00	0.000472126	\$ 352,997.98
Total Overlapping Debt			<u>\$ 360,474,907.01</u>
Direct Debt			
City of Kirkland <sup>2</sup>	\$ 69,853,655	100.00%	<u>\$ 69,853,655</u>
Total Direct and Overlapping Debt			<u><u>\$ 430,328,562</u></u>

<sup>1</sup> 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.

<sup>2</sup> General obligations bonded debt excluding special assessment and revenue supported bonded debt.

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

	<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>	<u>2022</u>
Debt Limit	\$ 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	\$ 3,637,663,248
Total Net Debt Applicable to Limit	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	62,680,660
Legal Debt Margin	\$ 1,139,121,558	\$ 1,342,870,883	\$ 1,475,064,017	\$ 1,624,081,311	\$ 1,853,227,593	\$ 2,176,728,559	\$ 2,339,059,384	\$ 2,383,917,180	\$ 2,698,901,202	\$ 3,574,982,588
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.72%	2.99%	2.89%	2.51%	2.08%	1.68%	1.47%	1.26%	2.36%	1.72%

**Legal Debt Margin Calculation for Fiscal Year 2021**

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

	Water/Sewer Revenue Bonds					
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
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	\$ -	\$ -	-
2022	\$ 31,444,326	\$ 26,995,303	\$ 4,449,023	\$ -	\$ -	-

Schedule 16

**City of Kirkland**

Demographic and Economic Statistics

Last Ten Fiscal Years - Unaudited

<b><u>Fiscal Year</u></b>	<b><u>Population</u></b>	<b><u>Personal Income (thousands of dollars)</u></b>	<b><u>Per Capita Personal Income</u></b>	<b><u>King County Unemployment Rate</u></b>
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%
2022	93,570	\$ 6,695,682	\$ 71,558	2.80%

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

## Schedule 17

**City of Kirkland**

## Property Values and Construction

Last Ten Fiscal Years - Unaudited

<b>Fiscal Year</b>	<b><u>Commercial Construction</u></b>		<b><u>Residential Construction</u></b>		<b><u>Multi-Family Construction</u></b>		<b><u>Mixed Use Construction</u></b>			<b>Total Assessed Property Valuation</b>
	<b><u>Number of Permits</u></b>	<b><u>Valuation</u></b>	<b><u>Number of Dwellings</u></b>	<b><u>Valuation</u></b>	<b><u>Number of Units</u></b>	<b><u>Valuation</u></b>	<b><u>Number of Permits</u></b>	<b><u>Number of Units</u></b>	<b><u>Valuation</u></b>	
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 <sup>1</sup>	\$ 8,263,498	3	135	\$ 32,156,303	\$ 18,457,291,655
2015	6	\$ 57,174,918	309	\$ 175,251,380	n/a <sup>1</sup>	\$ 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
2022	4	\$ 60,280,145	223	\$ 137,921,198	35	\$ 32,315,449	3	619	\$ 89,840,139	\$ 48,502,176,638

<sup>1</sup>Valuation for updated existing units. No additional new units

## Schedule 18

**City of Kirkland**

## Principal Employers

Current Year and Ten Years Ago - Unaudited

<u>Employer</u>	<u>2022</u>			<u>2013</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	10.93%	2603	1	7.52%
Google, Inc.	2737	2	6.41%	774	3	2.23%
City of Kirkland	650	3	1.52%	550	4	1.59%
Fred Meyer Stores, Inc.	532	4	1.25%			
Salesforce, Inc.	525	5	1.23%			
Kenworth Truck Co.	485	6	1.14%	410	5	1.18%
Astronics Advanced Electronic Systems	433	7	1.01%	388	6	1.12%
Lake Washington Institute of Technology	411	8	0.96%	267	10	0.77%
ServiceNow Inc.	384	9	0.90%			
GoDaddy.Com	381	10	0.89%			
Lake Washington School District				976	2	2.82%
Costco Wholesale				316	7	0.91%
Isoftstone, Inc.				272	8	0.79%
Wave Broadband				268	9	0.77%
<b>Total</b>	<u>11,206</u>		<u>26.25%</u>	<u>6,824</u>		<u>19.70%</u>

## Schedule 19

**City of Kirkland**

## Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years - Unaudited

<b>Function/Program</b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
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 <sup>1</sup>	8.25	8.54	9.94	10.94	10.44	10.44	9.59	11.30	12.24	20.24
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 <sup>1</sup>	18.75	18.75	18.75	18.75	18.75	18.50	18.50	17.50	18.25	21.00
Human Resources	8.70	8.70	8.90	9.20	9.20	9.20	9.20	7.00	10.00	9.00
Parks and Community Services	30.00	30.00	31.00	31.00	33.00	34.00	34.50	34.00	41.00	39.00
Public Works	28.95	31.20	31.20	37.25	37.55	37.55	41.55	43.55	48.55	52.60
Finance and Administration	32.80	33.80	35.30	35.30	35.30	35.30	36.80	36.30	42.35	41.00
Planning and Community Development	23.45	23.45	24.45	-	-	-	-	-	-	-
Planning and Building <sup>2</sup>	-	-	-	52.85	53.35	53.35	53.35	60.50	64.50	68.50
Police	135.50	135.50	136.00	136.00	140.00	140.00	150.00	148.50	143.00	157.00
Fire and Building <sup>2</sup>	123.28	128.28	129.28	-	-	-	-	-	-	-
Fire <sup>2</sup>	-	-	-	111.50	114.50	115.50	116.00	108.00	115.50	133.00
Other General Government Operating Funds										
Lodging Tax Fund	0.60	0.66	0.66	0.66	0.66	0.66	0.51	0.70	0.76	0.76
Street Operating	20.75	20.90	20.90	21.79	22.04	22.04	24.24	23.02	22.19	24.99
Parks Maintenance	9.25	9.25	8.50	8.50	8.50	8.50	8.50	7.50	7.75	8.75
2012 Parks Levy	7.25	7.25	7.75	7.00	7.00	7.00	11.25	9.50	11.75	11.75
Facilities Maintenance	7.35	7.95	7.95	7.95	7.95	7.95	7.95	6.95	5.35	7.95
Equipment Rental	7.30	7.40	7.40	7.45	7.45	7.45	7.45	6.45	7.20	7.45
Information Technology	24.70	24.70	26.70	26.70	27.20	27.20	27.20	26.00	24.10	28.50
Proprietary Funds										
Water/Sewer Operating	19.81	19.76	21.26	21.51	21.51	21.76	22.76	19.18	20.21	22.76
Surface Water Management	27.59	27.79	34.19	33.95	36.70	36.45	38.25	34.88	34.20	40.55
Solid Waste	2.80	2.80	2.80	2.80	2.80	2.80	2.80	3.05	3.05	3.95
<b>Total</b>	<b><u>548.08</u></b>	<b><u>557.68</u></b>	<b><u>573.93</u></b>	<b><u>592.10</u></b>	<b><u>604.90</u></b>	<b><u>606.65</u></b>	<b><u>631.40</u></b>	<b><u>614.88</u></b>	<b><u>642.95</u></b>	<b><u>709.75</u></b>

<sup>1</sup> Prior to 2012, Municipal Court a part of City Manager's Office<sup>2</sup> Prior to 2016, Building located in Fire

## Schedule 20

**City of Kirkland**

## Operating Indicators by Function/Program

Last Ten Fiscal Years - Unaudited

<b><u>Function/Program</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Security of Persons and Property - Police										
Calls for Service	69,568	69,876	63,104	60,732	60,099	57,484	48,030	43,908	46,965	47,816
Security of Persons and Property - Fire										
Calls for Service (aid and fire) <sup>1</sup>	8,033	8,228	8,674	8,743	9,306	9,461	9,034	7,282	8,294	6,170
Average EMS Response (minutes)	5:18	5:24	7:40	7:48	5:09	5:19	6:00	5:40	5:37	5:39
Average Fire Response (minutes)	5:55	5:45	7:49	8:12	6:20	6:45	6:20	6:00	6:10	6:02
Culture and Recreation										
Adult Program Registrations	3,259	3,443	3,246	2,859	3,574	2,406	2,733	877	1,843	2,557
Preschool Program Registrations	4,435	4,041	4,194	4,209	5,046	6,328	5,859	739	1,321	2,877
Youth Program Registrations	5,466	4,949	5,248	5,276	5,764	5,681	5,566	661	4,418	6,519
Teen Program Registrations	103	186	256	202	84	81	83	10	111	400
Parent/Child Program Registrations	1,752	1,773	1,937	1,974	2,055	1,954	2,020	468	323	964
Senior Program Registrations	4,196	3,568	3,444	4,047	4,123	3,522	3,627	916	1,195	2,046
Physical Environment										
Street Hot Patching (hours)	5,246	6,533	5,300	3,664	3,387	5,247	4,055	1,779	3,583	4,466
Street Signal Maintenance (hours)	3,871	3,064	2,973	1,006	1,584	3,577	2,759	2,534 *	2,659	2,468
Street Sweeping (hours)	3,389	2,770	2,763	2,765	3,188	3,376	3,550	4,117	4,082	3,289
Number of Sewer Customers	10,309	10,434	10,597	10,722	10,851	10,996	11,111	11,242	11,310	11,363
Number of Water Customers	12,318	12,431	12,571	12,652	12,762	12,872	12,961	13,053	13,114	13,148
Average Daily Water Consumption (million gallons)	5.31	5.60	6.01	5.50	5.67	5.54	5.43	5.48	5.88	5.70

<sup>1</sup>2018 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

<b><u>Function/Program</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
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	10.3	9.8	-	-	-	-	-	-	-
Patrol Officers per 10 hr shift <sup>1</sup>	-	-	-	8.0	10.0	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	6	6
Stations (part-time reserve staffed)	1	-	-	-	-	-	-	-	-	-
Culture and Recreation										
Parks Acreage	556	558	559	559	572	590	590	590	590	590
Parks (developed)	35	35	36	36	40	42	41	41	41	44
Parks (undeveloped)	10	10	10	10	10	9	9	9	9	6
Waterfront Footage	13,270	13,270	13,270	13,270	13,270	13,270	13,270	11,383	11,383	11,383
Miles of Improved Park Trails	6.5	7.0	13.0	13.0	13.0	15.0	15.0	6.4	11.5	10.4
Miles of Unimproved Park Trails	5.0	11.0	5.0	5.0	5.0	19.0	19.0	12.3	7.1	8.7
Community Centers	2	2	2	2	2	2	2	2	2	2
Physical Environment										
Water Mains (miles)	175	175	175	175	176	176	176	176	173	173
Sanitary Sewers (miles)	122	123	123	123	123	123	124	124	125	125
Streets (miles)	250	250	250	250	251	251	252	252	235	253
Sidewalks (miles)	238	242	242	243	243	248	248	250	256	257.7

<sup>1</sup> Beginning February 2016, 10 hour shifts were implemented for Patrol Officers.

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